

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A, AS AMENDED

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

1. For the fiscal year ended
Dec 31, 2020
2. SEC Identification Number
CS200803939
3. BIR Tax Identification No.
006-990-128
4. Exact name of issuer as specified in its charter
TOP FRONTIER INVESTMENT HOLDINGS, INC.
5. Province, country or other jurisdiction of incorporation or organization
Philippines
6. Industry Classification Code(SEC Use Only)
7. Address of principal office
5th Floor, ENZO Building, No. 399 Sen. Gil Puyat Ave., Makati City
Postal Code
1200
8. Issuer's telephone number, including area code
(02) 8632-3481
9. Former name or former address, and former fiscal year, if changed since last report
N.A.
10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Shares	332,886,167
Total Liabilities as of 12/31/2020 in Millions Php	1,338,424

11. Are any or all of registrant's securities listed on a Stock Exchange?
Yes No
If yes, state the name of such stock exchange and the classes of securities listed therein:
Philippine Stock Exchange; Common Shares
12. Check whether the issuer:

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

Yes No

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

Yes No

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

P5,576,592,373 as of March 31, 2021

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

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

Yes No

DOCUMENTS INCORPORATED BY REFERENCE

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

(a) Any annual report to security holders
None.

(b) Any information statement filed pursuant to SRC Rule 20
None.

(c) Any prospectus filed pursuant to SRC Rule 8.1
None.

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



Top Frontier Investment Holdings, Inc.

TFHI

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

For the fiscal year ended	Dec 31, 2020
Currency	Php (in Millions)

Balance Sheet

	Year Ending	Previous Year Ending
	Dec 31, 2020	Dec 31, 2019
Current Assets	669,989	638,006
Total Assets	2,025,544	1,931,177
Current Liabilities	441,303	462,762
Total Liabilities	1,338,424	1,329,117
Retained Earnings/(Deficit)	85,660	86,408
Stockholders' Equity	687,120	602,060
Stockholders' Equity - Parent	159,244	162,438
Book Value Per Share	381.69	396.26

Income Statement

	Year Ending	Previous Year Ending
	Dec 31, 2020	Dec 31, 2019
Gross Revenue	725,776	1,020,480
Gross Expense	655,900	906,378
Non-Operating Income	6,120	10,557
Non-Operating Expense	36,541	47,179
Income/(Loss) Before Tax	39,455	77,480
Income Tax Expense	15,833	28,909
Net Income/(Loss) After Tax	23,622	48,571

Net Income/(Loss) Attributable to Parent Equity Holder	-233	9,604
Earnings/(Loss) Per Share (Basic)	-5.6	24.18
Earnings/(Loss) Per Share (Diluted)	-5.6	24.18

Financial Ratios

	Formula	Fiscal Year Ended	Previous Fiscal Year
		Dec 31, 2020	Dec 31, 2019
Liquidity Analysis Ratios:			
; ; Current Ratio or Working Capital Ratio	Current Assets / Current Liabilities	1.52	1.38
; ; Quick Ratio	(Current Assets - Inventory - Prepayments) / Current Liabilities	1.06	0.91
; ; Solvency Ratio	Total Assets / Total Liabilities	1.51	1.45
Financial Leverage Ratios			
; ; Debt Ratio	Total Debt/Total Assets	0.45	0.45
; ; Debt-to-Equity Ratio	Total Debt/Total Stockholders' Equity	1.33	1.43
; ; Interest Coverage	Earnings Before Interest and Taxes (EBIT) / Interest Charges	1.78	2.44
; ; Asset to Equity Ratio	Total Assets / Total Stockholders' Equity	2.95	3.21
Profitability Ratios			
; ; Gross Profit Margin	Sales - Cost of Goods Sold or Cost of Service / Sales	20.43	19.66
; ; Net Profit Margin	Net Profit / Sales	9.63	11.18
; ; Return on Assets	Net Income / Total Assets	1.19	2.61
; ; Return on Equity	Net Income / Total Stockholders' Equity	3.44	8.07
Price/Earnings Ratio	Price Per Share / Earnings Per Common Share	-25	8.85

Other Relevant Information

Please see attached Annual Report (SEC Form 17-A) of Top Frontier Investment Holdings, Inc. for the fiscal year ended December 31, 2020, which is hereto submitted in accordance with relevant guidelines of the Securities and Exchange Commission ("SEC") which provides that all reports of publicly-listed companies be disclosed through the PSE Edge and shall be considered as having been filed with the SEC.

Filed on behalf by:

Name	Irene Cipriano
Designation	Assistant Corporate Secretary

COVER SHEET

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S. E. C. Registration Number

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(Company's Full Name)

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

Virgilio S. Jacinto

Contact Person

Number

(02) 8632-3143

Company Telephone

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Month
Day

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SEC Form 17-A

FORM TYPE

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Annual

Meeting

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Secondary License Type, If Applicable

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Dept. Requiring this Doc.
Number/Section

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Amended Articles

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Total No. of Stockholders

Total Amount of Borrowings

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Domestic

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Foreign

To be accomplished by SEC Personnel concerned

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

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

1. For the fiscal year ended **December 31, 2020**
2. SEC Identification Number **CS200803939**
3. BIR Tax Identification No. **006-990-128**
4. **TOP FRONTIER INVESTMENT HOLDINGS, INC.**
Exact name of issuer as specified in its charter
5. **Philippines**
Province, Country or other jurisdiction of
incorporation or organization
6.
Industry Classification Code:
7. **5th Floor ENZO Building, Sen. Gil. Puyat Ave., Makati City** **1200**
Address of principal office Postal Code
8. **(02) 8632-3481**
Issuer's telephone number, including area code
9. **N/A**
Former name, former address, and former fiscal year, if changed since last report.
10. Securities registered pursuant to Sections 8 and 12 of the SRC

Title of Each Class	Number of Shares of Common Stock Outstanding and approximate Debt Outstanding (as of December 31, 2020)
Common Shares	332,886,167*

****Net of the 157,310,033 common shares held in Treasury***

Total Liabilities **P1,338,424 million**

11. Are any or all of these securities listed on a Stock Exchange?

Yes [☒] No [☐]

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

Philippine Stock Exchange

Common Shares

12. Check whether the issuer:

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

Yes [☒] No [☐]

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

Yes ☒ No ☐

13. The aggregate market value of the voting stock held by non-affiliates of the Parent Company as of March 31, 2021 is P5,576,592,373.

DOCUMENTS INCORPORATED BY REFERENCE

14. The following documents are attached and incorporated by reference:

None.

PART I – BUSINESS AND GENERAL INFORMATION

Item 1. Business

Top Frontier Investment Holdings, Inc. (“Top Frontier” or the “Parent Company”) is a Philippine corporation organized on March 11, 2008 as a holding company. As of December 31, 2020, Top Frontier is the largest shareholder of San Miguel Corporation (“SMC”) in which it holds 1,573,100,340 common shares, or 65.99% of SMC’s total outstanding common stock. On August 30, 2013, Top Frontier acquired 100% of the outstanding common stock of Clariden Holdings, Inc. (“Clariden”), a holding company with interests in exploration, mining and development. Other than its ownership in SMC and Clariden, the Parent Company has no other operations as of December 31, 2020.

Major developments in Top Frontier and its subsidiaries (collectively referred to as the “Group”) are discussed in the Management’s Discussion and Analyses of Financial Position and Financial Performance, attached herein as **Annex “A”**, and in Notes 5, Investments in Subsidiaries and Note 11, Investments and Advances of the Audited Consolidated Financial Statements, attached herein as **Annex “B”**.

SAN MIGUEL CORPORATION

SMC, together with its subsidiaries (collectively referred to as the “SMC Group”), is one of the largest and most diversified conglomerates in the Philippines by revenues and total assets, with sales equivalent to approximately 4% of the Philippine gross domestic product in 2020.

Originally founded in 1890 as a single product brewery in the Philippines, SMC today owns market-leading businesses and investments in various sectors, including food and beverage, packaging, energy, fuel and oil, infrastructure, cement, property and banking services. SMC owns a portfolio of companies that is tightly interwoven into the economic fabric of the Philippines, benefiting from and contributing to the development and economic progress of the country. The common shares of SMC were listed on November 5, 1948 at the Manila Stock Exchange, now The Philippine Stock Exchange, Inc. (“PSE”).

Since adopting its business diversification program in 2007, SMC has channeled its resources into what it believes are attractive growth sectors, which are aligned with the development and growth of the Philippine economy. SMC believes that continuing this strategy and pursuing growth plans within each business will achieve a more diverse mix of sales and operating income, and better position for SMC to access capital, present different growth opportunities, and mitigate the impact of downturns and business cycles.

SMC, through its subsidiaries and affiliates, is the market leader in its businesses with 45,522 regular employees and more than 100 production facilities in the Asia-Pacific region as of December 31, 2020. SMC products include beer, spirits, non-alcoholic beverages (“NAB”), poultry, animal feeds, flour, fresh and processed meats, dairy products, coffee, various packaging products, a full range of refined petroleum products and cement, most of which are market leaders in their

respective markets. In addition, SMC contributes to the growth of downstream industries and sustains a network of hundreds of third-party suppliers.

Through the partnerships it has forged with major international companies, the SMC Group has gained access to the latest technologies and expertise, thereby enhancing its status as a world-class organization.

SMC has strategic partnerships with international companies, among them are Kirin Holdings Company, Limited ("Kirin") for beer, Hormel Foods International Corporation ("Hormel") for processed meats, Nihon Yamamura Glass Company, Ltd. ("NYG"), Fuso Machine & Mold Mfg. Co. Ltd. ("Fuso") and Can Pack S.A. ("Can Pack") for packaging products, and Korea Water Resources Corporation ("K-Water") for its power business.

Businesses

Food and Beverage

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

SMFB has three primary operating divisions - (i) beer and NAB, (ii) spirits, and (iii) food. The Beer and NAB Division and the Spirits Division comprise the beverage business (the "Beverage business"). SMFB operates its Beverage business through San Miguel Brewery Inc. and its subsidiaries ("SMB" or the "Beer and NAB Division"), and Ginebra San Miguel Inc. and its subsidiaries ("GSMI" or the "Spirits Division"). The Food business (the "Food Division") is managed through a number of other subsidiaries, including San Miguel Foods, Inc. ("SMFI"), Magnolia Inc., ("Magnolia") and The Purefoods-Hormel Company, Inc. ("Purefoods-Hormel"). SMFB serves the Philippine archipelago through an extensive distribution and dealer network and exports its products to almost 60 markets worldwide.

Beer and NAB Division

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

SMB markets its beer under the following brands: *San Miguel Pale Pilsen*, *Red Horse*, *San Mig Light*, *San Miguel Flavored Beer*, *San Miguel Super Dry*, *San Miguel Premium All-Malt*, *Cerveza Negra*, *San Mig Zero*, *San Mig Free* and *Gold Eagle*. SMB also exclusively distributes *Kirin Ichiban* in the Philippines.

SMB's NAB business portfolio includes *Magnolia Healthtea* (ready-to-drink tea), *Magnolia Fruit Drink* (ready-to-drink juice), *San Mig Cola* (carbonates), and *Cali*, a sparkling malt-based non-alcoholic drink.

In 2018, SMB discontinued the production of *Magnolia Purewater* (bottled water) in plastic bottles in line with SMC's initiative to reduce its environmental footprint and support a sustainable business model. In 2019, SMB launched Agua Prima Still Water in returnable glass bottles and Agua Prima Sparkling Water in returnable glass bottle and can formats which is included in the portfolio of the NAB business.

San Miguel Brewing International Limited and its subsidiaries (“SMBIL”) also offer the *San Miguel Pale Pilsen*, *San Mig Light*, *Red Horse* and *Cerveza Negra* brands in managed countries, which are also available in more than sixty (60) markets worldwide. In addition to the San Miguel brands, SMBIL’s portfolio also includes locally available brands: *Blue Ice* (Hong Kong), *Dragon* (South China), *W1N Bia* (Vietnam) and *Anker* and *Kuda Putih* (Indonesia).

Spirits Division

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

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

GSMI products are exported to markets with high concentration of Filipino communities such as the United Arab Emirates, Taiwan and Hong Kong as well as in Vietnam, Korea, India, Canada and the U.S. It also produces certain brands that are for export only, which includes *Ginebra San Miguel Premium Gin Black*, *Tondeña Manila Rum*, and *Añejo Dark Rum 5 years*. In addition, distilled spirits are sold and distributed in Thailand through GSMI’s joint venture with Thai Life Group of Companies via Thai Ginebra Trading Company Limited.

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

Food Division

The Food Division holds market-leading positions in many key food product categories in the Philippines and offers a broad range of high-quality food products and services to household, institutional and food service customers. The Food Division has some of the most recognizable brands in the Philippine food industry, including *Magnolia* for chicken, ice cream and dairy products, *Monterey* for fresh and marinated meats, *Purefoods* and *Purefoods Tender Juicy* for refrigerated processed meats, ready-to-eat cooked meats, canned meats and seafood lines, *Veega* for meat free, *Star* and *Dari Crème* for margarine, *San Mig Coffee* for coffee, *La Pacita* for biscuits, and *B-Meg* for animal feeds.

The Food Division has a diversified product portfolio that ranges from branded value-added refrigerated meats and canned meats, butter, margarine, cheese, milk, ice cream, jelly-based snacks and desserts, specialty oils, salad aids and biscuits, flour mixes, and coffee and coffee-related products (collectively “Prepared and Packaged Food”) to integrated feeds (“Animal Nutrition and Health”) to poultry and fresh meats (“Protein”) as well as flour milling, grain terminal handling, foodservice, franchising, and international operations (“Others”).

The key operating segments, products, brands and services for each of the primary businesses of the Food Division are as follows:

- a) **Prepared and Packaged Food** - The major operating subsidiaries for the Prepared and Packaged Food segment are Purefoods-Hormel, Magnolia and San Miguel Super Coffeemix Co., Inc. (“SMSCCI”) producing value-added refrigerated and canned meats, dairy, spreads

and oils, biscuits, and coffee. Purefoods-Hormel is a 60:40 joint venture with Hormel Netherlands, B.V., which was entered into in 1998 that produces and markets value-added refrigerated processed meats and canned meat products. The joint venture agreement sets out the parties' agreement as shareholders of Purefoods-Hormel, including, among others, provisions on technical assistance and sharing of know-how, the use of trademarks, fundamental matters requiring shareholder or Board approval, exclusivity covenants, and restrictions on the transfer of Purefoods-Hormel shares.

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

The dairy, spreads and biscuits business, primarily operated through Magnolia Inc., manufactures and markets a variety of bread spreads, milk, ice cream, jelly-based snacks, salad aids, biscuits, flour mixes, and cooking oils. Bread spreads include butter, refrigerated and non-refrigerated margarine and cheese sold primarily under the *Magnolia*, *Dari Crème*, *Star*, and *Cheeze* brands. Dairy products include ready-to-drink milk, ice cream and all-purpose cream under the *Magnolia* brand, jelly-based snacks are under the *JellyAce* brand, biscuits under the *La Pacita* brand, while flour mixes and salad aids like mayonnaise and dressings, are under the *Magnolia* brand. Cooking oil products are sold under the *Magnolia Nutri-Oil* brand. The margarine brands, *Star* and *Dari Crème*, established in 1931 and 1959 respectively, were acquired in the 1990s.

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

In February 2015, the Food Division entered the biscuits category through the acquisition of the *La Pacita* brand from Felicisimo Martinez & Co., Inc. *La Pacita* products include crackers and cookies in various formats, which are distributed in the Philippines and exported to other countries.

- b) **Animal Nutrition and Health** - The Animal Nutrition and Health segment produces integrated feeds and veterinary medicines. The operating subsidiary for the Animal Nutrition and Health segment is SMFI. Commercial feed products include hog feeds, layer feeds, broiler feeds, gamefowl feeds, aquatic feeds, branded feed concentrates, and specialty and customized feeds. These feeds are sold and marketed under various brands such as *B-Meg*, *B-Meg Premium*, *Integra*, *Expert*, *Dynamix*, *Essential*, *Pureblend*, *Bonanza*, *Jumbo*, and *Nutri Chunks*.
- c) **Protein** - SMFI is also the operating subsidiary for the business' Protein segment, which sells poultry and fresh meats products. The poultry business operates a vertically-integrated production process that spans from breeding broilers to producing and marketing chicken products, primarily for retail. Its broad range of chicken products is sold under the *Magnolia* brand, which includes fresh-chilled or frozen whole, cut-up and marinated products. A wide variety of fresh and easy-to-cook products are sold through *Magnolia Chicken Stations*. The poultry business also sells customized products to foodservice and export clients, supplies supermarket house brands, serves chicken products to wet markets through distributors, and sells live chickens to dealers.

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

- d) **Others** - Flour milling, premixes and baking ingredients, foodservice, franchising and international operations are categorized under Others. The bulk of this segment is accounted for by the flour milling business and grain terminal operation.

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

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

The international operations of the Food Division are located in Indonesia and Vietnam. PT San Miguel Foods Indonesia ("PTSMFI", formerly PT Pure Foods Suba Indah) is a 75:25 joint venture with PT Hero Intiputra of Indonesia. San Miguel Foods Investment (BVI) Limited, which operates San Miguel Pure Foods (Vn) Co., Ltd. ("SMPFVN") in Vietnam, is a wholly-owned subsidiary of San Miguel Foods International, Limited. Both PTSMFI and SMPFVN are in the business of production and marketing of processed meats which are sold under the *Farmhouse* and *Vida* brands in Indonesia and under the *Le Gourmet* brand in Vietnam.

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

The Food Division ventured into the franchising business to serve as contact points with consumers, a trial venue for new product ideas and a channel to introduce product applications for its products. The franchising business, also a group under SMFI, follows a convenience store model under the *Treats* brand, most of which are located in Petron gasoline stations. *Chick'n Juicy* is the newest addition to the Food Division's franchising roster. Launched in February 2019, *Chick'n Juicy* gives its own take on the popular roast chicken, fried chicken, fried *isaw*, and hard-boiled eggs, with top quality meats using the *Magnolia* brand.

Below is a list of the major food and beverage subsidiaries as of December 31, 2020:

San Miguel Food and Beverage Inc. and subsidiaries [including San Miguel Brewery Inc. and subsidiaries (including Iconic Beverages, Inc., Brewery Properties Inc. and subsidiary, and San Miguel Brewing International Ltd. and subsidiaries (including San Miguel Brewery Hong Kong Limited and subsidiaries, PT. Delta Djakarta Tbk. and subsidiary, San Miguel (Baoding) Brewery Co., Ltd.*, San Miguel Brewery Vietnam Company Limited, San Miguel Beer (Thailand) Limited and San Miguel Marketing (Thailand) Limited); Ginebra San Miguel Inc. and subsidiaries (including Distileria Bago, Inc., East Pacific Star Bottlers Phils Inc., Ginebra San Miguel International, Ltd., GSM International Holdings Limited, Global Beverage Holdings Limited and Siam Holdings Limited.); and San Miguel Foods, Inc. and subsidiary, San Miguel Mills, Inc. and subsidiaries, Magnolia Inc. and subsidiary, The Purefoods-Hormel Company, Inc., San Miguel Super Coffeemix Co., Inc., PT San Miguel Foods Indonesia (formerly PT San Miguel Pure Foods Indonesia), and San Miguel Foods International, Limited (formerly San Miguel Pure Foods International, Limited) and subsidiary, San Miguel Foods Investment (BVI) Limited (formerly San Miguel Pure Foods Investment (BVI) Limited) and subsidiary, and San Miguel Pure Foods (VN) Co., Ltd.]

* Ceased operations in March 2020 and is currently undergoing liquidation.

Packaging

The packaging business began operations in 1938 with the establishment of a glass plant that supplied glass bottles for the beer and non-alcoholic beverage products of SMC. Collectively called as the Packaging Group, the business is comprised of San Miguel Yamamura Packaging Corporation ("SMYPC"), San Miguel Yamamura Packaging International Limited ("SMYPIL") and their respective subsidiaries which are both joint venture companies between SMC and NYG, one of the largest glass and plastic packaging corporations in Japan, SMC Yamamura Fuso Molds Corp. ("SYFMC"), the manufacturer of glass and plastics molds in the country, Can Asia, Inc. ("CAI"), a pioneer in the production of two-piece aluminum cans, Mindanao Corrugated Fireboard, Inc. ("Mincorr"), a paper corrugated carton manufacturer, and Wine Brothers Philippines Corp., involved in the sale and distribution of wine products.

The Packaging Group manages one of the largest packaging operations in the Philippines with diversified businesses producing glass, molds, metal and plastic closures, aluminum cans, plastic bottles, pallets and crates, flexibles, paper, and other packaging products that offers a total packaging solution. The Packaging Group also provides services such as beverage filling for Polyethylene Terephthalate ("PET") bottles, aluminum cans, and glass bottles, pallet leasing, and logistics services. The Packaging Group is the major source of packaging requirements of the other business units of SMC. It also supplies its products to customers across the Asia-Pacific region, the United States, and Australasia, as well as to major multinational corporations in the Philippines, including Coca-Cola Beverages Philippines, Inc., Nestle Philippines, Inc., and Pepsi Cola Products Philippines, Inc.

The Packaging Group holds 19 international packaging companies, particularly, located in China (glass, plastic, and paper packaging products), Vietnam (glass and metal), Malaysia (composite, plastic films, woven bags, and radiant/thermal liners), Australia (trading, wine closures and bottle caps, and wine filling services and distribution) and New Zealand (plastics and trading).

Aside from extending the reach of the packaging business overseas, these facilities also allow the Packaging Group to serve the packaging requirements of SMB breweries in China, Vietnam, Indonesia, and Thailand.

SMYPC has ownership of all of the domestic plants of the Packaging Group, except the corrugated carton plant Mincorr, which is 100% owned by SMC. Mincorr is being managed by SMYPC. SMYPIL's subsidiaries are the Packaging Group's international facilities.

- a) **Glass** - The glass business is the Packaging Group's largest business segment. It has three glass manufacturing facilities, and one glass and PET mold plant in the Philippines serving the requirements of the beverage, food, pharmaceutical, chemical, personal care, and health care industries. The bulk of the glass bottle requirements served by this segment are for the beverage, pharmaceuticals and food industries. The Securities and Exchange Commission approved the application of the merger of San Miguel Yamamura Asia Corporation ("SMYAC"), a joint venture company of SMC and NYG, and SMYPC, effective as of March 1, 2020 in accordance with Clause 5.5 of the Plan of Merger. Accordingly, by operation of law, SMYAC ceased to exist and the facility is now known as SMY Glass Plant, the country's most technologically advanced glass manufacturing facility and the largest glass manufacturing facility in the Philippines.
- b) **Metal** - The metal business manufactures metal caps, crowns, resealable caps, and two-piece aluminum beverage cans for a range of industries that include beer, spirits, soft drinks, condiments, and food. CAI is the pioneering two-piece aluminum can plant in the Philippines for the beverage market. SMYPC formed CAI, a joint venture with Can Pack, for the modernization of the two-piece aluminum can manufacturing business. Utilizing the know-how and technologies of Can Pack Group on can manufacturing, CAI is now capable to produce aluminum cans and ends in three categories - regular (standard), sleek, and slim cans. With its aim to introduce various aluminum can-packaging formats to the growing market in the Philippines and the Asia Pacific region, the business has expanded its product

line to offer 180 ml aluminum cans in 2018. To-date, CAI is capable of producing six can sizes.

- c) **Plastics** - The plastics business, the second largest business in Packaging Group, produces crates and pallets, poultry flooring, plastic bottles, PET preforms and bottles, plastic caps and handles to serve the beer, liquor, non-alcoholic beverages, food, pharmaceutical, personal care, petroleum, and industrial applications industries.
- d) **Beverage Filling** - The beverage filling operations is capable of filling non-alcoholic beverages in PET and two-piece aluminum cans. The business also expanded its capability to include retort process to serve coffee, milk, and chocolate drinks and glass filling.
- e) **Paper** - The paper business produces corrugated cartons and partition boxes. It supplies the carton packaging needs of a broad range of manufacturing and agricultural industries.
- f) **Composites/Flexibles** - The composites/flexible packaging business manufactures flexible packaging, plastic films, industrial laminates, trademarked Envirotuff™ radiant barrier and woven bags. Customers for this segment include companies in the food, beverages, personal care, chemical and healthcare industries. It also provides composite materials for a varied range of industries including construction, semiconductor, and electronics.

On February 27, 2015, SMYPIL through its Australian subsidiary, SMYV Pty Ltd, completed the acquisition of the assets and business of Vinocor Worldwide Direct Pty. Ltd. ("Vinocor"). Vinocor is a market leader in the supply of corks and closures for wine bottles in Australia, with facilities and operations based in Adelaide, South Australia.

On September 1, 2016, SMYA through its new New Zealand subsidiary, SMYE Limited, acquired the assets and business of Endeavour Glass Packaging Limited (In Receivership), a trading company based in Auckland, New Zealand. Thereafter, in 2017, SMYE Limited was amalgamated (or merged) with Cospak Limited, the New Zealand subsidiary of SMYA, with the latter continuing as the amalgamated (or surviving) company.

In 2017, SMYA acquired all of the issued share capital of Portavin Holdings Pty Ltd., Barrosa Bottling Services Pty Ltd., and Best Bottlers Pty Ltd., through its subsidiaries SMYP Pty Ltd., SMYB Pty Ltd., and SMYBB Pty Ltd. These acquisitions strengthened SMYA's business in Australia and expanded its product base to include wine filling services, serving the growing wine markets in the Australasia region and in China.

To augment growth of the wine filling business of SMYA, the Packaging Group established in 2018 Wine Brothers Australasia Pty Ltd in Australia and Wine Brothers Philippines Corporation in the Philippines. The business is involved in the sale and distribution of wine products in their respective countries.

Moreover, in 2018, SMYA through its subsidiary, SMYJ Pty Ltd., acquired the business assets of JMP Holdings Pty Ltd, a supplier of retail packaging products, transport packaging solutions, and other products and services based in Victoria, Australia.

Below is a list of the major domestic and international packaging subsidiaries as of December 31, 2020:

San Miguel Yamamura Packaging Corporation and subsidiaries, SMC Yamamura Fuso Molds Corporation, Can Asia, Inc. and Wine Brothers Philippines Corporation

San Miguel Yamamura Packaging International Limited and subsidiaries [including San Miguel Yamamura Phu Tho Packaging Company Limited, San Miguel Yamamura Glass (Vietnam) Limited, San Miguel Yamamura Haiphong Glass Company Limited, Zhaoqing San Miguel Yamamura Glass Company Limited, Foshan San Miguel Yamamura Packaging Company Limited, San Miguel Yamamura Packaging and Printing Sdn. Bhd., San Miguel Yamamura Woven Products Sdn. Bhd., and subsidiary, Packaging Research Centre Sdn. Bhd., San Miguel Yamamura Plastic Films Sdn. Bhd., and San Miguel Yamamura Australasia Pty. Ltd. and subsidiaries {including SMYC Pty Ltd (formerly Cospak Pty Ltd) and subsidiary, Foshan Cospak Packaging Co Ltd, Cospak Ltd (New Zealand), SMYV Pty Ltd, SMYB Pty Ltd, SMYP Pty Ltd, SMYBB Pty Ltd, SMYJ Pty Ltd and Wine Brothers Australasia Pty Ltd}]

Mindanao Corrugated Fibreboard, Inc.

Real Estate

Established in 1990 as the corporate real estate arm of SMC, San Miguel Properties Inc. ("SMPI") is aiming to be one of the major players in the property sector through mixed-use developments. SMPI is 99.96% owned by SMC and is primarily engaged in the development, sale and lease of real property. SMPI is also engaged in leasing and managing the real estate assets of SMC.

Moving forward, SMPI is creating more synergies with its business units and is looking at developing quality residential, commercial and industrial developments.

Cavite Projects

SMPI offers a diverse portfolio of mid-range homes in General Trias, Cavite, namely Bel Aldea, Maravilla, and Asian Leaf, offering townhouse units and single attached house-and-lots, with floor areas ranging from 41.75 to 132.00 square meters.

Wedge Woods

Wedge Woods is located west of Sta. Rosa, Laguna - in Silang, Cavite, offering prime lots on a rolling terrain, with a majestic view of Mount Makiling.

Bel Aldea

Bel Aldea, located in General Trias, Cavite, is a 17-hectare development, which serves the economic housing segment, offers smartly designed townhouse units, with an average floor area of 42 square meters.

Maravilla

Spanning 24 hectares, Maravilla is a mid-range residential community located at General Trias, Cavite, offering Spanish Mediterranean houses, which currently offers new house models to suit the changing needs of the market.

Asian Leaf

Asian Leaf is a seven-hectare premier residential community in the heart of General Trias, Cavite, composed of single attached house and lots, with floor areas ranging from 88.50 to 108.30 square meters. Fusing modern Asian architecture and vibrant landscaping, Asian Leaf is perfect for homeowners looking for a tranquil and ideal haven.

Metro Manila Projects

The first project of SMPI is the SMC Head Office Complex, now considered as a landmark, which has served as a catalyst in transforming the area now known as the Ortigas Business District.

SMPI has expanded its portfolio, serving the high-end market with its foray into townhouse developments, such as Dover Hill in San Juan City, One Dover View and Two Dover View in Mandaluyong City, and Emerald 88 in Pasig City, and ventured also in hospitality segment thru its Makati Diamond Residences ("MDR") in Makati City.

Dover Hill

A 93-unit luxury townhouse development in Addition Hills, San Juan City that offers three to five-bedroom units ranging from 202 up to 355 square meters. A three-car parking area located directly below each unit ensures maximum convenience. Aside from its amenities like the swimming pool and playground, within the Dover Hill compound is Dover Club, a five-storey amenity building which includes a fully-equipped, state-of-the-art fitness gym, and a party venue with its own kitchen and dining area good for up to 30 guests.

One Dover View & Two Dover View

Both located along Lee St., Mandaluyong, One Dover View and Two Dover View are exclusive and premier condominium-townhouse projects, offering three and four bedrooms, with only 23 and eight units, respectively. Floor areas range from 222.80 to 327.10 square meters.

Emerald 88

Located along Dr. Sixto Avenue, Pasig City, Emerald 88 is a 14 three-level townhouse unit development, with generous floor areas ranging from 187.48 to 216.94 square meters. Each unit has two-car garage.

Makati Diamond Residences

MDR is a luxury serviced apartment with 410 spacious guest rooms ranging from 41 square meters up to as much as 204 square meters and has top-of-the-line amenities and health and wellness facilities. Conveniently located in Makati Central Business District, the location of MDR provides easy access to many multinational companies, shopping, dining and entertainment destinations.

Mariveles Economic Zone Project

A 500-hectare industrial park development under the flagship of E-Fare Investment Holdings, Inc., and registered under Authority of the Freeport Area of Bataan. The Mariveles Economic Zone Project intends to provide an attractive location for private investments, stimulate regional economic activity and generate employment opportunities.

Boracay Gateway Project

Situated in the municipalities of Nabas and Malay, Province of Aklan, Boracay Gateway Project is a soon to rise Tourism Development under the flagship of La Belle Plume Realty, Inc. It is a master-planned development with various hotels, state-of-the-art water themed park, retail, food and beverage and entertainment facilities.

The project's Phase 1 is resting in a 205-hectare land just beside the Boracay Airport, and is envisioned to be a premiere, world-class destination boasting with a variety of water and non-water activities and attractions, immersive experiences, culture and arts.

Below is a list of the major properties subsidiaries as of December 31, 2020:

San Miguel Properties, Inc. and subsidiaries [including SMPI Makati Flagship Realty Corp. and Bright Ventures Realty, Inc.].

Fuel and Oil

SMC operates its fuel and oil business through Petron Corporation ("Petron"), which is involved in refining crude oil and marketing and distribution of refined petroleum products mainly in the Philippines and Malaysia. Petron is the largest and only oil refining and marketing company in the Philippines and a leading player in Malaysian market. Petron has a combined refining capacity of 268,000 barrels per day. Petron participates in the reseller (service station), industrial, lube, and liquefied petroleum gas sectors. In addition, Petron is also engaged in non-fuels business by earning income from billboards and locators, situated within the premises of the service stations.

Petron owns and manages the most extensive oil distribution infrastructure in the Philippines. Petron has more than 2,400 retail service stations and approximately 700 retail service stations in Malaysia as of December 31, 2020. Petron also exports various petroleum products and petrochemical feedstock, including naphtha, mixed xylene, benzene, toluene and propylene, to customers in the Asia-Pacific region.

Petron owns and operates a petroleum refining complex, with a capacity of 180,000 barrels per day located in Limay, Bataan Philippines. The refinery has its own piers and two off shore berthing facilities. In 2010, Petron started the upgrade of its refinery by undertaking the Petron Bataan Refinery Master Plan Phase-2 Upgrade ("RMP-2") which started commercial operation on January 1, 2016. RMP-2 upgraded the Petron Bataan Refinery to a full conversion refining complex which further enhanced its operational efficiencies, converting its fuel oil production into higher value products - gasoline, diesel, jet fuel, and petrochemicals, making it comparable to highly complex refineries worldwide. Petron also owns a refinery in Malaysia with a capacity of 88,000 barrels per day and 10 product terminals, with presence in the airport segment through a 20% ownership of a multi-product pipeline to Kuala Lumpur International Airport.

Below is a list of the fuel and oil subsidiaries as of December 31, 2020:

SEA Refinery Corporation and subsidiary, Petron Corporation and subsidiaries [including Petron Marketing Corporation, Petron Freeport Corporation, Petrogen Insurance Corporation*, Overseas Ventures Insurance Corporation Ltd., New Ventures Realty Corporation and subsidiaries, Petron Singapore Trading Pte., Ltd., Petron Global Limited, Petron Oil & Gas International Sdn. Bhd. and subsidiaries including Petron Fuel International Sdn. Bhd., Petron Oil (M) Sdn. Bhd. and Petron Malaysia Refining & Marketing Bhd (collectively Petron Malaysia), Petron Finance (Labuan) Limited and Petrochemical Asia (HK) Limited and subsidiaries]

** Effective February 4, 2021, became a 92.05% owned subsidiary of SMC through a 74.94% direct ownership and a 17.11% indirect equity interest through Petron.*

Energy

The energy business, which is conducted through SMC Global Power Holdings Corp. ("SMC Global Power"), together with its subsidiaries, associates and joint ventures, is one of the largest power companies in the Philippines, controlling 4,697 MW of combined capacity as of December 31, 2020. SMC Global Power benefits from a diversified power portfolio, including natural gas, coal, renewable energy such as hydroelectric power and most recently, the battery energy storage systems ("BESS"). This portfolio includes:

- a) The power plants subject of the Independent Power Producer Administration ("IPPA") Agreements with the Power Sector Assets and Liabilities Management Corp. ("PSALM"), specifically the 1000 MW Sual Coal Fired Power Plant in Sual, Pangasinan, the 1200 MW Ilijan Natural Gas Fired Combined Cycle Power Plant in Ilijan, Batangas, and the 345 MW San Roque Multipurpose Hydroelectric Power Plant in San Roque, Pangasinan, the output of which are being managed by San Miguel Energy Corporation ("SMEC"), South Premiere Power Corp. ("SPPC"), and Strategic Power Devt. Corp. ("SPDC"), respectively, all wholly-owned subsidiaries of SMC Global Power;

- b) The 218 MW Angat Hydroelectric Power Plant in Angat, Bulacan, owned by Angat Hydropower Corporation (“AHC”), whose outstanding capital stock is 60% owned by SMC Global Power through its wholly-owned subsidiary, PowerOne Ventures Energy Inc. (“PVEI”);
- c) The 1 x 330 MW (Unit 1), 1 x 344 MW (Unit 2) and 1 x 335 MW (Unit 3) coal-fired power plant (together, comprising the “Masinloc Power Plant”), and the 10 MWh BESS project all located in Masinloc, Zambales, owned by Masinloc Power Partners Co. Ltd. (“MPPCL”), which was wholly acquired by SMC Global Power in March 2018. MPPCL also intends to construct and develop 1 x 350 MW coal-fired thermal power plant expansion with target completion date in 2024;
- d) The greenfield power plants owned and developed by SMC Global Power, namely the 4 x 150 MW Limay Coal-Fired Circulating Fluidized Bed Power Plant in Limay, Bataan, (the “Limay Greenfield Power Plant”) owned by its subsidiary, SMC Consolidated Power Corporation (“SCPC”) and the 2 x 150 MW Malita Coal-Fired Circulating Fluidized Bed Power Plant in Malita, Davao Occidental, (the “Davao Greenfield Power Plant”) owned by another subsidiary, San Miguel Consolidated Power Corporation (“SMCPC”). Units 1, 2, 3 and 4 of the Limay Greenfield Power Plant commenced commercial operations in May 2017, September 2017, March 2018 and July 2019, respectively. Units 1 and 2 of the Davao Greenfield Power Plant commenced commercial operations in July 2017 and February 2018, respectively; and
- e) The 15 MW Multi-Fuel Peaking Power Plant in Tagum City, Davao del Norte (“Tagum Peaking Power Plant”) acquired by SMC Global Power through its wholly owned subsidiary, Strategic Energy Development Inc. (“SEDI”), in February 2020 to provide back-up power to the Davao Greenfield Power Plant.

Based on the total installed generating capacities under the most recent Energy Regulatory Commission (“ERC”) Resolution on Grid Market Share Limitation, SMC Global Power believes that its combined installed capacity comprises approximately 20% of the National Grid, 27% of the Luzon Grid and 8% of the Mindanao Grid, in each case, as of December 31, 2020.

SMC Global Power is also engaged in distribution and retail electricity services. Its wholly-owned subsidiary, Albay Power and Energy Corp. (“APEC”) operates and maintains Albay Electric Cooperative, Inc. (“ALECO”), which is the franchise holder for the distribution of electricity in the province of Albay in Luzon by virtue of a concession agreement with ALECO. SMC Global Power was also issued retail electricity supplier licenses, through San Miguel Electric Corp. (“SMELC”), SCPC and MPPCL, which allow it to enter into contracts with contestable customers and expand its customer base.

SMC Global Power, through its subsidiaries SMEC, SPDC, SPPC, AHC, SCPC, SMCPC, SMELC, SEDI and MPPCL, sells power through offtake agreements directly to customers, including the Manila Electric Company (“Meralco”) and other distribution utilities, electric cooperatives and industrial customers, or through the Wholesale Electricity Spot Market (“WESM”).

SMC Global Power also owns (1) 89.54% interest in Mariveles Power Generation Corporation (“MPGC”), which is developing and constructing the 4 x 150 MW circulating fluidized bed coal-fired power plant and associated facilities in Mariveles, Bataan, (2) SMCGP Philippines Energy Storage Co. Ltd. (“SMCGP Philippines Energy”), whose 20 MWh BESS project located in Kabankalan, Negros Occidental, has attained substantial completion (including testing and commissioning with the National Grid Corporation of the Philippines) in December 2020, (3) Central Luzon Premiere Power Corp. (“CLPPC”), which is planning to develop and construct a new power plant using high efficiency low emission technologies located in Pagbilao, Quezon with planned installed capacity of 600 MW (“Pagbilao Greenfield Power Plant”), (4) Universal Power Solutions Inc. (“UPSI”), which is developing up to 950 MWh BESS facilities across the Philippines and (5) Excellent Energy Resources Inc. (“EERI”), which is planning to construct an 1,313.1 MW natural gas combined cycle power plant in Barangays Ilijan and Dela Paz Proper, Batangas City (“Ilijan Expansion Plant”) as part of SMC Global Power’s diversification of its power portfolio to include liquefied natural gas.

In addition, SMC Global Power, through SMEC and its subsidiaries, Bonanza Energy Resources, Inc., Daguma Agro Minerals, Inc. and Sultan Energy Phils. Corp., also owns coal exploration, production, and development rights over approximately 17,000 hectares of land in Mindanao. While SMC Global Power does not intend to develop these sites in the near future, depending on prevailing global coal prices and the related logistical costs, it may consider eventually tapping these sites to serve as a significant additional source of coal fuel for its planned and existing greenfield coal-fired power plants.

Below is a list of the major energy subsidiaries as of December 31, 2020:

SMC Global Power Holdings Corp. and subsidiaries [including SMEC and subsidiaries, SPPC, SPDC, SMELC, SCPC, SMCP, SMC Power Generation Corp., PVEI, APEC, Lumiere Energy Technologies Inc. (formerly Limay Premiere Power Corp.), UPSI (formerly Limay Power Generation Corporation), MPGC, SEDI, EERI, CLPPC, Prime Electric Generation Corporation and subsidiary, Alpha Water and Realty Services, Corp., Oceantech Power Generation Corporation and its subsidiary - SMCGP Philippines Energy Storage, and SMCGP Masin Pte. Ltd. and subsidiaries (including MPPCL)]. SMCGP Masin Pte. Ltd. is in the process of liquidation as of December 31, 2020.

Infrastructure

The infrastructure business, conducted through San Miguel Holdings Corp. ("SMHC"), consists of investments in companies that hold long-term concessions in the infrastructure sector in the Philippines. Current operating toll roads include the South Luzon Expressway ("SLEX"), Skyway Stages 1, 2 and 3, the Southern Tagalog Arterial Road ("STAR"), Tarlac-Pangasinan-La Union Toll Expressway ("TPLEX"), and NAIA Expressway ("NAIAx") tollways. Ongoing projects include the Alabang South Skyway Extension, SLEX TR4, Mass Rail Transit Line 7 (MRT-7), Skyway Stage 4 and Manila International Airport. It also operates and is currently expanding the Boracay Airport and has investments in Manila North Harbour Port Inc. (MNHPI) and Luzon Clean Water Development Corporation ("LCWDC") for the Bulacan Bulk Water Supply Project. The Skyway Stage 3 has already been opened to motorists while awaiting formal Toll Operating Permit from the Toll Regulatory Board of the Department of Transportation.

SLEX / Skyway Stages 1 and 2 / Alabang South Skyway Extension

As of March 5, 2015, SMHC has a 95% stake in Atlantic Aulum Investments B.V. ("AAIBV"), a company which has the following shareholdings:

- 80.0% stake in SMC SLEX Inc. (formerly South Luzon Tollway Corporation), through MTD Manila Expressways, Inc. ("MTDME"), a wholly-owned subsidiary of AAIBV. SMC SLEX Inc. holds the 30-year concession rights to the SLEX, which currently spans 36.1 kilometers (km) from Alabang, Muntinlupa to Sto. Tomas, Batangas. SLEX is one of the three major expressways that link Metro Manila to the key southern provinces of the Philippines, including Cavite, Laguna, Batangas, Rizal and Quezon ("CALABARZON"). It also holds the 35-year concession rights to SLEX TR4 which will extend SLEX from Sto. Tomas, Batangas to Lucena City in Quezon province with a length of 56.862 km; and
- 87.84% beneficial ownership in SMC Skyway Corporation (formerly Citra Metro Manila Tollways Corporation), through Atlantic Aulum Investments Philippines Corporation ("AAIPC"), a wholly-owned subsidiary of AAIBV. SMC Skyway Corporation holds the 30-year concession rights to construct, operate and maintain the 29.59 km Skyway Stage 1 and 2 Project.

The Alabang South Skyway Extension Project will extend the Skyway Elevated Section from Sucat to Susana Heights in SLEX providing direct access to and from the elevated section of the Skyway by adding new elevated lanes, three northbound (3.993 km) and two southbound (3.993 km). The project aims to decongest traffic along SLEX heading to Alabang and the Alabang viaduct.

STAR Tollway

SMHC, through Cypress Tree Capital Investments, Inc. (“CTCI”) has an effective 100% interest in Star Infrastructure Development Corporation (“SIDC”). SIDC holds the 36-year Build-Transfer-Operate (“BTO”) concession rights of the STAR Project consisting of: Stage 1 - operation and maintenance of the 22.16 km toll road from Sto. Tomas to Lipa City; and Stage 2 - financing, design, construction, operation and maintenance of the 19.74 km toll road from Lipa City to Batangas City.

TPLEX

SMHC, through its subsidiary, SMC TPLEX Holdings Co. Inc. (“STHCI”; formerly Rapid Thoroughfares Inc.), owns a 70.11% equity interest in SMC TPLEX Corporation (“SMCTC”; formerly Private Infra Dev Corporation). SMCTC is a company which holds the 35-year BTO concession rights to construct, operate and maintain an 88.85 km toll expressway from La Paz, Tarlac, through Pangasinan, to Rosario, La Union. The stretch from Tarlac to Pozzorubio, Pangasinan has been operational since December 2017. The last phase from Pozzorubio to Rosario, La Union was completed and has been operational since July 15, 2020.

NAIAx

On May 31, 2013, SMHC incorporated SMC NAIAX Corporation (formerly Vertex Tollways Devt. Inc., as approved by the SEC on March 2, 2021) (“SMC NAIAX”), a company that holds the 30-year BTO concession rights for the construction and operation of the NAIAX – a four-lane elevated expressway with end-to-end distance of 5.4 km that will provide access to NAIA Terminals 1, 2 and 3. NAIAX connects to the Skyway system, the Manila-Cavite Toll Expressway (CAVITEX) and the Entertainment City of the Philippine Amusement and Gaming Corporation. NAIAX became fully operational in December 2016.

Skyway Stage 3

On February 28, 2014, SMHC through AAIBV incorporated Stage 3 Connector Tollways Holdings Corp. (“S3HC”), which holds an 80% ownership interest in SMC Skyway Stage 3 Corporation (formerly Citra Central Expressway Corp.). SMC Skyway Stage 3 Corporation holds the 30-year concession rights to construct, operate, and maintain the Skyway Stage 3, an elevated roadway with a total length of approximately 17.93 km from Buendia Avenue in Makati to Balintawak, Quezon City and will connect to the existing Skyway Stage 1 and 2. Skyway Stage 3 will inter-connect the northern and southern cities of Metro Manila to help decongest traffic within the National Capital Region and stimulate the growth of trade and industry in Luzon, outside of Metro Manila.

On March 15, 2016, AAIBV transferred its 100% ownership interest in S3HC to AAIPC, its 100% wholly owned subsidiary.

On April 16, 2019, a stockholder of SMC Skyway Stage 3 Corporation issued a waiver on its pre-emptive right to subscribe to 10% interest in favor of S3HC. S3HC already holds 90% ownership interest in SMC Skyway Stage 3 Corporation.

End-to-end alignment (main alignment) was completed and partially opened on December 29, 2020, with continuous construction works for toll plazas and remaining ramps to be completed by December 2021. The Skyway Stage 3 Project was formally inaugurated and opened to motorists on January 14, 2021, free of toll fee.

Skyway Stage 4

SMHC, through its subsidiary, SMC Infraventures Inc., owns a 77.93% equity interest in SMC Skyway Stage 4 Corporation (formerly Citra Intercity Tollways, Inc.). SMC Skyway Stage 4 Corporation holds the concession right to construct Skyway Stage 4, a proposed 56.74-km roadway from South Metro Manila Skyway to Batasan Complex, Quezon City. Skyway Stage 4 will serve as another expressway system that aims to further decongest EDSA, C5 and other major arteries of the Metropolis. Further, it aims to provide a faster alternate route and accessibility to the motorist

when travelling from the provinces of CALABARZON area to the Metropolis. The project has a concession period of 30 years (from start of operations).

Boracay Airport

SMC, through the 99.92% interest of SMHC in Trans Aire Development Holdings Corp. ("TADHC"), is undertaking the expansion of Boracay Airport under a 25-year Contract-Add-Operate-and-Transfer concession granted by the Republic of the Philippines ("ROP"), through the Department of Transportation and Communications (now the Department of Transportation). Boracay Airport is the principal gateway to the Boracay Island, a popular resort for passengers traveling from Manila. The airport has seen recent upgrades including a longer runway and accommodation of international flights.

MRT-7

In October 2010, SMC, through SMHC, acquired a 51.0% stake in Universal LRT Corporation (BVI) Limited ("ULC BVI"), which holds the 25-year Build-Gradual Transfer-Operate-Maintain concession for MRT-7. MRT-7 is a planned expansion of the metro rail system in Manila which mainly involves the construction of a 22-km mass rail transit system with 14 stations that will start from San Jose del Monte City in Bulacan and end at the integrated LRT-1 / MRT-3 / MRT-7 station at North EDSA. The project also involves a 22-km six lane asphalt highway that will connect the North Luzon Expressway to an intermodal transport terminal in San Jose del Monte City, Bulacan.

As of July 1, 2016, SMC, through SMHC already holds 100% ownership in ULC BVI.

On December 12, 2016, the ROP through the Department of Transportation, gave its consent to the assignment of all the rights and obligations of ULC BVI under the Concession Agreement to SMC Mass Rail Transit 7, Inc. ("SMC MRT 7"). SMC through SMHC owns 100% of SMC MRT 7.

MNHPI

MNHPI is the terminal operator of Manila North Harbor, a 63.5-hectare port facility situated at Tondo, City of Manila. The port has a total quay length of 5,758 meters and 41 berths which can accommodate all types of vessels such as containerized and non-container type vessels. Under the Contract for the Development, Operation and Maintenance of the Manila North Harbor entered with the Philippine Ports Authority on November 19, 2009, the Philippine Ports Authority awarded MNHPI the sole and exclusive right to manage, operate, develop, and maintain the Manila North Harbor for 25 years, renewable for another 25 years. MNHPI commenced operations on April 12, 2010. SMC through SMHC owns 50% of MNHPI as of December 31, 2020.

Bulacan Bulk Water Supply Project

The Bulacan Bulk Water Supply Project aims to provide clean and potable bulk water supply to the province of Bulacan that is environmentally sustainable and with a price that is equitable. The project also aims to help various water districts in Bulacan to meet the increasing water demand of consumers, expand its current service area coverage and increase the number of households served by providing a reliable source of treated bulk water. SMC through SMHC owns 90% of LCWDC, which will serve as the concessionaire for a period of 30 years (inclusive of the two-year construction period). Stage 1 of this project was completed in January 2019 and started supplying potable bulk water to six Water Service Providers (San Jose del Monte, Marilao, Meycauayan, Obando, Bocaue, and Balagtas) as of the first quarter of 2019. Stage 2 was completed and started its commercial operations for the other six Water Service Providers (Plaridel, Sta. Maria, Guiguinto, Bulakan, Malolos, Calumpit) in April 2019.

Manila International Airport

On September 18, 2019, San Miguel Aerocity Inc. doing business under the name and style of "Manila international Airport" ("SMAI"), a wholly-owned subsidiary of SMHC, signed a Concession Agreement ("CA") with the Department of Transportation for the development of the Manila International Airport ("MIA"). MIA will be governed by a 50-year CA with the ROP and will be built

under a Build-Operate-Transfer (“BOT”) framework. The project, which will be located in a 2500-hectare property in Bulakan, Bulacan, will provide a long-term solution to air connectivity between the Philippines and the rest of the world.

On January 15, 2021, the Concession Agreement was further enhanced by Republic Act No. 11506 entitled, “An Act Granting San Miguel Aerocity Inc. a Franchise to Construct, Develop, Establish, Operate, and Maintain a Domestic And International Airport In The Municipality of Bulakan, Province of Bulacan, And To Construct, Develop, Establish, Operate, And Maintain An Adjacent Airport City” (the Legislative Franchise). The Legislative Franchise gives SMAI tax exemptions (in general) during the development and operations stages of the project and the power to acquire any private lands forming part of the project. On January 21, 2021, SMAI formally accepted the incentives and obligations under the Legislative Franchise.

MIA will be developed in phases with an initial capacity of 35 million annual passengers (“MAP”) and ultimate capacity of 100 MAP. The airport shall primarily be linked by an 8-km toll road to Metro Manila via the North Luzon Expressway, with an integrated multi-modal transport network in the development pipeline.

Below is a list of the major infrastructure subsidiaries as of December 31, 2020:

San Miguel Holdings Corp. doing business under the name and style of SMC Infrastructure and subsidiaries [including SMC TPLEX Holdings Company, Inc. (formerly Rapid Thoroughfares Inc.) and subsidiary, SMC TPLEX Corporation (formerly Private Infra Dev Corporation), TPLEX Operations & Maintenance Corp, Trans Aire Development Holdings Corp., Jethandler Asia Services Inc., Vertex Tollways Devt. Inc.^(a), Universal LRT Corporation (BVI) Limited, SMC Mass Rail Transit 7 Inc., ULCOM Company, Inc., SMC Infraventures Inc. and subsidiary, Citra Intercity Tollways, Inc.^(b), Luzon Clean Water Development Corporation, Sleep International (Netherlands) Cooperatief U.A. and Wiselink Investment Holdings, Inc. {collectively own Cypress Tree Capital Investments, Inc. and subsidiaries including Star Infrastructure Development Corporation and Star Tollway Corporation (collectively the Cypress Group)}, Atlantic Aurum Investments B.V. and subsidiaries {including Atlantic Aurum Investments Philippines Corporation and subsidiaries {including Stage 3 Connector Tollways Holding Corporation and subsidiary, Citra Central Expressway Corp.^(c), Citra Metro Manila Tollways Corporation^(d) and subsidiary, Skyway O&M Corporation, MTD Manila Expressways Inc. and subsidiaries, Alloy Manila Toll Expressways Inc., Manila Toll Expressway Systems Inc. and South Luzon Tollway Corporation^(e)}, Intelligent E-Processes Technologies Corp., and San Miguel Aerocity Inc. doing business under the name and style “Manila International Airport”].

^(a) Changed its corporate name to SMC NAIAX Corporation effective March 2, 2021.

^(b) Changed its corporate name to SMC Skyway Stage 4 Corporation on February 23, 2021.

^(c) Changed its corporate name to SMC Skyway Stage 3 Corporation on March 3, 2021.

^(d) Changed its corporate name to SMC Skyway Corporation on February 22, 2021.

^(e) Changed its corporate name to SMC SLEX Inc. on February 22, 2021.

Banking

SMC, through SMPI, made a series of acquisitions of Bank of Commerce (“BOC”) shares in 2007 and 2008 and has a current ownership of 39.93%. BOC is a commercial bank licensed to engage in banking operations in the Philippines.

On December 17, 2018, SMC, through SMC Equivest Corporation, acquired 5,258,956 common shares of BOC representing 4.69% ownership interest.

Cement

The Cement business is conducted under San Miguel Equity Investments Inc. (“SMEII”) through the following companies:

Northern Cement Corporation (“NCC”), with 100% of its issued and outstanding common stock owned by SMEII, has more than 50 years of cement production and domestic sales experience, mainly, in the Central Luzon (Region 3), and North Luzon (Regions 1 and 2) markets. It manufactures Type 1, Type 1P and Type N cement, the major cement products in the industry.

NCC was incorporated and registered with the SEC on February 10, 1967. From the commencement of its operations on February 1970 in Sison, Province of Pangasinan, it has been engaged in the business of manufacturing, developing, processing, exploiting, buying and selling cement and/or other allied products.

Presently, NCC owns and operates two dry-process rotary kilns and two finish mills. The existing production facility has an annual rated capacity of 2.2 million metric tons per year ("MTPY") of finished cement. The raw materials used in its cement manufacturing process are generally a mixture of quarried materials – limestone, shale and gypsum.

San Miguel Northern Cement, Inc. ("SMNCI"), a wholly-owned subsidiary of SMEI, was incorporated and registered with the SEC on October 2, 2017 to engage in the business of manufacturing, developing, processing, exploiting, importing, exporting, buying, selling or otherwise dealing in such goods as cement and other products of similar nature.

SMNCI is currently undertaking the design, development and construction of two (2) integrated state of the art cement production lines (from crushing to cement packaging) (Lines "A" and "B"), which includes two (2) kilns and two (2) finish mills, to be located adjacent to the existing cement facilities and quarry site of NCC. The SMNCI project will have an overall capacity of 3.63 million MTPY of clinker and 4.73 million MTPY of finished cement, or 118.3 million 40-kg bags.

The additional supply of cement is targeted to meet the strong demand in Northern Luzon (Region 1 and Region 2), the Cordillera Administrative Region (CAR), and Central Luzon (Region 3).

Oro Cemento Industries Corporation ("OCIC"), a wholly owned subsidiary of SMEI, is in the process of constructing a cement grinding plant in Santa Cruz, Province of Davao del Sur. Its world class equipment is capable of producing 2 million MTPY while minimizing impact to the environment. OCIC is expected to commence commercial operations by second semester of 2021.

Below is a list of the major cement subsidiaries as of December 31, 2020:

San Miguel Equity Investments Inc. and subsidiaries [including Northern Cement Corporation, San Miguel Northern Cement, Inc., Oro Cemento Industries Corporation, First Stronghold Cement Industries, Inc., Ionic Cementworks Industries Inc., Arthocem Concrete Industries Inc., Southstrong Cement Industries Corp., East Star Cement Phils., Inc., Integrated Concrete Consolidated Industries Inc., Primero Cemento Industries Corp. and E-Novate Holdings, Inc.]

Others

Other major subsidiaries include the following as of December 31, 2020:

- San Miguel International Limited and subsidiaries [including San Miguel Holdings Limited and subsidiaries]
- SMC Shipping and Lighterage Corporation and subsidiaries [including SL Harbor Bulk Terminal Corporation]
- SMC Stock Transfer Service Corporation
- ArchEn Technologies Inc.
- SMITS, Inc. and subsidiaries
- San Miguel Integrated Logistics Services, Inc. and subsidiary
- Anchor Insurance Brokerage Corporation
- SMC Asia Car Distributors Corp. and subsidiaries
- SMC Equivest Corporation
- Davana Heights Development Corporation and subsidiaries

CLARIDEN HOLDINGS, INC.

Clariden is a holding company incorporated in July 2009. It was acquired by the Parent Company as a wholly owned subsidiary in August 2013.

Clariden holds mining tenements in various areas in the Philippines. These mining tenements, owned by Clariden's various subsidiaries, include Mineral Production Sharing Agreements ("MPSA") for the Nonoc Nickel Project and Mt. Cadig Nickel Project, Exploration Permits ("EP") for certain areas under the Bango Gold Project, and pending Application for Production Sharing Agreement ("APSA") and pending Exploration Permit Applications ("ExpAs") for other areas of the Bango Gold Project.

Clariden has a diverse portfolio of high quality mineral properties with high earnings potential that are located in mineral producing districts in the Philippines, as follows:

Nonoc Nickel Project [MPSA No. 072-97-XIII (SMR)]

Clariden, through its indirect beneficial ownership in Philnico Industrial Corporation ("PIC"), Pacific Nickel Philippines, Inc. ("PNPI"), and Philnico Processing Corp. ("PPC"), was granted a contract area of approximately 23,877 hectares located in the islands of Nonoc, Hanigad, and Awasan, Surigao City; and Basilisa and Cagdianao, Dinagat Island Province. The project was granted the fifth renewal of the two-year exploration period by the Mines and Geosciences Bureau last February 10, 2017 covering the period of February 25, 2017 to February 24, 2019 subject to the full implementation of the approved Exploration Work Program and Environmental Work Program, as well as the filing of Declaration of Mining Project Feasibility (DMPF). On February 7, 2019, PNPI filed the request for the renewal of the MPSA's exploration period with the MGB. The request is anchored on (1) the need to complete various technical studies; (2) the need to settle the PIC vs PMO case; and (3) PNPI's satisfactory compliance to the terms and conditions of the fifth renewal of the MPSA's exploration period.

On November 6, 2019, pursuant to the Order of the Department of Environment and Natural Resources approving the Deeds of Assignment between PNPI and VIL Mines Inc. ("VMI") and PNPI and Prima Lumina Gold Mining Corp ("PLGMC"), PNPI's MPSA-072-97-XIII-SMR was redenominated as:

- MPSA-072-97-XIII-SMR (Amended A) in the name of PNPI covering 10,577.6157 hectares (Nonoc, Awasan, and Hanigad Islands plus Sabang Dam area);
- MPSA-072-97-XIII-SMR (Amended B) in the name of PLGMC covering 7,035 hectares (North Dinagat); and
- MPSA-072-97-XIII-SMR (Amended C) in the name of VMI covering 6,264 hectares (South Dinagat).

Among others, the three companies were mandated to submit an Exploration Work Program or a Declaration of Mining Project Feasibility. The three companies submitted applications for the renewal of their exploration periods which were granted on September 9, 2020 for PNPI and on October 13, 2020 for PLGMC and VMI.

Mt. Cadig Nickel Project (MPSA No. 346-2010-IVA)

Clariden, through VMI (a wholly-owned subsidiary of Clariden) has the exclusive right to conduct exploration, development and utilization activities for nickel within its 11,126.3576-hectare contract area located in Tagkawayan, Quezon and Labo and Sta. Elena, Camarines Norte pursuant to its MPSA granted on June 25, 2010. In view of the peace and order situation in the contract area, the Company filed with the DENR-MGB a request for suspension of obligations of the MPSA due to *force majeure*. The request was originally granted by the Mines and Geosciences Bureau last August 24, 2017 and will be valid for two years or up to August 23, 2019. The suspension was renewed for another two years pursuant to an Order from the Mines and Geosciences (MGB) dated August 5, 2019. VMI continues to maintain its good relationship with its host community.

Bango Gold Project (EP Nos. 000001-2011-XI and 000002-2011-XI)

Clariden, through PLGMC, is the assignee of the two EPs covering certain areas of Compostela Valley and Davao Oriental. These EPs allow PLGMC to conduct exploration activities for gold to determine its existence, extent, quantity and quality. In July 2016, Prima Lumina filed with the MGB a request for extension of its two-year exploration period under the MPSA and is currently awaiting approval. PLGMC continues to implement community development activities for its host communities.

North Davao Project

In 2009, Asia-Alliance Mining Resources Corp. won the bid conducted by the Philippine Mining Development Corporation (“PMDC”) to undertake the exploration, development, and utilization of North Davao Mining Property’s gold and copper deposits under a Joint Operation Agreement (“JOA”) to be executed between the parties.

Dinagat Nickel-Chromite Project

On January 24, 2006, PPC and the PMDC entered into a JOA designating PPC as the project contractor exclusively authorized to explore, develop, and commercially utilize the nickel deposit within a 3,600 hectare area in the municipalities of Cagdianao and Basilisa in Dinagat Island, Surigao del Norte, adjacent to MPSA No. 072-97-XII (SMR). The JOA was assigned by PPC to PNPI in June 2007. Additional exploration is required to increase the current resources in the area.

However, the JOA was cancelled by the PMDC on June 26, 2019 for alleged non-compliance with the terms and conditions of the JOA. PNPI refuted PMDC’s findings on July 9, 2019 but PMDC responded on October 8, 2019 that the June 26, 2019 decision stands and PNPI’s request is denied with finality. In an earlier letter dated October 2, 2019, PNPI informed the PMDC that it can resort to arbitration, per the JOA, and is not waving and has every intent to avail of all remedies under the JOA and the law.

Offshore Sand Project

Two of Clariden’s subsidiaries namely, VMI and PLGMC are currently involved in the Offshore Sand Project.

VMI has three applications for Offshore Exploration Permits (“OEP”) covering parts of the provinces of Cavite, Batangas, Bataan, Pampanga, Bulacan and Metro Manila and an application for a Government Seabed Quarry Permit (“GSQP”) in parts of Cavite province. Pending approval, two of the three OEP applications were each granted with an Authority to Verify Minerals by the MGB, one on February 11, 2019 and the other on June 7, 2019. An Authority to Verify Minerals was also granted to the GSQP-applied area last November 15, 2019.

On March 12, 2020, the Company was also granted a GSQP No. OMR002-2019-IV.

PLGMC also has two applications for OEP covering parts of Bulacan, Metro Manila and Bataan. The two OEP applications were granted with an Authority to Verify Minerals by the MGB, both on February 11, 2019.

Below is a list of the subsidiaries as of December 31, 2020:

V.I.L. Mines, Incorporated, Asia-Alliance Mining Resources Corp., Prima Lumina Gold Mining Corp., Excelon Asia Holding Corporation, New Manila Properties, Inc. and Philnico Holdings Limited and subsidiaries [including Pacific Nickel Philippines, Inc., Philnico Industrial Corporation and Philnico Processing Corp. (collectively the Philnico Group)]

Principal Products or Services

Top Frontier is primarily established as a holding company with investments in SMC and Clariden. As a holding company, Top Frontier provides no other products or services.

The principal products of the Group are attached hereto as **Annex “D”**.

Percentage of Sales or Revenues and Net Income Contributed by Foreign Sales

The Group’s 2020 foreign operations contributed about 19.87% of consolidated sales and (11.03%) of consolidated net income. Foreign sales is broken down by market as follows:

Market	% to Consolidated Sales		
	2020	2019	2018
Malaysia	14.31	18.51	19.92
Singapore	2.50	2.45	3.92
Australia	1.31	1.06	1.17
China	0.64	0.68	0.68
Indonesia	0.53	0.59	0.60
Vietnam	0.28	0.21	0.19
Others	0.30	0.27	0.26

Distribution Methods

The Group employs various means to ensure product availability at all times. It distributes through a network of dealers, wholesalers, and various retailers. The Group owns, as well as contracts, third party fleet of trucks, delivery vans, and barges, to ensure timely and cost-efficient distribution of its various products, from beverages, food and packaging.

Status of Any Publicly-Announced New Product or Service

At present, the Group is not developing any new major products.

Competition

The Group owns leading brands with the highest quality in the industry, substantial market share leads over its nearest competitors, successful pricing strategies, and strong financial position.

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

Food and Beverage

Beverage

a) **Beer and NAB Division**

In the Philippine beer market, SMB’s main competitor is AB Heineken Philippines Inc. (“ABHP”), a joint venture formed in 2016 between domestic brewer Asia Brewery Inc. (“Asia Brewery”) and Heineken International B.V. (“Heineken International”). ABHP offers a portfolio of local beers, foreign beers, some of which are produced under license from foreign brewers, and alcomix beverage products.

ABHP competes mainly through licensed *Colt 45*, a strong alcohol brand which is positioned against SMB’s strong alcohol beer *Red Horse*, and local *Beer na Beer* in the economy segment and *Brew Kettle* in the mainstream segment. It is also the exclusive distributor of *Asahi Super Dry* in the country. ABHP also offers *Tanduay Ice* which is a line of alcopop beverages positioned similar to beer. Following the joint venture in 2016, ABHP started the marketing and selling of imported *Heineken* and *Tiger* beer variants (strong, regular, and light) in the country, competing with SMB’s premium and mainstream brands, respectively.

Effective January 1, 2021, the operations of the joint venture between Asia Brewery and Heineken International was modified, with Heineken International establishing its own sales and marketing office in the country and Asia Brewery brewing and distributing Heineken-owned beers. Asia Brewery will also continue to focus on its own brands.

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

SMB's beer products also compete with other alcoholic beverages, primarily brandy, gin, rum and alcopops which are close substitutes to beer. In the beer industry - and more generally the alcoholic beverage industry - competitive factors generally include price, product quality, brand awareness and loyalty, distribution coverage, and the ability to respond effectively to shifting consumer tastes and preferences.

In the NAB market, SMB faces competition from established players and brands in ready-to-drink juice and ready-to-drink tea. For example, *Zest-O*, *Minute Maid*, and *Tropicana Twister* compete with *Magnolia Fruit Drink*, while *C2*, *Lipton*, and *Nature's Spring Iced Tea* compete with *Magnolia Healthtea*.

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

b) Spirits Division

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

The Visayas and Mindanao regions prefer *Tanduay Rhum Dark 5 Years*, a product of Tanduay Distiller's Inc. Moreover, there is a market for Chinese wine in various islands in the region with GSML's *Vino Kulafu* emerging as the top choice in this category.

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

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

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

The spirits industry is dependent on the supply of molasses, the raw material for alcohol production. While the molasses supply has remained stable, the steady increase in demand for fuel alcohol since the implementation of the Biofuel Act of 2006 and recent increase in global demand for disinfectant alcohol due to the COVID-19 pandemic further worsened the shortage of supply for beverage alcohol production. This led to multi-continent and sourcing diversification of alcohol supply to ensure supply security and partly offset higher raw material costs.

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

Food Division

a) Prepared and Packaged Food

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

For butter and spreadable fats, competitors include Fonterra Brands Philippines, Inc., New Zealand Creamery, Inc. and RFM Foods Corporation (for butter) and San Pablo Manufacturing Corporation, Malabon Philippines and AD Gothong Manufacturing Corporation (for margarine). In the cheese category, the main competitor of the *Magnolia* brand is Mondelez International, Inc. (*Eden*, *Cheez Whiz*, and *Kraft*). In the ice cream market, Unilever-RFM Ice Cream Inc. (*Selecta*) is the dominant player. Competitors in the coffee-mix business include Nestle SA (*Nescafe*), PT Mayora Indah (*Kopiko*), and Universal Robina Corporation (*Great Taste*).

b) Animal Nutrition and Health

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

c) Protein

Major competitors under the Protein segment include Bounty Fresh Foods Inc., Bounty Agro Ventures, Inc., Gama Foods Corp., and Cobb-Vantress Philippines, Inc. There are also occasional imports from the U.S., Canada, and Brazil.

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

d) Others

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

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

Petron Corporation

Petron operates in a deregulated oil industry which has seen the entry of more than 300 other industry market participants, rendering the petroleum business more competitive. The Philippine downstream oil industry is dominated by three major oil companies: Petron, Shell and Chevron. Petron competes with other industry market participants on the basis of price, product quality, customer service, operational efficiency and distribution network, with price being the most important competitive factor. Providing total customer solutions has increased in importance as consumers became more conscious of value.

San Miguel Properties, Inc.

Among SMPI's major competitors in the South are the Ayala West Grove Heights and Nuvali by Ayala Land/Ayala Land Premier, Bali Mansion, Phuket Mansion and Stanford by Cathay Land, Solen Residences by Greenfield Properties, and Eton City by Eton Properties.

SMPI's competitors in Metro Manila are Ortigas & Company's Veridian Greenhills, Federal Land's One Wilson Square, Wee Comm's Baron Residences, SYU Groups' Torii Residences, and Shang Properties' One Shang.

For the properties of SMPI generating lease income located in the Ortigas area, its competitors include the One Corporate Center, Philippine Stock Exchange Tower, Taipan Place, Wynsum Corporate Plaza, Orient Square, Robinsons Equitable Tower and Cyberspace Gamma, and Rockwell Business Center.

SMC Global Power Holdings Corp.

SMC Global Power's main competitors are the Lopez Group and the Aboitiz Group. The Lopez Group holds significant interests in First Gen Corporation and Energy Development Corporation, while the Aboitiz Group holds interests in Aboitiz Power Corporation and Hedcor, Inc., among others.

Cement

NCC's major competitor in its core market area (Region 1 and CAR) is LafargeHolcim Philippines (LHP). LHP has a cement production facility located in La Union, a nearby province of Pangasinan where NCC's cement plant is located.

Sources and Availability of Raw Materials and Supplies

The Group obtains its principal raw materials on a competitive basis from various suppliers here and abroad. The Group is not aware of any dependency upon one or a limited number of suppliers for essential raw materials as it continuously looks for new principals/traders where the strategic raw materials could be sourced out and negotiations are done on a regular basis. The Group has contracts with various suppliers for varying periods ranging from three to twelve months. All contracts contain renewal options.

Among the Group's third-party supplier of major raw materials in 2020 are as follows:

FOOD AND BEVERAGE

Beer and NAB Division

Malt and Hops	Boortmalt Asia Pacific Pty. Ltd. Dalian Cofco Malt Co., Ltd. HVG Hallertau (Hopfen Verwertungs) Cofco Malt (Dalian) Co., Ltd. GDH Supertime Guangzhou Malting Company Limited John Haas, Inc. Malterurop Taiwan Hon Chuan Enterprise Co., Ltd.
Corn Grits/Tapioca/Rice/Sugar/Starch	Cgrain Technology Co., Ltd (C059) Cagayan Corn Products Corp. Gusing Sur Agrarian Reform HeFei Longjie Food & Oil Co. Ltd. Limketkai Manufacturing Corporation Maicerias Españolas, S.A.

	PT Sinar Unigrain Indonesia Southern Mindanao Commodities Tonghua Buayai (1994) Co., Ltd. (T067)
Packaging Materials	Bangkok Can Manufacturing Co., Ltd. Baosteel Can Making Vietnam Co Ltd Crown Beverage Cans Hong Kong Dong A JSC Double Paper Product Industries Guandong Huaxing Glass Co., Ltd. Guandong Mancheong Printing Malinta Corrugated Boxes Mchann Muenden Germ Org (Foshan) Packaging Co., Ltd. PT Ancol Terang Meta PT Conpac PT Karya Indah Multi PT Muliaprima Packing PT Tristar Makmur Westrock MWV Hong Kong Limited Zhangzhou Shengxing Pacific Packing Co. Ltd.
Fuel	Shell Hong Kong Ltd.
<i>Spirits Division</i>	
Alcohol	Shoalhaven Starches PTY LTD Thai San Miguel Liquor Co. LTD.
Molasses and Sugar	E D & F Man Molasses B.V. Peter Cremer GMBH All Asian Countertrade, Inc.
Flavoring	Firmenich Asia PTE LTD
<i>Food Division</i>	
Breeder Stocks	Aviagen Group Cobb Vantress Inc.
Beef Carcass	D'Meter Fields Corporation
Soybean Meal and Feed Wheat	Enerfo Pte. Ltd. Louis Dreyfus Commodities Asia Pte Ltd. Toyota Tsusho Asia Pacific Pte Ltd.
Wheat	Bunge Agribusiness Singapore Pte. Ltd. CHS Inc. Columbia Grains International Toyota Tsusho
Imported Meat	Al-Quresh Exports
Cheese Curd and Anhydrous Milk Fat	Fonterra Ingredients Limited
Oil	Tap Oil Manufacturing Corp.

Coffee Mixes

SCML (Thailand) Company Ltd.

PACKAGING

Glass

Silica Sand

Tochu Corp.

Soda Ash

Mitsui & Co., Ltd
Connell Bros Company Pilipinas, Inc.
Alchemco Philippines, Inc.

Cullet

Yassel Corporation

Limestone

C&B Marble
Ecorock Industrial
Carmen Limestone

Molds

Casting Molds

Metals Engineering Resources Corp.

NeckRing Bars

BF Glass Mould Overseas Pte Ltd.
Malasaga Trading Corporation
Metals Engineering Resources Corp.

Round Bars

Ammex Machine Tools Phils Inc.
Changshu Jianhua Mould Technology

Plastics

Colorants/Pigments

Esta Fine Colour Corp.
Masterbatch Philippines, Inc.

Inks

MCR Industries, Inc.
Union Inks and Graphics Philippines, Inc.

HDPE Resin

JG Summit Petrochemical Corporation
Toyota Tsusho Asia Pacific Pte Ltd.
GC Marketing Solutions Company Limited
Lotte Chemical Titan Corporation Sdn. Bhd.

Regrinds

Toyo Ink Compounds Corporation
Octaplas Industrial Services Inc.

Metal

Plate, TFS

Nippon Steel Trading Corporation
Macro-Lite Korea Corporation
Perstima (Vietnam) Co. Ltd.
Toyota Tsusho (Taiwan) Co., Ltd.
Toyota Tsusho Corporation

Aluminum Coil

Toyota Tsusho Corporation

	Novelis Mea Ltd. Shinko Shoji Singapore Pte. Ltd. Sumitomo Corporation Asia & Oceania Pte. Ltd.
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Lubricants	Elasco Int'l Corp.
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Laminates

PET/OPP and Other Films	AJ Plast Public Company Limited Polyplex Thailand Ltd. Pt Kolon Ina Marubeni Plax Corporation
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PE Films	Cofta Mouldings Corporation
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Aluminum Foil	Suntown Technology Group Corporation Limited Eastern Valley Co., Ltd. Shanghai Shenhua Aluminum Foil Co., Ltd. Yantai Jintai International Trade Hangzhou Dingsheng Import and Export Co. Ltd.
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Resins	Dow Chemicals Pacific, Ltd. JG Summit Petrochemical Corporation Trans World Trading Company, Incorporated
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Inks	Tokyo Inc [Philippines] Co., Inc.
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PET

PET Resin	Indorama Polymers Public Co., Limited Far Eastern Polychem Industries Limited Jiangyin Xingyu New Material Co. Ltd.
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PP Resin	Basell Asia Pacific Limited
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CO2	Air Liquide Philippines, Inc. Pacific Carbonic Corporation
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Paper

Kraft Paper	Visy Trading Singapore Pte. Ltd. American Paper Export Klabin Trade
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FUEL AND OIL

Crude	Saudi Arabian Oil Company Kuwait Petroleum Corporation Exxonmobil Exploration and Production Malaysia Inc.
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Finished Product	Aramco Trading Singapore Pte.Ltd. / Trafigura Pte. Ltd. Petrochina International (Sg) Pte. Ltd.
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ENERGY

Coal	Banpu Baramulti Group PT Bayan Resources Tbk PT Kaltim Prima Coal PT Arutmin Indonesia Vitol Asia Pte Ltd.
Other Consumables	Connel Bros. Co. Pilipinas, Inc. SI Resources Corporation Solid North Mineral Corporation Philippine Mining Services Corporation
Electricity	Philippines Electricity Market Corporation
Equipment/ Construction Materials/ Services	Formosa Heavy Industries Boom Access Investments Ltd. Liebherr-Werk Nenzing GmbH MHI Power (PHILIPPINES) Plant Services Corp. True North Manufacturing Services Corporation Velca Equipment and Engineered Products, Inc.

Dependency Upon a Single Customer or a Few Customers

Due to constant drive toward customer satisfaction and continuous improvement, the Group is able to maintain its wide base of customers. The Group is not dependent upon a single or a few customers.

Transactions with and/or Dependence on Related Parties

The Group and certain related parties purchase products and services from one another in the normal course of business. Please see Note 33, Related Party Disclosures, of the Audited Consolidated Financial Statements attached hereto as **Annex “B”**.

Registered Trademarks/Patents, Etc.

All marks used by the Group in its principal products are either registered or pending registration in the name of the Parent Company or its subsidiaries in the Philippines and in foreign markets of said products.

The SMC Group uses various brand names and trademarks, including “San Miguel”, “Ginebra San Miguel”, “Purefoods”, “Magnolia”, “Star”, “Dari Creme”, “B-Meg”, “Petron”, “Gasul”, and other intellectual property rights to prepare, package, advertise, distribute and sell its products.

The disclosures on the Group’s intangible assets are reflected in the following section of the Audited Consolidated Financial Statements attached hereto as **Annex “B”**.

Note 3	Significant Accounting Policies - Intangible Assets
Note 17	Goodwill and Other Intangible Assets
Note 34	Significant Agreements and Lease Commitments

Government Approvals and Compliance with Environmental Laws

Being an investment holding company, apart from its corporate registration with and primary franchise granted by the SEC, the Parent Company does not have any other government approvals

which may be material to its operations. Likewise, the Parent Company is not required to comply with environmental laws and regulations in respect of any of its operations.

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

Government Regulation

The Group has no knowledge of recent or impending legislation, the implementation of which can result in a material adverse effect on the Group's business or financial condition.

Research and Development

The Parent Company's subsidiaries undertake regular research and development in the course of their regular business:

Food and Beverage

Beer and NAB Division

The Beer and NAB Division employs state-of-the-art brewing technology. Its highly experienced brewmasters and quality assurance practitioners provide technical leadership and direction to continuously improve and maintain high standards in product quality, process efficiency, cost effectiveness, and manpower competence.

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

SMB also has a central analytical laboratory which is equipped with modern equipment necessary for strategic raw materials analysis and validation, beer and NAB evaluation, and new raw material accreditation. Specialized equipment includes gas chromatography, high performance liquid chromatography, atomic absorption spectroscopy, protein analyzer, and laboratory scale mashing/milling system for malt analysis. Analytical methods and validation procedures are constantly enhanced and standardized across all of the laboratories of SMB. The central analytical laboratory likewise runs proficiency tests for brewery laboratories and suppliers to ascertain continuous reliability and quality of analytical test results. It is also tasked with ensuring compliance of all systems with international standards, specifically ISO 17025-2005.

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

Spirits Division

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

Food Division

The Food Division has developed a systematic approach to new product development referred to as the stage-gate process, which is a five-step process comprising idea generation, feasibility

testing, commercialization, launch and post-launch evaluations. The process optimizes returns on new product development by prioritizing innovations in the pipeline in a disciplined approach. New products that cater to the more sophisticated palates of consumers as well as address the health awareness and convenience food trends are continuously introduced.

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

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

Packaging

The Packaging Group plans to enter new markets and market segments with new products such as pharmaceuticals (plastic pharma bottles), semi-conductors and electronics (anti-static bags), food tubs, plastic wide-mouth jars, and various converted can ends. The Packaging Group expects the future consumer trend towards environmentally friendly products and environmentally sound manufacturing systems. Hence, the Packaging Group plans to increase investments into eco-friendly facilities, processes, and products.

Fuel and Oil

To enhance productivity, efficiency, reduce costs and strengthen its competitiveness, Petron engages in research and development to identify improvements that can be made to its production processes. The development, reformulation and testing of new products are continuing business activities of Petron.

Petron continuously develop and enhance its lubricants product range catering to top tier to cost-competitive customer requirements. Its Blaze Racing and Sprint 4T fully synthetic engine oils offer excellent engine cleanliness and protection, shear stability, and fuel economy for modern and high-performance gasoline engines and motorcycles. Rev-X Premium Multi-Grade was reformulated to enhance its superior performance in diesel engines. It has also developed quality lubricants that are reasonable to price-sensitive market.

Petron products are regularly tested by third party testing institutes to secure stringent certifications and approvals from accredited global industry certifying bodies and original equipment manufacturers (OEMs). These approvals serve as a testimony that its products are certified world class. For 2020, Petron was able to secure the latest gasoline engine oil license from the American Petroleum Institute (API), API SP-RC, and International Lubricant Specification Advisory Committee (ILSAC), ILSAC GF-6A performance approvals for Blaze Racing Fully Synthetic SAE 0W-20 wherein the requirements of these new standards were only released in May 2020. This is on top of the renewal of licenses and approvals from industry standards such as API, ILSAC, ACEA (Association des Constructeurs Européens d'Automobiles / Association European Automobile Manufacturers Association), NMMA (National Marine Manufacturers Association), and OEM approvals from BMW, Mercedes-Benz, MTU, Porsche, Cummins, MAN, Scania, Volvo, Mack, Renault and Wartsila.

Petron is committed to continuously develop innovative and revolutionary products that meet and exceed the highest industry quality standards and the demands of the market. Petron believes that its continued success will be affected in part by its ability to be innovative and attentive to consumer preferences and local market conditions.

Petron's Research and Development Group has long-standing partnerships with leading global technology providers in fuels, lubricants and grease products. It is engaged in the customization of products at globally competitive quality and performance. It also manages ISO-accredited petroleum and allied products testing facility that meets global standards. In addition, it provides technical training to keep internal and external customers updated of the latest technology trends in the industry.

Energy

SMC Global Power seeks to capitalize on regulatory and infrastructure developments by scheduling the construction of greenfield power projects to coincide with the planned improvements in the interconnectivity of the Luzon and Visayas grids, as well as the eventual interconnectivity and implementation of WESM in Mindanao. In addition, SMC Global Power seeks to maintain the cost competitiveness of these new projects by exploring new technologies and strategically locating them in high-demand areas and in areas with the closest proximity to the grid.

SMC Global Power is considering further expansion of its power portfolio of new capacity nationwide through greenfield power plants over the next few years, depending on market demand. SMC Global Power is confident from its experience in building the Limay Greenfield Power Plant and Davao Greenfield Power Plant that it will be able to build new cost competitive plants using high efficiency low emission (HELE) technologies. SMC Global Power also actively seeks to identify and pursue renewable energy investments utilizing hydro-electric and solar, subject to the outcome of feasibility analyses. This is in line with SMC Global Power's objective to operate in an environmentally-responsible manner, while taking into consideration energy security and affordability to its consumers.

Unit 3 of the Masinloc Power Plant (335 MW) completed commissioning and commenced commercial operations on September 26, 2020, increasing the capacity of the Masinloc Power Plant by approximately 50%. SMC Global Power intends to further expand the Masinloc Power Plant by constructing an additional unit utilizing supercritical boiler technology (Unit 4) with a planned gross installed capacity of 350 MW. Masinloc Power Plant Unit 4 is targeted for completion in 2024 and is currently in the process of finalizing the EPC Contract for this project. SMC Global Power's other expansion projects under construction include the 600 MW coal-fired power plant and associated facilities in Mariveles, Bataan. SMC Global Power will also expand its power portfolio through the development and construction of new power plants located in Pagbilao, Quezon, with a planned total installed capacity of 600 MW. In addition and as part of diversification of its power portfolio into LNG, SMC Global Power, plans to construct a 1,313.1 MW combined cycle power plant in Barangays Ilijan and Dela Paz, Batangas.

In addition to power generating plants, SMC Global Power is rolling out grid-wide BESS projects in addition to its existing BESS facilities in Masinloc, Zambales. SMC Global Power is expanding its BESS portfolio nationwide with a capacity of up to 1,000 MWh through its subsidiaries UPSI, MPPCL, and SMCGP Philippines Energy, which have executed turnkey contracts with world-leading battery Engineering, Procurement and Construction contractors. The 20 MWh battery energy storage system facility in Kabankalan, Negros Occidental has completed construction and installation last March 2020. The Kabankalan BESS has also completed the ancillary services and Philippine Grid Code ("Grid Code") compliance tests conducted by, and negotiations for Ancillary Services Procurement Agreements ("ASPA") have been initiated with, NGCP in December 2020. The Kabankalan BESS is currently awaiting the certificate from NGCP and inspection by the ERC. Upon receipt of a certificate of compliance and approved ASPA from the ERC, the Kabankalan BESS can officially attain commercial operations.

In addition, as a leading power company in the Philippines with a large customer base, SMC Global Power believes that it is in a strong position to leverage its relationships with its existing customers to service their expected increase in electricity demand.

Infrastructure

SMC's Infrastructure group is currently undertaking various research and development activities in relation to its infrastructure projects, such as transport planning, traffic, and ridership studies and analyses.

The Group's expenses for research and development are as follows (amounts in millions):

	2020	2019	2018
Research and Development	P344	P509	P499
Percentage to Net Income	1.46%	1.05%	1.11%

Cost of Compliance with Environmental Laws

On an annual basis, operating expenses incurred by the Group to comply with environmental laws are not significant or material relative to the Parent Company and its subsidiaries' total cost and revenues.

Human Resources and Labor Matters

As of December 31, 2020, the Group has about 45,578 employees and has entered into 34 collective bargaining agreements ("CBA"). Of the 34 CBAs, 3 will be expiring in 2021.

The list of CBAs entered into by the Parent Company and its subsidiaries with their different employee unions, is attached hereto as **Annex "E"**.

Major Business Risks

The major business risks facing the Group are as follows:

a) Competition Risks

The Group operates in highly competitive environments. New and existing competitors can erode the Group's competitive advantage through the introduction of new products, improvement of product quality, increase in production efficiency, new or updated technologies, costs reductions, and the reconfiguration of the industry's value chain. The Group has responded with the corresponding introduction of new products in practically all businesses, improvement in product propositions and packaging, and redefinition of the distribution system of its products.

b) Operational Risks

The facilities and operations of the Group could be severely disrupted by many factors, including accidents, breakdown or failure of equipment, interruption in power supply, human error, natural disasters and other unforeseen circumstances and problems. These disruptions could result in product run-outs, facility shutdown, equipment repair or replacement, increased insurance costs, personal injuries, loss of life and unplanned inventory build-up, all of which could have a material adverse effect on the business, financial condition and results of operations of the Group.

The Group undertakes necessary precautions to minimize impact of any significant operational problems in its subsidiaries through effective maintenance practices.

c) Legal and Regulatory Risks

The businesses and operations of the Group are subject to a number of national and local laws, rules and regulations governing several different industries in the Philippines and in other countries where it conducts its businesses. The Group is also subject to various taxes, duties and tariffs.

In addition, the Philippine government may periodically implement measures aimed at protecting consumers from rising prices, which may constrain the ability of the Group to pass on price increases to distributors who sell its products, as well as its customers. Implementation of any such measures could have a material adverse effect on the business, financial condition and results of operations of the Group.

The Group regularly consults relevant government agencies and other approving bodies to ensure that all requirements, permits and approvals are secured in a timely manner. Further, the Group strongly complies with and adheres to laws and regulations. In the event that the Group becomes involved in future litigation or other proceedings or be held responsible in any future litigation and proceedings, SMC will work to amicably settle legal proceedings. In the event of any adverse ruling or decision, SMC will diligently exhaust all legal remedies available.

d) Social and Cultural Risks

The ability of the Group to successfully develop and launch new products and maintain demand for existing products depends on the acceptance of such products by consumers and their purchasing power and disposable income levels, which may be adversely affected by unfavorable economic developments in the Philippines. A significant decrease in disposable income levels or consumer purchasing power in the target markets of the food and beverage businesses could materially and adversely affect the financial position and financial performance of the Group. Consumer preferences may shift for a variety of reasons, including changes in culinary, demographic, and social trends or leisure activity patterns. Concerns about health effects due to negative publicity regarding alcohol consumption, negative dietary effects or other factors may also affect consumer purchasing patterns for the beverage and food products. If the marketing strategies of the Group are not successful or do not respond timely or effectively to changes in consumer preferences, the business and prospects of the Group could be materially and adversely affected.

Sales of beer are highly influenced by the purchasing power and disposable income levels of consumers. In periods of economic uncertainty or downturns, consumers may purchase fewer alcoholic beverages which could affect the financial performance of the beverage business. Likewise, demand for many of the food products is tied closely to the purchasing power of consumers.

The Group has introduced products that try to address or are attuned to the evolving lifestyles and needs of its consumers. *San Mig Light* and *San Mig Zero*, a low calorie beer, were introduced to address increasing health consciousness and *San Mig Strong Ice* for the upwardly mobile market. Initiatives similar to this have been pushed in the food division for years.

e) Raw Materials Sourcing Risks

The products and businesses of the Group, specifically the beverage, food, packaging, fuel, and oil and energy businesses, depend on the availability of raw materials. Most of these raw materials, including some critical raw materials, are procured from third parties. These raw materials are subject to price volatility caused by a number of factors, including changes in global supply and demand, foreign exchange rate fluctuations, weather conditions, and governmental controls.

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

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

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

f) Financial Risks

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

1. Interest Rate Risk

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

2. Foreign Currency Risk

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.

3. Liquidity Risk

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

4. Credit Risk

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

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

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

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

Please refer to Note 39 of the Audited Consolidated Financial Statements attached hereto as **Annex "B"** for the discussion of the Group's Financial Risk Management Objectives and Policies.

Item 2. Properties

A summary of information on the Parent Company and its significant subsidiaries principal properties and conditions thereof, is attached hereto as **Annex "F"**.

The Parent Company does not hold any real property of material value. Its present office is at the 5th Floor, ENZO Building, No. 399 Sen. Gil J. Puyat Avenue, Makati City.

The Parent Company and its significant subsidiaries have no principal properties that are subject to a lien or mortgage, except for certain power plants, including all related facilities therein, that are

mortgaged in favor of the lenders to secure the loan obligations. There are no imminent acquisitions of any material property that cannot be funded by working capital of the Group.

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

Item 3. Legal Proceedings

The Group is not a party to, and its properties are not the subject of, any material pending legal proceeding that could be expected to have a material adverse effect on the Group's financial performance.

For further details on pending legal proceedings of the Group, please refer to Note 43, Other Matters, of the Audited Consolidated Financial Statements attached hereto as **Annex "B"**.

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

There are no matters which were submitted to a vote of the Parent Company's stockholders, through the solicitation of proxies or otherwise, during the fourth quarter of 2020.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

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

On October 17, 2013, the Board of SMC approved the declaration, by way of property dividends, of 240,196,000 common shares of the Parent Company to the SMC common shareholders of record as of November 5, 2013, which dividend declaration was approved by the SEC on November 19, 2013. The Certificate Authorizing Registration was issued by the Bureau of Internal Revenue on December 26, 2013 and the physical distribution of the property dividends commenced on January 2, 2014.

The 490,196,200 common shares of the Parent Company, composing the total issued common shares, were listed by way of introduction in the PSE on January 13, 2014. The percentage of public ownership of the Parent Company as of December 31, 2020 is 11.98%.

The high and low closing prices of the common shares of the Parent Company for each quarter within the last two fiscal years and for the first quarter of 2021 are as follows:

	2021		2020		2019	
	Common		Common		Common	
	High	Low	High	Low	High	Low
1st Quarter	P145.20	P128.20	P214.00	P125.00	P289.60	P232.00
2nd Quarter	-	-	P156.00	P124.50	P276.00	P260.40
3rd Quarter	-	-	P137.60	P119.00	P267.00	P216.20
4th Quarter	-	-	P150.00	P117.00	P246.80	P201.20

The closing price as of December 29, 2020, the latest practicable trading date for the year ended 2020, is P140.00 per common share.

The closing price as of March 31, 2021 is P139.90 per common share.

The approximate number of shareholders of the Parent Company as of December 31, 2020 is 31,284.

The top 20 common stockholders of the Parent Company as of December 31, 2020 is attached hereto as **Annex "G"**.

The Board of Directors of the Parent Company approved the declaration and payment of the following cash dividends to preferred stockholder as follows:

2020

Date of Declaration	Date of Record	Date of Payment	Dividend per Share
March 12, 2020	March 12, 2020	March 13, 2020	P279.00
May 28, 2020	May 28, 2020	May 29, 2020	139.50
August 6, 2020	August 6, 2020	August 7, 2020	139.50
November 5, 2020	November 5, 2020	November 6, 2020	139.50

2019

Date of Declaration	Date of Record	Date of Payment	Dividend per Share
March 14, 2019	March 14, 2019	March 15, 2019	P279.00
May 9, 2019	May 9, 2019	May 10, 2019	279.00
August 8, 2019	August 8, 2019	August 9, 2019	139.50
November 7, 2019	November 7, 2019	November 8, 2019	279.00

There were no cash dividends declared and paid by the Parent Company for common shares in 2020 and 2019.

On March 11, 2021, the BOD of the Parent Company declared cash dividends at P139.50 per share to preferred shareholders of record as at March 11, 2021 to be paid on March 12, 2021.

Description of the securities of the Parent Company may be found in Note 24, Equity, of the 2020 Audited Consolidated Financial Statements, attached herein as **Annex “B”**.

There were no securities sold by the Parent Company within the past three years which were not registered under the Securities Regulation Code.

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

(A) Management Discussion and Analysis

The information required by Item 6 (A) may be found on **Annex “A”** hereto.

(B) Information on Independent Accountant and Other Related Matters

The accounting firm of R.G. Manabat & Co. served as the Parent Company's external auditors for the last twelve fiscal years. The BOD will again nominate R.G. Manabat & Co. as the Parent Company's external auditors for this fiscal year.

Representatives of R.G. Manabat & Co. are expected to be present at the stockholders' meeting and will be available to respond to appropriate questions. They will have the opportunity to make a statement if they so desire.

The Parent Company paid the external auditor the amount of P1.8 million in 2020 and 2019, for its services rendered in both years.

The stockholders approve the appointment of the Parent Company's external auditors. The Audit and Risk Oversight Committee reviews the audit scope and coverage, strategy and results for the approval of the board and ensures that audit services rendered shall not impair or derogate the independence of the external auditors or violate SEC regulations. The Parent Company's Audit and Risk Oversight Committee's approval policies and procedures for external audit fees and services are stated in the Parent Company's Amended Manual of Corporate Governance.

Item 7. Financial Statements

The Audited Consolidated Financial Statements and Statement of Management's Responsibility are attached as **Annex "B"** hereto with the Supplementary Schedules attached as **Annex "C"** hereto. The auditors' PTR, name of certifying partner and address are attached as **Annex "B-1"** hereto.

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

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

PART III – CONTROL AND COMPENSATION INFORMATION

The overall management and supervision of Top Frontier is undertaken by the Board of Directors. The Board is composed of seven (7) members of the Board, three (3) of whom are independent directors. Pursuant to the By-Laws of Top Frontier, the directors are elected at each annual stockholders' meeting by stockholders entitled to vote. The term of a director is one (1) year from date of election and until their successors are elected and qualified.

As of December 31, 2020, the composition of the Board of Directors of Top Frontier is as follows:

Name	Age	Citizenship	Position	Year Position was Assumed
Iñigo U. Zobel	64	Filipino	Chairman	2008
Ramon S. Ang	66	Filipino	Director	2010
Ferdinand K. Constantino	69	Filipino	Director	2010
Aurora T. Calderon	66	Filipino	Director	2013
Consuelo M. Ynares-Santiago	81	Filipino	Independent Director	2013
Minita V. Chico-Nazario	81	Filipino	Lead Independent Director	2014
Teresita J. Leonardo - De Castro	72	Filipino	Independent Director	2019

As of December 31, 2020, the following are the executive officers of Top Frontier:

Name	Age	Citizenship	Position	Year Position was Assumed
Ramon S. Ang	66	Filipino	President and Chief Executive Officer	2013
Aurora T. Calderon	66	Filipino	Treasurer	2010
Bella O. Navarra	60	Filipino	Chief Finance Officer	2013
Virgilio S. Jacinto	64	Filipino	Corporate Secretary and Compliance Officer	2010 2013
Irene M. Cipriano	46	Filipino	Assistant Corporate Secretary	2013
Maria. Rosario B. Balanza	58	Filipino	Investment Relations Officer and Data Protection Officer	2014 2017
Ramon R. Bantigue	59	Filipino	Internal Audit Group Head	2017

The following discussion presents a brief description of the business experience of each of the directors and executive officers of Top Frontier over the past five (5) years.

Ilñigo U. Zobel

Mr. Zobel is the Chairman of Top Frontier (since 2008). He is also the Chairman and President of E. Zobel, Inc. (since 1983), IZ Investment Holdings, Inc. (since 2013) and Zygnnet Prime Holdings Inc. (since 2015); Director of San Miguel Corporation (since 2009); Chairman (2015-2016), Vice Chairman (since 2016) and President (2015-2017) of Manila North Harbour Port, Inc.; and a Director of E. Zobel Foundation, Inc., Calatagan Golf Club, Inc., Calatagan Bay Realty, Inc., Hacienda Bigaa, Inc., MERMAC, Inc., among others. He was formerly an Independent Director of San Miguel Corporation (1999-2009), San Miguel Brewery Inc. (2007-2010), San Miguel Pure Foods Company, Inc. (2006-2009), San Miguel Properties, Inc. (2009-2010), and Ginebra San Miguel, Inc. (2004-2010); President and Chief Operating Officer of Air Philippines Corporation (2012-2014); and Director of PAL Holdings, Inc. (2012-2014) and Philippine Airlines, Inc. (2012-2014). He attended Santa Barbara College, California, U.S.A.

Ramon S. Ang

Mr. Ang is the Director (since 2010) and President and Chief Executive Officer (since 2013) of Top Frontier. He was a member of the Corporate Governance Committee, and the Chairman of the Executive Compensation Committee of Top Frontier (2013-2017). Mr. Ang is the Vice Chairman (since 1999), President, and Chief Operating Officer of San Miguel Corporation (since 2002); Chairman and Chief Executive Officer (since 2010) and President and Chief Operating Officer (since 2017) of SMC Global Power Holdings Corp.; Chairman of San Miguel Brewery Inc. (since 2007), San Miguel Brewery Hong Kong Limited (since 2005), Sea Refinery Corporation (since 2011), San Miguel Foods, Inc. (since 2006), San Miguel Yamamura Packaging Corporation (since 2006), Anchor Insurance Brokerage Corporation (since 2001), Clariden Holdings, Inc. (since 2012) and Manila North Harbour Port, Inc. (since 2016); Vice Chairman (since 2010), Director (since 2000) and President (since 2017) of Ginebra San Miguel, Inc.; Vice Chairman (since 2011), Director (since 2001) and President and Chief Executive Officer (since 2018) of San Miguel Food and Beverage, Inc. (formerly, San Miguel Pure Foods Company, Inc.); President and Chief Executive Officer of Petron Corporation (since 2015), and Integrated Geo Solutions, Inc. (since 2009); President and Chief Executive Officer of Northern Cement Corporation (since 2012); Chairman (since 2002) and President (since 2010) of San Miguel Properties, Inc.; Chairman, President and Chief Executive Officer of Far East Cement Corporation (since 2016); Chairman and President of San Miguel Holdings Corp. (since 2010) and San Miguel Equity Investments Inc. (since 2011); and Chairman of Philippine Diamond Hotel & Resort, Inc. (since 2004). He is also the sole director and shareholder of Master Year Limited (since 2012) and the Chairman of Privado Holdings, Corp (since 2010). He was formerly the Chairman of Liberty Telecoms Holdings Inc. (2008-2016); President and Chief Operating Officer of PAL Holdings, Inc. (2012-2014) and Philippine Airlines, Inc. (2012-2014); Vice Chairman and Director of Manila Electric Company (2009-2014); and Director of Air Philippines Corporation (2012-2014). Mr. Ang holds directorships in various subsidiaries of San Miguel Corporation. He holds a degree in B.S. Mechanical Engineering from the Far Eastern University.

Ferdinand K. Constantino

Mr. Constantino is a Director of Top Frontier (since 2010). He is a member of the Audit and Risk Oversight Committee, Related Party Transaction Committee (since 2017), and Corporate Governance Committee (since 2013). He was the Chairman of the Nomination and Hearing Committee and a member of the Audit Committee (2013-2017). He is also the Senior Vice President, Chief Finance Officer, Treasurer (since 2001) and Director (2010-2018) of San Miguel Corporation; President of Anchor Insurance Brokerage Corporation (since 2002); Vice Chairman of SMC Global Power Holdings Corp. (since 2011); a Director and Treasurer of San Miguel Food and Beverage, Inc. (formerly, San Miguel Pure Foods Company, Inc.) (since 2018); Director of San Miguel Brewery Inc. (since 2007), San Miguel Yamamura Packaging Corporation (since 2002), SMC Stock Transfer Service Corporation (since 1993 and Chairman since 2010), San Miguel Holdings Corp. (since 2001), and Clariden Holdings, Inc. (since 2012); and a Director and Treasurer of San Miguel Equity Investments, Inc. (since 2011). Mr. Constantino previously served as Chief

Finance Officer and Treasurer of San Miguel Brewery Inc. (2007-2009); Director of San Miguel Pure Foods Company, Inc. (2008-2009), San Miguel Properties, Inc. (2001-2009), Bank of Commerce (2008-2010), Ginebra San Miguel, Inc. (2008-2010 and 2012-2015), PAL Holdings, Inc. (2012-2014), Philippine Airlines, Inc. (2012-2014); and Chief Finance Officer of Manila Electric Company (2009). He holds directorships in various subsidiaries of San Miguel Corporation. He holds a degree in A.B. Economics from the University of the Philippines and completed academic requirements for an M.A. Economics degree.

Aurora T. Calderon

Ms. Calderon is a Director of Top Frontier (since 2013), the Treasurer (since 2010) and a member of the Audit and Risk Oversight Committee, and Related Party Transaction Committee (since 2017). She was a member of the Audit Committee and Executive Compensation Committee (2013-2017). She is also the Senior Vice President-Senior Executive Assistant to the President and Chief Operating Officer of San Miguel Corporation (since 2011); a Director of San Miguel Corporation (since 2014), Petron Corporation (since 2010), Petron Marketing Corporation (since 2010), Petron Freeport Corporation (since 2010), Sea Refinery Corporation (since 2010), New Ventures Realty Corporation (since 2010), Las Lucas Construction and Development Corp. (since 2010), Thai San Miguel Liquor Co. (since 2008), SMC Global Power Holdings Corp. (since 2010), San Miguel Equity Investments Inc. (since 2011), and Clariden Holdings, Inc. (since 2012). She was previously a consultant of San Miguel Corporation reporting directly to the President and Chief Operating Officer (1998-2010) and formerly a Director of Manila Electric Company (2009), PAL Holdings, Inc. (2012-2014), Philippine Airlines, Inc. (2012-2014) and Air Philippines Corporation (2012-2014). Ms. Calderon holds directorships in various subsidiaries of San Miguel Corporation. She graduated magna cum laude from the University of the East with a degree in B.S. Business Administration, Major in Accountancy. Ms. Calderon is a Certified Public Accountant.

Consuelo M. Ynares-Santiago

Justice Santiago is an Independent Director of Top Frontier (since 2013), the Chairperson of the Corporate Governance Committee (since 2013) and of the Related Party Transaction Committee (since 2017), and a member of the Audit and Risk Oversight Committee (since 2017). She was a member of the Audit Committee and the Executive Compensation Committee (2013-2017). She is also an Independent Director of SMC Global Power Holdings Corp. (since 2011), Anchor Insurance Brokerage Corporation (since 2012), South Luzon Tollway Corporation (since 2015) and Phoenix Petroleum Phil. Inc. (since 2013). She was formerly an Associate Justice of the Supreme Court (1999-2009), an Associate Justice of the Court of Appeals (1990-1999), and a Regional Trial Court Judge of Makati City (1986-1990). Justice Santiago obtained her Bachelor of Laws degree from the University of the Philippines, College of Law.

Minita V. Chico-Nazario

Justice Nazario is an Independent Director of Top Frontier (since 2014), the Chairperson of the Audit and Risk Oversight Committee (since 2017), a member of the Related Party Transaction Committee (since 2017) and Corporate Governance Committee (since 2017), and the Lead Independent Director (since 2018). She was the Chairperson of the Audit Committee and a member of the Nomination and Hearing Committee (2014-2017). She is also an Independent Director of San Miguel Properties, Inc. (since 2012), Ginebra San Miguel Inc. (since 2012), and San Miguel Food and Beverage, Inc. (formerly, San Miguel Pure Foods Company, Inc.) (since 2015). She is also currently the Dean of the College of Law of the University of Perpetual Help System DALTA in Las Pinas City (since 2011), Chairperson of Philippine Grain International Corp (since 2010), a Director of Mariveles Grains Corp. (since 2012), and a Legal Consultant of the United Coconut Planters Bank (since 2014). Justice Nazario is formerly an Associate Justice of the Supreme Court (2004-2009), the Presiding Justice of the Sandiganbayan (2003-2004), and the Chairman of the Board (2010) and Director (2010-2011) of the PNOC Exploration Corporation. Justice Nazario obtained her Bachelor of Laws degree from the University of the Philippines, College of Law.

Teresita J. Leonardo-De Castro

Justice De Castro has been nominated for election as an Independent Director of Top Frontier at the Annual Stockholders' Meeting. Justice De Castro served as Chief Justice of the Supreme Court of the Philippines (2018), Associate Justice of the Supreme Court of the Philippines (2007-2008), Presiding Justice of the Sandiganbayan (2004-2007), and Associate Justice of the Sandiganbayan (1997-2004). Justice De Castro obtained her Bachelor of Laws degree from the University of the Philippines, College of Law.

Bella O. Navarra

Ms. Navarra is the Chief Finance Officer of Top Frontier (since 2013) and the Vice President, Comptrollership of San Miguel Corporation (since 2000). She is a Director and the Treasurer of Clariden Holdings, Inc. (since 2012) and various subsidiaries of San Miguel Corporation; and a Director of San Miguel Holdings Corp. (since 2007), San Miguel Equity Investments Inc. (since 2011), and SMC Stock Transfer Service Corporation (since 2001). She holds directorships in various subsidiaries of San Miguel Corporation. She is a Certified Public Accountant and holds a degree in B.S. in Business Administration, Major in Accounting from the University of the East.

Virgilio S. Jacinto

Atty. Jacinto is the Corporate Secretary of Top Frontier (since 2010), Compliance Officer (since 2013), and a member of the Corporate Governance Committee (since 2013). He is the Corporate Secretary, Senior Vice-President, General Counsel, and Compliance Officer of San Miguel Corporation (since 2010). He is also the Corporate Secretary and Compliance Officer of Ginebra San Miguel, Inc. and a Director of Petron Corporation (since 2010); President of SMC Stock Transfer Service Corporation (since 2011); a Director and Corporate Secretary of SMC Global Power Holdings Corp. (since 2010); and Corporate Secretary of San Miguel Holdings Corp. (since 2010) and various subsidiaries of San Miguel Corporation. He is also an Associate Professor at the University of the Philippines, College of Law (since 1993). Atty. Jacinto was formerly the Vice President and First Deputy General Counsel of San Miguel Corporation (2006-2010). He holds directorships in various subsidiaries of San Miguel Corporation. Atty. Jacinto is the class salutatorian and graduated cum laude from the College of Law of the University of the Philippines, and placed 6th in the 1981 Bar Examinations. He also holds a Master of Laws degree from the Harvard Law School.

Irene M. Cipriano

Atty. Cipriano is the Assistant Corporate Secretary of Top Frontier (since 2013) and an Assistant Vice President and Associate General Counsel of San Miguel Corporation. She is also the Corporate Secretary of San Miguel Equity Investments Inc. (since 2011), the Assistant Corporate Secretary of SMC Global Power Holdings Corp. (since 2010), and of various subsidiaries of San Miguel Corporation. Atty. Cipriano was formerly the Assistant Corporate Secretary of PAL Holdings, Inc. (2012-2014) and Philippine Airlines, Inc. (2012-2014). She is a Certified Public Accountant and holds a degree in B.S. Accountancy from De La Salle University. Atty. Cipriano holds a degree in Bachelor of Laws from the San Beda College of Law.

Maria Rosario B. Balanza

Ms. Balanza is the Investment Relations Officer of Top Frontier (since 2014) and serves as its Data Protection Officer (since 2017). She is also the Assistant Vice President for the Planning and Research Services Department, Corporate Finance of San Miguel Corporation (since 2007). She was formerly the Assistant Vice President for Research and Information Management, Corporate Planning of San Miguel Corporation (2004-2007). Ms. Balanza holds a degree in A.B. Economics from the University of the Philippines and has completed the Post Graduate Program in Development Economics from the University of the Philippines. She obtained her Master of Management from the Australian National University.

Ramon R. Bantigue

Mr. Bantigue is the Internal Audit Group Head of Top Frontier (since 2017). He is also a Vice President and Head of the San Miguel Corporation Group Audit (since 2007). Mr. Bantigue is Certified Internal Auditor. He is Certified Public Accountant and holds a degree in Bachelor of Commerce, Major in Accountancy from the University of Sto. Tomas. Mr. Bantigue completed the Management Development Program at the Asian Institute of Management.

SIGNIFICANT EMPLOYEES

While all employees are expected to make a significant contribution to Top Frontier, there is no one particular employee, not an executive officer, expected to make a significant contribution to the business of Top Frontier on his own.

FAMILY RELATIONSHIP

There are no family relationships up to the fourth civil degree either of consanguinity or affinity among any of the directors and executive officers.

INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS

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

Item 10. Executive Compensation

The Board may provide, in its discretion, an allowance or per diem to each member of the Board during each regular meeting of the Board, provided that the said director participates in the said meeting. Pursuant thereto, Top Frontier provides each director, who are not officers of SMC, with reasonable per diem of P20,000 and P10,000 for each Board and Committee meeting attended, respectively. Additionally, the By-Laws of Top Frontier provides that as compensation of the directors, the Board at its discretion shall receive and allocate yearly an amount of not more than 10% of the net income before income tax of Top Frontier during the preceding year. Such compensation shall be determined and apportioned among the directors in such manner as the Board may deem proper, subject to the approval of stockholders representing at least a majority of the outstanding capital stock at a regular or special meeting of the stockholders.

The By-Laws of Top Frontier further provides that the officers shall receive such remuneration as the Board may determine. A director shall not be precluded from serving Top Frontier in any other capacity as an officer, agent or otherwise, and receiving compensation therefore.

Compensation to executive officers currently comprising of the Chairman, the President and Chief Executive Officer, the Treasurer, the Chief Finance Officer, the Corporate Secretary and Compliance Officer, the Assistant Corporate Secretary, the Investment Relations Officer and Data Protection Officer, and the Internal Audit Group Head amounted to nil for the years ended 2020, 2019 and 2018.

There were no other compensation paid to the directors for the periods indicated.

Employment Contract between the Parent Company and Executive Officers

There are no special employment contracts between Top Frontier and its named executive officers.

Warrants and Options Held by the Executive Officers and Directors

As of December 31, 2020, none of the directors and executive officers of Top Frontier hold any warrants or options in Top Frontier.

Other Arrangements

Except as described above, there are no other arrangements pursuant to which any of the directors and executive officers of Top Frontier were compensated, or is to be compensated, directly or indirectly since the incorporation of Top Frontier on March 11, 2008.

Item 11. Security Ownership of Certain Beneficial Owners and Management

Beneficial owners of more than 5% of the voting securities of Top Frontier as of December 31, 2020 are as follows:

Title of Class	Name of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held by the Beneficial Owners (includes Common Shares held by their nominees)	% of Total Outstanding Common Shares
Common	Iñigo U. Zobel (Chairman of the Board)	Iñigo U. Zobel	Filipino	199,601,517	59.96%
	Aurora T. Calderon (Director and Treasurer)	Nominee-director of Mr. Zobel in the Board	Filipino	100	
				Total: 199,601,617	
Common	Master Year Limited	Master Year Limited (MYL)	Caymanian	49,799,800	14.96 %
	Ramon S. Ang (President and CEO)	Sole director / shareholder of MYL and Nominee-director of MYL in the Board	Filipino	100	
	Ferdinand K. Constantino (Director)	Nominee-director of MYL in the Board	Filipino	100	
				Total: 49,800,000	
Common	Privado Holdings, Corp.	Ramon S. Ang, as 100% beneficial owner of Privado Holdings, Corp.	Filipino	36,814,051	11.07%
				44,500 [in PCD Nominee Corporation (Filipino)]	
				Total: 36,858,551	

Title of Class	Name of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held by the Beneficial Owners (includes Common Shares held by their nominees)	% of Total Outstanding Common Shares
Common	PCD Nominee Corporation (Filipino)	Various individual/entities	Filipino	25,998,251 [inclusive of the 44,500 shares of Privado Holdings, Corp.]	7.81%

As regards security ownership of management, the table below sets out the details of the voting securities in the name of the directors and executive officers of Top Frontier as of December 31, 2020:

Title of Class	Name and Address of Record Owner and Relationship with Issuer	Position	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	Total No. of Shares	% of Total Outstanding Common Shares
Common	Iñigo U. Zobel	Chairman of the Board	Iñigo U. Zobel	Filipino	199,601,517	59.96%
Common	Aurora T. Calderon	Director and Treasurer	Iñigo U. Zobel; Nominee-director	Filipino	100	0%
			Aurora T. Calderon	Filipino	2,260	0%
Common	Ramon S. Ang	President and CEO	MYL; Nominee-director	MYL - Caymanian	100	0%
			Ramon S. Ang	Filipino	75,787	0.02%
Common	Ferdinand K. Constantino	Director	MYL; Nominee-director	MYL - Caymanian	100	0%
			Ferdinand K. Constantino	Filipino	14,750	0%
Common	Consuelo M. Ynares-Santiago	Independent Director	Consuelo M. Ynares-Santiago	Filipino	100	0%
Common	Minita V. Chico-Nazario	Independent Director	Minita V. Chico-Nazario	Filipino	100	0%
Common	Teresita J. Leonardo-De Castro	Independent Director	Teresita J. Leonardo-De Castro	Filipino	100	0%
Common	Bella O. Navarra	Chief Finance Officer	Bella O. Navarra	Filipino	10,260	0%
Common	Virgilio S. Jacinto	Corporate Secretary and Compliance Officer	Virgilio S. Jacinto	Filipino	2,562	0%

Title of Class	Name and Address of Record Owner and Relationship with Issuer	Position	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	Total No. of Shares	% of Total Outstanding Common Shares
Common	Irene M. Cipriano	Assistant Corporate Secretary	Irene M. Cipriano	Filipino	1,000	0%
Common	Ma. Rosario B. Balanza	Investment Relations Officer and Data Protection Officer	Ma. Rosario B. Balanza	Filipino	1,307	0%

VOTING TRUST

None of the stockholders holding more than 5% of the voting securities of Top Frontier are under a voting trust or similar agreement.

CHANGE IN CONTROL

Top Frontier is not aware of any change in control or arrangement that may result in a change in control of Top Frontier.

FOREIGN OWNERSHIP

As of December 31, 2020, the following is the foreign ownership of the voting shares of stock of the Company:

Share Class	Foreign Shares	Percentage of Foreign Ownership	Local Shares/ Shares held by Filipinos	Percentage of Filipino Ownership	Total Common Shares Outstanding
Common	52,872,580	15.88%	280,013,587	84.12%	332,886,167

Item 12. Certain Relationships and Related Transactions

See Note 33, Related Party Disclosures, of the Notes to the Consolidated Financial Statements.

PART IV – CORPORATE GOVERNANCE

Item 13. Corporate Governance

Top Frontier's Integrated Annual Corporate Governance Report (I-ACGR) for 2020 shall be filed with the Commission in accordance with SEC Memorandum Circular No. 15, Series of 2017, on or before May 30, 2021.

PART V – EXHIBITS AND SCHEDULES

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

(a) Exhibits

The Audited Consolidated Financial Statements are attached as **Annex "B"**, the Audited Separate Financial Statements are attached as **Annex "B-2"** and the Supplementary Schedules are attached as **Annex "C"** hereto. The other Schedules as indicated in the Index to Schedules are either not applicable to the Parent Company and its subsidiaries or require no answer.

(b) Reports on Form 17-C

A summary list of the reports on Form 17-C filed during the year 2020 is attached as **Annex “H”**.

(c) Sustainability Report


Attached as **“Annex I”** is the 2020 Sustainability Report of Top Frontier.


SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Sec. 177 of the Revised Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Mandaluyong on APR 12 2021.

By:


RAMON S. ANG
President and Chief Executive Officer


AURORA T. CALDERON
Treasurer


BELLA O. NAVARRA
Chief Finance Officer


VIRGILIO S. JACINTO
Corporate Secretary and Compliance Officer

SUBSCRIBED AND SWORN to before me this APR 12 2021 at
Mandaluyong City, the following persons with their competent IDs, as follows:

Name	Passport No.	Date of issue	Place of Issue
Ramon S. Ang	P4589066A	October 02, 2017	DFA Manila
Aurora T. Calderon	P3888910B	November 19, 2019	DFA NCR East
Bella O. Navarra	P1969090A	February 18, 2017	DFA NCR East
Virgilio S. Jacinto	P3157226B	September 12, 2019	DFA Manila

Doc. No.: 65 ;
Page No.: 14 ;s
Book No.: VIII ;
Series of 2021.




PAULA KATHERINA A. GAN
Commission No. 0308-19
Notary Public for Mandaluyong City
Until June 30, 2021
(F.C. Resolution dated December 1, 2020)
Stac, 40 San Miguel Ave., Mandaluyong City
Roll No. 55988
PTR No. 4579651, 01/08/21; Mandaluyong City
IBP Lifetime Member No. 013353; 02/05/15; Quezon City
MCLE Compliance No. VI-0019930; 04/14/22; Pasig City

Annex “A”

Management’s Discussion and Analysis of Financial Position and Financial Performance



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

This discussion summarizes the significant factors affecting the consolidated financial performance, financial position and cash flows of Top Frontier Investment Holdings, Inc. ("Top Frontier" or the "Parent Company") and its subsidiaries (collectively referred to as the "Group") for the three-year period ended December 31, 2020. The following discussion should be read in conjunction with the attached audited consolidated statements of financial position of the Group as at December 31, 2020 and 2019, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2020. All necessary adjustments to present fairly the Group's consolidated financial position as at December 31, 2020 and the financial performance and cash flows for the year ended December 31, 2020 and for all the other periods presented, have been made.

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

I. FINANCIAL PERFORMANCE

Comparisons of key financial performance for the last three years are summarized in the following tables.

	Years Ended December 31		
	2020	2019	2018
		<i>(In Millions)</i>	
Sales	P725,776	P1,020,480	P1,024,915
Cost of Sales	577,495	819,855	827,343
Gross Profit	148,281	200,625	197,572
Selling and Administrative Expenses	(78,405)	(86,523)	(82,908)
Operating Income	69,876	114,102	114,664
Financing Charges - net	(44,507)	(43,042)	(35,555)
Equity in Net Earnings (Losses) of			
Associates and Joint Ventures	424	106	(289)
Gain (Loss) on Sale of Investments and			
Property and Equipment	(491)	(237)	252
Other Income (Charges) - net	14,153	6,551	(9,497)
Net Income	23,622	48,571	44,860
Net Income Attributable to Equity Holders			
of the Parent Company	(233)	9,604	7,000
Net Income Attributable to Non-controlling			
interests	23,855	38,967	37,860

2020 vs. 2019

For 2020, sales and margin improvements in the second half reduced overall decline with the Group's consolidated sales and operating income reaching P725,776 million and P69,876 million, 29% and 39% lower from the previous year, respectively. The decline in revenue was mainly caused by lower sales volume of Petron Corporation (Petron) and the Beer and Non-Alcoholic Beverages (NAB) division under the Food and Beverage business. This was due to lockdown and strict quarantine restrictions implemented by the government in the early part of the year coupled with lower selling price per liter of Petron as a result of the volatility of global crude oil prices. Sales of the Energy business also declined due to the deferment of the power supply agreements with Manila Electric Company (Meralco) and lower contract rates under the new power supply agreements that took effect on December 26, 2019 compared to the previous agreements. The Infrastructure business likewise registered a decline in sales which was mainly brought about by the decline in average daily traffic volume in all the operating toll roads which have been weighed down by the different levels of travel restrictions during the year.

Cost of sales was lower by 30% to P577,495 million mainly due to the: (a) decrease in sales volume and lower cost per liter of Petron, (b) lower power purchases, decline in net generation cost due to lower average cost of coal and natural gas prices, and lower energy fees due to the decline in net generation of the Sual, Ilijan and San Roque Power Plants, and (c) lower sales volume from Beer and NAB and Food divisions, under the Food and Beverage business. This was partly offset by the increase in sales volume of the Spirits division.

The decrease in selling and administrative expenses by 9% to P78,405 million was mainly due to lower advertising and promotion, and freight, trucking and handling expenses primarily from the Beer and NAB and Food divisions, under the Food and Beverage business, and reduction in outsourced services of Petron due to the pandemic. Advertising campaigns and promotions were suspended and reduced, respectively, due to COVID-19 restrictions while the decline in freight, trucking and handling was brought about by lower sales volume.

The decrease in interest expense and other financing charges was mainly due to the: (a) lower average interest rate of Petron and (b) lower interest expense of the Energy business from the declining principal balance of its finance lease liabilities.

The decrease in interest income was primarily due to lower interest rates and average balance of cash and cash equivalents.

The increase in equity in net earnings was mainly due to the higher share in net income of Manila North Harbour Port, Inc. (MNHPI).

The higher loss on sale of property and equipment pertains to the retirement of the fixed assets of San Miguel Yamamura Packaging Corporation (SMYPC) Manila Plastics Plant which were damaged by the fire incident in Pandacan, Manila in February 2020.

The increase in other income - net was mainly due to the: (a) settlement received by the Energy business from third party contractors on account of damages arising from the latter's nonfulfillment of obligations under procurement-related contracts and (b) income recognized by SMC from the Tax Credit Certificates (TCC) issued by the Bureau of Internal Revenue (BIR) in relation to the claims for refund filed for overpayment of excise taxes with the BIR for San Mig Light.

The lower income tax expense was primarily due to the: (a) tax benefit by Petron from the loss before tax in 2020 compared to tax expense on the income before tax last year, (b) lower taxable income of the Beer and NAB division under the Food and Beverage business and Infrastructure

business, and (c) derecognition by SMC of deferred income tax asset on the Net Operating Loss Carry-Over (NOLCO) which expired in 2019.

Consolidated net income for the full year of 2020 amounted to P23,622 million, 51% lower than the same period in the previous year. Consolidated net income in the second half amounted to P27,634 million, 25% higher than same period last year, reversing the first half net loss of P4,012 million, which was due largely to the economy's contraction and quarantine restrictions. The improvement of the performance in the second half was mainly brought about by the sustained performance recoveries from all major businesses, combined with effective cost saving initiatives implemented throughout the Group.

The share of non-controlling interests on the Group's net income decreased in 2020 mainly due to the net loss of Petron in 2020 as compared to a net income in 2019 and lower net income of the Beer and NAB division under the Food and Beverage business and Atlantic Aurum Investments B.V. The decrease was offset by higher amount of distribution on SMC Global Power Holdings Corp.'s (SMC Global) Undated Subordinated Capital Securities (USCS) and Senior Perpetual Capital Securities (SPCS).

The following are the highlights of the performance of the individual business segments:

1. FOOD AND BEVERAGE

San Miguel Food and Beverage, Inc. (SMFB) registered consolidated sales of P279,290 million for the full year, 10% lower than in 2019. Its strong rebound in the second half narrowed its 19% decline in the first half, as a result of continuous volume improvements from its Beer and NAB division, the all-time high performance of its Spirits division, and steady growth of the Prepared and Packaged Food segment of the Food division. This was, however, slightly tempered by lower volumes from the Food division's Protein and Animal Nutrition and Health segments.

SMFB's consolidated operating income ended at P33,412 million, a 30% decline, while net income closed at P22,401 million, down 31% from last year.

a. Beer and NAB Division

San Miguel Brewery Inc. (SMB) recorded consolidated sales of P107,928 million in 2020, 24% lower than in 2019. The decline was a direct effect of the Enhanced Community Quarantine (ECQ) restrictions throughout the country, as well as its regional markets. SMB saw significant sales recovery in the second half of the year, posting a 52% sales improvement over the first half, delivering volumes of 202 million cases.

Operating income amounted to P24,467 million, down 37%, and net income stood at P17,455 million.

Domestic Operations

Domestic operations recorded robust volume growth in the first two months of the year, but quarantine lockdowns resulted to the closure of all on- and off- premise outlets, limited transport activities, and the banning of the sale of liquor products in many markets. All these took a toll on beer sales, particularly in the second quarter.

The easing of restrictions paved the way for the gradual, partial re-opening of the economy. As a result, performance began to pick-up in mid-May, with significant volume recovery in June, and sustained month-on-month sales improvements until year-end. Sales for the year amounted to P97,828 million, buoyed by the price increase implemented on

March 1, 2020, but remained 24% lower versus 2019. Combined with cost containment efforts, operating income ended at P23,259 million.

SMB boosted its presence in digital, e-premise, and other appropriate channels for sustained brand equity. It also tapped opportunities for selling especially in emerging and relevant channels, to mitigate the impact of the pandemic and adapt to the new normal. SMB also put in place programs to further support the shift from on-premise to home consumption. Effective cost management, rationalized spending, tighter business controls, and other cost saving initiatives were also implemented, helping sustain the domestic operations' positive profit level.

To support recovery, SMB strengthened its marketing campaigns with TV and radio placements namely, the *"Inom Sweet Home 5+1"* promo and *"Pass the Bottle"* with the San Miguel Beermen. Digital brand campaigns were also rolled out to supplement traditional media. For the first time, the yearly SMB *Oktoberfest* event was held virtually over Facebook.

International Operations

International operations were also affected by the pandemic, as governments in countries where there are operations implemented their own containment measures. This resulted to the temporary closure of manufacturing plants, as well as the closure of on-premise outlets, which resulted to a decline in consumption. The operations in Indonesia and Thailand were particularly affected, as on-premise consumption in these markets are relatively high.

Meanwhile, the Hong Kong, South China, and Vietnam markets were less affected, as evidenced by significantly improved profits compared to the previous year. The Exports business also recorded consistent improvements, brought about by the continuous growth of off-trade channels and brand focused distribution.

SMB International continues to implement its marketing programs, volume incentive initiatives, and market penetration and distribution activities, to sustain and improve volumes and profitability.

b. Spirits Division

Ginebra San Miguel Inc. (GSMI) started 2020 with healthy volume growth in the first two months of the year. Volumes shrank during the ECQ, but quickly recovered after. Trade replenishments boosted sales, leading to June volumes reaching the highest monthly levels on record.

Coming from a volume decline in the first half, GSMI's sustained, strong month-on-month volume rebound resulted to full-year volumes of 38.6 million cases, up 8% from 2019. This is attributable to the expansion of distribution reach, continued efforts to maintain brand relevance, prompt replenishment of stocks in outlets, utilization of e-commerce channels via the San Miguel online store *"The Mall"*, and promotion through the online *Ginumanfest* live concert.

In July, GSMI resumed its *"Lakas sa Magandang Bukas"* and *"I Choose Mojito"* marketing campaigns on radio and television, as the economy reopened.

GSMI launched a new thematic campaign in September, *"One Ginebra Nation 2.0"*, sending out a message of hope, resiliency and unity, attuned to the call of this ongoing challenges which further helped bump up volumes. This was supported by localized

consumer promos and the expansion of distribution coverage. Another campaign, “*GSM Blue I Choose Mojito 2.0*”, also contributed to volume increase.

Consolidated sales for the full year reached P36,202 million, up 25% from the previous year’s P29,063 million.

With better operational efficiencies and effective alcohol sourcing, operating income amounted to P3,806 million, up 32% versus 2019. Net income hit P2,757 million, 65% higher from 2019 - the highest ever recorded by GSML.

c. Food Division

The Food division’s consolidated sales declined by 3% to P135,170 million, from the previous year, reflecting the full impact of ECQ in its basic food segments which was partly moderated by the solid performance of the Prepared and Packaged Food segment as packaged food became an essential item in consumers’ grocery baskets as they settled into their home-based- work-from-home and online classes lifestyle.

Sales in the first three quarters followed a downward trend but slowly returned to growth as quarantine restrictions were eased in September. While institutional sales remained weak due to limited dine-in activities of food service, incremental sales from alternative trade channels partly offset this and the usual demand surge from Christmas spending boosted revenues in the fourth quarter.

Operating income dropped by 17% to P5,185 million in 2020 primarily due to the impact of the pandemic on revenues and operating expenses.

- The Protein segment, consisting of the Magnolia Chicken and Monterey Meats businesses, was most affected by the pandemic as revenues declined by 10%. Many of the foodservice customers, including fast food chains and “*lechon manok*” outlets, were forced to close shop during the ECQ. This resulted in a massive build-up of frozen chicken inventory in the second quarter, which pushed down prices. In response, aggressive move-out plans were implemented, such as developing alternative trade channels, notably community resellers, to push volumes and help bring down inventory. Poultry volumes in the fourth quarter posted double-digit growth quarter-on-quarter, buoyed by a moderate uptick during the holiday season and incremental sales from alternative channels, particularly community resellers which accounted for 11% of total volumes in 2020. From 192 community resellers in March, it expanded to over 13,000 by end-December and this is still expanding. Chicken prices likewise improved since October and reached around P125/kilo in December. Meanwhile, the Monterey Meats business experienced lower revenues brought about by the restrictions on the movement of pork imposed by some local governments to combat African Swine Fever.
- Animal Nutrition and Health segment revenues registered a slight decrease of 2% due to the continuing effects of the African Swine Fever which affected hog feeds sales. Proving to be a reliable supplier during the ECQ and able to implement more competitive selling prices has allowed the business to grab market share. Volumes ended slightly higher than the previous year, registering robust growth in free range fowl, duck and aquatic feeds, as customers opted for superior product quality produced in the new feed mills.
- Prepared and Packaged Food segment, composed of the processed meats, dairy, spreads, ice cream, biscuits and coffee businesses, posted 10% revenue growth as

restricted living led to more in-home cooking and consumption. This pushed demand for breakfast items and benefitted the premium processed meats, margarine, cheese, and pancake mixes which all registered double-digit growth rates. Our flagship product, *Purefoods Tender Juicy* Hotdog, saw volumes grow across all retail channels with our chicken variant - *Tender Juicy Chicken* Hotdog - registering the highest growth at 98% during the pandemic. *Purefoods* Hams and *Magnolia* Cheeseballs performed strongly in December as special Christmas bundles were created so that more families could celebrate despite tight budgets.

Changes in consumer behavior and increased demand for in-home food driven by lockdown restrictions, gave us opportunity to push our new products such as our ready-to-cook *Magnolia* Fried Chicken, our newly-launched plant-based food products under the *Veega* brand, the *Purefoods* seafood line, and the *Purefoods* Heat and Eat slow-cooked viands. New product launches also included ready-to-eat viands under the *Cook Express* and *Chef's Selections* brands targeted at foodservice outlets and home-based businesses.

- Revenues of the Flour segment were down by 2% mainly from a slowdown in volumes from institutional customers as well as lower selling prices. Price rollbacks were made for hard flour due to aggressive competition in the industry. However, the retail sector continued to grow on the strength of increased demand for our Bake Best flour premixes and baking ingredients arising from heightened consumer interest in home baking.

2. PACKAGING

The Packaging business registered P31,504 million in sales for 2020, down 17% from the previous year, similarly reflecting the effects of the ECQ. Volumes were dragged down by lower orders from its major beverage customers. This was partly offset by increased deliveries to healthcare and pharmaceutical customers, growth in sales from the food and liquor sectors, mainly for home consumption due to the gradual re-opening of the economy and improvements in the export market. On the other hand, the performance of Australia, Malaysia, and China operations remained stable.

With effective cost management initiatives, the Packaging business generated operating income of P961 million.

3. ENERGY

SMC Global registered full year sales of P115,029 million, 15% lower versus 2019, as off-take volumes of 26,116 gigawatt hours (GWh) declined by 7%. This was primarily due to the deferment of commencement of the 290 megawatts (MW) mid-merit power supply agreement with Meralco, where the provisional approval of the Energy Regulatory Commission (ERC) was posted and distributed to the parties only on March 16, 2020 and the deferment of the 260 MW extended contract with Masinloc, which remains pending ERC approval to-date.

In addition, the new Meralco baseload power supply agreements that took effect on December 26, 2019 have lower contract rates compared to the previous power supply agreements.

Sales volumes were affected by a decline in demand from industrial and contestable customers during the lockdown period, which gradually improved with the reopening of economic activities after the easing of the ECQ restrictions. This was, however, mitigated by improved utility demand as household consumption increased.

With lower fuel costs and spot purchases and effective implementation of power dispatch strategies, operating income ended 3% higher at P36,923 million. Net income, on the other hand, amounted to P18,874 million, 31% higher than last year.

SMC Global also increased its total capacity during the year. On September 26, 2020, it officially started commercial operations of its Masinloc Unit 3, with 335 MW capacity. On December 15, 2020, it achieved substantial completion, which included the testing and commissioning by the National Grid Corporation of the Philippines, of its 20 MWh Battery Energy Storage (BESS) facility in Kabankalan, Negros Occidental.

With this, SMC Global's total capacity reached 4,697 MW as of December 31, 2020, accounting for 20% of the National Grid, 27% of the Luzon Grid, and 8% of the Mindanao Grid.

It has also started to undertake the expansion of its portfolio of BESS projects that will provide an additional 1,000 MWh. The initial 490 MWh across 15 sites are in advanced stages of completion and are expected to start operating in early 2021. The remaining 510 MWh across other sites are expected to be completed by the early part of 2022.

4. FUEL AND OIL

Petron face significant challenges throughout the year. Global oil prices, which had already been volatile, plunged in March as a price war broke among the top oil producing countries. Dubai crude collapsed by around 33%, from an average of \$63.5 per barrel in 2019 to \$42 per barrel in 2020, resulting to successive rollbacks in pump prices.

Oil prices fell to as low as US\$13/bbl in daily trading, reaching record low levels in 26 years. Refining margins also remained weak in the region as oil consumption declined. Demand for fuel also fell as transportation and mobility were severely restricted throughout the ECQ period.

Petron posted successive recoveries in the last two quarters of the year, resulting in net profit of P2,823 million in the second half, as world crude prices stabilized and rallied towards year-end, bringing subsequent inventory gains. Consolidated volumes also improved, from the second quarter slump. Still, these were not enough to compensate for losses incurred in the first half, which resulted from demand contraction in both domestic and international markets, poor refining margins, and the collapse in world oil prices.

As a result, Petron's consolidated sales amounted to P286,033 million, down 44% from the previous year. Volumes were likewise down 27% to 78.6 million barrels. Petron recorded consolidated operating loss of P4,629 million and net loss of P11,413 million in 2020.

Petron continues to implement measure to maximize productivity and reduce expenses in order to cope with the pandemic's impacts. Cash preservation initiatives are in place, as Petron continues to find new ways to adapt, given that the economy's recovery may take longer than initially expected.

5. INFRASTRUCTURE

The Infrastructure business recorded a 33% volume drop for 2020, reflecting the effect of travel restrictions throughout Luzon. Despite this, the business continued to waive toll fees to help to medical front liners. Following the easing of restrictions, a significant recovery in traffic volumes was seen, with some operating toll roads registering daily traffic at almost pre-pandemic levels.

Combined average vehicle daily traffic in the fourth quarter reached 80% of 2019 levels, with notable recoveries from the South Luzon Expressway (SLEX) and Star Tollway.

As a result, full year sales amounted to P14,565 million, 38% lower than the previous year, while operating income ended 78% lower at P2,571 million.

The Infrastructure business, nevertheless, delivered on its commitments and completed two major projects. The entire stretch of the Tarlac-Pangasinan-La Union Expressway (TPLEX) from Tarlac up to Rosario, La Union was completed and opened to the public. The construction of the Skyway Stage 3 project, linking SLEX and North Luzon Expressway (NLEX) was also completed. Skyway Stage 3 was soft-opened December 29, 2020, and was inaugurated and opened to motorists on January 14, 2021.

The Metro Rail Transit (MRT 7) project is progressing well, with construction returning to normal levels. Work on sections from Quezon Memorial Circle to Quirino Highway traversing Commonwealth Avenue and Regalado Avenue is ongoing.

Construction of the SLEX Toll Road 4 (SLEX TR4) project, which will extend SLEX from Sto. Tomas, Batangas to Lucena City in Quezon province is ongoing along the Alaminos-Tiaong area. Coordination with the DPWH is also ongoing to expedite the acquisition of right-of-way.

Meanwhile, the Alabang South Skyway Extension project is in an advanced stage of completion. The construction on Skyway Stage 4 has also started at workable areas along C-5. Acquisition of right-of-way properties is ongoing. The Toll Regulatory Board has given the Group permission to proceed with detailed engineering design on realignments.

Stages 1 and 2 of the Bulacan Bulk Water Treatment facilities are now complete. Feasibility study of Stage 3 has also been completed, while work on the preliminary engineering design is ongoing.

2019 vs. 2018

The Group's consolidated sales for the year 2019 amounted to P1,020,480 million, at par versus 2018. Higher volumes from the Energy and Food and Beverage businesses continue to drive revenue growth, but was moderated by the decline in the sales performance of Petron.

Cost of sales amounted to P819,855 million, slightly lower than 2018 at P827,343 million. The decrease primarily was the result of lower average crude prices and sales volume of Petron. This was reduced by the increase in: (a) full year operations of Masinloc Power Plant Units 1 and 2, Malita Power Plant Unit 2, and Limay Power Plant Unit 3, alongside Limay Power Plant Unit 4 which started operations in July 2019, (b) higher power purchase costs of Sual, Ilijan and San Roque Power Plants, (c) higher energy fees of Sual and Ilijan Power Plants, and (d) volume growth of the Food and Beverage business and higher broiler cost, processing cost and major raw materials of the Food division.

Selling and administrative expenses increased by 4% to P86,523 million compared to 2018, mainly due to (a) higher personnel expenses, logistics costs, contracted services costs and marketing expenses of the Food and Beverage business, and (b) higher operating expenses from Masinloc entities' full year operations. The increase was partly offset by lower employee costs, provision for bad debts and advertising expenses of Petron.

The Group's consolidated operating income declined by 0.5% at P114,102 million from 2018, weighed down by Petron and the Food and Beverage business, particularly the Food division. This

was partly offset by Beer and NAB and Spirits divisions, under the Food and Beverage business, and the Energy business which delivered strong results in 2019.

The higher interest expense and other financing charges was mainly due to higher level of long-term debt and generally higher interest rate in 2019 compared to 2018.

The higher interest income was primarily due to higher interest rate and average balance of cash and cash equivalents.

The increase in equity in net earnings (losses) of associates and joint ventures mainly represents the share of San Miguel Properties, Inc. (SMPI) on the higher earnings of Bank of Commerce (BOC) and the share of San Miguel Holdings Corp. (SMHC) on the earnings of MNHPI for the period May to December 2019, net of the share in higher net losses of the Group's joint ventures.

The loss on sale of property and equipment in 2019 pertains mainly to the disposal and retirement by SMYPC of its Cebu Beverage Packaging Plant.

Other income - net in 2019 was primarily due to the appreciation of the Philippine Peso by P1.945 versus other charges - net in 2018 where the Philippine Peso depreciated by P2.65. This resulted to a foreign exchange gain of P6,984 million in 2019 compared to a foreign exchange loss of P11,723 million in 2018.

The higher income tax expense was primarily due to the: (a) higher provision for deferred income tax expense recognized by the Energy business on the temporary difference of monthly fixed payments to Power Sector Assets and Liabilities Management Corporation (PSALM) over the finance lease-related expenses and the temporary differences on foreign exchange translation and capitalized borrowing costs, and (b) higher taxable income of SMB. This was partially offset by lower provision for income tax recognized by Petron, the Food division and San Miguel Energy Corporation (SMEC) due to the decline in taxable income.

Consolidated net income amounted to P48,571 million, at par from 2018.

The following are the highlights of the performance of the individual business segments:

1. FOOD AND BEVERAGE

SMFB's consolidated sales for 2019 ended at P310,785 million, 9% higher than the P286,378 million reported in 2018, on account of strong volumes from the Beer and NAB and Spirits divisions and better selling prices. Consolidated operating income grew 4% versus 2018 to P47,781 million, mainly driven by the Beer and NAB and Spirits divisions sustained strong performance. This was partly offset by the slowdown in the Food division.

Net income rose 6% over 2018 to P32,279 million.

a. Beer and NAB Division

SMB sustained its volume growth, concluding 2019 with consolidated volumes of 301.6 million cases, up 6% from 2018. Consolidated sales and operating income were both 10% higher at P142,272 million and P38,720 million, respectively. Net income grew 14% to P27,285 million.

Domestic Operations

Domestic operations sold 275.3 million cases, up 7% from 2018. This was mainly the result of engaging brand and trade activations coupled with sustained economic expansion,

low inflation, election-related spending, and better employment conditions. Red Horse and San Miguel Pale Pilsen maintained their position as the top selling beer brands. Both benefitted from nationwide activations and consumer promo events such as “*Pasiklaban*”, “*4Kicks*”, “*Rocker Chicks*” and “*Astig*” for Red Horse and “*Logiclub*” for San Miguel Pale Pilsen, alongside other volume-generating programs.

SMB completed its new beer production facility in Tagoloan, Misamis Oriental in the fourth quarter of 2019.

International Operations

International operations delivered revenue and operating income growth, despite a slight drop in volumes. This was on the back of strong results from Thailand operations and the Exports business, along with significant improvements in Vietnam, South China, and Hong Kong.

Distribution and marketing enhancements and penetration programs were put in place to accelerate volume growth of San Miguel brands - San Miguel Pale Pilsen, Red Horse, San Mig Light, and Cerveza Negra - and local brands. These included geographical expansion and the launch of new products in all countries with operations.

b. Spirits Division

GSMI posted a full-year net income of P1,672 million in 2019, 59% higher than 2018 - the highest income recorded in the last 15 years. Volumes grew 14% from 2018 at 35.9 million cases. Much of this growth is attributed to the success of thematic campaigns, “*Pilipino Ako, Ginebra Ako*” for Ginebra San Miguel and “*I Choose Mojito*” for GSM Blue. Wider sales distribution, trade promotions and various on-ground activities for consumers also helped boost volumes. Vino Kulafu, GSMI’s Chinese wine brand, continued to post strong growth in Visayas and Mindanao regions while Primera Light Brandy also delivered healthy growth.

Before the end of 2019, GSMI launched a new campaign, “*One Ginebra Nation*”, espousing unity among Filipinos which is expected to boost volume growth further for GSMI.

Total sales reached P29,063 million, up 17%. Operating income hit P2,878 million, 57% higher than 2018, as a result of better margins deriving from operational improvements across the supply chain.

c. Food Division

The Food division generated consolidated sales of P139,459 million, 5% higher than 2018, on the back of higher volumes, better selling prices, and an improved product mix across most of business segments.

Net income for the Food division amounted to P3,449 million.

- The Protein segment, composed of Poultry and Fresh Meats, registered a 7% growth in revenues as volumes from chicken stations, *lechon manok* outlets, and major food service chains, increased. The improvement in poultry prices following the re-imposition of special safeguard duties on imported frozen chicken, also helped boost sales. Revenues from fresh meats however declined, due to restrictions imposed by several Local Government Units on pork products, in a bid to curb the spread of African Swine Fever.

- Animal Nutrition and Health segment revenues declined by 2%, following lower commercial volumes due to its portfolio rationalization. Sales of broiler and layer feeds were also lower as commercial raisers held back output, following the glut in chicken prices. This was cushioned by strong hog feeds sales prior to the African Swine Fever outbreak.
- Prepared and Packaged Food segment revenues grew 8% on the back of the strong performance of its core products and favorable selling prices of value-added meats, butter, margarine, dairy spreads, biscuits and coffee. The segment also benefitted from an improved product mix, specifically, a shift to higher-margin products and the conversion of some of pork-based products to chicken-based formulations, as in the case of the newly launched *Purefoods* Fiesta Ham Chicken.
- Flour revenues grew 11%, driven by better selling prices and healthy volume growth resulting from additional capacity from the new flour mill.

The Food division has built four new feed mills. Two facilities are in Luzon, in Bataan and San Ildefonso, and both started commercial operations in 2019. Two other feed mills in Davao and Misamis Oriental are both undergoing commissioning. The Food division has expanded its poultry breeder farm in Bataan and is constructing new poultry processing plant in Quezon and Davao. An additional flour milling facility is being commissioned in Mabini, Batangas and is expected to be operational by early 2020.

2. PACKAGING

The Packaging business' performance remained stable throughout 2019. Sales for 2019 amounted to P37,874 million, a slight increase from 2018. This was largely due to steady demand for the Packaging business' largest segments, Glass, Metal, and Flexibles businesses. The Packaging business' Malaysia operations also performed strongly as did its Logistics Services' operations, following increased demand for trucking services and pallet rentals.

Operating income reached P3,598 million, 9% higher than 2018, driven by Glass and Metal volumes. Packaging saw higher orders from the Beer and Spirits businesses, as well as carbonated soft-drinks customers, supported by programs to improve efficiencies and better management of fixed costs.

3. ENERGY

SMC Global registered consolidated sales of P135,060 million, 12% higher than the P120,103 million reported in 2018. This was on the back of an 18% increase in off-take volumes at 28,112 GWh brought about by the full year operation of Masinloc Power Plant Units 1 and 2, Unit 2 of Malita Power Plant and Unit 3 of the Limay Power Plant. Unit 4 of the Limay Power Plant also provided additional capacity starting July 2019. In addition, the Ilijan Power Plant posted higher revenues from its bilateral and spot sales in 2019.

Consolidated operating income grew 8% at P35,954 million from 2018, while net income surged 73% to P14,364 million in 2019.

4. FUEL AND OIL

Petron faced multiple challenges during 2019, foremost of which were significantly weaker refining margins and volatile global prices due to political tensions in the Middle East and uncertainties in the global economy. The price of Dubai crude declined from an average of US\$69 per barrel in 2018 to US\$63 per barrel in 2019. This was compounded by the shutdown of the Bataan refinery due to an earthquake in April. The effect of the second tranche of the excise tax increase and proliferation of white stations, also had an adverse effect on Petron's overall performance.

As a result, Petron's consolidated sales amounted to P514,362 million, down 8% versus 2018, mainly on account of lower average selling price of fuel, and a slight decline in volumes, which ended at 107 million barrels. Philippine operations volume declined by 5% following the unplanned total plant shutdown which began in April 2019. Petron Malaysia's domestic volumes meanwhile grew by 3%, helping offset the decline in Philippine volumes.

Operating income was also down by 14% at P16,199 million, the result of lower margins of petroleum and petrochemical products due to the combined effects of oversupply, a slowdown in demand, and the temporary cessation of refinery operations. This was partly cushioned by its extensive fixed cost savings initiatives and continued emphasis on operational efficiencies.

Petron's consolidated net income settled at P2,303 million, down by 67% from 2018's P7,069 million.

Despite this setback, Petron continues to expand its service station network to reach even more customers. In 2019, Petron opened 124 new stations, bringing its total to 2,435 service stations in the Philippines and to almost 700 in Malaysia.

5. INFRASTRUCTURE

The Infrastructure business recorded a combined 5% volume growth for the year from all of its operating toll roads. Consolidated sales reached P23,406 million, while operating income amounted to P11,444 million.

Construction of major infrastructure projects remain on going. This, however, was temporarily suspended starting on March 17, 2020 when the ECQ was implemented in Luzon by the Philippine government to control the spread of the COVID-19. Construction activities gradually resumed after the restrictions in construction activities were partially allowed in some area until it was totally lifted on May 15, 2020.

The 89.21-kilometer TPLEX has been operational from Tarlac to Pozzorubio while the last phase from Pozzorubio to Rosario, La Union, is almost complete. This phase was temporarily opened to the public in December 2019 which was closed after the holiday season to give way for its completion.

Construction of the 22-kilometer MRT 7 Project, is likewise progressing well. Work on the section from Quezon Memorial Circle to Quirino Highway traversing Commonwealth Avenue and Regalado Avenue in Quezon City was accelerated to reach the goal of partial operation by 2021.

The Bulacan Bulk Water Supply Project now supplies potable water to 12 out of 24 Bulacan municipalities, including Balagtas, Bocaue, Bulakan, Calumpit, Guiguinto, Malolos City, Marilao, Meycauayan, Obando, Plaridel, San Jose del Monte, and Santa Maria.

The Skyway Stage 3 that will link SLEX to NLEX is in the advanced stages of completion, despite suffering a setback on February 1, 2020 from a fire in Pandacan, Manila. Approximately 300 meters of Section 2B, which was already substantially complete, was affected. Prior to work suspension due to ECQ, SMC Infrastructure had been working 24/7 to reconstruct this section and targeting to complete the Skyway 3 Project by July this year.

SLEX TR4, the 56.862-kilometer extension of the SLEX from Sto. Tomas, Batangas to Lucena City in Quezon province, has started construction. Works from Alaminos, Laguna and Tiaong, Quezon is currently ongoing.

Construction of the new passenger terminal in Boracay Airport has been slowed down to give way for groundwater works and well development. Both projects are partially completed.

Meanwhile, the Concession Agreement for the Manila International Airport was signed last September 18, 2019. A game-changing infrastructure project, its detail technical design and requirements for its financial close is currently on-going.

II. FINANCIAL POSITION

A. The following are the major developments in 2020:

INVESTMENT IN SUBSIDIARIES

Merger of SMYPC with San Miguel Yamamura Asia Corporation (SMYAC)

On October 23 and December 20, 2019, the Plan of Merger and Articles of Merger, respectively, were executed by and between SMYPC and SMYAC, whereby the entire assets and liabilities of SMYAC was transferred to and absorbed by SMYPC, the surviving entity.

On February 24, 2020, the Philippine Securities and Exchange Commission (SEC) approved the merger and the increase in the authorized capital stock of SMYPC. On the same date, the Certificate of Filing of the Articles and Plan of Merger were issued.

On March 1, 2020, the effective date of the merger, SMYPC issued 3,901,011 and 2,100,544 common shares to SMC and Nihon Yamamura Glass Co., Ltd. (NYG), respectively, for a total amount of P6,002 million as consideration for the net assets of SMYAC pursuant to the terms of the Plan of Merger. The shares were issued out of the increase in the authorized capital stock of SMYPC. With the completion of the merger, SMC and NYG retained their respective ownership in SMYPC of 65% and 35%, respectively.

On July 7, 2020, the application for a tax-free exchange certification/ruling on the merger was filed with the BIR and still pending as at March 11, 2021.

Consolidation of Northern Cement Corporation (NCC)

On June 12, 2020, the Board of Directors (BOD) and stockholders of NCC approved the amendment of the Articles of Incorporation of NCC relating to the reclassification of 194,000,000 common shares to Series "2" Preferred Shares, the option of the stockholders of the common shares to convert to Series "2" Preferred Shares and renaming the existing 3,000,000 preferred shares of NCC to Series "1" Preferred Shares. On August 6, 2020, the SEC approved the amendment of the Articles of Incorporation of NCC to reflect the amendments.

On August 24, 2020, the stockholders of NCC which collectively own 65% of the common shares, exercised the option to convert their common shares to a total of 194,000,000 Series “2” Preferred Shares. SMEII did not exercise its option to convert its common shares to Series “2” Preferred Shares. With the conversion of the common shares, SMEII gained control of NCC, exercising 100% of voting rights.

As a result, SMEII recognized the investment in NCC at fair market value and the net assets of NCC was consolidated to SMEII as at August 24, 2020. The fair valuation of the net assets and investment in NCC resulted to the recognition of a total gain of P1,657 million, included as part of “Other income (charges) - net” account, in the consolidated statements of income.

In 2020, the Group has undertaken various financing activities. The significant transactions are as follows:

AVAILMENT OF LONG-TERM DEBT

PESO TERM LOANS

- **Atlantic Aurum Investments Philippines Corporation (AAIPC)**

On various dates in 2020, AAIPC availed of a total of P11,000 million from the P41,200 million Corporate Notes Facility Agreement dated December 9, 2019 with various local banks. The proceeds of the loan are being used mainly to refinance existing debt obligations, invest and/or advance for infrastructure projects, for general corporate requirements and finance transaction related fees, taxes and expenses. The loan is payable in 40 quarterly installments up to December 14, 2029 and subject to fixed interest rate.

- **San Miguel Foods, Inc. (SMFI)**

On various dates in April and May 2020, SMFI drew the remaining P8,000 million from the P18,000 million term loan facility for the purpose of refinancing its existing short-term loan obligations, to fund capital expansion projects and for other general corporate requirements. The loan is subject to a floating interest rate with a one-time option to convert to fixed rate. The loan is payable in ten years, in quarterly installments, which will commence in March 2023. The maturity date of the loan is on December 12, 2029.

- **Petron**

On April 27, 2020, Petron availed of P5,000 million term loan which will be amortized quarterly for five years beginning July 27, 2021 and is subject to fixed interest rate. The maturity date of the loan is on April 27, 2025. The proceeds were used for general corporate purposes.

FOREIGN-CURRENCY DENOMINATED TERM LOANS

- **Petron**

- a) On August 26, 2020, Petron availed of US\$150 million three-year long-term debt, subject to floating interest rate, that will mature on August 7, 2023. The proceeds were used to prepay part of US\$1,000 million term loan facility and US\$800 million loan.
- b) On April 22, 2020, Petron availed of JPY15,000 million term loan, subject to floating interest rate. Repayment of principal will be made in seven equal semi-annual

amortization beginning March 27, 2022. The maturity date of the loan is on March 27, 2025. The proceeds were used to prepay part of US\$1,000 million term loan facility.

- **MPPCL**

On March 31, 2020, MPPCL drew US\$43 million from the US\$525 million Omnibus Expansion Facility Agreement dated December 1, 2015 to finance the construction of the additional 335 MW (Unit 3 of Masinloc Power Plant) coal-fired power plant. The loan is divided into fixed interest tranche and floating interest tranche with maturities up to December 2030.

- **SMC**

On March 19, 2020, SMC drew US\$1,950 million from the remainder of the term loan facility amounting to US\$2,000 million for general corporate purposes. The loan is subject to floating interest rate and will mature on September 27, 2024.

ISSUANCE OF FIXED-RATE PESO-DENOMINATED BONDS AND REDEMPTION OF PREFERRED SHARES BY SMFB

On February 21, 2020, the SEC issued to SMFB the Permit to Sell P15,000 million fixed-rate bonds, consisting of five-year Series A Bonds due in 2025 and seven-year Series B Bonds due in 2027.

SMFB was able to issue P8,000 million and P7,000 million of the Series A and B Bonds, respectively, and these were listed on the Philippine Dealing & Exchange Corp. (PDEX) on March 10, 2020.

The Series A and Series B Bonds have fixed interest rate equivalent to 5.050% per annum and 5.250% per annum, respectively.

The proceeds were used to redeem the outstanding perpetual Series “2” Preferred Shares on March 12, 2020 and payment of transaction-related fees, costs and expenses.

REDEMPTION OF FIXED-RATE PESO-DENOMINATED NOTES BY SMC

On May 25, 2020, SMC redeemed the P10,000 million two-year fixed-rate Peso-denominated notes issued on May 25, 2018.

The notes were redeemed from the proceeds of the US\$1,950 million loan drawn in March 2020.

ISSUANCE OF EQUITY AND CAPITAL SECURITIES

Preferred Shares

Issuance of 266,666,667 Series “2-J” Preferred Shares (SMC2J Preferred Shares) and 183,904,900 Series “2-K” Preferred Shares (SMC2K Preferred Shares) by SMC

On October 29 and December 10, 2020, SMC issued and listed on the Philippine Stock Exchange (PSE) 266,666,667 SMC2J Preferred Shares (inclusive of the oversubscription of 133,333,267 shares) and 183,904,900 SMC2K Preferred Shares (inclusive of the oversubscription of 50,571,500 shares) under the 533,333,334 Series “2” Preferred Shares shelf subscription. The shares were issued at an offer price of P75.00 per share for a total

amount of P33,793 million and with dividend rates of 4.75% (for SMC2J Preferred Shares) and 4.50% (for SMC2K Preferred Shares) per annum. The net proceeds from issuance of SMC2J Preferred Shares are being used for the Infrastructure projects, particularly the Manila International Airport and MRT 7, while the net proceeds from the issuance of SMC2K Preferred Shares will be used on investments in BOC and airport and airport related projects and for refinancing of existing obligations.

Capital Securities

Issuance of Redeemable Perpetual Securities (RPS) by SMC

On various dates in June and July 2020, SMC issued a total of P14,810 million RPS at an issue price of 100%, with an initial rate of distribution of 5% per annum.

On September 29 and October 19, 2020, SMC purchased and cancelled a total of P10,810 million RPS, pursuant to the agreement with the holders of the said RPS who accepted the offer by SMC to purchase the RPS. As a result of the purchase, the RPS were cancelled in accordance with the terms and conditions of the purchase agreement between the parties.

The net proceeds were used for general corporate requirements.

The RPS are capital securities with no fixed redemption date. The security holders have the right to receive distribution payable quarterly in arrears. SMC has the right to defer this distribution under certain conditions.

Issuance of US\$500 Million SPCS by SMC

On July 29, 2020, SMC issued US\$500 million SPCS at an issue price of 100%, with an initial rate of distribution of 5.5% per annum. The securities were issued under SMC's US\$3,000 Million Medium Term Note and Securities Programme. The net proceeds are being used to finance investments and various projects, to refinance existing obligations, and for general corporate purposes.

Issuance of a Total of US\$1,350 Million SPCS by SMC Global

On various dates in 2020, SMC Global issued and listed on the Singapore Exchange Securities Trading Limited (SGX-ST) SPCS for a total amount of US\$1,350 million. These are as follows:

AMOUNT	ISSUANCE/ LISTING DATE	ISSUE PRICE	DISTRIBUTION RATE	USE OF PROCEEDS
US\$600 million	Issued Jan 21, 2020; Listed Jan 22, 2020	100%	5.7%	For the funding requirements of the development and completion of the BESS projects and for general corporate purposes.

Forward

AMOUNT	ISSUANCE/ LISTING DATE	ISSUE PRICE	DISTRIBUTION RATE	USE OF PROCEEDS
US\$400 million ("Original Securities")*	Issued Oct 21, 2020; Listed Oct 22, 2020	100%	7.0%	For capital expenditures and investments in liquefied natural gas facilities and related assets, for the refinancing of expiring commitments whether debt or perpetual securities, and for general corporate purposes.
US\$350 million ("Additional Securities")*	Issued Dec 15, 2020; Listed Dec 16, 2020	102.457%	7.0%	For the repurchase, refinancing and/or redemption of existing USCS, for investments in liquefied natural gas facilities and related assets, or for general corporate purposes.

* The Additional Securities are consolidated into and form a single series with the Original Securities, bringing the total securities to US\$750 million.

REDEMPTION OF PREFERRED SHARES BY SMC

As approved by the BOD on March 12, 2020 and August 6, 2020, SMC redeemed on April 14, 2020 and September 21, 2020 all the outstanding 279,406,667 Series "1" Preferred Shares (SMCP1 Preferred Shares) and 89,333,400 Series "2-D" Preferred Shares (SMC2D Preferred Shares), respectively, at a redemption price of P75.00 per share, plus any accumulated unpaid cash dividends. SMC paid a total of P27,656 million to the holders of SMCP1 Preferred Shares and SMC2D Preferred Shares.

The shares redeemed were not considered retired and may be re-issued by SMC at a price to be determined by the BOD. The listing of the said shares is merely suspended until re-issued by SMC, upon the approval with the Philippine Stock Exchange of the application for lifting of trading suspension in accordance with the listing rules.

PAYMENT OF OTHER MATURING OBLIGATIONS

During the year, the Group paid P34,898 million of maturing obligations funded by cash generated from operations.

Petron, Infrastructure, Energy, SMC, Spirits division under Food and Beverage and other businesses paid a total of P15,555 million, P6,794 million, P6,262 million, P4,148 million, P882 million and P1,257 million, respectively, of their maturing long-term debt.

B. The following are the major developments in 2019:

INVESTMENT IN SUBSIDIARIES

Deconsolidation of MNHPI

The Philippine Competition Commission (PCC) and Philippine Ports Authority approved the transfer of common shares equivalent to 15.17% shareholdings in MNHPI to International Container Terminal Services, Inc. (ICTSI) on March 14 and April 26, 2019, respectively. With the approval of the additional ownership in MNHPI, the total equity interest of ICTSI increased from 34.83% to 50%, while SMHC's shareholdings in MNHPI remained at 43.33%.

As a result, MNHPI ceased to be a subsidiary of SMHC and was subsequently classified as a joint venture. The Group derecognized the assets (including goodwill) and liabilities of MNHPI, and the carrying amount of non-controlling interest as at April 26, 2019, and recognized the investment at fair market value amounting to P2,600 million. The Group recognized a gain amounting to P727 million, included as part of "Other income (charges) - net" account, in the consolidated statements of income.

In December 2019, SMHC acquired for a total of P1,060 million additional 1,950,000 and 50,000 common shares of stock of MNHPI from IZ Investment Holdings, Inc. and Petron, respectively. With the acquisition of the additional shares, SMHC increased its equity interest in MNHPI from 43.33% to 50%.

In 2019, the Group has undertaken various financing activities. The significant transactions are as follows:

AVAILMENT OF LONG-TERM DEBT

PESO TERM LOANS

- **INFRASTRUCTURE**

AAIPC

On December 16, 2019, AAIPC availed a P17,300 million from the P41,200 million Corporate Notes Facility Agreement dated December 9, 2019 with various local banks. Proceeds of the loan were mainly used to refinance existing debt obligations, and for the construction of Skyway Stage 3 Project. The loan is payable in 39 quarterly installments up to December 2029 and subject to fixed interest rate.

SMC TPLEX Corporation [formerly Private Infra Dev Corporation (PIDC)]

On December 19, 2019, PIDC drew P12,000 million from its P42,000 million Second Amendment to the Omnibus Loan and Security Agreement dated December 16, 2019 with various local banks. Proceeds of the loan were used for consolidation of project loans, re-leveraging the project, repayment of certain shareholder advance and partial financing of operation and maintenance of the TPLEX project. The loan is subject to fixed interest rate and payable in 39 quarterly installments up to September 19, 2029.

On February 14, 2020, the corporate name of PIDC was changed to SMC TPLEX Corporation.

- **FOOD AND BEVERAGE**

SMB

On December 26, 2019, SMB availed of a P10,000 million five-year term loan. The loan is subject to fixed interest rate payable quarterly. The proceeds were used for general corporate purposes.

SMFI

On December 12, 2019, SMFI drew P10,000 million from its P18,000 million ten-year term loan facility. The loan is subject to floating interest rate with a one-time option to convert to fixed interest rate within two years. The proceeds were used to refinance existing short-term loans and fund its capital expenditure requirement for the upgrade or expansion of its production facilities and/or to finance other general corporate requirements.

San Miguel Mills Inc. (SMMI)

On December 19, 2019, SMMI availed of a P2,000 million seven-year term loan. The loan is subject to floating interest rate with a one-time option to convert to fixed rate within two years. The proceeds of the loan were used to refinance existing short-term loans, fund its capital expenditure requirements for the upgrade or expansion of its production facilities and/or finance other general corporate requirements.

- **SMC**

On June 24, 2019, SMC availed of a P16,000 million fixed rate seven-year term loan. The loan is subject to fixed interest rate payable quarterly. The proceeds were used for general corporate purposes.

FOREIGN-CURRENCY DENOMINATED LOANS

- **Petron**

In May and July 2019, Petron availed of US\$536 million and US\$264 million loans, respectively, from its US\$800 million term loan facility. The proceeds were used to refinance Dollar-denominated and Peso-denominated bilateral short-term loans, to partially prepay its existing US\$1,000 million term loan and for general corporate purposes. The loan is subject to floating interest rate and will mature on May 15, 2024.

- **MPPCL**

In 2019, MPPCL availed a total of US\$75 million loan from the Omnibus Expansion Facility Agreement dated December 1, 2015 to finance the construction of the additional 335 MW (Unit 3 of Masinloc Power Plant) coal-fired power plant. The loan is divided into a fixed interest tranche and a floating interest tranche, with maturities up to December 2030.

- **SMC**

On December 27, 2019, SMC drew US\$50 million from its term loan facility amounting to US\$2,000 million. The loan is subject to floating interest rate with maturity date on September 27, 2024. The proceeds of the loans were used for general corporate purposes.

- **Others**

San Miguel Yamamura Australasia Pty. Ltd. (SMYA)

On July 31, 2019, SMYA drew AU\$80 million from AU\$100 million syndicated facility agreement entered into by SMYA on July 23, 2019. The loan is amortized over five years and is subject to floating interest rate. Proceeds of the loan were used to refinance maturing short-term obligations and general corporate purposes.

ISSUANCE AND REDEMPTION OF BONDS

Shelf-Registration of P60,000 Million Worth of Fixed-Rate Peso-Denominated Bonds by SMC Global and Issuance of P30,000 Million Bonds

On March 29, 2019, the SEC approved the shelf registration of up to P60,000 million worth of fixed-rate Peso-denominated bonds of SMC Global.

On April 24, 2019, SMC Global issued and listed on the PDEX the first tranche of the fixed-rate Peso-denominated bonds amounting to P30,000 million.

The Bonds consist of: (i) three-year Series H Bonds, due in 2022 with an interest rate of 6.8350% per annum; (ii) five-year Series I Bonds, due in 2024 with an interest rate of 7.1783% per annum; and, (iii) seven-year Series J Bonds, due in 2026 with an interest rate of 7.6000% per annum. Interest is payable every 24th of January, April, July and October of each year.

The net proceeds were used for refinancing of maturing long-term debt and short-term loans, for investments in power-related assets and payment of transaction-related expenses.

Issuance of P10,000 Million Worth of Fixed-Rate Peso-Denominated Bonds by SMC

On October 4, 2019, SMC issued fixed-rate Peso-denominated Series H Bonds. The five-year Series H Bonds due in 2024 have fixed interest rate per annum of 5.5500%. Interest is payable every 4th of January, April, July and October of each year.

The net proceeds were used to fund the bridge financing loan for the redemption of the outstanding Series “2” Preferred Shares - Subseries B and additional investment in SMHC for the Manila International Airport Project.

Redemption of Fixed-Rate Peso-Denominated Bonds by SMB

On April 2 and 3, 2019, SMB redeemed its Series E and C fixed-rate Peso-denominated bonds amounting to P10,000 million and P2,810 million, respectively. The Series E and C bonds formed part of the P20,000 million and P38,800 million fixed-rate bonds issued in 2012 and 2009, respectively.

PAYMENT OF MATURING OBLIGATIONS

In 2019, the Group paid P14,382 million of maturing obligations funded by cash generated from operations.

The Infrastructure, Energy and Packaging business paid a total of P8,642 million, P4,511 million and P1,031 million, respectively, of their maturing long-term debt.

ISSUANCE AND REDEMPTION OF EQUITY AND CAPITAL SECURITIES

Issuance of US\$1,300 Million SPCS by SMC Global

On April 25, 2019, SMC Global issued US\$500 million SPCS (the “Original Securities”) at an issue price of 100%, with an initial rate of distribution of 6.5% per annum.

On July 3, 2019, SMC Global issued an additional US\$300 million SPCS (the “Additional Securities”) at an issue price of 102.052% plus an amount corresponding to accrued distributions from (and including) April 25 to (but excluding) July 3, 2019. The Additional Securities were consolidated into and formed a single series with the Original Securities issued in April 2019. The Additional Securities are identical in all respects with the Original Securities, other than with respect to the date of issuance and issue price.

On November 5, 2019, SMC Global issued another US\$500 million SPCS (the “2nd Original Securities”) at an issue price of 100% with an initial rate of distribution of 5.95% per annum.

Proceeds from SPCS were used for the redemption of US\$300 million USCS, repayment of indebtedness and for general corporate purposes, including capital expenditures and investments in power-related assets, and for the development of BESS projects.

The US\$1,300 million SPCS are all listed on the SGX-ST.

Issuance of 20,000,000 Series 3 Perpetual Preferred Shares by Petron

On June 25, 2019, Petron issued and listed on the Philippine Stock Exchange 13,403,000 Series 3A and 6,597,000 Series 3B Perpetual Preferred Shares for a total amount of P20,000 million.

Dividends are 6.8713% per annum and 7.1383% per annum for Series 3A and Series 3B, respectively.

The net proceeds were used for the redemption of 7,122,320 Series 2A preferred shares, repayment of maturing short-term loans, long-term debt loans and general corporate purposes.

Redemption of Series 2A Preferred Shares (PRF2A Preferred Shares) by Petron

On November 4, 2019, Petron redeemed 7,122,320 PRF2A Preferred Shares at a redemption price of P1,000.00 per share. Petron paid P7,122 million to the holders of PRF2A Preferred Shares.

Redemption of Series “2-B” Preferred Shares (SMC2B Preferred Shares) by SMC

On September 23, 2019, SMC redeemed 90,428,200 SMC2B Preferred Shares at a redemption price of P75.00 per share, and paid P6,782 million to the holders of SMC2B Preferred Shares.

SMC initially obtained a short-term bridge financing loan to redeem the SMC2B Preferred Shares.

The bridge financing loan was paid using the proceeds of the P10,000 million worth of fixed rate Peso-denominated bonds issued by SMC on October 4, 2019.

C. MATERIAL CHANGES PER LINE OF ACCOUNT

2020 vs. 2019

Consolidated total assets as at December 31, 2020 amounted to about P2,025,544 million, P94,367 million or 5% higher than December 31, 2019. The increase was primarily due to the higher balance of cash and cash equivalents, property, plant and equipment and other intangible assets, offset by the decrease in inventories and trade and other receivables.

The increase in cash and cash equivalents by P61,285 million was mainly due to the: (a) net proceeds from the issuance by SMC of US\$1,950 million long-term corporate notes and preferred shares (SMC2J Preferred Shares and SMC2K Preferred Shares), and (b) issuance by SMC and SMC Global of US\$500 million and US\$1,350 million SPCS, respectively. The increase was reduced by the: (c) funding of the various capital expenditures of the Group, (d) payment of long-term debt and short-term loans of the Group, and (e) redemption of preferred shares (SMCP1 Preferred Shares and SMC2D Preferred Shares) by SMC.

The decrease in trade and other receivables by P11,942 million was mainly due to lower trade customer balances by Petron attributable to lower fuel prices and drop in sales volume.

The decrease in inventories by P24,640 million was attributable mainly to lower prices and volume of both crude and finished products of Petron Philippines and Petron Malaysia.

The decrease in total biological assets by P1,206 million was mainly due to the closure of some farms affected by the African Swine Fever.

The increase in prepaid expenses and other current assets by P8,030 million was primarily due to: (a) higher specific tax and product replenishment claims and unused creditable withholding taxes by Petron, (b) increase in input taxes by UPSI related to the importations of equipment for the BESS projects, and (c) receipt by SMC of TCC issued by the BIR in relation to the claims for refund filed for overpayment of excise taxes with the BIR for San Mig Light.

The increase in property, plant and equipment by P47,557 million was mainly due to the: (a) on-going projects of the Energy business, the Food division, and the Beer and NAB division, and (b) various fixed asset purchases by Petron.

The increase in investment property by P8,842 million was mainly due to the: (a) acquisition of land in Pandacan, Manila by SMHC, (b) acquisition of land for the Airport Project, and (c) various properties acquired by SMPI.

The increase in other intangible assets by P20,414 million was mainly due to the costs of various projects of the Infrastructure business, net of amortization during the year, and the mineral rights recognized upon consolidation of NCC.

The increase in deferred tax assets by P2,831 million was mainly due to the recognition of deferred tax on NOLCO by Petron and SMYPC.

The decrease in other noncurrent assets by P9,261 million was due to the: (a) application of advances to contractors on progress billings by Citra Central Expressway Corp. (CCEC) and Mariveles Power Generation Corporation (MPGC) for the Skyway Stage 3 Project and Mariveles Power Plant Project, respectively, (b) reclassification from noncurrent to current assets of subsidy receivable due for collection in 2021 by SMC TPLEX Corporation, (c) reclassification to debt issue cost of the loan facilitation fees and other filing and agency fees on loan facilities entered in 2019 by SMC, and (d) decrease in restricted cash balance of MPPCL.

The decrease in loans payable by P29,032 million was mainly due to the net payment of loans made by SMC and refinancing of short-term loans to long-term debt by the Food division under the Food and Beverage business and Packaging business.

The decrease in accounts payable and accrued expenses by P23,269 million was mainly due to lower liabilities for crude and petroleum products primarily from the drop in prices as at end of 2020 versus 2019 and lower outstanding liabilities to contractors and vendors for services purchased by Petron, offset by the additional payables recognized for the construction of Mariveles Power Plant.

The increase in total long-term debt, net of debt issue costs, by P84,101 million was due mainly to the: (a) issuance of US\$1,950 million corporate notes by SMC, (b) issuance of P15,000 million fixed-rate Peso-denominated bonds by SMFB, and (c) availment by the Group of long-term debt. The increase was offset by the payment of maturing obligations and translation adjustments on the foreign currency-denominated loans.

The decrease in lease liabilities, net of current portion, by P27,901 million was primarily due to the payments made to PSALM by the Energy business entities under the Independent Power Producer Administration (IPPA) Agreements.

The increase in other noncurrent liabilities P2,526 million was mainly due to the: (a) recognition by MPGC of retention payable related to the ongoing Mariveles Power Plant Project, (b) remeasurement by Petron of asset retirement obligation, and (c) increase in derivative liability of SMC due to fair valuation and foreign exchange translation.

The decrease in equity reserves by P2,446 million pertains mainly to the currency translation adjustments for the year resulting from the appreciation of Philippine Peso against the US Dollar.

The increase in appropriated retained earnings by P2,287 million was due to additional appropriation by: (a) SMB for the Series G Bond which will mature in 2021, (b) Citra Metro Manila Tollways Corporation for the Alabang South Skyway Extension Project, and (c) SMC Shipping and Lighterage Corporation for various expansion projects, offset by the reversals made by South Premiere Power Corporation (SPPC) and Strategic Power Devt. Corp. (SPDC) for the portion of paid fixed monthly payments to PSALM.

The decrease in unappropriated retained earnings by P3,035 million was mainly due to the dividends declared and distributions paid by SMC.

The increase in non-controlling interests by P88,254 million was mainly due to the: (a) issuance of US\$1,350 million SPCS by SMC Global, (b) issuance of US\$500 million SPCS, RPS, Series 2-J and Series 2-K Preferred Shares by SMC, (c) consolidation of NCC through SMEII effective August 12, 2020 and (d) issuance of P1,500 million RPS by SMEII on July 1, 2020, offset by the: (e) redemption of Series "2" Preferred Shares by SMFB and Series I and Series 2-D Preferred Shares by SMC, and (f) share of non-controlling interests on the Group's net income. This was offset by the share of non-controlling interests on cash dividends and distributions declared, and in currency translation adjustments for the year.

Equity

The increase in equity in 2020 was due to:

(In millions)

Net addition to non-controlling interests and others	P95,433
Net income during the year	23,622
Cash dividends and distributions	(29,420)
Other comprehensive loss	(4,575)
	P85,060

2019 vs. 2018

Consolidated total assets as at December 31, 2019 amounted to P1,931,177 million, P139,985 million higher than December 31, 2018. The increase was primarily due to the increase in cash and cash equivalents and the recognition of right-of-use assets with the adoption of PFRS 16 effective January 1, 2019.

The increase in cash and cash equivalents in 2019 by P43,132 million was mainly due to the issuance of SPCS and preferred shares by SMC Global and Petron, respectively, and loan availments of SMC.

The increase in trade and other receivables by P7,865 million was mainly due to higher fuel prices and excise tax on fuel products of Petron, higher revenue of the Beer and NAB and Food divisions, under the Food and Beverage business, SMC Consolidated Power Corporation and MPPCL, partly offset by the decrease in Petron Malaysia's government subsidy receivable.

The increase in inventories by P8,516 million was mainly due to Petron's higher volume of finished product, higher price of crude and higher excise tax on petroleum products as a result of the increase in tax rates beginning 2019.

The decrease in prepaid expenses and other current assets by P5,458 million was primarily due to the: (a) decrease in input tax, goods and services tax and other prepaid taxes of Petron as a result of collection of input tax claim from the government and utilization of input tax for the period, and (b) decrease in restricted cash balance of CCEC. The decrease was partly offset by the receipt by SMB of TCC issued by the BIR in relation to the claims for refund filed for overpayment of excise taxes with the BIR for San Mig Light and increase in input taxes of the Infrastructure business.

The decrease in property, plant and equipment by P155,594 million and corresponding increase in right-of-use assets by P197,245 million, primarily represents the reclassification to right-of-use assets of the power plants as a result of the adoption of PFRS 16.

The increase in investment property by P19,893 million was mainly due to the set-up of right-of-use assets of Petron for its rented properties being sub-leased to external parties.

The decrease in deferred tax assets by P1,232 million was mainly due to the derecognition by SMC of the deferred tax on NOLCO which expired in 2019.

The increase in other noncurrent assets by P21,757 million was mainly due to the: (a) advances to suppliers and contractors for the construction of the Mariveles Power Plant and BESS projects, (b) purchase of new containers by SMB, and (c) capitalized costs on the construction of MRT 7 and Section 3A-2 (Binalonan to Pozzorubio) of the TPLEX project.

The decrease in loans payable by P14,461 million was mainly due to net payment made by Petron and deconsolidation of MNHPI.

The increase in accounts payable and accrued expenses by P25,731 million was mainly due to higher liabilities for crude and petroleum products of Petron on account of higher prices and more outstanding shipments as of end-2019 versus 2018, and higher outstanding payable to contractors of the Infrastructure business and MPGC.

The increase in lease liabilities - current portion by P4,842 million pertains to the recognition of current lease liabilities for right-of-use assets as a result of the adoption of PFRS 16 and the reclassification from noncurrent to current liabilities of the lease liabilities under IPPA Agreements due up to December 31, 2020 by the Energy business.

The increase in income and other taxes payable by P1,302 million was mainly due to the higher taxable income of SMB.

The increase in total long-term debt, net of debt issue costs, by P65,116 million was due to the: (a) issuance of P30,000 million fixed-rate Peso-denominated bonds by SMC Global, (b) availment of the US\$800 million long-term loan facility by Petron, and (c) issuance of P16,000 million long-term corporate notes, P10,000 million fixed-rate Peso-denominated bonds and US\$50 million term loan by SMC, and (d) net loan availments of the Food division under the Food and Beverage business, Packaging business, MPPCL and Infrastructure business. The increase was partially offset by the: (a) redemption of Series C and E bonds of SMB, (b) payment of maturing obligations by Petron, the Energy business and SMC, and (c) foreign currency adjustment on the US Dollar-denominated loans of the Group.

The decrease in finance lease liabilities-net of current portion by P7,544 million was mainly due to payments, net of interest, reclassification to current portion and the effect of foreign exchange rate changes.

The decrease in other noncurrent liabilities by P2,723 million was mainly due to the deconsolidation of MNHPI.

The decrease in equity reserves by P4,522 million pertains to (a) equity reserve from the redemption of USCS by SMC Global (b) currency translation adjustments for the period resulting from the appreciation of Peso against the US Dollar and (c) the equity reserve for retirement plan.

The decrease in the group's appropriated retained earnings by P10,645 million was attributable to the reversals made by the Energy business for the portion of paid fixed monthly payments to PSALM by SPPC, SMEC and SPDC.

The increase in unappropriated retained earnings by P18,815 million was primarily due to the reversal of appropriations and net income for the year, reduced by cash dividends declared.

The increase in non-controlling interests by P61,280 million pertains to the (a) issuance of SPCS by SMC Global, (b) issuance of Preferred Shares by Petron, and (c) share of non-controlling interests on the Group's net income, reduced by cash dividends and distributions declared for the year. The increase was offset by the: (a) redemption of USCS and Preferred Shares by SMC Global and Petron, respectively, and (b) the effect of deconsolidation of MNHPI.

Equity

The increase in equity in 2019 is due to:

(In millions)

Net addition to non-controlling interests and others	P53,108
Net income during the period	48,571
Cash dividends and distributions	(28,523)
Other comprehensive loss	(5,806)
	P67,530

III. CASH FLOW

SOURCES AND USES OF CASH

A brief summary of cash flow movements is shown below:

	December 31		
	2020	2019	2018
		<i>(In Millions)</i>	
Net cash flows provided by operating activities	P50,457	P91,050	P58,961
Net cash flows used in investing activities	(84,030)	(113,585)	(198,206)
Net cash flows provided by financing activities	104,310	69,272	176,630

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

Net cash flows provided by (used in) investing activities are as follows:

	December 31		
	2020	2019	2018
		<i>(In Millions)</i>	
Additions to property, plant and equipment	(P63,837)	(P66,819)	(P47,325)
Increase in other noncurrent assets and others	(24,547)	(54,231)	(40,541)
Additions to investments and advances and investment in debt instruments	(4,034)	(1,959)	(20,024)
Interest received	6,407	10,560	6,556
Cash and cash equivalents of a consolidated (deconsolidated) subsidiary	1,053	(626)	-
Proceeds from sale of investments and property and equipment	912	871	1,139
Dividends received	16	27	46
Acquisition of subsidiaries, net of cash and cash equivalents acquired	-	(1,408)	(98,057)

Net cash flows provided by (used in) financing activities are as follows:

	December 31		
	2020	2019	2018
	<i>(In Millions)</i>		
Net proceeds from issuance of capital securities and preferred shares of subsidiaries	P129,558	P85,733	P24,881
Net proceeds from long-term borrowings	101,524	72,778	176,814
Redemption of capital securities and preferred shares of subsidiaries	(42,656)	(29,087)	(39,769)
Cash dividends and distribution paid	(29,305)	(28,450)	(27,503)
Net proceeds from (payments of) short-term borrowings	(28,447)	(10,218)	32,717
Payments of lease liabilities	(24,825)	(20,673)	(25,698)
Increase (decrease) in non-controlling interests and others	(1,539)	(811)	105
Proceeds from follow-on offering of common shares of a subsidiary	-	-	35,083

The effect of exchange rate changes on cash and cash equivalents amounted to (P9,452) million, (P3,605) million and (P396) million on December 31, 2020, 2019 and 2018, respectively.

IV. ADDITIONAL INFORMATION ON UNAPPROPRIATED RETAINED EARNINGS

The unappropriated retained earnings of the Group include the accumulated earnings in subsidiaries and equity in net earnings of associates and joint ventures not available for declaration as dividends until declared by the respective investees.

V. KEY PERFORMANCE INDICATORS

The following are the major performance measures that the Group uses. Analyses are employed by comparisons and measurements based on the financial data of the current period against the same period of previous year. Please refer to Item II “Financial Performance” of the MD&A for the discussion of certain Key Performance Indicators.

	December 31	
	2020	2019
<u>Liquidity:</u>		
Current Ratio	1.52	1.38
Quick Ratio	1.06	0.91
<u>Solvency:</u>		
Debt to Equity Ratio	1.95	2.21
Asset to Equity Ratio	2.95	3.21
<u>Profitability:</u>		
Return on Average Equity Attributable to Equity Holders of the Parent Company	(0.14%)	5.98%
Interest Rate Coverage Ratio	1.78	2.44
Return on Assets	1.19%	2.61%
<u>Operating Efficiency:</u>		
Volume Growth (Decline)	(20%)	3%
Revenue Growth (Decline)	(29%)	0%
Operating Margin	10%	11%

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

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

VI. OTHER MATTERS

▪ Commitments

The outstanding purchase commitments of the Group amounted to P111,845 million as at December 31, 2020.

Amount authorized but not yet disbursed for capital projects is approximately P255,100 million as at December 31, 2020.

- There are no unusual items as to nature and amount affecting assets, liabilities, equity, net income or cash flows, except those stated in Management's Discussion and Analysis of Financial Position and Financial Performance.
- There were no material changes in estimates of amounts reported in prior interim periods of the current year or changes in estimates of amounts reported in prior financial years.
- There were no known trends, demands, commitments, events or uncertainties that will have a material impact on the Group's liquidity.
- There were no known trends, events or uncertainties that have had or that are reasonably expected to have a favorable or unfavorable impact on net sales or revenues or income from continuing operation.
- There were no known events that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation and there were no changes in contingent liabilities and contingent assets, except for Note 43 (a) of the Audited Consolidated Financial Statements as at December 31, 2020.
- Except for the Prepared and Packaged Food and Protein segments of the Food division under the Food and Beverage business, which consistently generate higher revenues during the Christmas holiday season, the effects of seasonality or cyclicity on the interim operations of the Group's businesses are not material.
- There were no material off-statements of financial position transactions, arrangements, obligations (including contingent obligations), and other relationship of the Group with unconsolidated entities or other persons created during the reporting period, except for the outstanding derivative transactions entered by the Group as at and for the period December 31, 2020.

Annex “B”
Annex “B-1”

Consolidated Financial Statements

(December 31, 2020, 2019 and 2018)

For
AUDITED FINANCIAL STATEMENTS

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910

COMPANY INFORMATION

	N/A
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8632-3000

N/A

31,284

Second Tuesday of July

December 31

CONTACT PERSON INFORMATION

Ms. Bella O. Navarra

N/A

8632-3000

N/A

CONTACT PERSON's ADDRESS					

No. 40 San Miguel Avenue, Mandaluyong City

2: All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

TOP FRONTIER INVESTMENT HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2020, 2019 and 2018

With Independent Auditors' Report



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


The management of Top Frontier Investment Holdings, 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, 2020, 2019 and 2018, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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


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

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

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



IÑIGO U. ZOBEL
Chairman of the Board



RAMON S. ANG
President and Chief Executive Officer



BELLA NAVARRA
Chief Finance Officer

Signed this 11th day of March 2021

ACKNOWLEDGMENT

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

BEFORE ME, a Notary Public for and in the City of Mandaluyong, Philippines on this
APR 12 2021, personally appeared the following with his identification, to wit:


Name	Passport No.	Date of issue	Place of Issue
Iñigo U. Zobel	P2624337A	April 07, 2017	DFA Manila
Ramon S. Ang	P4589066A	October 02, 2017	DFA Manila
Bella O. Navarra	P1969090A	February 18, 2017	DFA NCR East

personally known to me to be the same persons who executed the foregoing instrument and that they acknowledged to me that the same is their free and voluntary act and deed and that of the corporation they are authorized to represent.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal on the date and place first above written.

Doc. No.: 62 ;
Page No.: 14 ;
Book No.: VII ;
Series of 2021.




PAULA KATHERINA A. GAN
Commission No. 0308-19
Notary Public for Mandaluyong City
Until June 30, 2021
(S.C. Resolution dated December 1, 2020)
SNC, 40 San Miguel Ave., Mandaluyong City
Roll No. 55988
PTR No. 4579651, 01/08/21; Mandaluyong City
IBP Lifetime Member No. 013353; 02/05/15; Quezon City
MCLE Compliance No. VI-0019930; 04/14/22; Pasig City



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

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Top Frontier Investment Holdings, Inc.
5th Floor, ENZO Building
399 Sen. Gil J. Puyat Avenue, Makati City

Opinion

We have audited the consolidated financial statements of Top Frontier Investment Holdings, Inc. and Subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, 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, 2020, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2020, 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 audit of the consolidated financial statements in the Philippines and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Firm Regulatory Registration & Accreditation:
PRC-BOA Registration No. 0003, valid until November 21, 2023
SEC Accreditation No. 0003-SEC, Group A, valid for five (5) years covering the audit of 2020 to 2024
financial statements (2019 financial statements are covered by SEC Accreditation No. 0004-FR-5)
IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024
financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)
BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024
financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)

Key Audit Matters

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

Revenue recognition (P725,776 million).

Refer to Notes 6, 25 and 33 of the consolidated financial statements.

The risk

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

Our response

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

- We evaluated and assessed the revenue recognition policies in accordance with PFRS 15, *Revenue from Contracts with Customers*.
- We evaluated and assessed the design and operating effectiveness of the key controls over the revenue process.
- We involved our information technology specialists, as applicable, to assist in the audit of automated controls, including interface controls among different information technology applications for the evaluation of the design and operating effectiveness of controls over the recording of revenue transactions.
- We vouched, on a sampling basis, sales transactions to supporting documentation such as sales invoices and delivery documents to ascertain that the revenue recognition criteria is met.
- We tested, on a sampling basis, sales transactions for the last month of the financial year and also the first month of the following financial year to supporting documentation such as sales invoices and delivery documents to assess whether these transactions are recorded in the appropriate financial year.
- We tested, on a sampling basis, journal entries posted to revenue accounts to identify unusual or irregular items.
- We tested, on a sampling basis, credit notes issued after the financial year, to identify and assess any credit notes that relate to sales transactions recognized during the financial year.

Valuation of Goodwill (P120,463 million).

Refer to Notes 4, 5, 17 and 38 of the consolidated financial statements.

The risk

The Group has embarked on a diversification strategy and has expanded into new businesses through a number of acquisitions and investments resulting in the recognition of a significant amount of goodwill. The goodwill of the acquired businesses are reviewed annually to evaluate whether events or changes in circumstances affect the recoverability of the Group's investments.

The methods used in the annual impairment test of goodwill are complex and judgmental in nature, utilizing assumptions on future market and/or economic conditions. The assumptions used include future cash flow projections, growth rates, discount rates and sensitivity analyses, with a greater focus on more recent trends and current market interest rates, and less reliance on historical trends.

Our response

We performed the following audit procedures, among others, on the valuation of goodwill:

- We assessed management's determination of the recoverable amounts based on fair value less costs to sell or a valuation using cash flow projections (value in use) 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 for each individual cash-generating unit.
- We tested the reasonableness of the discounted cash flow model by comparing the Group's assumptions to externally derived data such as relevant industry information, projected economic growth, inflation and discount rates. Our own valuation specialist assisted us in evaluating the models used and assumptions applied.
- We performed our own sensitivity analyses on the key assumptions used in the models.

Valuation of Other Intangible Assets (P276,250 million).

Refer to Notes 4, 5 and 17 of the consolidated financial statements.

The risk

The methods used in the annual impairment test for other intangible assets with indefinite useful lives and tests of impairment indicators for other intangible assets with finite useful lives are complex and judgmental in nature, utilizing assumptions on future market and/or economic conditions. These assumptions include future cash flow projections, growth rates, discount rates and sensitivity analyses, with a greater focus on more recent trends and current market interest rates, and less reliance on historical trends.

Our response

We performed the following audit procedures, among others, on the valuation of other intangible assets:

- We evaluated and assessed management's methodology in identifying any potential indicators of impairment.
- We assessed management's determination of the recoverable amounts based on a valuation using cash flow projections (value in use) 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 for each individual cash-generating unit.
- We tested the reasonableness of the discounted cash flow model by comparing the Group's assumptions to externally derived data such as relevant industry information, projected economic growth, inflation and discount rates. Our own valuation specialist assisted us in evaluating the models used and assumptions applied.
- We performed our own sensitivity analyses on the key assumptions used in the models.

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, 2020, 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, 2020 are expected to be made available to us after the date of this auditors' report.

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

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

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

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

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



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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our 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 Darwin P. Virocel.

R.G. MANABAT & CO.

DARWIN P. VIROCEL

Partner

CPA License No. 0094495

SEC Accreditation No. 94495-SEC, Group A, valid for five (5) years
covering the audit of 2019 to 2023 financial statements

Tax Identification No. 912-535-864

BIR Accreditation No. 08-001987-031-2019

Issued August 7, 2019; valid until August 6, 2022

PTR No. MKT 8533922

Issued January 4, 2021 at Makati City

March 22, 2021

Makati City, Metro Manila

TOP FRONTIER INVESTMENT HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019
(In Millions)

	<i>Note</i>	2020	2019
ASSETS			
Current Assets			
Cash and cash equivalents	4, 5, 7, 39, 40	P347,962	P286,677
Trade and other receivables - net	4, 5, 8, 33, 35, 39, 40	120,965	132,907
Inventories	4, 5, 9	102,828	127,468
Current portion of biological assets - net	4, 16	3,401	4,151
Prepaid expenses and other current assets	4, 5, 10, 12, 33, 34, 39, 40	94,833	86,803
Total Current Assets		669,989	638,006
Noncurrent Assets			
Investments and advances - net	4, 5, 11	50,529	52,886
Investments in equity and debt instruments	4, 12, 39, 40	5,985	6,101
Property, plant and equipment - net	4, 5, 13, 34	543,371	495,814
Right-of-use assets - net	4, 5, 14, 34	192,104	197,245
Investment property - net	4, 15	62,370	53,528
Biological assets - net of current portion	4, 16	2,352	2,808
Goodwill	4, 5, 17, 38	120,463	120,392
Other intangible assets - net	4, 5, 17	276,250	255,836
Deferred tax assets	4, 5, 23	21,262	18,431
Other noncurrent assets - net	4, 5, 18, 33, 34, 35, 39, 40	80,869	90,130
Total Noncurrent Assets		1,355,555	1,293,171
		P2,025,544	P1,931,177
LIABILITIES AND EQUITY			
Current Liabilities			
Loans payable	5, 19, 30, 33, 38, 39, 40	P149,475	P178,507
Accounts payable and accrued expenses	4, 5, 20, 33, 34, 35, 39, 40	164,897	188,166
Lease liabilities - current portion	4, 5, 30, 33, 34, 38, 39, 40	27,622	27,371
Income and other taxes payable	5	21,031	21,239
Dividends payable	33, 36, 38	3,681	3,566
Current maturities of long-term debt - net of debt issue costs	5, 21, 30, 33, 38, 39, 40	74,597	43,913
Total Current Liabilities		441,303	462,762
Noncurrent Liabilities			
Long-term debt - net of current maturities and debt issue costs	5, 21, 30, 33, 38, 39, 40	692,165	638,748
Lease liabilities - net of current portion	4, 5, 30, 33, 34, 38, 39, 40	94,565	122,466
Deferred tax liabilities	23	70,740	68,016
Other noncurrent liabilities	4, 5, 22, 33, 34, 35, 39, 40	39,651	37,125
Total Noncurrent Liabilities		897,121	866,355

Forward

	Note	2020	2019
Equity	24, 36, 37		
Equity Attributable to Equity Holders of the Parent Company			
Capital stock - common		P490	P490
Capital stock - preferred		260	260
Additional paid-in capital		120,501	120,501
Convertible perpetual securities		25,158	25,158
Equity reserves	5	3,955	6,401
Retained earnings:			
Appropriated		21,297	19,010
Unappropriated		64,363	67,398
Treasury stock		(76,780)	(76,780)
		159,244	162,438
Non-controlling Interests	2, 5	527,876	439,622
Total Equity		687,120	602,060
		P2,025,544	P1,931,177

See Notes to the Consolidated Financial Statements.

TOP FRONTIER INVESTMENT HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018
(In Millions, Except Per Share Data)

	Note	2020	2019	2018
SALES	6, 25, 33	P725,776	P1,020,480	P1,024,915
COST OF SALES	26, 34	577,495	819,855	827,343
GROSS PROFIT		148,281	200,625	197,572
SELLING AND ADMINISTRATIVE EXPENSES	27, 34	(78,405)	(86,523)	(82,908)
INTEREST EXPENSE AND OTHER FINANCING CHARGES	19, 21, 30, 33, 34, 35	(50,694)	(53,730)	(42,766)
INTEREST INCOME	7, 31, 33, 35	6,187	10,688	7,211
EQUITY IN NET EARNINGS (LOSSES) OF ASSOCIATES AND JOINT VENTURES	11	424	106	(289)
GAIN (LOSS) ON SALE OF INVESTMENTS AND PROPERTY AND EQUIPMENT	5, 13, 15, 18	(491)	(237)	252
OTHER INCOME (CHARGES) - Net	4, 5, 32, 39, 40	14,153	6,551	(9,497)
INCOME BEFORE INCOME TAX		39,455	77,480	69,575
INCOME TAX EXPENSE	23, 42	15,833	28,909	24,715
NET INCOME		P23,622	P48,571	P44,860
Attributable to:				
Equity holders of the Parent Company		(P233)	P9,604	P7,000
Non-controlling interests	5	23,855	38,967	37,860
		P23,622	P48,571	P44,860
Basic/Diluted Earnings (Loss) Per Common Share Attributable to Equity Holders of the Parent Company	37	(P5.60)	P24.18	P16.29

See Notes to the Consolidated Financial Statements.

TOP FRONTIER INVESTMENT HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018
(In Millions)

	<i>Note</i>	2020	2019	2018
NET INCOME		P23,622	P48,571	P44,860
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified to profit or loss				
Equity reserve for retirement plan	35	(357)	(3,382)	(540)
Income tax benefit		126	971	170
Net gain on financial assets at fair value through other comprehensive income	12	-	58	136
Income tax expense		(3)	(9)	(2)
Share in other comprehensive income (loss) of associates and joint ventures - net	11	(132)	(25)	2
		(366)	(2,387)	(234)
Items that may be reclassified to profit or loss				
Gain (loss) on exchange differences on translation of foreign operations		(4,192)	(2,942)	1,157
Net gain (loss) on financial assets at fair value through other comprehensive income	12	1	11	(9)
Income tax expense		-	(1)	-
Net loss on cash flow hedges	40	(23)	(679)	(280)
Income tax benefit		5	192	84
		(4,209)	(3,419)	952
OTHER COMPREHENSIVE INCOME (LOSS) - Net of tax		(4,575)	(5,806)	718
TOTAL COMPREHENSIVE INCOME - Net of tax		P19,047	P42,765	P45,578
Attributable to:				
Equity holders of the Parent Company		(P2,370)	P6,890	P6,684
Non-controlling interests	5	21,417	35,875	38,894
		P19,047	P42,765	P45,578

See Notes to the Consolidated Financial Statements.

TOP FRONTIER INVESTMENT HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018
(In Millions)

	Note	Equity Attributable to Equity Holders of the Parent Company														Non-controlling Interests	Total Equity
		Capital Stock		Additional Paid-in Capital	Convertible Perpetual Securities	Reserve for Retirement Plan	Equity Reserves				Retained Earnings		Treasury Stock		Total		
		Common	Preferred				Hedging Reserve	Fair Value Reserve	Translation Reserve	Other Equity Reserve	Appropriated	Unappropriated	Common	Preferred			
As at January 1, 2020		P490	P260	P120,501	P25,158	(P3,128)	(P405)	P1,533	(P2,966)	P11,367	P19,010	P67,398	(P28,457)	(P48,323)	P162,438	P439,622	P602,060
Loss on exchange differences on translation of foreign operations		-	-	-	-	-	-	-	(1,867)	-	-	-	-	-	(1,867)	(2,325)	(4,192)
Share in other comprehensive income (loss) of associates and joint ventures - net	11	-	-	-	-	(45)	-	5	(36)	-	-	-	-	-	(76)	(56)	(132)
Net income (loss) on cash flow hedges	40	-	-	-	-	-	(26)	-	-	-	-	-	-	-	(26)	8	(18)
Net loss on financial assets at fair value through other comprehensive income	12	-	-	-	-	-	-	(2)	-	-	-	-	-	-	(2)	-	(2)
Equity reserve for retirement plan	35	-	-	-	-	(166)	-	-	-	-	-	-	-	-	(166)	(65)	(231)
Other comprehensive income (loss)		-	-	-	-	(211)	(26)	3	(1,903)	-	-	-	-	-	(2,137)	(2,438)	(4,575)
Net income (loss)		-	-	-	-	-	-	-	-	-	-	(233)	-	-	(233)	23,855	23,622
Total comprehensive income (loss)		-	-	-	-	(211)	(26)	3	(1,903)	-	-	(233)	-	-	(2,370)	21,417	19,047
Net addition (reduction) to non-controlling interests and others	5, 11	-	-	-	-	46	-	-	42	(397)	(1,844)	1,329	-	-	(824)	96,257	95,433
Appropriations - net	24	-	-	-	-	-	-	-	-	-	4,131	(4,131)	-	-	-	-	-
Cash dividends and distributions:	36																
Common		-	-	-	-	-	-	-	-	-	-	-	-	-	-	(11,102)	(11,102)
Preferred		-	-	-	-	-	-	-	-	-	-	-	-	-	-	(7,967)	(7,967)
Undated subordinated capital securities		-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,447)	(1,447)
Senior perpetual capital securities		-	-	-	-	-	-	-	-	-	-	-	-	-	-	(8,666)	(8,666)
Redeemable perpetual securities		-	-	-	-	-	-	-	-	-	-	-	-	-	-	(238)	(238)
As at December 31, 2020	24	P490	P260	P120,501	P25,158	(P3,293)	(P431)	P1,536	(P4,827)	P10,970	P21,297	P64,363	(P28,457)	(P48,323)	P159,244	P527,876	P687,120

Forward

	Note	Equity Attributable to Equity Holders of the Parent Company														Non-controlling Interests	Total Equity
		Equity Reserves									Retained Earnings		Treasury Stock				
		Capital Stock		Additional Paid-in Capital	Convertible Perpetual Securities	Reserve for Retirement Plan	Hedging Reserve	Fair Value Reserve	Translation Reserve	Other Equity Reserve	Appropriated	Unappropriated					
		Common	Preferred														
		Common	Preferred										Common	Preferred	Total		
As at January 1, 2019, As adjusted		P490	P260	P120,501	P25,158	(P1,899)	(P114)	P1,444	(P1,662)	P13,154	P29,655	P47,535	(P28,457)	(P48,323)	P157,742	P376,968	P534,710
Loss on exchange differences on translation of foreign operations		-	-	-	-	-	-	-	(1,308)	-	-	-	-	-	(1,308)	(1,634)	(2,942)
Share in other comprehensive income (loss) of associates and joint ventures - net	11	-	-	-	-	(78)	-	50	4	-	-	-	-	-	(24)	(1)	(25)
Net loss on cash flow hedges	40	-	-	-	-	-	(291)	-	-	-	-	-	-	-	(291)	(196)	(487)
Net gain on financial assets at fair value through other comprehensive income	12	-	-	-	-	-	-	39	-	-	-	-	-	-	39	20	59
Equity reserve for retirement plan	35	-	-	-	-	(1,130)	-	-	-	-	-	-	-	-	(1,130)	(1,281)	(2,411)
Other comprehensive income (loss)		-	-	-	-	(1,208)	(291)	89	(1,304)	-	-	-	-	-	(2,714)	(3,092)	(5,806)
Net income		-	-	-	-	-	-	-	-	-	-	9,604	-	-	9,604	38,967	48,571
Total comprehensive income (loss)		-	-	-	-	(1,208)	(291)	89	(1,304)	-	-	9,604	-	-	6,890	35,875	42,765
Net addition (reduction) to non-controlling interests and others	5, 11	-	-	-	-	(21)	-	-	-	(1,787)	129	(515)	-	-	(2,194)	55,302	53,108
Reversal of appropriations - net	24	-	-	-	-	-	-	-	-	-	(10,774)	10,774	-	-	-	-	-
Cash dividends and distributions:	36																
Common		-	-	-	-	-	-	-	-	-	-	-	-	-	-	(12,297)	(12,297)
Preferred		-	-	-	-	-	-	-	-	-	-	-	-	-	-	(9,613)	(9,613)
Undated subordinated capital securities		-	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,183)	(3,183)
Senior perpetual capital securities		-	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,430)	(3,430)
As at December 31, 2019	24	P490	P260	P120,501	P25,158	(P3,128)	(P405)	P1,533	(P2,966)	P11,367	P19,010	P67,398	(P28,457)	(P48,323)	P162,438	P439,622	P602,060

Forward

	Note	Equity Attributable to Equity Holders of the Parent Company														Non-controlling Interests	Total Equity
		Capital Stock		Additional Paid-in Capital	Convertible Perpetual Securities	Equity Reserves					Retained Earnings		Treasury Stock		Total		
		Common	Preferred			Reserve for Retirement Plan	Hedging Reserve	Fair Value Reserve	Translation Reserve	Other Equity Reserve	Appropriated	Unappropriated	Common	Preferred			
As at January 1, 2018, As adjusted		P490	P260	P120,501	P25,158	(P1,685)	P -	P1,395	(P1,693)	(P4,059)	P25,742	P46,262	(P28,457)	(P48,323)	P135,591	P362,444	P498,035
Gain on exchange differences on translation of foreign operations		-	-	-	-	-	-	-	38	-	-	-	-	-	38	1,119	1,157
Share in other comprehensive income (loss) of associates and joint ventures - net	11	-	-	-	-	6	-	(35)	14	-	-	-	-	-	(15)	17	2
Net loss on cash flow hedges	40	-	-	-	-	-	(114)	-	-	-	-	-	-	-	(114)	(82)	(196)
Net gain on financial assets at fair value through other comprehensive income	12	-	-	-	-	-	-	84	-	-	-	-	-	-	84	41	125
Equity reserve for retirement plan	35	-	-	-	-	(309)	-	-	-	-	-	-	-	-	(309)	(61)	(370)
Other comprehensive income (loss)		-	-	-	-	(303)	(114)	49	52	-	-	-	-	-	(316)	1,034	718
Net income		-	-	-	-	-	-	-	-	-	-	7,000	-	-	7,000	37,860	44,860
Total comprehensive income (loss)		-	-	-	-	(303)	(114)	49	52	-	-	7,000	-	-	6,684	38,894	45,578
Net addition (reduction) to non-controlling interests and others	5, 11	-	-	-	-	89	-	-	(21)	17,213	(863)	97	-	-	16,515	4,123	20,638
Appropriations - net	24	-	-	-	-	-	-	-	-	-	4,776	(4,776)	-	-	-	-	-
Cash dividends and distributions:	36																
Common		-	-	-	-	-	-	-	-	-	-	-	-	-	-	(11,252)	(11,252)
Preferred		-	-	-	-	-	-	-	-	-	-	-	-	-	-	(8,812)	(8,812)
Undated subordinated capital securities		-	-	-	-	-	-	-	-	-	-	-	-	-	-	(6,177)	(6,177)
Senior perpetual capital securities		-	-	-	-	-	-	-	-	-	-	-	-	-	-	(878)	(878)
As at December 31, 2018	24	P490	P260	P120,501	P25,158	(P1,899)	(P114)	P1,444	(P1,662)	P13,154	P29,655	P48,583	(P28,457)	(P48,323)	P158,790	P378,342	P537,132

See Notes to the Consolidated Financial Statements.

TOP FRONTIER INVESTMENT HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018
(In Millions)

	<i>Note</i>	2020	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		P39,455	P77,480	P69,575
Adjustments for:				
Interest expense and other financing charges	30	50,694	53,730	42,766
Depreciation, amortization and others - net	28	30,029	38,157	55,129
Loss (gain) on sale of investments and property and equipment	5, 13, 15, 18	491	237	(252)
Interest income	31	(6,187)	(10,688)	(7,211)
Equity in net losses (earnings) of associates and joint ventures	11	(424)	(106)	289
Operating income before working capital changes		114,058	158,810	160,296
Changes in noncash current assets, certain current liabilities and others	38	8,401	13,552	(39,344)
Cash generated from operations		122,459	172,362	120,952
Interest and other financing charges paid		(55,959)	(59,439)	(39,008)
Income taxes paid		(16,043)	(21,873)	(22,983)
Net cash flows provided by operating activities		50,457	91,050	58,961
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to property, plant and equipment	13	(63,837)	(66,819)	(47,325)
Increase in other noncurrent assets and others		(24,547)	(54,231)	(40,541)
Additions to investments and advances and investment in debt instruments	11, 12	(4,034)	(1,959)	(20,024)
Interest received		6,407	10,560	6,556
Cash and cash equivalents of consolidated (deconsolidated) subsidiary	5	1,053	(626)	-
Proceeds from sale of investments and property and equipment	5, 13, 15, 18	912	871	1,139
Dividends received	11, 12	16	27	46
Acquisitions of subsidiaries, net of cash and cash equivalents acquired	38	-	(1,408)	(98,057)
Net cash flows used in investing activities		(84,030)	(113,585)	(198,206)
<i>Forward</i>				

	<i>Note</i>	2020	2019	2018
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from:				
Short-term borrowings		P842,619	P1,435,706	P1,032,344
Long-term borrowings		160,437	158,746	242,405
Payments of:				
Short-term borrowings		(871,066)	(1,445,924)	(999,627)
Long-term borrowings		(58,913)	(85,968)	(65,591)
Net proceeds from issuance of capital securities and preferred shares of subsidiaries	5	129,558	85,733	24,881
Redemption of capital securities and preferred shares of subsidiaries	5	(42,656)	(29,087)	(39,769)
Cash dividends and distributions paid to non-controlling shareholders		(29,305)	(28,450)	(27,503)
Payments of lease liabilities		(24,825)	(20,673)	(25,698)
Increase (decrease) in non-controlling interests and others		(1,539)	(811)	105
Proceeds from follow-on offering of common shares of a subsidiary		-	-	35,083
Net cash flows provided by financing activities		104,310	69,272	176,630
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS				
		(9,452)	(3,605)	(396)
NET INCREASE IN CASH AND CASH EQUIVALENTS		61,285	43,132	36,989
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	7	286,677	243,545	206,556
CASH AND CASH EQUIVALENTS AT END OF YEAR	7	P347,962	P286,677	P243,545

See Notes to the Consolidated Financial Statements.

TOP FRONTIER INVESTMENT HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

1. Reporting Entity

Top Frontier Investment Holdings, Inc. (Top Frontier or the Parent Company) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on March 11, 2008. On December 18, 2013, the Philippine Stock Exchange, Inc. (PSE) approved the application for the listing by way of introduction of all the common shares of Top Frontier. The shares were listed on the PSE on January 13, 2014.

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

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

The Group is engaged in various businesses, including food and beverage, packaging, energy, mining, fuel and oil, infrastructure, cement and real estate property management and development.

The registered office address of the Parent Company is 5th Floor, ENZO Building, 399 Sen. Gil J. Puyat Avenue, Makati City, Philippines.

2. Basis of Preparation

Statement of Compliance

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

The consolidated financial statements were approved and authorized for issue in accordance with a resolution by the Board of Directors (BOD) on March 11, 2021.

Basis of Measurement

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

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

Functional and Presentation Currency

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

Basis of Consolidation

The consolidated financial statements include the financial statements of the Parent Company and its subsidiaries. The major subsidiaries include the following:

	<u>Percentage of Ownership Interest Held by the</u>				<u>Country of Incorporation</u>
	<u>Parent Company</u>	<u>Subsidiaries</u>	<u>Parent Company</u>	<u>Subsidiaries</u>	
	<u>2020</u>		<u>2019</u>		
San Miguel Corporation (SMC) and subsidiaries, namely:	65.99		65.99		Philippines
Food and Beverage Business:					
San Miguel Food and Beverage, Inc. (SMFB) (formerly San Miguel Pure Foods Company Inc. (SMPFC)) and subsidiaries [including San Miguel Mills, Inc. (SMMI) and subsidiaries, Magnolia Inc. and subsidiary, San Miguel Foods, Inc. (SMFI) and subsidiary, PT San Miguel Foods Indonesia (formerly PT San Miguel Pure Foods Indonesia), San Miguel Super Coffeemix Co., Inc., The Purefoods-Hormel Company, Inc. (PF-Hormel), and San Miguel Foods International, Limited (formerly San Miguel Pure Foods International, Limited) and subsidiary, San Miguel Foods Investment (BVI) Limited (formerly San Miguel Pure Foods Investment (BVI) Limited) and subsidiary and San Miguel Pure Foods (VN) Co., Ltd.]		88.76		88.76	Philippines

Forward

Percentage of Ownership Interest Held by the				
Company	Parent	Parent		Country of Incorporation
	Subsidiaries	Company	Subsidiaries	
	2020		2019	
San Miguel Brewery Inc. (SMB) and subsidiaries [including Iconic Beverages, Inc. (IBI), Brewery Properties Inc. (BPI) and subsidiary, and San Miguel Brewing International Limited (SMBIL) and subsidiaries, San Miguel Brewery Hong Kong Limited (SMBHK) and subsidiaries, San Miguel (Baoding) Brewery Co., Ltd. (SMBB), San Miguel Beer (Thailand) Limited and San Miguel Marketing (Thailand) Limited and subsidiaries {including San Miguel Brewery Vietnam Company Limited ^(a) and PT. Delta Jakarta Tbk and subsidiary ^{(a)}}]				
Ginebra San Miguel Inc. (GSMI) and subsidiaries [including Distileria Bago, Inc., Ginebra San Miguel International Ltd., GSM International Holdings Limited and Global Beverages Holdings Limited]				
Packaging Business:				
San Miguel Yamamura Packaging Corporation (SMYPC) and subsidiaries [including SMC Yamamura Fuso Molds Corporation (SYFMC) and Can Asia, Inc.]	65.00		65.00	Philippines
San Miguel Yamamura Packaging International Limited (SMYPIL) and subsidiaries [including San Miguel Yamamura Phu Tho Packaging Company Limited ^(a) , San Miguel Yamamura Glass (Vietnam) Limited and San Miguel Yamamura Haiphong Glass Company Limited., Zhaoqing San Miguel Yamamura Glass Company Limited, Foshan San Miguel Yamamura Packaging Company Limited, San Miguel Yamamura Packaging and Printing Sdn. Bhd., San Miguel Yamamura Woven Products Sdn. Bhd. and subsidiary, San Miguel Yamamura Plastic Films Sdn. Bhd. and San Miguel Yamamura Australasia Pty Ltd (SMYA) and subsidiaries {including SMYC Pty Ltd formerly Cospak Pty Limited and subsidiary, Foshan Cospak Packaging Co Ltd., SMYV Pty Ltd, SMYB Pty Ltd, SMYP Pty Ltd, Cospak Ltd (New Zealand), SMYBB Pty Ltd, SMYJ Pty Ltd and Wine Brothers Australian Pty Ltd}]	65.00		65.00	British Virgin Islands (BVI)
Mindanao Corrugated Fibreboard, Inc.	100.00		100.00	Philippines
San Miguel Yamamura Asia Corporation (SMYAC) ^(b)	-		65.00	Philippines

Forward

Percentage of Ownership Interest Held by the				
Company	Parent	Company	Parent	Country of Incorporation
	Subsidiaries		Subsidiaries	
	2020		2019	
Energy Business				
SMC Global Power Holdings Corp. (SMC Global) and subsidiaries [including San Miguel Energy Corporation (SMEC) and subsidiaries, South Premiere Power Corp. (SPPC), Strategic Power Devt. Corp. (SPDC), San Miguel Electric Corp. (SMELC), SMC PowerGen Inc., Universal Power Solutions, Inc. (UPSI, formerly Limay Power Generation Corporation), SMC Consolidated Power Corporation (SCPC), San Miguel Consolidated Power Corporation (SMCPC), Central Luzon Premiere Power Corp., Lumiere Energy Technologies, Inc. (LETI, formerly Limay Premiere Power Corp. (LPPC)), PowerOne Ventures Energy Inc. (PVEI), SMCGP Masin Pte. Ltd. and subsidiaries, Masinloc Power Partners Co. Ltd. (MPPCL) and subsidiary, Albay Power and Energy Corp. (APEC), SMCGP Philippines Energy Storage Co. Ltd. (SPESC) and Mariveles Power Generation Corporation (MPGC) ^(c)]	100.00		100.00	Philippines
Fuel and Oil Business				
SEA Refinery Corporation (SRC) and subsidiary: Petron Corporation (Petron) and subsidiaries [including Petron Marketing Corporation, Petron Freeport Corporation, Overseas Ventures Insurance Corporation Ltd. (Ovincor) ^(a) , New Ventures Realty Corporation (NVRC) and subsidiaries, Petrogen Insurance Corporation (Petrogen) ^(d) , Petron Singapore Trading Pte., Ltd. (PSTPL), Petron Global Limited, Petron Oil & Gas Mauritius Ltd. and subsidiary, Petron Oil & Gas International Sdn. Bhd. and subsidiaries, Petron Malaysia Refining & Marketing Bhd. (PMRMB), Petron Fuel International Sdn. Bhd. and Petron Oil (M) Sdn. Bhd. (POMSB) (collectively Petron Malaysia), Petron Finance (Labuan) Limited and Petrochemical Asia (HK) Limited ^(a) and subsidiaries]	100.00		100.00	Philippines

Forward

Percentage of Ownership Interest Held by the				
Company	Parent	Parent		Country of Incorporation
	Subsidiaries	Company	Subsidiaries	
	2020		2019	
Infrastructure Business				
San Miguel Holdings Corp. doing business under the name and style of SMC Infrastructure (SMHC) and subsidiaries ^(a) [including SMC TPLEX Holdings Company, Inc. (formerly Rapid Thoroughfares Inc.) and subsidiary, SMC TPLEX Corporation (SMCTC) (formerly Private Infra Dev Corporation), TPLEX Operations & Maintenance Corp., Trans Aire Development Holdings Corp. (TADHC), Vertex Tollways Devt. Inc. (Vertex), Universal LRT Corporation (BVI) Limited (ULC BVI), SMC Mass Rail Transit 7 Inc. (SMC MRT 7), ULCOM Company, Inc., SMC Infraventures Inc. and subsidiary, Citra Intercity Tollways, Inc., Luzon Clean Water Development Corporation (LCWDC), Sleep International (Netherlands) Cooperatief U.A. and Wiselink Investment Holdings, Inc. {collectively own Cypress Tree Capital Investments, Inc. and subsidiaries including Star Infrastructure Development Corporation (SIDC) and Star Tollway Corporation (collectively the Cypress Group)}, Atlantic Aurum Investments B.V. (AAIBV) and subsidiaries {including Atlantic Aurum Investments Philippines Corporation (AAIPC) and subsidiaries {including Stage 3 Connector Tollways Holding Corporation (S3HC) and subsidiary, Citra Central Expressway Corp. (CCEC) and Citra Metro Manila Tollways Corporation (CMMTC) and subsidiary, Skyway O&M Corporation (SOMCO), MTD Manila Expressways Inc. (MTDME) and subsidiaries, Alloy Manila Toll Expressways, Inc. (AMTEX), Manila Toll Expressway Systems, Inc. (MATES) and South Luzon Tollway Corporation (SLTC)} and San Miguel Aerocity Inc. doing business under the name and style of "Manila International Airport" (SMAI)]	100.00		100.00	Philippines
Cement Business				
San Miguel Equity Investments Inc. (SMEII) and subsidiaries ^(a) , including Northern Cement Corporation (NCC) ^(a) , San Miguel Northern Cement, Inc. (SMNCI) and First Stronghold Cement Industries Inc. (FSCII)]	100.00		100.00	Philippines
Real Estate Business				
San Miguel Properties, Inc. (SMPI) and subsidiaries ^(a) [including SMPI Makati Flagship Realty Corp. and Bright Ventures Realty, Inc.]	99.96		99.95	Philippines
Davana Heights Development Corporation (DHDC) and subsidiaries	100.00		100.00	Philippines

Forward

	Percentage of Ownership Interest Held by the				Country of Incorporation
	Parent		Parent		
	Company	Subsidiaries	Company	Subsidiaries	
	2020		2019		
Others					
San Miguel International Limited and subsidiaries [including San Miguel Holdings Limited (SMHL) and subsidiaries [including SMYPIL]]		100.00		100.00	Bermuda
SMC Shipping and Lighterage Corporation (SMCSLC) and subsidiaries ^(a) , including SL Harbor Bulk Terminal Corporation (SLHBTC)		70.00		70.00	Philippines
SMC Stock Transfer Service Corporation ^(a)		100.00		100.00	Philippines
ArchEn Technologies Inc. ^(a)		100.00		100.00	Philippines
SMITS, Inc. and subsidiaries ^(a)		100.00		100.00	Philippines
San Miguel Integrated Logistics Services, Inc. (SMILSI) and subsidiary		100.00		100.00	Philippines
Anchor Insurance Brokerage Corporation (AIBC) ^(a)		58.33		58.33	Philippines
SMC Asia Car Distributors Corp. (SMCACDC) and subsidiaries ^(a)		65.00		65.00	Philippines
Mining Business:					
Clariden Holdings, Inc. (Clariden) and subsidiaries, namely:	100.00	-	100.00	-	Philippines
V.I.L. Mines, Incorporated (VMI), Asia-Alliance Mining Resources Corp. (AAMRC), Prima Lumina Gold Mining Corp. (PLGMC), Excelon Asia Holding Corporation, New Manila Properties, Inc. and Philnico Holdings Limited ^(a) and subsidiaries [including Pacific Nickel Philippines, Inc. (PNPI), Philnico Industrial Corporation (PIC) and Philnico Processing Corp. (PPC) (collectively the Philnico Group)]					

(a) The financial statements of these subsidiaries were audited by other auditors.

(b) Merged to SMYPC effective March 1, 2020 (Note 5).

(c) Consolidated to SMC Global effective January 25, 2019 as an asset acquisition (Note 11).

(d) Effective February 4, 2021, Petrogen became a 92.05% owned subsidiary of SMC (Note 41).

(e) Consolidated to SMEII effective August 20, 2020 (Note 5).

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

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

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

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

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

Non-controlling interests include the interests not held by the Parent Company in SMC, and its subsidiaries as follows: SMFB, SMYPC, SMYPIL, Petron, SMCTC, TADHC, AMTEX, AAIBV, SMPI, SMCSLC, AIBC and SMCACDC in 2020 and 2019 and SMYAC and SMNCI in 2019 (Note 5) and Clariden's subsidiaries: PPC and AAMRC in 2020 and 2019.

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

3. Significant Accounting Policies

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

Adoption of Amended Standards and Framework

The FRSC approved the adoption of a number of amended standards and framework as part of PFRS.

The Group has adopted the following PFRS effective January 1, 2020 and accordingly, changed its accounting policies in the following areas:

- Amendments to References to Conceptual Framework in PFRS sets out amendments to PFRS, their accompanying documents and PFRS practice statements to reflect the issuance of the revised Conceptual Framework for Financial Reporting in 2018 (2018 Conceptual Framework). The 2018 Conceptual Framework includes: (a) a new chapter on measurement; (b) guidance on reporting financial performance; (c) improved definitions of an asset and a liability, and guidance supporting these definitions; and (d) clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

Some standards, their accompanying documents and PFRS practice statements contain references to, or quotations from, the International Accounting Standards Committee's Framework for the Preparation and Presentation of Financial Statements adopted by the IASB in 2001 or the Conceptual Framework for Financial Reporting issued in 2010. The amendments update some of those references and quotations so that they refer to the 2018 Conceptual Framework and make other amendments to clarify which version of the Conceptual Framework is referred to in particular documents.

- Definition of a Business (Amendments to PFRS 3, *Business Combinations*). The amendments narrowed and clarified the definition of a business. The amendments also permit a simplified assessment of whether an acquired set of activities and assets is a group of assets rather than a business. The amendments: (a) confirmed that a business must include inputs and a process, and clarified that the process must be substantive and the inputs and process must together significantly contribute to creating outputs; (b) narrowed the definition of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs; and (c) added a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets.

- Definition of Material (Amendments to PAS 1, *Presentation of Financial Statements* and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*). The amendments refine the definition of material. The amended definition of material states that such information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify the definition of what is considered material and its application by: (a) raising the threshold at which information becomes material by replacing the term 'could influence' with 'could reasonably be expected to influence'; (b) including the concept of 'obscuring information' alongside the concept of 'omitting' and 'misstating' information in the definition; (c) clarifying that the users to which the definition refers are the primary users of general purpose financial statements referred to in the Conceptual Framework; (d) clarifying the explanatory paragraphs accompanying the definition; and (e) aligning the wording of the definition of what is considered material across PFRS and other publications. The amendments are expected to help entities make better materiality judgments without substantively changing existing requirements.

- Interest Rate Benchmark Reform (Amendments to PFRS 9, *Financial Instruments*, PAS 39, *Financial Instruments: Recognition and Measurement* and PFRS 7, *Financial Instruments: Disclosures*). The amendments provide temporary exceptions to all hedging relationships directly affected by interest rate benchmark reform - the market-wide reform of an interest rate benchmark, including the replacement of an interest rate benchmark with an alternative benchmark rate such as that resulting from the recommendations set out in the Financial Stability Board's July 2014 report 'Reforming Major Interest Rate Benchmarks'. The exceptions relate to the following requirements:
 - *The Highly Probable Requirement.* When determining whether a forecast transaction is highly probable, an entity shall assume that the interest rate benchmark on which the hedged cash flows are based is not altered as a result of the reform.

 - *Prospective Assessments.* When performing prospective assessments, a company shall assume that the interest rate benchmark on which the hedged item, hedged risk and/or hedging instrument are based is not altered as a result of the interest rate benchmark reform.

- *PAS 39 Retrospective Assessment.* An entity is not required to undertake the PAS 39 retrospective assessment for hedging relationships directly affected by the reform. However, the entity must comply with all other PAS 39 hedge accounting requirements, including the prospective assessment.
- *Separately Identifiable Risk Components.* For hedges of a non-contractually specified benchmark component of interest rate risk, an entity shall apply the separately identifiable requirement only at the inception of such hedging relationships.

An entity shall cease applying the exceptions when the uncertainty arising from interest rate benchmark reform is no longer present with respect to the timing and the amount of the interest rate benchmark-based cash flows or the hedging relationship is discontinued. End of application does not apply to the test for separately identifiable risk components.

Specific disclosure requirements apply to hedging relationships affected by the amendments including information about the significant interest rate benchmarks, extent of risk exposure directly affected by the reform, how the entity manages the process to transition to alternative benchmark rates, significant assumptions and judgements made in applying the exceptions, and the nominal amount of the hedging instruments in those hedging relationships.

The Group has early adopted the below PFRS effective June 1, 2020 and accordingly, changed its accounting policy:

- **Coronavirus Disease 2019 (COVID-19)-Related Rent Concessions (Amendments to PFRS 16, Leases).** The amendments introduce an optional practical expedient that simplifies how a lessee accounts for rent concessions that are a direct consequence of COVID-19. A lessee that applies the practical expedient is not required to assess whether eligible rent concessions are lease modifications, and accounts for them in accordance with other applicable guidance. The practical expedient apply if:
 - the revised consideration is substantially the same or less than the original consideration;
 - the reduction in lease payments relates to payments due on or before June 30, 2021; and
 - no other substantive changes have been made to the terms of the lease.

The Group has applied the amendment retrospectively.

Except as otherwise indicated, the adoption of the amended standards and framework did not have a material effect on the consolidated financial statements.

Standards Issued but Not Yet Adopted

A number of new and amended standards are effective for annual periods beginning after January 1, 2020 and have not been applied in preparing the consolidated financial statements. Unless otherwise indicated, none of these is expected to have a significant effect on the consolidated financial statements.

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

- Interest Rate Benchmark Reform - Phase 2 (Amendments to PFRS 9, PAS 39, PFRS 7, PFRS 4, *Insurance Contracts* and PFRS 16). To ensure that financial statements best reflect the economic effects of interest rate benchmark reforms, the Phase 2 amendments were issued and focus on the accounting once a new benchmark rate is in place. The reliefs allow companies not to recognize significant modification gains or losses on financial instruments and mitigate the risk of discontinuations of existing hedging relationships because of changes required by reforms. The amendments address issues that might affect financial reporting during the reform in the following key areas:
 - *Practical Expedient for Particular Changes to Contractual Cash Flows*. As a practical expedient, a company will account for a change in the basis for determining the contractual cash flows that is required by the reform by updating the effective interest rate of the financial instrument. If there are other changes to the basis for determining the contractual cash flows, then a company first applies the practical expedient to the changes required by the reform and then applies other applicable requirements of PFRS 9 to other changes. A similar practical expedient applies to insurers applying PAS 39 and lessees for lease modifications required by a reform.
 - *Relief from Specific Hedge Accounting Requirements*. The amendments enable and require companies to continue hedge accounting in circumstances when changes to hedged items and hedging instruments arise as a result of changes required by the reform. A company is required to amend the formal designation of hedging relationships to reflect the changes required by the reform. Reliefs are also provided for amounts accumulated in the cash flow hedge reserve, the separately identifiable requirement, groups of items designated as hedged items and retrospective effectiveness assessment under PAS 39.
 - *Disclosure Requirements*. To enable users of financial statements to understand the effect of reforms on a company's financial instruments and risk management strategy, additional disclosures are required on how transition to alternative benchmark rates are being managed, quantitative information about financial instruments indexed to rates yet to transition due to benchmark reform at the end of the reporting period, and the extent to which changes to the risk management strategy have occurred due to the risks identified in the transition.

The amendments are effective for annual reporting periods beginning on or after January 1, 2021. Earlier application is permitted. The amendments apply retrospectively, but restatement of comparative information is not required. Reinstatement of a discontinued hedging relationship is required if the hedging relationship was discontinued solely because of changes required by the reform, and that discontinued hedging relationship meets all qualifying criteria for hedge accounting at the date of initial application.

The amendments are still subject to the approval by the FRSC.

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

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

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

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

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

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

- Annual Improvements to PFRS Standards 2018-2020. This cycle of improvements contains amendments to four standards, of which the following are applicable to the Group:
 - Fees in the '10 per cent' Test for Derecognition of Financial Liabilities (Amendment to PFRS 9). The amendment clarifies that for the purpose of performing the '10 per cent' test for derecognition of financial liabilities, the fees paid net of fees received included in the discounted cash flows include only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.
 - Lease Incentives (Amendment to Illustrative Examples accompanying PFRS 16). The amendment deletes from the Illustrative Example 13 the reimbursement relating to leasehold improvements to remove the potential for confusion because the example had not explained clearly enough the conclusion as to whether the reimbursement would meet the definition of a lease incentive in PFRS 16.
 - Taxation in Fair Value Measurements (Amendment to PAS 41, *Agriculture*). The amendment removes the requirement to exclude cash flows for taxation when measuring fair value, thereby aligning the fair value measurement requirements in PAS 41 with those in PFRS 13, *Fair Value Measurement*.

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

- Reference to the Conceptual Framework (Amendment to PFRS 3). The amendments:
 - updated PFRS 3 so that it now refers to the 2018 Conceptual Framework;
 - added a requirement that, for transactions and other events within the scope of PAS 37 or IFRIC 21, *Levies*, an acquirer applies PAS 37 or IFRIC 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination; and
 - added an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination.

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

- Classification of Liabilities as Current or Noncurrent (Amendments to PAS 1). To promote consistency in application and clarify the requirements on determining whether a liability is current or noncurrent, the amendments:
 - removed the requirement for a right to defer settlement of a liability for at least 12 months after the reporting period to be unconditional and instead requires that the right must have substance and exist at the end of the reporting period;
 - clarified that a right to defer settlement exists only if the company complies with conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until a later date; and
 - clarified that settlement of a liability includes transferring a company's own equity instruments to the counterparty, but conversion options that are classified as equity do not affect classification of the liability as current or noncurrent.

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

- PFRS 17, *Insurance Contracts*, replaces the interim standard, PFRS 4, *Insurance Contracts*, and establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The new standard reflects the view that an insurance contract combines features of both a financial instrument and a service contract, and considers the fact that many insurance contracts generate cash flows with substantial variability over a long period. PFRS 17 introduces a new approach that: (a) combines current measurement of the future cash flows with the recognition of profit over the period services are provided under the contract; (b) presents insurance service results (including presentation of insurance revenue) separately from insurance finance income or expenses; and (c) requires an entity to make an accounting policy choice portfolio-by-portfolio of whether to recognize all insurance finance income or expenses for the reporting period in profit or loss or to recognize some of that income or expenses in other comprehensive income.

Under PFRS 17, groups of insurance contracts are measured based on fulfilment cash flows, which represent the risk-adjusted present value of the entity's rights and obligations to the policy holders, and a contractual service margin, which represents the unearned profit the entity will recognize as it provides services over the coverage period. Subsequent to initial recognition, the liability of a group of insurance contracts represents the liability for remaining coverage and the liability for incurred claims, with the fulfilment cash flows remeasured at each reporting date to reflect current estimates.

Simplifications or modifications to the general measurement model apply to groups of insurance contracts measured using the 'premium allocation approach', investment contracts with discretionary participation features, and reinsurance contracts held.

PFRS 17 brings greater comparability and transparency about the profitability of new and in-force business and gives users of financial statements more insight into an insurer's financial health. Separate presentation of underwriting and financial results will give added transparency about the sources of profits and quality of earnings.

PFRS 17 is effective for annual periods beginning on or after January 1, 2023. Full retrospective application is required, unless it is impracticable, in which case the entity chooses to apply the modified retrospective approach or the fair value approach. However, if the entity cannot obtain reasonable and supportable information necessary to apply the modified retrospective approach, then it applies the fair value approach. Early application is permitted for entities that apply PFRS 9 and PFRS 15, *Revenue from Contracts with Customers*, on or before the date of initial application of PFRS 17.

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

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

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

Current versus Noncurrent Classification

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

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

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

Financial Instruments

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

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

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

Financial Assets

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

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

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

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

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

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

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

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

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

- it is held within a business model with the objective of holding financial assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

The Group’s cash and cash equivalents, trade and other receivables, investment in debt instruments at amortized cost, noncurrent receivables and deposits, and restricted cash are included under this category (Notes 7, 8, 10, 12, 18, 39 and 40).

Cash includes cash on hand and in banks which are stated at face value. 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 FVOCI. Investment in debt instruments is measured at FVOCI if it meets both of the following conditions and is not designated as at FVPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

At initial recognition of an investment in equity instrument that is not held for trading, the Group may irrevocably elect to present subsequent changes in the fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Financial assets at FVOCI are subsequently measured at fair value. Changes in fair value are recognized in other comprehensive income.

Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment on investment in debt instruments are recognized in the consolidated statements of income. When investment in debt instruments at FVOCI is derecognized, the related accumulated gains or losses previously reported in the consolidated statements of changes in equity are transferred to and recognized in the consolidated statements of income.

Dividends earned on holding an investment in equity instrument are recognized as dividend income in the consolidated statements of income when the right to receive the payment has been established, unless the dividend clearly represents a recovery of the part of the cost of the investment. When investment in equity instruments at FVOCI is derecognized, the related accumulated gains or losses previously reported in the consolidated statements of changes in equity are never reclassified to the consolidated statements of income.

The Group's investments in equity and debt instruments at FVOCI are classified under this category (Notes 10, 12, 39 and 40).

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. Fair value changes from derivatives accounted for as part of an effective cash flow hedge are recognized in other comprehensive income. Any interest earned from investment in debt instrument designated as at FVPL is recognized in the consolidated statements of income. Any dividend income from investment in equity instrument is recognized in the consolidated statements of income when the right to receive payment has been established, unless the dividend clearly represents a recovery of the part of the cost of the investment.

The Group's derivative assets that are not designated as cash flow hedge and investments in equity instruments at FVPL are classified under this category (Notes 10, 18, 39 and 40).

Financial Liabilities

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

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

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

The Group's derivative liabilities that are not designated as cash flow hedge are classified under this category (Notes 20, 22, 39 and 40).

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

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

The Group's liabilities arising from its trade transactions or borrowings such as loans payable, accounts payable and accrued expenses, long-term debt, lease liabilities and other noncurrent liabilities are included under this category (Notes 19, 20, 21, 22, 34, 39 and 40).

Derecognition of Financial Assets and Financial Liabilities

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

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

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

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

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

Impairment of Financial Assets

The Group recognizes allowance for expected credit loss (ECL) on financial assets at amortized cost and investments in debt instruments at FVOCI.

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

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

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

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

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

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

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

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

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

Classification of Financial Instruments between Liability and Equity

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

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

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

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

Offsetting Financial Instruments

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

Derivative Financial Instruments and Hedge Accounting

The Group uses derivative financial instruments, such as forwards, swaps and options to manage its exposure on foreign currency, interest rate and commodity price risks. Derivative financial instruments are initially recognized at fair value on the date the derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Changes in the fair value of derivatives that are not designated as hedging instruments are recognized in the consolidated statements of income.

Freestanding Derivatives

The Group designates certain derivatives as hedging instruments to hedge the exposure to variability in cash flows associated with recognized liabilities arising from changes in foreign exchange rates and interest rates.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedging instrument are expected to offset the changes in cash flows of the hedged item.

Cash Flow Hedge. When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income and presented in the “Hedging reserve” account in the consolidated statements of changes in equity. The effective portion of changes in the fair value of the derivative that is recognized in other comprehensive income is limited to the cumulative change in fair value of the hedged item. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in the consolidated statements of income.

The Group designates only the intrinsic value of options and the change in fair value of the spot element of forward contracts as the hedging instrument in cash flow hedging relationships. The change in fair value of the time value of options, the forward element of forward contracts and the foreign currency basis spread of financial instruments are separately accounted for as cost of hedging and recognized in other comprehensive income. The cost of hedging is removed from other comprehensive income and recognized in the consolidated statements of income, either over the period of the hedge if the hedge is time related, or when the hedged transaction affects the consolidated statements of income if the hedge is transaction related.

When the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is transferred and included in the initial cost of the hedged asset or liability. For all other hedged transactions, the amount accumulated in equity is reclassified to the consolidated statements of income as a reclassification adjustment in the same period or periods during which the hedged cash flows affect the consolidated statements of income.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument expires, is sold, is terminated or is exercised, hedge accounting is discontinued prospectively. The amount that has been accumulated in equity is: (a) retained until it is included in the cost of non-financial item on initial recognition, for a hedge of a transaction resulting in the recognition of a non-financial item; or (b) reclassified to the consolidated statements of income as a reclassification adjustment in the same period or periods as the hedged cash flows affect the consolidated statements of income, for other cash flow hedges. If the hedged future cash flows are no longer expected to occur, the amounts that have been accumulated in equity are immediately reclassified to the consolidated statements of income.

The Group has outstanding derivatives accounted for as cash flow hedge as at December 31, 2020 and 2019 (Note 40).

Embedded Derivatives

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

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

- (a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;
- (b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- (c) the hybrid or combined instrument is not recognized as at FVPL.

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

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

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

The Group has embedded derivatives as at December 31, 2020 and 2019 (Note 40).

Inventories

Finished goods, goods in process, materials and supplies, raw land inventory and real estate projects are valued at the lower of cost and net realizable value.

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

Finished goods and goods in process	-	at cost, which includes direct materials and labor and a proportion of manufacturing overhead costs based on normal operating capacity but excluding borrowing costs; finished goods also include unrealized gain (loss) on fair valuation of agricultural produce; costs are determined using the moving-average method.
Petroleum products (except lubes and greases) and crude oil	-	at cost, which includes duties and taxes related to the acquisition of inventories; costs are determined using the first-in, first-out method.
Lubes and greases, blending components and polypropylene	-	at cost, which includes duties and taxes related to the acquisition of inventories; costs are determined using the moving-average method.
Raw land inventory	-	at cost, which includes acquisition costs of raw land intended for sale or development and other costs and expenses incurred to effect the transfer of title of the property; costs are determined using the specific identification of individual costs.
Real estate projects	-	at cost, which includes acquisition costs of property and other costs and expenses incurred to develop the property; costs are determined using the specific identification of individual costs.
Materials, supplies and others	-	at cost, using the specific identification method, first-in, first-out method or moving-average method.
Coal	-	at cost, using the specific identification method and weighted average method.

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

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

Petroleum Products, Crude Oil, Lubes and Greases, and Aftermarket Specialties. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs to complete and/or market and distribute.

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

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

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

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

Prepaid Expenses and Other Current Assets

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

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

Biological Assets and Agricultural Produce

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

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

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

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

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

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

Contract Assets

A contract asset is the right to consideration in exchange for goods or services that the Group has transferred to a customer that is conditioned on something other than the passage of time. The contract asset is transferred to receivable when the right becomes unconditional.

A receivable represents the Group's right to an amount of consideration that is unconditional, only the passage of time is required before payment of the consideration is due.

Business Combination

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

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

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

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

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

- *Goodwill in a Business Combination*

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

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

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

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

- *Intangible Assets Acquired in a Business Combination*

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

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

An intangible asset with finite life is amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each reporting date. A change in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for as a change in accounting estimate. The amortization expense on intangible asset with finite life is recognized in the consolidated statements of income.

Business Combinations under Common Control

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

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

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

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

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

Non-controlling Interests

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

Investments in Shares of Stock of Associates and Joint Ventures

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

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

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

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

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

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

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

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

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

Property, Plant and Equipment

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

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

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

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

	Number of Years
Land improvements	5 - 50
Buildings and improvements	2 - 50
Power plants	5 - 43
Refinery and plant equipment	4 - 34
Service stations and other equipment	3 - 33
Equipment, furniture and fixtures	2 - 55
Mine and mining properties	5 - 55
Leasehold improvements	2 - 50
	or term of the lease, whichever is shorter

Effective January 1, 2020, the Group adopted the units of production method (UOP) for the depreciation of refinery and plant equipment and certain power plant assets used in production of fuel, using expected capacity over the estimated useful lives of these assets (Note 13).

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

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

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

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

Leases

Policy Applicable from January 1, 2019

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	2 - 999
Buildings and improvements	2 - 15
Power plants	29 - 43
Service stations and other equipment	10 - 12
Machinery and equipment	2 - 7

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

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

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

- fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

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

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

The Group has elected not to recognize right-of use assets and lease liabilities for short-term leases (i.e., lease that have a lease term of 12 months or less from the commencement date and do not contain a purchase option) and leases of low-value assets. The Group recognizes the lease payments associated with these leases as expense on a straight-line basis over the lease term.

The Group applies the practical expedient consistently to contracts with similar characteristics and in similar circumstances. For rent concessions in leases to which the Group chooses not to apply the practical expedient, or that do not qualify for the practical expedient, the Group assesses whether there is a lease modification. The Group has applied COVID-19-Related Rent Concessions. The Group applies the practical expedient allowing it not to assess whether eligible rent concessions that are a direct consequence of the COVID-19 pandemic are lease modifications.

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.

Policy Applicable before January 1, 2019

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after the inception of the lease only if one of the following applies:

- (a) there is a change in contractual terms, other than a renewal or extension of the arrangement;
- (b) a renewal option is exercised or an extension is granted, unless the term of the renewal or extension was initially included in the lease term;
- (c) there is a change in the determination of whether fulfillment is dependent on a specific asset; or
- (d) there is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gives rise to the reassessment for scenarios (a), (c) or (d), and at the date of renewal or extension period for scenario (b) above.

Finance Lease

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Obligations arising from plant assets under finance lease agreement are classified in the consolidated statements of financial position as finance lease liabilities.

Lease payments are apportioned between financing charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Financing charges are recognized in the consolidated statements of income.

Capitalized leased assets are depreciated over the estimated useful lives of the assets when there is reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating Lease

Group as Lessee. Leases which do not transfer to the Group substantially all the risks and rewards of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the consolidated statements of income on a straight-line basis over the lease term. Associated costs such as maintenance and insurance are expensed as incurred.

Group as Lessor. Leases where the Group does not transfer substantially all the risks and rewards of ownership of the assets are classified as operating leases. Rent income from operating leases is recognized as income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as rent income. Contingent rents are recognized as income in the period in which they are earned.

Investment Property

Investment property consists of property held to earn rentals and/or for capital appreciation but not for sale in the ordinary course of business, used in the production or supply of goods or services or for administrative purposes. Investment property, except for land, is measured at cost including transaction costs less accumulated depreciation and amortization and any accumulated impairment in value. The carrying amount includes the cost of replacing part of an existing investment property at the time the cost is incurred, if the recognition criteria are met, and excludes the costs of day-to-day servicing of an investment property. Land is stated at cost less any impairment in value.

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

	Number of Years
Land and leasehold improvements	5 - 50 or term of the lease, whichever is shorter
Buildings and improvements	2 - 50
Machinery and equipment	3 - 40
Right-of-use assets	2 - 50

The useful lives, residual values and depreciation and amortization method are reviewed and adjusted, if appropriate, at each reporting date.

Investment property is derecognized either when it has been disposed of or when it is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains and losses on the retirement and disposal of investment property are recognized in the consolidated statements of income in the period of retirement and disposal.

Transfers are made to investment property when, and only when, there is an actual change in use, evidenced by ending of owner-occupation or commencement of an operating lease to another party. Transfers are made from investment property when, and only when, there is an actual change in use, evidenced by commencement of the owner-occupation or commencement of development with a view to sell.

For a transfer from investment property to owner-occupied property or inventories, the cost of property for subsequent accounting is its carrying amount at the date of change in use. If the property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of an intangible asset acquired in a business combination is its fair value at the date of acquisition. Subsequently, intangible assets are carried at cost less accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditures are recognized in the consolidated statements of income in the year in which the related expenditures are incurred.

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

Intangible assets with finite lives are amortized over the useful life and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization period and the amortization method used for an intangible asset with a finite useful life are reviewed at least at each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimate. The amortization expense on intangible assets with finite lives is recognized in the consolidated statements of income consistent with the function of the intangible asset.

Except for mineral rights and evaluation asset which is amortized using UOP method, amortization of other intangible assets with finite lives is computed using the straight-line method over the following estimated useful lives:

	Number of Years
Toll road concession rights	28 - 36
Airport concession rights	25 - 50
Power concession right	25
Water concession right	30
Leasehold and land use rights	20 - 50 or term of the lease, whichever is shorter
Computer software and licenses	2 - 10

The Group assessed the useful lives of licenses and trademarks and brand names to be indefinite. Based on an analysis of all the relevant factors, there is no foreseeable limit to the period over which the assets are expected to generate cash inflows for the Group.

Licenses and trademarks and brand names with indefinite useful lives are tested for impairment annually, either individually or at the cash-generating unit level. Such intangibles are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Gains or losses arising from the disposal of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in the consolidated statements of income when the asset is derecognized.

Service Concession Arrangements

Public-to-private service concession arrangements where: (a) the grantor controls or regulates what services the entities in the Group can provide with the infrastructure, to whom it can provide them, and at what price; and (b) the grantor controls (through ownership, beneficial entitlement or otherwise) any significant residual interest in the infrastructure at the end of the term of the arrangement are accounted for under Philippine Interpretation IFRIC 12, *Service Concession Arrangements*. Infrastructures used in a public-to-private service concession arrangement for its entire useful life (whole-of-life assets) are within the scope of the Interpretation if the conditions in (a) are met.

The Interpretation applies to both: (i) infrastructure that the entities in the Group construct or acquire from a third party for the purpose of the service arrangement; and (ii) existing infrastructure to which the grantor gives the entities in the Group access for the purpose of the service arrangement.

Infrastructures within the scope of the Interpretation are not recognized as property, plant and equipment of the Group. Under the terms of the contractual arrangements within the scope of the Interpretation, an entity acts as a service provider. An entity constructs or upgrades infrastructure (construction or upgrade services) used to provide a public service and operates and maintains that infrastructure (operation services) for a specified period of time.

An entity recognizes a financial asset to the extent that it has an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor for the construction services. An entity recognizes an intangible asset to the extent that it receives a right (a license) to charge users of the public service.

When the applicable entity has contractual obligations to fulfill as a condition of its license: (i) to maintain the infrastructure to a specified level of serviceability; or (ii) to restore the infrastructure to a specified condition before it is handed over to the grantor at the end of the service arrangement, it recognizes and measures the contractual obligations in accordance with PAS 37, i.e., at the best estimate of the expenditure that would be required to settle the present obligation at the reporting date.

In accordance with PAS 23, *Borrowing Costs*, borrowing costs attributable to the arrangement are recognized as expenses in the period in which they are incurred unless the applicable entities have a contractual right to receive an intangible asset (a right to charge users of the public service). In this case, borrowing costs attributable to the arrangement are capitalized during the construction phase of the arrangement.

The following are the concession rights covered by the service concession arrangements entered into by the Group:

- *Airport Concession Rights.*

Boracay Airport. The airport concession right pertains to the right granted by the Republic of the Philippines (ROP) to TADHC: (i) to operate the Caticlan Airport (the Airport Project or the Boracay Airport); (ii) to design and finance the Airport Projects; and (iii) to operate and maintain the Airport Projects during the concession period. This also includes the present value of the annual franchise fee, as defined in the Concession Agreement, payable to the ROP over the concession period of 25 years. Except for the portion that relates to the annual franchise fee, which is recognized immediately as intangible asset, the right is earned and recognized by the Group as the project progresses (Note 4).

The airport concession right is carried at cost less accumulated amortization and any impairment in value. Amortization is computed using the straight-line method over the remaining concession periods and assessed for impairment whenever there is an indication that the asset may be impaired.

The airport concession right is derecognized on disposal or when no future economic benefits are expected from its use or disposal. Gain or loss from derecognition of the airport concession rights are measured as the difference between the net disposal proceeds and the carrying amount of the asset, and is recognized in the consolidated statements of income.

Manila International Airport. The airport concession right pertains to the right granted by the ROP to SMAI: (i) to operate; (ii) to design and finance; and (iii) to operate and maintain the Manila International Airport during the concession period.

The airport concession right represents the design and construction costs incurred to obtain the right during the construction period. It is carried at cost less accumulated amortization and any impairment in value. Subsequent expenditures or replacement of parts of it, are normally recognized in profit or loss as these are incurred to maintain the expected future economic benefits embodied in the airport concession right unless it can be demonstrated that the expenditures will contribute to the increase in revenue from airport and toll operations which meet the definition of an intangible asset (Note 4).

The airport concession right will be amortized on a straight-line basis over the period stated in the Concession Agreement which is approximately 50 years from issuance of the Certificate of Substantial Completion for the First Phase of the Project, and will be assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and method are reviewed at least at each reporting year-end or more frequently when an indication of impairment arises during the reporting year. Changes in the term of the contract or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period and method, as appropriate, and treated as changes in accounting estimates.

The airport concession right will be derecognized upon turnover to the ROP. There will be no gain or loss upon derecognition as the concession right which is expected to be fully amortized by then and will be handed over to the ROP with no consideration.

- *Toll Road Concession Rights.* The Group's toll road concession rights represent the costs of construction and development, including borrowing costs, if any, during the construction period of the following projects:
 - South Luzon Expressway (SLEX);
 - Ninoy Aquino International Airport (NAIA) Expressway;
 - Metro Manila Skyway (Skyway);
 - Tarlac-Pangasinan-La Union Toll Expressway (TPLEX);
 - Southern Tagalog Arterial Road (STAR); and
 - North Luzon Expressway (NLEX) - SLEX Link (Skyway Stage 3).

In exchange for the fulfillment of the Group's obligations under the Concession Agreement, the Group is given the right to operate the toll road facilities over the concession period. Toll road concession rights are recognized initially at the fair value of the construction services. Following initial recognition, the toll road concession rights are carried at cost less accumulated amortization and any impairment losses. Subsequent expenditures or replacement of parts of it are normally recognized in the consolidated statements of income as these are incurred to maintain the expected future economic benefits embodied in the toll road concession rights. Expenditures that will contribute to the increase in revenue from toll operations are recognized as an intangible asset.

The toll road concession rights are amortized using the straight-line method over the term of the Concession Agreement. The toll road concession rights are assessed for impairment whenever there is an indication that the toll road concession rights may be impaired.

The toll road concession rights will be derecognized upon turnover to the ROP. There will be no gain or loss upon derecognition of the toll road concession rights as these are expected to be fully amortized upon turnover to the ROP.

- *Water Concession Right.* The Group's water concession right pertains to the right granted by the Metropolitan Waterworks and Sewerage System (MWSS) to LCWDC as the concessionaire of the supply of treated bulk water, planning, financing, development, design, engineering, and construction of facilities including the management, operation and maintenance in order to alleviate the chronic water shortage and provide potable water needs of the Province of Bulacan. The Concession Agreement is for a period of 30 years and may be extended for up to 50 years. The Group's water concession right represents the upfront fee, cost of design, construction and development of the Bulacan Bulk Water Supply Project. The service concession right is not yet amortized until the construction is completed.

The carrying amount of the water concession right is reviewed for impairment annually, or more frequently when an indication of impairment arises during the reporting year.

The water concession right will be derecognized upon turnover to MWSS. There will be no gain or loss upon derecognition of the water concession right, as this is expected to be fully amortized upon turnover to MWSS.

- *Power Concession Right.* The Group's power concession right pertains to the right granted by the ROP to SMC Global, through APEC, to operate and maintain the franchise of Albay Electric Cooperative, Inc. (ALECO). On January 24, 2014, SMC Global and APEC entered into an Assignment Agreement whereby APEC assumed all the rights, interests and obligations under the Concession Agreement effective January 2, 2014. The power concession right is carried at cost less accumulated amortization and any accumulated impairment losses.

The power concession right is amortized using the straight-line method over the concession period which is 25 years and assessed for impairment whenever there is an indication that the asset may be impaired.

The power concession right is derecognized on disposal or when no further economic benefits are expected from its use or disposal. Gain or loss from derecognition of the power concession right is measured as the difference between the net disposal proceeds and the carrying amount of the asset, and is recognized in the consolidated statements of income.

- *MRT 7 Project.* The Group's capitalized project costs incurred for the MRT 7 Project is recognized as a financial asset as it does not convey to the Group the right to control the use of the public service infrastructure but only an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor for the construction services.

The Group can finance, design, test, commission, construct and operate and maintain the MRT 7 Project on behalf of the ROP in accordance with the terms specified in the Concession Agreement.

As payment, the ROP shall pay fixed amortization payment on a semi-annual basis in accordance with the scheduled payment described in the Concession Agreement (Note 34).

The amortization period and method are reviewed at least at each reporting date. Changes in the terms of the Concession Agreement or the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense is recognized in the consolidated statements of income in the expense category consistent with the function of the intangible asset.

Mineral Rights and Evaluation Assets

The Group's mineral rights and evaluation assets have finite lives and are carried at cost less accumulated amortization and any accumulated impairment losses.

Subsequent expenditures are capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures are recognized in the consolidated statements of income as incurred.

Amortization of mineral rights and evaluation assets is recognized in the consolidated statements of income based on UOP method utilizing only recoverable coal, limestone and shale reserves as the depletion base. In applying the UOP method, amortization is normally calculated using the quantity of material extracted from the mine in the period as a percentage of the total quantity of material to be extracted in current and future periods based on proved and probable reserves.

The Group's mineral rights and evaluation asset is amortized using UOP method over 25 years.

Gain or loss from derecognition of mineral rights and evaluation assets is measured as the difference between the net disposal proceeds and the carrying amount of the asset, and is recognized in the consolidated statements of income.

Deferred Exploration and Development Costs

Deferred exploration and development costs comprise of expenditures which are directly attributable to:

- Researching and analyzing existing exploration data;
- Conducting geological studies, exploratory drilling and sampling;
- Examining and testing extraction and treatment methods; and
- Compiling pre-feasibility and feasibility studies.

Deferred exploration and development costs also include expenditures incurred in acquiring mineral rights and evaluation assets, entry premiums paid to gain access to areas of interest and amounts payable to third parties to acquire interests in existing projects.

Exploration assets are reassessed on a regular basis and tested for impairment provided that at least one of the following conditions is met:

- the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- such costs are expected to be recouped in full through successful development and exploration of the area of interest or alternatively, by its sale; or
- exploration and evaluation activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in relation to the area are continuing, or planned for the future.

If the project proceeds to development stage, the amounts included within deferred exploration and development costs are transferred to property, plant and equipment.

Deferred Containers

Returnable bottles, shells and pallets are measured at cost less accumulated amortization and impairment, if any. These are presented as "Deferred containers - net" under "Other noncurrent assets - net" account in the consolidated statements of financial position and are amortized over the estimated useful lives of two to ten years. Depreciable amount is equal to cost less estimated residual value, equivalent to the deposit value. Amortization of deferred containers is included under "Selling and administrative expenses" account in the consolidated statements of income.

The remaining useful lives, residual values, and amortization method are reviewed and adjusted periodically, if appropriate, to ensure that such periods and method of amortization are consistent with the expected pattern of economic benefits from deferred containers.

The carrying amount of deferred containers is reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

Refundable containers deposits are collected from customers based on deposit value and refunded when the containers are returned to the Group in good condition. These deposits are presented as “Customers’ deposit” under “Accounts payable and accrued expenses” account in the consolidated statements of financial position.

Impairment of Non-financial Assets

The carrying amounts of investments and advances, property, plant and equipment, right-of-use assets, investment property, biological assets - net of current portion, other intangible assets with finite useful lives, deferred containers, deferred exploration and development costs and idle assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Goodwill, licenses and trademarks and brand names with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. If any such indication exists, and if the carrying amount exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of the asset is the greater of fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm’s length transaction between knowledgeable, willing parties, less costs of disposal. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in the consolidated statements of income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset’s recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statements of income. After such a reversal, the depreciation and amortization charge is adjusted in future periods to allocate the asset’s revised carrying amount, less any residual value, on a systematic basis over its remaining useful life. An impairment loss with respect to goodwill is not reversed.

Cylinder Deposits

The Group purchases liquefied petroleum gas cylinders which are loaned to dealers upon payment by the latter of an amount equivalent to about 90% of the acquisition cost of the cylinders.

The Group maintains the balance of cylinder deposits at an amount equivalent to three days worth of inventory of its biggest dealers, but in no case lower than P200 at any given time, to take care of possible returns by dealers.

At the end of each reporting date, cylinder deposits, shown under “Other noncurrent liabilities” account in the consolidated statements of financial position, are reduced for estimated non-returns. The reduction is recognized directly in the consolidated statements of income.

Contract Liabilities

A deferred income is the Group’s obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a deferred income is recognized when the payment is made or the payment is due (whichever is earlier). Deferred income is recognized as revenue when the Group performs under the contract.

Fair Value Measurements

The Group measures financial and non-financial assets and liabilities at fair value at each reporting date.

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

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

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

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

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

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

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

Provisions

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

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

Capital Stock and Additional Paid-in Capital

Common Shares

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

Preferred Shares

Preferred shares are classified as equity if they are non-redeemable, or redeemable only at the option of the Parent Company, and any dividends thereon are discretionary. Dividends thereon are recognized as distributions within equity upon approval by the BOD of the Parent Company.

Preferred shares are classified as a liability if they are redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. Dividends thereon are recognized as interest expense in the consolidated statements of income as accrued.

Additional Paid-in Capital

When the shares are sold at premium, the difference between the proceeds and the par value is credited to the "Additional paid-in capital" account. When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. In case the shares are issued to extinguish or settle the liability of the Parent Company, the shares are measured either at the fair value of the shares issued or fair value of the liability settled, whichever is more reliably determinable.

Convertible Perpetual Securities (CPS)

CPS are classified as equity when there is no contractual obligation to deliver cash or other financial assets to another person or entity or to exchange financial assets or liabilities with another person or entity that is potentially unfavorable to the issuer.

Incremental costs directly attributable to the issuance of CPS are recognized as a deduction from equity, net of tax.

Retained Earnings

Retained earnings represent the accumulated net income or losses, net of any dividend distributions and other capital adjustments. Appropriated retained earnings represent that portion which is restricted and therefore not available for any dividend declaration.

Treasury Shares

Own equity instruments which are reacquired are carried at cost and deducted from equity. No gain or loss is recognized on the purchase, sale, reissuance or cancellation of the Parent Company's own equity instruments. When the shares are retired, the capital stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to additional paid-in capital to the extent of the specific or average additional paid-in capital when the shares were issued and to retained earnings for the remaining balance.

Revenue

The Group recognizes revenue from contracts with customers when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding amounts collected on behalf of third parties.

The transfer of control can occur over time or at a point in time. Revenue is recognized at a point in time unless one of the following criteria is met, in which case it is recognized over time: (a) the customer simultaneously receives and consumes the benefits as the Group performs its obligations; (b) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

The Group assesses its revenue arrangements to determine if it is acting as principal or agent. The Group has concluded that it acts as a principal as it controls the goods or services before transferring to the customer.

The following specific recognition criteria must also be met before revenue is recognized:

Revenue from Sale of Food and Beverage, Packaging, and Petroleum Products

Revenue is recognized at the point in time when control of the goods is transferred to the customer, which is normally upon delivery of the goods. Trade discounts and volume rebate do not result to significant variable consideration and are generally determined based on concluded sales transactions as at the end of each period. Payment is generally due within 30 to 60 days from delivery.

Revenue from sale of petroleum products is allocated between the consumer loyalty program and the other component of the sale. The allocation is based on the relative stand-alone selling price of the points. The amount allocated to the consumer loyalty program is deducted from revenue at the time points are awarded to the consumer. A deferred liability included under "Accounts payable and accrued expenses" account in the consolidated statements of financial position is set up until the Group has fulfilled its obligations to supply the discounted products under the terms of the program or when it is no longer probable that the points under the program will be redeemed. The deferred liability is based on the best estimate of future redemption profile. All the estimates are reviewed on an annual basis or more frequently, where there is an indication of a material change.

Revenue from Power Generation and Trading

Revenue from power generation and trading is recognized over time when actual power or capacity is generated, transmitted and/or made available to the customers, net of related discounts and adjustments.

Revenues from retail and other power-related services are recognized over time upon the supply of electricity to the customers. The Uniform Filing Requirements on the rate unbundling released by the Energy Regulatory Commission (ERC) on October 30, 2001 specified the following bill components: (a) generation charge, (b) transmission charge, (c) system loss charge, (d) distribution charge, (e) supply charge, (f) metering charge, (g) currency exchange rate adjustments, where applicable, and (h) interclass and life subsidies. Feed-in tariffs allowance, Value-added Tax (VAT) and universal charges are billed and collected on behalf of the national and local government and do not form part of the Group's revenue. Generation, transmission and system loss charges, which are part of revenues, are pass-through charges.

Revenue from Sale of Real Estate

Revenue from sale of real estate projects under pre-completion stage is recognized over time based on percentage of completion since the Group does not have an alternative use of the specific real estate property sold as the Group is precluded by the contract from redirecting the use of the property for a different purpose. Further, the Group has rights to payment for the development completed to date as the Group can choose to complete the development and enforce its rights to full payment under the contract even if the customer defaults on amortization payments. The Group determines the stage of completion based on surveys done by the Group's engineers and total costs to be incurred on a per unit basis. Revenue is recognized when 10% of the total contract price has already been collected.

Revenue from sale of completed real estate projects, and undeveloped land or raw land is recognized at a point in time. The Group recognizes in full the revenue and cost from sale of completed real estate projects and undeveloped land when 10% or more of the contract price is received.

If the transaction does not qualify for revenue recognition, the deposit method is applied until all conditions for recording the sale are met. Pending the recognition of revenue, payments received from customers are presented under "Accounts payable and accrued expenses" account in the consolidated statements of financial position.

Cancellation of real estate sales is accounted for on the year of forfeiture. The repossessed real estate projects are recognized at fair value less cost to repurchase. Any gain or loss on cancellation is recognized as part of "Other income (charges) - net" account in the consolidated statements of income.

Revenue from Service Concession Arrangements

Revenue from toll operations is recognized upon the use by the road users of the toll road and is paid by way of cash or charge against Radio Frequency Identification account. Toll fees are set and regulated by the Toll Regulatory Board (TRB).

Landing, take-off and parking fees are recognized as the services are rendered over time which is the period from landing up to take-off of aircrafts.

Terminal fees are recognized upon receipt of fees charged to passengers for the use of airport and port terminals.

Revenue from port cargo handling and ancillary services is recognized as the services are rendered over time based on the quantity of items handled during the period multiplied by a predetermined rate.

Revenue from construction contracts is recognized over time based on the percentage of completion, measured by reference to the proportion of costs incurred to date to estimated total costs for each contract.

Revenue from Sale of Other Services

Revenue from freight services is recognized as the services are rendered over time based on every voyage contracted with customers during the period multiplied by a predetermined rate.

Revenue from Other Sources

Revenue from Agricultural Produce. Revenue from initial recognition of agricultural produce is measured at fair value less estimated costs to sell at the point of harvest. Fair value is based on the relevant market price at the point of harvest.

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

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

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

Gain or Loss on Sale of Investments in Shares of Stock. Gain or loss is recognized when the Group disposes of its investment in shares of stock of a subsidiary, associate and joint venture and financial assets at FVPL. Gain or loss is computed as the difference between the proceeds of the disposed investment and its carrying amount, including the carrying amount of goodwill, if any.

Costs and Expenses

Costs and expenses are decreases in economic benefits during the reporting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Expenses are recognized when incurred.

Borrowing Costs

Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use.

Investment income earned on the temporary investment of specific borrowings pending expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Research and Development Costs

Research costs are expensed as incurred. Development costs incurred on an individual project are carried forward when their future recoverability can be reasonably regarded as assured. Any expenditure carried forward is amortized in line with the expected future sales from the related project.

The carrying amount of development costs is reviewed for impairment annually when the related asset is not yet in use. Otherwise, this is reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

Employee Benefits

Short-term Employee Benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Retirement Costs

The net defined benefit retirement liability or asset is the aggregate of the present value of the amount of future benefit that employees have earned in return for their service in the current and prior periods, reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of economic benefits available in the form of reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit retirement plan is actuarially determined using the projected unit credit method. Projected unit credit method reflects services rendered by employees to the date of valuation and incorporates assumptions concerning projected salaries of employees. Actuarial gains and losses are recognized in full in the period in which they occur in other comprehensive income. Such actuarial gains and losses are also immediately recognized in equity and are not reclassified to profit or loss in subsequent period.

Defined benefit costs comprise the following:

- Service costs;
- Net interest on the defined benefit retirement liability or asset; and
- Remeasurements of defined benefit retirement liability or asset.

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in the consolidated statements of income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuary.

Net interest on the net defined benefit retirement liability or asset is the change during the period as a result of contributions and benefit payments, which is determined by applying the discount rate based on the government bonds to the net defined benefit retirement liability or asset. Net interest on the net defined benefit retirement liability or asset is recognized as expense or income in the consolidated statements of income.

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

When the benefits of a plan are changed, or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in the consolidated statements of income. The Group recognizes gains and losses on the settlement of a defined benefit retirement plan when the settlement occurs.

Foreign Currency

Foreign Currency Translations

Transactions in foreign currencies are initially recorded in the respective functional currencies of the Group entities at exchange rates at the dates of the transactions.

Monetary assets and monetary liabilities denominated in foreign currencies are translated to the functional currency at exchange rate at the reporting date.

Non-monetary assets and non-monetary liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate when the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on translation are recognized in the consolidated statements of income, except for differences arising on the translation of monetary items that in substance form part of a net investment in a foreign operation and hedging instruments in a qualifying cash flow hedge or hedge of a net investment in a foreign operation, which are recognized in other comprehensive income.

Foreign Operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Philippine peso at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Philippine peso at average exchange rates for the period.

Foreign currency differences are recognized in other comprehensive income and presented in the "Translation reserve" account in the consolidated statements of changes in equity. However, if the operation is not a wholly-owned subsidiary, the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to the profit or loss as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in shares of stock of an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognized in other comprehensive income and presented in the "Translation reserve" account in the consolidated statements of changes in equity.

Taxes

Current Tax. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Current tax relating to items recognized directly in equity is recognized in equity and not in profit or loss. The Group periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretations and establishes provisions where appropriate.

Deferred Tax. Deferred tax is recognized using the liability method in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

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

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- with respect to taxable temporary differences associated with investments in shares of stock of subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits - Minimum Corporate Income Tax (MCIT) and unused tax losses - Net Operating Loss Carry Over (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward benefits of MCIT and NOLCO can be utilized, except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- with respect to deductible temporary differences associated with investments in shares of stock of subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

Current tax and deferred tax are recognized in the consolidated statements of income, except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

VAT. Revenues, expenses and assets are recognized net of the amount of VAT, except:

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of tax included.

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

Non-cash Distribution to Equity Holders of the Parent Company and Assets Held for Sale

The Group classifies noncurrent assets, or disposal groups comprising assets and liabilities as held for sale or distribution, if their carrying amounts will be recovered primarily through sale or distribution rather than through continuing use. The assets or disposal groups are generally measured at the lower of their carrying amount and fair value less costs to sell or distribute, except for some assets which are covered by other standards. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on *pro rata* basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property or biological assets, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale or distribution and subsequent gains and losses on remeasurement are recognized in the consolidated statements of income. Gains are not recognized in excess of any cumulative impairment losses.

The criteria for held for sale or distribution is regarded as met only when the sale or distribution is highly probable and the asset or disposal group is available for immediate sale or distribution in its present condition. Actions required to complete the sale or distribution should indicate that it is unlikely that significant changes to the sale or distribution will be made or that the decision on distribution or sale will be withdrawn. Management must be committed to the sale or distribution within one year from date of classification.

The Group recognizes a liability to make non-cash distributions to equity holders of the Parent Company when the distribution is authorized and no longer at the discretion of the Parent Company. Non-cash distributions are measured at the fair value of the assets to be distributed with fair value remeasurements recognized directly in equity. Upon distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets to be distributed is recognized in the consolidated statements of income.

Intangible assets, property, plant and equipment and investment property once classified as held for sale or distribution are not amortized or depreciated. In addition, equity accounting of equity-accounted investees ceases once classified as held for sale or distribution.

Assets and liabilities classified as held for sale or distribution are presented separately as current items in the consolidated statements of financial position.

Discontinued Operations

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as "Income after income tax from discontinued operations" in the consolidated statements of income.

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 and significant influence. Related parties may be individuals or corporate entities.

Basic and Diluted Earnings Per Common Share (EPS)

Basic EPS is computed by dividing the net income for the period attributable to equity holders of the Parent Company, net of dividends on preferred shares and distribution to holders of CPS, by the weighted average number of issued and outstanding common shares during the period, with retroactive adjustment for any stock dividends declared.

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

Operating Segments

The Group's operating segments are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on operating segments is presented in Note 6 to the consolidated financial statements. The Chief Executive Officer (the chief operating decision maker) reviews management reports on a regular basis.

The measurement policies the Group used for segment reporting under PFRS 8 are the same as those used in the consolidated financial statements. There have been no changes in the measurement methods used to determine reported segment profit or loss from prior periods.

Segment revenues, expenses and performance include sales and purchases between business segments. Such sales and purchases are eliminated in consolidation.

Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed in the notes to the consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable.

Events After the Reporting Date

Post year-end events that provide additional information about the Group's financial position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

4. Use of Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements in accordance with PFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts of assets, liabilities, income and expenses reported in the consolidated financial statements at the reporting date. However, uncertainty about these judgments, estimates and assumptions could result in an outcome that could require a material adjustment to the carrying amount of the affected asset or liability in the future.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions are recognized in the period in which the judgments and estimates are revised and in any future period affected.

Judgments

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

Measurement of Biological Assets. Breeding stocks are carried at accumulated costs net of amortization and any impairment in value while growing hogs, poultry livestock and goods in process are carried at accumulated costs. The costs and expenses incurred up to the start of the productive stage are accumulated and amortized over the estimated productive lives of the breeding stocks. The Group uses this method of valuation since fair value cannot be measured reliably. The Group's biological assets or any similar assets prior to point of harvest have no active market available in the Philippine poultry and hog industries. Further, the existing sector benchmarks are determined to be irrelevant and the estimates (i.e., revenues due to highly volatile prices, input costs and efficiency values) necessary to compute for the present value of expected net cash flows comprise a wide range of data which will not result in a reliable basis for determining the fair value.

Determining whether a Contract Contains a Lease (Upon the Adoption of PFRS 16). The Group uses its judgment in determining whether a contract contains a lease. At inception of a contract, the Group makes an assessment whether it has the right to obtain substantially all the economic benefits from the use of the identified asset and the right to direct the use of the identified asset.

Determining whether an Arrangement Contains a Lease (Prior to the Adoption of PFRS 16). The Group uses its judgment in determining whether an arrangement contains a lease, based on the substance of the arrangement at inception date and makes assessment of whether the arrangement is dependent on the use of a specific asset or assets, the arrangement conveys a right to use the asset and the arrangement transfers substantially all the risks and rewards incidental to ownership to the customers.

Finance Lease - Group as Lessee (Prior to the Adoption of PFRS 16). In accounting for its Independent Power Producer (IPP) Administration (IPPA) Agreements with the Power Sector Assets and Liabilities Management Corporation (PSALM), the Group's management has made a judgment that the IPPA Agreements are agreements that contain a lease.

MNHPI and MPPCL also entered into leases of equipment and land, respectively, needed for business operations.

The Group's management has made a judgment that it has substantially acquired all the risks and rewards incidental to the ownership of the power plants, land and equipment. Accordingly, the Group accounted for the agreements as finance lease and recognized the power plants, land and equipment and lease liabilities at the present value of the agreed monthly payments (Notes 13 and 34).

Operating Lease Commitments - Group as Lessee (Prior to the Adoption of PFRS 16). The Group has entered into various lease agreements as a lessee. The Group had determined that the significant risks and rewards of property leased from third parties are retained by the lessors.

Rent expense recognized in the consolidated statements of income amounted to P5,253 in 2018 (Notes 26, 27 and 34).

Operating Lease Commitments - Group as Lessor. The Group has entered into various lease agreements as a lessor. The Group had determined that it retains all the significant risks and rewards of ownership of the property leased out on operating leases.

Rent income recognized in the consolidated statements of income amounted to P1,382, P1,346 and P785 in 2020, 2019 and 2018, respectively (Notes 32 and 34).

Determining the Lease Term of Contracts with Renewal Options - Group as Lessee (Upon the Adoption of PFRS 16). The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised.

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

Estimating the Incremental Borrowing Rate (Upon the Adoption of PFRS 16). 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 P122,187 and P149,837 as at December 31, 2020 and 2019, respectively (Notes 34, 38, 39 and 40).

Identification of Distinct Performance Obligation. The Group assesses the goods or services promised in a contract with a customer and identifies as a performance obligation either: (a) a good or service (or a bundle of goods or services) that is distinct; or (b) a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer. The Group has determined that it has distinct performance obligations other than the sale of petroleum products such as the provision of technical support and lease of equipment to its customers and allocates the transaction price into these several performance obligations.

Applicability of Philippine Interpretation IFRIC 12. In accounting for the Group's transactions in connection with its Concession Agreement with the ROP, significant judgment was applied to determine the most appropriate accounting policy to use.

Management used Philippine Interpretation IFRIC 12 as guide and determined that the Concession Agreement is within the scope of the interpretation since it specifically indicated that the ROP will regulate what services the Group must provide, at what prices these services will be offered, and that at the end of the concession period, the entire infrastructure, as defined in the Concession Agreement, will be turned over to the ROP (Note 34).

Management determined that the consideration receivable from the ROP, in exchange for the fulfillment of the Group's obligations under the Concession Agreement, may either be an intangible asset in the form of a right (license) to charge fees to users or financial asset in the form of an unconditional right to receive cash or another financial asset. Judgment was further exercised by management in determining the cost components of acquiring the right. Further reference to the terms of the Concession Agreement (Note 34) was made to determine such costs.

a. *Airport Concession Rights*

Boracay Airport. The airport concession right consists of: (i) Airport Project cost; (ii) present value of infrastructure retirement obligation (IRO); and (iii) present value of total franchise fees over 25 years and its subsequent amortization.

- (i) The Airport Project cost is recognized as part of intangible assets as the construction progresses. The cost-to-cost method was used as management believes that the actual cost of construction is most relevant in determining the amount that should be recognized as cost of the intangible asset at each reporting date as opposed to cost plus and other methods of percentage-of-completion.
- (ii) The present value of the IRO is recorded under construction in progress (CIP) - airport concession arrangements and transferred to the related intangible assets upon completion of the Airport Project and to be amortized simultaneously with the cost related to the Airport Project because only at that time will significant maintenance of the Boracay Airport would commence.
- (iii) The present value of the obligation to pay annual franchise fees over 25 years has been immediately recognized as part of intangible assets because the right related to it has already been granted and is already being enjoyed by the Group as evidenced by its taking over the operations of the Boracay Airport during the last quarter of 2010. Consequently, management has started amortizing the related value of the intangible asset and the corresponding obligation has likewise been recognized.

Manila International Airport. The airport concession right consists of the pre-design costs, consultancy fees and other directly attributable costs incurred in the development of the project.

- b. *Toll Road Concession Rights.* The Group's toll road concession rights represent the costs of construction and development, including borrowing costs, if any, during the construction period of the following projects: (i) SLEX; (ii) NAIA Expressway; (iii) Skyway; (iv) TPLEX; and (v) STAR.

Pursuant to the Concession Agreements, any stage or phase or ancillary facilities thereof, of a fixed and permanent nature, shall be owned by the ROP.

- c. *Water Concession Right.* The Group's water concession right represents the right to collect charges from water service providers and third party purchasers availing of a public service, grant control or regulate the price and transfer significant residual interest of the water treatment facilities at the end of the Concession Agreement.
- d. *Power Concession Right.* The Group's power concession right represents the right to operate and maintain the franchise of ALECO; i.e., the right to collect electricity fees from the consumers of ALECO. At the end of the concession period, all assets and improvements shall be returned to ALECO and any additions and improvements to the system shall be transferred to ALECO.
- e. *MRT 7 Project.* The Concession Agreement related to the MRT 7 Project does not convey to the Group the right to control the use of the public service infrastructure but only an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor for the construction services. Management determined that the consideration receivable from the ROP, in exchange for the fulfillment of the obligation under the Concession Agreement, is a financial asset in the form of an unconditional right to receive cash or another financial asset.

Difference in judgment in respect to the accounting treatment of the transactions would materially affect the assets, liabilities and operating results of the Group.

Recognition of Profit Margin on the Airport and Toll Road Concession Arrangements. The Group has not recognized any profit margin on the construction of the airport and toll road projects as it believes that the fair value of the intangible asset reasonably approximates the cost. The Group also believes that the profit margin of its contractors on the rehabilitation of the existing airport and its subsequent upgrade is enough to cover any difference between the fair value and the carrying amount of the intangible asset.

Recognition of Revenue from Sale of Real Estate and Raw Land. The Group recognizes its revenue from sale of real estate projects and raw land in full when 10% or more of the total contract price is received and when development of the real estate property is 100% completed. Management believes that the revenue recognition criterion on percentage of collection is appropriate based on the Group's collection history from customers and number of back-out sales in prior years. Buyer's interest in the property is considered to have vested when the payment of at least 10% of the contract price has been received from the buyer and the Group ascertained the buyer's commitment to complete the payment of the total contract price.

Distinction Between Investment Property and Owner-occupied Property. The Group determines whether a property qualifies as investment property or owner-occupied property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by the Group. Owner-occupied properties generate cash flows that are attributable not only to the property but also to the other assets used in marketing or administrative functions. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in marketing or for administrative purposes. If the portions can be sold separately (or leased out separately under finance lease), the Group accounts for the portions separately. If the portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the supply of services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgment.

Classification of Redeemable Preferred Shares. Based on the features of the preferred shares of TADHC, particularly on mandatory redemption, management determined that the shares are, in substance, financial liabilities. Accordingly, these were classified as part of "Accounts payable and accrued expenses" account and "Other noncurrent liabilities" account in the consolidated statements of financial position as at December 31, 2020 and 2019, respectively (Notes 20 and 22).

Evaluating Control over its Investees. Determining whether the Group has control in an investee requires significant judgment. The Group receives substantially all of the returns related to BPI's operations and net assets and has the current ability to direct BPI's activities that most significantly affect the returns. The Group controls BPI since it is exposed, and has rights, to variable returns from its involvement with BPI and has the ability to affect those returns through such power over BPI.

In 2019, management assessed that the Group has lost its control over MNHPI through the increase in the shareholdings of non-controlling interest (Note 5).

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 Angat Hydropower Corporation (Angat Hydro), KWPP Holdings Corporation (KWPP) and MNHPI as joint ventures (Note 11).

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

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

The Group uses its judgment in determining the classification of financial assets based on its business model in which assets are managed and their cash flow characteristics. The classification and fair values of financial assets and financial liabilities are presented in Note 40.

Contingencies. The Group is currently involved in various pending claims and lawsuits which could be decided in favor of or against the Group. The Group's estimate of the probable costs for the resolution of these pending claims and lawsuits has been developed in consultation with in-house as well as outside legal counsel handling the prosecution and defense of these matters and is based on an analysis of potential results. The Group currently does not believe that these pending claims and lawsuits will have a material adverse effect on its financial position and financial performance. It is possible, however, that future financial performance could be materially affected by the changes in the estimates or in the effectiveness of strategies relating to these proceedings (Note 43).

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 two years. The Group also uses appropriate groupings if its historical credit loss experience shows significantly different loss patterns for different customers. The Group then adjusts the historical credit loss experience with forward-looking information on the basis of current observable data affecting each customer to reflect the effects of current and forecasted economic conditions.

The Group has assessed that the forward-looking default rate component of its ECL on trade receivables is not material because substantial amount of trade receivables are normally collected within one year. Moreover, based on management's assessment, current conditions and forward-looking information does not indicate a significant increase in credit risk exposure of the Group from its trade receivables.

Trade receivables written off amounted to P138 and P570 in 2020 and 2019, respectively (Note 8). The allowance for impairment losses on trade receivables amounted to P4,549 and P4,239 as at December 31, 2020 and 2019, respectively. The carrying amount of trade receivables amounted to P71,145 and P83,832 as at December 31, 2020 and 2019, respectively (Note 8).

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

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

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

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

The Group has assessed that the ECL on other financial assets at amortized cost is not material because the transactions with respect to these financial assets were entered into by the Group only with reputable banks and companies with good credit standing and relatively low risk of defaults. Accordingly, no additional provision for ECL on other financial assets at amortized cost was recognized in 2020 and 2019.

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

	Note	2020	2019
Other Financial Assets at Amortized Cost			
Cash and cash equivalents (excluding cash on hand)	7, 39	P346,178	P283,727
Other current receivables - net (included under "Trade and other receivables - net" account)	8	49,820	49,075
Investment in debt instruments at amortized cost (included under "Prepaid expenses and other current assets" and "Investments in equity and debt instruments" accounts)	10, 12, 39, 40	255	257
Noncurrent receivables and deposits - net (included under "Other noncurrent assets - net" account)	18, 39, 40	25,058	25,739
Restricted cash (included under "Prepaid expenses and other current assets" and "Other noncurrent assets - net" accounts)	10, 18, 39, 40	7,980	12,514

The allowance for impairment losses on other current receivables, included as part of "Trade and other receivables - net" account and noncurrent receivables and deposits included as part of "Other noncurrent assets - net" account in the consolidated statements of financial position, amounted to P9,219 and P606, respectively, as at December 31, 2020, and P8,476 and P724, respectively, as at December 31, 2019 (Notes 8 and 18).

Fair Value Measurements. A number of the Group's accounting policies and disclosures require the measurement of fair values for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has the overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values. The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information is used to measure fair values, then the valuation team assesses the evidence obtained to support the conclusion that such valuations meet the requirements of PFRS, including the level in the fair value hierarchy in which such valuations should be classified.

The Group uses market observable data when measuring the fair value of an asset or liability. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques (Note 3).

If the inputs used to measure the fair value of an asset or a liability can be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy based on the lowest level input that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

The methods and assumptions used to estimate the fair values for both financial and non-financial assets and liabilities are discussed in Notes 9, 10, 11, 12, 15, 16, 17, 18, 20, 35 and 40.

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 P1,826 and P2,141 as at December 31, 2020 and 2019, respectively (Note 9).

The carrying amount of inventories amounted to P102,828 and P127,468 as at December 31, 2020 and 2019, respectively (Note 9).

Estimated Useful Lives of Property, Plant and Equipment, Right-of-Use Assets, Investment Property and Deferred Containers. The Group estimates the useful lives of property, plant and equipment, right-of-use assets, investment property and deferred containers based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment, right-of-use assets, investment property and deferred containers are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

In addition, estimation of the useful lives of property, plant and equipment, right-of-use assets, investment property and deferred containers is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future financial performance could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of property, plant and equipment, right-of-use assets, investment property and deferred containers would increase the recorded cost of sales and selling and administrative expenses and decrease noncurrent assets.

Except for refinery and plant equipment and certain power plant assets used in production of fuel, there is no change in estimated useful lives of property, plant and equipment, right-of-use assets, investment property and deferred containers based on management's review at the reporting date.

Starting January 1, 2020, the Group adopted the UOP method of accounting for depreciation of refinery and plant equipment and certain power plant assets used in production of fuel. The UOP method closely reflects the expected pattern of consumption of the future economic benefits embodied in these assets. Depreciation of said assets is computed using the expected consumption over the estimated useful lives of these assets. Previously, depreciation was computed using the straight-line method over the estimated useful lives of the assets.

Property, plant and equipment, net of accumulated depreciation and amortization amounted to P556,164 and P508,275 as at December 31, 2020 and 2019, respectively. Accumulated depreciation and amortization of property, plant and equipment amounted to P237,317 and P215,216 as at December 31, 2020 and 2019, respectively (Note 13).

Right-of-use assets, net of accumulated depreciation and amortization amounted to P192,181 and P197,355 as at December 31, 2020 and 2019, respectively. Accumulated depreciation and amortization of right-of-use assets amounted to P19,626 and P12,220 as at December 31, 2020 and 2019, respectively (Note 14).

Investment property, net of accumulated depreciation and amortization amounted to P62,378 and P53,536 as at December 31, 2020 and 2019, respectively. Accumulated depreciation and amortization of investment property amounted to P17,410 and P16,013 as at December 31, 2020 and 2019, respectively (Note 15).

Deferred containers, net of accumulated amortization, included as part of "Other noncurrent assets - net" account in the consolidated statements of financial position amounted to P19,749 and P20,806 as at December 31, 2020 and 2019, respectively. Accumulated amortization of deferred containers amounted to P13,178 and P11,526 as at December 31, 2020 and 2019, respectively (Note 18).

Estimated Useful Lives of Intangible Assets. The useful lives of intangible assets are assessed at the individual asset level as having either a finite or indefinite life. Intangible assets are regarded to have an indefinite useful life when, based on analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Group.

Intangible assets with finite useful lives, net of accumulated amortization, included as part of "Other intangible assets - net" account in the consolidated statements of financial position amounted to P181,951 and P161,337 as at December 31, 2020 and 2019, respectively. Accumulated amortization of intangible assets with finite useful lives amounted to P43,956 and P39,111 as at December 31, 2020 and 2019, respectively (Note 17).

Estimated Useful Lives of Intangible Assets - Concession Rights. The Group estimates the useful lives of airport, toll road, port, power and water concession rights based on the period over which the assets are expected to be available for use. The Group has not included any renewal period on the basis of uncertainty of the probability of securing renewal contract at the end of the original contract term as at the reporting date.

The amortization period and method are reviewed when there are changes in the expected term of the contract or the expected pattern of consumption of future economic benefits embodied in the asset.

The combined carrying amounts of toll road, airport, power and water concession rights amounted to P160,477 and P143,847 as at December 31, 2020 and 2019, respectively (Note 17).

Impairment of Goodwill, Licenses and Trademarks and Brand Names with Indefinite Useful Lives. The Group determines whether goodwill, licenses and trademarks and brand names are impaired at least annually. This requires the estimation of value in use of the cash-generating units to which the goodwill is allocated and the value in use of the licenses and trademarks and brand names. Estimating value in use requires management to make an estimate of the expected future cash flows from the cash-generating unit and from the licenses and trademarks and brand names and to choose a suitable discount rate to calculate the present value of those cash flows.

The carrying amount of goodwill amounted to P120,463 and P120,392 as at December 31, 2020 and 2019, respectively (Note 17).

The combined carrying amounts of licenses and trademarks and brand names amounted to P94,480 and P94,589 as at December 31, 2020 and 2019, respectively (Note 17).

Acquisition Accounting. At the time of acquisition, the Group considers whether the acquisition represents an acquisition of a business or a group of assets. The Group accounts for an acquisition as a business combination if it acquires an integrated set of business processes in addition to the group of assets acquired.

The Group accounts for acquired businesses using the acquisition method of accounting which requires that the assets acquired and the liabilities assumed are recognized at the date of acquisition based on their respective fair values.

The application of the acquisition method requires certain estimates and assumptions concerning the determination of the fair values of acquired intangible assets and property, plant and equipment, as well as liabilities assumed at the acquisition date. Moreover, the useful lives of the acquired intangible assets and property, plant and equipment have to be determined. Accordingly, for significant acquisitions, the Group obtains assistance from valuation specialists. The valuations are based on information available at the acquisition date.

The carrying amount of goodwill arising from business combinations amounted to P53 in 2019 (Notes 17 and 38).

Estimating Coal Reserves. Coal reserve estimates are based on measurements and geological interpretation obtained from natural outcrops, trenches, tunnels and drill holes. In contrast with “coal resource” estimates, profitability of mining the coal during a defined operating period or “mine-life” is a necessary attribute of “coal reserve”.

The Philippine Department of Energy (DOE) is the government agency authorized to implement coal operating contracts (COC) and regulate the operation of contractors pursuant to DOE Circular No. 81-11-10: Guidelines for Coal Operations in the Philippines. For the purpose of the five-year development and production program required for each COC, the agency classifies coal reserves, according to increasing degree of uncertainty, into: (i) positive, (ii) probable and (iii) inferred. The DOE also prescribes the use of “total in-situ reserves” as the sum of positive reserves and two-thirds of probable reserve; and “mineable reserve” as 60% of total in-situ reserve for underground, and 85% for surface (including open-pit) coal mines.

Mineral reserves and resources estimates for development projects are, to a large extent, based on the interpretation of geological data obtained from drill holders and other sampling techniques and feasibility studies which derive estimates of costs based upon anticipated tonnage and grades of ores to be mined and processed, the configuration of the ore body, expected recovery rates from the ore, estimated operating costs, estimated climatic conditions and other factors. Proven reserves estimates are attributed to future development projects only where there is a significant commitment to project funding and execution and for which applicable governmental and regulatory approvals have been secured or are reasonably certain to be secured. All proven reserve estimates are subject to revision, either upward or downward, based on new information, such as from block grading and production activities or from changes in economic factors, including product prices, contract terms or development plans. Estimates of reserves for undeveloped or partially developed areas are subject to greater uncertainty over their future life than estimates of reserves for areas that are substantially developed and depleted. As an area goes into production, the amount of proven reserves will be subject to future revisions once additional information becomes available.

Pursuant to the Philippine Mineral Reporting Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves which was adopted by the PSE and SEC and Department of Environment and Natural Resources (DENR) Administrative Order No. 2010-09 (Providing for the Classification and Reporting Standards of Exploration Results, Mineral Resources and Ore Reserves), all mineral resource and mineral/ore reserves report shall be prepared and signed by a person accredited by the relevant professional organization as a Competent Person.

Exploration activities are currently ongoing in different projects of Clariden. Exploration drilling planned in PNPI aims to upgrade the mineral resource and reserves previously identified, while in other areas, the objective is to define the quality and quantity of the mineral deposits.

Recoverability of Deferred Exploration and Development Costs. A valuation allowance is provided for estimated unrecoverable deferred exploration and development costs based on the Group’s assessment of the future prospects of the mining properties, which are primarily dependent on the presence of economically recoverable reserves in those properties.

The Group's mining activities related to coal are all in the exploratory stages as at December 31, 2020. All related costs and expenses from exploration are currently deferred as mine exploration and development costs to be amortized upon commencement of commercial operations. The Group has not identified any facts and circumstances which suggest that the carrying amount of the deferred exploration and development costs exceeded the recoverable amounts as at December 31, 2020 and 2019.

Deferred exploration and development costs included as part of "Other noncurrent assets - net" account in the consolidated statements of financial position amounted to P1,061 and P1,050 as at December 31, 2020 and 2019, respectively (Notes 18 and 34).

Realizability of Deferred Tax Assets. The Group reviews its deferred tax assets at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. The Group's assessment on the recognition of deferred tax assets on deductible temporary differences and carryforward benefits of MCIT and NOLCO is based on the projected taxable income in the following periods.

Deferred tax assets amounted to P21,262 and P18,431 as at December 31, 2020 and 2019, respectively (Note 23).

Impairment of Non-financial Assets. PFRS requires that an impairment review be performed on investments and advances, property, plant and equipment, right-of-use assets, investment property, biological assets - net of current portion, other intangible assets with finite useful lives, deferred containers, deferred exploration and development costs and idle assets 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 property, plant and equipment, right-of-use assets and investment property, other intangible assets with finite useful lives and deferred containers amounted to P13,793 and P13,350 at December 31, 2020 and 2019, respectively (Notes 13, 14, 15, 17 and 18).

The combined carrying amounts of investments and advances, property, plant and equipment, right-of-use assets, investment property, biological assets - net of current portion, other intangible assets with finite useful lives, deferred containers, deferred exploration and development costs and idle assets amounted to P1,054,574 and P985,982 as at December 31, 2020 and 2019, respectively (Notes 11, 13, 14, 15, 16, 17 and 18).

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 35 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 P31,631 and P33,277 as at December 31, 2020 and 2019, respectively (Note 35).

Asset Retirement Obligation. The Group has ARO arising from refinery, power plants, leased service stations, terminals, blending plant and leased properties. Determining ARO requires estimation of the costs of dismantling, installing and restoring leased properties to their original condition. The Group determined the amount of the ARO by obtaining estimates of dismantling costs from the proponent responsible for the operation of the asset, discounted at the Group's current credit-adjusted risk-free rate ranging from 3.21% to 12.64% and 4.165% to 12.64% as at December 31, 2020 and 2019, respectively, depending on the life of the capitalized costs. While it is believed that the assumptions used in the estimation of such costs are reasonable, significant changes in these assumptions may materially affect the recorded expense or obligation in future periods.

The ARO amounted to P3,735 and P2,217 as at December 31, 2020 and 2019, respectively (Note 22).

Present Value of Annual Franchise Fee and IRO - Airport Concession Arrangement. Portion of the amount recognized as airport concession right as at December 31, 2020 and 2019 pertains to the present value of the annual franchise fee payable to the ROP over the concession period. The recognition of the present value of the IRO is temporarily lodged in CIP - airport concession arrangements until the completion of the Airport Project.

The present values of the annual franchise fee and IRO were determined based on the future value of the obligations discounted at the Group's internal borrowing rate which is believed to be a reasonable approximation of the applicable credit-adjusted risk-free market borrowing rate.

A significant change in such internal borrowing rate used in discounting the estimated cost would result in a significant change in the amount of liabilities recognized with a corresponding effect in profit or loss.

The present value of the annual franchise fees payable to the ROP over 25 years discounted using the 8% and 9% internal borrowing rates in 2020 and 2019, included as part of "Airport concession right" under "Other intangible assets - net" account amounted to P133 and P144 as at December 31, 2020 and 2019, respectively (Note 17).

The cost of infrastructure maintenance and restoration represents the present value of TADHC's IRO recognized and is presented as part of IRO under "Accounts payable and accrued expenses" and "Other noncurrent liabilities" accounts amounting to P13 and P74 in 2020 and P9 and P74 in 2019, respectively (Notes 20 and 22).

Present Value of Mine Rehabilitation Obligation (MRO) and Decommissioning. The Group has MRO arising from mining operations of NCC and PNPI. Determining MRO requires estimation of the costs of dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closing plant and waste sites, and restoring, reclaiming and revegetating affected areas. The estimated rehabilitation costs are then discounted using discount rates that reflect current market assessments and the risks specific to the liability. Discount rates used by the Group as at December 31, 2020 and 2019 were 7.04% to 8.92% and 8.92%, respectively. The ultimate cost of MRO and decommissioning is uncertain, and cost estimates can vary in response to many factors including estimates of the extent and costs of rehabilitation activities, changes in the relevant legal requirements, emergence of new restoration techniques or experience, cost increases as compared to the inflation rates, and changes in discount rates. The expected timing of expenditure can also change in response to changes in quarry reserves or production rates. These uncertainties may result in future actual expenditure different from the amounts currently provided. As a result, there could be significant adjustments in provision for MRO and decommissioning, which would affect future financial results.

Provision for MRO and decommissioning presented as part of "Other noncurrent liabilities" account amounted to P65 and P19 as at December 31, 2020 and 2019, respectively (Note 22).

Percentage-of-Completion - Airport and Toll Road Concession Arrangements. The Group determines the percentage-of-completion of the contract by computing the proportion of actual contract costs incurred to date, to the latest estimated total airport and toll road project cost. The Group reviews and revises, when necessary, the estimate of airport and toll road project cost as it progresses, to appropriately adjust the amount of construction cost and revenue recognized at the end of each reporting period. Construction revenue and construction costs, reported as part of "Other income (charges) - net" account in the consolidated statements of income, amounted to P22,747, P25,386, P23,062 as at December 31, 2020, 2019 and 2018, respectively (Note 32).

Accrual for Repairs and Maintenance - Toll Road Concession Arrangements. The Group recognizes accruals for repairs and maintenance based on estimates of periodic costs, generally estimated to be every 5 to 12 years and 5 to 10 years as at December 31, 2020 and 2019, respectively, or the expected period to restore the toll road facilities to a level of serviceability and to maintain its good condition before the turnover to the ROP. This is based on the best estimate of management to be the amount expected to be incurred to settle the obligation, discounted using a pre-tax rate, ranging from 1.7% to 3.97% and 3.51% to 4.5% as at December 31, 2020 and 2019, respectively, that reflects the current market assessment of the time value of money.

The accrual for repairs and maintenance, included as part of "IRO" under "Other noncurrent liabilities" account in the consolidated statements of financial position, amounted to P656 and P566 as at December 31, 2020 and 2019, respectively (Note 22).

The current portion included as part of "Accounts payable and accrued expenses" account amounted to P412 and P178 as at December 31, 2020 and 2019, respectively (Note 20).

5. Investments in Subsidiaries

The following are the developments relating to the Parent Company's investments:

SMC

- Issuance of 533,333,334 Series "2" Preferred Shares - Subseries J and K

On September 30, 2020, the BOD of PSE approved the listing application of SMC of up to 533,333,334 Series "2" preferred shares under shelf registration (the Shelf Registered Shares) and the offering of up to 266,666,667 Series "2" preferred shares (the First Tranche) with a par value of P5.00 per share and an offer price of P75.00 per share. The SEC approved and rendered effective the shelf registration of the Shelf Registered Shares on October 9, 2020 and issued a permit to sell the First Tranche on the same date.

SMC offered the First Tranche consisting of: (i) 133,333,400 Series "2-J" preferred shares; and (ii) an Oversubscription Option of up to 133,333,267 Series "2-J" preferred shares at an offer price of P75.00 per share. The First Tranche consisting of 266,666,667 Series "2-J" Preferred Shares was issued on October 29, 2020, which was also the date when the First Tranche was listed on the PSE. SMC offered a Second Tranche of the Shelf Registered Shares, consisting (i) 133,333,400 Subseries "2-K" preferred shares; and (ii) an Oversubscription Option of up to 133,333,267 Subseries "2-K" preferred shares at an offer price of P75.00 per share. The Second Tranche consisting of 183,904,900 Series "2-K" was issued and listed on the PSE on December 10, 2020.

Dividend rates for Subseries "2-J" and "2-K" are 4.75% and 4.50% per annum, respectively.

- Redemption of Preferred Shares

a) Series "1" Preferred Shares

On April 14, 2020, SMC redeemed its outstanding 279,406,667 Series "1" preferred shares issued on April 14, 2015 at a redemption price of P75.00 per share or P20,956. The redemption was approved by the BOD of SMC on March 12, 2020.

b) Series "2" Preferred Shares

On September 23, 2019, SMC redeemed its 90,428,200 Subseries "2-B" preferred shares at a redemption price of P75.00 per share. SMC paid P6,782 to the holders of Subseries "2-B" preferred shares.

On September 21, 2020, SMC redeemed its 89,333,400 Subseries "2-D" preferred shares at a redemption price of P75.00 per share plus any unpaid cash dividends. SMC paid P6,700 to the holders of Subseries "2-D" preferred shares.

- Issuance of Capital Securities

- a) Senior Perpetual Capital Securities (SPCS)

On December 5, 2019, the BOD of SMC approved the establishment of a medium term note programme amounting to US\$3,000 (the “Programme”), and the issuance of US\$500 perpetual securities out of the Programme. The Programme and the initial issuance of perpetual securities will be both registered at the SGX-ST.

The Programme will be available for a medium term and will allow SMC to tap the financial market for funding through the issuance of securities, including but not limited to corporate notes, bonds, and perpetual securities and other similar instruments at different currencies (other than Philippine peso). The establishment of the Programme will give SMC ready access to funding and will give SMC the flexibility to fund its contemplated investments and projects such as the MRT-7 construction, the Manila International Airport, as well as the refinancing of its existing obligations and for other general corporate purposes. All instruments and securities that will be issued out of the Programme shall be exempt securities and shall not be required to be registered with the PSE.

On July 29, 2020, SMC issued US\$500 SPCS at an issue price of 100%, with an initial rate of distribution of 5.5% per annum. The securities were issued under SMC’s US\$3,000 Medium Term Note and Securities Programme. The net proceeds will be used to finance investments and various projects, and for general corporate purposes.

- b) Redeemable Perpetual Securities (RPS)

On various dates in June and July 2020, SMC issued a total of P14,810 RPS at an issue price of 100%, with an initial rate of distribution of 5% per annum.

On September 29 and October 19, 2020, SMC purchased and cancelled a total of P10,810 RPS, pursuant to the agreement with the holders of the said RPS who accepted the offer by SMC to purchase the RPS. As a result of the purchase, the RPS were cancelled in accordance with the terms and conditions of the purchase agreement between the parties.

The outstanding P4,000 RPS issued to a related party, has an initial rate of distribution of 5% per annum, payable every January 1, April 1, July 1 and October 1 of each year.

On August 4, 2020, SMC issued US\$100 RPS to a related party at an issue price of 100%, with an initial rate of distribution of 2.5% per annum, payable every February 5, May 5, August 5 and November 5 of each year.

The RPS are capital securities with no fixed redemption date. The security holders have the right to receive distribution payable quarterly in arrears. SMC has the right to defer this distribution under certain conditions.

The net proceeds of RPS were used by SMC for general corporate requirements.

Food and Beverage

- SMFB

On March 12, 2020, SMFB redeemed its 15,000,000 outstanding perpetual Series "2" Preferred Shares issued on March 12, 2015 at a redemption price of P1,000.00 per share or P15,000, plus any accumulated unpaid cash dividends. The redemption was approved by the BOD of SMFB on February 3, 2020.

- SMBB

On March 10, 2020, SMBIL and San Miguel (China) Investment Company, Limited, the shareholders of SMBB, passed a resolution approving the dissolution and liquidation of SMBB. SMBB has stopped operations and production activities and started the liquidation process from the date of the resolution (Note 32).

Energy

- SMC Global

- a) Issuance of SPCS

SMC Global issued and listed on the Singapore Exchange Securities Trading Ltd. (SGX-ST), the following SPCS:

Date of Issuance	Initial Rate of Distribution Per Annum	Issue Price	Amount in US Dollar	Amount in Philippine Peso
April 25, 2019	6.5%	100%	US\$500	P25,611
July 3, 2019	6.5%	102.052%	300	15,440
November 5, 2019	5.95%	100%	500	24,837
January 21, 2020	5.7%	100%	600	30,171
October 21, 2020	7.0%	100%	400	19,141
December 15, 2020	7.0%	102.457%	350	17,000
			US\$2,650	P132,200

The holders of the SPCS have conferred a right to receive distributions on a semi-annual basis from their issuance dates at the initial rate of distribution, subject to the step-up rate. SMC Global has a right to defer this distribution under certain conditions.

The SPCS constitute direct, unconditional, unsecured and unsubordinated obligations of SMC Global with no fixed redemption date. The SPCS are redeemable in whole, but not in part, at the option of SMC Global, on step-up date or any distribution payment date thereafter or upon the occurrence of certain other events at the principal amounts of the SPCS plus any accrued, unpaid or deferred distribution.

The net proceeds from the issuance of SPCS in 2019 were used for the redemption of the US\$300 Undated Subordinated Capital Securities (USCS) in November 2019, repayment of indebtedness, capital expenditures and investments in power-related assets, the development of the Battery Energy Storage Systems (BESS) projects and general corporate purposes.

The net proceeds in 2020 will be used for the funding requirements of the development and completion of the BESS projects, capital expenditures and investments in liquefied natural gas facilities and related assets, refinancing or redemption of existing or expiring commitments whether debt or perpetual securities and general corporate purposes.

b) Redemption of USCS

On November 7, 2019, SMC Global completed the redemption of the US\$300 USCS issued on May 7, 2014 (the "First Securities") pursuant to the terms and conditions of the First Securities. The redemption was made after the issuance of a notice to the holders of the First Securities dated September 27, 2019. The redemption price of the First Securities includes the principal amount and any accrued but unpaid distributions up to (but excluding) the step-up date.

The difference between the settlement amount and the carrying amount of the USCS in 2019 amounting to P2,073 was recognized as part of the "Equity Reserves" account in the consolidated statement of financial position as at December 31, 2019.

The First Securities was redeemed using, in part, the proceeds of the US\$500 SPCS issued on April 25, 2019.

Fuel and Oil

▪ Petron

a) Issuance of Series 3 Perpetual Preferred Shares

On May 31, 2019, the SEC issued to Petron a permit for public offering and sale of 15,000,000 cumulative, non-voting, non-participating, non-convertible, peso-denominated perpetual preferred shares with an oversubscription option of 5,000,000 preferred shares (collectively, the "Series 3 Preferred Shares") at an issue price of P1,000.00 per share.

On June 25, 2019, Petron issued and listed on the PSE, 20,000,000 Series 3 Preferred Shares. The net proceeds from the issuance were used for the repayment of Petron's outstanding short-term loans and for general corporate purposes while the remaining balance was allocated for the redemption of the Series 2A Preferred Shares in November 2019.

The Series 3 Preferred Shares were issued in two (2) sub-series: (i) 13,403,000 Series 3A Preferred Shares with dividend rate of 6.8713% per annum and first optional redemption date on its 5.5th anniversary from the issuance date; and (ii) 6,597,000 Series 3B Preferred Shares with dividend rate of 7.1383% per annum and first optional redemption date on its 7th anniversary from the issuance date.

b) Redemption of Series 2A Preferred Shares

On November 4, 2019, Petron redeemed its 7,122,320 Series 2A Preferred Shares issued on November 3, 2014 at a redemption price of P1,000.00 per share. The redemption was approved by the BOD of Petron on March 12, 2019.

- Petrofuel Logistics Inc. (PLI)

On August 28, 2020, Petron signed a Share Purchase Agreement with SMILSI for the sale by Petron of its 2,010,000 shares in PLI, equivalent to 100% equity interest in the outstanding common shares of PLI, for a total consideration of P230.

The transfer was accounted for as a transaction under common control using the pooling of interest method where the entity was controlled by the Parent Company before and after the transaction and the control was not transitory.

Infrastructure

- SMHC

On September 24, 2019, SMHC and SMC, executed a Subscription Agreement to subscribe to an additional 13,764,633 common shares for a total subscription price of P20,647 or P1,500.00 per common share. SMC initially paid P16,382 in 2019, while the remaining balance amounting to P4,265 was paid in 2020.

On November 27, 2020, the BOD and stockholders of SMHC approved the additional increase in its authorized capital stock from P71,500 divided into 71,500,000 common shares to P91,500 divided into 91,500,000 common shares, both with a par value of P1,000.00 per common share. On the same date, SMC in a Subscription Agreement, subscribed to 10,000,000 common shares out of the proposed increase in authorized capital stock for a total subscription price of P15,000 or P1,500.00 per common share. In 2020, SMC paid P6,606.

The application for the Amendment of Articles of Incorporation for the increase in authorized capital stock was filed with the SEC on December 18, 2020 and was approved on January 7, 2021.

- MNHPI

The Philippine Competition Commission (PCC) and Philippine Ports Authority approved the transfer of equivalent to 15.17% shareholdings in MNHPI to International Container Terminal Services, Inc. (ICTSI) on March 14 and April 26, 2019, respectively. With the approval of the additional ownership in MNHPI, the total equity interest of ICTSI increased from 34.83% to 50%, while SMHC's shareholdings in MNHPI remained at 43.33%.

As a result, MNHPI ceased to be a subsidiary of SMHC and was subsequently classified as a joint venture (Note 11). The Group derecognized the assets (including goodwill) and liabilities of MNHPI, and the carrying amount of non-controlling interest as at April 26, 2019 and recognized the investment at fair market value amounting to P2,600. As a result, the Group recognized a gain amounting to P727, included as part of "Other income (charges) - net" account in the consolidated statements of income (Note 4).

The following summarizes the accounts derecognized at the deconsolidation date:

	Note	2019
Cash and cash equivalents		P621
Trade and other receivables - net		548
Inventories		280
Prepaid expenses and other current assets		169
Property, plant and equipment - net		38
Goodwill	17	325
Other intangible assets - net	17	11,214
Deferred tax assets		56
Other noncurrent assets - net		103
Loans payable		(3,568)
Accounts payable and accrued expenses		(1,493)
Income and other taxes payable		(100)
Lease liabilities (including current portion)		(44)
Long-term debt		(300)
Other noncurrent liabilities		(2,499)
Non-controlling interest		(3,061)
Equity reserves		(416)
Total		P1,873

Packaging

▪ Merger of SMYAC and SMYPC

On September 12, 2019, the BOD of SMC approved the following: (i) purchase by SMC of 5% of SMYAC, (ii) merger of SMYAC with SMYPC, where SMYPC will be the surviving entity; and (iii) delegation of authority to management to determine the relevant terms and conditions of any deed, agreement or document required to give effect to the proposed transactions.

On September 19, 2019, the merger was approved by the respective BOD and stockholders of SMYPC and SMYAC. On the same date, the BOD and stockholders of SMYPC also resolved and approved to increase its authorized capital stock from P11,000 divided into 11,000,000 common shares to P20,000 divided into 20,000,000 common shares, both with a par value of P1,000.00 per common share. The application for the Amendment of Articles of Incorporation for the increase in authorized capital stock was filed with the SEC on October 25, 2019 and was approved on February 24, 2020.

On October 23, 2019, SMC executed a Deed of Absolute Sale of Shares with Nihon Yamamura Glass Ltd. (NYG) to acquire 850,000 shares in SMYAC, consisting of 350,000 common shares and 500,000 preferred shares for a total consideration of P300, representing additional 5% ownership interest. SMC paid P300. As a result of the acquisition, SMC and NYG's equity interest in SMYAC became 65% to 35%, respectively.

On October 23 and December 20, 2019, the Plan of Merger and Articles of Merger, respectively, were executed by and between SMYPC and SMYAC, whereby the entire assets and liabilities of SMYAC was transferred to and absorbed by SMYPC.

On October 31, 2019, SMC and SMYPC executed a subscription agreement whereby SMC agreed to subscribe to 3,901,011 common shares from the increase in authorized capital stock of SMYPC.

On February 24, 2020, the SEC approved the merger and issued the Certificate of Filing of the Articles and Plan of Merger.

On March 1, 2020, the effective date of the merger, SMYPC issued 3,901,011 and 2,100,544 common shares to SMC and NYG, respectively, for a total amount of P6,002 as consideration for the net assets of SMYAC pursuant to the terms of the Plan of Merger. The shares were issued out of the increase in the authorized capital stock of SMYPC. With the completion of the merger, SMC and NYG retained their respective ownership in SMYPC of 65% and 35%, respectively.

On July 7, 2020, the application for a tax-free exchange certification/ruling on the merger was filed with the Bureau of Internal Revenue (BIR) and is still pending as at March 11, 2021.

The transfer was accounted for as a transaction under common control using the pooling of interest method where the entity was controlled by the Parent Company before and after the transaction and the control was not transitory.

Real Estate

- SMPI

On December 23, 2019, SMPI and SMC executed a Subscription Agreement to subscribe to an additional 57,500,000 common shares of SMPI for a total subscription price of P1,150 or P20.00 per common share. The subscription price was fully paid in 2019.

On various dates in 2020, SMPI and SMC executed Subscription Agreements to subscribe to a total of 241,393,750 common shares of SMPI for a total subscription price of P4,828 or P20.00 per common share. In 2020, SMC paid P4,092.

- DHDC

On January 8, 2019, SMC and DHDC executed a Subscription Agreement to subscribe to an additional 1,344,950,000 common shares of DHDC for a total subscription price of P2,690 or P2.00 per common share. The subscription price was fully paid in 2019.

On May 4 and November 26, 2020, DHDC and SMC executed Subscription Agreements to subscribe to a total of 90,500,000 common shares for a total subscription price of P181 or P2.00 per common share, which was fully paid in 2020.

Others

▪ Consolidation of NCC

On June 12, 2020, the BOD and stockholders of NCC approved the amendment of the Articles of Incorporation of NCC relating to the reclassification of 194,000,000 common shares to Series "2" Preferred Shares, the option of the stockholders of the common shares to convert to Series "2" Preferred Shares and renaming the existing 3,000,000 preferred shares of NCC to Series "1" Preferred Shares. On August 6, 2020, SEC approved the amendment of the Articles of Incorporation of NCC to reflect the amendments.

On August 24, 2020, the stockholders of NCC which collectively own 65% of the common shares, exercised the option to convert their common shares to a total of 194,000,000 Series "2" Preferred Shares. SMEII did not exercise its option to convert its common shares to Series "2" Preferred Shares. With the conversion of the common shares, SMEII gained control of NCC, exercising 100% of voting rights.

NCC is primarily engaged in the business of manufacturing, developing, processing, exploiting, buying, selling, or otherwise dealing in such goods as cement and other goods of similar nature and/or other products.

As a result, SMEII recognized its investment in NCC at fair market value and the net assets of NCC was consolidated to SMEII as at August 24, 2020.

The following summarizes the recognized amount of assets acquired and liabilities assumed at the acquisition date:

	<i>Note</i>	2020
Assets		
Cash and cash equivalents		P1,053
Trade and other receivables - net		82
Inventories		1,526
Prepaid expenses and other current assets		253
Property, plant and equipment - net	13	10,009
Right-of-use assets - net	14	35
Other intangible assets - net	17	4,626
Deferred tax assets	23	260
Other noncurrent assets - net		258
Liabilities		
Accounts payable and accrued expenses		(1,162)
Income and other taxes payable		(158)
Lease liabilities (including current portion)	38	(40)
Other noncurrent liabilities		(182)
Total Identifiable Net Assets at Fair Value		P16,560

The fair value of the identifiable assets and liabilities in relation to the consolidation of NCC are based on provisional amounts as at August 20, 2020, which is allowed under PFRS 3 within 12 months from the consolidation date.

The Group remeasured its equity interest held before business combination resulting in the recognition of gain amounting to P894, included as part of "Other income (charges) - net" account in the consolidated statements of income (Note 32).

A gain was recognized as a result of the business combination as follows:

	Note	2020
Equity interest held before business combination	12	P4,902
Gain on fair valuation of investment	32	894
Non-controlling interest		10,001
Total identifiable net assets at fair value		(16,560)
Gain	32	(P763)

The gain recognized from the business combination was presented as part of "Other income (charges) - net" account in the consolidated statements of income (Note 32).

The fair value of trade and other receivables amounted to P82. The gross amount of the receivables is P87, of which P5 is expected to be uncollectible as at the acquisition date (Note 8).

From the date of consolidation, NCC has contributed P2,192 and P303 of revenues and net income to the Group's results.

If the foregoing acquisition have occurred on January 1, 2020, management estimates that it would have increased consolidated revenue and consolidated net income by P5,914 and P768, respectively.

On March 3, 2021, the BOD and stockholders of NCC and SMNCI approved the plan of merger of NCC and SMNCI, with NCC as the surviving corporation in accordance with the Revised Corporation Code of the Philippines. As at March 11, 2021, NCC has yet to file the proposed merger with the SEC.

- **SMEII**

- a) **Additional Subscriptions**

On various dates in 2020, SMEII and SMC executed Subscription Agreements to subscribe to a total of 3,063,600,000 common shares of SMEII for a total subscription price of P4,595 or P1.50 per share, which was fully paid in 2020.

- b) **Issuance of RPS**

On July 2, 2020, SMEII issued P1,500 RPS at an issue price of 100%, with an initial rate of distribution of 6%. The net proceeds were used for capital expenditures of the Cement business.

The RPS are capital securities with no fixed redemption date. The security holders have the right to receive distribution payable quarterly in arrears every July 2, October 2, January 2 and April 2 of each year. SMEII has the right to defer this distribution under certain conditions.

- SMNCI

On various dates in 2019, SMEII and SMNCI executed Subscription Agreements for the subscription of a total additional 4,066,670,000 common shares out of the unissued capital stock of SMNCI for a total subscription price of P6,100 or P1.50 per share. As at December 31, 2019, the Group's effective ownership interest in SMNCI is 92.58%.

On June 19, 2020, SMEII entered into a Deed of Absolute Sale of Shares with NCC covering the sale by the latter of its 750,000,000 common shares of SMNCI representing 10.76% direct equity interest, for a total consideration of P750. As a result, SMNCI became a wholly-owned subsidiary of SMEII.

The transaction was accounted for as an equity transaction as it only resulted to an increase in the ownership interest of SMEII in SMNCI.

In 2020, SMEII subscribed to a total additional 933,330,000 common shares of SMNCI out of the unissued capital stock for a total subscription price of P1,400 or P1.50 per share. The subscription price was paid in 2020.

- SMILSI

On June 22, 2018, the BOD and stockholders of SMILSI approved the increase in its authorized capital stock from P20 divided into 20,000,000 common shares to P1,020 divided into 1,020,000,000 common shares, both with a par value of P1.00 per common share. On the same date, SMC in a Subscription Agreement, subscribed to 250,000,000 common shares out of the proposed increase in authorized capital stock for a total subscription price of P375 or P1.50 per common share. The application for the Amendment of Articles of Incorporation for the increase in authorized capital stock was filed with the SEC on January 21, 2019 and was approved on January 31, 2019. SMC initially paid P227 in 2018 while the remaining balance amounting to P148 was paid in 2019.

On various dates in 2019, SMILSI and SMC executed Subscription Agreements to subscribe to additional 749,353,800 common shares of SMILSI for a total subscription price of P1,124 or P1.50 per common share. The subscription price was fully paid in 2019.

On January 14, 2020, SMILSI and SMC executed a Subscription Agreement to subscribe to an additional 5,646,200 common shares of SMILSI for a subscription price of P8 or P1.50 per common share. The subscription price was fully paid in 2020.

On January 14, 2020, the BOD and stockholders of SMILSI approved the additional increase in its authorized capital stock from P1,020 divided into 1,020,000,000 common shares to P4,020 divided into 4,020,000,000 common shares, both with a par value of P1.00 per common share. On the same date, SMC in a Subscription Agreement, subscribed to 1,000,000,000 common shares out of the proposed increase in authorized capital stock for a total subscription price of P1,500 or P1.50 per common share.

On various dates in 2020, SMILSI and SMC executed Subscription Agreements to subscribe to a total of 733,110,500 additional common shares out of the proposed increase in authorized capital stock of SMILSI for a total subscription price of P1,100 or P1.50 per common share. In 2020, SMC paid P2,600.

The application for the Amendment of Articles of Incorporation for the increase in authorized capital stock was filed with the SEC on December 29, 2020 and was approved on January 6, 2021.

The details of the Group's non-controlling interests in SMC are as follows:

	December 31, 2020	December 31, 2019
Percentage of non-controlling interests	34.01%	34.01%
Carrying amount of non-controlling interests	P528,504	P440,228
Net income attributable to non-controlling interests	P23,880	P38,994
Other comprehensive loss attributable to non-controlling interests	(P2,438)	(P3,092)
Dividends paid to non-controlling interests	P29,420	P28,523

The following are the audited condensed financial information of SMC:

	2020	2019
Current assets	P672,411	P641,144
Noncurrent assets	1,239,796	1,176,590
Current liabilities	(419,384)	(439,617)
Noncurrent liabilities	(837,735)	(803,722)
Net assets	P655,088	P574,395
Sales	P725,797	P1,020,502
Net income	P21,879	P48,574
Other comprehensive loss	(5,001)	(6,091)
Total comprehensive income	P16,878	P42,483
Cash flows provided by operating activities	P50,854	P92,195
Cash flows used in investing activities	(82,629)	(112,040)
Cash flows provided by financing activities	101,979	66,756
Effect of exchange rate changes on cash and cash equivalents	(9,452)	(3,604)
Net increase in cash and cash equivalents	P60,752	P43,307

6. Segment Information

Operating Segments

The reporting format of the Group's operating segments is determined based on the Group's risks and rates of return which are affected predominantly by differences in the products and services produced. The operating businesses are organized and managed separately according to the nature of the products produced and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The Group's reportable segments are food and beverage, packaging, energy, fuel and oil, infrastructure and mining.

The food and beverage segment is engaged in: (i) the processing and marketing of branded value-added refrigerated processed meats and canned meat products, manufacturing and marketing of butter, margarine, cheese, milk, ice cream, jelly-based snacks and desserts, specialty oils, salad aids, snacks and condiments, marketing of flour mixes and the importation and marketing of coffee and coffee-related products (collectively known as “Prepared and Packaged Food”), (ii) the production and sale of feeds (“Animal Nutrition and Health”), (iii) the poultry and livestock farming, processing and selling of poultry and fresh meats (“Protein”), and (iv) the milling, production and marketing of flour and bakery ingredients, grain terminal handling, food services, franchising and international operations. It is also engaged in the production, marketing and selling of fermented, malt-based and non-alcoholic beverages within the Philippines and several foreign markets; and production of hard liquor in the form of gin, Chinese wine, brandy, rum, vodka and other liquor variants which are available nationwide, while some are exported to select countries.

The packaging segment is involved in the production and marketing of packaging products including, among others, glass containers, glass molds, polyethylene terephthalate (PET) bottles and preforms, PET recycling, plastic closures, corrugated cartons, woven polypropylene, kraft sacks and paperboard, pallets, flexible packaging, plastic crates, plastic floorings, plastic films, plastic trays, plastic pails and tubs, metal closures and two-piece aluminum cans, woven products, industrial laminates and radiant barriers. It is also involved in crate and plastic pallet leasing, PET bottle filling graphics design, packaging research and testing, packaging development and consultation, contract packaging and trading.

The energy segment sells, retails and distributes power, through power supply agreements (PSA), retail supply contracts (RSC), concession agreement and other power-related service agreements, either directly to customers, including Manila Electric Company (Meralco), other generators, distribution utilities (DUs), electric cooperatives and industrial customers, or through the Philippine Wholesale Electricity Spot Market (WESM).

The fuel and oil segment is engaged in refining crude oil and marketing and distribution of refined petroleum products.

The infrastructure segment has investments in companies which hold long-term concessions in the infrastructure sector in the Philippines. It is engaged in the management and operation, as well as, construction and development of various infrastructure projects such as major toll roads, airports, railways, bulk water and ports.

The mining segment is engaged in exploration, development and commercial utilization of nickel, cobalt, chrome, iron, gold and other mineral deposits.

Segment Assets and Liabilities

Segment assets include all operating assets used by a segment and consist primarily of operating cash, receivables, inventories, biological assets, and property, plant and equipment, net of allowances, accumulated depreciation and amortization, and impairment. Segment liabilities include all operating liabilities and consist primarily of accounts payable and accrued expenses and other noncurrent liabilities, excluding interest payable. Segment assets and liabilities do not include deferred taxes.

Inter-segment Transactions

Segment revenues, expenses and performance include sales and purchases between operating segments. Such transactions are eliminated in consolidation.

Major Customer

The Group does not have a single external customer from which sales revenue generated amounted to 10% or more of the total revenues of the Group.

Operating Segments

Financial information about reportable segments follows:

	Food and Beverage			Packaging			Energy			Fuel and Oil			Infrastructure			Cement, Real Estate, Mining and Others			Eliminations			Consolidated		
	2020	2019	2018	2020	2019	2018	2020	2019	2018	2020	2019	2018	2020	2019	2018	2020	2019	2018	2020	2019	2018	2020	2019	2018
Sales																								
External sales	P279,122	P310,482	P286,205	P22,832	P25,327	P24,674	P111,798	P131,580	P116,933	P281,659	P508,691	P551,271	P14,564	P23,399	P24,530	P15,801	P21,001	P21,302	P -	P -	P -	P725,776	P1,020,480	P1,024,915
Inter-segment sales	168	303	173	8,672	12,547	12,651	3,231	3,480	3,170	4,374	5,671	6,115	1	7	-	22,010	19,893	17,286	(38,456)	(41,901)	(39,395)	-	-	-
Total sales	P279,290	P310,785	P286,378	P31,504	P37,874	P37,325	P115,029	P135,060	P120,103	P286,033	P514,362	P557,386	P14,565	P23,406	P24,530	P37,811	P40,894	P38,588	(P38,456)	(P41,901)	(P39,395)	P725,776	P1,020,480	P1,024,915
Result																								
Segment result	P33,098	P47,467	P45,174	P960	P3,597	P3,047	P36,178	P35,209	P32,429	(P4,705)	P16,070	P22,402	P2,467	P11,340	P11,724	P1,763	P575	P1,578	P115	(P156)	(P1,690)	P69,876	P114,102	P114,664
Interest expense and other financing charges																						(50,694)	(53,730)	(42,766)
Interest income																						6,187	10,688	7,211
Equity in net earnings (losses) of associates and joint ventures																						424	106	(289)
Gain (loss) on sale of investments and property and equipment																						(491)	(237)	252
Other income (charges) - net																						14,153	6,551	(9,497)
Income tax expense																						(15,833)	(28,909)	(24,715)
Net Income																						P23,622	P48,571	P44,860
Attributable to:																								
Equity holders of the Parent Company																						(P233)	P9,604	P7,000
Non-controlling interests																						23,855	38,967	37,860
Net Income																						P23,622	P48,571	P44,860

Forward

	Food and Beverage			Packaging			Energy			Fuel and Oil			Infrastructure			Cement, Real Estate, Mining and Others			Eliminations			Consolidated		
	2020	2019	2018	2020	2019	2018	2020	2019	2018	2020	2019	2018	2020	2019	2018	2020	2019	2018	2020	2019	2018	2020	2019	2018
Other Information																								
Segment assets	P241,980	P236,948	P209,533	P69,363	P59,747	P52,434	P551,480	P498,781	P435,138	P342,506	P389,134	P352,323	P241,186	P232,258	P215,083	P418,494	P342,718	P342,920	(P128,651)	(P117,695)	(P105,133)	P1,736,358	P1,641,891	P1,502,298
Investments in and advances to associates and joint ventures	4	58	280	-	-	-	9,956	11,001	12,148	6	12	10	4,465	3,968	745	191,243	192,998	192,507	(155,145)	(155,151)	(154,936)	50,529	52,886	50,754
Goodwill and trademarks and brand names																						211,176	211,108	211,587
Other assets																						6,219	6,861	6,890
Deferred tax assets																						21,262	18,431	19,663
Consolidated Total Assets																						P2,025,544	P1,931,177	P1,791,192
Segment liabilities	P55,255	P50,773	P44,373	P10,213	P10,343	P11,207	P35,245	P28,129	P23,700	P42,110	P71,831	P57,989	P45,696	P45,193	P47,349	P112,338	P116,104	P107,727	(P99,620)	(P100,884)	(P93,840)	P201,237	P221,489	P198,505
Loans payable																						149,475	178,507	192,968
Long-term debt																						766,762	682,661	617,545
Lease liabilities																						122,187	149,837	152,539
Income and other taxes payable																						21,031	21,239	19,937
Dividends payable and others																						6,992	7,368	7,269
Deferred tax liabilities																						70,740	68,016	65,297
Consolidated Total Liabilities																						P1,338,424	P1,329,117	P1,254,060
Capital expenditures (Note 13)	P13,888	P18,163	P13,999	P3,149	P5,207	P6,303	P26,771	P10,108	P6,056	P8,167	P19,769	P10,416	P452	P598	P601	P11,410	P12,974	P9,950	P -	P -	P -	P63,837	P66,819	P47,325
Depreciation and amortization of property, plant and equipment (Notes 13 and 28)	4,656	3,885	3,763	2,165	1,961	2,080	5,215	4,587	9,934	6,556	10,359	9,925	377	371	265	3,185	2,963	2,552	-	-	-	22,154	24,126	28,519
Noncash items other than depreciation and amortization of property, plant and equipment	6,320	5,437	6,712	347	691	(806)	3,094	2,907	6,148	(889)	180	4,279	5,453	5,323	4,810	(6,284)	(2,080)	4,962	-	-	-	8,041	12,458	26,105
Loss on (reversal of) impairment of property, plant and equipment, and other noncurrent assets	1	1,015	655	(99)	241	37	(68)	35	70	-	282	-	-	-	-	-	-	(257)	-	-	-	(166)	1,573	505

Disaggregation of Revenue

The following table shows the disaggregation of revenue by timing of revenue recognition and the reconciliation of the disaggregated revenue with the Group's reportable segments:

	Food and Beverage			Packaging			Energy			Fuel and Oil			Infrastructure			Cement, Real Estate, Mining and Others			Consolidated		
	2020	2019	2018	2020	2019	2018	2020	2019	2018	2020	2019	2018	2020	2019	2018	2020	2019	2018	2020	2019	2018
Timing of Revenue Recognition																					
Sales recognized at point in time	P279,110	P310,410	P286,094	P21,897	P24,570	P23,972	P -	P -	P -	P281,659	P508,691	P551,271	P -	P -	P -	P13,361	P16,659	P16,720	P596,027	P860,330	P878,057
Sales recognized over time	12	72	111	935	757	702	111,798	131,580	116,933	-	-	-	14,564	23,399	24,530	2,440	4,342	4,582	129,749	160,150	146,858
Total External Sales	P279,122	P310,482	P286,205	P22,832	P25,327	P24,674	P111,798	P131,580	P116,933	P281,659	P508,691	P551,271	P14,564	P23,399	P24,530	P15,801	P21,001	P21,302	P725,776	P1,020,480	P1,024,915

7. Cash and Cash Equivalents

Cash and cash equivalents consist of:

	Note	2020	2019
Cash in banks and on hand		P102,479	P72,963
Short-term investments		245,483	213,714
	4, 39, 40	P347,962	P286,677

Cash in banks earn interest at bank deposit rates. Short-term investments include demand deposits which can be withdrawn at any time depending on the immediate cash requirements of the Group and earn interest at short-term investment rates (Note 31).

8. Trade and Other Receivables

Trade and other receivables consist of:

	Note	2020	2019
Trade		P74,700	P86,832
Non-trade		48,975	47,209
Amounts owed by related parties	33, 35	11,058	11,581
		134,733	145,622
Less allowance for impairment losses	4, 5	13,768	12,715
	4, 39, 40	P120,965	P132,907

Trade receivables are non-interest bearing and are generally on a 30 to 60-day term.

Non-trade receivables consist primarily of claims from the Government, interest receivable, claims receivable, contracts receivable and others. Claims from the Government consist of duty drawback, VAT and specific tax claims, subsidy receivables from the Government of Malaysia under the Automatic Pricing Mechanism and due from PSALM pertaining to SPPC's performance bond pursuant to the Ilijan IPPA Agreement that was drawn by PSALM in September 2015 (Note 43).

Amounts owed by related parties include trade receivables amounting to P994 and P1,239 as at December 31, 2020 and 2019, respectively.

The movements in the allowance for impairment losses are as follows:

	Note	2020	2019
Balance at beginning of year		P12,715	P13,223
Charges for the year	27, 32	1,196	323
Consolidation of subsidiaries	5	5	3
Amounts written off	4	(151)	(577)
Translation adjustments and others		3	(257)
Balance at end of year		P13,768	P12,715

9. Inventories

Inventories consist of:

	Note	2020	2019
At net realizable value:			
Finished goods and goods in process (including petroleum products)		P57,959	P85,159
Materials and supplies (including coal)		41,063	38,044
At cost:			
Raw land inventory and real estate projects		3,806	4,265
	4	P102,828	P127,468

The cost of finished goods and goods in process amounted to P58,436 and P86,163 as at December 31, 2020 and 2019, respectively.

If the Group used the moving-average method (instead of the first-in, first-out method, which is the Group's policy), the cost of petroleum, crude oil and other petroleum products would have increased by P142 and P1,374 as at December 31, 2020 and 2019, respectively.

The cost of materials and supplies amounted to P42,412 and P39,181 as at December 31, 2020 and 2019, respectively.

Inventories (including distribution or transshipment costs) charged to cost of goods sold amounted to P367,117, P565,264 and P592,546 in 2020, 2019 and 2018, respectively (Note 26).

The movements in allowance for write-down of inventories to NRV and inventory obsolescence at the beginning and end of 2020 and 2019 follow:

	Note	2020	2019
Balance at beginning of year		P2,141	P2,370
Provisions (reversals)		(165)	48
Consolidation of a subsidiary	5	136	-
Write-off and others		(286)	(277)
Balance at end of year		P1,826	P2,141

Provisions for inventory losses amounted to P331 and P894 in 2020 and 2019, respectively. Reversals of provision for inventory losses pertain to inventories sold amounting to P496 and P846 in 2020 and 2019, respectively. Provisions (reversals) of inventory losses are included as part of "Cost of sales" and "Selling and Administrative Expenses" accounts in the consolidated statements of income (Notes 26 and 27).

The fair value of agricultural produce less costs to sell, which formed part of the cost of finished goods inventory, amounted to P200 and P130 as at December 31, 2020 and 2019, respectively, with corresponding costs at point of harvest amounting to P130 and P104, respectively. Net unrealized gain (loss) on fair valuation of agricultural produce amounted to P70, P26 and (P7) in 2020, 2019 and 2018, respectively (Note 16).

The fair values of marketable hogs and grown broilers, which comprised the Group's agricultural produce, are categorized as Level 1 and Level 3, respectively, in the fair value hierarchy based on the inputs used in the valuation techniques.

The valuation model used is based on the following: (a) quoted prices for harvested mature grown broilers at the time of harvest; and (b) quoted prices in the market at any given time for marketable hogs; provided that there has been no significant change in economic circumstances between the date of the transactions and the reporting date. Costs to sell are estimated based on the most recent transaction and is deducted from the fair value in order to measure the fair value of agricultural produce at point of harvest. The estimated fair value would increase (decrease) if weight and quality premiums increase (decrease) (Note 4).

The net realizable value of raw land inventory and real estate projects is higher than the carrying amount as at December 31, 2020 and 2019, based on management's assessment.

The fair value of raw land inventory amounted to P10,713 and P10,740 as at December 31, 2020 and 2019, respectively. The fair value has been categorized as Level 3 in the fair value hierarchy based on the inputs used in the valuation techniques (Note 4).

In estimating the fair value of the raw land inventory, management takes into account the market participant's ability to generate economic benefits by using the assets in their highest and best use. Based on management assessment, the best use of the Group's raw land inventory are their current use.

The Level 3 fair value of raw land inventory was derived using the observable recent transaction prices for similar raw land inventory in nearby locations adjusted for differences in key attributes such as property size, zoning and accessibility. The most significant input into this valuation approach is the price per square meter, hence, the higher the price per square meter, the higher the fair value (Note 4).

10. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consist of:

	Note	2020	2019
Prepaid taxes and licenses		P82,136	P72,593
Restricted cash - current	4, 39, 40	3,111	6,256
PSALM monthly fee outage credits		1,681	886
Prepaid insurance		1,182	786
Advances to contractors and suppliers	33	1,020	1,782
Derivative assets	39, 40	596	917
Financial assets at FVPL	39, 40	275	284
Prepaid rent		270	315
Catalyst		241	304
Financial assets at amortized cost - current portion	4, 12, 39, 40	105	71
Financial assets at FVOCI - current portion	4, 12, 39, 40	80	38
Others	34	4,136	2,571
		P94,833	P86,803

Restricted cash - current represents: (i) cash in banks maintained by Vertex, SMCTC, MTDME, SIDC, CCEC, AAIPC and LCWDC in accordance with the specific purposes and terms as required under certain loan and concession agreements. Certain loan agreements provide that the Security Trustee shall have control over and the exclusive right of withdrawal from the restricted bank accounts; and (ii) funds maintained in various financial institutions of SCPC, SMCP and MPPCL, as (a) cash flow waterfall accounts required under its respective credit facility (b) environmental guarantee fund for remittance to the DENR and (c) financial benefits to host communities, as required by law.

PSALM monthly fee outage credits pertain to the approved reduction in the future monthly fees payable of SMEC to PSALM resulting from the outages of the Sual Power Plant in 2020 and 2019.

Advances to contractors and suppliers include amounts owed by a related party amounting to P19 as at December 31, 2020 (Note 33).

“Others” consist mainly of prepayments for various operating expenses and contract assets pertaining to the Group’s right to consideration for work completed but not billed at the reporting date on the sale of real estate projects.

The methods and assumptions used to estimate the fair values of restricted cash, derivative assets, financial assets at FVPL, and financial assets at FVOCI are discussed in Note 40.

11. Investments and Advances

Investments and advances consist of:

	<i>Note</i>	2020	2019
Investments in Shares of Stock of Associates and Joint Ventures - at Equity			
Acquisition Cost			
Balance at beginning of year		P23,715	P22,319
Additions		-	1,051
Reclassification from investment in shares of stock of subsidiaries	5	-	1,310
Reclassification to investment in shares of stock of subsidiaries	5	(3,500)	(965)
Balance at end of year		20,215	23,715
Accumulated Equity in Net Earnings			
Balance at beginning of year		1,954	563
Reclassification from investment in shares of stock of subsidiaries	5	-	1,300
Equity in net earnings		424	106
Share in other comprehensive loss		(132)	(25)
Reclassification to investment in shares of stock of subsidiaries	5	(1,402)	10
Balance at end of year		844	1,954
		21,059	25,669
Advances for Investments		29,470	27,217
	4	P50,529	P52,886

Investments in Shares of Stock of Associates

a. NCC

As discussed in Note 5, NCC became a wholly-owned subsidiary of SMEI and was consolidated to the Group effective August 20, 2020.

b. Bank of Commerce (BOC)

SMC through SMPI and SMC Equivest Corporation, respectively, has 39.93% and 4.69% equity ownership interest in BOC representing 44,817,164 and 5,258,956 common shares. BOC is engaged in commercial banking services.

c. MPGC

On January 25, 2019, SMC Global subscribed to the remaining 18,314,898 unissued common shares of MPGC, thereby increasing SMC Global's ownership interest in MPGC from 49% to 73.58%. On September 6, 2019, SMC Global subscribed to an additional 58,000,000 common shares out of the proposed increase in the authorized capital stock of MPGC at the subscription price of P100.00 per share, or total subscription amount of P5,800. On the same date, the increase in the authorized capital stock of MPGC was approved by the SEC. As at December 31, 2019 SMC Global effectively owns 89.54% of MPGC.

MPGC shall develop, construct, finance, own, operate and maintain a 4 x 150 MW Circulating Fluidized Bed (CFB) Coal-fired Power Plant and associated facilities in Mariveles, Bataan.

Investments in Shares of Stock of Joint Ventures

a. Angat Hydro and KWPP

PVEI, a subsidiary of SMC Global has an existing joint venture agreement with Korea Water Resources Corporation (K-Water), covering the acquisition, rehabilitation, operation and maintenance of the 218 MW Angat Hydroelectric Power Plant (Angat Power Plant) which was previously awarded by PSALM to K-Water.

PVEI holds 30,541,470 shares or 60% of the outstanding capital stock of Angat Hydro and 75 shares representing 60% of KWPP outstanding capital stock. PVEI and K-Water are jointly in control of the management and operation of Angat Hydro and KWPP.

In January 2017, PVEI granted shareholder advances amounting to US\$32 to Angat Hydro. The advances bear annual interest rate of 4.5% and were due on April 30, 2017. The due date of the advances was extended as agreed amongst the parties.

As at December 31, 2020 and 2019, the remaining balance of the shareholder advances amounted to US\$2 and due date was extended to December 31, 2021.

b. MNHPI

As discussed in Note 5, MNHPI ceased to be a subsidiary of SMHC following the increase in shareholdings of non-controlling interest as at April 26, 2019.

In December 2019, SMHC acquired for a total amount of P1,060, additional 1,950,000 and 50,000 common shares of stock of MNHPI from IZ Investment Holdings, Inc. and Petron, respectively. With the acquisition of the additional shares, SMHC increased its equity interest in MNHPI from 43.33% to 50%.

Advances for Investments

- a. SMPI made advances to future investees amounting to P3,854 and P873 as at December 31, 2020 and 2019, respectively. These advances will be applied against future subscriptions of SMPI to the shares of stock of the future investee companies.
- b. SMC Global and SMEC made deposits to certain landholding companies and power-related expansion projects amounting to P4,589 and P5,161 as at December 31, 2020 and 2019, respectively. These deposits will be applied against future stock subscriptions.
- c. On June 29, 2016, SMHL entered into an Investment Agreement (the Agreement) with Bryce Canyon Investments Limited, a British Virgin Island business company, for the sale and purchase of assets, as defined in the Agreement, upon the satisfaction of certain conditions set out in the Agreement. As at December 31, 2020 and 2019, outstanding investment advances amounted to P19,318 and P19,805, respectively.
- d. Other advances pertain to deposits made to certain companies which will be applied against future stock subscriptions.

The details of the Group's material investments in shares of stock of associates and joint ventures which are accounted for using the equity method are as follows:

December 31, 2020							December 31, 2019					
	Angat Hydro and KWPP	NCC	BOC	MNHPI	Others	Total	Angat Hydro and KWPP	NCC	BOC	MNHPI	Others	Total
Country of incorporation	Philippines	Philippines	Philippines	Philippines			Philippines	Philippines	Philippines	Philippines		
Percentage of ownership	60.00%	-	44.62%	50.00%			60.00%	35.00%	44.62%	50.00%		
Share in net income (loss)	(P480)	P127	P314	P428	P35	P424	(P410)	P171	P304	P212	(P171)	P106
Share in other comprehensive income (loss)	-	-	(57)	(11)	(64)	(132)	-	(13)	(28)	-	16	(25)
Share in total comprehensive income (loss)	(P480)	P127	P257	P417	(P29)	P292	(P410)	P158	P276	P212	(P155)	P81
Dividends received	P -	P -	P -	P -	P -	P -	P -	P -	P -	P -	P -	P -
Carrying amount of investments in shares of stock of associates and joint ventures	P5,154	P -	P10,930	P4,290	P685	P21,059	P5,634	P4,775	P10,673	P3,873	P714	P25,669

The following are the audited condensed financial information of the Group's material investments in shares of stock of associates and joint ventures:

December 31, 2020					December 31, 2019				
	Angat Hydro and KWPP	BOC	MNHPI	Others	Angat Hydro and KWPP	NCC	BOC	MNHPI	Others
Current assets	P2,225	P94,964	P1,599	P5,490	P2,627	P2,427	P68,430	P1,373	P5,629
Noncurrent assets	16,989	75,957	10,427	2,742	17,558	8,949	76,603	11,080	2,897
Current liabilities	(1,319)	(146,840)	(2,951)	(4,493)	(1,279)	(1,274)	(126,284)	(4,177)	(4,936)
Noncurrent liabilities	(11,474)	(7,314)	(2,747)	(585)	(11,685)	(1,016)	(2,654)	(2,714)	(614)
Net assets	P6,421	P16,767	P6,328	P3,154	P7,221	P9,086	P16,095	P5,562	P2,976
Sales	P1,341	P6,280	P3,831	P4,177	P1,588	P8,165	P6,532	P4,195	P4,348
Net income (loss)	(P800)	P784	P759	P20	(P683)	P679	P653	P751	P108
Other comprehensive income (loss)	-	(113)	7	(20)	-	(36)	(65)	(37)	(21)
Total comprehensive income (loss)	(P800)	P671	P766	P -	(P683)	P643	P588	P714	P87

12. Investments in Equity and Debt Instruments

Investments in equity and debt instruments consist of:

	Note	2020	2019
Equity securities		P5,367	P5,351
Proprietary membership shares and others		422	439
Government and other debt securities		381	420
	<i>4, 39, 40</i>	6,170	6,210
Less current portion	<i>10</i>	185	109
		P5,985	P6,101

Debt Securities

Petrogen's government securities are deposited with the Bureau of Treasury in accordance with the provisions of the Insurance Code, for the benefit and security of its policyholders and creditors. These investments bear fixed annual interest rates ranging from 1.78% to 7.02% in 2020 and 4.25% to 7.02% in 2019 (Note 31).

The movements in investments in equity and debt instruments are as follows:

	Note	2020	2019
Balance at beginning of year		P6,210	P6,163
Additions		70	71
Fair value gain		1	70
Disposals		(108)	(94)
Amortization of premium		(1)	-
Currency translation adjustments and others		(2)	-
Balance at end of year	<i>4, 10, 39, 40</i>	P6,170	P6,210

The investments in equity and debt instruments are classified as follows:

	2020	2019
Noncurrent		
Financial assets at FVOCI	P5,835	P5,915
Financial assets at amortized cost	150	186
	5,985	6,101
Current		
Financial assets at FVOCI	80	38
Financial assets at amortized cost	105	71
	185	109
	P6,170	P6,210

The carrying amount of the investments approximate their fair value (Note 40).

The methods and assumptions used to estimate the fair value of investments in equity and debt instruments are discussed in Notes 3, 4 and 40.

13. Property, Plant and Equipment

Property, plant and equipment consist of:

	Note	Land and Land Improvements	Buildings and Improvements	Power Plants	Refinery and Plant Equipment	Service Stations and Other Equipment	Equipment, Furniture and Fixtures	Leasehold Improvements	Mine and Mining Property	Capital Projects in Progress	Total
Cost											
January 1, 2019		P60,299	P47,396	P136,565	P168,155	P17,793	P159,334	P5,629	P5,594	P85,290	P686,055
Additions		2,424	1,523	234	6,000	1,769	6,266	207	-	48,396	66,819
Acquisition of subsidiaries	38	1,456	270	-	-	-	647	5	69	79	2,526
Disposals/retirement		(5)	(54)	(69)	(38)	(464)	(3,433)	(35)	-	(316)	(4,414)
Reclassifications and others	15	4,105	7,068	(11,426)	223	432	15,403	1,310	-	(38,815)	(21,700)
Currency translation adjustments		(368)	(611)	(1,798)	(153)	(246)	(1,407)	(15)	-	(1,197)	(5,795)
December 31, 2019		67,911	55,592	123,506	174,187	19,284	176,810	7,101	5,663	93,437	723,491
Additions		1,272	342	953	446	560	3,717	66	-	56,481	63,837
Consolidation of a subsidiary	5	2,581	2,042	-	-	-	11,418	-	7	790	16,838
Disposals/retirement		(20)	(172)	-	(5)	(91)	(5,189)	(28)	-	(38)	(5,543)
Reclassifications and others	15	1,564	8,624	24,903	1,757	349	12,673	566	-	(49,461)	975
Currency translation adjustments		(143)	(261)	(2,671)	(430)	(315)	(750)	10	-	(1,557)	(6,117)
December 31, 2020		73,165	66,167	146,691	175,955	19,787	198,679	7,715	5,670	99,652	793,481
Accumulated Depreciation and Amortization											
January 1, 2019		3,422	18,934	24,724	51,444	12,541	99,242	1,550	4,893	-	216,750
Depreciation and amortization	6, 28	249	1,828	5,487	6,523	1,098	8,609	326	6	-	24,126
Acquisition of subsidiaries	38	116	164	-	-	-	239	3	45	-	567
Disposals/retirement		(5)	(40)	(3)	(35)	(445)	(2,893)	(21)	-	-	(3,442)
Reclassifications		(20)	59	(17,794)	1	(166)	(2,769)	(86)	-	-	(20,775)
Currency translation adjustments		(64)	(171)	(735)	(214)	(148)	(672)	(6)	-	-	(2,010)
December 31, 2019		3,698	20,774	11,679	57,719	12,880	101,756	1,766	4,944	-	215,216
Depreciation and amortization	6, 28	380	2,001	5,713	3,128	1,028	9,493	397	14	-	22,154
Consolidation of a subsidiary	5	88	511	-	-	-	5,894	-	6	-	6,499
Disposals/retirement		(16)	(109)	-	(5)	(60)	(3,988)	(27)	-	-	(4,205)
Reclassifications		(5)	30	-	81	15	(248)	(39)	-	-	(166)
Currency translation adjustments		(6)	(131)	(1,103)	(318)	(172)	(454)	3	-	-	(2,181)
December 31, 2020		4,139	23,076	16,289	60,605	13,691	112,453	2,100	4,964	-	237,317
Accumulated Impairment Losses											
January 1, 2019		-	2,751	-	-	-	8,937	26	573	-	12,287
Impairment	32	-	194	-	-	-	682	-	-	-	876
Disposals/retirement		-	-	-	-	-	(35)	-	-	-	(35)
Reclassifications		-	(73)	-	-	-	-	-	-	-	(73)
Currency translation adjustments		-	(158)	-	-	-	(434)	(2)	-	-	(594)
December 31, 2019		-	2,714	-	-	-	9,150	24	573	-	12,461
Impairment	32	-	-	-	-	-	35	-	-	-	35
Consolidation of a subsidiary	5	-	-	-	-	-	330	-	-	-	330
Disposals/retirement		-	-	-	-	-	(13)	-	-	-	(13)
Reclassifications		-	-	-	-	-	(11)	-	-	-	(11)
Currency translation adjustments		-	27	-	-	-	(38)	2	-	-	(9)
December 31, 2020		-	2,741	-	-	-	9,453	26	573	-	12,793
Carrying Amount											
December 31, 2019		P64,213	P32,104	P111,827	P116,468	P6,404	P65,904	P5,311	P146	P93,437	P495,814
December 31, 2020		P69,026	P40,350	P130,402	P115,350	P6,096	P76,773	P5,589	P133	P99,652	P543,371

“Equipment, furniture and fixtures” includes machinery, transportation equipment, tools and small equipment and office equipment.

Total depreciation, amortization and impairment losses recognized in the consolidated statements of income amounted to P22,189, P25,002 and P29,136 in 2020, 2019 and 2018, respectively (Notes 28 and 32). These amounts include annual amortization of capitalized interest amounting to P997, P562 and P542 in 2020, 2019 and 2018, respectively.

Reclassifications and others include transfers to investment property due to change in usage as evidenced by ending of owner-occupation or commencement of operating lease to another party (Note 15) and reclassifications from capital projects in progress account to specific property, plant and equipment accounts.

Property, plant and equipment of the Group’s hog farm were reclassified to idle assets, included as part of “Other noncurrent assets - net” account in the consolidated statements of financial position as at December 31, 2020 due to the impact of the African Swine Fever that resulted in extended downtime of the facility (Note 18).

As discussed in Notes 3 and 4, the Group has changed its depreciation method for refinery and plant equipment and certain power plant assets used in the production of fuel from straight-line to UOP method. The change decreased the depreciation expense by P4,241 in 2020.

The Group has capitalized interest amounting to P2,323 and P3,103 in 2020 and 2019, respectively. The capitalization rates used to determine the amount of interest eligible for capitalization ranged from 1.45% to 12.96% and 5.74% to 9.09% in 2020 and 2019, respectively. The unamortized capitalized borrowing costs amounted to P18,026 and P16,700 as at December 31, 2020 and 2019, respectively.

Certain fully depreciated property, plant and equipment with aggregate costs of P78,938 and P70,712 as at December 31, 2020 and 2019, respectively, are still being used in the Group’s operations.

14. Right-of-Use Assets

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

	<i>Note</i>	Land	Buildings and Improvements	Power Plants	Service Stations and Other Equipment	Machinery and Equipment	Total
Cost							
January 1, 2019		P13,365	P1,063	P195,681	P24	P504	P210,637
Additions		15	151	-	-	111	277
Acquisition of a subsidiary	38	208	-	-	-	-	208
Disposals		(3)	-	-	-	-	(3)
Remeasurement and others		(1,202)	(124)	-	-	-	(1,326)
Currency translation adjustments		(214)	(4)	-	-	-	(218)
December 31, 2019		12,169	1,086	195,681	24	615	209,575
Additions		1,190	170	-	-	100	1,460
Consolidation of a subsidiary	5	7	47	-	-	-	54
Disposals/retirement		(148)	(206)	-	-	(33)	(387)
Remeasurement and others		1,153	(77)	-	-	(11)	1,065
Currency translation adjustments		39	(4)	-	-	5	40
December 31, 2020		14,410	1,016	195,681	24	676	211,807
Accumulated Depreciation and Amortization							
January 1, 2019		1,284	-	3,909	-	-	5,193
Depreciation and amortization	28	598	682	5,930	3	220	7,433
Disposals		(2)	-	-	-	-	(2)
Remeasurement and others		(428)	20	-	-	-	(408)
Currency translation adjustments		11	(7)	-	-	-	4
December 31, 2019		1,463	695	9,839	3	220	12,220
Depreciation and amortization	28	866	419	5,932	3	219	7,439
Consolidation of a subsidiary	5	3	16	-	-	-	19
Disposals/retirement		(46)	(193)	-	-	(33)	(272)
Remeasurement and others		518	(314)	-	-	(4)	200
Currency translation adjustments		9	11	-	-	-	20
December 31, 2020		2,813	634	15,771	6	402	19,626
Accumulated Impairment Losses							
January 1, 2019		82	-	-	-	-	82
Acquisition of a subsidiary	38	29	-	-	-	-	29
Currency translation adjustments		(1)	-	-	-	-	(1)
December 31, 2019		110	-	-	-	-	110
Remeasurement and others		(29)	-	-	-	-	(29)
Currency translation adjustments		(4)	-	-	-	-	(4)
December 31, 2020		77	-	-	-	-	77
Carrying Amount							
December 31, 2019		P10,596	P391	P185,842	P21	P395	P197,245
December 31, 2020		P11,520	P382	P179,910	P18	P274	P192,104

The Group recognized right-of-use assets for leases of office space, warehouse, factory facilities and parcels of land. The leases typically run for a period of one to 50 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's right-of-use assets include land, power plant and equipment which were classified as finance leases under PAS 17 (Note 34).

The remeasurements pertain mainly to the change in the estimated dismantling costs of ARO during the year (Note 4).

The Group recognized interest expense related to these leases amounting to P5,080 and P5,912 in 2020 and 2019, respectively (Note 30).

The Group also has certain leases of property and equipment with lease terms of 12 months or less and leases of equipment with low value. The Group has elected not to recognize right-of-use assets and lease liabilities for these leases. The expenses relating to short-term leases, leases of low-value assets and variable lease payments that do not depend on an index or a rate amounted to P877, P10 and P2,565, respectively, in 2020 and P731, P3 and P2,727, respectively, in 2019.

The Group had total cash outflows for leases of P35,556 and P32,336 in 2020 and 2019, respectively.

15. Investment Property

The movements in investment property are as follows:

	Note	Land, Land and Leasehold Improvements	Buildings and Improvements	Machinery and Equipment	Construction in Progress	Right-of-Use Asset	Total
Cost							
January 1, 2019		P26,807	P17,405	P597	P288	P11,456	P56,553
Additions		6,821	1,647	2	107	809	9,386
Reclassifications	13	3,616	704	-	(6)	-	4,314
Disposals/retirement		(61)	(105)	(1)	-	(3)	(170)
Currency translation adjustments		(277)	(237)	-	-	(20)	(534)
December 31, 2019		36,906	19,414	598	389	12,242	69,549
Additions		7,109	473	-	280	849	8,711
Reclassifications	13	4,846	542	-	(193)	(2,721)	2,474
Disposals/retirement		-	(34)	-	-	(110)	(144)
Currency translation adjustments		(402)	(335)	-	(34)	(31)	(802)
December 31, 2020		48,459	20,060	598	442	10,229	79,788
Accumulated Depreciation and Amortization							
January 1, 2019		1,149	9,810	495	-	288	11,742
Depreciation and amortization	28	322	713	2	-	958	1,995
Reclassifications		2,760	(126)	-	-	-	2,634
Disposals/retirement		(23)	(47)	(1)	-	-	(71)
Currency translation adjustments		(71)	(209)	-	-	(7)	(287)
December 31, 2019		4,137	10,141	496	-	1,239	16,013
Depreciation and amortization	28	320	797	2	-	994	2,113
Reclassifications		(7)	3	-	-	30	26
Disposals/retirement		-	(31)	-	-	(110)	(141)
Currency translation adjustments		(221)	(369)	-	-	(11)	(601)
December 31, 2020		4,229	10,541	498	-	2,142	17,410
Accumulated Impairment Losses							
December 31, 2019 and 2020		8	-	-	-	-	8
Carrying Amount							
December 31, 2019		P32,761	P9,273	P102	P389	P11,003	P53,528
December 31, 2020		P44,222	P9,519	P100	P442	P8,087	P62,370

In 2020 and 2019, property, plant and equipment were reclassified to investment property due to change in usage as evidenced by ending of owner-occupation or commencement of operating lease to another party (Note 13).

No impairment loss was recognized in 2020, 2019 and 2018.

There are no other direct selling and administrative expenses other than depreciation and amortization and real property taxes arising from investment property that generated income in 2020, 2019 and 2018.

The fair value of investment property amounting to P75,305 and P63,878 as at December 31, 2020 and 2019, respectively, has been categorized as Level 3 in the fair value hierarchy based on the inputs used in the valuation techniques (Note 4).

The fair value of investment property was determined by external, independent property appraisers having appropriate recognized professional qualifications and recent experience in the location and category of the property being valued. The independent appraisers provide the fair value of the Group's investment property on a regular basis.

Valuation Technique and Significant Unobservable Inputs

The valuation of investment property applied the following approaches:

Cost Approach. This approach is based on the principle of substitution, which holds that an informed buyer would not pay more for a given property than the cost of an equally desirable alternative. The methodology of this approach is a set of procedures that estimate the current reproduction cost of the improvements, deducts accrued depreciation from all sources, and adds the value of investment property.

Sales Comparison Approach. The market value was determined using the Sales Comparison Approach. The comparative approach considers the sale of similar or substitute property, registered within the vicinity, and the related market data. The estimated value is established by process involving comparison. The property being valued is then compared with sales of similar property that have been transacted in the market. Listings and offerings may also be considered. The observable inputs to determine the market value of the property are the following: location characteristics, size, time element, quality and prospective use, bargaining allowance and marketability.

Income Approach. The rental value of the subject property was determined using the Income Approach. Under the Income Approach, the market value of the property is determined first, and then proper capitalization rate is applied to arrive at its rental value. The rental value of the property is determined on the basis of what a prudent lessor or a prospective lessee are willing to pay for its use and occupancy considering the prevailing rental rates of similar property and/or rate of return a prudent lessor generally expects on the return on its investment. A study of current market conditions indicates that the return on capital for similar real estate investment is 4%.

16. Biological Assets

Biological assets consist of:

	<i>Note</i>	2020	2019
Current:			
Growing stocks		P2,591	P3,448
Goods in process		810	703
		3,401	4,151
Noncurrent:			
Breeding stocks - net		2,352	2,808
	4	P5,753	P6,959

The amortization of breeding stocks recognized in the consolidated statements of income amounted to P3,566, P3,152 and P2,801 in 2020, 2019 and 2018, respectively (Note 28).

Growing stocks pertain to growing broilers and hogs, while goods in process pertain to hatching eggs.

The movements in biological assets are as follows:

	<i>Note</i>	2020	2019
Cost			
Balance at beginning of year		P8,511	P8,636
Increase (decrease) due to:			
Production		47,131	50,954
Purchases		349	471
Mortality		(1,396)	(827)
Harvest		(43,622)	(47,344)
Retirement		(4,635)	(3,379)
Balance at end of year		6,338	8,511
Accumulated Amortization			
Balance at beginning of year		1,552	1,547
Amortization	28	3,565	3,152
Retirement		(4,532)	(3,147)
Balance at end of year		585	1,552
Carrying Amount		P5,753	P6,959

The Group harvested approximately 575.7 million and 609.5 million kilograms of grown broilers in 2020 and 2019, respectively, and 0.45 million and 0.49 million heads of marketable hogs and cattle in 2020 and 2019, respectively.

The aggregate fair value less estimated costs to sell of agricultural produce harvested during the year, determined at the point of harvest, amounted to P64,875 and P57,255 in 2020 and 2019, respectively.

17. Goodwill and Other Intangible Assets

Goodwill and other intangible assets consist of:

	2020	2019
Goodwill	P120,463	P120,392
Other intangible assets	276,250	255,836
	P396,713	P376,228

The movements in goodwill are as follows:

	Note	2020	2019
Balance at beginning of year		P120,392	P120,867
Additions	4, 38	-	53
Deconsolidation of a subsidiary	5	-	(325)
Cumulative translation adjustments		71	(203)
Balance at end of year	4	P120,463	P120,392

The movements in other intangible assets with indefinite useful lives are as follows:

	Licenses	Trademarks and Brand Names	Total
Cost			
January 1, 2019	P3,797	P90,974	P94,771
Currency translation adjustments	76	(13)	63
December 31, 2019	3,873	90,961	94,834
Currency translation adjustments	(106)	(15)	(121)
December 31, 2020	3,767	90,946	94,713
Accumulated Impairment Losses			
January 1, 2019	-	254	254
Currency translation adjustments	-	(9)	(9)
December 31, 2019	-	245	245
Currency translation adjustments	-	(12)	(12)
December 31, 2020	-	233	233
Carrying Amount			
December 31, 2019	P3,873	P90,716	P94,589
December 31, 2020	P3,767	P90,713	P94,480

The movements in other intangible assets with finite useful lives are as follows:

Note	Concession Rights					Leasehold and Land Use Rights	Mineral Rights and Evaluation Assets	Computer Software and Licenses and Others	Total
	Toll Road	Airport	Power	Port	Water				
Cost									
January 1, 2019	P145,423	P7,533	P1,034	P13,838	P6,519	P732	P15,219	P4,440	P194,738
Additions	13,805	1,664	206	73	449	1	-	1,807	18,005
Acquisition of subsidiaries	5, 38	-	-	-	-	8	25	2	35
Deconsolidation of a subsidiary	5	-	-	(13,911)	-	-	-	-	(13,911)
Reclassifications and others	3,018	320	-	-	(81)	(730)	-	(908)	1,619
Currency translation adjustments	-	-	-	-	-	(11)	-	(27)	(38)
December 31, 2019	162,246	9,517	1,240	-	6,887	-	15,244	5,314	200,448
Additions	15,969	1,960	211	-	7	-	-	357	18,504
Consolidation of a subsidiary	5	-	-	-	-	-	4,625	23	4,648
Reclassifications and others	3,383	-	(17)	-	-	-	-	(1,052)	2,314
Currency translation adjustments	-	-	-	-	-	-	-	(7)	(7)
December 31, 2020	181,598	11,477	1,434	-	6,894	-	19,869	4,635	225,907
Accumulated Amortization									
January 1, 2019	30,449	725	133	2,460	-	175	-	2,833	36,775
Amortization	28	4,062	370	48	237	206	22	181	5,126
Acquisition of subsidiaries	5, 38	-	-	-	-	4	23	-	27
Deconsolidation of a subsidiary	5	-	-	(2,697)	-	-	-	-	(2,697)
Reclassifications and others	-	-	-	-	-	(197)	-	103	(94)
Currency translation adjustments	-	-	-	-	-	(4)	-	(22)	(26)
December 31, 2019	34,511	1,095	181	-	206	-	23	3,095	39,111
Amortization	28	4,103	377	55	257	-	62	221	5,075
Consolidation of a subsidiary	5	-	-	-	-	-	-	22	22
Reclassifications and others	-	-	-	-	-	-	-	(226)	(226)
Currency translation adjustments	-	-	-	-	-	-	-	(26)	(26)
December 31, 2020	38,614	1,472	236	-	463	-	85	3,086	43,956
Accumulated Impairment									
January 1, 2019	-	-	20	-	-	-	-	40	60
Impairment	32	-	30	-	-	-	-	-	30
December 31, 2019	-	-	50	-	-	-	-	40	90
Impairment	32	-	91	-	-	-	-	-	91
December 31, 2020	-	-	141	-	-	-	-	40	181
Carrying Amount									
December 31, 2019	P127,735	P8,422	P1,009	P -	P6,681	P -	P15,221	P2,179	P161,247
December 31, 2020	P142,984	P10,005	P1,057	P -	P6,431	P -	P19,784	P1,509	P181,770

Goodwill, licenses and trademarks and brand names with indefinite lives acquired through business combinations, have been allocated to individual cash-generating units, for impairment testing as follows:

	2020		2019	
	Goodwill	Licenses, Trademarks and Brand Names	Goodwill	Licenses, Trademarks and Brand Names
Energy	P79,544	P -	P79,544	P -
Infrastructure	18,429	-	18,429	-
Fuel and oil	8,777	38,300	8,777	38,300
Food and beverage	3,922	56,180	3,922	56,289
Packaging	2,755	-	2,682	-
Mining	1,280	-	1,280	-
Others	5,756	-	5,758	-
Total	P120,463	P94,480	P120,392	P94,589

The recoverable amount of goodwill has been determined based on fair value less costs to sell or a valuation using cash flow projections (value in use) covering a five-year period based on long range plans approved by management. The values assigned to the key assumptions represent management's assessment of future trends in the relevant industries and were based on historical data from both external and internal sources. Cash flows beyond the five-year period are extrapolated using a constant growth rate determined per individual cash-generating unit to arrive at its terminal value. The growth rates used which range from 2% to 12.9% and 0.5% to 5% in 2020 and 2019, respectively, are based on strategies developed for each business and include the Group's expectations of market developments and past historical performance. The discount rates applied to after tax cash flow projections ranged from 6% to 13% in 2020 and 2019. The discount rate also imputes the risk of the cash-generating units compared to the respective risk of the overall market and equity risk premium. The recoverable amount of goodwill has been categorized as Level 3 in the fair value hierarchy based on the inputs used in the valuation technique (Note 4).

No impairment loss was recognized for goodwill in 2020, 2019 and 2018.

The recoverable amount of licenses, trademarks and brand names has been determined based on a valuation using cash flow projections (value in use) covering a five-year period based on long range plans approved by management. The values assigned to the key assumptions represent management's assessment of future trends in the relevant industries and were based on historical data from both external and internal sources. Cash flows beyond the five-year period are extrapolated using a determined constant growth rate to arrive at its terminal value. The growth rates used which range from 2% to 3% and 2% to 4% in 2020 and 2019, respectively, are based on strategies developed for each business and include the Group's expectations of market developments and past historical performance. The discount rates applied to after tax cash flow projections ranged from 6% to 15.1% in 2020 and 2019. The recoverable amount of trademarks and brand names has been categorized as Level 3 in the fair value hierarchy based on the inputs used in the valuation technique (Note 4).

No impairment loss was recognized for licenses, trademarks and brand names in 2020, 2019 and 2018.

Management believes that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause its carrying amount to exceed its recoverable amount.

- *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 investment proposals.
- *Raw Material Price Inflation.* Consumer price forecast is obtained from indices during the budget period from which raw materials are purchased. Values assigned to key assumptions are consistent with external sources of information.

18. Other Noncurrent Assets

Other noncurrent assets consist of:

	<i>Note</i>	2020	2019
Noncurrent receivables and deposits - net	4, 33, 34, 39, 40	P25,058	P25,739
Deferred containers - net	4	19,015	20,125
Advances to contractors and suppliers		17,443	20,589
Restricted cash	4, 39, 40	4,869	6,258
Deposits on land for future development		3,626	3,619
Retirement assets	35	2,699	2,496
Noncurrent prepaid input tax		2,348	3,164
Idle assets	4	2,002	1,279
Deferred exploration and development costs	4	1,061	1,050
Catalyst		551	683
Noncurrent prepaid rent		383	295
Derivative assets - noncurrent	3, 39, 40	39	241
Deferred financing costs		4	1,986
Others		1,771	2,606
		P80,869	P90,130

The movements in deferred containers - net are as follows:

	<i>Note</i>	2020	2019
Gross Carrying Amount			
Balance at beginning of year		P32,332	P28,948
Additions		2,903	5,672
Disposals/retirement/reclassifications		(2,195)	(2,265)
Currency translation adjustments		(113)	(23)
Balance at end of year		32,927	32,332
Accumulated Amortization			
Balance at beginning of year		11,526	10,762
Amortization	28	2,038	2,309
Disposals/retirement/reclassifications		(362)	(1,525)
Currency translation adjustments		(24)	(20)
Balance at end of year		13,178	11,526
Accumulated Impairment			
Balance at beginning of year		681	579
Impairment	27, 32	682	682
Disposals/reclassifications		(626)	(580)
Currency translation adjustments		(3)	-
Balance at end of year		734	681
		P19,015	P20,125

Noncurrent receivables and deposits include amounts owed by related parties amounting to P149 and P968 as at December 31, 2020 and 2019, respectively (Note 33) and the costs related to the development of the MRT 7 Project amounting to P23,157 and P21,291 as at December 31, 2020 and 2019, respectively (Note 34).

Noncurrent receivables and deposits are net of allowance for impairment losses amounting to P606 and P724 as at December 31, 2020 and 2019, respectively.

Restricted cash represents:

- i. SCPC's cash flow waterfall accounts amounting to P1,144 and P1,131 as at December 31, 2020 and 2019, respectively;
- ii. The amount received from Independent Electricity Market Operator of the Philippines (IEMOP), totaling P491 as at December 31, 2020 and 2019, representing the proceeds of sale to WESM of the electricity generated from the excess capacity of the Sual Power Plant for a specific period in 2016, which SMEC consigned with the Regional Trial Court of Pasig City (RTC Pasig);
- iii. APEC's reinvestment fund for sustainable capital expenditures and contributions collected from customers for bill deposits which are refundable amounting to P148 and P159 as at December 31, 2020 and 2019, respectively;
- iv. MPPCL's cash flow waterfall accounts and environmental guarantee fund, totaling to P2,133 and P3,773 as at December 31, 2020 and 2019, respectively;
- v. Cash in bank maintained by CCEC and TADHC in accordance with the specific purposes and terms as required under certain loan agreements, amounting to P822 and P629 as at December 31, 2020 and 2019, respectively, of which P16 is included as part of "Prepaid expenses and other current assets" account under "Restricted cash - current" as at December 31, 2019 (Note 10);
- vi. Rehabilitation funds established by NCC which are deposited with a local bank in compliance with DENR Administrative Order No. 2005-07 for environmental protection and enhancement amounting to P41 as at December 31, 2020; and
- vii. Accounts of PNPI with local banks to establish a Mining Rehabilitation Fund (MRF) in compliance with the requirements of the Philippine Mining Act of 1995 and a deposit on a trust account with a bank, as required by an insurance company to serve as a guarantee for the surety bond required by the BIR for the payment of PNPI's excise taxes on nickel ore sales. The MRF will be used for physical and social rehabilitation of areas and communities affected by mining activities and for research on social, technical and preventive aspects of rehabilitation. The MRF and the deposit earn interest at the respective bank deposits rates.

The methods and assumptions used to estimate the fair values of noncurrent receivables and deposits and restricted cash are discussed in Note 40.

In 2019, the Group entered into loan facilities, which were not yet drawn as at December 31, 2019. The loan facilitation fees and other filing and agency fees totaling to P1,986 were recognized as deferred financing costs as at December 31, 2019. Upon drawdown of the related loan in 2020, the amount was reclassified as an addition to debt issue cost recognized as a deduction from "Long-term debt" account in the consolidated statements of financial position (Note 21).

Also in 2020, SMC entered into a loan facility, which was not yet drawn as at December 31, 2020. The loan facilitation fees and other filing and agency fees totaling to P4 were recognized as deferred financing costs as at December 31, 2020.

"Others" consist of marketing assistance to dealers and other noncurrent prepaid expenses.

19. Loans Payable

Loans payable consist of:

	<i>Note</i>	2020	2019
Parent Company			
Peso-denominated		P571	P571
Foreign currency-denominated		6,003	6,330
Subsidiaries			
Peso-denominated		134,890	167,103
Foreign currency-denominated		8,011	4,503
	<i>38, 39, 40</i>	P149,475	P178,507

Loans payable mainly represent unsecured peso and foreign currency-denominated amounts obtained from local and foreign banks. Interest rates for peso-denominated loans ranged from 0.92% to 7.00% and 3.70% to 8.50% in 2020 and 2019, respectively. Interest rates for foreign currency-denominated loans ranged from 1.27% to 4.64% and 2.30% to 9.10% in 2020 and 2019, respectively (Note 30).

Loans payable include interest-bearing amounts payable to BOC amounting to P7,272 and P13,912 as at December 31, 2020 and 2019, respectively (Note 33).

20. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of:

	<i>Note</i>	2020	2019
Trade	<i>34</i>	P66,288	P100,894
Non-trade		63,318	51,522
Amounts owed to related parties	<i>33</i>	13,325	13,808
Customers' deposit	<i>3</i>	7,697	8,168
Accrued payroll		6,028	5,100
Accrued interest payable		3,861	4,353
Derivative liabilities	<i>39, 40</i>	1,731	1,678
Deferred liability on consumer loyalty program		1,406	867
Retention payable		534	1,323
Current portion of IRO	<i>4</i>	425	187
Retirement liabilities	<i>35</i>	160	154
Deferred rent income		65	54
Redeemable preferred shares	<i>4</i>	19	-
Others		40	58
	<i>39, 40</i>	P164,897	P188,166

Trade payables are non-interest bearing and are generally on a 30 to 60-day term.

Non-trade payables include contract growers/breeders' fees, guarantee deposits, utilities, rent and other expenses payable to third parties.

Redeemable Preferred Shares. These represent the preferred shares of TADHC issued in 2010. The preferred shares are cumulative, non-voting, redeemable and with liquidation preference. The shares are preferred as to dividends, which are given in the form of coupons, at the rate of 90% of the applicable base rate (i.e., one year Bloomberg Valuation or BVAL). The dividends are cumulative from and after the date of issue of the preferred shares, whether or not in any period the amount is covered by available unrestricted retained earnings.

The preferred shares are required to be redeemed at the end of the 10-year period from and after the issuance of the preferred shares by paying the principal amount, plus all unpaid coupons (at the sole option of TADHC, the preferred shares may be redeemed earlier in whole or in part).

In the event of liquidation, dissolution, bankruptcy or winding up of the affairs of TADHC, the holders of the preferred shares are entitled to be paid in full, an amount equivalent to the issue price of such preferred shares plus all accumulated and unpaid dividends up to the current dividend period or proportionately to the extent of the remaining assets of TADHC, before any assets of TADHC will be paid or distributed to the holders of the common shares.

As at December 31, 2020, the preferred shares remain outstanding as other requirements prior to redemption are pending from the shareholder.

“Others” include accruals for materials, repairs and maintenance, advertising, handling, contracted labor, supplies and various other payables.

The methods and assumptions used to estimate the fair value of derivative liabilities are discussed in Note 40.

21. Long-term Debt

Long-term debt consists of:

	<i>Note</i>	2020	2019
Subsidiaries			
Peso-denominated Bonds:			
Fixed interest rate of 4.8243% and 5.1923%, 6.25%, 5.284% and 5.55%, 6.625%, 5.7613%, and 7.125% maturing in 2022, 2023, 2024, 2025, 2027 and 2028, respectively (a)		P59,622	P59,500
Fixed interest rate of 4.0032%, 4.5219%, 7.8183% and 8.0551% maturing in 2021, 2023, 2024 and 2025, respectively (b)		39,776	39,705
Fixed interest rate of 5.3750%, 6.7500%, 6.2500% and 6.6250% maturing in 2022, 2023, 2024 and 2027, respectively (c)		34,770	34,699
Fixed interest rate of 6.8350%, 7.1783% and 7.6000% maturing in 2022, 2024 and 2026, respectively (d)		29,759	29,669
Fixed interest rate of 5.50% and 6.00% maturing in 2021 and 2024, respectively (e)		14,984	14,962

Forward

	Note	2020	2019
Fixed interest rate of 4.3458%, 4.7575% and 5.1792% maturing in 2021, 2023 and 2026, respectively (f)		P14,941	P14,914
Fixed interest rate of 5.05% and 5.25% maturing in 2025 and 2027, respectively (g)		14,829	-
Fixed interest rate of 6.60% maturing in 2022, respectively (h)		6,988	6,979
Fixed interest rate of 5.5796% and 6.4872% maturing in 2022 and 2025, respectively (i)		4,877	7,265
Peso-denominated Term Notes:			
Fixed interest rate of 6.2836%, 6.5362% and 7.3889% with maturities up to 2029 (j)		39,843	41,274
Fixed interest rate of 6.865% to 9.875% with maturities up to 2027 (k)		30,049	30,676
Fixed interest rate of 5.556%, 5.825% and 5.9970% with maturities up to 2029 (l)		26,800	16,720
Fixed interest rate of 7.7521% and 6.5077% with maturities up to 2030 (m)		18,412	19,669
Fixed interest rate of 6.9375% with maturities up to 2026 (n)		15,661	15,807
Fixed interest rate of 6.9265% with maturities up to 2024 (o)		14,468	14,597
Fixed interest rate of 5.6276% with maturities up to 2029 (p)		11,516	11,910
Fixed interest rate of 4.63% maturing in 2024 (q)		9,939	9,925
Fixed interest rate of 3.5483% maturing in 2029 (r)		9,932	-
Fixed interest rate of 5.5276% with maturities up to 2024 (s)		8,008	10,136
Fixed interest rate of 6.7495%, 6.7701%, 7.165%, 7.5933% and 7.6567% with maturities up to 2025 (t)		5,003	5,779
Fixed interest rate of 5.7584% with maturities up to 2022 (u)		4,990	7,479
Fixed interest rate of 4.59% with maturities up to 2025 (v)		4,970	-
Fixed interest rate of 8.4211% to 9.885% with maturities up to 2030 (w)		4,064	4,143
Fixed interest rate of 5.4583% with maturities up to 2022 (x)		1,998	2,995
Fixed interest rate of 3.2837% with maturities up to 2026 (y)		1,987	-
Fixed interest rate of 5.00% with maturities up to 2021 (z)		1,499	1,498
Fixed interest rate of 6.6583% with maturities up to 2023 (aa)		1,342	1,810
Fixed interest rate of 4.2105% with maturities up to 2023 (bb)		496	-
Fixed interest rate of 12.00% (cc)		52	52

Forward

	Note	2020	2019
Fixed interest rate of 5.25% (dd)	P	-	P9,975
Fixed interest rate of 8.348% (ee)	-	-	877
Fixed interest rate of 8.6615% (ff)	-	-	391
Floating interest rate based on Bloomberg Valuation (BVAL) plus margin, or <i>Bangko Sentral ng Pilipinas</i> (BSP) overnight rate plus margin, whichever is higher, with maturities up to 2029 (r)		7,944	9,925
Floating interest rate based on BVAL plus margin with maturities up to 2025 (gg)		4,419	-
Floating interest rate based on BVAL plus margin with maturities up to 2023 (hh)		3,216	3,740
Floating interest rate based on BVAL plus margin, with maturities up to 2024 (ii)		1,909	547
Floating interest rate based on BVAL plus margin, with maturities up to 2022 (jj)		1,879	2,356
Floating interest rate based on BVAL plus margin, with maturities up to 2026 (y)		-	1,985
Foreign Currency-denominated Term Notes:			
Fixed interest rate of 4.7776% and 5.5959%, with maturities up to 2023 and 2030, respectively (kk/vv)		25,597	27,835
Fixed interest rate of 4.875% maturing in 2023 (ll)		24,706	26,019
Floating interest rate based on London Interbank Offered Rate (LIBOR) plus margin, maturing in 2024 (mm)		93,914	2,364
Floating interest rate based on LIBOR plus margin, maturing in 2021 and 2023 (nn)		33,306	34,924
Floating interest rate based on LIBOR plus margin, with maturities up to 2024 (oo)		32,334	39,908
Floating interest rate based on LIBOR plus margin, maturing in 2023 (pp)		18,991	19,943
Floating interest rate based on LIBOR plus margin, maturing in 2023 (qq)		14,261	14,989
Floating interest rate based on LIBOR plus margin, maturing in 2023 (rr)		14,244	14,972
Floating interest rate based on LIBOR plus margin, with maturities up to 2022 (ss)		13,530	32,854
Floating interest rate based on LIBOR plus margin, with maturities up to 2024 (tt)		10,489	15,070
Floating interest rate based on LIBOR plus margin, maturing in 2023 (uu)		9,494	9,981

Forward

	Note	2020	2019
Floating interest rate based on LIBOR plus margin, with maturities up to 2023 and 2030 (kk/vv)		P8,457	P9,218
Floating interest rate based on LIBOR plus margin, maturing in 2023 (ww)		7,003	-
Floating interest rate based on LIBOR plus margin, with maturities up to 2025 (xx)		6,845	-
Floating interest rate based on Bank Bill Swap Rate (BBSY) plus margin, with maturities up to 2024 (yy)		2,827	2,792
Floating interest rate based on Cost of Fund (COF) plus margin, with various maturities up to 2027 (zz)		21	28
Net adjustment due to purchase price - allocation		(199)	(195)
	38, 39, 40	766,762	682,661
Less Current maturities		74,554	43,860
Net adjustment due to purchase price allocation - current		43	53
Net current maturities		74,597	43,913
		P692,165	P638,748

a. The amount represents the first, second, third and fourth tranche of the P60,000 shelf registered fixed rate bonds issued by SMC amounting to P20,000, P10,000, P20,000 and P10,000, respectively. The Bonds were listed in the Philippine Dealing & Exchange Corp. (PDEX).

- The first tranche of the fixed rate bonds listed on March 1, 2017 amounting to P20,000 consists of: (i) five-year Series A Bonds, due in 2022 with an interest rate of 4.8243% per annum; (ii) seven-year Series B Bonds, due in 2024 with an interest rate of 5.284% per annum; and, (iii) 10-year Series C Bonds, due in 2027 with an interest rate of 5.7613% per annum. Interest is payable every 1st of March, June, September and December of each year.
- The second tranche of the fixed rate bonds listed on April 7, 2017 amounting to P10,000 comprise of five-year Series D Bonds, due in 2022 with an interest rate of 5.1923% per annum. Interest is payable every 7th of January, April, July and October of each year.
- The third tranche of the fixed rate bonds listed on March 19, 2018 amounting to P20,000, consist of: (i) five-year Series E Bonds, due in 2023 with an interest rate of 6.25% per annum; (ii) seven-year Series F Bonds, due in 2025 with an interest rate of 6.625% per annum; and, (iii) 10-year Series G Bonds, due in 2028 with an interest rate of 7.125% per annum. Interest is payable every 19th of March, June, September and December of each year.
- The fourth tranche of the fixed rate bonds listed on October 4, 2019 amounting to P10,000 comprise of five-year Series H Bonds, due in 2024 with an interest rate of 5.55% per annum. Interest is payable every 4th of January, April, July and October of each year.

Proceeds from the issuance of the bonds were used to partially refinance various loans.

Unamortized debt issue costs amounted to P378 and P500 as at December 31, 2020 and 2019, respectively.

- b. The amount represents the first and second tranche of the P40,000 shelf registered fixed retail bonds (the "Bonds") issued by Petron amounting to P20,000 and P20,000, on October 27, 2016 and October 19, 2018, respectively. The Bonds were listed in the PDEX.

- The first tranche of the fixed rate bonds listed on October 27, 2016 amounting to P20,000, consist of: (i) five-year Series A Bonds, due in 2021 with an interest rate of 4.0032% per annum; and, (ii) Series B Bonds, due in 2023 with an interest rate of 4.5219% per annum. Interest is payable every 27th of January, April, July and October of each year.
- The second tranche of the fixed rate bonds listed on October 19, 2018 amounting to P20,000, consist of: (i) 5.5-year Series C Bonds, due in 2024 with an interest rate of 7.8183% per annum; and, (ii) seven-year Series D Bonds, due in 2025 with an interest rate of 8.0551% per annum. Interest is payable every 19th of January, April, July and October of each year.

The proceeds from the first tranche were used to partially settle the US\$475 and US\$550 Term Loan, to repay short-term loans and for general corporate requirements.

The proceeds from the second tranche were used for the payment of short-term loans, redeemed a portion of Petron's USCS and for general corporate purposes.

Unamortized debt issue costs amounted to P224 and P295 as at December 31, 2020 and 2019, respectively.

- c. The amount represents the first and second tranche of the P35,000 shelf registered fixed rate bonds (the "Bonds") issued by SMC Global amounting to P20,000 on December 22, 2017 and P15,000 on August 17, 2018, respectively. The Bonds were listed in the PDEX.

- The first tranche of the fixed rate bonds listed on December 22, 2017 amounting to P20,000, consists of: (i) five-year Series D Bonds, due in 2022 with an interest rate of 5.3750% per annum; (ii) seven-year Series E Bonds, due in 2024 with an interest rate of 6.2500% per annum; and, (iii) 10-year Series F Bonds, due in 2027 with an interest rate of 6.6250% per annum. Interest is payable every 22nd of March, June, September and December of each year.
- The second tranche of the fixed rate bonds listed on August 17, 2018 amounting to P15,000 pertains to the five-year Series G Bonds, due in 2023 with an interest rate of 6.7500% per annum. Interest is payable every 17th of February, May, August and November of each year.

Proceeds from the first tranche were used to refinance peso-denominated short-term loans.

Proceeds from the second tranche were used to refinance the outstanding shareholder advances and partially refinance existing US dollar-denominated loan obligations and payment of transaction-related expenses.

Unamortized debt issue costs amounted to P230 and P301 as at December 31, 2020 and 2019, respectively.

- d. The amount represents the first tranche of the P60,000 shelf registered fixed rate bonds (the “Bonds”) issued by SMC Global amounting to P30,000 on April 24, 2019. The Bonds were listed in the PDEX.

The Bonds consist of: (i) three-year Series H Bonds, due in 2022 with an interest rate of 6.8350% per annum; (ii) five-year Series I Bonds, due in 2024 with an interest rate of 7.1783% per annum; and, (iii) seven-year Series J Bonds, due in 2026 with an interest rate of 7.6000% per annum. Interest is payable every 24th of January, April, July and October of each year.

The net proceeds were used for refinancing of maturing long-term and short-term loans, in investments in power-related assets and payment of transaction-related expenses.

Unamortized debt issue costs amounted to P241 and P331 as at December 31, 2020 and 2019, respectively.

- e. The amount represents P15,000 fixed rate bonds (the “Bonds”) issued by SMB on April 2, 2014, divided into: (i) Series G Bonds, due in 2021 with an interest rate of 5.50% per annum; and, (ii) Series H Bonds, due in 2024 with an interest rate of 6.00% per annum. Interest is payable every 2nd of April and October of each year.

Proceeds from the Series G and Series H issuance were used to partially refinance the redemption of Series B Bonds.

The Bonds were listed in the PDEX.

Unamortized debt issue costs amounted to P16 and P38 as at December 31, 2020 and 2019, respectively.

- f. The amount represents P15,000 fixed rate bonds (the “Bonds”) issued by SMC Global on July 11, 2016, divided into: (i) Series A Bonds, due in 2021 with an interest rate of 4.3458% per annum; (ii) Series B Bonds, due in 2023 with an interest rate of 4.7575% per annum; and, (iii) Series C Bonds, due in 2026 with an interest rate of 5.1792% per annum. Interest is payable every 11th of January, April, July and October of each year.

Proceeds from the issuance were used to refinance the US\$300 short-term loan that matured on July 25, 2016, which were used for the redemption of the US\$300 bond in January 2016.

The Bonds were listed in the PDEX.

Unamortized debt issue costs amounted to P59 and P86 as at December 31, 2020 and 2019, respectively.

- g. The amount represents the P15,000 fixed rate bonds (the “Bonds”) issued by SMFB on March 10, 2020, divided into Series A Bonds, due in 2025 with an interest rate of 5.050% per annum, and Series B Bonds, due in 2027 with an interest rate of 5.250% per annum. Interest is payable every 10th of March, June, September and December of each year. The Bonds were listed in the PDEX.

Proceeds from the issuance were used to redeem the outstanding Series “2” Perpetual Preferred Shares of SMFB.

Unamortized debt issue costs amounted to P171 as at December 31, 2020.

- h. The amount represents P17,000 fixed rate bonds (the “Bonds”) issued by SMB on April 2, 2012, divided into: (i) seven-year Series E Bonds, due in 2019 with an interest rate of 5.93% per annum; and, (ii) ten-year Series F Bonds, due in 2022 with an interest rate of 6.60% per annum. The Series E and F Bonds were part of the P20,000 fixed rate bonds of SMB. Interest is payable every 2nd of April and October of each year.

The proceeds from the issuance were used to refinance existing financial indebtedness and for general working capital purposes.

The Bonds were listed in the PDEX.

The Series E Bonds with a principal of P10,000 was redeemed by SMB on April 12, 2019.

Unamortized debt issue costs amounted to P12 and P21 as at December 31, 2020 and 2019, respectively.

- i. The amount represents P7,300 fixed rate bonds (the “Bonds”) issued by SLTC on May 22, 2015, divided into: (i) Series A Bonds, due in 2020 with an interest rate of 4.9925% per annum; (ii) Series B Bonds, due in 2022 with an interest rate of 5.5796% per annum; and, (iii) Series C Bonds, due in 2025 with an interest rate of 6.4872% per annum. Interest is payable every 22nd of February, May, August and November of each year.

The proceeds from the issuance were used to prepay peso-denominated Corporate Notes drawn in 2012.

The Bonds were listed in the PDEX.

The Series A Bonds with a principal of P2,400 was redeemed by SLTC on August 24, 2020.

Unamortized debt issue costs amounted to P23 and P35 as at December 31, 2020 and 2019, respectively.

- j. The amount represents the drawdown by SCPC on June 28, 2017 of the Tranche A and Tranche B amounting to P42,000 and the remaining balance of Tranche B amounting to P2,000 on January 31, 2018, from its P44,000 Omnibus Loan and Security Agreement (OLSA) dated June 22, 2017 with various banks.

Proceeds from the loan were used for the settlement of the US\$360 short-term loan, acquisition of the 2x150 MW Limay Coal-fired Power Plant in Limay, Bataan from LETI, repayment of shareholder advances and financing of transaction costs relating to the OLSA. The loan is payable in 46 unequal quarterly installments commencing on the 9th month from initial advance for Tranche A, 36 unequal quarterly installments commencing on the 39th month from initial advance for Tranche B. Final repayment date is 12 years from initial advance.

The loan is subject to repricing on the seventh year from the date of initial advance.

Partial payments made amounted to P3,610 and P2,100 as at December 31, 2020 and 2019, respectively.

Unamortized debt issue costs amounted to P547 and P626 as at December 31, 2020 and 2019, respectively.

- k. The amount represents loan drawn by CCEC as at December 31, 2020, from its P31,000 OLSA dated December 15, 2014 with various banks.

Proceeds of the loan were used to partially finance the design, construction and the operation and maintenance of the Skyway Stage 3 Project. The loan is payable in 35 unequal consecutive quarterly installments starting on the earlier of March 30, 2020 or one quarter after issuance of toll operation certificate by TRB. Final repayment date is 12 years after initial drawdown date.

Payments made amounted to P679 as at December 31, 2020.

The drawdown includes payable to BOC amounting to P3,619 and P3,700 as at December 31, 2020 and 2019, respectively (Note 33).

Unamortized debt issue costs amounted to P272 and P324 as at December 31, 2020 and 2019, respectively.

- l. The amount represents the P11,000 and P17,300 loan drawn by AAIPC on various dates in 2020 and December 16, 2019, respectively, from its P41,200 Corporate Notes Facility Agreement dated December 9, 2019 with various local banks.

Proceeds of the loan were mainly used to refinance existing debt obligations, invest and/or advance for infrastructure projects, for general corporate requirements and finance transaction related fees, taxes and expenses. The loan is payable in 40 quarterly installments commencing on the third month from initial issue date. Final repayment date is 10 years from initial issue date.

The Notes are subject to repricing on the fifth year from initial issue date.

Payments made amounted to P1,140 as at December 31, 2020.

Unamortized debt issue costs amounted to P360 and P580 as at December 31, 2020 and 2019, respectively.

- m. The amount represents loan drawn by SMCPC as at December 31, 2020, from its P21,300 12-year OLSA dated August 9, 2018 with various banks.

The proceeds were used by SMCPC for the repayment of short-term loan used to fund the design, construction and operation of the Malita, Davao Power Plant and payment of transaction-related fees and expenses.

Payments made amounted to P2,592 and P1,296 as at December 31, 2020 and 2019, respectively.

The drawdown includes payable to BOC amounting to P2,811 and P3,005 and as at December 31, 2020 and 2019, respectively (Note 33).

Unamortized debt issue costs amounted to P296 and P335 as at December 31, 2020 and 2019, respectively.

- n. The amount represents the drawdown by SMC on June 24, 2019 from its term loan facility amounting to P16,000. The loan is amortized over seven years and is subject to a fixed interest rate of 6.9375% per annum payable quarterly. The proceeds were used for general corporate purposes.

SMC paid the scheduled amortizations amounting to P240 and P80 as at December 31, 2020 and 2019, respectively.

Unamortized debt issue costs amounted to P99 and P113 as at December 31, 2020 and 2019, respectively.

- o. The amount represents the drawdown by SMC Global on April 26, 2017 from its term loan facility amounting to P15,000. The loan is amortized over seven years and is subject to a fixed interest rate of 6.9265% per annum, payable quarterly. The proceeds were used for debt refinancing.

Payments made amounted to P450 and P300 pursuant to the loan agreement as at December 31, 2020 and 2019, respectively.

Unamortized debt issue costs amounted to P82 and P103 as at December 31, 2020 and 2019, respectively.

- p. The amount represents the drawdown by SMCTC on December 19, 2019 amounting to P12,000 from its P42,000 Second Amendment to the OLSA dated December 16, 2019 with various local banks.

Proceeds of the loan were used for consolidation of project loans, releveraging the project, repayment of certain shareholder advance and partial financing of operation and maintenance of the project. The loan is payable in 39 quarterly installments commencing on the third month from initial drawdown. Final repayment date is 11 years and 9 months from initial drawdown.

The loan is subject to repricing on the fifth year from date of initial drawdown.

Payments made amounted to P360 as at December 31, 2020.

Unamortized debt issue costs amounted to P124 and P90 as at December 31, 2020 and 2019, respectively.

- q. The amount represents the drawdown by SMB on December 19, 2019 from its term loan facility amounting to P10,000. The loan is amortized over five years and is subject to a fixed interest rate of 4.63% per annum payable quarterly. The proceeds were used for general corporate purposes.

Unamortized debt issue costs amounted to P61 and P75 as at December 31, 2020 and 2019, respectively.

- r. The amount represents the loan drawn by SMFI amounting to P8,000 and P10,000 in 2020 and 2019, respectively, from its term loan facility amounting to P18,000. The loan is amortized for 10 years and is subject to a floating interest rate based on BVAL plus margin or BSP Term Deposit Auction Facility overnight rate plus margin, whichever is higher with a one-time option to convert to a fixed interest rate. The proceeds were used to refinance its existing short-term obligations, fund capital expansion projects and for other general corporate requirements.

On December 14, 2020, SMFI exercised its one-time option to convert to fixed interest rate for its P10,000 loan.

Unamortized debt issue costs amounted to P68 as at December 31, 2020, for the fixed interest loan.

Unamortized debt issue costs for the floating interest amounted to P56 and P75 as at December 31, 2020 and 2019, respectively, for the floating interest loan.

- s. The amount represents the drawdown by Petron on July 25, 2017 from its term loan facility amounting to P15,000. The loan is amortized over seven years and is subject to a fixed interest rate of 5.5276% per annum payable quarterly. The proceeds were used to refinance the short-term loan availed on December 23, 2016 for the acquisition of the Refinery Solid Fuel-fired Power Plant.

Payments made amounted to P6,965 and P4,821 as at December 31, 2020 and 2019, respectively.

Unamortized debt issue costs amounted to P27 and P43 as at December 31, 2020 and 2019, respectively.

- t. The amount represents the drawdown by Vertex amounting to P1,100 and P6,400 in 2016 and 2015, respectively, from its P7,500 OLSA dated July 8, 2014. Proceeds of the loan were used to finance the construction of the NAIA Expressway. The loan is payable in 32 unequal consecutive quarterly installments commencing on the period ending the earlier of 24 months from initial drawdown date or the date of the issuance by the TRB of the Toll Operations Certificate. Final repayment date is 10 years after initial drawdown date.

The drawdown includes payable to BOC amounting to P1,342 and P1,552 as at December 31, 2020 and 2019, respectively (Note 33).

Payments made amounted to P2,469 and P1,681 as at December 31, 2020 and 2019, respectively.

Unamortized debt issue costs amounted to P28 and P40 as at December 31, 2020 and 2019, respectively.

- u. The amount represents the drawdown by Petron on December 29, 2017 from its term loan facility amounting to P10,000. The loan is amortized over five years and is subject to a fixed interest rate of 5.7584% per annum payable quarterly. The proceeds were used to finance working capital requirements.

Payments made amounted to P5,000 and P2,500 as at December 31, 2020 and 2019, respectively.

Unamortized debt issue costs amounted to P10 and P21 as at December 31, 2020 and 2019, respectively.

- v. The amount represents the drawdown by Petron on April 27, 2020 from its term loan facility amounting to P5,000. The loan is amortized over five years and is subject to a fixed interest rate of 4.59% per annum payable quarterly. The proceeds were used for general corporate purposes.

Unamortized debt issue costs amounted to P30 as at December 31, 2020.

- w. The amount represents the drawdown of the first tranche by LCWDC in 2018 amounting to P4,200 from its P5,400 OLSA dated September 16, 2016 with various local banks.

Proceeds of the loan were used for the Bulacan Bulk Water Supply Project.

The loan is subject to repricing on the seventh year from the initial drawdown date.

Payments made amounted to P105 and P21 as at December 31, 2020 and 2019, respectively.

Unamortized debt issue costs amounted to P31 and P36 as at December 31, 2020 and 2019, respectively.

- x. The amount represents the drawdown by Petron on October 13, 2015 amounting to P5,000 from its term loan facility. The loan is amortized over seven years with a two-year grace period and is subject to a fixed interest rate of 5.4583% per annum payable quarterly. The proceeds were used to repay maturing obligations and for general corporate requirements.

Payments made amounted to P3,000 and P2,000 as at December 31, 2020 and 2019, respectively.

Unamortized debt issue costs amounted to P2 and P5 as at December 31, 2020 and 2019 respectively.

- y. The amount represents the P2,000 seven-year term loan availed by SMMI on December 19, 2019. The loan is amortized for seven years and is subject to a floating interest rate based on BVAL plus margin with a one-time option to convert to a fixed interest rate within two years. The proceeds of the loan were used to refinance existing short-term loans, fund its capital expenditure requirements for the upgrade or expansion of its production facilities and/or finance other general corporate requirements.

On December 19, 2020, SMMI exercised its option to convert the interest rate from floating to fixed. As a result, the interest rate was fixed at 3.2837% per annum.

Unamortized debt issue costs amounted to P13 and P15 as at December 31, 2020 and 2019, respectively.

- z. The amount represents drawdown by SMCSLC in 2011 amounting to P1,500, from a local bank, which was used for working capital requirements. The said loan was rolled-over for five years in July 2016.

Unamortized debt issue costs amounted to P1 and P2 as at December 31, 2020 and 2019, respectively.

- aa. The amount represents the P3,500 loan facility with local banks, entered into by SIDC in 2013. The proceeds of the loan were used to refinance its existing debt and to finance the construction and development of Stage II, Phase II of the STAR Project. Repayment period is within 32 unequal consecutive quarterly installments on each repayment date in accordance with the agreement beginning on the earlier of the 27th month from initial drawdown date or the third month from the date of receipt by SIDC of the financial completion certificate for the Project.

Payments made amounted to P2,154 and P1,682 as at December 31, 2020 and 2019, respectively.

Unamortized debt issue costs amounted to P4 and P8 as at December 31, 2020 and 2019, respectively.

- bb. The amount represents drawdown by GSMI on December 28, 2020 from its term-loan facility amounting to P500. The loan is amortized over three years and is subject to a fixed interest rate of 4.2105% per annum payable quarterly. The proceeds were used for general corporate requirements.

Unamortized debt issue costs amounted to P4 as at December 31, 2020.

- cc. The amount represents the outstanding loan of PPC with a local bank payable in 16 semi-annual installments over a period of 10 years, inclusive of a two-year grace period, starting from December 1997. PPC was unable to pay the installments. Management is currently developing and discussing a plan with the creditor to amend the loan repayment terms and provisions to enable PPC to continue to meet its obligation from cash generated by operations.

- dd. The amount represents P10,000 Fixed-Rate Notes due in 2020 issued by SMC on May 25, 2018. The Fixed-Rate Notes were listed on the same date with the PDEx, with an interest rate of 5.25% per annum payable every 25th of February, May, August and November of each year.

Proceeds from the Fixed-Rate Notes were used to partially refinance various loans and partially invest in existing businesses of the subsidiaries of SMC.

SMC redeemed the Fixed-Rate Notes on May 25, 2020.

Unamortized debt issue costs amounted to P25 as at December 31, 2019.

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

Payments made amounted to P118 as at December 31, 2019.

The loan was fully paid on September 24, 2020.

Unamortized debt issue costs amounted to P5 as at December 31, 2019.

- ff. The amount represents the P11,500 Corporate Notes Facility drawn by MTDME in 2012 with various banks. Proceeds of the loan were used to refinance the Holding Company Facility Agreement entered into by AAIBV amounting to US\$250 in which MTDME was a replacement borrower. The loan is payable semi-annually until 2022.

The drawdown includes payable to BOC amounting to P59 as at December 31, 2019 (Note 33).

Payments made amounted to P11,108 in 2019.

The loan was fully paid on March 16, 2020.

Unamortized debt issue costs amounted to P1 as at December 31, 2019.

- gg. The amount represents the drawdown of SMYPC from its term loan facility amounting to P5,000. The loan is amortized for five years and is subject to a floating interest rate based on BVAL plus margin payable quarterly. The proceeds were used to refinance existing short-term loans.

Payments made amounted to P553 as at December 31, 2020.

Unamortized debt issue costs amounted to P28 as at December 31, 2020.

- hh. The amount represents drawdowns by SMYAC from its term loan facility amounting to P4,000. The term of the loan is for five years and is subject to a floating interest rate payable quarterly. The proceeds were used to finance the capital expenditure in relation to Line 3 of the glass manufacturing plant project and general funding requirements.

On March 1, 2020, the balance of the loan was transferred to SMYPC following the merger (Note 5).

Payments made amounted to P773 and P240 as at December 31, 2020 and 2019, respectively.

Unamortized debt issue costs amounted to P11 and P20 as at December 31, 2020 and 2019, respectively.

- ii. The amount represents drawdowns by SMYAC of P1,449 and P551 in 2020 and 2019, respectively from its term loan facility amounting to P2,000. The loan is amortized for five years and is subject to a floating interest rate payable quarterly. The proceeds were used to finance the capital expenditure in relation to Line 3 of the glass manufacturing plant project and general funding requirements.

On March 1, 2020, the balance of the loan was transferred to SMYPC following the merger (Note 5).

Payments made amounted to P80 as at December 31, 2020.

Unamortized debt issue costs amounted to P11 and P4 as at December 31, 2020 and 2019, respectively.

- jj. The amount represents series of drawdowns in 2014 and 2013, from a loan agreement entered into by TADHC with BOC amounting to P3,300, used for financing the Airport Project. The loan is payable in 28 quarterly installments commencing on the 12th quarter.

TADHC paid P1,419 and P940 as at December 31, 2020 and 2019, respectively, as partial settlement of the loan principal (Note 33).

Unamortized debt issue costs amounted to P2 and P4 as at December 31, 2020 and 2019, respectively.

- kk. The amount represents the total outstanding loan drawn in various tranches by MPPCL from its ORA dated December 28, 2012, with various local banks. The proceeds of the loan were used to refinance its debt obligations previously obtained to partially finance the acquisition, operation, maintenance and repair of the power plant facilities purchased from PSALM by MPPCL. The loan is divided into fixed interest tranche amounting to US\$163 and US\$194 as at December 31, 2020 and 2019, respectively, and floating interest tranche based on LIBOR plus margin amounting to US\$54 and US\$65 as at December 31, 2020 and 2019, respectively. The loan will mature on January 23, 2023.

Unamortized debt issue costs amounted to P7 and P15 as at December 31, 2020 and 2019, respectively, for the fixed interest tranche.

Unamortized debt issue costs amounted to P2 and P5 as at December 31, 2020 and 2019, respectively, for the floating interest tranche.

- II. The amount represents the drawdown of US\$800 Notes (the “Notes”) issued on April 19, 2013, from the US\$2,000 Medium Term Note (MTN) Programme of SMC. The Notes were listed on the same date in the SGX-ST, with an interest rate of 4.875% per annum payable every 26th of April and October of each year.

Proceeds from the Notes were used for refinancing of US\$ denominated loans, working capital and general corporate purposes.

In 2015, SMC purchased US\$284 out of US\$400 Notes offered for purchase in a tender offer.

Unamortized debt issue costs amounted to P92 and P128 as at December 31, 2020 and 2019, respectively.

- mm. The amount represents the drawdown by SMC of US\$50 and US\$1,950 on December 27, 2019 and March 19, 2020, respectively, from its term loan facility amounting to US\$2,000. The term of the loan is for five years and is subject to a floating interest rate. The proceeds of the loans will be used for general corporate purposes.

Unamortized debt issue costs amounted to P2,132 and P168 as at December 31, 2020 and 2019, respectively.

- nn. The amount represents the drawdown by SMC Global on March 15, 2018 and March 16, 2018 from its US\$500 term facility and US\$700 term loan facility, respectively.

The US\$700 term loan facility is divided into Facility A Loan amounting to US\$200 maturing on March 12, 2021 and Facility B Loan amounting to US\$500 maturing on March 13, 2023.

The proceeds were used to partially finance the acquisition of the Masinloc Group.

SMC Global fully paid the US\$500 term facility as at December 31, 2019.

Unamortized debt issue costs amounted to P310 and P521 as at December 31, 2020 and 2019, respectively.

- oo. In May and July 2019, Petron availed of US\$536 and US\$264 loans, respectively, from its US\$800 term loan facility. The loan is amortized for five years with a two-year grace period and subject to a floating interest rate. The proceeds were used to refinance Dollar-denominated and Peso-denominated bilateral short-term loans, to partially prepay its existing US\$1,000 term loan and for general corporate purposes.

Payments made amounted to US\$115 as at December 31, 2020.

Unamortized debt issue costs amounted to P562 and P600 as at December 31, 2020 and 2019, respectively.

- pp. The amount represents the drawdown by SMC on March 16, 2018 from its term loan facility amounting to US\$400. The term of the loan is for five years and is subject to a floating interest rate. The proceeds were used to fund the subscription of RPS in SMC Global to partially finance the acquisition of Masinloc Group of Companies.

Unamortized debt issue costs amounted to P218 and P311 as at December 31, 2020 and 2019, respectively.

- qq. The amount represents the drawdown by SMC on June 26, 2018 from its term loan facility amounting to US\$300. The term of the loan is for five years and is subject to a floating interest rate. The proceeds were used to fund general corporate requirements and/or additional investments to its subsidiaries.

Unamortized debt issue costs amounted to P146 and P201 as at December 31, 2020 and 2019, respectively.

- rr. The amount represents the drawdown by SMC of US\$120 and US\$180 on September 25, 2018 and October 25, 2018, respectively, from its term loan facility amounting to US\$300. The term of the loans is for five years and is subject to a floating interest rate. The proceeds were used to refinance existing US dollar-denominated obligations and/or for general corporate requirements.

Unamortized debt issue costs amounted to P163 and P219 as at December 31, 2020 and 2019, respectively.

- ss. The amount represents the drawdown of US\$600 and US\$400 by Petron on June 28, 2017 and October 10, 2017, respectively, from its US\$1,000 term loan facility, which was signed and executed on June 16, 2017. The loan is subject to a floating interest rate plus spread and is amortized over five years with a two-year grace period. The proceeds were used to fully pay the outstanding loan balances.

Payments made amounted to US\$715 and US\$345 as at December 31, 2020 and 2019, respectively.

Unamortized debt issue costs amounted to P170 and P276 as at December 31, 2020 and 2019, respectively.

- tt. The amount represents the drawdown by SMC on October 24, 2017 from its term loan facilities amounting to US\$300 entered into with various banks. The loans have various maturities and is subject to floating interest rate. The proceeds were used to fund general corporate requirements and/or partially repay existing loans.

In 2020, SMC paid the scheduled amortization amounting to US\$80.

Unamortized debt issue costs amounted to P75 and P120 as at December 31, 2020 and 2019, respectively.

- uu. The amount represents the drawdown by SMC on November 21, 2018 from its term loan facility amounting to US\$200. The term of the loan is for five years and is subject to a floating interest rate. The proceeds were used to repay existing US dollar-denominated obligations.

Unamortized debt issue costs amounted to P111 and P146 as at December 31, 2020 and 2019, respectively.

- vv. The amount represents total outstanding loan drawn in various tranches by MPPCL from its OEFA dated December 1, 2015, with various local banks, to finance the construction of the additional 335 MW coal-fired plant within MPPCL existing facilities. The loan is divided into fixed interest tranche amounting to US\$376 and US\$362 as at December 31, 2020 and 2019, respectively, and floating interest tranche based on LIBOR plus margin amounting to US\$124 and US\$119 as at December 31, 2020 and 2019, respectively. The loan will mature on December 16, 2030.

Unamortized debt issue costs amounted to P271 and P339 as at December 31, 2020 and 2019, respectively, for the fixed interest tranche.

Unamortized debt issue costs amounted to P90 and P96 as at December 31, 2020 and 2019, respectively, for the floating interest tranche.

- ww. The amount represents the drawdown by Petron on August 26, 2020 from its term loan facility amounting to US\$150 with various banks. The loan is amortized for three years and is subject to a floating interest rate based on LIBOR plus margin payable (1, 3, or 6) months as selected by the borrower. The proceeds were used to prepay part of its US\$ term loan.

Unamortized debt issue costs amounted to P201 as at December 31, 2020.

- xx. The amount represents the drawdown by Petron on April 22, 2020 from its term loan facility amounting to JPY15,000 with various banks. The loan is amortized over five years and is subject to a floating interest rate based on JPY LIBOR plus a spread payable every 1, 3 or 6 months as selected by the borrower. The proceeds of the loan were used to partially prepay its US\$1,000 term loan facility.

Unamortized debt issue costs amounted to P142 as at December 31, 2020.

- yy. The amount represents AU\$80 loan drew by SMYA on July 31, 2019 from AU\$100 syndicated facility agreement entered into by SMYA on July 23, 2019. The loan is amortized over five years and is subject to interest based on BBSY rate plus margin. Proceeds of the loan were used to refinance maturing short-term obligations and general corporate purposes.

Unamortized debt issue costs amounted to P36 and P43 as at December 31, 2020 and 2019, respectively.

- zz. The amount represents total outstanding loans drawn in various tranches by INSA Alliance Sdn. Bhd., a subsidiary of SMYPIL, in 2015 to 2017 with various local banks, to finance working capital requirements. The loans are divided into fixed interest tranche and floating interest tranche based on COF plus margin. The loans under fixed interest tranche were prepaid on March 11, 2019. The loans under floating interest tranche have various maturities with the earliest one maturing on July 31, 2021 and the last one maturing on October 31, 2027.

The gross amount of long-term debt payable to BOC amounted to P9,653 and P10,676 as at December 31, 2020 and 2019, respectively (Note 33).

On July 11, 2019, the BOD of SMC approved the conduct of a consent solicitation process for the holders of the US\$800 4.875% Notes due in 2023, of which US\$516 are currently outstanding, and to the holders of record as at November 14, 2019 of the following debt securities namely: (i) 4.8243% Series A Bonds due in 2022, 5.284% Series B Bonds due in 2024, 5.7613% Series C Bonds due in 2027; (ii) 5.1923% Series D Bonds due in 2022; (iii) 6.25% Series E Bonds due in 2023, 6.625% Series F Bonds due in 2025, 7.125% Series G Bonds due in 2028; and (iv) 5.25% Fixed Rate Notes due in 2020, to the amendments to certain terms and conditions in the respective trust agreements.

The objective of the consent solicitation is to align the covenants and provisions of the Debt Securities with the relevant covenants and provisions of: (i) the P10,000 retail bond of SMC listed on October 4, 2019; and (ii) the US\$2,000 Syndication Agreement dated December 18, 2019 relating to the US\$1,750 Facility Agreement dated September 27, 2019.

SMC obtained the consents in connection with the consent solicitation for its Corporate Notes and Fixed Rate Corporate Bonds held from November 5 to December 18, 2019.

The supplemental trust agreements amending the trust agreements covering the Series A, B, C bonds, Series D bonds, Series E, F, G bonds and the two-year FXCN were executed by SMC and the respective trustees of the said bonds on December 26, 2019.

On November 28, 2019, majority of the holders of the US\$800 4.875% Notes due in 2023, of which US\$516 are currently outstanding, passed the Extraordinary Resolution amending certain terms and conditions of the Notes and in the Trust Deed of the Notes in order to align the covenants and provisions of the Notes with the relevant covenants and provisions of: (i) the P10,000 retail bond of SMC listed on October 4, 2019; and (ii) the US\$1,750 syndicated term loan facility.

The Supplemental Trust Deed amending certain terms and conditions of the Notes and the Trust Deed has been executed on November 29, 2019.

The debt agreements contain, among others, covenants relating to merger and consolidation, negative pledge, maintenance of certain financial ratios, working capital requirements, restrictions on loans and guarantees, disposal of a substantial portion of assets, significant changes in the ownership or control of subsidiaries, payments of dividends and redemption of capital stock. Also, certain agreements of a subsidiary include a one-time automatic waiver of compliance with financial ratios upon written notice to the lenders and without need of further action from the latter.

The Group is in compliance with the covenants of the debt agreements or obtained the necessary waivers as at December 31, 2020 and 2019.

The movements in debt issue costs are as follows:

	Note	2020	2019
Balance at beginning of year		P7,345	P6,848
Additions	18	3,308	2,577
Amortization	30	(2,282)	(1,968)
Reclassification, capitalized and others		(122)	(112)
Balance at end of year		P8,249	P7,345

Repayment Schedule

The annual maturities of long-term debt are as follows:

Year	Gross Amount	Debt Issue Costs	Net
2021	P75,400	P846	P74,554
2022	99,938	991	98,947
2023	193,921	2,015	191,906
2024	201,920	3,034	198,886
2025 and thereafter	204,031	1,363	202,668
Total	P775,210	P8,249	P766,961

Contractual terms of the Group's interest-bearing loans and borrowings and exposure to interest rate, foreign currency and liquidity risks are discussed in Note 39.

22. Other Noncurrent Liabilities

Other noncurrent liabilities consist of:

	Note	2020	2019
Payables on the purchase of shares of stock		P13,230	P14,874
Amounts owed to related parties	33	7,277	7,483
Retirement liabilities - noncurrent	35	6,753	6,501
ARO	4	3,735	2,217
Retention payable - noncurrent		3,243	1,702
Derivative liabilities - noncurrent	4, 39, 40	2,167	1,444
Cash bonds		947	750
IRO	4	730	640
Cylinder deposits		617	608
Concession liabilities		91	94
Obligation to ROP - service concession agreement	4, 34	66	76
MRO and decommissioning	4, 5	65	19
Redeemable preferred shares	4	-	19
Others		730	698
	39, 40	P39,651	P37,125

Payables on the Purchase of Shares of Stock. These amounts include: (a) the unpaid balance of the purchase price of PPC shares and the Tranche B receivables in accordance with the terms of the Amended and Restated Definitive Agreement (ARDA); and (b) advances made by Privatization Management Office (PMO) for the settlement of the liabilities of PPC.

- a. The ARDA and Supplemental ARDA were executed on May 10, 1996 and May 2, 1997, respectively, and amended on September 27, 1999, for PIC's acquisition from PMO of the PPC Shares and the Tranche B receivables for a total purchase price of US\$334 less US\$70, representing the stipulated amount of PPC's liabilities to its creditors excluding the National Government. The said purchase price is payable subject to various provisions of the ARDA as follows: (1) US\$260 payable in 23 successive semi-annual installments, of which no payments have been made as at December 31, 2020 and 2019; and (2) US\$4 payable in 171 monthly installments, the amortization payments of which started in August 1996 to April 2001 for a total of US\$1.

Among others, the payment of the purchase price is subject to the following provisions:

- PIC shall pay an installment only if, during the six-month period ending one month prior to an installment payment date (or such applicable date), the average London Metal Exchange (LME) price for nickel shall be higher than PIC's cash break-even price for such period. Notwithstanding the foregoing provision, if PPC's cash available for payments to PMO (as defined in the ARDA) shall not be sufficient to pay the whole installment, then PIC shall pay only such portion of the installment as shall be equal to PIC's cash available for payments to PMO and the unpaid portion shall be deferred to the next succeeding installment payment date.
- In the event that the payment of an installment, or a portion thereof, is deferred pursuant to the above provisions, PIC shall accrue interest thereon beginning on the date the installment was originally due until paid in full at an interest rate equivalent to the six-month LIBOR for dollar deposits. All interest accrued on this provision shall be paid by PIC to PMO on the installment payment date immediately following the six months period during which the average LME price for nickel is higher than PPC's cash break-even price.
- At least fifty percent of the portion of the purchase price shall be paid by PIC at the end of the ninth year after Final Notice (as defined in the ARDA) and the balance at the end of the 15th year after Final Notice, even if the average LME price for nickel shall be equal or lower than PIC's cash break-even price for such period.

As security for the payment of the said purchase price in accordance with the terms of the ARDA, PIC pledged the shares of PPC to PMO on May 2, 1997. PIC shall also pledge to the PMO the preferred shares to be received from PPC upon the conversion of the Tranche B receivables to equity.

On September 27, 1999, through an Amendment Agreement of the ARDA, the entire obligation of PIC under the ARDA was restructured and the cash break-even price formulated on May 2, 1997 was deleted as PIC and PMO shall establish a new cash break-even price formula which reflects the appropriate cost centers for a nickel refinery based on a pressure acid leach technology. As at December 31, 2020, the cash break-even price formula has not yet been established because the said formula may be established only upon commercial operations of the proposed new nickel refinery which has yet to be established.

In 2003, PIC filed a case with the Regional Trial Court of Makati (Court) for: (i) the suspension of payments under the ARDA; (ii) to stop PMO from enforcing the provisions under the ARDA providing for automatic reversion of PPC shares to PMO; and (iii) for the court to fix a period of payment. The court granted PIC's application and issued a Writ of Preliminary Injunction to enjoin PMO from enforcing the said automatic reversion of clause. The issues relating to the injunction orders and the validity of the automatic reversion clause were subsequently appealed to the Supreme Court, which, in a Decision dated August 27, 2014, declared that the automatic reversion clause constituted pactum commissorium and, thus, null and void. Accordingly, the Writ of Preliminary Injunction issued by the Court against the enforcement of the automatic reversion clause was made final and permanent. In the meantime, in the course of the proceedings before the trial court, PIC filed a Motion for Summary Judgment in December 2015 praying for the trial court to resolve the only remaining issue of fixing the period for payment and performance by PIC of its obligations to PMO under the ARDA. Through an order dated September 14, 2016, the RTC of Makati City granted PIC's Motion for Summary Judgment and fixed the period for PIC to pay its obligations to PMO. Thereafter, PMO filed an appeal with the Court of Appeals challenging the Order of the Makati RTC. On March 2, 2018, the Court of Appeals issued a Resolution stating that the appeal is considered submitted for decision. On February 27, 2019, the Court of Appeals issued a decision denying the appeal of PMO and affirming the Summary Judgment rendered by the RTC of Makati City in favor of PIC.

On January 17, 2020, PMO filed a Petition for Certiorari docketed as G.R. No. 251138 and assigned to Third Division. PIC's legal team will forthwith file for a Motion to Dismiss. As of December 31, 2020, the Supreme Court has not issued any decision on the motion filed by PMO.

PIC has not accrued interest on the unpaid monthly installments as management believes that interest is not due to the PMO since the cash break-even price has not yet been established, and the PIC has no cash available for payment to the PMO as defined in the ARDA.

- b. The amounts owed to PMO consist of the advances made by PMO for the settlement of the liabilities of PPC amounting to P1,410 and P1,582 as at December 31, 2020 and 2019, respectively. The advances will be paid by PIC in behalf of PPC and shall be payable, without interest, in 23 successive semi-annual installments with a three and a half year grace period, from the date of the Amendment Agreement to the ARDA or over a total period of 15 years inclusive of the grace period. The first installment should have been paid on September 27, 2003. No payments were made for the said advances since 2009.

Day 1 gain was recognized on the amounts owed to PMO, which does not carry interest. The amount of day 1 gain was determined as the difference between the proceeds of the amounts owed to PMO and its fair value. The fair value was measured as the present value of estimated cash flows discounted at prevailing market interest rates. The fair value was re-measured on January 1, 2020 based on the new cash flows projected by the management (Note 32).

Accrual for Mine Rehabilitation and Decommissioning. The Contingent Liability and Rehabilitation Fund Steering Committee, having approved the Final Mine Rehabilitation and/or Decommissioning Plan (FMR/DP) of the Group's nickel refinery, granted the Certificate of Approval dated February 24, 2010 to the Group, after the Group has substantially complied with the FMR/DP requirements.

The Group's recognized accrual for mine rehabilitation and decommissioning costs includes the future cost of rehabilitating the mine site and the related production facilities for the development of mines or installation of those facilities amounting to P19 as at December 31, 2020 and 2019.

"Others" include customers deposits, deferred rent, liability to a contractor and supplier and amounts owed by PPC to creditors amounting to P81 and P74 as at December 31, 2020 and 2019, respectively, conforming to debt restructuring and other noncurrent payables. These creditors have agreed to the settlement proposal of PIC which provides for the deferral of payment of the principal obligations over a number of years. These amounts are payable, without interest, over 10 years in 17 semi-annual installments commencing two years after the resumption of commercial operations.

23. Income Taxes

The components of income tax expense are shown below:

	2020	2019	2018
Current	P15,541	P22,701	P22,739
Deferred	292	6,208	1,976
	P15,833	P28,909	P24,715

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

2020	Balance at January 1	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Others	Balance at December 31
Allowance for impairment losses on trade and other receivables and inventory	P4,615	P145	P -	(P18)	P4,742
MCIT	876	261	-	-	1,137
NOLCO	1,750	9,102	-	-	10,852
Undistributed net earnings of foreign subsidiaries	(1,040)	(64)	37	105	(962)
Leases	(11,233)	(5,860)	-	(11)	(17,104)
Unrealized intercompany charges and others	(44,553)	(3,876)	91	195	(48,143)
	(P49,585)	(P292)	P128	P271	(P49,478)

2019	Balance at January 1	Adjustment Due to Adoption of PFRS 16	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Others	Balance at December 31
Allowance for impairment losses on trade and other receivables and inventory	P4,748	P -	(P196)	P -	P63	P4,615
MCIT	115	-	761	-	-	876
NOLCO	2,102	-	(352)	-	-	1,750
Undistributed net earnings of foreign subsidiaries	(1,129)	-	102	40	(53)	(1,040)
Leases	(7,747)	1,194	(4,707)	-	27	(11,233)
Unrealized intercompany charges and others	(43,723)	-	(1,816)	1,113	(127)	(44,553)
	(P45,634)	P1,194	(P6,208)	P1,153	(P90)	(P49,585)

The above amounts are reported in the consolidated statements of financial position as follows:

	Note	2020	2019
Deferred tax assets	4	P21,262	P18,431
Deferred tax liabilities		(70,740)	(68,016)
		(P49,478)	(P49,585)

As at December 31, 2020, the NOLCO and MCIT of the Group, which are presented as part of “Deferred tax assets” account in the consolidated statements of financial position, that can be claimed as deduction from future taxable income and deduction from corporate income tax due, respectively, are as follows:

Year Incurred/Paid	Carryforward Benefits Up To	NOLCO	MCIT
2018	December 31, 2021	P33	P16
2019	December 31, 2022	283	57
2020	December 31, 2025	35,857	1,064
		P36,173	P1,137

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

The net operating loss for the said taxable years may be carried over as a deduction even after the expiration of RA No. 11494, provided that the same is claimed within the next five consecutive taxable years following the year such loss was incurred.

The reconciliation between the statutory income tax rate on income from continuing operations before income tax and the Group’s effective income tax rate is as follows:

	2020	2019	2018
Statutory income tax rate	30.00%	30.00%	30.00%
Increase (decrease) in income tax rate resulting from:			
Interest income subject to final tax	(4.70%)	(4.14%)	(3.11%)
Equity in net loss (earnings) of associates and joint ventures	(0.32%)	(0.04%)	0.12%
Loss (gain) on sale of investments subject to final or capital gains tax	0.37%	0.09%	(0.11%)
Others, mainly income subject to different tax rates - net	14.78%	11.40%	8.62%
Effective income tax rate	40.13%	37.31%	35.52%

Corporate Recovery and Tax Incentives for Enterprises Act (CREATE) Bill

On November 26, 2020, the Senate approved on third and final reading Senate Bill No. 1357, otherwise known as the Corporate Recovery and Tax Incentives for Enterprises Act or CREATE, which seeks to reduce the corporate income tax (CIT) rates and to rationalize the current fiscal incentives by making it time-bound, targeted, and performance-based.

One of the key provisions of the bill that may affect the consolidated financial statements of the Group is an immediate 5%-10% point cut in the CIT rate starting July 2020.

The bill requires the approval of the Congress and by the President of the Philippines to be enacted as a law. As at December 31, 2020, the bill is still pending with the bicameral committee of Congress and consequently was not yet submitted to the President of the Philippines. Upon submission to the President of the Philippines, he may either approve it or exercise his veto to stop the enactment of the bill.

Since the bill is not considered substantively enacted, the current and deferred taxes are measured using the applicable income tax rates as at December 31, 2020.

The bicameral committee approved the bill on February 1, 2021. As at March 11, 2021, the bill is yet to be approved by the President of the Philippines.

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

	Increase (decrease)
ASSETS	
Prepaid expenses and other current assets	P406
Investments and advances - net	11
Deferred tax assets	(4,382)
	(P3,965)
LIABILITIES	
Income and other taxes payable	(P875)
Deferred tax liabilities	(6,759)
	(7,634)
EQUITY	
Equity reserves	176
Retained earnings	2,148
Non-controlling interests	1,345
	3,669
TOTAL LIABILITIES AND EQUITY	(P3,965)
INCOME BEFORE INCOME TAX	
Equity in Net Earnings of Associates and Joint Ventures	P11
INCOME TAX EXPENSE	
Current	(1,281)
Deferred	(2,037)
	(3,318)
NET INCOME	P3,329
Attributable to:	
Equity holders of the Parent Company	P2,148
Non-controlling interests	1,181
	P3,329

24. Equity

- Capital Stock

Common Shares

On January 6, 2010, SMC acquired a 49% stake via equity infusion in the Parent Company consisting of its subscription to 2,401,960 common shares of the Parent Company's unissued capital stock. On January 7, 2010, the Parent Company issued 2,401,960 common shares to SMC at a price of P18,600.00 per share, resulting in additional paid-in capital of P44,436.

On July 16, 2013, the BOD and stockholders of the Parent Company approved the stock split of the Parent Company's common shares via change in the par value from P100.00 per share to P1.00 per share. As a result of such stock split, the issued and outstanding common shares increased from 4,901,960 to 490,196,000. The new authorized capital stock of the Parent Company amounted to P1,000 divided into 740,000,000 common shares with a par value of P1.00 per share and 2,600,000 preferred shares with a par value of P100.00 per share. The SEC approved such corporate action on August 16, 2013.

On October 17, 2013, the BOD and stockholders of the Parent Company approved the Amendment of Articles of Incorporation to include the relevant provisions on the lock-up requirements prescribed by the rules and regulations of the PSE which the Parent Company shall comply with, subject to any waiver or exemption that may be granted by the PSE, in connection with the Parent Company's initial listing by way of introduction on the PSE of the Parent Company's 490,196,200 common shares. The SEC approved the aforesaid amendment on November 8, 2013.

On December 18, 2013, the PSE approved the application of the Parent Company for the listing by way of introduction of all its common shares. The shares were listed on the PSE on January 13, 2014.

The Parent Company has 330,325,136 (net of 2,561,031 common shares held by SMC) issued and outstanding common shares, and has 31,284 and 31,352 common shareholders as at December 31, 2020 and 2019, respectively.

Preferred Shares

On October 22, 2010, the Parent Company issued the stock certificates covering SMC's investment in 2,598,040 preferred shares at a price of P18,600.00 per share, resulting in additional paid-in capital of P48,064.

The preferred shares have a par value of P100.00 per share and are entitled to preferential dividends at a fixed rate per annum of 3% of the issue price which shall be payable quarterly in arrears and in cash. The dividends on the preferred shares shall be cumulative from and after the issue date of the preferred shares, whether or not in any period the amount thereof is covered by available unrestricted retained earnings.

The preferred shares do not carry the right to vote except in the cases expressly provided by law. These are redeemable in whole or in part, at the sole option of the Parent Company, equal to its issue price plus any accrued and unpaid preferential dividends, upon notice to the holders.

The preferred shares are entitled to participate and share in the retained earnings remaining after payment of the preferential dividends at the same rate as the common shares.

Dividends in arrears on the 3% cumulative and participating preferred shares amounted to P266 and P531 in 2020 and 2019, respectively.

There were no movements in the number of issued and outstanding preferred shares of stock in 2020 and 2019.

- **CPS**

On June 30, 2016, the Parent Company issued Philippine Peso-denominated CPS with an aggregate face value of P25,883 in favor of BCIL. The Parent Company incurred transaction cost amounting to P725. The CPS entitles the security holder to a cumulative preferential distribution at 6.25% per annum on the face value amount, payable semi-annually in arrears on June 30 and December 31 in each year, commencing on December 31, 2016. The security holders have the option to convert the CPS into preferred shares of the Parent Company at any time on or after July 31, 2019. As at December 31, 2020, BCIL did not exercise the option to convert the CPS into preferred shares of the Parent Company.

Proceeds from the sale of the securities were used by the Parent Company for payment of a US\$550 long-term debt on June 30, 2016.

Preferential dividends in arrears on CPS amounted to P7,280 and P5,662 as at December 31, 2020 and 2019, respectively.

- **Treasury Shares**

As at December 31, 2020, 2019 and 2018, treasury stock consist of:

Common:	
Receipt of own shares as property dividends	P28,001
Common shares of the Parent Company held by SMC	456
	<u>28,457</u>
Preferred:	
Redemption of preferred shares	12,899
Preferred shares of the Parent Company held by SMC	35,424
	<u>48,323</u>
	<u>P76,780</u>

On June 18, 2012, the Parent Company partially redeemed a total of 693,500 preferred shares out of the 2,598,040 preferred shares issued to SMC, at the total redemption price of P12,899, corresponding to the original issue price of the said preferred shares. The redeemed preferred shares are presented as part of "Treasury stock - preferred" account in the consolidated statements of financial position as at December 31, 2020 and 2019.

On October 17, 2013, the BOD of SMC approved the declaration, by way of property dividends, of 240,196,000 common shares of stock of the Parent Company to SMC common shareholders of record as at November 5, 2013, distributed on December 26, 2013.

The declaration of the property dividends eliminated the cross ownership between the Parent Company and SMC, which resulted in the consolidation of SMC effective October 17, 2013. The Parent Company, being a shareholder of SMC, received 157,310,033 of its own common shares equivalent to P28,001 recognized as "Treasury stock - common" and "Additional paid-in capital" accounts in the consolidated statements of changes in equity as at December 31, 2020, 2019 and 2018.

The remaining investments in the Parent Company held by SMC consisting of 2,561,031 common shares and 1,904,540 preferred shares amounting to P456 and P35,424, respectively, were recognized as "Treasury stock" account in the consolidated statements of financial position as at December 31, 2020 and 2019.

There were no movements in the treasury shares of the Parent Company in 2020, 2019 and 2018.

- Unappropriated Retained Earnings

The unappropriated retained earnings of the Parent Company is restricted in the amount of P456 in 2020, 2019 and 2018, representing the cost of common shares held in treasury.

The unappropriated retained earnings of the Group includes the accumulated earnings in subsidiaries and equity in net earnings of associates and joint ventures not available for declaration as dividends until declared by the respective investees.

- Appropriated Retained Earnings

The BOD of certain subsidiaries approved additional appropriations amounting to P10,968, P8,651, and P10,006 in 2020, 2019 and 2018, respectively, to finance future capital expenditure projects. Reversal of appropriations amounted to P6,837, P19,425 and P5,230 in 2020, 2019 and 2018, respectively.

25. Sales

Sales consist of:

	<i>Note</i>	2020	2019	2018
Goods		P708,136	P992,244	P995,621
Services		17,640	28,236	29,294
	6	P725,776	P1,020,480	P1,024,915

26. Cost of Sales

Cost of sales consist of:

	Note	2020	2019	2018
Inventories		P367,117	P565,264	P592,546
Taxes and licenses		82,648	95,775	79,119
Depreciation and amortization	28	30,850	32,930	32,122
Energy fees	34	20,365	26,417	25,424
Contracted services		15,130	16,037	16,393
Power purchases	34	13,006	21,565	11,321
Personnel	29	9,453	10,093	11,250
Freight, trucking and handling		9,260	12,003	11,817
Fuel and oil		8,367	15,508	23,979
Tolling fees	34	7,493	8,959	8,889
Repairs and maintenance		5,101	4,643	5,968
Communications, light and water		5,094	6,643	6,198
Rent	4, 34	419	566	945
Others		3,192	3,452	1,372
		P577,495	P819,855	P827,343

27. Selling and Administrative Expenses

Selling and administrative expenses consist of:

	2020	2019	2018
Selling	P33,409	P41,345	P42,718
Administrative	44,996	45,178	40,190
	P78,405	P86,523	P82,908

Selling expenses consist of:

	Note	2020	2019	2018
Personnel	29	P8,727	P10,022	P11,302
Freight, trucking and handling		8,293	10,484	9,853
Advertising and promotions		5,375	9,682	8,987
Depreciation and amortization	28	4,098	4,050	3,092
Rent	4, 34	1,878	1,819	3,694
Repairs and maintenance		1,278	1,505	1,449
Taxes and licenses		838	841	786
Supplies		557	575	663
Professional fees		518	659	683
Communications, light and water		420	464	494
Others		1,427	1,244	1,715
		P33,409	P41,345	P42,718

Administrative expenses consist of:

	Note	2020	2019	2018
Personnel	29	P21,165	P21,867	P18,645
Depreciation and amortization	28	7,755	7,451	5,196
Taxes and licenses		3,641	3,644	3,488
Professional fees		2,359	2,312	2,958
Impairment loss	8, 9, 18	1,785	1,071	1,024
Repairs and maintenance		1,688	2,086	1,330
Rent	4, 34	1,154	1,077	614
Supplies		905	774	655
Freight, trucking and handling		842	581	390
Communications, light and water		804	1,068	789
Research and development		50	152	152
Others	34	2,848	3,095	4,949
		P44,996	P45,178	P40,190

“Others” consist of entertainment and amusement, gas and oil and other administrative expenses.

28. Depreciation and Amortization

Depreciation and amortization are distributed as follows:

	Note	2020	2019	2018
Cost of sales:				
Property, plant and equipment	13	P16,809	P19,340	P24,306
Right-of-use assets	14	6,341	6,178	-
Deferred containers, biological assets and others	15, 16, 17, 18	7,700	7,412	7,816
	26	30,850	32,930	32,122
Selling and administrative expenses:				
Property, plant and equipment	13	5,345	4,786	4,213
Right-of-use assets	14	1,098	1,255	-
Deferred containers and others	15, 17, 18	5,410	5,460	4,075
	27	11,853	11,501	8,288
		P42,703	P44,431	P40,410

“Others” include amortization of concession rights, mineral rights, computer software, leasehold and land use rights, licenses and investment property.

29. Personnel Expenses

Personnel expenses consist of:

	Note	2020	2019	2018
Salaries and wages		P22,376	P22,267	P21,013
Retirement costs - net	35	1,832	1,203	2,004
Other employee benefits		15,137	18,512	18,180
		P39,345	P41,982	P41,197

Personnel expenses are distributed as follows:

	Note	2020	2019	2018
Cost of sales	26	P9,453	P10,093	P11,250
Selling expenses	27	8,727	10,022	11,302
Administrative expenses	27	21,165	21,867	18,645
		P39,345	P41,982	P41,197

30. Interest Expense and Other Financing Charges

Interest expense and other financing charges consist of:

	Note	2020	2019	2018
Interest expense		P45,349	P48,577	P38,781
Other financing charges	21, 35	5,345	5,153	3,985
		P50,694	P53,730	P42,766

Amortization of debt issue costs included in "Other financing charges" amounted to P2,282, P1,968 and P1,386 in 2020, 2019 and 2018, respectively (Note 21).

Interest expense on loans payable, long-term debt, lease liabilities and other liabilities is as follows:

	Note	2020	2019	2018
Loans payable	19	P7,473	P10,959	P7,524
Long-term debt	21	32,118	31,621	25,693
Lease liabilities	14, 34	5,080	5,912	5,238
Other liabilities		678	85	326
		P45,349	P48,577	P38,781

31. Interest Income

Interest income consists of:

	Note	2020	2019	2018
Interest from short-term investments, cash in banks and others	7, 12, 35	P5,854	P10,300	P6,728
Interest on amounts owed by related parties	33	333	388	483
		P6,187	P10,688	P7,211

32. Other Income (Charges)

Other income (charges) consists of:

	Note	2020	2019	2018
Construction revenue (a)	4, 17, 34	P22,747	P25,386	P23,062
Miscellaneous gain (b)	5, 43	7,971	1,430	-
Gain (loss) on foreign exchange - net	39	7,433	6,984	(11,723)
PSALM monthly fees reduction		2,581	1,171	1,615
Gain on fair valuation of investment	5, 11	894	727	-
Reversal of (additional provision on) impairment (c)	8, 13, 18	192	(1,573)	(771)
Dividend income		16	27	27
Construction costs (a)	4, 17, 34	(22,747)	(25,386)	(23,062)
Gain (loss) on derivatives - net	40	(5,007)	(3,308)	805
Others (d)	22	73	1,093	550
		P14,153	P6,551	(P9,497)

- a. The construction revenue recognized in profit or loss approximates the construction costs recognized. When it is probable that the total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

Construction costs are recognized by reference to the stage of completion of the construction activity of toll road, airport, port and water concession rights as at reporting date.

- b. Miscellaneous gain consists of settlement received by the Group from third party contractors on account of damages arising from the latter's non-fulfillment of obligations under procurement-related contracts (P3,826), income recognized by the Group from the Tax Credit Certificates (TCC) issued by the BIR in relation to the claims for refund filed for overpayment of excise taxes with the BIR for San Mig Light (Note 43) amounting to P3,382 and P1,430 in 2020 and 2019, respectively and the gain recognized from the consolidation of NCC amounting to P763 (Note 5).
- c. SMBHK and SMBB. In 2018, due to the fierce market competition in Hong Kong, SMB tested for impairment the related production plant located in Yuen Long, New Territories. SMB assessed the recoverable amounts of SMBHK's production plant and the result of such assessment was that the carrying amount of the assets was higher than its recoverable amount of P2,067. Accordingly, impairment loss was recognized to reduce carrying amount to recoverable amount of property, plant and equipment amounting to P544.

The recoverable amount of SMBHK's asset is determined based on a value-in-use calculation and the cash flows are discounted using a discount rate of 10.2%. The discount rate used is pre-tax and reflects specific risks relating to the Hong Kong brewing operations.

In 2019, the Group reassessed the recoverable amount of SMBHK's production plant and concluded that no further impairment losses or reversals of previously recognized impairment losses are required.

As SMBHK's asset has been reduced to its recoverable amount, any adverse change in the assumptions used in the calculation of the recoverable amount would result in further impairment losses.

Management determined the growth rate and gross contribution rate based on past experiences and future plans and expected market trends.

In 2019, the Group incurred losses in its North China operations due to fierce market competitions resulting in the decline in product demand compared to forecasted sales. These factors, among others, are indications that noncurrent assets of the Group's North China operations, comprising mainly of the production plant located in Baoding, Hebei Province and other intangible assets, may be impaired.

As discussed in Note 5, in March 2020, SMBB has stopped operations and production activities after SMBIL and SMCIC, the shareholders of SMBB, passed a resolution approving the dissolution of SMBB. Accordingly, the Group assessed the recoverable amounts of SMBB's assets and determined that the carrying amounts of the assets are higher than their recoverable amounts. Impairment losses were recognized to reduce carrying amounts to recoverable amounts of property, plant and equipment and deferred expenses amounting to P903 in 2019. There were no impairment losses or reversals of previously recognized impairment losses in 2020 and 2018.

As SMBB's assets have been reduced to their recoverable amounts, any adverse change in the assumptions used in the calculation of recoverable amounts would result in further impairment losses.

- d. "Others" consist of rent income, commission income, changes in fair value of financial assets at FVPL, gain on settlement of ARO, insurance claims, casualty loss, loss on retirement of breeding stocks and expenses of closed facilities. This also includes SMYPC's inventory loss from the fire incident at its plastic plant located in Pandacan, Manila in February 2020 (P312) and the portion of the Sky Way Stage 3 Project of CCEC that was also damaged by the fire (P280), net of proceeds from insurance.

33. Related Party Disclosures

The Parent Company, certain subsidiaries and their shareholders, associates and joint ventures purchase products and services from one another in the normal course of business. The Parent Company requires approval of the BOD for related party transactions amounting to at least ten percent (10%) of the consolidated total assets based on its latest audited financial statements.

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

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

	Note	Year	Revenue from Related Parties	Purchases from Related Parties	Amounts Owed by Related Parties	Amounts Owed to Related Parties	Terms	Conditions
Shareholders of the Parent Company	20	2020	P -	P -	P -	P10,304	On demand; interest and non-interest bearing	Unsecured;
		2019	-	-	-	10,864		
		2020	-	-	-	221		
		2019	-	-	-	221		
Retirement Plans	8, 35	2020	294	-	9,044	-	On demand; interest bearing	Unsecured; no impairment
		2019	301	-	9,275	-		
Associates	8, 18, 20	2020	2,086	18	761	29	On demand; interest and non-interest bearing	Unsecured; no impairment
		2019	3,054	178	1,879	251		
	19, 21	2020	-	-	-	16,925	Less than 1 to 10 years; interest bearing	Unsecured and secured
		2019	-	-	-	24,588		
Joint Ventures	8, 18, 20	2020	272	1,484	742	521	On demand; non-interest bearing	Unsecured; no impairment
		2019	364	959	755	56		
Shareholders in Subsidiaries	8, 20	2020	60	470	187	2,250	On demand; non-interest bearing	Unsecured; no impairment
		2019	38	57	183	2,376		
Others	8, 10, 20, 22	2020	1,730	2,574	492	7,288	On demand; non-interest bearing	Unsecured; no impairment
		2019	2,492	2,468	457	7,539		
Total		2020	P4,442	P4,546	P11,226	P37,538		
Total		2019	P6,249	P3,662	P12,549	P45,895		

- Interest-bearing payable owed to a shareholder of the Parent Company, used for working capital purposes. This is subject to 3.00% interest per annum, which was renegotiated in 2017. The parties agreed in writing that the 3.00% interest per annum will accrue beginning on the relevant year when SMC has commenced the management and operations of its Manila International Airport Project. This payable has no definite payment terms and considered payable upon demand.
- Amounts owed by related parties consist of current and noncurrent receivable, advances to suppliers and deposits and share in expenses.
- Amounts owed to related parties consist of trade payables, professional fees and leases. As at December 31, 2020 and 2019, amounts owed to a related party for the lease of office space presented as part of "Lease liabilities - current portion" and "Lease liabilities - net of current portion" amounted to P6 and P5 and P6 and P10, respectively.
- The amounts owed to associates include interest bearing loans payable to BOC presented as part of "Loans payable" and "Long-term debt" accounts in the consolidated statements of financial position.
- The compensation of key management personnel of the Group, by benefit type, follows:

	Note	2020	2019	2018
Short-term employee benefits		P477	P689	P742
Retirement cost	35	31	20	8
		P508	P709	P750

34. Significant Agreements and Lease Commitments

Significant Agreements:

- Energy
 - *IPPA Agreements*

As a result of the biddings conducted by PSALM for the Appointment of the IPP Administrator for the capacity of the following power plants, the Group was declared the winning bidder and act as IPP Administrator through the following appointed subsidiaries:

Subsidiary	Power Plant	Location
SMEC	Sual Coal - Fired Power Station (Sual Power Plant)	Sual, Pangasinan Province
SPDC	San Roque Hydroelectric Multi-purpose Power Plant (San Roque Power Plant)	San Roque, Pangasinan Province
SPPC	Ilijan Natural Gas - Fired Combined Cycle Power Plant (Ilijan Power Plant)	Ilijan, Batangas Province

The IPPA Agreements are with the conformity of National Power Corporation (NPC), a government-owned and controlled corporation created by virtue of Republic Act (RA) No. 6395, as amended, whereby NPC confirms, acknowledges, approves and agrees to the terms of the IPPA Agreements and further confirms that for as long as it remains the counterparty of the IPP, it will comply with its obligations and exercise its rights and remedies under the original agreement with the IPP at the request and instruction of PSALM.

The IPPA Agreements include, among others, the following common salient rights and obligations:

- i. the right and obligation to manage and control the capacity of the power plant for its own account and at its own cost and risks;
- ii. the right to trade, sell or otherwise deal with the capacity (whether pursuant to the spot market, bilateral contracts with third parties or otherwise) and contract for or offer related ancillary services, in all cases for its own account and at its own cost and risks. Such rights shall carry the rights to receive revenues arising from such activities without obligation to account therefore to PSALM or any third party;
- iii. the right to receive a transfer of the power plant upon termination of the IPPA Agreement at the end of the cooperation period or in case of buy-out;
- iv. for SMEC and SPPC, the right to receive an assignment of NPC's interest in existing short-term bilateral power supply contracts;
- v. the obligation to supply and deliver, at its own cost, fuel required by the IPP and necessary for the Sual Power Plant to generate the electricity required to be produced by the IPP;
- vi. maintain the performance bond in full force and effect with a qualified bank; and

- vii. the obligation to pay PSALM the monthly payments and energy fees in respect of all electricity generated from the capacity, net of outages.

Relative to the IPPA Agreements, SMEC, SPDC and SPPC have to pay PSALM monthly payments for 15 years until October 1, 2024, 18 years until April 26, 2028 and 12 years until June 26, 2022, respectively. Energy fees amounted to P20,365, P26,417 and P25,424 in 2020, 2019 and 2018, respectively (Note 26). SMEC and SPDC renewed their performance bonds amounting to US\$58 and US\$20, which will expire on November 3, 2021 and January 25, 2022, respectively.

On June 16, 2015, SPPC renewed its performance bond amounting to US\$60 with a validity period of one year. This performance bond was subsequently drawn by PSALM on September 4, 2015 which is subject to an ongoing case (Note 43).

- o *Market Participation Agreements (MPA)*

SMEC, SPDC, SPPC, SCPC, SMELC, SMCP, MPPCL and SPESC each entered into separate MPAs with Philippine Electricity Market Corporation (PEMC) to satisfy the conditions contained in the Philippine WESM Rules on WESM membership and to set forth the rights and obligations of a WESM member.

The relevant parties in each of the MPAs acknowledged that PEMC was entering into the agreement in its capacity as both governing arm and autonomous group market operator of the WESM, and that in due time the market operator functions shall be transferred to an independent market operator (IMO) pursuant to RA No. 9136, otherwise known as the "Electric Power Industry Reform Act of 2001" (EPIRA). The parties further agreed that upon such transfer, all rights, obligations and authority of PEMC under the MPA shall also pertain to the IMO and that all references to PEMC shall also refer to such IMO.

Upon the initiative of the DOE and PEMC, Independent Electricity Market Operator of the Philippines (IEMOP) was incorporated and assumed the functions and obligations as the market operator of the WESM commencing on September 26, 2018. Consequently, SMEC, SPDC, SPPC, SCPC, SMELC, SMCP and MPPCL each entered into separate Supplemental MPAs with PEMC and IEMOP for the transfer of rights of the market operator to IEMOP.

Under the WESM Rules, the cost of administering and operating the WESM shall be recovered through a charge imposed on all WESM members or transactions, as approved by the ERC. Market fees charged by PEMC to SMEC, SPDC, SPPC, SCPC and MPPCL amounted to P185, P206 and P325 in 2020, 2019 and 2018, respectively (Note 27).

SMELC, SCPC and MPPCL each has a standby letter of credit, expiring in 2021, to secure the full and prompt performance of obligations for its transactions as a Direct Member and trading participant in the WESM.

- *PSA and RSCs*

SMEC, SPPC, SPDC, SMCP, SCPC, SMELC, Strategic Energy Development Inc. and MPPCL have offtake contracts such as PSAs and RSCs with various counterparties to sell electricity produced by the power plants. Counterparties for PSAs include DUs, electric cooperatives, third party Retail Electricity Supplier (RES) and other entities.

Counterparties for RSCs are Contestable Customers, or large industrial users which have been certified contestable by the ERC.

Majority of the consolidated sales of the Group are through long-term offtake contracts, which may have provisions for take-or-pay, passing on fuel costs, foreign exchange differentials or certain other fixed costs and minimum offtake level. Most of the agreements provide for renewals or extensions subject to mutually agreed terms and conditions by the parties and applicable rules and regulations. Tariff structures vary depending on the customer and their needs, with some having structures based on energy-based pricing, flat generation rates, or capacity-based pricing.

For capacity-based contracts, the customers are charged with the capacity fees based on the contracted capacity plus the energy fees for the associated energy taken during the month. As stipulated in the contracts, energy-based contracts on the other hand are based on the actual energy consumption of customers using the basic energy charge and/or adjustments.

On March 2, 2021, Excellent Energy Resources Inc. (EERI) and MPPCL have executed long-term PSAs with Meralco for the supply and delivery of 1,200 MW and 600 MW contract capacity starting in November 2024 and April 2025, respectively. These PSAs have been filed with the ERC for approval.

SMEC, SPPC, SPDC, SMCP, SCPC and MPPCL can also purchase power from WESM or other power generation companies during periods when the power generated from the power plants is not sufficient to meet customers' power requirements. Power purchases amounted to P12,918, P21,435 and P11,181 in 2020, 2019 and 2018, respectively (Note 26).

- *Memorandum of Agreement (MOA) with San Roque Power Corporation (SRPC)*

On December 6, 2012, SPDC entered into a five-year MOA with SRPC to sell a portion of the capacity of the San Roque Power Plant. Under the MOA: i) SRPC shall purchase a portion of the capacity sourced from the San Roque Power Plant; ii) SRPC shall pay a settlement amount to SPDC for the capacity; and iii) the MOA may be earlier terminated or extended subject to terms and mutual agreement of the parties. The MOA was extended for another two years and expired on March 25, 2020.

- *Ancillary Service Procurement Agreement (ASPA)*

On September 8, 2017, MPPCL entered into an ASPA with the National Grid Corporation of the Philippines (NGCP) for a period of five years to allocate the entire capacity of its 10 MW Masinloc BESS as frequency regulating reserve for the NGCP to maintain power quality, reliability and security of the grid.

- *Coal Supply Agreements*

SMEC, SMCPCL, SCPC and MPPCL have supply agreements with various coal suppliers for the coal requirements of the power plants.

- *Distribution Wheeling Service (DWS) Agreements*

As RES, SMELC, SCPC and MPPCL each entered into DWS Agreements with certain DUs for the conveyance of electricity through its distribution systems in order to supply the power requirements of their respective contestable customers. The agreements are valid and binding upon execution unless terminated by either party.

The DWS charges from the DUs are passed on to the contestable customers who have opted for a single billing arrangement as provided in the ERC Supplemental Switching Rules.

- *Concession Agreement*

SMC Global entered into a 25-year Concession Agreement with ALECO on October 29, 2013. It became effective upon confirmation of the National Electrification Administration on November 7, 2013.

On January 28, 2014, SMC Global and APEC, entered into an Assignment Agreement whereby APEC assumed all the rights, interests and obligations of SMC Global under the Concession Agreement effective January 2, 2014.

The Concession Agreement include, among others, the following rights and obligations:

- i) as Concession Fee, APEC shall pay to ALECO: (a) separation pay of ALECO employees in accordance with the Concession Agreement and (b) the amount of P2 every quarter for the upkeep of residual ALECO (fixed concession fee);
- ii) if the net cash flow of APEC is positive within five years or earlier from the date of signing of the Concession Agreement, 50% of the Net Cash Flow each month shall be deposited in an escrow account until the cumulative nominal sum reaches P4,049;
- iii) on the 20th anniversary of the Concession Agreement, the concession period may be extended by mutual agreement between ALECO and APEC; and
- iv) at the end of the concession period, all assets and system, as defined in the Concession Agreement, shall be returned by APEC to ALECO in good and usable condition. Additions and improvements to the system shall likewise be transferred to ALECO.

In this regard, APEC shall provide services within the franchise area and shall be allowed to collect fees and charges, as approved by the ERC. APEC formally assumed operations as concessionaire on February 26, 2014.

○ COC

Daguma Agro-Minerals, Inc. (DAMI)'s coal property covered by COC No. 126, issued by the DOE, is located in South Cotabato consisting of two coal blocks with a total area of 2,000 hectares, more or less, and has an In-situ coal resources (measured plus indicated coal resources) of about 68 million metric tons as at December 31, 2020.

Sultan Energy Phils. Corp. (SEPC) has a coal mining property and right over an aggregate area of 7,000 hectares, more or less, composed of seven coal blocks located in South Cotabato and Sultan Kudarat. As at December 31, 2020, COC No. 134 has an In-situ coal resources (measured plus indicated coal resources) of about 35 million metric tons.

Bonanza Energy Resources, Inc. (BERI)'s COC No. 138, issued by the DOE, is located in Sarangani and South Cotabato consisting of eight coal blocks with a total area of 8,000 hectares, more or less, and has an In-situ coal resources (measured plus indicated coal resources) of about 23 million metric tons as at December 31, 2020.

Status of Operations

The DOE approved the conversion of the COC for Exploration to COC for Development and Production of DAMI, SEPC and BERI effective on the following dates:

Subsidiary	COC No.	Effective Date	Term*
DAMI	126	November 19, 2008	20 years
SEPC	134	February 23, 2009	10 years
BERI	138	May 26, 2009	10 years

**The term is followed by another ten-year extension, and thereafter, renewable for a series of three-year periods not exceeding 12 years under such terms and conditions as may be agreed upon with the DOE.*

On April 27, 2012 and January 26, 2015, the DOE granted the requests of DAMI, SEPC and BERI, for a moratorium on suspension of the implementation of the production timetable as specified under their respective COC. The request is in connection with a resolution passed by South Cotabato in 2010 prohibiting open-pit mining activities in the area. The moratorium was retrospectively effective from the dates of their respective COC, when these were converted to Development and Production Phase, until December 31, 2017 or until the ban on open-pit mining pursuant to the Environment Code of South Cotabato has been lifted, whichever comes first.

On October 20, 2017, DAMI, SEPC and BERI again requested for extension of the moratorium. This was granted on March 27, 2018, with effectivity of January 1, 2018 to December 31, 2018, along with an approved Work Program and Budget (WPB) to be complied with by DAMI, SEPC and BERI during the extended moratorium period.

On September 18, 2018, SEPC applied with the DOE for a ten-year extension of its COC No. 134 which is due to expire on February 23, 2019. This application was accompanied by a new five-year WPB as required for the extension of the moratorium period to expire in December 2018. In answer to these two requests, the DOE, in a letter dated January 11, 2019, required the submission of a new five-year WPB which SEPC complied with.

On December 18, 2018, DAMI further requested for another extension of the moratorium. The DOE replied on January 11, 2019 requiring instead of considering another moratorium extension, the submission of a five-year WPB which DAMI complied with.

On December 18, 2018, BERI requested for another extension of the moratorium. Further, on December 27, 2018, BERI applied for a ten-year extension of its COC No. 138 which will expire on May 23, 2019. In answer to these two requests, the DOE, in a letter dated January 11, 2019, required the submission of a five-year WPB, consistent with the COC No. 138 status as a Development and Production Contract, which BERI had actually submitted earlier on January 9, 2019.

The first two years of this new five-year WPB submitted by BERI focuses on the supplemental exploration, with drilling activity especially in Block 58 of the COC No. 138 where mineable reserves of coal are expected to be delineated. Further, within the first two years of the five-year WPB submitted by DAMI, SEPC and BERI, focuses on the “removal of tension cracked materials to prevent landslide” within their respective COC areas as identified by Mines and Geosciences Bureau/DENR XII, and requested by the Municipality of Lake Sebu. Full-scale coal production will start during the third year when the Provincial Government of South Cotabato would have endorsed the Project on any or all of the following grounds:

- a. the mining of coal in Barangay Ned is found to be beneficial to the host community as it reduces landslide risks and protects lives;
- b. the mining method is “contour stripping and progressive rehabilitation” and not the banned “open-pit mining”;
- c. DAMI, SEPC and BERI have vested right to mining within their respective COCs prior to the issuance of the open-pit mining ban; and
- d. the ban could be lifted as a result of court cases filed against it.

On March 2, 2019, DAMI, SEPC and BERI requested DOE for the consolidation of the three COCs for the following justifications:

- a. the coal seams, although of varying thickness are continuous from one COC to another and deal for interconnected contour strip mining due to nearly horizontal deposition;
- b. sulfur content vary over a wide range from less than one percent in the lower section of the thick seam in DAMI to over four percent in the Maitum blocks of BERI, and would require blending of the coal products from one COC to another in order to meet the acceptable market specification; and
- c. the coal resources and reserves vary greatly from one COC to another as the thickness and depth of the coal seams are variable, thus requiring stringent mine planning, operational efficiency and economic feasibility considerations.

However, on May 15, 2019, DAMI, SEPC and BERI clarified to the DOE that their request for consolidation of the three COCs was not meant to abandon nor withdraw the extension request of SEPC applied on September 21, 2018, having in mind the vested right provision of Section 21 of RA No. 11038 or the “Expanded National Integrated Protected Areas System Act of 2018”. Thus, DAMI, SEPC and BERI altogether declared that it is seeking for:

- a. the extension of COC of SEPC; and
- b. the consolidation of COC No. 126 and COC No.138 of DAMI and BERI, respectively, based on the justification set forth in the March 2, 2019 letter.

On December 11, 2019, the DOE approved the ten-year extension and the initial five-year WPB for COC No. 134 of SEPC.

On January 10, 2020, DAMI and BERI met with the Energy Resources Development Bureau representatives to discuss the proposed consolidated five-year WPB and the documentary requirements to effect consolidation of the two COCs.

On April 13, 2020, SEPC, DAMI and BERI reported to DOE inevitable delays in the implementation of their business plans, as embodied in their approved WPB of their respective COC due to the COVID-19 pandemic. This was followed on June 24, 2020 by a request for six months extension of the Work and Financial Commitments of SEPC, DAMI and BERI due to the continuing effects of the COVID-19 pandemic.

On August 28, 2020, DAMI and BERI submitted to DOE for approval a Deed of Assignment and Transfer conveying the agreement whereby BERI assigns and transfers its rights and obligations over COC No. 138 to DAMI. This is a requirement of the DOE for the consolidation of the COCs of BERI and DAMI.

On October 5, 2020, SEPC further requested that instead of only six months, its production years be extended by two years to enable recovery of its investment and maximize the recovery of its existing reserves.

As at March 11, 2021, SEPC’s request for a two-year extension of its present work program and the proposed DAMI and BERI Consolidated WPB are still under evaluation and are expected to be favorably considered and approved by the DOE.

Based on management’s assessment, there are no indicators that the carrying amount of the mining rights exceeds its recoverable amount as at December 31, 2020.

- Fuel and Oil

- *Supply Agreements*

Petron has assigned all its rights and obligations to PSTPL (as Assignee) to have a term contract to purchase Petron's crude oil requirements from Saudi Arabian Oil Company (Saudi Aramco), based on the latter's standard Far East selling prices and Kuwait Petroleum Corporation (KPC) to purchase Kuwait Export Crude Oil (KEC) at pricing based on latter's standard KEC prices. The contract with Saudi Aramco is from November 1, 2013 to December 31, 2014 while the contract with KPC is from January 1, 2015 to December 31, 2015, both with automatic annual extension thereafter unless terminated at the option of either party, upon at least 60 days written notice.

PMRMB currently has a long-term supply contract of Tapis crude oil and Terengganu condensate for its Port Dickson Refinery from ExxonMobil Exploration and Production Malaysia Inc. (EMEPMI) and Low Sulphur Waxy Residue Sale/Purchase Agreement with Exxon Trading Asia Pacific, a division of ExxonMobil Asia Pacific Pte. Ltd. On the average, around 57% of crude and condensate volume processed are from EMEPMI with balance of around 43% from spot purchases.

Outstanding liabilities of the Group for such purchases are shown as part of "Accounts payable and accrued expenses" account in the consolidated statements of financial position as at December 31, 2020 and 2019 (Note 20).

- *Lease Agreement with Philippine National Oil Company (PNOC)*

On September 30, 2009, Petron through NVRC entered into a 30-year lease with PNOC without rent-free period, covering a property which it shall use as site for its refinery, commencing on January 1, 2010 and ending on December 31, 2039. Based on the latest re-appraisal made, the annual rental shall be P138, starting 2012, payable on the 15th day of January each year without the necessity of demand. This non-cancellable lease is subject to renewal options and annual escalation clauses of 3% per annum to be applied starting 2013 until the next re-appraisal is conducted. The leased premises shall be reappraised in 2017 and every fifth year thereafter in which the new rental rate shall be determined equivalent to 5% of the reappraised value, and still subject to annual escalation clause of 3% for the four years following the re-appraisal. Prior to this agreement, Petron had an outstanding lease agreement on the same property from PNOC. Also, as at December 31, 2020 and 2019, Petron leases other parcels of land from PNOC for its bulk plants and service stations (Note 43).

- Infrastructure
 - *Airport Concession Agreement*
 - i. *Boracay Airport*

The ROP awarded TADHC the Airport Project through a Notice of Award (NOA) issued on May 15, 2009. The Airport Project is proposed to be implemented through a Contract-Add-Operate and Transfer Arrangement, a variant of the Build-Operate-Transfer (BOT) contractual arrangement under RA No. 6957, as amended by RA No. 7718, otherwise known as the BOT Law, and its Revised Implementing Rules and Regulations.

On June 22, 2009, TADHC entered into a Concession Agreement with the ROP, through the Department of Transportation (DOTr) and Civil Aviation Authority of the Philippines. Based on the Concession Agreement, TADHC has been granted with the concession of the Airport Project which includes the development and upgrade of the Caticlan Airport (marketed and promoted as Boracay Airport) as an international airport. Subject to existing law, the Concession Agreement also grants to TADHC the franchise to operate and maintain the Boracay Airport up to the end of the concession period, which is for a period of 25 years (as may be renewed or extended for another 25 years upon written agreement of the parties), and to collect the fees, rentals and other charges as may be determined in accordance with the Concession Agreement.

The salient features of the Concession Agreement are presented below:

1. The operations and management of the Boracay Airport shall be transferred to TADHC, provided that the ROP shall retain the operations and control of air traffic services, national security matters, immigration, customs and other governmental functions and the regulatory powers insofar as aviation security, standards and regulations are concerned at the Boracay Airport.
2. As concessionaire, TADHC shall have full responsibility in all aspect of the operation and maintenance of the Boracay Airport and shall collect the regulated and other fees generated from it and from the end users. To guarantee faithful performance of its obligation in respect to the operation and maintenance of the Boracay Airport, TADHC shall post in favor of the ROP, an Operations and Maintenance Performance Security (OMPS) amounting to P25, which must be valid for the entire concession period of 25 years. As at December 31, 2020, TADHC has yet to pay the OMPS as the Airport Project has not yet entered the In-Service Date.
3. Immediately upon receiving the Notice to Commence Implementation (NCI) and provided all conditions precedent in the Concession Agreement are fulfilled or waived, TADHC shall start all the activities necessary to upgrade and rehabilitate the Boracay Airport into a larger and more technologically advanced aviation facility to allow international airport operations.

4. TADHC shall finance the cost of the Airport Project, while maintaining a debt-to-equity ratio of 70:30, with debt pertaining to a loan with BOC. TADHC's estimated capital commitment to develop the Airport Project amounts to P2,500, including possible advances to the ROP for the right of way up to the amount of P466. Such ratio is complied with as TADHC fully issued its authorized capital stock as a leverage to the loan obtained (Notes 21 and 33).
5. TADHC shall also post a P250 Work Performance Security in favor of the ROP as guarantee for faithful performance by TADHC of the works required to be carried out in connection with the construction and completion of civil, structural, sanitary, mechanical, electrical and architectural infrastructure. This performance security shall be partially released by the ROP from time to time to the extent of the percentage-of-completion of the Airport Project. TADHC has paid P1 premium in 2020 for the Work Performance Security and is included as part of "Airport concession rights" under "Other intangible assets" account in the consolidated statements of financial position (Note 17). The unamortized portion is included as part of "Prepaid expenses and other current assets" account in the consolidated statements of financial position (Note 10).
6. In consideration for allowing TADHC to operate and manage the Boracay Airport, TADHC shall pay the ROP P8 annually. The first payment shall be made immediately upon the turnover by the ROP of the operations and management of the Boracay Airport to TADHC, and every year thereafter until the end of the concession period. The operations and management of the Boracay Airport was turned over to TADHC on October 16, 2010.

After fulfillment of all contractual and legal requirements, the Concession Agreement became effective on December 7, 2009. The NCI issued to TADHC by the DOTr was accepted by TADHC on December 18, 2009.

In accordance with the license granted by the ROP, as expressly indicated in the Concession Agreement, TADHC presently operates the Boracay Airport. TADHC completed the rehabilitation of the existing airport terminal building and facilities on June 25, 2011. Construction work for the extension of runway has been completed in 2016. The construction of the new terminal building will resume in the last quarter of 2021 and expected to be completed in 2023.

ii. Manila International Airport

On August 14, 2019, the ROP, through the DOTr, issued a NOA to SMHC, awarding the Manila International Airport Project. In accordance with the NOA, SMAI was registered by SMHC as the concessionaire.

The Manila International Airport Project shall create a gateway for international and domestic travel, with the necessary ancillary facilities to support the creation of a new airport city outside Metro Manila to decongest the existing road networks and provide an alternative higher capacity airport facility.

A. Concession Agreement

On September 18, 2019, SMAI entered into a Concession Agreement with the ROP, through the DOTr, for the right to finance, design, construct, supply, complete, test, commission and eventually operate and maintain the Manila International Project for a period of 50 years from the issuance of the Certificate of Substantial Completion for the first phase.

The salient features of the Concession Agreement are presented below:

1. The Manila International Airport shall consist of airfield facilities, passenger and cargo terminal buildings, airport support facilities and an airport toll road facility which will connect the Manila International Airport to the North Luzon Expressway and will be implemented in three phases, with increasing capacity for each phase completed.
2. The implementation of the first phase shall be completed within a period of five years from the date of commencement of construction, with the remaining phases subject to the timely submission and approval of the required documentation for each phase.
3. SMAI shall turnover 100 hectares of land to the ROP as government center land area and execute the necessary documents to transfer full ownership in favor of the ROP.
4. SMAI shall be responsible for the acquisition of right-of-way and possession of sufficient title to the facilities of the site of the Manila International Airport and the removal or abatement of all liens, encumbrances and hazardous substances within the Manila International Airport's vicinities as the case may be.
5. SMAI shall provide proper maintenance of the Manila International Airport's facilities and ensure that all airport facilities and airport toll road are in the condition required upon turnover to the ROP at the end of the concession period.
6. All revenues derived from the operations, maintenance and management of the Manila International Airport shall accrue to SMAI, including the lease or sublease of all business or commercial ventures and activities consistent with the Manila International Airport's operations.

B. Legislative Franchise

On December 20, 2020, RA No. 11506 lapsed into law, granting SMAI a franchise to construct, develop, establish, operate and maintain a domestic and international airport in the municipality of Bulakan and to construct, develop, establish, operate and maintain an adjacent Airport City (the Manila International Airport Project). The franchise is for a period of 50 years. RA No. 11506 became effective on January 15, 2021 and enhances the earlier Concession Agreement.

The salient features of RA No. 11506 are as follows:

1. SMAI shall be exempt from any and all direct and indirect taxes of any kind, nature and description, including but not limited to income taxes, value-added taxes, excise taxes, customs duties and tariffs, business taxes, among others during a ten-year construction period beginning from the effectivity of RA No. 11506. After the construction period, SMAI shall be exempt from income and real estate taxes until SMAI has fully recovered the costs incurred in the construction of the Manila International Airport Project.
2. After SMAI has fully recovered the costs, SMAI shall be entitled to generate income from its operations equivalent to an internal rate of return of 12% per annum. Any amount in excess shall be remitted to the national government.
3. SMAI is also required to offer at least 20% of its outstanding capital stock to any securities exchange in the Philippines for public participation within 5 years upon full recovery of costs incurred in the construction of the Manila International Airport Project.

o MRT 7 Concession Agreement

The ROP awarded ULC BVI the financing, design, construction, supply, completion, testing, commissioning and operation and maintenance of the MRT 7 Project through a NOA issued on January 31, 2008. The MRT 7 Project is an integrated transportation system, under a Build-Gradual Transfer-Operate, Maintain and Manage scheme, which is a modified Build-Transfer-Operate arrangement under RA No. 6957, as amended by RA No. 7718, otherwise known as the BOT Law, and its Revised Implementing Rules and Regulations, to address the transportation needs of passengers and to alleviate traffic in Metro Manila, particularly traffic going to and coming from North Luzon.

On June 18, 2008, ULC BVI entered into the MRT 7 Agreement or Concession Agreement with the ROP through the DOTr, for a 25-year concession period, subject to extensions as may be provided for under the Concession Agreement and by law. Based on the Concession Agreement, ULC BVI has been granted the right to finance, design, test, commission, construct and operate and maintain the MRT 7 Project, which consists of a highway, Intermodal Transport Terminal and Metro Rail Transit System including the depot and rolling stock.

The ROP through the DOTr granted ULC BVI the following rights under the Concession Agreement:

- To finance, design, construct, supply, complete and commission the MRT 7 Project;
- To designate a Facility Operator and/or a Maintenance Provider to Operate and Maintain the MRT 7 Project;
- To receive the Amortization Payments and the Revenue Share as specified in the Concession Agreement;
- To charge and collect the Agreed Fares or the Actual Fares and/or to receive the Fare Differential, if any;
- Development Rights as specified in the Concession Agreement; and
- To do any and all acts which are proper, necessary or incidental to the exercise of any of the above rights and the performance of its obligations under the Concession Agreement.

The salient features of the Concession Agreement are presented below:

1. The MRT 7 Project cost shall be financed by ULC BVI through debt and equity at a ratio of approximately 75:25 and in accordance with existing BSP regulations on foreign financing components, if any. Based on the Concession Agreement, ULC BVI's estimated capital commitment to develop the MRT 7 Project amounts to US\$1,236, adjusted to 2008 prices at US\$1,540 per National Economic and Development Authority Investment Coordination Committee approval on July 14, 2014.
2. ULC BVI shall post a Performance Security for Construction and Operations and Maintenance in favor of the ROP as guarantee for faithful performance by ULC BVI to develop the MRT 7 Project. This performance security for operations and maintenance shall be reduced every year of the concession period to the amounts as specified in the Concession Agreement.
3. All rail-based revenues above 11.90% internal rate of return of ULC BVI for the MRT 7 Project over the cooperation period, which means the period covering the construction and concession period, shall be shared equally by ULC BVI and the ROP at the end of the concession period. All rail-based revenues above 14% internal rate of return shall wholly accrue to the ROP.
4. As payment for the gradual transfer of the ownership of the assets of the MRT 7 Project, the ROP shall pay ULC BVI a fixed amortization payment on a semi-annual basis in accordance with the schedule of payment described in the Concession Agreement. The ROP's amortization payment to ULC BVI shall start when the MRT 7 Project is substantially completed.

5. For every semi-annual full payment made by the ROP through the DOTr, and actually received by ULC BVI, the latter shall issue a Certificate of Transfer of Ownership, in favor of the former representing a pro-indiviso interest in the assets of the MRT 7 Project in proportion to the amortization payment made over the total amortization payment to be made during the concession period. After the end of the concession period but provided that all the amortization payment and other amounts due to ULC BVI under the Concession Agreement shall have been fully paid, settled and otherwise received by ULC BVI, full ownership of the assets of the MRT 7 Project shall be transferred to it, free from all liens and encumbrances.
6. The amortization payments shall be adjusted pursuant to the escalation formula based on parametric formula for price adjustment reflecting changes in the prices of labor, materials and equipment necessary in the implementation/completion of the MRT 7 Project both local and at the country where the equipment/components shall be sourced.
7. Net passenger revenue shall be shared by the ROP and ULC BVI on a 30:70 basis.
8. The ROP grants ULC BVI the exclusive and irrevocable commercial Development Rights (including the right to lease or sublease or assign interests in, and to collect and receive any and all income from, but not limited to, advertising, installation of cables, telephone lines, fiber optics or water mains, water lines and other business or commercial ventures or activities over all areas and aspects of the MRT 7 Project with commercial development potentials) from the effectivity date of the Concession Agreement until the end of the concession period, which can be extended for another 25 years, subject to the ROP's approval. In consideration of the Development Rights granted, ULC BVI or its assignee shall pay the ROP 20% of the net income before tax actually realized from the exercise of the Development Rights.
9. Upon the expiration of the concession period and payment in full of the amortization payments and the other obligations of the ROP through the DOTr, the Concession Agreement shall be deemed terminated, and all the rights and obligations thereunder shall correspondingly cease to exist, other than all rights and obligations accrued prior to the date of such expiration including, without limitation, the obligations of ROP through the DOTr to make termination payments in accordance with the Concession Agreement and following expiration of the concession period, the Development Rights of ULC BVI pursuant to the Concession Agreement shall survive.
10. If ULC BVI and ROP through the DOTr are not able to agree on the solution to be adopted in an appropriate Variation Order within the period specified in the Concession Agreement, then ULC BVI may proceed to terminate the Concession Agreement. Also, if either of ULC BVI and ROP through the DOTr intends to terminate the Concession Agreement, by mutual agreement under the Concession Agreement, it shall give a notice of intention to terminate to the other. Following receipt of the Intent Notice, the parties shall meet for a period of up to eight weeks and endeavor to agree on the terms, conditions arrangements, and the necessary payments for such termination. If at the expiration of the said period, ULC BVI and ROP through the DOTr are unable to agree on and execute an agreement for the mutual termination of the Concession Agreement, the same shall remain valid and in effect.

On July 23, 2014, the ROP through the DOTr confirmed their obligations under the MRT 7 Agreement dated June 18, 2008 through the Performance Undertaking issued by the Department of Finance, which was received by ULC BVI on August 19, 2014. The Performance Undertaking is a recognition of the obligations of the ROP through the DOTr under the Concession Agreement, particularly the remittance of semi-annual amortization payment in favor of ULC BVI. The issuance of the Performance Undertaking triggers the obligation of ULC BVI to achieve financial closure within 18 months from the date of the receipt of the Performance Undertaking. Within the aforementioned period, ULC BVI achieved Financial Closure, as defined in the MRT 7 Agreement. There were no changes in the terms of the Concession Agreement in 2020.

On April 20, 2016, ULC BVI through SMC, led the ground breaking ceremony for the MRT 7 Project.

Pursuant to Section 19.1 of the Concession Agreement, on September 30, 2016, ULC BVI sent a request letter to the ROP through the DOTr to secure the latter's prior approval in relation to the intention of ULC BVI to assign all its rights and obligations under the Concession Agreement to SMC MRT 7, the designated special purpose company for the MRT 7 Project. The assignment of the rights and obligations from ULC BVI to SMC MRT 7 will be achieved through execution of Accession Agreement. Based on the Concession Agreement, ULC BVI may assign its rights, title, interests or obligations therein, provided that the following conditions are met:

- The assignment will not in any way diminish ULC BVI's principal liability under the Concession Agreement; and
- ULC BVI secures from ROP, through the DOTr, its prior approval, which shall not be unreasonably withheld.

In addition, the letter dated September 30, 2016 from ULC BVI also requested that upon submission by SMC MRT 7 of the lenders' recognition that the Financing Agreements for the MRT 7 Project is for its benefit, the DOTr shall cause the amendment of the Performance Undertaking dated July 23, 2014 by changing the addressee and beneficiary thereof from ULC BVI to SMC MRT 7.

On December 12, 2016, the ROP through the DOTr gave its consent to the assignment of all the rights and obligations of ULC BVI under the Concession Agreement to SMC MRT 7.

Following the DOTr's approval, SMC MRT 7 and ULC BVI carried out the Accession Agreement on January 12, 2017.

- *Toll Road Concession Agreements*

- i. *SLEX*

On February 1, 2006, SLTC executed the Supplemental Toll Operation Agreement (STOA) with MATES, Philippine National Construction Corporation (PNCC) and the ROP through the TRB. The STOA authorizes SLTC by virtue of a joint venture to carry out the rehabilitation, construction and expansion of the SLEX, comprising of: Toll Road (TR)1 (Alabang viaduct), TR2 (Filinvest to Calamba, Laguna), TR3 (Calamba, Laguna to Sto. Tomas, Batangas) and TR4 (Sto. Tomas, Batangas to Lucena City). The concession granted shall expire 30 years from February 1, 2006.

On December 14, 2010, the TRB issued the Toll Operations Certificate for Phase 1 of the SLEX i.e., TR1, TR2 and TR3, and approved the implementation of the initial toll rate starting April 1, 2011.

In 2012, SLTC received a letter from the Department of Finance informing SLTC of the conveyance by PNCC to the ROP of its shares of stock in SLTC, by way of deed of assignment. Moreover, SLTC also received the Declarations of Trust signed by the individual nominees of PNCC, in favor of the ROP, in which each nominee affirmed their holding of single, qualifying share in SLTC in favor of the ROP.

On July 21, 2015, SLTC entered into a MOA with Ayala Corporation (AC), on the inter-operability of the SLEX and Muntinlupa-Cavite Expressway (MCX) (formerly known as the Daang Hari-SLEX Connector Road). AC is the concession holder of MCX while MCX Tollway, Inc. is the facility operator of MCX.

The MOA on inter-operability provides the framework that will govern the interface and integration of the technical operations and toll operation systems between the MCX and the SLEX, to ensure seamless travel access into MCX and SLEX for road users. MCX opened and operated as a toll expressway on July 24, 2015.

In 2019, SLTC commenced the construction of TR4 and is ongoing as at December 31, 2020.

- ii. *NAIA Expressway*

On July 8, 2013, Vertex entered into a Concession Agreement with the ROP, through the Department of Public Works and Highways (DPWH), wherein Vertex was granted the right to finance, design, construct, and operate and maintain the NAIA Expressway Project. The NAIA Expressway Project links the three NAIA terminals to the Skyway, the Manila-Cavite Toll Expressway and the Entertainment City of the Philippine Amusement and Gaming Corporation.

On September 22, 2016, Vertex started commercial operations of NAIA Expressway upon receipt of the Toll Operations Permit from the TRB. The Toll Operations Permit for Phase II A and B was issued on September 9, 2016 and December 19, 2016, respectively.

At the end of the concession period, Vertex shall turnover the NAIA Expressway to the DPWH in the condition required for turnover as described in the Minimum Performance Standards Specifications of the Concession Agreement.

iii. Skyway

On June 10, 1994, PNCC, the franchise holder for the construction, operations and maintenance of the Metro Manila Expressway, including any and all extensions, linkages or stretches thereof, such as the proposed Skyway, and PT Citra Lamtoro Gung Persada (Citra), as joint proponents, submitted to the ROP through the TRB, the Joint Investment Proposal covering not only the proposed Skyway but also the planned Metro Manila Tollways. The Joint Investment Proposal embodied, among others, that Citra in cooperation with PNCC committed itself to finance, design and construct the Skyway in three stages, consisting of: (a) South Metro Manila Skyway (SMMS) as Stages 1 and 2; (b) North Metro Manila Skyway and the Central Metro Manila Skyway as Stage 3; and (c) Metro Manila Tollways as Stage 4. The Joint Investment Proposal was approved by the TRB on November 27, 1995.

o Skyway Stages 1 and 2

The STOA for SMMS was executed on November 27, 1995 by and among CMMTC, PNCC and the ROP acting through the TRB. Under the STOA, the design and the construction of the SMMS and the financing thereof, shall be the primary and exclusive privilege, responsibility and obligation of CMMTC as investor. On the other hand, the operations and maintenance of the SMMS shall be the primary and exclusive privilege, responsibility and obligation of PNCC, through its wholly owned subsidiary, the PNCC Skyway Corporation (PSC).

On July 18, 2007, the STOA was amended, to cover among others, the implementation of Stage 2 of the SMMS (Stage 2); the functional and financial integration of Stage 1 of the SMMS (Stage 1) and Stage 2 upon the completion of the construction of Stage 2; and the grant of right to CMMTC to nominate to the TRB a qualified party to perform the operations and maintenance of the SMMS to replace PSC. CMMTC, PNCC and PSC then entered into a MOA for the successful and seamless turnover of the operations and maintenance responsibilities for the SMMS from PSC to SOMCO.

The SMMS shall be owned by the ROP, without prejudice to the rights and entitlement of CMMTC and SOMCO under the STOA. The legal transfer of ownership of the SMMS to the ROP shall be deemed to occur automatically on a continuous basis in accordance with the progress of construction. The toll revenues are shared or distributed among CMMTC, SOMCO and PNCC for the operations and maintenance of the SMMS.

The 30-year franchise period for the Integrated Stage 1 and Stage 2 commenced on April 25, 2011.

Under the STOA, CMMTC may file an application to adjust the toll rates which shall be of two kinds, namely periodic and provisional adjustments. Periodic adjustments for the Integrated Stage 1 and Stage 2 may be applied for every year. CMMTC may file an application for provisional adjustment upon the occurrence of a force majeure event or significant currency devaluation. A currency devaluation shall be deemed significant if it results in a depreciation of the value of the Philippine peso relative to the US dollar by at least five percent. The applicable exchange rate shall be the exchange rate between the currencies in effect as at the date of approval of the prevailing preceding toll rate.

- Skyway Stage 3

The Stage 3 STOA was executed on July 8, 2013 by and among the ROP as the Grantor, acting by and through the TRB, PNCC, CCEC as the Investor, and Central Metro Manila Skyway Corporation (CMMSC) as the Operator, wherein CCEC was granted the primary and exclusive privilege, responsibility, and obligation to design and construct the Skyway Stage 3 Project, and to finance the same, while CMMSC was granted the primary and exclusive privilege, responsibility, and obligation to operate and maintain the Skyway Stage 3 Project.

The Skyway Stage 3 Project is an elevated roadway with the entire length of approximately 18.83 km from Buendia Avenue in Makati to Balintawak, Quezon City and will connect to the existing Skyway Stage 1 and 2. This is envisioned to inter-connect the northern and southern areas of Metro Manila to help decongest traffic in Metro Manila and stimulate the growth of trade and industry in Luzon, outside of Metro Manila.

The Skyway Stage 3 Project shall be owned by the ROP, without prejudice to the rights and the entitlements of CCEC and CMMSC under the Stage 3 STOA. The legal transfer of ownership of the Skyway Stage 3 Project to the ROP shall be deemed to occur automatically on a continuous basis in accordance with the progress of the construction thereof.

The franchise period for the Skyway Stage 3 Project is 30 consecutive years commencing from the issuance of the Toll Operation Certificate for the entire Skyway Stage 3 Project to CCEC and/or CMMSC.

CCEC and CMMSC shall enter into a revenue sharing agreement to set forth the terms and conditions of their sharing of the toll revenues from the Skyway Stage 3 Project.

On December 29, 2020, the Skyway Stage 3 Project was partially opened to the public. It was formally inaugurated and opened to motorists on January 14, 2021, free of toll fee.

- Skyway Stage 4

On July 14, 2014, the Stage 4 STOA was executed by and among the ROP as the Grantor, acting through the TRB and PNCC, CITI as the Investor, and Metro O&M Corporation (MOMCO) as the Operator. CITI was granted the primary and exclusive privilege, responsibility, and obligation to finance the design and construction of Skyway Stage 4 Project, while MOMCO was granted the primary and exclusive privilege, responsibility and obligation to operate and maintain the same.

The Skyway Stage 4 Project shall be owned by the ROP, without prejudice to the rights and the entitlements of CITI and MOMCO under the Stage 4 STOA. The legal transfer of ownership shall be deemed to occur automatically on a continuous basis in accordance with the progress of the construction thereof. The 30-year concession period shall commence from the date of issuance of the Toll Operation Certificate by the TRB to CITI and/or MOMCO.

As at December 31, 2020 the Skyway Stage 4 Project is in the inception of its construction stage.

iv. TPLEX

SMCTC entered into a Concession Agreement with the ROP through the DPWH and the TRB to finance, design, construct, operate and maintain and impose and collect tolls from the users of the TPLEX Project. The TPLEX Project is a toll expressway from La Paz, Tarlac to Rosario, La Union which is approximately 89.21 kilometers and consists of four-lane expressway with nine toll plazas from start to end.

The TPLEX Project shall be owned by the ROP without prejudice to the rights and entitlement of SMCTC. The legal transfer of ownership of the TPLEX Project shall be deemed to occur automatically on a continuous basis in accordance with the progress of construction and upon issuance of the Certificate of Substantial Completion for each segment of the TPLEX Project.

The toll revenue collected from the operation of the TPLEX Project is the property of SMCTC. SMCTC shall have the right to assign or to enter into such agreements with regard to the toll revenue and its collection, custody, security and safekeeping.

The concession period shall be for a term of 35 years starting from the effective date of the Concession Agreement and may be extended.

On October 31, 2013, SMCTC opened the first section of the TPLEX Project from Tarlac to Gerona. The Section 1B from Gerona to Rosales was opened to motorists on December 23, 2013. The 30.31-km stretch from Gerona to Carmen was fully operational on April 16, 2014. The 14.91-km stretch from Carmen (Tomana) to Urdaneta was fully operational starting February 17, 2015.

On July 28, 2016, the Segment 7A (Urdaneta to Binalonan) was opened. Segment 7B (Binalonan to Pozorrubio) was opened to motorists on December 7, 2017, while Segment 8 (Pozorrubio to Rosario), which is the final phase of the TPLEX Project, was completed and became operational on July 15, 2020.

v. *STAR*

On June 18, 1998, SIDC and the ROP, individually and collectively through the DPWH and the TRB, entered into a Toll Concession Agreement covering the STAR Project. The STAR Project consists of two stages as follows:

Stage	Project Description
Stage I	Operations and maintenance of the 22.16-km toll road from Sto. Tomas, Batangas to Lipa City, Batangas
Stage II (Phases I and II)	Finance, design, construction, operations and maintenance of the 19.74-km toll road from Lipa City, Batangas to Batangas City, Batangas

Under the Toll Concession Agreement, the STAR Project and any stage or phase or ancillary facilities thereof of a fixed and permanent nature shall be owned by the ROP, without prejudice to the rights and entitlements of SIDC. The legal transfer of ownership of the STAR Project and/or any stage, phase or ancillary thereof shall be deemed to occur automatically on a continuous basis in accordance with the progress of the construction and upon the ROP's issuance of the Certificate of Substantial Completion. The right of way shall be titled in the ROP's name regardless of the construction.

In December 2006, the Toll Concession Agreement was amended to extend the original concession period from 30 years beginning January 1, 2000 to 36 years and shall be valid until December 31, 2035.

The TRB issued the Toll Operations Certificate for Stage II Phase II on December 13, 2016.

o *Water Concession Agreements*

On December 7, 2015, MWSS issued a NOA to SMC - K-water Consortium (the Consortium) awarding the Bulacan Bulk Water Supply Project. In accordance with the NOA, the LCWDC was registered by the Consortium as the concessionaire.

On January 15, 2016, a Concession Agreement was executed between MWSS and LCWDC for a 30-year period, subject to extensions as may be provided for under the Concession Agreement. The Bulacan Bulk Water Supply Project shall comprise of the supply of treated bulk water, planning, financing, development, design, engineering and construction of facilities including the management, operation and maintenance in order to alleviate the chronic water shortage and provide potable water needs of the province of Bulacan.

On January 24, 2019, LCWDC commenced operations upon issuance of the Certificate of Final Acceptance by the MWSS for the completion of all works required under Stage 1 of the Bulacan Bulk Water Supply Project.

On April 25, 2019, the MWSS issued the Certificate of Final Acceptance for Stage 2 of the Bulacan Bulk Water Supply Project.

Upon issuance of the Certificate of Final Acceptance by MWSS for completion of all works for Stage 1, LCWDC has officially commenced its operations and started delivery of potable bulk water to the first seven Water Districts of Bulacan. Thereafter, on 24 April 2020, LCWDC has successfully completed Stages 1 & 2 of the Project and delivered bulk water to a total of 12 Water Districts.

Other salient features of the Concession Agreement are as follows:

1. LCWDC shall pay annual water rights fee to the Provincial Government of Bulacan amounting to P5 for the first five years of operation, subject to adjustment based on the Concession Agreement starting on the sixth contract year onwards.
 2. LCWDC shall pay an annual Concession Fee and Operation and Maintenance Fee to MWSS amounting to the equivalent of 2.5% of the Annual Gross Revenue of LCWDC and P5, respectively.
 3. MWSS and the Water Service Providers (WSPs) of the Province of Bulacan entered into a Memoranda of Understanding where the parties agreed to cooperate with each other towards the successful implementation of the Bulacan Bulk Water Service Project. Pursuant thereto, MWSS, LCWDC, and the individual WSPs for Stages 1 & 2 has entered into individual MOA where the MWSS, through LCWDC, has committed to supply the potable bulk water and the WSPs have agreed to accept the water and/or pay the Bulk Water Charges at the rate of Eight Pesos and Fifty Centavos plus VAT, subject to certain adjustments as provided under the Concession Agreement and the MOA.
 4. LCWDC utilized the National Housing Authority (NHA) site for the water treatment facility. The NHA site is the 5.5 hectares located at Pleasant Hills, San Jose Del Monte, Bulacan intended as the site for the water treatment facility. LCWDC paid in staggered cash in the aggregate amount of P165.
 5. At the end of the concession period, LCWDC shall transfer the facilities to MWSS in the condition required for turnover as described in the Minimum Performance Standards and Specifications of the Concession Agreement.
- Food and Beverage
 - *Toll Agreements*

The significant subsidiaries of SMFB have entered into toll processing with various contract growers, breeders, contractors and processing plant operators (collectively referred to as the “Parties”). The terms of the agreements include the following, among others:

- The Parties have the qualifications to provide the contracted services and have the necessary manpower, facilities and equipment to perform the services contracted.
- Tolling fees paid to the Parties are based on the agreed rate per acceptable output or processed product. The fees are normally subject to review in cases of changes in costs, volume and other factors.

- The periods of the agreement vary. Negotiations for the renewal of any agreement generally commence six months before expiry date.

Total tolling expenses included as part of “Cost of sales” account in the consolidated statements of income amounted to P7,493, P8,959 and P8,889 in 2020, 2019 and 2018, respectively (Note 26).

- Cement

- *Mineral Production Sharing Agreement (MPSA)*

NCC has an existing MPSA granted by the Philippine Government through the Department of Environment and Natural Resources (DENR). Details of the MPSA are as follows:

MPSA No.	Location	Date of Issuance
106-98-1	Labayug, Sison, Pangasinan	March 12, 1998

This MPSA has a term of 25 years from the date of issuance and may be renewed thereafter for another term not exceeding 25 years.

NCC has the following key commitments under its MPSA:

- The Philippine Government share shall be the excise tax on mineral products at the time of removal and at the rate provided for in RA No. 7729 amending Section 151 (a) of the Revised National Internal Revenue Code, as well as other taxes, duties and fees levied by existing laws.

Excise taxes paid to the Philippine Government aggregated to P13 in 2020.

- Allotment of a minimum of 1.5% of the direct drilling and milling costs necessary to implement the activities for community development.

As at December 31, 2020, allotment made amounted to P5.

- Mining

- *MPSA*

PNPI, PPC and PIC

The MPSA provides for the exclusive possession of and the privilege and right to explore, utilize, process and dispose of all minerals, mineral products and by-products that may be derived from the total contract area of 23,877 hectares in Parcels II and III of the Surigao Mineral Reservation (SMR) in the Province of Surigao del Norte and Dinagat Islands.

On May 2, 1997, PIC assigned its rights and obligations under the MPSA to PNPI. As a result of the assignment, PNPI holds exclusive rights to explore, develop, mine, and commercially utilize nickel, cobalt, chrome, iron and other mineral deposits within the contract area for a period of 25 years. On the other hand, PPC holds exclusive rights with respect to the processing of minerals and resources under the MPSA.

As part of the consideration for the assignment of the MPSA, PNPI assigned to PPC the exclusive Mineral Processing Rights (MPR) granted under the MPSA. The assignment of the MPSA by PIC to PNPI and the assignment of the MPR by PNPI to PPC were approved by the DENR on August 7, 1997.

The assignment of the MPSA was subject to the following conditions:

- i PNPI shall enter into an exclusive 25-year ore supply contract with PPC, to provide PPC with its nickel ore requirements;
- ii The MPSA shall be deemed automatically assigned to PPC in the event that PIC shall be in default under the ARDA and the ARDA is terminated in accordance with its terms;
- iii PNPI shall be jointly and severally liable for the payments due to the PMO under the ARDA and all profits earned by PNPI will be used to pay PIC's obligations to PMO under the ARDA as and when necessary; and
- iv All of the outstanding capital stock of PNPI shall be pledged to PMO as security for the obligations of PNPI to PMO as well as the obligations of PIC to PMO under the ARDA.

On August 7, 2007, MPSA No. 072-97-XIII (SMR) was reinstated in favor of PNPI. The term of the MPSA is for a period of 25 years until 2022. The first renewal of the two-year exploration period was granted on February 1, 2000; the second renewal on November 18, 2002; and the third renewal on September 25, 2007.

On August 12, 2009, prior to the expiration of the third renewal of the exploration period, PNPI submitted a Declaration of Mining Project Feasibility (DMPF) covering the 25,000 hectare MPSA contract area.

PNPI filed the fourth request for an additional two-year exploration period on November 25, 2013 with the Mines and Geosciences Bureau of the DENR (DENR-MGB) with the objective of: (a) updating the 2009 DMPF; and (b) fully defining the quality and quantity of limonite and saprolite deposits within the contract area. The request was approved, covering the period of February 25, 2015 to February 24, 2017.

On February 10, 2017, PNPI was granted the fifth renewal of the two-year exploration period by the DENR-MGB covering the period of February 25, 2017 to February 24, 2019 conditioned on the full implementation of the approved Exploration Work Program and Environmental Work Program, as well as the filing of DMPF.

On February 7, 2019, prior to expiration of exploration permit on February 24, 2019, PNPI filed the request for the renewal of the MPSA's exploration period with the MGB. The request is anchored on (1) the need to complete various technical studies; (2) the need to settle the PIC vs PMO case; and (3) PNPI's satisfactory compliance to the terms and conditions of the fifth renewal of the MPSA's exploration period. On September 9, 2020, PNPI has been granted the sixth renewal of exploration period and is coterminus with the remaining terms of the MPSA which is until August 7, 2022.

On September 21, 2015, the Deeds of Partial Assignment and Transfer was executed by PNPI with Prima Lumina Gold Mining Corporation (PLGMC) and V.I.L. Mines (VMI) wherein PNPI assigned all its rights and obligations in the 7035- and 6264-hectare portions of the contract area under its current Mining Rights (MPSA No. 072-97-XIII-SMR). On November 6, 2019, the Department of Environment and Natural Resources approved the Deeds of Assignment and Partial Transfer by PNPI with PLGMC and VMI. The Company's Mineral Production Sharing Agreement, MPSA No. 072-97-XIII-SMR, was redenominated as:

- MPSA-072-97-XIII-SMR-Amended A in the name of PNPI covering 10,577.6157 hectares (Nonoc, Awasan, and Hanigad Islands plus the Sabang Dam area);
- MPSA-072-97-XIII-SMR-Amended B in the name of PLGMC covering 7,035 hectares (North Dinagat area); and
- MPSA-072-97-XIII-SMR-Amended C in the name of VMI covering 6,264 hectares (South Dinagat area).

The approval came with the conditions that:

- The three companies shall submit a location map/sketch plan for each MPSA using NAMRIA topographic map at a scale of 1:50,000; and,
- The three companies shall file the renewal of the Exploration Period under the respective MPSA or submit a Declaration of Mining Project Feasibility (DMPF) Study pursuant to the terms and conditions of the MPSA.

The Mines and Geosciences Bureau further stated that the assigned portions of the MPSA shall be treated as separate MPSAs, subject to regular monitoring of the Mines and Geosciences Bureau Regional Office No. XIII.

VMI

VMI has mining rights under MPSA No. 346-2010-IVA issued by the DENR on June 25, 2010. The MPSA covers a total area of 11,126 hectares located in Quezon and Camarines Norte. The term of the MPSA is for a period of 25 years until 2035. In December 2015, the exploration permit of VMI expired and the exploratory core drilling activities were put on hold. A letter of request for the renewal of exploration permit was sent by VMI to MGB. However, due to the peace and order situation in the contract area, VMI filed with the DENR-MGB a request for suspension of obligations pursuant to the MPSA due to *force majeure*. The request was granted by MGB on August 24, 2017 and will be valid for two years or up to August 23, 2019. On July 16, 2019, VIL wrote to DENR-MGB requesting for the extension of suspension of obligations as peace and order situation within the contract area is still unstable. After foregoing premises considered, the Order dated August 24, 2017 suspending the obligations of V.I.L. Mines, Inc. is hereby extended for a period of two years starting from August 24, 2019 to August 23, 2021. Meanwhile, VMI continues to implement the remaining community development activities for its host communities.

- *Joint Operating Agreement*

On June 21, 2007, PPC and PNPI executed a Deed of Assignment to assign the rights and obligations of the Joint Operating Agreement entered by Philippine Mining Development Corporation (PMDC) and PPC to PNPI. The assignment was approved by PMDC on January 11, 2008.

- *Special Economic Zone*

On October 6, 1999, Presidential Proclamation No. 192 was issued creating and establishing the 106.5 hectare land situated in Nonoc Island, Surigao City as an economic zone to be known as the Philnico Industrial Estate Special Economic Zone. PIC is a PEZA-registered operator/developer of the economic zone as per Certificate of Registration No. EZ 00-001.

Pursuant to its registration with PEZA as an economic zone developer/operator, PIC is entitled to certain incentives in accordance with the provisions of RA No. 7916, otherwise known as "The Special Economic Zone Act of 1995", as amended.

As at December 31, 2020, Clariden is currently conducting metallurgical tests and additional technical studies to determine the optimal processing option for the nickel deposits.

Lease Commitments

- Group as Lessees under PAS 17

- Finance Leases*

As at January 1, 2019, assets classified as finance lease under PAS 17 and presented as part of "Property, plant and equipment - net" were reclassified to "Right-of-use assets - net" account in the consolidated statements of financial position (Notes 3, 4, 13 and 14).

- a. IPPA Agreements

The IPPA Agreements provide the Group with a right to receive a transfer of the power plant upon termination of the IPPA Agreement at the end of the cooperation period or in case of buy-out. In accounting for the Group's IPPA Agreements with PSALM, the Group's management has made a judgment that the IPPA Agreements are agreements that contains a finance lease. The Group's management has also made a judgment that it has substantially acquired all the risks and rewards incidental to the ownership of the power plants. Accordingly, the carrying amount of the Group's capitalized asset and related liability of P179,907 and P99,309 as at December 31, 2020 and P185,839 and P127,425 as at December 31, 2019, respectively, (equivalent to the present value of the minimum lease payments using the Group's incremental borrowing rates for US dollar and Philippine peso payments) are presented as part of "Right-of-use assets - net" and "Lease liabilities" accounts in the consolidated statements of financial position (Notes 4 and 14).

The Group's incremental borrowing rates are as follows:

	US Dollar	Philippine Peso
SMEC	3.89%	8.16%
SPPC	3.85%	8.05%
SPDC	3.30%	7.90%

The discount determined at the inception of the agreement is amortized over the period of the IPPA Agreement and recognized as part of "Interest expense and other financing charges" account in the consolidated statements of income. Interest expense amounted to P3,661, P4,470 and P5,165 in 2020, 2019 and 2018, respectively (Note 30).

b. Land Lease Agreement with PSALM

MPPCL has an existing lease agreement with PSALM for the lease of the 199,600 square meters land located in Barangay Bani, Masinloc, Zambales. The lease agreement will expire on April 11, 2028.

In August 2019, Alpha Water and Realty Services Corp. acquired 12,522 square meters out of the existing land currently being leased by MPPCL from PSALM for a total consideration of P16 (Note 13).

The lease liability is amortized using the discount rate over the period of the agreement. Amortization is recognized as part of "Interest expense and other financing charges" account in the consolidated statements of income which amounted to P3 in 2020 and 2019 (Note 30).

MPPCL's land under lease arrangement, presented under "Right-of-use assets - net" account in the consolidated statements of financial position amounted to P103 and P108 as at December 31, 2020 and 2019, respectively (Notes 4 and 14).

c. Equipment

The Group's finance leases cover equipment needed for business operations of MNHPI. The agreements do not allow subleasing.

The carrying amount of the leased asset as at April 26, 2019 was deconsolidated following the increase in the shareholdings of non-controlling interest of MNHPI (Note 5).

Interest expense amounted to P1 and P7 in 2019 and 2018, respectively (Note 30).

Operating Leases

The Group leases a number of office, warehouse, factory facilities and parcels of land under operating leases. The leases typically run for a period of one to 16 years. Some leases provide an option to renew the lease at the end of the lease term and are being subjected to reviews to reflect current market rentals.

As at January 1, 2019, the Group recognized right-of-use assets and lease liabilities for these leases, except for short-term leases and leases of low-value assets (Notes 3 and 14).

Rent expense recognized in the consolidated statement of income amounted to P5,253 in 2018 (Notes 4, 26 and 27).

- Group as Lessor

The Group has entered into operating leases on its investment property portfolio, consisting of surplus office spaces and leased property (Note 15) and certain service stations and other related structures and machinery and equipment, as well as leased property (Note 13). The leases have terms of three to ten years. All leases include a clause to enable upward revision of the rental charge on an annual basis based on prevailing market conditions.

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

Operating Leases under PFRS 16	2020	2019
Within one year	P856	P1,421
One to two years	656	943
Two to three years	653	668
Three to four years	619	511
Four to five years	573	548
More than five years	9,552	7,809
	P12,909	P11,900

Rent income recognized in the consolidated statements of income amounted to P1,382, P1,346 and P785 in 2020, 2019 and 2018, respectively (Notes 4 and 32).

35. Retirement Plans

SMC and majority of its subsidiaries have funded, noncontributory, defined benefit retirement plans (collectively, the Retirement Plans) covering all of their permanent employees. The Retirement Plans of SMC and majority of its subsidiaries pay out benefits based on final pay. Contributions and costs are determined in accordance with the actuarial studies made for the Retirement Plans. Annual cost is determined using the projected unit credit method. Majority of the Group's latest actuarial valuation date is December 31, 2020. Valuations are obtained on a periodic basis.

Majority of the Retirement Plans are registered with the BIR as tax-qualified plans under RA 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. Majority of the Board of Trustees of the Group's Retirement Plans who exercises voting rights over the shares and approves material transactions are employees and/or officers of SMC and its subsidiaries. The Retirement Plans' accounting and administrative functions are undertaken by the Retirement Funds Office of SMC.

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

	Fair Value of Plan Assets		Present Value of Defined Benefit Retirement Obligation		Effect of Asset Ceiling		Net Defined Benefit Retirement Liability	
	2020	2019	2020	2019	2020	2019	2020	2019
Balance at beginning of year	P30,865	P33,464	(P33,277)	(P32,787)	(P1,747)	(P3,321)	(P4,159)	(P2,644)
Benefit asset (obligation) of consolidated/deconsolidated subsidiaries	338	(40)	(554)	143	-	-	(216)	103
Recognized in profit or loss								
Service costs	-	-	(1,832)	(1,169)	-	-	(1,832)	(1,169)
Interest expense	-	-	(1,695)	(2,330)	-	-	(1,695)	(2,330)
Interest income	1,571	2,401	-	-	-	-	1,571	2,401
Interest on the effect of asset ceiling	-	-	-	-	(89)	(247)	(89)	(247)
Settlement loss	-	-	-	(34)	-	-	-	(34)
	1,571	2,401	(3,527)	(3,533)	(89)	(247)	(2,045)	(1,379)
Recognized in other comprehensive income								
Remeasurements								
Actuarial gains (losses) arising from:								
Experience adjustments	-	-	2,532	(818)	-	-	2,532	(818)
Changes in financial assumptions	-	-	(649)	(476)	-	-	(649)	(476)
Changes in demographic assumptions	-	-	49	179	-	-	49	179
Return on plan assets excluding interest income	(2,483)	(4,088)	-	-	-	-	(2,483)	(4,088)
Changes in the effect of asset ceiling	-	-	-	-	194	1,821	194	1,821
	(2,483)	(4,088)	1,932	(1,115)	194	1,821	(357)	(3,382)
Others								
Contributions	2,317	3,025	-	-	-	-	2,317	3,025
Benefits paid	(3,463)	(3,879)	3,660	3,989	-	-	197	110
Transfers from other plans	221	2	(239)	(2)	-	-	(18)	-
Transfers to other plans	(274)	(2)	292	2	-	-	18	-
Other adjustments	(33)	(18)	82	26	-	-	49	8
	(1,232)	(872)	3,795	4,015	-	-	2,563	3,143
Balance at end of year	P29,059	P30,865	(P31,631)	(P33,277)	(P1,642)	(P1,747)	(P4,214)	(P4,159)

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 the Group amounted to P2,045, P1,379 and P2,004 in 2020, 2019 and 2018, respectively (Notes 29, 30 and 31).

As at December 31, 2020, net retirement assets and liabilities, included as part of "Other noncurrent assets - net" account, amounted to P2,699 (Note 18) and under "Accounts payable and accrued expenses" and "Other noncurrent liabilities" accounts, amounted to P160 and P6,753, respectively (Notes 20 and 22).

As at December 31, 2019, net retirement assets and liabilities, included as part of "Other noncurrent assets - net" account, amounted to P2,496 (Note 18) and under "Accounts payable and accrued expenses" and "Other noncurrent liabilities" accounts, amounted to P154 and P6,501, respectively (Notes 20 and 22).

The carrying amounts of the Group's retirement fund approximate fair values as at December 31, 2020 and 2019.

The Group's plan assets consist of the following:

	In Percentages	
	2020	2019
Investments in marketable securities and shares of stock	76.58	75.04
Investments in pooled funds:		
Fixed income portfolio	7.61	8.44
Stock trading portfolio	1.95	2.43
Investments in real estate	1.56	1.48
Others	12.30	12.61

Investments in Marketable Securities

As at December 31, 2020, the plan assets include:

- 50,033,387 common shares and 4,231,050 Subseries "2-E", 8,038,270 Subseries "2-F", 103,730 Subseries "2-G", 264,840 Subseries "2-H", 9,782,770 Subseries "2-I", 3,379,100 Subseries "2-J" and 4,007,900 Subseries "2-K" preferred shares of SMC with fair market value per share of P128.10, P75.40, P77.30, P75.80, P78.00, P76.80, P75.50 and P75.50, respectively;
- 747,008,797 common shares and 460,000 preferred shares of Petron with fair market value per share of P3.99 and P1,114.00, respectively;
- 33,635,700 common shares of SMB with fair market value per share of P20.00;
- 22,868,770 common shares of GSMI with fair market value per share of P49.40;
- 12,487,440 common shares of SMFB with fair market value per share of P67.00;
- 300 common shares of SMPI with fair market value per share of P134.12; and
- 5,994,811 common shares of the Parent Company with fair market value per share of P140.00.

As at December 31, 2019, the plan assets include:

- 48,979,367 common shares and 2,875,200 Subseries “2-D”, 4,133,190 Subseries “2-E”, 8,038,270 Subseries “2-F”, 103,730 Subseries “2-G”, 264,840 Subseries “2-H” and 9,782,770 Subseries “2-I” preferred shares of SMC with fair market value per share of P164.00, P75.00, P77.00, P75.80, P76.00, P75.05 and P75.20, respectively;
- 744,248,797 common shares and 460,000 preferred shares of Petron with fair market value per share of P3.86 and P1,055.00, respectively;
- 33,635,700 common shares of SMB with fair market value per share of P20.00;
- 22,491,570 common shares of GSMI with fair market value per share of P38.00;
- 8,166,480 common shares of SMFB with fair market value per share of P85.00;
- 250,750 preferred shares of SMFB with fair market value per share of P997.00;
- 300 common shares of SMPI with fair market value per share of P134.12; and
- 5,975,541 common shares of the Parent Company with fair market value per share of P214.00.

The fair market value per share of the above marketable securities is determined based on quoted market prices in active markets as at the reporting date (Note 4).

The Group’s Retirement Plans recognized a gain (loss) on the investment in marketable securities of the Parent Company, SMC and its subsidiaries amounting to (P1,876), (P1,811) and P97 in 2020, 2019 and 2018, respectively.

Dividend income from the investment in shares of stock of SMC and its subsidiaries amounted to P375, P495 and P515 in 2020, 2019 and 2018, respectively.

Investments in Shares of Stock

a. BOC

San Miguel Corporation Retirement Plan (SMCRP) has 39.94% equity interest in BOC representing 44,834,286 common shares, accounted for under the equity method, amounting to P9,952 and P9,684 as at December 31, 2020 and 2019, respectively. SMCRP recognized its share in total comprehensive income of BOC amounting to P268 and P277 in 2020 and 2019, respectively.

b. BPI

The Group’s plan assets also include San Miguel Brewery Inc. Retirement Plan’s investment in 8,608,494 preferred shares of stock of BPI (inclusive of nominee shares), accounted for under cost method since cost approximates fair value, amounting to P859 as at December 31, 2020 and 2019.

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.

Approximately 75% and 80% of the Retirement Plans' investments in pooled funds in stock trading portfolio include investments in shares of stock of SMC and its subsidiaries as at December 31, 2020 and 2019, respectively.

Approximately 66% and 68% 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, 2020 and 2019, respectively.

Investments in Real Estate

The Retirement Plans of the Group have investments in real estate properties. The fair value of investment property amounted to P634 and P633 as at December 31, 2020 and 2019, respectively.

Others

Others include the Retirement Plans' investments in trust account, government securities, bonds and notes, cash and cash equivalents and receivables which earn interest. Investment in trust account represents funds entrusted to a financial institution for the purpose of maximizing the yield on investible funds.

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 P1,892 to the Retirement Plans in 2021.

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

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

Longevity and Salary Risks. The present value of the defined benefit retirement obligation is calculated by reference to the best estimates of: (1) the mortality of the plan participants, and (2) 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	
	2020	2019
Discount rate	0.40 - 7.00	3.56 - 7.75
Salary increase rate	2.00 - 8.80	5.00 - 8.00

Assumptions for mortality and disability rates are based on published statistics and mortality and disability tables.

The weighted average duration of defined benefit retirement obligation ranges from 1.0 to 26.0 years and 1.0 to 23.7 years as at December 31, 2020 and 2019, respectively.

As at December 31, 2020 and 2019, 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			
	2020		2019	
	1 Percent Increase	1 Percent Decrease	1 Percent Increase	1 Percent Decrease
Discount rate	(P1,996)	P2,295	(P1,747)	P2,043
Salary increase rate	2,311	(2,028)	2,214	(1,939)

The outstanding balances of the Group's receivable from the retirement plans are as follows:

- a. SMC has advances to and receivables from SMCRP amounting to P7,482 and P7,304 as at December 31, 2020 and 2019, respectively, included as part of "Amounts owed by related parties" under "Trade and other receivables - net" account in the consolidated statements of financial position (Notes 8 and 33). Portion of the advances are subject to interest of 5.75% in 2020 and 2019 (Note 31).
- b. Petron has advances to PCERP amounting to P1,562 and P1,971 as at December 31, 2020 and 2019, respectively, included as part of "Amounts owed by related parties" under "Trade and other receivables - net" account in the consolidated statements of financial position (Notes 8 and 33). The advances are subject to interest of 5% in 2020 and 2019 (Note 31).

In 2020 and in 2019, portion of Petron's interest bearing advances to PCERP were converted into contribution to the retirement plan.

Transactions with the Retirement Plans are made at normal market prices and terms. Outstanding balances as at December 31, 2020 and 2019 are unsecured and settlements are made in cash. There have been no guarantees provided for any retirement plan receivables. The Group has not made any provision for impairment losses relating to the receivables from the Retirement Plans in 2020, 2019 and 2018.

36. Cash Dividends

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

2020

Date of Declaration	Date of Record	Date of Payment	Dividend per Share
March 12, 2020	March 12, 2020	March 13, 2020	P279.00
May 28, 2020	May 28, 2020	May 29, 2020	139.50
August 6, 2020	August 6, 2020	August 7, 2020	139.50
November 5, 2020	November 5, 2020	November 6, 2020	139.50

2019

Date of Declaration	Date of Record	Date of Payment	Dividend per Share
March 14, 2019	March 14, 2019	March 15, 2019	P279.00
May 9, 2019	May 9, 2019	May 10, 2019	279.00
August 8, 2019	August 8, 2019	August 9, 2019	139.50
November 7, 2019	November 7, 2019	November 8, 2019	279.00

On March 11, 2021, the BOD of the Parent Company declared cash dividends at P139.50 per share to preferred shareholders of record as at March 11, 2021 to be paid on March 12, 2021.

37. Basic and Diluted Earnings Per Share

Basic and diluted EPS is computed as follows:

	Note	2020	2019	2018
Net income (loss) attributable to equity holders of the Parent Company		(P233)	P9,604	P7,000
Dividends on CPS	24	(1,618)	(1,618)	(1,618)
Net income (loss) attributable to common shareholders of the Parent Company (a)		(P1,851)	P7,986	P5,382
Weighted average number of common shares outstanding (in millions) (b)		330	330	330
Basic/diluted earnings (loss) per common share attributable to equity holders of the Parent Company (a/b)*		(P5.60)	P24.18	P16.29

*Earnings per share are computed based on amounts in nearest peso.

As at December 31, 2020, 2019 and 2018, the Parent Company has no dilutive debt or equity instruments.

38. Supplemental Cash Flow Information

Supplemental information with respect to the consolidated statements of cash flows is presented below:

- a. Changes in noncash current assets, certain current liabilities and others are as follows (amounts reflect actual cash flows rather than increases or decreases of the accounts in the consolidated statements of financial position):

	2020	2019	2018
Trade and other receivables - net	P8,415	(P10,710)	(P10,217)
Inventories	26,501	(8,948)	(15,598)
Prepaid expenses and other current assets	(5,264)	6,025	(10,879)
Accounts payable and accrued expenses	(20,776)	30,905	(5,670)
Income and other taxes payable and others	(475)	(3,720)	3,020
	P8,401	P13,552	(P39,344)

- b. Acquisition of subsidiaries, net of cash and cash equivalents acquired.

	Note	2019	2018
Cash and cash equivalents		P301	P1,715
Trade and other receivables - net		285	2,679
Inventories		326	2,577
Prepaid expenses and other current assets		154	1,639
Investments and advances - net		-	190
Property, plant and equipment - net	13	1,959	62,323
Right-of-use assets - net	14	179	-
Investment property - net	15	-	90
Other intangible assets - net	17	8	80
Deferred tax assets		12	66
Other noncurrent assets - net		387	3,095
Loans payable		-	(2,344)
Accounts payable and accrued expenses		(899)	(9,951)
Income and other taxes payable		(24)	(234)
Long-term debt - net of debt issue costs		(48)	(31,952)
Deferred tax liabilities		(1)	(116)
Lease liabilities		(193)	(31)
Other noncurrent liabilities		-	(210)
Non-controlling interests		(45)	(198)
Net assets		2,401	29,418
Cash and cash equivalents		(301)	(1,715)
Goodwill in subsidiaries	4, 17	53	70,384
Investments and advances		(745)	(30)
Net cash flows		P1,408	P98,057

c. Changes in liabilities arising from financing activities

	Loans Payable	Long-term Debt	Lease Liabilities	Dividends Payable
Balance as at January 1, 2020	P178,507	P682,661	P149,837	P3,566
Changes from Financing Activities				
Proceeds from borrowings	842,619	160,437	-	-
Payments of borrowings	(871,066)	(58,913)	-	-
Payments of lease liabilities	-	-	(24,825)	-
Dividends and distributions paid	-	-	-	(29,305)
Total Changes from Financing Activities	(28,447)	101,524	(24,825)	(29,305)
The Effect of Changes in Foreign Exchange Rates	(585)	(18,188)	(2,927)	-
Consolidation of a Subsidiary and Other Changes	-	765	102	29,420
Balance as at December 31, 2020	P149,475	P766,762	P122,187	P3,681

	Loans Payable	Long-term Debt	Lease Liabilities	Dividends Payable
Balance as at January 1, 2019, as adjusted	P192,968	P617,545	P174,685	P3,491
Changes from Financing Activities				
Proceeds from borrowings	1,435,706	158,746	-	-
Payments of borrowings	(1,445,924)	(85,968)	-	-
Payments of lease liabilities	-	-	(20,673)	-
Dividends and distributions paid	-	-	-	(28,450)
Total Changes from Financing Activities	(10,218)	72,778	(20,673)	(28,450)
The Effect of Changes in Foreign Exchange Rates	(674)	(9,417)	(2,889)	-
Acquisition of Subsidiaries and Other Changes	(3,569)	1,755	(1,286)	28,525
Balance as at December 31, 2019	P178,507	P682,661	P149,837	P3,566

39. 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:

- Liquidity Risk
- Credit Risk
- Market Risk (Interest Rate Risk, Foreign Currency Risk and Commodity Price Risk)

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

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

The outstanding derivative instruments of the Group such as commodity and currency options, forwards and swaps are intended mainly for risk management purposes. The Group uses derivatives to manage its exposures to foreign currency, interest rate and commodity price risks arising from the operating and financing activities. The accounting policies in relation to derivatives are set out in Note 3 to the consolidated financial statements.

The BOD has the overall responsibility for the establishment and oversight of the risk management framework of the Group.

The risk management policies of the Group are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The BOD constituted the Audit and Risk Oversight Committee to assist the BOD in fulfilling its oversight responsibility of the Group's corporate governance process relating to the: a) quality and integrity of the consolidated financial statements and financial reporting process and the systems of internal accounting and financial controls; b) performance of the internal auditors; c) annual independent audit of the consolidated financial statements, the engagement of the independent auditors and the evaluation of the independent auditors' qualifications, independence and performance; d) compliance with tax, legal and regulatory requirements; e) evaluation of management's process to assess and manage the enterprise risk issues; and f) fulfillment of the other responsibilities set out by the BOD. The Audit and Risk Oversight Committee shall prepare such reports as may be necessary to document the activities of the committee in the performance of its functions and duties. Such reports shall be included in the annual report of the Group and other corporate disclosures as may be required by the SEC and/or the PSE.

The Audit and Risk Oversight Committee also oversees how management monitors compliance with the risk management policies and procedures of the Group and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. Internal Audit assists the Audit and Risk Oversight Committee in monitoring and evaluating the effectiveness of the risk management and governance processes of the Group. Internal Audit undertakes both regular and special reviews of risk management controls and procedures, the results of which are reported to the Audit and Risk Oversight Committee.

Interest Rate Risk

Interest rate risk is the risk that future cash flows from a financial instrument (cash flow interest rate risk) or its fair value (fair value interest rate risk) will fluctuate because of changes in market interest rates. The Group's exposure to changes in interest rates relates primarily to the long-term borrowings 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.

On the other hand, the investment policy of the Group is to maintain an adequate yield to match or reduce the net interest cost from its borrowings pending the deployment of funds to their intended use in the operations and working capital management. However, the Group invests only in high-quality securities while maintaining the necessary diversification to avoid concentration risk.

In managing interest rate risk, the Group aims to reduce the impact of short-term fluctuations on the earnings. Over the longer term, however, permanent changes in interest rates would have an impact on profit or loss.

The management of interest rate risk is also supplemented by monitoring the sensitivity of the Group's financial instruments to various standard and non-standard interest rate scenarios.

The Group uses interest rate swaps as hedges of the variability in cash flows attributable to movements in interest rates. The Group applies a hedge ratio of 1:1 and determines the existence of an economic relationship between the hedging instrument and hedged item based on the reference interest rates, tenors, repricing dates and maturities, and notional amounts. The Group assesses whether the derivative designated in the hedging relationship is expected to be effective in offsetting changes in cash flows of the hedged item using the hypothetical derivative method.

The following are the main sources of ineffectiveness in the hedge relationships:

- the effect of the counterparty's and the Group's own credit risk on the fair value of the derivative contracts, which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in interest rates; and
- changes in the timing of the hedged transactions.

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, 2020	<1 Year	1-2 Years	>2-3 Years	>3-4 Years	>4-5 Years	>5 Years	Total
Fixed Rate							
Philippine peso-denominated	P47,116	P67,112	P56,017	P91,422	P36,513	P136,808	P434,988
Interest rate	4.0032% - 12.00%	4.2105% - 9.885%	3.2837% - 9.885%	3.2837% - 9.885%	3.2837% - 9.885%	3.2837% - 9.885%	
Foreign currency-denominated (expressed in Philippine peso)	2,581	1,878	31,250	1,154	1,207	12,603	50,673
Interest rate	4.7776% - 5.5959%	4.7776% - 5.5959%	4.7776% - 5.5959%	5.5959%	5.5959%	5.5959%	
Floating Rate							
Philippine peso-denominated	2,572	3,876	2,321	1,442	1,618	7,646	19,475
Interest rate	BVAL + margin or BSP overnight rate, whichever is higher	BVAL + margin or BSP overnight rate, whichever is higher	BVAL + margin or BSP overnight rate, whichever is higher	BVAL + margin or BSP overnight rate, whichever is higher	BVAL + margin or BSP overnight rate, whichever is higher	BVAL + margin or BSP overnight rate, whichever is higher	
Foreign currency-denominated (expressed in Philippine peso)	23,131	27,072	104,333	107,902	3,488	4,148	270,074
Interest rate	LIBOR/applicable reference rate + margin	LIBOR/applicable reference rate + margin	LIBOR/applicable reference rate + margin	LIBOR/applicable reference rate + margin	LIBOR/applicable reference rate + margin	LIBOR/applicable reference rate + margin	
	P75,400	P99,938	P193,921	P201,920	P42,826	P161,205	P775,210
December 31, 2019	<1 Year	1-2 Years	>2-3 Years	>3-4 Years	>4-5 Years	>5 Years	Total
Fixed Rate							
Philippine peso-denominated	P24,567	P46,288	P65,491	P53,914	P88,870	P138,315	P417,445
Interest rate	4.9925% - 12.00%	4.0032% - 9.885%	4.8243% - 9.885%	4.5219% - 9.885%	4.63% - 9.885%	5.1792% - 9.885%	
Foreign currency-denominated (expressed in Philippine peso)	2,467	2,638	1,891	32,855	1,117	13,368	54,336
Interest rate	4.7776% - 5.5959%	4.7776% - 5.5959%	4.7776% - 5.5959%	4.7776% - 5.5959%	5.5959%	5.5959%	
Floating Rate							
Philippine peso-denominated	1,034	1,719	2,714	1,042	162	12,000	18,671
Interest rate	BVAL + margin or BSP overnight rate, whichever is higher	BVAL + margin or BSP overnight rate, whichever is higher	BVAL + margin or BSP overnight rate, whichever is higher	BVAL + margin or BSP overnight rate, whichever is higher	BVAL + margin or BSP overnight rate, whichever is higher	BVAL + margin or BSP overnight rate, whichever is higher	
Foreign currency-denominated (expressed in Philippine peso)	16,394	37,404	26,375	100,241	13,510	5,825	199,749
Interest rate	LIBOR/ applicable reference rate + margin	LIBOR/ applicable reference rate + margin	LIBOR/ applicable reference rate + margin	LIBOR/ applicable reference rate + margin	LIBOR/ applicable reference rate + margin	LIBOR/ applicable reference rate + margin	
	P44,462	P88,049	P96,471	P188,052	P103,659	P169,508	P690,201

The sensitivity to a reasonably possible 1% increase in the interest rates, with all other variables held constant, would have decreased the Group's profit before tax (through the impact on floating rate borrowings) by P2,895, P2,184 and P2,001 in 2020, 2019 and 2018, respectively. A 1% decrease in the interest rate would have had the equal but opposite effect. These changes are considered to be reasonably possible given the observation of prevailing market conditions in those periods. There is no impact on the Group's other comprehensive income.

Foreign Currency Risk

The functional currency is the Philippine peso, which is the denomination of the bulk of the Group's revenues. The exposure to foreign currency risk results from significant movements in foreign exchange rates that adversely affect the foreign currency-denominated transactions of the Group. The risk management objective with respect to foreign currency risk is to reduce or eliminate earnings volatility and any adverse impact on equity. The Group enters into foreign currency hedges using a combination of non-derivative and derivative instruments such as foreign currency forwards, options or swaps to manage its foreign currency risk exposure.

Short-term currency forward contracts (deliverable and non-deliverable) and options are entered into to manage foreign currency risks arising from importations, revenue and expense transactions, and other foreign currency-denominated obligations. Currency swaps are entered into to manage foreign currency risks relating to long-term foreign currency-denominated borrowings.

Certain derivative contracts are designated as cash flow hedges. The Group applies a hedge ratio of 1:1 and determines the existence of an economic relationship between the hedging instrument and hedged item based on the currency, amount and timing of the cash flows. The Group assesses whether the derivatives designated in the hedging relationship is expected to be effective in offsetting changes in cash flows of the hedged item using the cumulative dollar-offset and hypothetical derivative method.

The following are the main sources of ineffectiveness in the hedge relationships:

- the effect of the counterparty's and the Group's own credit risk on the fair value of the derivative contracts, which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in foreign exchange rates; and
- changes in the timing of the hedged transactions.

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

	December 31, 2020		December 31, 2019	
	US Dollar	Peso Equivalent	US Dollar	Peso Equivalent
Assets				
Cash and cash equivalents	US\$5,053	P242,692	US\$3,471	P175,846
Trade and other receivables	671	32,211	790	40,020
Prepaid expenses and other current assets	15	749	11	545
Noncurrent receivables	4	201	20	1,006
	5,743	275,853	4,292	217,417
Liabilities				
Loans payable	291	14,014	215	10,832
Accounts payable and accrued expenses	1,955	93,987	1,839	93,100
Long-term debt (including current maturities)	6,679	320,747	5,018	254,085
Lease liabilities (including current portion)	1,131	54,306	1,368	69,286
Other noncurrent liabilities	479	23,023	474	24,029
	10,535	506,077	8,914	451,332
Net foreign currency- denominated monetary liabilities	(US\$4,792)	(P230,224)	(US\$4,622)	(P233,915)

The Group reported net gains (losses) on foreign exchange amounting to P7,433, P6,984 and (P11,723) in 2020, 2019 and 2018, respectively, with the translation of its foreign currency-denominated assets and liabilities (Note 32). 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, 2020	48.02
December 31, 2019	50.64
December 31, 2018	52.58

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

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

	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, 2020				
Cash and cash equivalents	(P4,619)	(P3,666)	P4,619	P3,666
Trade and other receivables	(113)	(407)	113	407
Prepaid expenses and other current assets	(5)	(14)	5	14
Noncurrent receivables	-	(4)	-	4
	(4,737)	(4,091)	4,737	4,091
Loans payable	145	248	(145)	(248)
Accounts payable and accrued expenses	1,004	1,481	(1,004)	(1,481)
Long-term debt (including current maturities)	5,902	4,908	(5,902)	(4,908)
Lease liabilities (including current portion)	1,095	804	(1,095)	(804)
Other noncurrent liabilities	455	371	(455)	(371)
	8,601	7,812	(8,601)	(7,812)
	P3,864	P3,721	(P3,864)	(P3,721)

	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, 2019				
Cash and cash equivalents	(P3,041)	(P2,554)	P3,041	P2,554
Trade and other receivables	(232)	(495)	232	495
Prepaid expenses and other current assets	(8)	(8)	8	8
Noncurrent receivables	(18)	(14)	18	14
	(3,299)	(3,071)	3,299	3,071
Loans payable	125	178	(125)	(178)
Accounts payable and accrued expenses	1,257	1,461	(1,257)	(1,461)
Long-term debt (including current maturities)	4,220	3,752	(4,220)	(3,752)
Lease liabilities (including current portion)	1,345	965	(1,345)	(965)
Other noncurrent liabilities	448	368	(448)	(368)
	7,395	6,724	(7,395)	(6,724)
	P4,096	P3,653	(P4,096)	(P3,653)

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's foreign currency risk.

Commodity Price Risk

Commodity price risk is the risk that future cash flows from a financial instrument will fluctuate because of changes in commodity prices.

The Group enters into various commodity derivatives to manage its price risks on strategic commodities. Commodity hedging allows stability in prices, thus offsetting the risk of volatile market fluctuations. Through hedging, prices of commodities are fixed at levels acceptable to the Group, thus protecting raw material cost and preserving margins. For hedging transactions, if prices go down, hedge positions may show marked-to-market losses; however, any loss in the marked-to-market position is offset by the resulting lower physical raw material cost.

SMC enters into commodity derivative transactions on behalf of its subsidiaries to reduce cost by optimizing purchasing synergies within the Group and managing inventory levels of common materials.

Commodity Swaps, Futures and Options. Commodity swaps, futures and options are used to manage the Group's exposures to volatility in prices of certain commodities such as fuel oil, crude oil, aluminum, soybean meal and wheat.

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

Liquidity Risk

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

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

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

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

December 31, 2020	Carrying Amount	Contractual Cash Flow	1 Year or Less	> 1 Year - 2 Years	> 2 Years - 5 Years	Over 5 Years
Financial Assets						
Cash and cash equivalents	P347,962	P347,962	P347,962	P -	P -	P -
Trade and other receivables - net	120,965	120,965	120,965	-	-	-
Derivative assets (included under "Prepaid expenses and other current assets" and "Other noncurrent assets - net" accounts)	635	635	596	20	19	-
Financial assets at FVPL (included under "Prepaid expenses and other current assets" account)	275	275	275	-	-	-
Financial assets at FVOCI (included under "Prepaid expenses and other current assets" and "Investments in equity and debt instruments" accounts)	5,915	5,918	82	46	1	5,789
Financial assets at amortized cost (included under "Prepaid expenses and other current assets" and "Investments in equity and debt instruments" accounts)	255	270	112	96	62	-

Forward

December 31, 2020	Carrying Amount	Contractual Cash Flow	1 Year or Less	> 1 Year - 2 Years	> 2 Years - 5 Years	Over 5 Years
Noncurrent receivables and deposits - net (included under "Other noncurrent assets - net" account)	P25,058	P25,082	P -	P333	P24,237	P512
Restricted cash (included under "Prepaid expenses and other current assets" and "Other noncurrent assets - net" accounts)	7,980	7,980	3,111	3,577	-	1,292
Financial Liabilities						
Loans payable	149,475	149,779	149,779	-	-	-
Accounts payable and accrued expenses (excluding current retirement liabilities, derivative liabilities, IRO, deferred income and other current non-financial liabilities)	161,074	161,383	161,383	-	-	-
Derivative liabilities (included under "Accounts payable and accrued expenses" and "Other noncurrent liabilities" accounts)	3,898	3,898	1,731	201	1,966	-
Long-term debt (including current maturities)	766,762	909,824	109,456	129,043	489,632	181,693
Lease liabilities (including current portion)	122,187	145,425	31,994	27,237	49,652	36,542
Other noncurrent liabilities (excluding noncurrent retirement liabilities, derivative liabilities, IRO, ARO, MRO, deferred income and other noncurrent non-financial liabilities)	28,291	28,309	-	16,787	10,582	940

December 31, 2019	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	P286,677	P286,677	P286,677	P -	P -	P -
Trade and other receivables - net	132,907	132,907	132,907	-	-	-
Derivative assets (included under "Prepaid expenses and other current assets" and "Other noncurrent assets - net" accounts)	1,158	1,158	917	91	150	-
Financial assets at FVPL (included under "Prepaid expenses and other current assets" account)	284	284	284	-	-	-
Financial assets at FVOCI (included under "Prepaid expenses and other current assets" and "Investments in equity and debt instruments" accounts)	5,953	5,962	44	82	46	5,790
Financial assets at amortized cost (included under "Prepaid expenses and other current assets" and "Investments in equity and debt instruments" accounts)	257	277	79	71	127	-
Noncurrent receivables and deposits - net (included under "Other noncurrent assets - net" account)	25,739	26,399	-	379	25,532	488
Restricted cash (included under "Prepaid expenses and other current assets" and "Other noncurrent assets - net" accounts)	12,514	12,514	6,256	5,127	-	1,131
Financial Liabilities						
Loans payable	178,507	179,252	179,252	-	-	-
Accounts payable and accrued expenses (excluding current retirement liabilities, derivative liabilities, IRO, deferred income and other current non-financial liabilities)	185,334	185,660	185,660	-	-	-

Forward

December 31, 2019	Carrying Amount	Contractual Cash Flow	1 Year or Less	> 1 Year - 2 Years	> 2 Years - 5 Years	Over 5 Years
Derivative liabilities (included under "Accounts payable and accrued expenses" and "Other noncurrent liabilities" accounts)	P3,122	P3,122	P1,678	P248	P1,196	P -
Long-term debt (including current maturities)	682,661	852,558	80,816	120,716	451,819	199,207
Lease liabilities (including current portion)	149,837	171,108	35,131	31,509	68,450	36,018
Other noncurrent liabilities (excluding noncurrent retirement liabilities, derivative liabilities, IRO, ARO, MRO, deferred income and other noncurrent non-financial liabilities)	27,639	27,650	-	17,313	9,219	1,118

Credit Risk

Credit risk is the risk of financial loss to the Group when a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from trade and other receivables and investment securities. The Group manages its credit risk mainly through the application of transaction limits and close risk monitoring. It is the Group's policy to enter into transactions with a wide diversity of creditworthy counterparties to mitigate any significant concentration of credit risk.

The Group has regular internal control reviews to monitor the granting of credit and management of credit exposures.

Trade and Other Receivables

The exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on the credit risk.

The Group obtains collateral or arranges master netting agreements, where appropriate, so that in the event of default, the Group would have a secured claim.

The Group has established a credit policy under which each new customer is analyzed individually for creditworthiness before the standard payment and delivery terms and conditions are offered. The Group ensures that sales on account are made to customers with appropriate credit history. The Group has detailed credit criteria and several layers of credit approval requirements before engaging a particular customer or counterparty. The review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer and are reviewed on a regular basis. Customers that fail to meet the benchmark creditworthiness may transact with the Group only on a prepayment basis.

Investment in Debt Instruments

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

Credit Quality

In monitoring and controlling credit extended to counterparty, the Group adopts a comprehensive credit rating system based on financial and non-financial assessments of its customers. Financial factors being considered comprised of the financial standing of the customer while the non-financial aspects include but are not limited to the assessment of the customer's nature of business, management profile, industry background, payment habit and both present and potential business dealings with the Group.

The credit quality of financial assets is being managed by the Group using internal credit ratings. Credit quality of the financial assets were determined as follows:

High grade includes deposits or placements to reputable banks and companies with good credit standing. High grade financial assets include cash and cash equivalents and derivative assets.

Standard grade pertains to receivables from counterparties with satisfactory financial capability and credit standing based on historical data, current conditions and the Group's view of forward-looking information over the expected lives of the receivables. Standard grade financial assets include trade and other receivables and noncurrent receivables and deposits.

Receivables with high probability of delinquency and default were fully provided with allowance for impairment losses.

Financial information on the Group's maximum exposure to credit risk, without considering the effects of collaterals and other risk mitigation techniques, is presented below.

	Note	2020	2019
Cash and cash equivalents (excluding cash on hand)	7	P346,178	P283,727
Trade and other receivables - net	8	120,965	132,907
Derivative assets	10, 18	635	1,158
Investment in debt instruments at FVOCI	10, 12	126	163
Investment in debt instruments at amortized cost	10, 12	255	257
Noncurrent receivables and deposits - net	18	25,058	25,739
Restricted cash	10, 18	7,980	12,514
		P501,197	P456,465

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.

	2020			Financial Assets at FVPL	Financial Assets at FVOCI	Total
	Financial Assets at Amortized Cost	12-Month ECL	Lifetime ECL not Credit Impaired			
Cash and cash equivalents (excluding cash on hand)	P346,178	P -	P -	P -	P -	P346,178
Trade and other receivables	120,965	-	13,768	-	-	134,733
Derivative assets	-	-	-	604	31	635
Investment in debt instruments at FVOCI	-	-	-	-	126	126
Investment in debt instruments at amortized cost	105	150	-	-	-	255
Noncurrent receivables and deposits	-	25,058	606	-	-	25,664
Restricted cash	3,111	4,869	-	-	-	7,980

2019						
	Financial Assets at Amortized Cost			Financial Assets at FVPL	Financial Assets at FVOCI	Total
	12-Month ECL	Lifetime ECL not Credit Impaired	Lifetime ECL Credit Impaired			
Cash and cash equivalents (excluding cash on hand)	P283,727	P -	P -	P -	P -	P283,727
Trade and other receivables	132,907	-	12,715	-	-	145,622
Derivative assets	-	-	-	882	276	1,158
Investment in debt instruments at FVOCI	-	-	-	-	163	163
Investment in debt instruments at amortized cost	71	186	-	-	-	257
Noncurrent receivables and deposits	-	25,739	724	-	-	26,463
Restricted cash	6,256	6,258	-	-	-	12,514

The aging of receivables is as follows:

December 31, 2020	Trade	Non-trade	Amounts Owed by Related Parties	Total
Current	P45,989	P23,486	P9,631	P79,106
Past due:				
1 - 30 days	8,894	3,608	276	12,778
31 - 60 days	2,736	316	60	3,112
61 - 90 days	1,363	335	11	1,709
Over 90 days	15,718	21,230	1,080	38,028
	P74,700	P48,975	P11,058	P134,733

December 31, 2019	Trade	Non-trade	Amounts Owed by Related Parties	Total
Current	P63,321	P23,884	P10,161	P97,366
Past due:				
1 - 30 days	8,510	1,972	380	10,862
31 - 60 days	2,415	396	14	2,825
61 - 90 days	853	1,327	23	2,203
Over 90 days	11,733	19,630	1,003	32,366
	P86,832	P47,209	P11,581	P145,622

Various collaterals for trade receivables such as bank guarantees, time deposits and real estate mortgages are held by the Group for certain credit limits.

The Group believes that the unimpaired amounts that are past due by more than 30 days are still collectible based on historical payment behavior and analyses of the underlying customer credit ratings. There are no significant changes in their credit quality.

The Group computes impairment loss on receivables based on past collection experience, current circumstances and the impact of future economic conditions, if any, available at the reporting period (Note 4). There are no significant changes in the credit quality of the counterparties during the year.

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

The Group's exposure to credit risk arises from default of counterparty. Generally, the maximum credit risk exposure of trade and other receivables and noncurrent receivables and deposits is its carrying amount without considering collaterals or credit enhancements, if any. The Group has no significant concentration of credit risk since the Group deals with a large number of homogenous counterparties.

The Group does not execute any credit guarantee in favor of any counterparty.

Financial and Other Risks Relating to Livestock

The Group is exposed to financial risks arising from the change in cost and supply of feed ingredients and the selling prices of chicken, hogs and cattle and related products, all of which are determined by constantly changing market forces such as supply and demand and other factors. The other factors include environmental regulations, weather conditions and livestock diseases for which the Group has little control. The mitigating factors are listed below:

- The Group is subject to risks affecting the food industry, generally, including risks posed by food spoilage and contamination. Specifically, the fresh meat industry is regulated by environmental, health and food safety organizations and regulatory sanctions. The Group has put into place systems to monitor food safety risks throughout all stages of manufacturing and processing to mitigate these risks. Furthermore, representatives from the government regulatory agencies are present at all times during the processing of dressed chicken, hogs and cattle in all dressing and meat plants and issue certificates accordingly. The authorities, however, may impose additional regulatory requirements that may require significant capital investment at short notice.
- The Group is subject to risks relating to its ability to maintain animal health status considering that it has no control over neighboring livestock farms. Livestock health problems could adversely impact production and consumer confidence. However, the Group monitors the health of its livestock on a daily basis and proper procedures are put in place.
- The livestock industry is exposed to risk associated with the supply and price of raw materials, mainly grain prices. Grain prices fluctuate depending on the harvest results. The shortage in the supply of grain will result in adverse fluctuation in the price of grain and will ultimately increase the Group's production cost. If necessary, the Group enters into forward contracts to secure the supply of raw materials at a reasonable price.

Other Market Price Risk

The Group's market price risk arises from its investments carried at fair value (financial assets at FVPL and FVOCI). The Group manages its risk arising from changes in market price by monitoring the changes in the market price of the investments.

Capital Management

The Group maintains a sound capital base to ensure its ability to continue as a going concern, thereby continue to provide returns to stockholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

The Group manages its capital structure and makes adjustments in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, pay-off existing debts, return capital to shareholders or issue new shares.

The Group 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 Group, except for BOC which is subject to certain capitalization requirements by the BSP, is not subject to externally imposed capital requirements.

40. 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, 2020		December 31, 2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Cash and cash equivalents	P347,962	P347,962	P286,677	P286,677
Trade and other receivables - net	120,965	120,965	132,907	132,907
Derivative assets (included under "Prepaid expenses and other current assets" and "Other noncurrent assets - net" accounts)	635	635	1,158	1,158
Financial assets at FVPL (included under "Prepaid expenses and other current assets" account)	275	275	284	284
Financial assets at FVOCI (included under "Prepaid expenses and other current assets" and "Investments in equity and debt instruments" accounts)	5,915	5,915	5,953	5,953
Financial assets at amortized cost (included under "Prepaid expenses and other current assets" and "Investments in equity and debt instruments" accounts)	255	255	257	257
Noncurrent receivables and deposits - net (included under "Other noncurrent assets - net" account)	25,058	25,058	25,739	25,739
Restricted cash (included under "Prepaid expenses and other current assets" and "Other noncurrent assets - net" accounts)	7,980	7,980	12,514	12,514
Financial Liabilities				
Loans payable	149,475	149,475	178,507	178,507
Accounts payable and accrued expenses (excluding current retirement liabilities, derivative liabilities, IRO, deferred income and other current non-financial liabilities)	161,074	161,074	185,334	185,334
Derivative liabilities (included under "Accounts payable and accrued expenses" and "Other noncurrent liabilities" accounts)	3,898	3,898	3,122	3,122
Long-term debt (including current maturities)	766,762	843,008	682,661	735,514
Lease liabilities (including current portion)	122,187	122,187	149,837	149,837
Other noncurrent liabilities (excluding noncurrent retirement liabilities, derivative liabilities, IRO, ARO, MRO, deferred income and other noncurrent non-financial liabilities)	28,291	28,291	27,639	27,639

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, Noncurrent Receivables and Deposits and Restricted Cash. The carrying amount of cash and cash equivalents and trade and other receivables approximates fair value primarily due to the relatively short-term maturities of these financial instruments. In the case of noncurrent receivables and deposits and restricted cash, the fair value is based on the present value of expected future cash flows using the applicable discount rates based on current market rates of identical or similar quoted instruments.

Derivatives. The fair values of forward exchange contracts are calculated by reference to current forward exchange rates. In the case of freestanding currency and commodity derivatives, the fair values are determined based on quoted prices obtained from their respective active markets. Fair values for stand-alone derivative instruments that are not quoted from an active market and for embedded derivatives are based on valuation models used for similar instruments using both observable and non-observable inputs.

Financial Assets at FVPL and Financial Assets at FVOCI. The fair values of publicly traded instruments and similar investments are based on quoted market prices in an active market. For debt instruments with no quoted market prices, a reasonable estimate of their fair values is calculated based on the expected cash flows from the instruments discounted using the applicable discount rates of comparable instruments quoted in active markets.

Loans Payable and 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, Lease Liabilities and Other Noncurrent Liabilities. The fair value of interest-bearing fixed-rate loans is based on the discounted value of expected future cash flows using the applicable market rates for similar types of instruments as at reporting date. Discount rates used for Philippine peso-denominated loans range from 0.9% to 3% and 3.1% to 4.5% as at December 31, 2020 and 2019, respectively. The discount rates used for foreign currency-denominated loans range from 0.1% to 0.9% and 1.6% to 2.0% as at December 31, 2020 and 2019, respectively. The carrying amounts of floating rate loans with quarterly interest rate repricing 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 freestanding and embedded derivative financial instruments that are categorized into those accounted for as cash flow hedges and those that are not designated as accounting hedges are discussed below.

The Group enters into various foreign currency, interest rate and commodity derivative contracts to manage its exposure on foreign currency, interest rate and commodity price risks. The portfolio is a mixture of instruments including forwards, swaps and options.

Derivative Instruments Accounted for as Cash Flow Hedges

The Group designated the following derivative financial instruments as cash flow hedges:

December 31, 2020	Maturity			Total
	1 Year or Less	> 1 Year - 2 Years	> 2 Years - 5 Years	
Foreign currency risk:				
Call spread swaps:				
Notional amount	US\$90	US\$50	US\$60	US\$200
Average strike rate	P52.41 to P56.15	P52.41 to P55.02	P52.95 to P56.15	
Foreign currency and interest rate risks:				
Cross currency swap:				
Notional amount	US\$20	US\$30	US\$280	US\$330
Average strike rate	P47.00 to P57.00	P47.00 to P56.83	P47.00 to P56.50	
Fixed interest rate	4.19% to 5.75%	4.19% to 5.75%	3.6% to 5.8%	
Interest rate risk:				
Interest rate collar:				
Notional amount	US\$15	US\$30	US\$45	US\$90
Interest rate	0.44% to 1.99%	0.44% to 1.99%	0.44% to 1.99%	

December 31, 2019	Maturity			Total
	1 Year or Less	> 1 Year - 2 Years	> 2 Years - 5 Years	
Foreign currency risk:				
Call spread swaps:				
Notional amount	US\$129	US\$186	US\$133	US\$448
Average strike rate	P52.71 to P55.55	P52.59 to P56.15	P52.59 to P56.15	
Foreign currency and interest rate risks:				
Cross currency swap:				
Notional amount	US\$20	US\$40	US\$280	US\$340
Average strike rate	P47.00 to P57.50	P47.00 to P57.00	P47.00 to P56.67	
Fixed interest rate	4.19% to 5.75%	4.19% to 5.75%	4.19% to 5.80%	
Interest rate risk:				
Interest rate collar:				
Notional amount	US\$ -	US\$30	US\$75	US\$105
Interest rate	-	0.44% to 1.99%	0.44% to 1.99%	

The following are the amounts relating to hedged items:

December 31, 2020	Change in Fair Value Used for Measuring Hedge Ineffectiveness	Hedging Reserve	Cost of Hedging Reserve
Foreign currency risk:			
US dollar-denominated borrowings	P85	P -	(P87)
Foreign currency and interest rate risks:			
US dollar-denominated borrowings	1,968	(1,251)	657
Interest rate risk:			
US dollar-denominated borrowings	28	(20)	-

December 31, 2019	Change in Fair Value Used for Measuring Hedge Ineffectiveness	Hedging Reserve	Cost of Hedging Reserve
Foreign currency risk:			
US dollar-denominated borrowings	P200	P -	(P178)
Foreign currency and interest rate risks:			
US dollar-denominated borrowings	1,224	(1,009)	499
Interest rate risk:			
US dollar-denominated borrowings	(7)	5	-

There are no amounts remaining in the hedging reserve from hedging relationships for which hedge accounting is no longer applied.

The following are the amounts related to the designated hedging instruments:

	Notional	Carrying Amount		Line Item in the Consolidated Statement of Financial Position where the Hedging Instrument is Included	Changes in the Fair Value of the Hedging Instrument Recognized in Other Comprehensive Income	Cost of Hedging Recognized in Other Comprehensive Income	Amount Reclassified from Hedging Reserve to the Consolidated Statement of Income	Amount Reclassified from Cost of Hedging Reserve to the Consolidated Statement of Income	Line Item in the Consolidated Statement of Income Affected by the Reclassification
December 31, 2020	Amount	Assets	Liabilities						
Foreign currency risk: Call spread swaps	US\$200	P30	P96	Prepaid expenses and other current assets, Other noncurrent assets - net, Accounts payable and accrued expenses and Other noncurrent liabilities	(P85)	(P80)	P27	P214	Interest expense and other financing charges and Other income - net
Foreign currency and interest rate risks: Cross currency swap	330	-	2,343	Accounts payable and accrued expenses and Other noncurrent liabilities	(1,968)	24	1,257	200	Interest expense and other financing charges and Other income - net
Interest rate risk: Interest rate collar	90	-	28	Accounts payable and accrued expenses and Other noncurrent liabilities	(28)	(8)	-	9	Interest expense and other financing charges
	Notional	Carrying Amount		Line Item in the Consolidated Statement of Financial Position where the Hedging Instrument is Included	Changes in the Fair Value of the Hedging Instrument Recognized in Other Comprehensive Income	Cost of Hedging Recognized in Other Comprehensive Income	Amount Reclassified from Hedging Reserve to the Consolidated Statement of Income	Amount Reclassified from Cost of Hedging Reserve to the Consolidated Statement of Income	Line Item in the Consolidated Statement of Income Affected by the Reclassification
December 31, 2019	Amount	Assets	Liabilities						
Foreign currency risk: Call spread swaps	US\$448	P231	P356	Prepaid expenses and other current assets, Other noncurrent assets - net, Accounts payable and accrued expenses and Other noncurrent liabilities	(P200)	(P435)	P -	P307	Interest expense and other financing charges and Other income (charges) - net
Foreign currency and interest rate risks: Cross currency swap	340	37	1,475	Other noncurrent assets - net, Accounts payable and accrued expenses and Other noncurrent liabilities	(1,224)	50	721	65	Interest expense and other financing charges and Other income (charges) - net
Interest rate risk: Interest rate collar	105	7	-	Other noncurrent assets - net and Accounts payable and accrued expenses	7	-	-	-	

No ineffectiveness was recognized in the 2020 and 2019 consolidated statement of income.

The table below provides a reconciliation by risk category of components of equity and analysis of other comprehensive income items, net of tax, resulting from cash flow hedge accounting.

	2020		2019	
	Hedging Reserve	Cost of Hedging Reserve	Hedging Reserve	Cost of Hedging Reserve
Beginning balance	(P1,004)	P321	(P538)	P342
Changes in fair value:				
Foreign currency risk	(28)	(80)	-	(435)
Foreign currency risk and interest rate risks	(1,603)	24	(1,394)	50
Interest rate risk	(35)	(8)	7	-
Amount reclassified to profit or loss	1,284	423	721	372
Tax effect	115	(110)	200	(8)
Ending balance	(P1,271)	P570	(P1,004)	P321

Derivative Instruments not Designated as Hedges

The Group enters into certain derivatives as economic hedges of certain underlying exposures. These include freestanding and 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:

Freestanding Derivatives

Freestanding derivatives consist of interest rate, foreign currency and commodity derivatives entered into by the Group.

Interest Rate Swap

The Group has outstanding interest rate swap with notional amount of US\$300 as at December 31, 2019. Under the agreement, the Group receives quarterly floating interest rate based on LIBOR and pays annual fixed interest rate adjusted based on a specified index up to March 2020. The negative fair value of the swap amounted to P730 as at December 31, 2019.

As at December 31, 2020, the Group has no outstanding interest rate swap.

Currency Forwards

The Group has outstanding foreign currency forward contracts with aggregate notional amount of US\$440 and US\$770 as at December 31, 2020 and 2019, respectively, and with various maturities in 2021 and 2020. The negative fair value of these currency forwards amounted to P58 and P175 as at December 31, 2020 and 2019, respectively.

Currency Options

The Group has outstanding currency options with aggregate notional amount of US\$925 and US\$1,278 as at December 31, 2020 and 2019, respectively, and with various maturities in 2021 and 2020. The negative fair value of these currency options amounted to P523 and P53 as at December 31, 2020 and 2019, respectively.

Commodity Swaps

The Group has outstanding swap agreements covering its fuel oil, coal and aluminum requirements, with various maturities in 2021 and 2020. Under the agreements, payment is made either by the Group or its counterparty for the difference between the hedged fixed price and the relevant price index.

The notional quantity of fuel oil were 32.8 million barrels and 12.5 million barrels as at December 31, 2020 and 2019, respectively. The net positive (negative) fair value of these swaps amounted to (P724) and P331 as at December 31, 2020 and 2019, respectively.

The notional quantity of coal were 233,000 metric tons, with negative fair value of P3 as at December 31, 2019.

The Group has minimal outstanding commodity swaps on the purchase of aluminum as at December 31, 2019.

As at December 31, 2020, the Group has no outstanding commodity swaps on the purchase of coal and aluminum.

Commodity Options

As at December 31, 2020 and 2019, the Group has no outstanding three-way options entered as hedge of forecasted purchases of crude oil.

Embedded Derivatives

The Group's embedded derivatives include currency forwards embedded in non-financial contracts.

Embedded Currency Forwards

The total outstanding notional amount of currency forwards embedded in non-financial contracts amounted to US\$173 and US\$188 as at December 31, 2020 and 2019, respectively. These non-financial contracts consist mainly of foreign currency-denominated purchase orders, sales agreements and capital expenditures. The embedded forwards are not clearly and closely related to their respective host contracts. The positive fair value of these embedded currency forwards amounted to P479 and P220 as at December 31, 2020 and 2019, respectively.

The Group recognized marked-to-market gains (losses) from freestanding and embedded derivatives amounting to (P5,007), (P3,308) and P805 in 2020, 2019 and 2018, respectively (Note 32).

Fair Value Changes on Derivatives

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

	2020	2019
Balance at beginning of year	(P1,964)	(P950)
Net change in fair value of derivatives:		
Designated as accounting hedge	(1,730)	(1,807)
Not designated as accounting hedge	(4,841)	(3,054)
Acquisition of a subsidiary	260	-
	(8,275)	(5,811)
Less fair value of settled instruments	(5,012)	(3,847)
Balance at end of year	(P3,263)	(P1,964)

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, 2020			December 31, 2019		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Financial Assets						
Derivative assets	P -	P635	P635	P -	P1,158	P1,158
Financial assets at FVPL	-	275	275	-	284	284
Financial assets at FVOCI	427	5,488	5,915	443	5,510	5,953
Financial Liabilities						
Derivative liabilities	-	3,898	3,898	-	3,122	3,122

The Group has no financial instruments valued based on Level 3 as at December 31, 2020 and 2019. In 2020 and 2019, 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.

41. Events after the Reporting Date

SMC

a. Investment in GSMI

On December 1, 2020, the BOD of GSMI approved the redemption of the 32,786,885 outstanding preferred shares held by SMC equivalent to 10.27% equity interest in GSMI. The holders of preferred shares are entitled to vote in the same manner as the holders of common shares. On January 4, 2021, GSMI paid the redemption price of P1,000 or P30.50 per share and all accumulated unpaid cash dividends. The transaction reduced the effective ownership of SMC from 70.62% to 67.26%.

b. Investment in Petrogen

On December 3, 2020, the BOD and stockholders of Petrogen resolved and approved to increase its authorized capital stock from P750 divided into 750,000 common shares to P2,250 divided into 2,250,000 common shares, both with a par value of P1,000.00 per common share. On the same date, the respective BOD of Petrogen and SMC approved the subscription of SMC to 1,494,973 common shares to be issued out of the increase in authorized capital stock of Petrogen for a total subscription price of P3,000 or P2,006.73 per share.

The Subscription Agreement was executed on January 5, 2021.

The application for the Amendment of Articles of Incorporation for the increase in authorized capital stock was filed with the SEC on January 27, 2021 and was approved on February 4, 2021.

As a result, Petrogen became 74.94% directly owned by SMC, in addition to the indirect equity interest of 17.11% through Petron or a total of 92.05% equity interest, and was deconsolidated from Petron effective February 4, 2021.

c. *Redemption of Subseries "2-G" Preferred Shares*

On March 11, 2021, the BOD of SMC approved the redemption of all the outstanding Subseries "2-G" Preferred Shares totaling 66,666,600 shares on March 30, 2021. The redemption price shall be the issue price of P75.00 per share, plus any accumulated unpaid cash dividends.

The shares redeemed shall not be considered retired and may be re-issued by SMC at a price to be determined by the BOD. Upon redemption, the shares shall remain listed and trading is merely suspended until re-issued by SMC and upon the approval of the application for lifting of trading suspension by SMC and in accordance with the listing rules of the PSE.

Energy

Redemption of USCS by SMC Global

On February 26, 2021 (the Step-Up Date), SMC Global completed the redemption of its US\$300 USCS issued on August 26, 2015 (the "Second Securities") pursuant to the terms and conditions of the Second Securities. The redemption was made after the issuance of a notice to the holders of the Second Securities dated January 25, 2021. The redemption price of the Second Securities that was paid, includes the principal amount and any accrued but unpaid distributions up to (but excluding) the Step-Up Date.

The Second Securities were redeemed using in part the proceeds of the US\$350 SPCS issued on December 15, 2020 (Note 5).

42. Registration with the Board of Investments (BOI) and Others

a. SMC Global

- In 2013, SMCP and SCPC were granted incentives by the BOI on a pioneer status for six years subject to the representations and commitments set forth in the application for registration, the provisions of Omnibus Investments Code of 1987 (Executive Order (EO) No. 226), the rules and regulations of the BOI and the terms and conditions prescribed. On October 5, 2016, BOI granted SCPC's request to move the start of its commercial operation and Income Tax Holiday (ITH) reckoning date from February 2016 to September 2017 or when the first kilowatt-hour (kWh) of energy was transmitted after commissioning or testing, or one month from the date of such commissioning or testing, whichever comes earlier as certified by National Grid Corporation of the Philippines. Subsequently, on December 21, 2016, BOI granted a similar request of SMCP to move the start of its commercial operation and ITH reckoning date from December 2015 to July 2016, or the actual date of commercial operations subject to compliance with the specific terms and conditions, due to delay in the implementation of the project for reasons beyond its control. SMCP's request on the further extension of the ITH reckoning date from July 2016 to September 2017 was likewise approved by the BOI on December 5, 2018. The ITH period for Unit 1 and Unit 2 of SCPC commenced on May 26, 2017. The ITH incentives shall only be limited to the conditions given under the specific terms and conditions of their respective BOI registrations.

- On September 20, 2016, LETI (formerly LPPC) was registered with the BOI under EO No. 226 as expanding operator of 2 x 150 MW CFB Coal-fired Power Plant (Phase II Limay Greenfield Power Plant) on a non-pioneer status. The BOI categorized LETI as an "Expansion" based on the 2014 to 2016 IPP's Specific Guidelines for "Energy" in relation to SCPC's 2 x 150 MW Coal-fired Power Plant (Phase I Limay Greenfield Power Plant). As a registered entity, LETI is entitled to certain incentives that include, among others, an ITH for three years from January 2018 or date of actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration. The ITH incentives shall only be limited to the conditions given under the specific terms and conditions of LETI's BOI registrations.

In June 2017, the BOI approved the transfer of ownership and registration of Phase II Limay Greenfield Power Plant from LETI to SCPC. On July 13, 2018, BOI granted the request of SCPC to move the start of its commercial operation and ITH reckoning date from January 2018 to March 2018 or actual start of commercial operations, whichever is earlier. The ITH period for Unit 3 and Unit 4 commenced on March 26, 2018.

On August 26, 2015, February 11, 2016 and October 26, 2016, the BOI issued a Certificate of Authority (COA) to SMCP, SCPC and LETI, respectively, subject to provisions and implementing rules and regulations of EO No. 70, entitled "Reducing the Rates of Duty on Capital Equipment, Spare Parts and Accessories imported by BOI Registered New and Expanding Enterprises." The COA shall be valid for one year from the date of issuance. All capital equipment, spare parts and accessories imported by SMCP and SCPC for the construction of the power plants were ordered, delivered and completed within the validity period of their respective COAs.

On July 10, 2017, the BOI issued a new COA to SCPC, as the new owner of the Phase II Limay Greenfield Power Plant, subject to provisions and implementing rules and regulations of EO No. 22 (which replaced EO No. 70), also entitled "Reducing the Rates of Duty on Capital Equipment, Spare Parts and Accessories imported by BOI Registered New and Expanding Enterprises." The COA shall be valid for one year from the date of issuance. All capital equipment, spare parts and accessories imported by SCPC for the construction of the Phase II of the power plant were ordered, delivered and completed within the validity period of the COA.

- SMEC, SPDC and SPPC are registered with the BOI as administrator of their respective power plants, on a pioneer status with non-pioneer incentives for SMEC and SPDC and on a non-pioneer status for SPPC, and were granted ITH for four years without extension beginning August 1, 2010 up to July 31, 2014, subject to compliance with certain requirements under their registrations. The ITH incentive availed was limited only to the sale of power generated from the power plants. Upon expiration of the ITH in 2014, SMEC, SPDC and SPPC are now subject to the regular income tax rate.
- On August 21, 2007, SEPC was registered with the BOI under EO No. 226, as New Domestic Producer of Coal on a Non-pioneer Status.

- On October 12, 2012, MPPCL received the BOI approval for the application as expanding operator of 600 MW Coal-Fired Thermal Power Plant. As a registered entity, MPPCL is entitled to ITH for three years from June 2017 or actual start of commercial operations, whichever is earlier (but not earlier than the date of registration) subject to compliance with the specific terms and conditions set forth in the BOI registration. On May 27, 2014, the BOI approved MPPCL's request to move the start of its commercial operation and the reckoning date of the ITH entitlement from June 2017 to December 2018. On June 17, 2015, the BOI subsequently granted MPPCL's requests to downgrade the registered capacity from 600 MW to 300 MW.

On December 21, 2015, MPPCL received the BOI approval for the application as new operator of 10MW BESS Project on a pioneer status. The BESS Facility provides 10MW of interconnected capacity and enhances the reliability of the Luzon grid using the *Advancion* energy storage solution. As a registered entity, MPPCL is entitled to incentives that include, among others, an ITH for six years from December 2018 or date of actual start of commercial operations, whichever is earlier (but not earlier than the date of registration) subject to compliance with the specific terms and conditions of MPPCL's BOI registration. The ITH period for the 10 MW BESS of MPPCL commenced on December 1, 2018. On October 1, 2020, MPPCL likewise received the BOI approval on the additional 20MW BESS Phase 2 Project.

- On August 24, 2016, SMCGP Philippines Energy received the BOI approval for the application as new operator of 2 x 20MW Kabankalan *Advancion* Energy Storage Array on a pioneer status. SMCGP Philippines Energy, a registered entity, is entitled to incentives that include, among others, an ITH for six years from July 2019 to December 2024 or date of actual start of commercial operations, whichever is earlier (but not earlier than the date of registration). On November 27, 2019, SMCGP Philippines Energy filed a request with the BOI to move the reckoning date of the ITH entitlement from July 2019 to July 2021. The request has been approved by BOI on July 10, 2020. The incentives shall be limited to the specific terms and conditions of SMCGP Philippines Energy's BOI registration.
- On November 29, 2019, the BOI has approved the application of UPSI as new operator of BESS Component of Integrated Renewable Power Facility (R-Hub) covering various sites across the Philippines. The BOI has also approved UPSI's subsequent applications covering additional sites. Each registered site was granted with certain incentives including ITH, among others.
- On February 23, 2021, EERI was registered with the BOI under EO No. 226 as new operator of 2 x 850 MW Batangas Combined Cycle Power Plant (Phase I and Phase II) on a non-pioneer status. As a registered entity, EERI is entitled to certain incentives that include, among others, an ITH for four years from April 2023 for Phase 1 and from October 2026 for Phase 2 or date of actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration. The ITH incentives shall only be limited to the specific terms and conditions of EERI's BOI registrations.

Registration with the Authority of the Freeport Area of Bataan (AFAB)

On April 24, 2019, MPGC was registered with the AFAB, subject to annual renewal, as engaged in business of producing and generating electricity, and processing fuels alternative for power generation, among others, at the Freeport Area of Bataan (FAB). As a FAB enterprise, MPGC will operate a 4 x 150 MW power plant located in Mariveles, Bataan. FAB granted MPGC certain incentives that include, among others, an ITH for four years for original project effective on the committed date or actual date of start of commercial operations, whichever is earlier. On January 4, 2021, MPGC has been granted a renewed certificate of registration with AFAB valid until December 31, 2021.

License Granted by the ERC

On August 4, 2008, August 22, 2011 and August 24, 2016, MPPCL, SMELC and SCPC, respectively, were granted a RES License by the ERC pursuant to Section 29 of the EPIRA, which requires all suppliers of electricity to the contestable market to secure a license from the ERC. The term of the RES License is for a period of five years from the time it was granted and renewable thereafter.

On July 26, 2016, the ERC approved the renewal of MPPCL's RES License, valid from August 2, 2016 to August 1, 2021.

On August 19, 2016, the ERC approved the renewal of SMELC's RES License for another five years from August 22, 2016 up to August 21, 2021.

b. SMFB

SMFI

SMFI is registered with the BOI and AFAB for certain feedmill, poultry, meats and ready-to-eat meals projects. In accordance with the provisions of EO No. 226 and the Republic Act No. 9728, also known as "The Freeport Area of Bataan Act of 2009", the projects are entitled, among others, to fiscal incentives described as follows:

- *New Producer of Hogs.* SMFI's (formerly Monterey Foods Corporation) Sumilao Hog Project (Sumilao Hog Project) was registered with the BOI on a pioneer status on July 30, 2008 under Registration No. 2008-192. The Sumilao Hog Project was entitled to ITH for a period of six years, extendable under certain conditions to eight years.

SMFI's six-year ITH for the Sumilao Hog Project ended on January 31, 2015. SMFI's application for one year extension of ITH from February 1, 2015 to January 31, 2016 was approved by the BOI on May 20, 2016. Application for the second year extension of ITH was no longer pursued by SMFI.

Notwithstanding the expiration of ITH benefit, SMFI is still required to continue the submission of annual reports to the BOI for a period of five years from the last year of ITH availment pursuant to BOI Circular No. 2014-01. SMFI's last availment of ITH for this project was in 2016.

- *New Producer of Animal Feeds (Pellet, Crumble and Mash)*. The San Ildefonso, Bulacan feedmill project (Bulacan Feedmill Project) was registered on a non-pioneer status on April 14, 2016 under Registration No. 2016-074. The Bulacan Feedmill Project is entitled to ITH for four years from July 2018 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration, extendable under certain conditions, but in no case should the aggregate ITH period exceed eight years. The ITH period of the project commenced on July 1, 2018.
- *New Producer of Animal and Aqua Feeds*. The Sta. Cruz, Davao feedmill project (Davao Feedmill Project) was registered on a non-pioneer status on April 14, 2016 under Registration No. 2016-073. The Davao Feedmill Project is entitled to ITH for four years from July 2018 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration, extendable under certain conditions, but in no case should the aggregate ITH period exceed eight years.

On May 24, 2019, BOI approved SMFI's request to move Davao Feedmill Project's start of commercial operations and ITH reckoning date to April 2019. The ITH period of the project commenced on April 1, 2019.

- *New Producer of Animal Feeds (Pellet, Crumble and Mash)*. The Mandaue, Cebu feedmill project (Cebu Feedmill Project) was registered on a non-pioneer status on November 10, 2015 under Registration No. 2015-251. The Cebu Feedmill Project is entitled to ITH for four years from July 2018 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration, extendable under certain conditions, but in no case should the aggregate ITH period exceed eight years.

On May 24, 2019, BOI approved SMFI's request to move Cebu Feedmill Project's start of commercial operations and ITH reckoning date to December 2019.

- SMFI's Bataan feedmill project (Bataan Feedmill Project) was registered with the AFAB as a *Manufacturer of Feeds for Poultry, Livestock and Marine Species*. AFAB Certificate of Registration is valid for a period of one year from issuance and renewable annually subject to qualifications as determined by AFAB.

The Bataan Feedmill Project was registered with AFAB on January 6, 2017 under Registration No. 2017-057. Thereafter, the project's AFAB registration has been renewed accordingly as follows:

Registration Renewal Date	Certificate of Registration No.	Annual Period Covered
March 6, 2018	2018-096	2018
February 14, 2019	2019-079	2019
December 10, 2019	2020-047	2020
December 29, 2020	2021-081	2021

Under the terms of SMFI's AFAB registration, Bataan Feedmill Project is entitled to incentives which include, among others, ITH for four years from May 2018 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration. The ITH period of the project commenced on May 1, 2018.

- SMFI has the following poultry projects registered with the BOI under E.O. No. 226.
 - a. *New Producer of Whole Dressed Chicken and Further Processed (Marinated, Deboned) Chicken Parts*. The Sta. Cruz, Davao poultry project (Davao Poultry Project) was registered on a non-pioneer status on February 3, 2017 under Registration No. 2017-035.
 - b. *New Producer of Whole Dressed Chicken and Further Processed (Marinated, Deboned) Chicken Parts*. The Pagbilao, Quezon poultry project (Quezon Poultry Project) was registered on a non-pioneer status on March 30, 2017 under Registration No. 2017-082.

Due to certain developments which were significantly different from the original project plans, SMFI submitted on September 19, 2018 a letter requesting cancellation of the registrations. On October 10, 2018, the BOI approved SMFI's request to cancel the registrations of the above-mentioned poultry projects.

- *New Producer of Ready-to-Eat Meals*. The Sta. Rosa, Laguna Food Service project (Ready-to-Eat Project) was registered on a non-pioneer status on December 13, 2017 under Registration No. 2017-335. The Ready-to-Eat Project is entitled to ITH for four years from March 2019 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration.
- *New Domestic Producer of Animal Feeds (in Pellet, Crumble and Mash)*. The Phividec, Tagoloan, Misamis Oriental feedmill project (CDO Feedmill Project) was registered on a non-pioneer status on May 27, 2020 under Registration No. 2020-075. The CDO Feedmill Project is entitled to ITH for four years from June 2020 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration, extendable under certain conditions, but in no case should the aggregate ITH period exceed eight years. ITH period of the project commenced on June 1, 2020.

PF-Hormel

PF-Hormel was registered with the BOI under Registration No. 2017-033 on a non-pioneer status as an Expanding Producer of Processed Meat (Hotdog) for its project in General Trias, Cavite on January 31, 2017.

Under the terms of PF-Hormel's BOI registration and subject to certain requirements as provided in EO No. 226, PF-Hormel is entitled to incentives which include, among others, ITH for three years from December 2017 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration. The ITH period of the project commenced on December 1, 2017.

SMMI

SMMI was registered with the BOI under Registration No. 2016-035 on a non-pioneer status as an Expanding Producer of Wheat Flour and its By-Product (Bran and Pollard) for its flour mill expansion project in Mabini, Batangas on February 16, 2016.

Under the terms of SMMI's BOI registration and subject to certain requirements as provided in EO No. 226, SMMI is entitled to incentives which include, among others, ITH for three years from July 2017 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration.

On October 25, 2017, the BOI approved SMMI's request to adjust the ITH reckoning date to December 2018 or actual start of commercial operations, whichever is earlier.

On July 25, 2019, the BOI approved SMMI's subsequent request to further adjust the ITH reckoning date to July 2019 or actual start of commercial operations, whichever is earlier. The ITH period of the project commenced on December 1, 2019.

On August 7, 2020, by virtue of Resolution No. 15-19, Series of 2020, the BOI approved SMMI's request for amendment of ITH Base Figure from peso sales value of 9,582,065,157 to sales volume of 388,447 metric tons.

c. Petron

Refinery Master Plan 2 (RMP-2) Project

On June 3, 2011, the BOI approved Petron's application under the Downstream Oil Industry Deregulation Act (RA No. 8479) as an Existing Industry Participant with New Investment in Modernization/Conversion of Bataan Refinery's RMP-2. The BOI is extending the following major incentives:

- i. ITH for five years without extension or bonus year from July 2015 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration based on the formula of the ITH rate of exemption.
- ii. Minimum duty of three percent and VAT on imported capital equipment and accompanying spare parts.
- iii. Importation of consigned equipment for a period of five years from date of registration subject to posting of the appropriate re-export bond; provided that such consigned equipment shall be for the exclusive use of the registered activity.
- iv. Tax credit on domestic capital equipment shall be granted on locally fabricated capital equipment which is equivalent to the difference between the tariff rate and the three percent duty imposed on the imported counterpart.
- v. Exemption from real property tax on production equipment or machinery.
- vi. Exemption from contractor's tax.

The RMP-2 Project commenced its commercial operations on January 1, 2016.

Certificate of entitlement has been timely obtained by Petron to support its ITH credits in 2018. On August 19, 2019, the BOI approved Petron's application for the ITH incentive. The approval also covers the claim for income tax exemption in Petron's 2018 Income Tax Return, subject to adjustment, if any, after the completion of the audit by the BIR.

Petron did not avail of the ITH in 2020 and 2019. The RMP-2 entitlement period ended in June 2020.

Bataan Refinery

In December 2020, Bataan Refinery was granted approval as a registered enterprise by the AFAB. FAB-registered enterprises are entitled to avail of fiscal incentives under Special Economic Zone Act of 1995 or Omnibus Investment Code of 1987.

d. Packaging

SMYPC

On December 7, 2018, the BOI issued the certificate of registration to SMYPC's Plastic Caps Plant in Laguna as an expanding producer of injection plastic caps on a non-pioneer status under EO No. 226. The registration entitles SMYPC to certain tax and other incentives including but not limited to a three-year ITH starting June 1, 2019 when it started its commercial operations and will expire on May 31, 2022.

On June 19, 2019, the BOI issued the certificate of registration to SMYPC's Plastics Plant in Cebu as a new producer of plastic products such as but not limited to crates and poultry flooring on a non-pioneer status. The registration entitles SMYPC to a four-year ITH starting July 1, 2019 when it started its commercial operations and will expire on June 30, 2023.

On June 26, 2019, the BOI issued the certificate of registration to SMYPC's Plastics Plant in Manila as a modernization project of plastic pallets production on a non-pioneer status. The registration entitles SMYPC to a three-year ITH starting July 1, 2019 when it started its commercial operations and will expire on June 30, 2022.

In addition to the ITH, SMYPC is entitled to the following benefits:

- i. Importation of capital equipment, spare parts and accessories at zero duty from the date of effectivity of EO No. 85 and its Implementing Rules and Regulations for a period of three years from the effectivity of the EO or on July 25, 2019 and until July 24, 2022.
- ii. Exemption from taxes and duties on imported spare parts and consumable supplies for export producers with Custom Bonded Manufacturing Warehouse (CBMW) exporting at least 70% of production.
- iii. Tax credit equivalent to the national internal revenue taxes and duties paid on raw materials and supplies and semi-manufactured products used in producing its export product and forming part thereof for a period of ten years from start of commercial operations.
- iv. Additional deduction for labor expense for a period of five years from registration an amount equivalent to 50% of the wages corresponding to the increment in number of direct labor for skilled and unskilled workers in the year of availment as against the previous year, if the project meets the prescribed ratio of capital equipment to the number of workers set by the Board. This may be availed of for the first five years from the date of registration but not simultaneously with ITH.
- v. Importation of consigned equipment for a period of ten years from the date of registration, subject to posting of re-export bond.

- vi. Employment of foreign nationals.
- vii. Simplification of Customs procedures for the importation of equipment, spare parts, raw materials and supplies.
- viii. Exemption from wharfage dues, and any export tax, duty, impost and fee for a period of ten years from the date of registration.
- ix. Access to CBMW subject to the Customs rules and regulations.

As a result of the merger, the BOI certificate of registration for SMYAC's Glass Expansion Project under EO No. 226 was transferred to SMYPC. The registration entitles SMYPC to certain tax and other incentives including but not limited to ITH incentive starting March 1, 2019 and will expire on February 28, 2022.

SYFMC

On December 3, 2019, the BOI issued the certificate of registration to SYFMC's project as a new producer of molds for glass on a pioneer status under EO No. 226. The registration entitles SYFMC to certain tax and other incentives.

The ITH incentive is for a period of six years starting May 1, 2020 when it started its commercial operations. The income qualified for ITH shall be limited to the income directly attributable to the eligible revenue granted from the registered project.

e. SMCSLC

SMCSLC

SMCSLC is registered with the BOI under EO No. 226 for the operation of domestic cargo vessels and motor tankers with the following incentives:

- i. *ITH*. Operation of Brand New Domestic/Inter-Island Shipping Vessel (M/T SL Beluga). The project was registered on February 20, 2013, where SMCSLC is entitled to ITH for six years from February 2013 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration. The 100% incentive shall be limited only to the revenue generated by the registered project.
- ii. *Employment of Foreign Nationals*. This may be allowed in supervisory, technical or advisory positions for five years from the date of registration of the project as indicated above. The president, general manager and treasurer of foreign-owned registered firms or their equivalent shall not be subjected to the foregoing limitations.
- iii. *Additional Deduction for Labor Expense*. For the first five years from registration, SMCSLC shall be allowed an additional deduction from taxable income equivalent to 50% of the wages of additional skilled and unskilled workers in the direct labor force. The incentive shall be granted only if the enterprise meets a prescribed capital to labor ratio and shall not be availed simultaneously with the ITH.
- iv. *Importation of Capital Equipment, Spare Parts and Accessories*. For the operation of motor tankers, SMCSLC may import capital equipment, spare parts and accessories at zero percent duty from the date of registration of the project as indicated above pursuant to EO No. 528 and its implementing rules and regulations.

The incentives with no specific number of years of entitlement above may be enjoyed for a maximum period of ten years from the start of commercial operations and/or date of registration.

ITH incentives availed amounted to Php 3,366 in 2019. The ITH incentives expired on February 19, 2019.

SLHBTC

In 2015, SLHBTC registered its own fuel storage facilities at Limay, Bataan under Registration No. 2015-027. In 2016, its newly built oil terminal located at Tagoloan, Cagayan de Oro was also registered with the BOI under Registration No. 2016-145. With the registration, SLHBTC is entitled to the following incentives under the RA No. 8479 from date of registration or date of actual start of commercial operations, whichever is earlier, and upon fulfillment of the terms enumerated below:

i. *ITH*

SLHBTC is entitled to ITH for five years without extension from date of registration or actual start of operations, whichever is earlier, but in no case earlier than the date of registration.

Only income directly attributable to the revenue generated from the registered project [Storage and Bulk Marketing of 172,000,000 liters (Tagoloan) or 35,000,000 liters (Limay) of petroleum products covered by Import Entry Declaration or sourced locally from new industry participants] pertaining to the capacity of the registered storage terminal shall be qualified for the ITH.

- ii. *Additional Deduction from Taxable Income.* SLHBTC shall be allowed an additional deduction from taxable income of 50% of the wages corresponding to the increment in number of direct labor for skilled and unskilled workers in the year of availment as against the previous year if the project meets the prescribed ratio of capital equipment to the number of workers set by the BOI and provided that this incentive shall not be availed of simultaneously with the ITH.
- iii. *Minimum Duty of 3% and VAT on Imported Capital Equipment.* Importation of brand new capital equipment, machinery and accompanying spare parts, shall be entitled to this incentive subject to the following conditions:
- they are not manufactured domestically in sufficient quantity of comparable quality and at reasonable prices;
 - the equipment is reasonably needed and will be exclusively used in the registered activity; and
 - prior BOI approval is obtained for the importation as endorsed by the DOE.
- iv. *Tax Credit on Domestic Capital Equipment.* This shall be granted on locally fabricated capital equipment equivalent to the difference between the tariff rate and the three percent duty imposed on the imported counterpart.

- v. *Importation of Consigned Equipment.* SLHBTC is entitled for importation of consigned equipment for a period of five years from the date of registration subject to posting of the appropriate bond, provided that such consigned equipment shall be for the exclusive use of the registered activity.
- vi. *Exemption from Taxes and Duties on Imported Spare Parts for Consigned Equipment with Bonded Manufacturing Warehouse.* SLHBTC is entitled to this exemption upon compliance with the following requirements:
 - at least 70% of production is imported;
 - such spare parts and supplies are not locally available at reasonable prices, sufficient quantity and comparable quality; and
 - all such spare and supplies shall be used only on bonded manufacturing warehouse on the registered enterprise under such requirements as the Bureau of Customs may impose.
- vii. *Exemption from Real Property Tax on Production Equipment or Machinery.* Equipment and machineries shall refer to those reasonably needed in the operations of the registered enterprise and will be used exclusively in its registered activity. BOI Certification to the appropriate Local Government Unit will be issued stating therein the fact of the applicant's registration with the BOI.
- viii. *Exemption from the Contractor's Tax.* BOI certification to the BIR will be issued stating therein the fact of the applicant's registration with the BOI.
- ix. *Employment of Foreign Nationals.* This may be allowed in supervisory, technical or advisory positions for five years from date of registration. The President, General Manager and Treasurer of foreign-owned registered enterprise or their equivalent shall not be subject to the foregoing limitations.

The incentives with no specific number of years of entitlement above may be enjoyed for a maximum period of ten years from the start of commercial operation and/or date of registration.

Molave Tanker Corporation (MTC)

MTC is registered with the BOI under EO No. 226 for the operation of domestic cargo vessels and motor tankers with the following incentives:

- i. *ITH*
 - *New Domestic Shipping Operator (Oil Tanker Vessel - MTC Apitong, 2,993GT).* The project was registered on January 11, 2017, where MTC is entitled to ITH for four years from January 2017 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration. The 100% ITH incentive shall be limited only to the revenue generated by the registered project.
 - *New Domestic Shipping Operator (Oil Tanker Vessel - MTC Guijo - 2,993 GT).* The project was registered on May 24, 2017, where MTC is entitled to ITH for four years from May 2017 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration. The 100% ITH incentives shall be limited only to the revenue generated by the registered project.

- ii. *Employment of Foreign Nationals.* This may be allowed in supervisory, technical or advisory positions for five years from the date of registration of the project as indicated above. The President, General Manager and Treasurer of foreign-owned registered firms or their equivalent shall not be subjected to the foregoing limitations.
- iii. *Importation of Consigned Equipment.* For the operation of cargo vessels, MTC is entitled to importation of consigned equipment for a period of ten years from the date of registration, subject to the posting of re-export bond.
- iv. *Importation of Capital Equipment, Spare Parts and Accessories.* For the operation of motor tankers, MTC may import capital equipment, spare parts and accessories at zero percent duty from the date of registration of the project as indicated above, pursuant to EO No. 528 and its implementing rules and regulations.
- v. *Additional Deduction for Labor Expense.* For the first five years from registration, MTC shall be allowed an additional deduction from taxable income equivalent to 50% of the wages of additional skilled and unskilled workers in the direct labor force. The incentive shall be granted only if the enterprise meets a prescribed capital to labor ratio and shall not be availed simultaneously with the ITH.
- vi. *Simplification of Customs procedures for the importation of equipment, spare parts, raw materials and supplies.*

The incentives with no specific number of years of entitlement above may be enjoyed for a maximum period of ten years from the start of commercial operations and/or date of registration.

Balyena Tanker Corporation (BTC)

BTC is registered with the BOI under EO No. 226 for the operation of domestic cargo vessels and motor tankers with the following incentives:

- i. *ITH*
 - *New Domestic Shipping Operator (LPG Carrier/Tanker Vessel - BTC Balyena, 3,404 GT).* The project was registered on December 14, 2016, where BTC is entitled to ITH for four years from December 2016 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration. The 100% ITH incentive shall be limited only to the revenue generated by the registered project.
 - *New Domestic Shipping Operator (One (1) Cargo Vessel - BTC Mt. Samat, 1,685 GT).* The project was registered on July 30, 2018, where BTC is entitled to ITH for four years from July 2018 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration. The 100% ITH incentive shall be limited only to the revenue generated by the registered project.
 - *New Domestic Shipping Operator (Cargo Vessel BTC Harina, 872 GT).* The project was registered on November 9, 2018, where BTC is entitled to ITH for four years from November 2018 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration. The 100% ITH incentive shall be limited only to the revenue generated by the registered project.

- *New Domestic Shipping Operator (Deck Cargo Vessel - BTC Mount Makiling, 1,685 GT).* The project was registered on November 9, 2018, where BTC is entitled to ITH for four years from November 2018 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration. The 100% ITH incentives shall be limited only to the revenue generated by the registered project.
- *New Domestic Shipping Operator (Cargo Vessel - BTC Soya, 2,426 GT).* The project was registered on July 19, 2019, where BTC is entitled to ITH for four years from July 2019 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration. The 100% ITH incentives shall be limited only to the revenue generated by the registered project.
- *New Domestic Shipping Operator (Cargo Vessel - BTC Cassava, 2,426 GT).* The project was registered on July 19, 2019, where BTC is entitled to ITH for four years from July 2019 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration. The 100% ITH incentives shall be limited only to the revenue generated by the registered project.
- ii. *Employment of Foreign Nationals.* This may be allowed in supervisory, technical or advisory positions for five years from the date of registration of the project as indicated above. The President, General Manager and Treasurer of foreign-owned registered firms or their equivalent shall not be subjected to the foregoing limitations.
- iii. *Importation of Consigned Equipment.* For the operation of cargo vessels, BTC is entitled for importation of consigned equipment for a period of ten years from the date of registration, subject to the posting of re-export bond.
- iv. *Importation of Capital Equipment, Spare Parts and Accessories.* For the operation of motor tankers, BTC may import capital equipment, spare parts and accessories at zero percent duty from the date of registration of the project as indicated above pursuant to EO No. 528 and its implementing rules and regulations.
- v. *Additional deduction for labor expense.* For the first five years from registration, BTC shall be allowed an additional deduction from taxable income equivalent to 50% of the wages of additional skilled and unskilled workers in the direct labor force. The incentive shall be granted only if the enterprise meets a prescribed capital to labor ratio and shall not be availed simultaneously with the ITH.
- vi. *Simplification of Customs procedures for the importation of equipment, spare parts, raw materials and supplies.*
- vii. *Exemption from wharfage dues and any export tax, duty, impost and fees for a period of ten years from date of registration.*

The incentives with no specific number of years of entitlement above may be enjoyed for a maximum period of ten years from the start of commercial operations and/or date of registration.

Narra Tanker Corporation (NTC)

NTC is registered with the BOI under EO No. 226 for the operation of domestic cargo vessels and motor tankers with the following incentives:

i. *ITH*

- *New Domestic Shipping Operator (Oil Tanker Vessel - NTC Agila, 1-2,112 GT).* The project was registered on May 24, 2017, where NTC is entitled to ITH for four years from May 2017 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration. The 100% ITH incentives shall be limited only to the revenue generated by the registered project.
 - *New Domestic Shipping Operator (Oil Tanker Vessel/Barge Ship - NTC Haribon, 2,467 GT).* The project was registered on May 15, 2019, where NTC is entitled to ITH for four years from September 2019 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration. The 100% ITH incentive shall be limited only to the revenue generated by the registered project.
 - *New Domestic Shipping Operator (Oil Tanker Vessel/Barge Ship - NTC Falcon, 2,467 GT).* The project was registered on May 15, 2019, where NTC is entitled to ITH for four years from September 2019 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration. The 100% ITH incentive shall be limited only to the revenue generated by the registered project.
 - *New Domestic Shipping Operator (Oil Tanker Vessel/Barge Ship - NTC Heron, 2,219 GT).* The project was registered on October 3, 2019, where NTC is entitled to ITH for four years from October 2019 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration. The 100% ITH incentive shall be limited only to the revenue generated by the registered project.
 - *New Domestic Shipping Operator (Oil Tanker Vessel/Barge Ship - NTC Flamingo, 2,219 GT).* The project was registered on October 3, 2019, where NTC is entitled to ITH for four years from October 2019 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration. The 100% ITH incentive shall be limited only to the revenue generated by the registered project.
- ii. *Employment of Foreign Nationals.* This may be allowed in supervisory, technical or advisory positions for five years from the date of registration of the project as indicated above. The President, General Manager and Treasurer of foreign-owned registered firms or their equivalent shall not be subjected to the foregoing limitations.
- iii. *Importation of Consigned Equipment.* For the operation of cargo vessels, NTC is entitled for importation of consigned equipment for a period of ten years from the date of registration, subject to the posting of re-export bond.
- iv. *Importation of Capital Equipment, Spare Parts and Accessories.* For the operation of motor tankers, NTC may import capital equipment, spare parts and accessories at zero percent duty from the date of registration of the project as indicated above, pursuant to EO No. 528 and its implementing rules and regulations.

- v. *Additional deduction for labor expense.* For the first five years from registration, NTC shall be allowed an additional deduction from taxable income equivalent to 50% of the wages of additional skilled and unskilled workers in the direct labor force. The incentive shall be granted only if the enterprise meets a prescribed capital to labor ratio and shall not be availed simultaneously with the ITH.
- vi. *Simplification of Customs procedures for the importation of equipment, spare parts, raw materials and supplies.*

The incentives with no specific number of years of entitlement above may be enjoyed for a maximum period of ten years from the start of commercial operations and/or date of registration.

f. SMNCI

On January 15, 2018, SMNCI was registered with the BOI as a new producer of cement on a non-pioneer status. SMNCI's registration with the BOI entitles it to the following fiscal and non-fiscal incentives available to its registered project, among others:

- i. ITH for four years from January 2023 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration.
- ii. Importation of capital equipment, spare parts and accessories at zero duty under EO No. 22 and its Implementing Rules and Regulation.
- iii. Additional deduction from taxable income of 50% of wages corresponding to the increment in number of direct labor for skilled and unskilled workers in the year of availment as against the previous year, if the project meets the requirements as stated in the BOI Certificate.
- iv. Importation of consigned equipment for a period of ten years from the date of registration, subject to posting of re-export bond.
- v. Tax credit equivalent to the national internal revenue taxes and duties paid on raw materials and supplies and semi-manufactured products used in producing its export product and forming part thereof for a period of ten years from start of commercial operations.
- vi. Exemption from wharfage dues, and any export tax, duty, impost and fee for a period of ten years from date of registration.
- vii. Employment of foreign nationals which may be allowed in supervisory, technical or advisory positions for five years from date of registration.
- viii. Simplification of Customs procedures for the importation of equipment, spare parts, raw materials and supplies.

43. 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.

▪ SEC Case

On September 10, 2018, SMC, SMFB and GSMI received from the SEC Special Hearing Panel, a Summons dated September 3, 2018 furnishing SMC, SMFB and GSMI a copy of the Amended Petition filed by Josefina Multi-Ventures Corporation (the "Petitioner") against SMC, SMFB and GSMI docketed as SEC Case No. 05-18-468 (the "Petition"). The Petition seeks (i) to declare null and void (a) the share swap transaction between SMFB and SMC involving the transfer of SMC's common shares in SMB and GSMI and in consideration therefor, the issuance of new SMFB common shares from the increase in SMFB's capital stock, and (b) SMFB's Certificate of Approval of Increase of Capital Stock and Certificate of Filing of Amended Articles of Incorporation (amending Article VII thereof) issued by the SEC on June 29, 2018; or (ii) in the alternative, for SMFB to be directed to conduct a mandatory tender offer under Section 19 of the Securities Regulation Code for the benefit of the remaining shareholders of GSMI.

On February 19, 2019, the SEC Special Hearing Panel dismissed the Petition for lack of merit. The motion for reconsideration filed by the Petitioner was denied on June 10, 2019.

On July 4, 2019, an appeal memorandum was filed by the Petitioner with the SEC *En Banc*. SMC, SMFB and GSMI filed their respective comments on the appeal.

On September 14, 2020, SMC received a favorable decision from the SEC *En Banc* denying the appeal memorandum filed by the Petitioner and affirming the decision of the SEC Special Hearing Panel dated February 19, 2019.

▪ Treasury Shares of SMC

A portion of the total treasury shares of SMC came from 25,450,000 common shares with an acquisition cost of P481, [net of the cost of the 1,000,000 shares paid to the Presidential Commission on Good Government (PCGG) as arbitral fee pursuant to the Compromise Agreement, as herein defined] which were reverted to treasury in 1991 upon implementation of the Compromise Agreement and Amicable Settlement (Compromise Agreement) executed by SMC with the United Coconut Planters Bank (UCPB) and the Coconut Industry Investment Fund (CIIF) Holding Companies in connection with the purchase of the common shares of SMC under an agreement executed on March 26, 1986.

Certain parties have opposed the Compromise Agreement. The right of such parties to oppose, as well as the propriety of their opposition, has been the subject matters of cases before the Sandiganbayan and the Supreme Court.

On September 14, 2000, the Supreme Court upheld a Sandiganbayan Resolution requiring SMC to deliver the 25,450,000 common shares that were reverted to treasury in 1991 to the PCGG and to pay the corresponding dividends on the said shares (the “Sandiganbayan Resolution”).

On October 10, 2000, SMC filed a motion for reconsideration with the Supreme Court to be allowed to comply with the delivery and payment of the dividends on the treasury shares only in the event that another party, other than SMC, is declared owner of the said shares in the case for forfeiture (Civil Case) filed by the Philippine government (Government).

On April 17, 2001, the Supreme Court denied the motion for reconsideration.

On September 19, 2003, the PCGG wrote SMC to deliver to the PCGG the stock certificates and cash and stock dividends under the Sandiganbayan Resolution upheld by the Supreme Court. SMC referred the matter to its external financial advisor and external legal counsel for due diligence and advice. The external financial advisor presented to the BOD on December 4, 2003 the financial impact of compliance with the resolution considering “with and without due compensation” scenarios and applying different rates of return to the original amount paid by SMC. The financial advisor stated that if SMC is not compensated for the conversion of the treasury shares, there will be: (a) a negative one-off EPS impact in 2003 of approximately 17.5%; (b) net debt increase of approximately P2,100; and (c) a negative EPS impact of 6.9% in 2004. The external legal counsel at the same meeting advised the BOD that, among others, the facts reviewed showed that: (a) the compromise shares had not been validly sequestered; (b) no timely direct action was filed to nullify the transaction; (c) no rescission can be effected without a return of consideration; and (d) more importantly, requiring SMC to deliver what it acquired from the sellers without a substantive ground to justify it, and a direct action in which SMC is accorded full opportunity to defend its rights, would appear contrary to its basic property and due process rights. The external legal counsel concluded that SMC has “legal and equitable grounds to challenge the enforcement” of the Sandiganbayan Resolution.

On January 29, 2004, the external legal counsel made the additional recommendation that SMC should file a Complaint-in-Intervention in the Civil Case (now particularly identified as SB Civil Case No. 0033-F), the forfeiture case brought by the Government involving the so-called CIIF block of SMC shares of stock of which the treasury shares were no longer a portion. The Complaint-in-Intervention would pray that any judgment in the Civil Case forfeiting the CIIF block of SMC shares of stock should exclude the treasury shares.

At its January 29, 2004 meeting, the BOD of SMC unanimously decided to: (a) deny the PCGG demand of September 19, 2003, and (b) authorize the filing of the Complaint-in-Intervention. Accordingly, the external legal counsel informed the PCGG of the decision of SMC and the Complaint-in-Intervention was filed in the Civil Case.

In a Resolution dated May 6, 2004, the Sandiganbayan denied the Complaint-in-Intervention. The external legal counsel filed a Motion for Reconsideration, which was denied by the Sandiganbayan in its Decision dated November 28, 2007.

The external legal counsel advised that because the Sandiganbayan had disallowed SMC's intervention, the Sandiganbayan's disposition of the so-called CIIF block of SMC shares in favor of the Government cannot bind SMC, and that SMC remains entitled to seek the nullity of that disposition should it be claimed to include the treasury shares.

The external legal counsel also advised that the Government has, in its own court submissions: (i) recognized SMC's right to the treasury shares on the basis that the Compromise Agreement is valid and binding on the parties thereto; and (ii) taken the position that SMC and UCPB had already implemented the Compromise Agreement voluntarily, and that the PCGG had conformed to the Agreement and its implementation.

The Executive Committee of SMC approved the recommendation of external legal counsel on January 18, 2008 which was ratified by the BOD on March 6, 2008.

On July 23, 2009, the stockholders of SMC approved the amendment of the Articles of Incorporation to issue Series "1" preferred shares, and the offer to exchange common shares to Series "1" preferred shares. The PCGG, with the approval of the Supreme Court in its Resolution dated September 17, 2009, converted the sequestered common shares in SMC in the name of the CIIF Holding Companies, equivalent to 24% of the outstanding capital stock, into Series "1" preferred shares.

On February 11, 2010, the Supreme Court, amending its Resolution dated September 17, 2009, authorized the PCGG to exercise discretion in depositing in escrow, the net dividend earnings on, and/or redemption proceeds from, the Series "1" preferred shares of SMC, either with the Development Bank of the Philippines/Land Bank of the Philippines or with the UCPB. All dividends accruing to the Series "1" preferred shares are remitted to the escrow account established with UCPB.

On October 5, 2012, SMC redeemed all Series "1" preferred shares including those Series "1" preferred shares in the name of the CIIF Holding Companies. Proceeds of such redemption with respect to Series "1" preferred shares in the name of the CIIF Holding Companies, including all accumulated dividends were paid to the National Treasury. As at October 5, 2012, CIIF Holding Companies are no longer stockholders of SMC.

On June 30, 2011, the PCGG filed with the Supreme Court an Urgent Motion to Direct SMC to comply with the Sandiganbayan Resolution (the "Urgent Motion"). On March 30, 2012, SMC filed a Comment on the Urgent Motion in compliance with the Supreme Court's Resolution dated December 13, 2011 in G.R. Nos. 180705, 177857-58 and 178193, which was received by SMC on February 22, 2012, directing SMC to file its Comment on the Urgent Motion. The Supreme Court, in the Resolution of April 24, 2012 noted the comment of SMC.

Thereafter, the PCGG filed in G.R. Nos. 177857-58 and 178193 a “Manifestation and Omnibus Motion 1) To Amend the Resolution Promulgated on September 4, 2012 to Include the “Treasury Shares” which are Part and Parcel of the 33,133,266 CIIF Block of SMC Shares of 1983 Decreed by the Sandiganbayan, and Sustained by the Honorable Court, as Owned by the Government; and 2) To Direct SMC to Comply with the Final and Executory Resolutions Dated October 24, 1991 and March 18, 1992 of the Sandiganbayan Which Were Affirmed by the Honorable Court in G.R. Nos. 104637-38” (“Manifestation and Omnibus Motion”).

The Supreme Court, in the Resolution of November 20, 2012 in G.R. Nos. 177857-58 and 178193, required SMC to comment on COCOFED, et al.’s “Manifestation” dated October 4, 2012 and PCGG’s “Manifestation and Omnibus Motion.” Atty. Estelito P. Mendoza, counsel for Eduardo M. Cojuangco, Jr. in G.R. No. 180705, who is a party in that case, filed a “Manifestation Re: ‘Resolution’ dated November 20, 2012,” dated December 17, 2012, alleging that: (a) Mr. Cojuangco, Jr. is not a party in G.R. Nos. 177857-58 and 178193 and he has not appeared as counsel for any party in those cases; (b) SMC is likewise not a party in those cases, and if SMC is indeed being required to comment on the pleadings in the Resolution of November 20, 2012, a copy of the Resolution be furnished SMC; and (c) the Supreme Court had already resolved the motion for reconsideration in G.R. Nos. 177857-58 and 178193 and stated that “no further pleadings shall be entertained, thus, any motion filed in the said cases thereafter would appear to be in violation of the Supreme Court’s directive”.

In its Resolution of June 4, 2013 in G.R. Nos. 177857-58 and 178193, the Supreme Court required SMC to file its comment on the: (a) Manifestation, dated October 4, 2012 filed by petitioners COCOFED, et al. and (b) Manifestation and Omnibus Motion dated October 12, 2012 filed by the Office of the Solicitor General for respondent Republic of the Philippines, as required in the Supreme Court Resolution, dated November 20, 2012, within ten (10) days from notice thereof.

In the Resolution, dated September 10, 2013, the Supreme Court directed SMC, through its counsel or representative, to immediately secure from the Office of the Clerk of Court of the Supreme Court *En Banc* photocopies of the: (a) Manifestation, dated October 4, 2012 filed by petitioners COCOFED, et al. and (b) Manifestation and Omnibus Motion dated October 12, 2012 filed by the Office of the Solicitor, and granted SMC’s motion for a period of thirty (30) days from receipt of the pleadings within which to file the required comment per resolutions dated November 20, 2012 and June 4, 2013.

SMC, thru external counsel, filed the following comments required in the Supreme Court Resolution of June 4, 2013 in G.R. Nos. 177857-58; (a) “Comment of San Miguel Corporation on the ‘Manifestation’ of Petitioners COCOFED, et al., Dated October 4, 2012” on November 6, 2013; and (b) “Comment of San Miguel Corporation on the ‘Manifestation and Omnibus Motion’ Dated October 12, 2012 of the Respondent Republic” on December 3, 2013.

In the Entry of Judgment received on January 27, 2015, the Supreme Court entered in the Book of Entries of Judgments the Resolution of September 4, 2012 in G.R. Nos. 177857-58 and 178193 wherein the Supreme Court clarified that the 753,848,312 SMC Series "1" preferred shares of the CIIF companies converted from the CIIF block of SMC shares, with all the dividend earnings as well as all increments arising therefrom shall now be the subject matter of the January 29, 2012 Decision and declared owned by the Government and used only for the benefit of all coconut farmers and for the development of the coconut industry. Thus, the fallo of the Decision dated January 24, 2012 was accordingly modified.

In the meantime, SMC has available cash and shares of stock for the dividends payable on the treasury shares, in the event of an unfavorable ruling by the Supreme Court.

On October 5, 2016, the Supreme Court of the Philippines in G.R. Nos. 177857-58 and 178193 issued a Judgment denying the "Manifestation and Omnibus Motion" filed by the Presidential Commission on Good Government to amend the Resolution Promulgated on September 4, 2012 to Include the "Treasury Shares" Which are Part and Parcel of the 33,133,266 CIIF Block of SMC Shares of 1983 Decreed by the Sandiganbayan, and Sustained by the Honorable Court, as Owned by the Government. The denial of the motion is without prejudice to the right of the ROP to file the appropriate action or proceeding to determine the legal right of SMC to the 25,450,000 treasury shares of SMC. On November 29, 2016, the Supreme Court denied with finality the motion for reconsideration of the Republic of the Philippines.

- Deficiency Excise Tax/Excess Excise Tax Payments

Filed by SMC

In 2004, SMC was assessed of excise taxes by the BIR on "San Mig Light" which at that time was one of its products. These assessments were contested by SMC but nonetheless made the corresponding payments. Consequently, SMC filed three (3) claims for refund for overpayments of excise taxes with the BIR which were then elevated to the Court of Tax Appeals (CTA) by way of petition for review. The details of the such claims for refunds are as follows:

- (a) first claim for refund of overpayments for the period from February 2, 2004 to November 30, 2005 was filed on January 31, 2005 with the CTA First Division docketed as CTA Case No. 7405;
- (b) second claim for refund of overpayments for the period of December 31, 2005 to July 31, 2007 was filed on July 24, 2009 with the CTA Third Division docketed as CTA Case No. 7708; and
- (c) third claim for refund of overpayments for the period of August 1, 2007 to September 30, 2007 filed on July 24, 2009 with the CTA Third Division docketed as CTA Case No. 7953.

In the meantime, effective October 1, 2007, SMC spun off its domestic beer business into a new company, SMB. SMB continued to pay the excise taxes on "San Mig Light" at the higher rate required by the BIR and in excess of what it believes to be the excise tax rate applicable to it.

On the First Claim for Refund. On October 18, 2011, the CTA (1st Division) rendered its joint decision in CTA Case Nos. 7052, 7053 and 7405, cancelling and setting aside the deficiency excise tax assessments against SMC, granting the latter's claim for refund and ordering the BIR Commissioner to refund or issue a tax credit certificate in its favor in the amount of P782, representing erroneously, excessively and/or illegally collected and overpaid excise taxes on "San Mig Light" during the period from February 1, 2004 to November 30, 2005. After unsuccessfully having the decision reconsidered, the BIR represented by the Office of the Solicitor General elevated the cases to the Supreme Court by Petition for Review, which was docketed as G.R. No. 20573 and raffled to the Third Division. This case was subsequently consolidated with G.R. No. 205045.

On the Second Claim for Refund. On January 7, 2011, the CTA (3rd Division) under CTA Case No. 7708 rendered its decision in this case, granting SMC's petition for review on its claim for refund and ordering respondent Commissioner of Internal Revenue to refund or issue a tax credit certificate in favor of SMC in the amount of P926, representing erroneously, excessively and/or illegally collected and overpaid excise taxes on "San Mig Light" during the period from December 1, 2005 up to July 31, 2007. This decision was elevated by the BIR Commissioner to the CTA *En Banc* and the appeal was denied in the case docketed as CTA EB No. 755. The Office of the Solicitor General filed with the Supreme Court a Petition for Review which was docketed as G.R. No. 205045.

On January 25, 2017, the Supreme Court, consolidating the First and Second Claims for refund, decided in the consolidated cases of G.R. Nos. 205045 and 205723 to uphold the decision of the CTA requiring the BIR to refund excess taxes erroneously collected in the amount of P926 for the period of December 1, 2005 to July 31, 2007, and P782 for the period of February 2, 2004 to November 30, 2005. The motions for reconsideration filed by the OSG were denied and the decision became final. On April 4, 2019, the Writ of Execution in CTA Case No. 7708 was issued by the Court and subsequently served on the BIR Commissioner, and on April 11, 2019, the Writ of Execution in CTA Case No. 7405 (consolidated with CTA Cases Nos. 7052 and 7053) was also issued and served on the Commissioner.

On September 8, 2020, the BIR issued TCC Nos. 121-20-00012 and 121-20-00013 amounting to P782 and P926, respectively, in favor of SMC. As at December 31, 2020, the TCC was not yet applied in any of SMC's tax obligations.

On the Third Claim for Refund. CTA Case No. 7953 was consolidated with CTA Case No. 7973 filed by SMB, which consolidated cases were subsequently decided in favor of SMC and SMB by the CTA Third Division, ordering the BIR to refund to them the joint amount of P934.

On August 10, 2020, the BIR issued TCC No. 121-20-00010 amounting to P105 in favor of SMC. P44 out of P105 was partially applied to SMC's 2020 tax obligations.

Filed by SMB

SMB filed 12 claims for refund for overpayments of excise taxes with the BIR which were then elevated to the CTA by way of petition for review on the following dates:

- (a) first claim for refund of overpayments for the period from October 1, 2007 to December 31, 2008 - Second Division docketed as CTA Case No. 7973 (September 28, 2009);
- (b) second claim for refund of overpayments for the period of January 1, 2009 to December 31, 2009 - First Division docketed as CTA Case No. 8209 (December 28, 2010);
- (c) third claim for refund of overpayments for the period of January 1, 2010 to December 31, 2010 - Third Division docketed as CTA Case No. 8400 (December 23, 2011);
- (d) fourth claim for refund of overpayments for the period of January 1, 2011 to December 31, 2011 - Second Division docketed as CTA Case No. 8591 (December 21, 2012);
- (e) fifth claim for refund of overpayments for the period of January 1, 2012 to December 31, 2012 - Second Division docketed as CTA Case No. 8748 (December 19, 2013);
- (f) sixth claim for refund of overpayments for the period of January 1, 2013 to December 31, 2013 - Third Division docketed as CTA Case No. 8955 (December 19, 2014);
- (g) seventh claim for refund of overpayments for the period of January 1, 2014 to December 31, 2014 - Third Division docketed as CTA Case No. 9223 (December 22, 2015);
- (h) eighth claim for refund of overpayments for the period of January 1, 2015 to December 31, 2015 - Second Division docketed as CTA Case No. 9513 (December 28, 2016);
- (i) ninth claim for refund of overpayments for the period from January 1, 2016 to December 31, 2016 - First Division docketed as CTA Case No. 9743 (December 29, 2017);
- (j) tenth claim for refund of overpayments for the period from January 1, 2017 to December 31, 2017 - Third Division docketed as CTA Case No. 10000 (December 27, 2018);
- (k) eleventh claim for refund of overpayments for the period from January 1, 2018 to December 31, 2018 - First Division docketed as CTA Case No. 10223 (December 6, 2019); and
- (l) twelfth claim for refund of overpayments for the period of January 1, 2019 to December 31, 2019 – Third Division docketed as CTA Case No. 10421 (December 16, 2020).

CTA Case No. 7973 was consolidated with CTA Case No. 7953. For CTA Case No. 7973, the CTA Third Division decided in favor of SMC and SMB and ordered the BIR to refund SMB the amount of P829 and the amount of P105 to SMC. The BIR appealed to the CTA *En Banc* which affirmed the decision of the Third Division. The BIR then elevated the case to the Supreme Court but its petition was denied by the Supreme Court through its September 11, 2017 and December 11, 2017 Resolutions (docketed as GR No. 232404). With the decision in favor of SMC and SMB, both companies, through counsel, on January 23, 2019, moved for the execution of the decision as the records of the case were returned to the CTA. The Writ of Execution was issued on March 18, 2019 by the CTA Special Second Division in the amount of P829. SMB filed an application for the issuance of a TCC with the BIR. The Integrated Tax System (ITS) TCC Trans No. 121-20-00009 was issued by the BIR in favor of SMB on August 10, 2020 in the amount of P829 (Note 32). P809 out of P829 was partially applied to SMB's 2020 tax obligations.

CTA Case No. 8209 was decided in favor of SMB by the CTA First Division, ordering the BIR to refund the amount of P731. The case was not appealed by the BIR within the prescribed period, thus, the decision was deemed final and executory. The First Division granted SMB's Motion for Execution, while the BIR filed a petition for certiorari before the Supreme Court, where it was docketed as G.R. No. 221790. The petition was dismissed by the Supreme Court with finality but the BIR still filed an urgent motion for clarification. Subsequently, SMB, through counsel, received a clarificatory resolution dated February 20, 2017 wherein the Supreme Court reiterated its grounds for the denial of the BIR's petition for certiorari. SMB filed an application for the issuance of a TCC in the amount of P731. On November 6, 2019, the BIR issued ITS TCC Trans No. 121-19-00010 in favor of SMB which was fully utilized against SMB's tax obligations in 2020 (Note 32).

CTA Case No. 8400 was decided in favor of SMB by both the CTA Third Division and the CTA *En Banc*, ordering the BIR to refund the amount of P699. The BIR filed a motion for reconsideration, which the CTA *En Banc* denied. Subsequently, the BIR elevated the decision of the CTA *En Banc* to the Supreme Court by way of petition for review, where it was docketed as G.R. No. 226768. On March 20, 2017, the Supreme Court denied the petition for review, thereby affirming the CTA *En Banc* decision. The Office of the Solicitor General filed a motion for reconsideration, which was denied on July 24, 2017. On January 23, 2019, after the Supreme Court remanded the case to the Court of Tax Appeals, SMB filed a motion for execution with the CTA. On May 30, 2019, CTA Special Third Division issued a Writ of Execution in the amount of P699 in favor of SMB. SMB filed an application for TCC issuance. The BIR issued ITS TCC Trans No. 121-19-00009 in favor of SMB on November 13, 2019 (Note 32) which was fully utilized against SMB's tax obligations in 2020.

CTA Case No. 8591 was decided in favor of SMB by the CTA Second Division and CTA *En Banc*. The BIR was ordered to refund to SMB the amount of P740. The BIR elevated the case to the Supreme Court by way of petition for review (docketed as G.R. No. 232776), where it was denied on February 21, 2018. The BIR filed a Motion for Reconsideration, which was denied with finality on July 23, 2018. SMB filed a motion for the execution of the decision with the CTA Second Division. The CTA Second Division issued a Writ of Execution in the amount of P740 on November 13, 2019. SMB filed an application for TCC with the BIR in January 2020 which was issued on August 10, 2020. The said ITS TCC Trans No. 121-20-00008 with an amount of P740 (Note 32) has been fully utilized against SMB's tax obligations in 2020.

In CTA Case No. 8748, the CTA Second Division rendered a decision on June 9, 2017, granting SMB's claim for refund of P761, which was appealed by the BIR to the CTA *En Banc*. On October 11, 2018, the CTA *En Banc* rendered its decision in this case denying the CIR's petition for review and affirming the decision of the CTA Second Division. On November 5, 2018, the CIR filed a motion for reconsideration, to which SMB filed an opposition. On March 8, 2019, the CTA *En Banc* denied the Commissioner's Motion for Reconsideration on its Decision dated October 11, 2018. Subsequently, on June 6, 2019, the Commissioner appealed to the Supreme Court by way of a Petition for Review the Decision dated October 11, 2018 and Resolution dated March 8, 2019 of the CTA *En Banc*. In the Supreme Court, the case was docketed as G.R. No. 245878. The disposition of the case was delayed by the decision of the Office of the Solicitor General not to file the Petition for Review in the Supreme Court and by the withdrawal and substitution of BIR lawyers. The Petition which was actually prepared and filed by the BIR Litigation Division. Finally, on January 27, 2021, the Supreme Court issued a Resolution denying the Commissioner's Petition for Review. When this Resolution becomes final and executory, SMB will file a Motion for Execution in CTA Case No 8748.

The petition for review in CTA Case No. 8955 was denied by the Third Division on the ground that the same involves a collateral attack on issuances of the BIR, the court ruling that the petition should have been filed in the Regional Trial Court (RTC). SMB through counsel filed a motion for reconsideration, arguing that the case involves a claim for refund and is at the same time a direct attack on the BIR issuances which imposed excise tax rates which are contradictory to, and violative of, the rates imposed in the Tax Code. In a resolution dated January 5, 2018, the Third Division denied the motion for reconsideration. On February 14, 2018, SMB appealed the decision of the CTA Third Division denying its petition for review to the CTA *En Banc* by way of a petition for review. On September 19, 2018, the CTA *En Banc* issued its decision in this case, which reversed and set aside the decision of the CTA Third Division denying SMB's petition for review and remanded the case to the said Division for the resolution of the case on the merits. On October 10, 2019, the Commissioner filed a motion for reconsideration on the aforesaid decision which was denied. Subsequently, on March 25, 2019, the BIR Commissioner filed with the Supreme Court a Motion for Extension of Time to file a Petition for Review on the Decision dated September 19, 2018 and Resolution dated January 24, 2019 of the CTA *En Banc*. On May 16, 2019, the Commissioner filed a Manifestation with the Supreme Court that he opted not to file a Petition for Review on Certiorari but will pursue the case in the CTA Third Division to which it was ordered remanded by the CTA *En Banc*. On the basis of the Commissioner's aforesaid Manifestation, the Supreme Court, in a Resolution dated

January 9, 2020, declared the case before it closed and terminated. SMB will now pursue CTA Case No. 8955 in the CTA Third Division to which it was remanded by the CTA *En Banc*. On February 15, 2021, after the withdrawal of the appeal of the Commissioner the Supreme Court became final and executory, the CTA *En Banc* issued a Resolution formally remanding the case to the CTA Third Division for the latter's resolution on the merits. On March 1, 2021, SMB filed a Motion with the CTA Third Division for leave to file, and for admission of, a Supplemental Formal Offer of Evidence with respect to additional exhibits. The said Motion is presently under consideration by the Court.

In CTA Case No. 9223, the CTA Third Division, on April 11, 2019, rendered its Decision partially granting SMB's Claim for Refund to the extent of P56 but disallowing and denying its Claim for Refund of excess excise taxes paid on "San Mig Light" (SML) in kegs in the amount of P5. On May 10, 2019, SMB filed a Motion for Partial New Trial, praying that the portion of the Decision of the Court which disallowed and denied SMB's claim for excess excise taxes paid on SML in kegs in the amount of P5, be set aside, and in lieu thereof, the Commissioner be ordered to refund to SMB the amount of P5 in addition to, and apart from, the amount of P56 which was ordered refunded to it. The aforesaid Motion for Partial New Trial is still pending in the CTA Third Division. On June 23, 2020, the CTA Third Division issued a Resolution denying SMB's Motion for Partial New Trial. Thereafter, SMB elevated the Decision of the CTA Third Division to the CTA *En Banc* by way of a Petition for Review, which was docketed as CTA EB No. 2320. The Commissioner also elevated the same Decision of the CTA Third Division to the CTA *En Banc* by way of a Petition for Review, which was docketed as CTA EB No. 2327, and which was consolidated with CTA EB No. 2320. On January 26, 2021, the CTA *En Banc* issued a Resolution stating that the Petitions for Review of the parties were deemed submitted for decision. The Court has not yet rendered its Decision.

In CTA Case No. 9513, the CTA Second Division rendered its Decision on June 13, 2019, partially granting SMB's Claim for Refund to the extent of P44 but disallowing and denying its Claim for Refund of excess excise taxes paid on SML in kegs in the amount of P4. On June 26, 2019, SMB filed a Motion for Partial New Trial, praying that the portion of the Decision of the Court which disallowed and denied SMB's claim for excess excise taxes paid on SML in kegs in the amount of P4, be set aside, and in lieu thereof, the Commissioner be ordered to refund to SMB the amount of P4 in addition to, and apart from, the amount of P44 which was ordered refunded to it. On September 17, 2019, the CTA Second Division issued a Resolution denying SMB's Motion for Partial New Trial. On October 15, 2019, SMB elevated the Decision dated June 13, 2019 and Resolution dated September 17, 2019 of the CTA Second Division to the CTA *En Banc* by way of a Petition for Review. In the meantime, on October 24, 2019, the Commissioner also filed with the CTA *En Banc* a Petition for Review on the same Decision of the CTA Second Division, which was consolidated with SMB's Petition for Review. On February 4, 2021, the CTA *En Banc* rendered a Decision denying the Petitions for Review of SMB and the Commissioner. Both parties filed Motions for Partial Reconsideration, which are presently pending consideration by the Court.

On October 14, 2019, in CTA Case No. 9743, the CTA First Division rendered its Decision partially granting SMB's Claim for Refund to the extent of P28 but disallowing and denying its Claim for Refund of excess excise taxes paid on SML in kegs in the amount of P3. On October 29, 2019, SMB filed a Motion for Partial New Trial, praying that the portion of the Decision of the Court which disallowed and denied SMB's claim for excess excise taxes paid on SML in kegs in the amount of P3, be set aside, and in lieu thereof, the Commissioner be ordered to refund to SMB the amount of P3 in addition to, and apart from, the amount of P28 which was ordered refunded to it. On June 10, 2020, the CTA First Division issued a Resolution denying SMB's Motion for Partial New Trial as well as the Motion for Reconsideration filed by the CIR on the same Decision. Subsequently, SMB filed a Petition for Review with the CTA *En Banc* on the Decision of the CTA First Division, which was docketed as CTA EB No. 2284. The Commissioner also filed a Petition for Review with the CTA *En Banc* on the same Decision, which was docketed as CTA EB No. 2283. The two Petitions for Review were later consolidated. On February 23, 2021, the CTA *En Banc* issued a Resolution stating that the Petitions for Review were deemed submitted for decision. The Court has not yet issued its Decision.

In CTA Case No. 10000, on March 15, 2019, the BIR Commissioner filed his Answer to the Petition for Review. The case was scheduled for pre-trial conference on June 25, 2019, and thereafter, the presentation of SMB's witnesses was held on August 15, 2019 and September 17, 2019. On September 25, 2019, SMB submitted its Formal Offer of Evidence. Subsequently, after the parties filed their Memoranda, the case was deemed submitted for decision by the CTA Third Division. The Court has not yet rendered its Decision.

On February 20, 2020, the BIR Commissioner filed his Answer to the Petition for Review in CTA Case No. 10223. Thereafter, the case was set for Pre-Trial on March 26, 2020. At the hearing held on February 3, 2021, the Court commissioned an Independent Certified Public Accountant (ICPA) to examine, verify, and audit the documents submitted by SMB in support of its Claim for Refund. The ICPA was required to submit his Report on or before April 30, 2021. SMB presented its witness at the same hearing held on February 3. The next hearing was scheduled on June 2, 2021 for the testimony of the ICPA on his Report.

CTA Case No. 10421, SMB's claim for refund for P162, was filed on December 16, 2020 and is pending with the CTA Third Division.

Filed by GSMI

GSMI filed two claims for refund for overpayments of excise taxes with the BIR which were then elevated to the CTA by way of petition for review as follows:

- (a) CTA Case Nos. 8953 and 8954: These cases pertain to GSMI's Claims for Refund with the BIR, in the amounts of P582 in Case No. 8953, and P133 in Case No. 8954, or in the total amount of P715, representing payments of excise tax erroneously, excessively, illegally, and/or wrongfully assessed on and collected from GSMI by the BIR on removals of its distilled spirits or finished products for the periods from January 1, 2013 up to May 31, 2013 in Case No. 8953, and from January 8, 2013 up to March 31, 2013 in Case No. 8954.

After several hearings and presentation of evidence, both parties filed their respective Formal Offers of Evidence. The CTA admitted all of GSMI's evidence while the BIR's Formal Offer of Evidence and GSMI's Comment thereto are still under consideration of the CTA.

On July 28, 2020, the CTA rendered its decision and denied GSMI's Petition for Review. GSMI received 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 rendered an Amended Decision dated February 1, 2021 wherein the Third Division of the Court of Tax Appeals partially granted our Motion for Reconsideration and ruled that GSMI is entitled to a refund of its erroneously and excessively paid excise taxes in the amount of P320 out of the original claim of P715.

On February 22, 2021, GSMI filed a Motion for Reconsideration to the Amended Decision, which is still pending any action from the CTA.

- (b) CTA Case No. 9059: This case pertains to GSMI's Claim for Refund with the BIR, in the total amount of P26, representing payments of excise tax erroneously, excessively, illegally, and/or wrongfully assessed on and collected from GSMI by the BIR on removals of its distilled spirits or finished products for the period from June 1, 2013 up to July 31, 2013.

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 the 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. On January 5, 2021, the CTA *En Banc* issued a Resolution giving due course to our Petition for Review and stating that the case is now deemed submitted for Decision.

The aforementioned assessments and collection cases 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.

- Deficiency Tax Liabilities

IBI

The BIR issued a Final Assessment Notice dated March 30, 2012 (2009 Assessment), imposing on IBI deficiency tax liabilities, including interest and penalties, for the tax year 2009. IBI treated the royalty income earned from the licensing of its intellectual properties to SMB as passive income, and therefore subject to 20% final tax. However, the BIR is of the position that said royalty income is regular business income subject to the 30% regular corporate income tax.

On May 16, 2012, IBI filed a protest against the 2009 Assessment. In its Final Decision on Disputed Assessment (FDDA) issued on January 7, 2013, the BIR denied IBI's protest and reiterated its demand to pay the deficiency income tax, including interests and penalties. On February 6, 2013, IBI filed a Petition for Review before the CTA contesting the 2009 Assessment. The case was docketed as CTA Case No. 8607 with the First Division. On August 14, 2015, the CTA First Division partially granted the Petition for Review of IBI, by cancelling the compromise penalty assessed by the BIR. However, IBI was still found liable to pay the deficiency income tax, interests and penalties as assessed by the BIR. The Motion for Reconsideration was denied by the CTA First Division on January 6, 2016. On January 22, 2016, IBI filed its Petition for Review before the CTA *En Banc* and the case was docketed as CTA EB Case No. 1417. To interrupt the running of interests, IBI filed a Motion to Pay without Prejudice, which was granted by the CTA *En Banc*. As a result, IBI paid the amount of P270 on August 26, 2016. On January 30, 2018, the CTA *En Banc* rendered a decision affirming the decision of the CTA First Division. IBI filed a Motion for Partial Reconsideration and the BIR filed its Motion for Reconsideration, which were denied by CTA *En Banc* in a resolution dated July 16, 2018. IBI and the BIR elevated the case to the Supreme Court with IBI filing its Petition for Review on Certiorari on September 7, 2018 docketed as G.R. Nos. 241147-48 and was raffled to the First Division of the Supreme Court. On the other hand, the BIR's Petition was docketed as G.R. Nos. 240651 and 240665 and was raffled to the Second Division of the Supreme Court.

On January 16, 2019, the Supreme Court denied IBI's Petition to which a Motion for Reconsideration was filed by IBI on April 5, 2019.

On March 11, 2019, the Supreme Court issued a Resolution requiring IBI to file its comment to the BIR's Petition. IBI filed its Comment on June 17, 2019.

On December 16, 2019, IBI and the BIR executed a Compromise Agreement. The BIR recognized the total payment of IBI in the amount of P285 as full satisfaction of the latter's supposed tax liability for taxable year 2009. The BIR further acknowledged that IBI no longer has any tax liability based upon, arising from, or in connection with CTA Case No. 8607.

In its Manifestation and Motion dated January 28, 2020 filed before the Supreme Court, the BIR confirmed the execution of a Compromise Agreement in connection with its pending Petition for Review and sought permission to be allowed to withdraw its Petition docketed as G.R. Nos. 240651 and 240665.

The case is still pending with the Supreme Court for resolution.

On November 17, 2013, IBI received a Formal Letter of Demand with the Final Assessment Notice for tax year 2010 (2010 Assessment) from the BIR with a demand for payment of income tax and VAT deficiencies with administrative penalties. The BIR maintained its position that royalties are business income subject to the 30% regular corporate tax. The 2010 Assessment was protested by IBI before the BIR through a letter dated November 29, 2013. A Petition for Review was filed with the CTA Third Division and the case was docketed as CTA Case No. 8813. The CTA Third Division held IBI liable to pay deficiency income tax, interests and penalties. IBI thus filed its Petition for Review before the CTA *En Banc* (docketed as CTA EB No 1563 and 1564). In 2017, IBI filed an application for abatement, with corresponding payment of basic tax, in the amount of P110, where IBI

requested for the cancellation of the surcharge and interests. On September 19, 2018, the CTA *En Banc* did not consider the payment of basic deficiency tax of P110 for failure to attach certain requirements relating to the application for abatement; thus IBI was ordered to pay a modified amount of P501 in light of the amendments under RA No. 10963, also known as Tax Reform for Acceleration and Inclusion (TRAIN Law), on interest. IBI filed a Motion for Reconsideration and, at the same time, submitted the original documents in relation to the application for abatement. The BIR also filed its Motion for Partial Reconsideration, to which IBI filed its Comment/Opposition. The CTA *En Banc* has likewise ordered the BIR to file its Comment/Opposition to IBI's Motion for Reconsideration but IBI has yet to receive the same. Meanwhile, IBI's application for abatement remains pending for resolution by the BIR. As at December 31, 2018, the Group recognized a provision amounting to P52.

Noting the BIR's failure to file its Comment/Opposition, the Court issued a Resolution dated April 17, 2019, which IBI received on May 9, 2019, denying the BIR's Motion for Partial Reconsideration of the CTA *En Banc* Decision promulgated on September 18, 2018 and partially granting the Motion for Reconsideration filed by IBI of said CTA *En Banc* Decision.

IBI and the BIR filed their respective Petitions for Review with the Supreme Court docketed as G.R. Nos. 246911 and 246865, respectively. Both Petitions were consolidated by the Supreme Court through a Resolution dated July 1, 2019.

On December 27, 2019, IBI filed a Manifestation informing the Supreme Court that on December 5, 2019 and December 16, 2019, IBI and the BIR, respectively, executed a Compromise Agreement to amicably settle IBI's deficiency taxes for taxable year 2010. In its Manifestation dated February 26, 2020, the BIR confirmed receipt of payment pursuant to the Compromise Agreement executed between the IBI and the BIR.

On September 2, 2020, the Supreme Court issued a Resolution requiring IBI and the BIR to manifest whether they consider the case closed and terminated. In compliance, IBI filed its manifestation on September 14, 2020. On December 3, 2020, IBI received a Manifestation filed by the BIR manifesting that in view of its receipt of certified true copy of Certificate of Availment (Compromise Settlement), the BIR considers the cases as closed.

The case is still pending with the Supreme Court for resolution.

On December 27, 2016, IBI received a Formal Letter of Demand for tax year 2012 with a demand for payment of income tax, VAT, withholding tax, documentary stamp tax (DST) and miscellaneous tax deficiencies with administrative penalties. IBI addressed the assessment of each tax type with factual and legal bases in a Protest filed within the reglementary period. Due to the inaction of the BIR, IBI filed a Petition for Review with the CTA Third Division and docketed as CTA Case No. 9657. In the meantime, an application for abatement was submitted to the BIR in August 2017. Both the Petition for Review and the application for abatement remain pending at the CTA Third Division and the BIR, respectively, with IBI submitting its Formal Offer of Evidence in October 2018 to the CTA Third Division. The Petition for Review, however, was subsequently transferred from the CTA Third Division to the First Division pursuant to CTA Administrative Circular No. 02-2018 dated September 18, 2018, reorganizing the three Divisions of the Court.

On March 2, 2020, the CTA First Division promulgated its Decision partially granting IBI's Petition for Review. The assessment for deficiency income tax, VAT, DST and compromise penalty are cancelled and set aside. However, the assessment for deficiency expanded withholding tax is affirmed, and IBI was ordered to pay deficiency expanded withholding tax including interest and surcharges amounting to P5.

On October 29, 2020, the BIR filed a Petition for Review with CTA *En Banc*. On January 25, 2021, IBI filed its Comment to the Petition for Review.

The CTA *En Banc* promulgated a Resolution on February 4, 2021 noting IBI's Comment to the Petition for Review, and referring the case for mediation in the Philippine Mediation Center - Court of Tax Appeals.

SMFI

- i. SMFI (as the surviving corporation in a merger involving Monterey Foods Corporation [MFC]) vs. Commissioner of Internal Revenue (CIR) CTA Case 9046, First Division

In connection with the tax investigation of MFC for the period January 1 to August 31, 2010, a FDDA was issued by the BIR on January 14, 2015 upholding the deficiency income tax, VAT and DST assessments against SMFI.

SMFI filed a Request for Reconsideration with the CIR on February 6, 2015, which the CIR denied in a letter that SMFI received on April 21, 2015.

SMFI then opted to file a Petition for Review with the CTA First Division on May 15, 2015, docketed as CTA Case No. 9046.

The CTA First Division, on February 12, 2018, granted the Petition for Review filed by SMFI based on the following grounds: (1) the Formal Letter of Demand/Final Assessment Notice issued by the BIR was void as it did not contain demand to pay taxes due within a specific period; and (2) lack of valid Letter of Authority. Accordingly, the Formal Letter of Demand/Final Assessment Notice issued against SMFI for deficiency income tax, VAT and DST for the period January 1 to August 31, 2010 and the FDDA, for being intrinsically void, were ordered cancelled.

On March 1, 2018, the BIR filed a Motion for Reconsideration with the CTA First Division, to which SMFI responded through an Opposition to the Motion filed on March 16, 2018.

On June 4, 2018, the CTA First Division denied the BIR's Motion for Reconsideration. BIR then filed the Petition for Review before the CTA *En Banc* on July 13, 2018, to which SMFI responded through a written Comment filed on August 17, 2018. Per Resolution of the CTA *En Banc* dated September 7, 2018, the Petition for Review is deemed submitted for decision by the Court.

CTA *En Banc* rendered its decision on August 6, 2019, denying the Petition for Review filed by the BIR. The Decision affirmed the withdrawal and cancellation of the assessment issued against SMFI covering the period January 1, 2010 to August 31, 2010.

The BIR filed a Motion for Reconsideration of the Decision of the CTA *En Banc* on September 6, 2019. SMFI's Comment on the Motion for Reconsideration of the BIR was filed on October 18, 2019.

In a Resolution dated January 7, 2020, the CTA *En Banc* has denied the Motion for Reconsideration filed by the BIR. On March 2, 2020, the BIR then filed a Petition for Review on Certiorari with the Supreme Court.

On October 5, 2020, pending resolution of the Petition with the Supreme Court, the BIR issued a Warrant of Distraint and/or Levy (WDL) against SMFI (as the surviving corporation). SMFI requested BIR for the lifting and cancellation of the WDL. SMFI also filed an Urgent Omnibus Motion with the CTA to suspend collection of taxes and declare the WDL null and void.

On December 4, 2020, to put an end to a protracted, expensive and mutually prejudicial litigation, SMFI and the BIR entered into an amicable settlement through execution of a Judicial Compromise Agreement (JCA).

On January 4, 2021, SMFI filed a Motion to Approve the JCA with the Supreme Court in lieu of filing a Comment to the Petition on Certiorari. The BIR also manifested with the CTA *En Banc* that a similar motion will be filed with the Supreme Court.

ii. SMFI vs. CIR CTA Case No. 9241, First Division

On December 16, 2015, an FDDA was issued by the BIR assessing deficiency income tax and VAT against SMFI in connection to the tax investigation for the period January 1 to December 31, 2010.

The deficiency income tax and VAT pertain to the disallowed NOLCO and input tax credits which were transferred to and vested in SMFI from MFC by operation of law as a result of the merger between SMFI and MFC. According to the BIR, as the ruling (BIR Ruling 424-14 dated October 24, 2014) issued in connection to the merger of SMFI and MFC did not contain an opinion on the assets and liabilities transferred during the merger, the NOLCO and input tax credits from MFC were disallowed. However, it is SMFI's position that the use of the NOLCO and input tax credit from MFC, as the surviving corporation pursuant to a statutory merger is proper, as the same is allowed by law, BIR issuances and confirmed by several BIR rulings prevailing at the time of the transaction.

On January 14, 2016, SMFI filed a Petition for Review before the CTA. First Division and docketed as CTA Case No. 9241. On September 2, 2016, the Judicial Affidavits for SMFI witnesses were submitted to the CTA and said witnesses were presented for cross examination on July 25 and August 22, 2017, respectively. On May 10, 2018, witness for the BIR was presented before the Court for cross examination.

On September 28, 2018, the case was transferred to the Third Division of the CTA pursuant to Administrative Circular No. 02-2018.

The CTA Third Division rendered its decision on October 2, 2019, granting SMFI's Petition for Review and cancelling the deficiency income tax and VAT assessment issued by the BIR. The BIR then filed a Motion for Reconsideration of the Decision of the CTA Third Division on November 4, 2019, to which SMFI filed a written Comment on November 29, 2019.

In a Resolution dated March 2, 2020, the CTA Third Division has denied Motion for Reconsideration filed by the BIR.

On October 6, 2020, the BIR issued a WDL against SMFI. SMFI requested BIR for the lifting and cancellation of the WDL.

On October 12, 2020, The CTA Third Division issued a resolution declaring the finality of the October 2, 2019 Decision on account of BIR's failure to appeal the Decision to the Supreme Court. The BIR, on October 29, 2020 filed a Petition from Judgment with the CTA Third Division.

On December 4, 2020, to put an end to a protracted, expensive and mutually prejudicial litigation, SMFI and the BIR entered into an amicable settlement through execution of a JCA.

The CTA Third Division ordered the parties to file a joint motion for the approval of the JCA on January 4, 2021.

iii. SMFI vs. Office of the City Treasurer, City of Davao

SMFI protested the assessment of the City Treasurer of Davao City imposing permit fee to slaughter against its dressing plants in Sirawan, Toril District and Los Amigos, Tugbok District both located in Davao City.

The following Petitions for Review were filed with the CTA Second Division to appeal the joint decision of the Regional Trial Court (RTC) of Davao City dismissing SMFI's appeal from the denial and inaction of the Office of the City Treasurer of Davao City on the protest against the assessment of permit fee to slaughter.

- CTA Case AC No. 209, filed on August 23, 2018
- CTA Case AC No. 210, filed on November 12, 2018

It is SMFI's position that Section 367 (a) of the 2005 Revenue Code of the City of Davao (Revenue Code of Davao City) on the imposition of permit fee to slaughter is applicable only to slaughterhouses operated by the City Government of Davao City. SMFI's dressing plants in Sirawan, Toril District and Los Amigos, Tugbok District, being privately owned and operated slaughterhouses is beyond the coverage of Section 357 (a) of the Revenue Code of Davao City. In addition, given that SMFI is already paying ante and post mortem fees for the slaughter of poultry products pursuant to Section 367 (d) of the same Revenue Code, the assessment of permit fee to slaughter would constitute double taxation.

By the order of CTA dated September 24, 2018, Case CTA AC 209 was transferred to the First Division of the CTA. In a resolution dated October 25, 2018 CTA First Division resolved to give due course to SMFI's Petition for Review. SMFI submitted the required memorandum on December 19, 2018. In its May 29, 2020 decision, the CTA dismissed the petition. On June 23, 2020, SMFI filed a Motion for Reconsideration of the decision while on December 16, 2020, the CTA deemed the petition submitted for decision.

In a resolution dated February 1, 2019 on SMFI's Petition for Review on CTA Case AC No. 210, the CTA First Division required the parties to submit the respective Memorandum on this case. On May 17, 2019, SMFI submitted the required Memorandum. In its July 3, 2020 decision, the CTA dismissed the petition. On September 10, 2020, SMFI filed a Motion for Reconsideration of the decision and still awaiting the court's decision.

Meanwhile, two consolidated cases on similar issues were dismissed by the RTC on October 12, 2020. On February 26, 2021, SMFI filed with the CTA another Petition for Review docketed as AC No. 249. SMFI is awaiting resolution from the CTA on the petition.

- Tax Credit Certificates Cases

In 1998, the BIR issued a deficiency excise tax assessment against Petron relating to its use of P659 worth of Tax Credit Certificates (TCCs) to pay certain excise tax obligations from 1993 to 1997. The TCCs were transferred to Petron by suppliers as payment for fuel purchases. Petron contested the BIR's assessment before the CTA. In July 1999, the CTA ruled that as a fuel supplier of BOI-registered companies, Petron was a qualified transferee of the TCCs and that the collection by the BIR of the alleged deficiency excise taxes was contrary to law. On March 21, 2012, the Court of Appeals promulgated a decision in favor of Petron and against the BIR affirming the ruling of the CTA striking down the assessment issued by the BIR to Petron. On April 19, 2012, a motion for reconsideration was filed by the BIR, which was denied by the Court of Appeals in its resolution dated October 10, 2012. The BIR elevated the case to the Supreme Court through a petition for review on certiorari dated December 5, 2012. On July 9, 2018, the Supreme Court rendered a decision in favor of Petron denying the petition for review filed by the BIR and affirming the decision of the Court of Appeals. No motion for reconsideration for such decision relating to Petron was filed by the BIR. The Supreme Court issued its Entry of Judgment declaring that its decision dated July 9, 2018 in Petron's favor already attained finality on April 1, 2019. This case could now be considered closed and terminated.

- Oil Spill Incident in Guimaras

On August 11, 2006, MT Solar I, a third party vessel contracted by Petron to transport approximately two million liters of industrial fuel oil, sank 13 nautical miles southwest of Guimaras, an island province in the Western Visayas region of the Philippines. In separate investigations by the Philippine Department of Justice (DOJ) and the Special Board of Marine Inquiry (SBMI), both agencies found the owners of MT Solar I liable. The DOJ found Petron not criminally liable, but the SBMI found Petron to have overloaded the vessel. Petron has appealed the findings of the SBMI to the DOTr and is awaiting its resolution. Petron believes that SBMI can impose administrative penalties on vessel owners and crew, but has no authority to penalize other parties, such as Petron, which are charterers.

Other complaints for non-payment of compensation for the clean-up operations during the oil spill were filed with the RTC of Guimaras by a total of 1,063 plaintiffs who allegedly did not receive any payment of their claims for damages arising from the oil spill. The total claims amounted to P292. The cases were pending as at December 31, 2020. In the course of plaintiffs' presentation of evidence, they moved for trial by commissioner, which was denied by the trial court. The plaintiffs elevated the matter by way of a petition for certiorari to the Court of Appeals in Cebu City. On January 9, 2020, the Court of Appeals issued a Resolution granting plaintiffs' motion for reconsideration of the earlier resolution denying their petition and ordering Petron to file its comment on plaintiffs' petition within 10 days. On February 6, 2020, Petron filed a motion for reconsideration of said Resolution which remains pending to date. In the meantime, proceedings before the trial court continues. Less than 200 of the plaintiffs have testified so far.

- Lease Agreements with PNOC

On October 20, 2017, Petron filed with the RTC of Mandaluyong City a complaint against the PNOC for the reconveyance of the various landholdings it conveyed to PNOC in 1993 as a result of the government-mandated privatization of Petron.

The subject landholdings consist of the refinery lots in Limay, Bataan, 23 bulk plant sites and 66 service station lots located in different parts of the country. The Deeds of Conveyance covering the landholdings provide that the transfer of these lots to PNOC was without prejudice to the continued long-term use by Petron of the conveyed lots for its business operation. Thus, PNOC and Petron executed three lease agreements covering the refinery lots, the bulk plants, and the service station sites, all with an initial lease term of 25 years which expired in August 2018, with a provision for automatic renewal for another 25 years. In 2009, Petron, through its realty subsidiary, NVRC, had an early renewal of the lease agreement for the refinery lots with an initial lease term of 30 years, renewable for another 25 years.

The complaint alleges that PNOC committed a fundamental breach of the lease agreements when it refused to honor both the automatic renewal clause in the lease agreements for the bulk plants and the service station sites and the renewed lease agreement for the refinery lots on the alleged ground that all such lease agreements were grossly disadvantageous to PNOC, a government-owned-and-controlled corporation.

On December 11, 2017, the trial court granted Petron's prayer for a writ of preliminary injunction, enjoining PNOC from committing any act aimed at ousting Petron from possession of the subject properties until the case is decided.

The court-mandated mediation was terminated on February 5, 2018 without any agreement between the parties. The judicial dispute resolution proceedings before the court were likewise terminated on March 28, 2019, after the parties failed to agree to a settlement. Without prejudice to any further discussion between the parties regarding settlement, the case was remanded to the trial court for trial proper, with the pre-trial held on September 10, 2019. Petron also filed a motion for summary judgment on May 17, 2019. In a resolution dated November 13, 2019, the trial court granted Petron's motion for summary judgment and ordered: (i) the rescission of the Deeds of Conveyance dated 1993 relating to Petron's conveyance of such leased premises to PNOC pursuant to a property

dividend declaration in 1993, (ii) the reconveyance by PNOC to Petron of all such properties, and (iii) the payment by Petron to PNOC of the amount of P143, with legal interest from 1993, representing the book value of the litigated properties at the time of the property dividend declaration. PNOC filed a motion for reconsideration. Petron also filed a motion for partial reconsideration seeking a modification of the judgment to include an order directing PNOC to return to Petron all lease payments the latter had paid to PNOC since 1993.

Following the trial court's denial of their separate motions for reconsideration, both PNOC and Petron filed their respective notices of appeal with the trial court. The case was raffled off to the 5th Division of the Court of Appeals. Petron filed its appellant's brief in October 2020 while PNOC filed its appellant's brief on November 5, 2020.

The motions for reconsiderations were pending as at March 11, 2021.

- Swakaya Sdn Bhd (Swakaya) Dispute

In 2015, a disputed trade receivable balance of RM25 (P307) in favor of POMSB was reclassified to long-term receivables.

The dispute arose from the supply by POMSB of diesel to Swakaya. In 2013, POMSB entered into an agreement with Swakaya to supply it with diesel. Swakaya had agreements to supply power plants operator with diesel for power generation. Later, due to a government investigation, Swakaya's bank accounts were frozen and that affected its ability to supply the power plants. Swakaya and the power plants operator agreed to ask POMSB to supply the power plants operator directly and for the said operator to pay POMSB directly for diesel supplied. This arrangement commenced. Unknown to POMSB, Swakaya had a financing arrangement with Sabah Development Bank (SDB) and the power plants operator was placed under an obligation to SDB to remit payments due to Swakaya to SDB. Due to some administrative issues, the moneys due to POMSB were remitted by power plants operator into a joint Swakaya/SDB Bank account. SDB then, despite its earlier promise to POMSB to remit the moneys to POMSB once POMSB establishes that the payment was for a direct supply to the power plants operator, refused and utilized the moneys to set off against Swakaya's debt to the bank. The sum involved was RM25 (P307). POMSB sued Swakaya and SDB before the Kota Kinabalu High Court for, among others, breach of trust. Swakaya did not appear in court and judgment was awarded in favor of POMSB and against Swakaya.

In April 2016, the Kota Kinabalu High Court ruled in favor of POMSB and a judgment sum inclusive of interest amounting to RM28 (P343) was deposited to its solicitor account in August 2016. SDB subsequently filed an appeal to Court of Appeal.

In May 2017, the Court of Appeal re-affirmed the decision of the Kota Kinabalu High Court and dismissed SDB's appeal with costs RM0.015 (P0.20) awarded to POMSB. In June 2017, SDB filed a Notice of Motion for leave to appeal to the Federal Court against the decision of the Court of Appeal, which was granted in April 2018. After hearing the appeal, in February 2020, the Federal Court allowed the appeal by SDB and set aside the Court of Appeal's decision. POMSB is preparing to file for a review by the Federal Court (to set aside its own decision).

Considering the length of time of litigation matters, a discount of RM8 (P95) was computed based on the original effective interest rate. Part of the discount, amounting to RM2 (P20) was unwound in 2019 and recognized as interest income.

The balance amounting to RM23 (P282) was provided full impairment in 2019.

As at March 11, 2021, an application for review was filed by POMSB at Federal Court and hearing date has yet to be scheduled.

- Generation Payments to PSALM

SPPC and PSALM are parties to the Ilijan IPPA Agreement covering the appointment of SPPC as the IPP Administrator of the Ilijan Power Plant.

SPPC and PSALM have an ongoing dispute arising from differing interpretations of certain provisions related to generation payments under the Ilijan IPPA Agreement. As a result of such dispute, the parties have arrived at different computations regarding the subject payments. In a letter dated August 6, 2015, PSALM has demanded payment of the difference between the generation payments calculated based on its interpretation and the amount which has already been paid by SPPC, plus interest, covering the period December 26, 2012 to April 25, 2015.

On August 12, 2015, SPPC initiated a dispute resolution process with PSALM as provided under the terms of the Ilijan IPPA Agreement, while continuing to maintain that it has fully paid all of its obligations to PSALM. Notwithstanding the bona fide dispute, PSALM issued a notice terminating the Ilijan IPPA Agreement on September 4, 2015. On the same day, PSALM also called on the Performance Bond posted by SPPC pursuant to the Ilijan IPPA Agreement.

On September 8, 2015, SPPC filed a Complaint with the RTC of Mandaluyong City. In its Complaint, SPPC requested the RTC that its interpretation of the relevant provisions of the Ilijan IPPA Agreement be upheld. The Complaint also asked that a 72-hour Temporary Restraining Order (TRO) be issued against PSALM for illegally terminating the Ilijan IPPA Agreement and drawing on the performance bond of SPPC. On even date, the RTC issued a 72-hour TRO which prohibited PSALM from treating SPPC as being in Administrator Default and from performing other acts that would change the status quo ante between the parties before PSALM issued the termination notice and drew on the performance bond of SPPC. The TRO was extended for until September 28, 2015.

On September 28, 2015, the RTC issued an order granting a Preliminary Injunction enjoining PSALM from proceeding with the termination of the Ilijan IPPA Agreement while the main case is pending.

On October 19, 2015, the RTC also issued an order granting the Motion for Intervention and Motion to Admit Complaint-in-intervention by Meralco.

In an order dated June 27, 2016 (the "June 27, 2016 RTC Order"), the RTC denied PSALM's: (1) Motion for Reconsideration of the Order dated September 28, 2015, which issued a writ of preliminary injunction enjoining PSALM from further proceedings with the termination of the Ilijan IPPA Agreement while the case is pending; (2) Motion for Reconsideration of the order, which allowed Meralco to intervene in the case; and (3) Motion to Dismiss. In response to June 27, 2016 RTC Order, PSALM filed a petition for certiorari with the Court of Appeals seeking to annul the same. PSALM also prayed for the issuance of a TRO and/or writ of preliminary injunction "against public respondent RTC and its assailed orders". The Court of Appeals, however, denied the petition filed by PSALM in its Decision dated December 19, 2017 ("CA Decision"). In the CA Decision, the Court of Appeals upheld the lower court's issuance of a writ of preliminary injunction against PSALM prohibiting the termination of the Ilijan IPPA agreement while the case in the lower court is pending.

PSALM filed its Motion for Reconsideration dated January 19, 2018 to the CA Decision. In a Resolution dated July 12, 2018 (the "2018 CA Resolution"), the Court of Appeals denied PSALM's Motion for Reconsideration of the CA Decision.

On September 4, 2018, PSALM filed a Petition for Certiorari with urgent prayer for the issuance of a TRO and/or Writ of Preliminary Injunction before the Supreme Court praying for the reversal and nullification of the CA Decision and the 2018 CA Resolution. Said petition was denied by the Supreme Court in its resolution dated March 4, 2019 (the "March 4, 2019 SC Resolution") due to lack of payment of the required fees and for PSALM's failure to sufficiently show that the Court of Appeals committed any reversible error in the challenged decision and resolution as to warrant the exercise of the Court of Appeals' discretionary appellate jurisdiction. The motion for reconsideration filed by PSALM pursuant to the March 4, 2019 SC Resolution was denied by the Supreme Court in a resolution dated August 5, 2019 which became final and executory through an Entry of Judgment issued by the Supreme Court on the same date.

Prior to the CA Decision, on December 18, 2017, the presiding judge of the RTC who conducted the judicial dispute resolution issued an order inhibiting himself in the instant case. The case was then re-raffled to another RTC judge in Mandaluyong City.

SPPC filed a Request for Motion for Production of Documents on February 28, 2018, while PSALM filed its Manifestation with Motion to Hear Affirmative Defenses and Objections Ad Cautelam.

On September 24, 2018, the RTC issued an order denying PSALM's Motion to Hear Affirmative Defense and granted SPPC's Motion for Production of Documents. PSALM then filed a Motion for Reconsideration of the said order. On December 14, 2018, SPPC filed its Opposition to the Motion for Reconsideration. In an order dated April 29, 2019, the RTC denied the Motion for Reconsideration filed by PSALM on the basis that it found no strong and compelling reason to modify, much less reverse, its order dated September 24, 2018 which denied the Motion to Hear Affirmative Defenses filed by PSALM.

On July 23, 2019, PSALM filed a Petition for Certiorari with urgent prayer for the issuance of a TRO and/or Writ of Preliminary Injunction with the Court of Appeals, seeking the reversal of the September 24, 2018 and April 29, 2019 orders of the RTC. Although, the Court of Appeals dismissed the Petition for Certiorari filed by PSALM in a Resolution dated August 23, 2019 (the "2019 CA Resolution"), the Court of Appeals subsequently granted the Motion for Reconsideration filed by PSALM in response to the 2019 CA Resolution. In a Resolution dated February 24, 2020, the Court of Appeals required PSALM to revise its petition and send the revised copies to SPPC and Meralco.

In January 2020, PSALM also filed with the RTC a Motion Ad Cautelam to Lift or Dissolve the Writ of Preliminary Injunction with Application to File Counterbond. SPPC filed its Opposition to this motion in March 2020.

On February 14, 2020, during the hearing of PSALM's Motion Ad Cautelam to Lift or Dissolve the Writ of Preliminary Injunction, the RTC issued an Order that did not allow PSALM to present witnesses in support of the motion and directed the parties to submit pleadings and documents in support of their respective positions.

On May 26, 2020, SPPC filed a Supplemental Opposition to PSALM's Motion Ad Cautelam to Lift or Dissolve the Writ of Preliminary Injunction, citing SPPC's letter dated March 6, 2020 informing PSALM of its intention to advance the full settlement of the Monthly Payments due for the period March 26, 2020 until the end of the IPPA Agreement on June 26, 2022. SPPC stated that given this intention, PSALM can no longer assert that it stands to suffer injury in the form of reduction in expected cash or that the Government would be exposed to financial risk.

PSALM filed several pleadings: (1) Urgent Ex-Parte Motion for Early Resolution of its Motion for Leave to File Amended Answer Ad Cautelam dated May 28, 2020; (b) Motion for Reconsideration of the RTC's Order of February 14, 2020, which did not allow PSALM to present witnesses in support of its Motion to Dissolve the Writ of Preliminary Injunction and directed the parties to submit pleadings and documents in support of their respective positions; and (3) Reply to SPPC's Opposition to its Motion to Dissolve the Writ of Preliminary Injunction. On July 6, 2020, SPPC filed an Opposition to the Motion for Reconsideration filed by PSALM on the RTC's Order of February 14, 2020.

PSALM also filed a Reply to SPPC's Opposition to the Motion Ad Cautelam to Lift or Dissolve the Writ of Preliminary Injunction. In August 2020, PSALM also filed a Reply to the Supplemental Opposition to the Motion Ad Cautelam to Dissolve the Writ of Preliminary Injunction. On September 14, 2020, SPPC filed a Motion to Admit Consolidated Rejoinder and Consolidated Rejoinder. The Consolidated Rejoinder addresses both PSALM's Reply to the Opposition to the Motion Ad Cautelam to Lift or Dissolve the Writ of Preliminary Injunction and its Reply to SPPC's Supplemental Opposition to the same motion.

In September 2020, PSALM filed an Urgent Ex Parte Motion for Early Resolution of its Motion for Leave to File the Amended Answer Ad Cautelam.

In an Order dated November 17, 2020, the RTC considered as submitted for resolution, PSALM's Motion Ad Cautelam to Lift or Dissolve the Writ of Preliminary Injunction.

In an Order dated November 27, 2020, the RTC denied PSALM's Motion for Leave to File the Amended Answer Ad Cautelam.

On January 15, 2021, SPPC filed a Motion for Summary Judgment, praying that judgment be rendered in favor of SPPC on all its causes of action based on the pleadings, affidavits, and admissions on file. PSALM has filed an Opposition to the motion.

Meanwhile, the proceedings before the RTC continues and by virtue of the Preliminary Injunction issued by the RTC, SPPC continues to be the IPP Administrator for the Ilijan Power Plant without any restrictions or limitations on the ability of SPPC to supply power from the Ilijan Power Plant to Meralco under its PSA with the latter, or the ability of SPPC to take possession of the Ilijan Power Plant upon the expiry of the Ilijan IPPA Agreement in 2022.

- Intellectual Property Rights

G.R. No. 196372: This case pertains to GSMI's application for the registration of the trademark "GINEBRA" under Class 33 covering gin with the Intellectual Property Office of the Philippines (IPOPHL). The IPOPHL rejected GSMI's application on the ground that "GINEBRA" is a Spanish word for gin, and is a generic term incapable of appropriation.

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

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

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

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

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

On February 3, 2020, GSML 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 GSML'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 GSML and held that despite being generic or descriptive, the term "GINEBRA" had already attained a secondary meaning in relation to the gin products of GSML. The Manifestation was filed to inform the Supreme Court Third Division of the status of cases in IPOP HL which involve GSML'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 GSML's Manifestation dated February 3, 2020 on the IPO Director General's Decision dated December 27, 2019.

G.R. Nos. 210224 and 219632: These cases pertain to GSML's Complaint for Unfair Competition, Trademark Infringement and Damages against Tanduay Distillers, Inc. (TDI) filed with the RTC, arising from TDI's distribution and sale of its gin product bearing the trademark "Ginebra Kapitan" and use of a bottle which general appearance was nearly identical and confusingly similar to GSML's product. The RTC dismissed GSML's complaint.

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

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

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

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

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

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

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

G.R. No. 216104: This case pertains to TDI's application for the registration of the trademark "GINEBRA KAPITAN" for Class 33 covering gin with the 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 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 Court of Appeals reversed and set aside the IPOP HL's ruling and disapproved the registration of "GINEBRA KAPITAN". The Court of Appeals ruled that "GINEBRA" could not be considered as a generic word in the Philippines considering that, to the Filipino gin-drinking public, it does not relate to a class of liquor/alcohol but rather has come to refer specifically and exclusively to the gin products of GSMI.

TDI filed a Petition for Review on Certiorari with the Supreme Court, 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 Supreme Court consolidated this case with Ginebra San Miguel Inc. vs. Court of Appeals, Director General of the Intellectual Property Office, and Director of the Bureau of Trademarks (G.R. No. 196372).

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

- Imported Industrial Fuel Oil

SLHBTC has an on-going case with the CTA against the Commissioner of Customs (the Commissioner). On January 16, 2016, a Warrant of Seizure and Detention was issued against the 44,000 metric tons of fuel imported by SLHBTC with approximate value of P751. The Commissioner alleged that SLHBTC discharged fuel directly from the vessel carrying SLHBTC's imported fuel to another vessel via loop loading without paying duties and taxes and therefore, violating the Customs Modernization Tariff Act and other customs regulations. On January 20, 2017, the District Collector of Customs issued a decision forfeiting the fuel in favor of the government.

Subsequently, SLHBTC filed with the CTA a petition seeking the lifting and termination of the Warrant of Seizure and Detention and the reversal of the decision issued by the District Collector of Customs.

On April 19, 2017, SLHBTC filed with the CTA a Motion for Special Order to release the 44,000 metric tons of fuel, which was granted on January 28, 2018 subject to the posting of a surety bond amounting to P123 or one and one-half times of the assessed amount of P82 representing VAT. SLHBTC posted the surety bond and the 44,000 metric tons of fuel were released.

On September 18, 2018, a pre-trial conference was conducted.

However, by Order dated September 25, 2018, the case was transferred to the CTA First Division.

The latest court hearing for the presentation of evidence was made in February 2020.

On December 1, 2020, the customs officer was recalled to stand as a hostile rebuttal witness in the trial. He was cross-examined by the SLHBTC legal counsel and admitted that he did not examine the imported documents prior to recommending the issuance of a Writ of Seizure & Detention. As at the report date, the case is still pending decision with the CTA.

- Criminal Cases

SPPC

On September 29, 2015, SPPC filed a criminal complaint for estafa and for violation of Section 3(e) of RA No. 3019, otherwise known as the Anti-Graft and Corrupt Practices Act, before the DOJ, against certain officers of PSALM, in connection with the termination of SPPC's IPPA Agreement, which was made by PSALM with manifest partiality and evident bad faith. Further, it was alleged that PSALM fraudulently misrepresented its entitlement to draw on the performance bond posted by SPPC, resulting in actual injury to SPPC in the amount US\$60. On June 13, 2017, the DOJ endorsed the complete records of the complaint to the Office of the Ombudsman for appropriate action where it is still pending to date.

On a related matter, on November 14, 2018, SPPC filed with the Office of the Ombudsman-Field Investigation Office, an administrative complaint against an executive officer of PSALM and several unidentified persons for violation of the Ombudsman Act and the Revised Administrative Code, in the performance of their functions as public officers. The case is still pending with the Ombudsman-Field Investigation Office.

SMEC

On October 21, 2015, SMEC filed a criminal complaint for Plunder and violation of Section 3(e) and 3(f) of RA No. 3019, before the DOJ against a certain officer of PSALM, and certain officers of Team Philippines Energy Corp. (TPEC) and Team Sual Corporation, relating to the illegal grant of the so-called "excess capacity" of the Sual Power Plant in favor of TPEC which enabled it to receive a certain amount at the expense of the Government and SMEC.

In a Resolution dated July 29, 2016, the DOJ found probable cause to file Information against the respondents for plunder and violation of Section 3(e) and 3(f) of RA No. 3019. The DOJ further resolved to forward the entire records of the case to the Office of the Ombudsman for their proper action. Respondents have respectively appealed said DOJ's Resolution of July 29, 2016 with the Secretary of Justice.

On October 25, 2017, the DOJ issued a Resolution partially granting the Petition for Review by reversing the July 29, 2016 DOJ Resolution insofar as the conduct of the preliminary investigation. On November 17, 2017, SMEC filed a motion for partial reconsideration of said October 25, 2017 DOJ Resolution. Said motion is still pending to date.

- Civil Case

On June 17, 2016, SMEC filed with the RTC Pasig a civil complaint for consignment against PSALM arising from PSALM's refusal to accept SMEC's remittances corresponding to the proceeds of the sale on the WESM for electricity generated from capacity in excess of the 1,000 MW of the Sual Power Plant ("Sale of the Excess Capacity"). With the filing of the complaint, SMEC also consigned with the RTC Pasig, the amount corresponding to the proceeds of the Sale of the Excess Capacity for the billing periods December 26, 2015 to April 25, 2016.

On October 3, 2016, SMEC filed an Omnibus Motion to Admit Supplemental Complaint and To Allow Future Consignment without Tender ("Omnibus Option"). Together with this Omnibus Motion, SMEC consigned with the RTC Pasig an additional amount corresponding to the proceeds of the Sale of the Excess Capacity for the billing periods from April 26, 2016 to July 25, 2016.

On July 5, 2017, SMEC consigned with the RTC Pasig the amount representing additional proceeds of Sale of the Excess Capacity for the billing period July 26, 2016 to August 25, 2016. SMEC also filed a Motion to Admit Second Supplemental Complaint in relation to said consignment.

On May 22, 2018, the RTC Pasig issued an order dismissing the complaint for consignment filed by SMEC on the ground that the court has no jurisdiction over the subject matter of the complaint.

On July 4, 2018, SMEC filed its Motion for Reconsideration to the May 22, 2018 order which dismissed the consignment case. The Motion for Reconsideration was heard on July 13, 2018 where the parties were given time to file their responsive pleadings. PSALM filed its Comment dated July 26, 2018 to the Motion for Reconsideration and SMEC filed its Reply to PSALM's Comment on August 13, 2018.

In an Order dated November 19, 2019, the presiding judge voluntarily inhibited herself from further hearing the case.

On December 13, 2019, the case was re-raffled to Branch 268. On February 7, 2020, a clarificatory hearing was held and Branch 268 noted the pending incidents, which are: (a) SMEC's Motion for Partial Reconsideration and Supplemental Motion for Reconsideration of the Order dated May 22, 2018; (b) SMEC's two Motions to Admit Supplemental Complaint; and (c) PSALM's Motion to Set Preliminary Hearing on the Special and Affirmative Defenses.

Further related thereto, on December 1, 2016, SMEC received a copy of a Complaint filed by TPEC and TeaM Sual Corporation with the ERC against SMEC and PSALM in relation to the Excess Capacity issues, which issues have already been raised in the abovementioned cases. SMEC filed a Motion to Dismiss and Motion to Suspend Proceeding of the instant case. The complaint is still pending with the ERC to date.

As at December 31, 2020 and 2019 the total amount consigned with the RTC Pasig is P491, included under "Other noncurrent assets", particularly "Restricted cash" account, in the consolidated statements of financial position (Note 18).

- TRO Issued to Meralco

SMEC, SPPC, SPDC, MPPCL and other generation companies became parties to a Petition for Certiorari and Prohibition with prayer for TRO and/or Preliminary Injunction ("Petition") filed in the Supreme Court by special interest groups which sought to stop the imposition of the increase in generation charge of Meralco for the November 2013 billing month. On December 23, 2013, the Supreme Court issued a TRO ordering Meralco not to collect, and the generators not to demand payment, for the increase in generation charge for the November 2013 billing month. As a result, Meralco was constrained to fix its generation rate to its October 2013 level of P5.67/kWh. Claiming that since the power supplied by generators is billed to Meralco's customers on a pass-through basis, Meralco deferred a portion of its payment on the ground that it was not able to collect the full amount of its generation cost. The TRO was originally for a period of 60 days.

On January 8, 2014, Meralco filed its Consolidated Comment/Opposition with Counter-Petition ("Counter-Petition") which prayed, among others, for the inclusion of SMEC, SPPC, SPDC, MPPCL and several generators as respondents to the case. On January 10, 2014, the Supreme Court issued an order treating the Counter-Petition as in the nature of a third party complaint and granting the prayer to include SMEC, SPPC, SPDC and MPPCL as respondents in the Petition.

On February 18, 2014, the Supreme Court extended the TRO issued on December 23, 2013 for another 60 days or until April 22, 2014 and granted additional TROs enjoining PEMC and the generators from demanding and collecting the deferred amounts. In a resolution dated April 22, 2014, the Supreme Court extended indefinitely the effectivity of the TROs issued on December 23, 2013 and February 18, 2014. To date, the Petition is pending resolution with the Supreme Court.

- ERC Order Voiding WESM Prices

Relative to the above-cited Petition, on December 27, 2013, the DOE, ERC, and PEMC, acting as a tripartite committee, issued a joint resolution setting a reduced price cap on the WESM of P32/kWh. The price was set to be effective for 90 days until a new cap is decided upon.

On March 3, 2014, the ERC, in the exercise of its police power, issued an order in Miscellaneous Case No. 2014-021, declaring the November and December 2013 Luzon WESM prices void, imposed the application of regulated prices and mandated PEMC, the operator of the WESM, to calculate and issue adjustment bills using recalculated prices (the "March 3, 2014 Order"). On March 27, 2014, the ERC directed PEMC to provide the market participants an additional period of 45 days from receipt of the order within which to comply with the settlement of their respective adjusted WESM bills in accordance with the March 3, 2014 Order. The period to comply with the settlement of the adjusted WESM bills was further extended by the ERC in a subsequent order dated May 9, 2014. Based on these orders, SMEC, SPPC and SPDC recognized a reduction in the sale of power while SMELC and MPPCL recognized a reduction in its power purchases. Consequently, a payable and receivable were also recognized for the portion of over-collection or over-payment, the settlement of which have been covered by a 24-month Special Payment Arrangement with PEMC which was already completed on May 25, 2016.

SMEC, SPPC, SPDC and MPPCL filed various pleadings requesting ERC for the reconsideration of the March 3, 2014 Order. Other generators also requested the Supreme Court to stop the implementation of the March 3, 2014 Order.

On June 26, 2014, SMEC, SPPC and SPDC filed with the Court of Appeals a Petition for Review under Rule 43 of the Revised Rules of Court assailing the ERC orders dated March 3, 27 and May 9, 2014 (the "2014 ERC Orders"). On the other hand, MPPCL filed its Petition for Review with the Court of Appeals on December 12, 2014.

After consolidating the cases, the Court of Appeals, in its decision dated November 7, 2017 (the "November 7, 2017 Decision"), granted the Petition for Review filed by SMEC, SPPC, SPDC, and MPPCL, declaring the 2014 ERC Orders null and void and accordingly reinstated and declared as valid the WESM prices for Luzon for the supply months of November to December 2013.

Motions for Reconsideration of the November 7, 2017 Decision and Motions for Intervention and Motions to Admit Motions for Reconsideration were filed by various intervenors.

In a resolution dated March 22, 2018 (the "March 22, 2018 Resolution"), the Court of Appeals denied the aforesaid motions. In June 2018, the intervenors filed their respective motions for reconsideration of the said resolution of the Court of Appeals dated March 22, 2018. On June 27, 2018, MPPCL filed a Consolidated Comment to various Motions for Reconsideration while SMEC, SPPC and SPDC filed their Consolidated Opposition to said Motions for Reconsideration on July 27, 2018.

On March 29, 2019, the Court of Appeals issued an Omnibus Resolution affirming the November 7, 2017 Decision and the March 22, 2018 Resolution.

The intervenors thereafter filed petitions for certiorari before the Supreme Court, First Division. Each were denied by the Supreme Court through its resolutions dated September 11, 2019 and October 1, 2019 generally on the same ground that the petitioners each failed to sufficiently show that the Court of Appeals committed any reversible error in promulgating its resolution dated March 22, 2018 denying petitioners' motions to intervene and the subsequent Omnibus Resolution dated March 29, 2019 denying the petitioners' motions for reconsideration of the denial of their respective motions to intervene.

MPPCL filed on January 22, 2020, while SMEC, SPPC and SPDC filed on January 30, 2020, their respective Comments on the Petition for Review filed by the ERC with the Supreme Court. In its petition, the ERC appealed the November 7, 2017 Decision and Omnibus Resolution dated March 29, 2019, which nullified and set aside the 2014 ERC Orders, which declared the WESM prices for November and December 2013 void.

PEMC also filed a Motion to Admit Comment and Comment on the ERC's Petition for Review both dated March 12, 2020.

In a Resolution dated February 10, 2020, the Supreme Court directed the respondents to file their respective Comments on the Petition for Review filed by Meralco ("Meralco Petition"). SMEC, SPPC and SPDC, received, through counsel, a copy of the Resolution on June 25, 2020. SMEC, SPPC and SPDC filed on July 15, 2020, while MPPCL filed on July 16, 2020, their Comments on the Meralco Petition, all within the period of extension granted by the Supreme Court.

On July 9, 2020, AP Renewables Inc. ("APRI") filed a Motion to Consolidate praying for the Supreme Court to direct the consolidation of the foregoing case with ERC v. SMEC, et. al. (SC-G.R. Nos. 246621-30, First Division). The ERC, through the Office of the Solicitor General, filed a Manifestation and Motion dated September 15, 2020, agreeing with APRI but deferring to the judgment of the Supreme Court on the matter.

On July 21, 2020, Meralco filed a Motion for Leave to File and Admit the Attached Manifestation with Manifestation, both of even date, (collectively, "Meralco Manifestation"), praying that the Supreme Court apply the ruling in the case of PSALM v. PEMC (G.R. No. 190199, March 11, 2020) in resolving the instant case. The Supreme Court has not yet issued an order to respondents to comment on said Meralco Manifestation.

On September 22, 2020, SMEC, SPPC and SPDC filed motions to admit their Comment on the Meralco Manifestation.

Entries of judgment have been issued by the Supreme Court certifying that the resolutions denying the Petitions for Review on Certiorari filed by various intervenors against SMEC, SPPC, SPDC and MPPCL, among others, have become final and executory.

In a Resolution dated November 4, 2020, the Supreme Court directed the consolidation of the separate petitions filed by the ERC and Meralco considering that said cases involve the same parties, raise the same issues, and assail the same decision and resolution, and the transfer of the Meralco Petition to the third division of the Supreme Court handling the petition by the ERC.

The ERC has also filed its Consolidated Reply to the comments on its petition dated November 18, 2020.

Upon finality of the Decision, a claim for refund may be made by the relevant subsidiaries with PEMC for an amount up to P2,322, plus interest.

b. EPIRA

The EPIRA sets forth the following: (i) Section 49 created PSALM to take ownership and manage the orderly sale, disposition and privatization of all existing NPC generation assets, liabilities, IPP contracts, real estate and all other disposable assets; (ii) Section 31(c) requires the transfer of the management and control of at least 70% of the total energy output of power plants under contract with NPC to the IPP Administrators as one of the conditions for retail competition and open access; and (iii) Pursuant to Section 51(c), PSALM has the power to take title to and possession of the IPP contracts and to appoint, after a competitive, transparent and public bidding, qualified independent entities who shall act as the IPP Administrators in accordance with the EPIRA. In accordance with the bidding procedures and supplemented bid bulletins thereto to appoint an IPP Administrator relative to the capacity of the IPP contracts, PSALM has conducted a competitive, transparent and open public bidding process following which SMC Global was selected winning bidder of the IPPA Agreements (Note 34).

The EPIRA requires generation and DU companies to undergo public offering within five years from the effective date, and provides cross ownership restrictions between transmission and generation companies. If the holding company of generation and DU companies is already listed with the PSE, the generation company or the DU need not comply with the requirement since such listing of the holding company is deemed already as compliance with the EPIRA.

A DU is allowed to source from an associated company engaged in generation up to 50% of its demand except for contracts entered into prior to the effective date of the EPIRA. Generation companies are restricted from owning more than 30% of the installed generating capacity of a grid and/or 25% of the national installed generating capacity. The Group is in compliance with the restrictions as at December 31, 2020 and 2019.

c. Notice of Withdrawal of PCC Notification for the Acquisition of Holcim Philippines, Inc. (HPI)

On May 10, 2019, SMC, through FSCII, a subsidiary of SMEII, signed a definitive agreement to acquire a controlling interest in HPI from entities controlled by Lafarge Holcim which was subject to the PCC review and approval.

On April 23, 2020, the PCC issued Commission Resolution No. 010-2020 which resolved to suspend all proceedings pending before it during the ECQ period in accordance with Administrative Order No. 30, issued by the President of the Philippines on April 21, 2020. On May 10, 2020, SMC disclosed to the PSE, that the agreement to acquire the 85.73% shares of HPI, between and among FSCII, SMC and Holderfin B.V. dated May 10, 2019, has lapsed in accordance with its terms. The completion of the acquisition required the approval of the PCC which was not able to be achieved. In view of the foregoing, the proposed acquisition by FSCII of the 85.73% of HPI shall no longer proceed. Accordingly, FSCII withdrew the launch of the tender offer of the HPI shares held by its minority shareholders which was made by SMC on September 23, 2019. On May 13, 2020, the Parent Company filed a notice of withdrawal of its notification to the PCC covering the aforementioned proposed acquisition.

d. *Effect of COVID-19*

The Group has been affected by the lockdown, different quarantine restrictions, liquor bans and travel restrictions implemented by the government in the first half of 2020.

The government's relaxation of the quarantine restrictions starting mid-May had an immediate positive effect on the Group's operations. The Group posted consolidated net income in the second half, 25% higher than the same period last year, reversing the losses incurred in the first half. The improvement of the performance in the second half was mainly brought about by the sustained performance recoveries from all major subsidiaries. Sales volumes of SMB and GSML significantly improved and Petron, in particular, bounced back to profitability. Demand for power continued to increase with the opening of more commercial and industrial establishments. Traffic volumes on operating toll roads have also improved.

The Group's consolidated sales and operating income in 2020 were still lower than 2019, despite the recoveries in the second half.

e. *Commitments*

The outstanding purchase commitments of the Group amounted to P111,845 as at December 31, 2020.

Amount authorized but not yet disbursed for capital projects is approximately P255,100 as at December 31, 2020.

f. *Foreign Exchange Rates*

The foreign exchange rates used in translating the US dollar accounts of foreign subsidiaries, associates and joint ventures to Philippine peso were closing rates of P48.02 and P50.64 in 2020 and 2019, respectively, for consolidated statements of financial position accounts; and average rates of P49.62, P51.79 and P52.69 in 2020, 2019 and 2018, respectively, for income and expense accounts.

g. Certain accounts in prior years have been reclassified for consistency with the current period presentation. These reclassifications had no effect on the reported financial performance for any period.

Annex “B-2”

**Separate Financial
Statements**
(as of December 31, 2020)

For
AUDITED FINANCIAL STATEMENTS

C	S	2	0	0	8	0	3	9	3	9
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A A F S

N/A

N/A

COMPANY INFORMATION

N/A

8632-3000

N/A

31,284

Second Tuesday of July

December 31

CONTACT PERSON INFORMATION

Name of contact person	Ms. Bella O. Navarra
------------------------	----------------------

<p> Entity Address N/A </p>

8632-3000

N/A

CONTACT PERSON'S ADDRESS

No. 40 San Miguel Avenue, Mandaluyong City

2: All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

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eafs@bir.gov.ph <eafs@bir.gov.ph>

Thu 4/15/2021 11:51 PM

To: ATCALDERON1@GMAIL.COM <ATCALDERON1@GMAIL.COM>

Cc: Wheina Camille J. Padilla <wpadilla@sanmiguel.com.ph>

Hi TOP FRONTIER INVESTMENT HOLDINGS, INC.,

Valid files

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- EAFS006990128OTHTY122020.pdf
- EAFS006990128AFSTY122020.pdf
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Transaction Code: **AFS-0-3RZ4XW2V0MTWSVP21Q1NWTNVW0PMTNXRT4**

Submission Date/Time: **Apr 15, 2021 11:37 PM**

Company TIN: **006-990-128**

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- The submission is without prejudice to the right of the BIR to require additional document, if any, for completion and verification purposes;
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TOP FRONTIER INVESTMENT HOLDINGS, INC.

SEPARATE FINANCIAL STATEMENTS
December 31, 2020 and 2019

With Independent Auditors' Report



**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR SEPARATE FINANCIAL STATEMENTS**


The management of Top Frontier Investment Holdings, Inc. (the "Company") is responsible for the preparation and fair presentation of the separate financial statements including the schedules attached therein, for the years ended December 31, 2020 and 2019, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of the separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate 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 separate financial statements including the schedules attached therein, and submits the same to the stockholders.

R.G. Manabat & Co., the independent auditor appointed by the stockholders, has audited the separate 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.



IÑIGO U. ZOBEL
Chairman of the Board



RAMON S. ANG
President and Chief Executive Officer



BELLA O. NAVARRA
Chief Finance Officer

Signed this 11th day of March 2021

ACKNOWLEDGMENT

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

BEFORE ME, a Notary Public for and in the City of Mandaluyong, Philippines on this APR 12 2021, personally appeared the following with his identification, to wit:

Name	Passport No.	Date of issue	Place of Issue
Iñigo U. Zobel	P2624337A	April 07, 2017	DFA Manila
Ramon S. Ang	P4589066A	October 02, 2017	DFA Manila
Bella O. Navarra	P1969090A	February 18, 2017	DFA NCR East

personally known to me to be the same persons who executed the foregoing instrument and that they acknowledged to me that the same is their free and voluntary act and deed and that of the corporation they are authorized to represent.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal on the date and place first above written.

Doc. No.: 63 ;
Page No.: 19 ;
Book No.: VIII ;
Series of 2021.



A handwritten signature in blue ink, appearing to read "Paula Katherina A. Gan".

PAULA KATHERINA A. GAN

Commission No. 0308-19

Notary Public for Mandaluyong City

Until June 30, 2021

(C.C. Resolution dated December 1, 2020)

Slno., 40 San Miguel Ave., Mandaluyong City

Roll No. 55988

PTR No. 4579851, 01/08/21; Mandaluyong City

IBP Lifetime Member No. 013353; 02/05/15; Quezon City

MCLE Compliance No. VI-0019930; 04/14/22; Pasig City



R.G. Manabat & Co.
The KPMG Center, 9/F
6787 Ayala Avenue, Makati City
Philippines 1226
Telephone +63 (2) 8885 7000
Fax +63 (2) 8894 1985
Internet www.home.kpmg/ph
Email ph-inquiry@kpmg.com

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Top Frontier Investment Holdings, Inc.
5th Floor, ENZO Building
399 Sen. Gil Puyat Avenue, Makati City

Report on the Audit of the Separate Financial Statements

Opinion

We have audited the separate financial statements of Top Frontier Investment Holdings, Inc. (the Company), which comprise the separate statements of financial position as at December 31, 2020 and 2019, and the separate statements of comprehensive income, separate statements of changes in equity and separate statements of cash flows for the years then ended, and notes comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the unconsolidated financial position of the Company as at December 31, 2020 and 2019, and its unconsolidated financial performance and its unconsolidated cash flows for the years then ended 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 Separate Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the separate 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 November 21, 2023
SEC Accreditation No. 0003-SEC, Group A, valid for five (5) years covering the audit of 2020 to 2024
financial statements (2019 financial statements are covered by SEC Accreditation No. 0004-FR-5)
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)

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

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

In preparing the separate 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.

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

Auditors' Responsibilities for the Audit of the Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate 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 separate 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 separate 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 Company'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 Company'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 separate 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 Company to cease to continue as a going concern.



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

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, related safeguards.

Report on the Supplementary Information Required Under Revenue Regulations No. 15-2010 of the Bureau of Internal Revenue

The supplementary information required for purposes of filing with the Bureau of Internal Revenue is presented by the management of Top Frontier Investment Holdings, Inc. in a separate schedule. Such supplementary information is not a required part of the separate financial statements. Our opinion on the separate financial statements is not affected by the presentation of the supplementary information in a separate schedule.

The engagement partner on the audit resulting in this independent auditors' report is Darwin P. Virocel.

R.G. MANABAT & CO.

DARWIN P. VIROCEL

Partner

CPA License No. 0094495

SEC Accreditation No. 94495-SEC, Group A, valid for five (5) years
covering the audit of 2019 to 2023 financial statements

Tax Identification No. 912-535-864

BIR Accreditation No. 08-001987-031-2019

Issued August 7, 2019; valid until August 6, 2022

PTR No. MKT 8533922

Issued January 4, 2021 at Makati City

March 22, 2021

Makati City, Metro Manila



R.G. Manabat & Co.
The KPMG Center, 9/F
6787 Ayala Avenue, Makati City
Philippines 1226
Telephone +63 (2) 8885 7000
Fax +63 (2) 8894 1985
Internet www.home.kpmg/ph
Email ph-inquiry@kpmg.com

**REPORT OF INDEPENDENT AUDITORS
TO ACCOMPANY SEPARATE FINANCIAL STATEMENTS FOR FILING
WITH THE BUREAU OF INTERNAL REVENUE**

The Board of Directors and Stockholders
Top Frontier Investment Holdings, Inc.
5th Floor, ENZO Building
399 Sen. Gil Puyat Avenue, Makati City

We have audited the accompanying separate financial statements of Top Frontier Investment Holdings, Inc. (the Company) as at and for the year ended December 31, 2020, on which we have rendered our report dated March 22, 2021.

In compliance with Revenue Regulations V-20, we are stating that no partner of our Firm is related by consanguinity or affinity to the president, manager or principal stockholder of the Company.

R.G. MANABAT & CO.

DARWIN P. VIROCEL
Partner
CPA License No. 0094495
SEC Accreditation No. 94495-SEC, Group A, valid for five (5) years
covering the audit of 2019 to 2023 financial statements
Tax Identification No. 912-535-864
BIR Accreditation No. 08-001987-031-2019
Issued August 7, 2019; valid until August 6, 2022
PTR No. MKT 8533922
Issued January 4, 2021 at Makati City

March 22, 2021
Makati City, Metro Manila

Firm Regulatory Registration & Accreditation:
PRC-BOA Registration No. 0003, valid until November 21, 2023
SEC Accreditation No. 0003-SEC, Group A, valid for five (5) years covering the audit of 2020 to 2024
financial statements (2019 financial statements are covered by SEC Accreditation No. 0004-FR-5)
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)

TOP FRONTIER INVESTMENT HOLDINGS, INC.
SEPARATE STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019
(In Millions)

	<i>Note</i>	2020	2019
ASSETS			
Current Assets			
Cash and cash equivalents	4, 5, 15	P679	P152
Receivables	4, 6, 7, 10, 15	1,070	1,070
Other current assets		28	26
Total Current Assets		1,777	1,248
Noncurrent Asset			
Investments	4, 7	154,936	154,936
		P156,713	P156,184
LIABILITIES AND EQUITY			
Current Liabilities			
Loans payable	8, 9, 12, 15	P6,574	P6,901
Accounts payable and accrued expenses	8, 9, 10, 15	13,974	14,724
Income and other taxes payable		19	30
Total Current Liabilities		20,567	21,655
Noncurrent Liabilities	10, 15	3,037	3,037
Total Liabilities		23,604	24,692
Equity			
	11		
Capital stock - common		490	490
Capital stock - preferred		260	260
Additional paid-in capital		120,501	120,501
Convertible perpetual securities		25,158	25,158
Retained earnings		27,600	25,983
Treasury stock		(40,900)	(40,900)
Total Equity		133,109	131,492
		P156,713	P156,184

See Notes to the Separate Financial Statements.

TOP FRONTIER INVESTMENT HOLDINGS, INC.
SEPARATE STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Millions, Except Per Share Data)

	<i>Note</i>	2020	2019
REVENUES			
Dividend income	7	P2,202	P2,202
Gain on foreign exchange - net	15	1,074	799
Interest income	5	4	12
		3,280	3,013
EXPENSES			
Interest expense and other financing charges	8, 12, 15	267	399
Taxes and licenses		49	52
Outside services		7	7
Miscellaneous		11	12
		334	470
INCOME BEFORE INCOME TAX		2,946	2,543
INCOME TAX EXPENSE	13	1	2
NET INCOME/TOTAL COMPREHENSIVE INCOME		P2,945	P2,541
Basic/Diluted Earnings (Loss) Per Common Share	14	P0.79	(P0.42)

See Notes to the Separate Financial Statements.

TOP FRONTIER INVESTMENT HOLDINGS, INC.
SEPARATE STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Millions)

		Capital Stock		Additional	Convertible	Retained	Treasury Stock		Total Equity
	Note	Common	Preferred	Paid-in Capital	Perpetual Securities	Earnings	Common	Preferred	
As at January 1, 2020		P490	P260	P120,501	P25,158	P25,983	(P28,001)	(P12,899)	P131,492
Net income/total comprehensive income		-	-	-	-	2,945	-	-	2,945
Cash dividends	11	-	-	-	-	(1,328)	-	-	(1,328)
As at December 31, 2020		P490	P260	P120,501	P25,158	P27,600	(P28,001)	(P12,899)	P133,109
As at January 1, 2019		P490	P260	P120,501	P25,158	P25,302	(P28,001)	(P12,899)	P130,811
Net income/total comprehensive income		-	-	-	-	2,541	-	-	2,541
Cash dividends	11	-	-	-	-	(1,860)	-	-	(1,860)
As at December 31, 2019		P490	P260	P120,501	P25,158	P25,983	(P28,001)	(P12,899)	P131,492

See Notes to the Separate Financial Statements.

TOP FRONTIER INVESTMENT HOLDINGS, INC.
SEPARATE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Millions)

	<i>Note</i>	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		P2,946	P2,543
Adjustments for:			
Interest expense and other financing charges	8, 12	267	399
Amortization expense		-	1
Interest income	5	(4)	(12)
Gain on foreign exchange	8, 10	(1,074)	(799)
Dividend income	7	(2,202)	(2,202)
Operating loss before working capital changes		(67)	(70)
Increase in other current assets		(2)	(1)
Decrease in income and other taxes payable		(11)	-
Net cash used in operations		(80)	(71)
Income taxes paid		(1)	(2)
Interest received		4	12
Dividends received		2,202	2,202
Net cash flows provided by operating activities		2,125	2,141
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short-term borrowings	8	21,246	21,696
Payments of short-term borrowings	8	(21,246)	(21,696)
Cash dividends paid	11	(1,328)	(1,860)
Interest expense and other financing charges paid		(270)	(399)
Net cash flows used in financing activities		(1,598)	(2,259)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		527	(118)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	5	152	270
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	5	P679	P152

See Notes to the Separate Financial Statements.

TOP FRONTIER INVESTMENT HOLDINGS, INC.
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
(Amounts in Millions, Except Per Share Data and Number of Shares)

1. Reporting Entity

Top Frontier Investment Holdings, Inc. (Top Frontier or the Company) was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on March 11, 2008. The Company is primarily established as a holding company provided that the Company shall not engage in the business of an investment company as defined in the Investment Company Act (R.A. 2629), as amended, without first complying with the applicable provisions of the said statute.

On December 18, 2013, the Philippine Stock Exchange (PSE) approved the application for the listing by way of introduction of all the common shares of Top Frontier. The shares were listed on the PSE on January 13, 2014.

The Company has corporate life of 50 years pursuant to its articles of incorporation. However, under the Revised Corporation Code of the Philippines, the Company shall have a perpetual corporate life.

The registered office address of the Company is 5th Floor, ENZO Building, 399 Sen. Gil J. Puyat Avenue, Makati City.

2. Basis of Preparation

Statement of Compliance

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

The separate financial statements were approved and authorized for issue in accordance with a resolution by the Board of Directors (BOD) on March 11, 2021.

Basis of Measurement

The separate financial statements of the Company have been prepared on a historical cost basis.

The separate financial statements account for the Company's investments in shares of stock of subsidiaries at cost (Note 7) in accordance with the provisions of PAS 27, *Separate Financial Statements*.

The Company also prepares and issues consolidated financial statements for the same period in which it consolidates its investments in shares of stock of subsidiaries. Such consolidated financial statements provide information about the economic activities of the Company and its subsidiaries (collectively referred to as the "Group") of which Top Frontier is the ultimate parent company.

Functional and Presentation Currency

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

3. Significant Accounting Policies

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

Adoption of Amended Standards and Framework

The FRSC approved the adoption of amended standards and framework as part of PFRS.

The Company has adopted the following PFRS effective January 1, 2020 and accordingly, changed its accounting policies in the following areas:

- Amendments to References to Conceptual Framework in PFRS sets out amendments to PFRS, their accompanying documents and PFRS practice statements to reflect the issuance of the revised Conceptual Framework for Financial Reporting in 2018 (2018 Conceptual Framework). The 2018 Conceptual Framework includes: (a) a new chapter on measurement; (b) guidance on reporting financial performance; (c) improved definitions of an asset and a liability, and guidance supporting these definitions; and (d) clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

Some standards, their accompanying documents and PFRS practice statements contain references to, or quotations from, the International Accounting Standards Committee's Framework for the Preparation and Presentation of Financial Statements adopted by the IASB in 2001 or the Conceptual Framework for Financial Reporting issued in 2010. The amendments update some of those references and quotations so that they refer to the 2018 Conceptual Framework and makes other amendments to clarify which version of the Conceptual Framework is referred to in particular documents.

- Definition of Material (Amendments to PAS 1, *Presentation of Financial Statements* and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*). The amendments refine the definition of material. The amended definition of material states that such information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify the definition of what is considered material and its application by: (a) raising the threshold at which information becomes material by replacing the term 'could influence' with 'could reasonably be expected to influence'; (b) including the concept of 'obscuring information' alongside the concept of 'omitting' and 'misstating' information in the definition; (c) clarifying that the users to which the definition refers are the primary users of general purpose financial statements referred to in the Conceptual Framework; (d) clarifying the explanatory paragraphs accompanying the definition; and (e) aligning the wording of the definition of what is considered material across PFRS and other publications. The amendments are expected to help entities make better materiality judgments without substantively changing existing requirements.

The adoption of the amended standards and framework did not have an effect on the separate financial statements.

Amended Standard Not Yet Adopted

A number of new and amended standards are effective for annual periods beginning after January 1, 2020. However, the Company has not early adopted the amended Standard on Classification of Liabilities as Current or Noncurrent (Amendments to PAS 1) in preparing the financial statements. This amended standard is not expected to have a significant effect on the financial statements.

The amendments to PAS 1 promote consistency in the 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 twelve months after the reporting period to be unconditional and instead requires that the right must have substance and exist at the end of the reporting period;
- clarified that a right to defer settlement exists only if the company complies with conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until a later date; and
- clarified that settlement of a liability includes transferring a company's own equity instruments to the counterparty, but conversion options that are classified as equity do not affect classification of the liability as current or noncurrent.

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

Current versus Noncurrent Classification

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

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

The Company classifies all other assets and liabilities as noncurrent.

Financial Instruments

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

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

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

Financial Assets

The Company 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 Company for managing the financial assets.

Subsequent to initial recognition, financial assets are not reclassified unless the Company 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 Company manages the financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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

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 Company has no financial assets at FVOCI and financial assets at FVPL as at December 31, 2020 and 2019.

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 whose objective is to hold financial assets to collect contractual cash flows; and
- its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

The Company's cash and cash equivalents and receivables are included under this category (Notes 5, 6, 10 and 15).

Cash represents cash 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 Liabilities

The Company 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.

The Company has no financial liabilities at FVPL as at December 31, 2020 and 2019.

Other Financial Liabilities. This category pertains to financial liabilities that are not designated or classified as at FVPL. After initial recognition, other financial liabilities are measured 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. Gains and losses are recognized in the separate statements of comprehensive income when the liabilities are derecognized as well as through the amortization process.

The Company's liabilities arising from its trade transactions or borrowings such as loans payable, accounts payable and accrued expenses and noncurrent liabilities are included under this category (Notes 8, 9, 10 and 15).

Derecognition of Financial Assets and Financial Liabilities

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

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

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

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

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

Impairment of Financial Assets

The Company 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 Company in accordance with the contract and the cash flows that the Company 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 Company 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 Company 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 Company's historical experience and informed credit assessment and including forward-looking information.

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

At each reporting date, the Company assesses whether 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;
- breach of contract, such as a default or past due event;
- the restructuring of a financial asset by the Company on terms that the Company 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 Company 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 Company 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 Company 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 Company'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 separate statements of comprehensive income.

Classification of Financial Instruments between Liability and Equity

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

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

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

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

Offsetting Financial Instruments

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

Investments in Shares of Stock of Subsidiaries

The Company's investments in shares of stock of subsidiaries are accounted for under the cost method as provided for under PAS 27, *Separate Financial Statements*. The investments are carried in the separate statements of financial position at cost less any impairment in value. The Company recognizes dividend from subsidiaries in the separate statements of comprehensive income when its right to receive the dividend is established.

A subsidiary is an entity controlled by the Company. The Company 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.

Impairment of Non-financial Assets

The carrying amount of investments in shares of stock of subsidiaries are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. 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 separate statements of comprehensive 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 had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the separate statements of comprehensive income.

Fair Value Measurements

The Company measures financial and non-financial assets and liabilities at fair value at each reporting date.

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

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 Company 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 separate 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 separate financial statements on a recurring basis, the Company 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 Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy.

Provisions

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

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

Capital Stock and Additional Paid-in Capital

Common Shares

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

Preferred Shares

Preferred shares are classified as equity if they are non-redeemable, or redeemable only at the option of the Company, and any dividends thereon are discretionary. Dividends thereon are recognized as distributions within equity upon approval by the BOD of the Company.

Preferred shares are classified as a liability if they are redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. Dividends thereon are recognized as interest expense in the separate statements of comprehensive 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.

Convertible Perpetual Securities (CPS)

CPS are classified as equity when there is no contractual obligation to deliver cash or other financial assets to another person or entity or to exchange financial assets or liabilities with another person or entity that is potentially unfavorable to the issuer.

Incremental costs directly attributable to the issuance of CPS are recognized as a deduction from equity, net of tax.

Retained Earnings

Retained earnings represent the accumulated net income or losses, net of any dividend distributions and other capital adjustments.

Treasury Stock

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.

Dividend Income

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

Finance Income and Finance Costs

Interest income or expense is recognized using the effective interest method. In calculating interest income or expense, the effective interest rate is applied to the gross carrying amount of the asset or to the amortized cost of the liability.

Expenses

Expenses are decreases in economic benefits during the reporting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Expenses are recognized when incurred.

Foreign Currency

Foreign Currency Translations

Transactions in foreign currencies are initially recorded in the functional currency of the Company 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 separate statements of comprehensive income.

Taxes

Current Tax. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Current tax relating to items recognized directly in equity is recognized in equity and not in profit or loss. The Company periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretations and establishes provisions where appropriate.

Deferred Tax. Deferred tax is recognized using the liability method in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

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

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- with respect to taxable temporary differences associated with investments in shares of stock of subsidiaries, 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 and carryforward benefits of 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 NOLCO can be utilized, except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- with respect to deductible temporary differences associated with investments in shares of stock of subsidiaries, 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 Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

Current tax and deferred tax are recognized in the separate statements of comprehensive income except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

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

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of tax included.

The net amount of tax recoverable from the taxation authority is included as part of "Other current assets" account in the separate 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 and significant influence. Related parties may be individuals or corporate entities.

Basic and Diluted Earnings Per Common Share (EPS)

Basic EPS is computed by dividing the net income for the period, net of dividends on preferred shares and distribution to holder of CPS, by the weighted average number of issued and outstanding common shares during the period, with retroactive adjustment for any stock dividends declared.

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

Contingencies

Contingent liabilities are not recognized in the separate financial statements. They are disclosed in the notes to the separate financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the separate financial statements but are disclosed in the notes to the separate financial statements when an inflow of economic benefits is probable.

Events After the Reporting Date

Post year-end events that provide additional information about the Company's financial position at the reporting date (adjusting events) are reflected in the separate financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the separate financial statements when material.

4. Use of Judgments, Estimates and Assumptions

The preparation of the separate 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 separate 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 Company has made the following judgments, apart from those involving estimations, which have an effect on the amounts recognized in the separate financial statements.

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

Classification of Financial Instruments. The Company exercises judgements 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 separate statements of financial position.

The Company uses its judgment in determining the classification of financial assets based on its business model in which assets are managed and their cash flow characteristics. The classification and fair values of financial assets and financial liabilities are presented in Note 15.

Classification of CPS. Based on the features of the CPS of the Company, particularly the conversion right, cumulative preferential distribution and redemption at the option of the issuer, management determined that the securities are, in substance, classified as equity.

Contingencies. The Company, in the ordinary course of business, sets up appropriate provision for its present legal or constructive obligations, if any, in accordance with its policies on provisions and contingencies. In recognizing and measuring provisions, management takes risk and uncertainties into account.

The Company has not recognized any provision as at December 31, 2020 and 2019.

Estimates and Assumptions

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

Assessment of ECL on Receivables. The Company, applying the simplified approach in the computation of ECL, initially uses a provision matrix based on historical default rates for receivables at least two years. The Company also uses appropriate groupings if its historical credit loss experience shows significantly different loss patterns for different customer segments. The Company then adjusts the historical credit loss experience with forward-looking information on the basis of current observable data affecting each customer segment to reflect the effects of current and forecasted economic conditions.

The Company has assessed that the forward-looking default rate component of its ECL is not material because substantial amounts of 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 Company from its receivables.

The Company has not recognized any allowance for impairment losses on its receivables as at December 31, 2020 and 2019. The carrying amount of receivables amounted to P1,070 as at December 31, 2020 and 2019 (Note 6).

Assessment of ECL on Financial Assets at Amortized Cost. The Company 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 Company 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 Company 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 Company has assessed that the ECL on financial assets at amortized cost is not material because the transactions with respect to these financial assets were entered into by the Company only with reputable banks and companies with good credit standing and relatively low risk of defaults. Accordingly, no provision for ECL on financial assets at amortized cost was recognized in 2020 and 2019. The carrying amount of cash and cash equivalents amounted to P679 and P152 as at December 31, 2020 and 2019, respectively (Notes 5 and 15).

Fair Value Measurements. A number of the Company's accounting policies and disclosures require the measurement of fair values for both financial and non-financial assets and liabilities.

The Company 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 Company 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 Company 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 Note 15.

Realizability of Deferred Tax Assets. The Company 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 Company's assessment on the recognition of deferred tax assets on deductible temporary difference and carryforward benefits of NOLCO is based on the projected taxable income in the following periods (Note 13).

Impairment of Non-financial Assets. PFRS requires that an impairment review be performed on investments 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 separate 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.

The Company assessed that its investments are not impaired as at December 31, 2020 and 2019.

5. Cash and Cash Equivalents

Cash and cash equivalents consist of:

	Note	2020	2019
Cash in banks		P27	P15
Short-term investments		652	137
	4, 15	P679	P152

Cash in banks earn interest at bank deposit rates. Short-term investments pertain to demand deposits which can be withdrawn at any time depending on the immediate cash requirements of the Company and earn interest at short-term investment rates.

The Company's cash and cash equivalents earned interest income amounting to P4 and P12 in 2020 and 2019, respectively.

6. Receivables

Receivables consist of:

	Note	2020	2019
Dividends	7	P551	P551
Amounts owed by related parties		519	519
	4, 10, 15	P1,070	P1,070

7. Investments

The carrying amounts of investments in shares of stock of subsidiaries are as follows:

	Country of Incorporation	2020		2019	
		Percentage of Ownership	Amount	Percentage of Ownership	Amount
San Miguel Corporation (SMC)	Philippines	65.99	P152,078	65.99	P152,078
Clariden Holdings, Inc. (Clariden)	Philippines	100.00	2,858	100.00	2,858
			P154,936		P154,936

SMC

The Company has total shareholdings of 1,573,100,340 common shares of SMC as at December 31, 2020 and 2019.

SMC, through its subsidiaries, associates and joint ventures, is engaged in various businesses, including food and beverage, packaging, energy, fuel and oil, infrastructure, and real estate property management and development.

Dividend income recognized in the separate statements of comprehensive income amounted to P2,202 in 2020 and 2019. Dividends receivable amounted to P551 as at December 31, 2020 and 2019 (Notes 6, 10 and 15).

Clariden

The Company has 100% shareholdings, equivalent to the total outstanding and issued shares of stock of Clariden as at December 31, 2020 and 2019.

Clariden's primary purpose is to acquire by purchase, exchange, assignment or otherwise, and to sell, assign, transfer, exchange, lease, let, develop, mortgage, pledge, deal in and operate, enjoy and dispose of, all properties of every kind and description and whenever situated and to the extent permitted by law.

As at December 31, 2020 and 2019, exploration activities are currently ongoing in different mining projects of Clariden. These activities aim to upgrade the mineral resources and reserves previously identified and to define the quality and quantity of mineral deposits.

8. Loans Payable

Loans payable consist of:

	Note	2020	2019
Peso-denominated		P571	P571
Foreign-currency denominated		6,003	6,330
	15	P6,574	P6,901

Loans payable mainly represent unsecured peso and foreign currency-denominated amounts obtained from local and foreign financial institutions. Interest rates for peso-denominated loan range from 2.18% to 5.25% and 5.25% to 6.25% in 2020 and 2019, respectively. Interest rates for foreign currency-denominated loan range from 1.75% to 3.75% and 3.75% to 4.50% in 2020 and 2019, respectively.

Interest expense on loans payable recognized in the separate statements of comprehensive income amounted to P228 and P367 in 2020 and 2019, respectively (Note 12). Accrued interest expense amounted to P10 and P13 as at December 31, 2020 and 2019, respectively (Note 9).

Loans payable are not subject to covenants.

Changes in loans payable arising from financing activities:

	2020	2019
Balance at beginning of year	P6,901	P7,143
Changes from Financing Cash Flows		
Proceeds from borrowings	21,246	21,696
Payments of borrowings	(21,246)	(21,696)
Total Changes from Financing Cash Flows	-	-
Effect of Changes in Foreign Exchange Rates	(327)	(242)
Balance at end of year	P6,574	P6,901

9. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of:

	Note	2020	2019
Amounts owed to related parties	10	P13,964	P14,711
Accrued interest expense	8	10	13
	15	P13,974	P14,724

10. Related Party Disclosure

The Company, its shareholders and certain subsidiaries purchase products and services from one another in the normal course of business. 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	Amounts Owed by Related Parties	Amounts Owed to Related Parties	Terms	Conditions
Shareholders	2020	P -	P10,304	On demand;	Unsecured
	2019	-	10,864	interest bearing	
	2020	-	221	On demand;	Unsecured
	2019	-	221	non-interest bearing	
Subsidiaries	2020	-	3,037	To be settled on the first anniversary of commercial operations of the Nonoc Project;	Unsecured
	2019	-	3,037	interest bearing	
	2020	-	3,439	On demand;	Unsecured
	2019	-	3,626	non-interest bearing	
	2020	873	-	On demand;	Unsecured;
	2019	873	-	non-interest bearing	no impairment
Indirect Subsidiaries	2020	197	-	On demand;	Unsecured;
	2019	197	-	non-interest bearing	no impairment
Total	2020	P1,070	P17,001		
Total	2019	P1,070	P17,748		

- Interest-bearing payables and related financing charges are amounts owed to Master Year Limited (MYL), one of the Company's shareholders. These amounts were used for working capital purposes. The payables to MYL are subject to interest of 3.00% per annum, subject to renegotiation starting year 2017.

In 2017, the parties agreed in writing that the interest of 3.00% per annum will accrue beginning on the relevant year when SMC has commenced the management and operations of its Manila International Airport Project, a project that involves the construction, operation and maintenance of an international airport in Bulacan. As a result, no accrual of interest was made as at December 31, 2020 and 2019.

- b. Interest bearing payables to a subsidiary are amounts owed to SMC related to the remaining balance of the consideration for the acquisition of Clariden amounting to P2,312 and the assignment of certain SMC receivables amounting to P725.
 - (i) Amounts owed to SMC amounting to P2,312: On September 27, 2019, the parties agreed in writing that the second payment amounting to P1,099, plus 5.75% per annum of any portion thereof unpaid, and the final payment amounting to P1,213, plus 6.00% per annum of any portion thereof unpaid, shall be payable and the interest shall be accrued, on the first anniversary of commercial operations of the Nonoc Project or such extended date as may be mutually agreed by the parties in writing. As a result, no accrual of interest was made as at December 31, 2020 and 2019. The Nonoc Project is primarily focused in extracting nickel deposits in Nonoc Island, Surigao City, Surigao del Norte undertaken by Pacific Nickel Philippines, Inc., an indirect subsidiary of Clariden. These amounts are included as part of "Noncurrent liabilities" account in the separate statements of financial position as at December 31, 2020 and 2019.
 - (ii) *Amounts owed to SMC amounting to P725:* These amounts are subject to 5.75% interest per annum and will accrue upon commencement of commercial operations of the Nonoc Project. As a result, no accrual of interest was made as at December 31, 2020 and 2019. These amounts are included as part of "Noncurrent liabilities" account in the separate statements of financial position as at December 31, 2020 and 2019.
- c. Non-interest bearing payables pertain to amounts owed to SMC and other shareholders which were used for working capital purposes.
- d. Non-interest bearing receivables pertain to amounts owed by its subsidiaries and its indirect subsidiaries amounting to P322 and P197, respectively, as at December 31, 2020 and 2019. It also includes dividends receivable from SMC amounting to P551 as at December 31, 2020 and 2019. Non-interest bearing receivables are presented as part of "Receivables" account in the separate statements of financial position as at December 31, 2020 and 2019 (Note 6).

The Company does not provide post-employment benefits to its employees. Management believes that the retirement expense is not significant based on the employees' average age and years of service to the Company, and payroll cost as at December 31, 2020 and 2019.

Changes in amounts owed to related parties arising from financing activities:

	2020	2019
Balance at beginning of year	P17,748	P18,305
Effect of changes in foreign exchange rates	(747)	(557)
Balance at end of year	P17,001	P17,748

11. Equity

a. *Capital Stock*

Common Shares

On January 6, 2010, SMC acquired a 49% stake via equity infusion in the Company consisting of its subscription to 2,401,960 common shares of the Company's unissued capital stock. On January 7, 2010, the Company issued 2,401,960 common shares to SMC at a price of P18,600.00 per share, resulting in additional paid-in capital of P44,436.

On July 16, 2013, the BOD and stockholders of the Company approved the stock split of the Company's common shares via change in the par value from P100.00 per share to P1.00 per share. As a result of such stock split, the issued and outstanding common shares increased from 4,901,960 to 490,196,000. The new authorized capital stock of the Company amounted to P1,000 divided into 740,000,000 common shares with a par value of P1.00 per share and 2,600,000 preferred shares with a par value of P100.00 per share. The SEC approved such corporate action on August 16, 2013.

On October 17, 2013, the BOD and stockholders of the Company approved the Amendment of Articles of Incorporation to include the relevant provisions on the lock-up requirements prescribed by the rules and regulations of the PSE which the Company shall comply with, subject to any waiver or exemption that may be granted by the PSE, in connection with the Company's initial listing by way of introduction on the PSE of the Company's 490,196,200 common shares. The SEC approved the aforesaid amendment on November 8, 2013.

On December 18, 2013, the PSE approved the application of the Company for the listing by way of introduction of all its common shares. The shares were listed on the PSE on January 13, 2014.

The Company has 332,886,167 issued and outstanding common shares, and has 31,284 and 31,352 common shareholders as at December 31, 2020 and 2019, respectively.

Preferred Shares

On October 22, 2010, the Company issued the stock certificates covering SMC's investment in 2,598,040 preferred shares at a price of P18,600.00 per share, resulting in additional paid-in capital of P48,064.

The preferred shares have a par value of P100.00 per share and are entitled to preferential dividends at a fixed rate per annum of 3% of the issue price which shall be payable quarterly in arrears and in cash. The dividends on the preferred shares shall be cumulative from and after the issue date of the preferred shares, whether or not in any period the amount thereof is covered by available unrestricted retained earnings.

The preferred shares do not carry the right to vote except in the cases expressly provided by law. These are redeemable in whole or in part, at the sole option of the Company, equal to its issue price plus any accrued and unpaid preferential dividends, upon notice to the holders.

The preferred shares are entitled to participate and share in the retained earnings remaining after payment of the preferential dividends at the same rate as the common shares.

Dividends in arrears on the 3% cumulative and participating preferred shares amounted to P266 and P531 in 2020 and 2019, respectively.

There were no movements in the number of issued and outstanding preferred shares of stock in 2020 and 2019.

b. CPS

On June 30, 2016, the Company issued Philippine Peso-denominated CPS with an aggregate face value of P25,883 in favor of Bryce Canyon Investments Limited (BCIL), a British Virgin Island business company. The Company incurred transaction cost amounting to P725. The CPS entitles the security holder to a cumulative preferential distribution at 6.25% per annum on their face value amount, payable semi-annually in arrears on June 30 and December 31 in each year, commencing on December 31, 2016. The security holders have the option to convert the CPS into preferred shares of the Company at any time on or after July 31, 2019. As at December 31, 2020, BCIL did not exercise the option to convert the CPS into preferred shares of the Company.

Proceeds from the sale of the securities were used by the Company for payment of the US\$550 long-term debt on June 30, 2016.

Preferential dividends in arrears on CPS amounted to P7,280 and P5,662 as at December 31, 2020 and 2019, respectively.

c. Treasury Stock

Common Shares

On October 17, 2013, the BOD of SMC approved the declaration, by way of property dividends, of 240,196,000 common shares of stock of Top Frontier to SMC common shareholders of record as at November 5, 2013, distributed on December 26, 2013.

The declaration of the property dividends eliminated the cross ownership between the Company and SMC, which resulted in the consolidation of SMC effective October 17, 2013. The Company being a shareholder of SMC in 2013, received 157,310,033 of its own common shares equivalent to P28,001 recognized as part of "Treasury stock - common" and "Additional paid-in capital" accounts in the separate statements of changes in equity as at December 31, 2020 and 2019.

Preferred Shares

On June 18, 2012, the Company partially redeemed a total of 693,500 preferred shares out of the 2,598,040 preferred shares issued to SMC, at the total redemption price of P12,899, corresponding to the original issue price of the said preferred shares. The redeemed preferred shares are presented as part of "Treasury stock - preferred" account in the separate statements of financial position as at December 31, 2020 and 2019.

There were no movements in the treasury stock of the Company in 2020 and 2019.

d. Cash Dividends to Preferred Shares

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

2020

Date of Declaration	Date of Record	Date of Payment	Dividend Per Share
March 12, 2020	March 12, 2020	March 13, 2020	279.00
May 28, 2020	May 28, 2020	May 29, 2020	139.50
August 6, 2020	August 6, 2020	August 7, 2020	139.50
November 5, 2020	November 5, 2020	November 6, 2020	139.50

2019

Date of Declaration	Date of Record	Date of Payment	Dividend Per Share
March 14, 2019	March 14, 2019	March 15, 2019	P279.00
May 9, 2019	May 9, 2019	May 10, 2019	279.00
August 8, 2019	August 8, 2019	August 9, 2019	139.50
November 7, 2019	November 7, 2019	November 8, 2019	279.00

On March 11, 2021, the BOD of the Company declared cash dividends at P139.50 per share to preferred shareholders of record as at March 11, 2021 to be paid on March 12, 2021.

12. Interest Expense and Other Financing Charges

Interest expense and other financing charges account consists of:

	Note	2020	2019
Interest expense	8	P228	P367
Other financing charges		39	32
	15	P267	P399

13. Income Taxes

The components of the Company's unrecognized deferred tax assets are presented below:

	2020	2019
NOLCO	P71	P145
Unrealized foreign exchange loss	327	649
	P398	P794

Deferred tax assets have not been recognized because it is not probable that future taxable profit will be available against which the Company can utilize the benefits therefrom.

As at December 31, 2020, the Company has NOLCO amounting to P187 which can be claimed as deduction from future taxable income as follows:

Year Incurred	Amount	Expired	Ending Balance	Expiry Year
2017	P315	(P315)	P -	2020
2018	97	-	97	2021
2019	72	-	72	2022
2020	18	-	18	2025
	P502	(P315)	P187	

Income tax expense represents final tax withheld on interest income.

Deferred tax asset in respect of NOLCO has not been recognized because it is not probable that future taxable profit will be available against which the Company can utilize the benefits therefrom.

On September 30, 2020, the Bureau of Internal Revenue (BIR) issued Revenue Regulations (RR) No. 25-2020 to implement Section 4 (bbbb) of Republic Act (RA) No. 11494 ("Bayanihan to Recover as One Act"), relative to NOLCO which provides that the net operating loss of a business or enterprise for taxable years 2020 and 2021 shall be carried over as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

The net operating loss for the said taxable years may be carried over as a deduction even after the expiration of RA No. 11494, provided that the same is claimed within the next five (5) consecutive taxable years following the year such loss was incurred.

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

	2020*	2019*
Statutory income tax rate	30.00%	30.00%
Increase (decrease) in income tax rate resulting from:		
Interest income subject to final tax	2.71%	4.65%
Dividend income not subject to tax	(22.43%)	(25.98%)
Others	(10.25%)	(8.58%)
Effective income tax rate	0.03%	0.09%

*Percentages are computed based on amounts in nearest peso.

Corporate Recovery and Tax Incentives for Enterprises Act (CREATE) Bill

On November 26, 2020, the Senate approved on third and final reading Senate Bill No. 1357, otherwise known as the Corporate Recovery and Tax Incentives for Enterprises Act or CREATE, which seeks to reduce the corporate income tax (CIT) rates and to rationalize the current fiscal incentives by making it time-bound, targeted, and performance-based.

One of the key provisions of the bill that may affect the financial statements of the Company is an immediate 5% point cut in the CIT rate starting July 2020.

The bill requires the approval of the Congress and by the President of the Philippines to be enacted as a law. As at December 31, 2020, the bill is still pending with the bicameral committee of Congress and consequently was not yet submitted to the President of the Philippines. Upon submission to the President of the Philippines, he may either approve it or exercise his veto power to stop the enactment of the bill.

Since the bill is not considered substantively enacted, the unrecognized deferred tax assets are measured using the applicable income tax rates as at December 31, 2020.

The bicameral committee approved the bill on February 1, 2021. As at March 11, 2021, the bill is yet to be approved by the President of the Philippines.

The amount of unrecognized deferred tax asset on NOLCO which can be claimed as deduction from future taxable income will decrease by P9.

14. Basic/Diluted Earnings (Loss) Per Common Share

Basic/diluted earnings (loss) per common share is computed as follows:

	Note	2020	2019
Net income		P2,945	P2,541
Dividends on preferred shares for the year	11	(1,063)	(1,063)
Dividends on CPS for the year	11	(1,618)	(1,618)
Net earnings (loss) attributable to common shareholders (a)		P264	(P140)
Weighted average number of common shares outstanding (in millions) (b)	11	333	333
Basic/diluted earnings (loss) per common share (a/b)		P0.79	(P0.42)

15. Financial Risk and Capital Management Objectives and Policies

Objectives and Policies

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

- Interest Rate Risk
- 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 BOD has the overall responsibility for the establishment and oversight of the risk management framework of the Company.

The risk management policies of the Company are established to identify and analyze the risks faced by the Company, 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 Company, 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 to assist the BOD in fulfilling its oversight responsibility of the Company's corporate governance process relating to the: a) quality and integrity of the separate financial statements and financial reporting process and the systems of internal accounting and financial controls; b) performance of the internal auditors; c) annual independent audit of the separate financial statements, the engagement of the independent auditors and the evaluation of the independent auditors' qualifications, independence and performance; d) compliance with tax, legal and regulatory requirements; e) evaluation of management's process to assess and manage the enterprise risk issues; and f) fulfillment of the other responsibilities set out by the BOD. The Audit and Risk Oversight Committee prepares such reports as may be necessary to document the activities of the committee in the performance of its functions and duties. Such reports shall be included in the annual report of the Company and other corporate disclosures as may be required by SEC and/or PSE.

The Audit and Risk Oversight Committee also oversees how management monitors compliance with the risk management policies and procedures of the Company and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. Internal Audit assists the Audit and Risk Oversight Committee in monitoring and evaluating the effectiveness of the risk management and governance processes of the Company. Internal Audit undertakes both regular and special reviews of risk management controls and procedures, the results of which are reported to the Audit and Risk Oversight 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 Company's exposure to changes in interest rates relates primarily to borrowings. Borrowings issued at fixed rates expose the Company to fair value interest rate risk.

The Company manages its interest cost by using an optimal combination of fixed and variable rate debt instruments. 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 Company 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 Company has no interest-bearing financial instrument with floating interest in 2020 and 2019.

As at December 31, 2020 and 2019, Company's interest-bearing financial instruments are as follows:

	Note	2020	2019
Loans payable	8	P6,574	P6,901
Accounts payable and accrued expenses	10	10,304	10,864
Noncurrent liabilities	10	3,037	3,037
		P19,915	P20,802

Interest expense and other financing charges recognized in the separate statements of comprehensive income amounted to P267 and P399 in 2020 and 2019, respectively (Note 12).

Foreign Currency Risk

The functional currency is the Philippine peso, which is the denomination of the bulk of the Company's transactions. The exposure to foreign currency risk results from significant movements in foreign exchange rates that adversely affect the foreign currency-denominated transactions of the Company. 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 Company's foreign currency-denominated monetary asset and monetary liabilities and their Philippine peso equivalents is as follows:

	December 31, 2020		December 31, 2019	
	US Dollar	Peso Equivalent	US Dollar	Peso Equivalent
Asset				
Cash in banks	\$ -	P2	\$ -	P3
Liabilities				
Loans payable	(125)	(6,003)	(125)	(6,330)
Accounts payable and accrued expenses	(286)	(13,742)	(286)	(14,490)
Net Foreign Currency-denominated Liabilities	(\$411)	(P19,743)	(\$411)	(P20,817)

The Company reported net gain on foreign exchange amounting to P1,074 and P799 in 2020 and 2019, respectively, with the translation of its foreign currency-denominated assets and liabilities. 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, 2020	48.02
December 31, 2019	50.64

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 Company's profit before tax (due to changes in the fair value of monetary liabilities):

	December 31, 2020		December 31, 2019	
	P1 Decrease in the US Dollar Exchange Rate	P1 Increase in the US Dollar Exchange Rate	P1 Decrease in the US Dollar Exchange Rate	P1 Increase in the US Dollar Exchange Rate
Loans payable	P125	(P125)	P125	(P125)
Accounts payable and accrued expenses	286	(286)	286	(286)
	P411	(P411)	P411	(P411)

Liquidity Risk

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

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

	December 31, 2020			
	Carrying Amount	Contractual Cash Flow	1 Year or Less	More than a Year
Financial Assets				
Cash and cash equivalents	P679	P679	P679	P -
Receivables	1,070	1,070	1,070	-
Financial Liabilities				
Loans payable	6,574	6,592	6,592	-
Accounts payable and accrued expenses	13,974	14,249	14,249	-
Noncurrent liabilities	3,037	3,037	-	3,037

	December 31, 2019			
	Carrying Amount	Contractual Cash Flow	1 Year or Less	More than a Year
Financial Assets				
Cash and cash equivalents	P152	P152	P152	P -
Receivables	1,070	1,070	1,070	-
Financial Liabilities				
Loans payable	6,901	6,951	6,951	-
Accounts payable and accrued expenses	14,724	15,014	15,014	-
Noncurrent liabilities	3,037	3,037	-	3,037

Credit Risk

Credit risk is the risk of financial loss to the Company when a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from receivables. The Company manages its credit risk mainly through the application of transaction limits and close risk monitoring. It is the Company's policy to enter into transactions with a wide diversity of creditworthy counterparties to mitigate any significant concentration of credit risk.

The Company has regular internal control reviews to monitor the granting of credit and management of credit exposures.

Financial information on the Company's maximum exposure to credit risk, without considering the effects of collaterals and other risk mitigation techniques, is presented below.

	Note	2020	2019
Cash and cash equivalents	5	P679	P152
Receivables	6, 10	1,070	1,070
		P1,749	P1,222

The credit risk for cash and cash equivalents and receivables is considered negligible, since the counterparties are reputable entities with high quality external credit ratings.

The Company's exposure to credit risk arises from default of counterparty. Generally, the maximum credit risk exposure of receivables is its carrying amount without considering collaterals or credit enhancements, if any. The Company has no significant concentration of credit risk. The Company does not execute any credit guarantee in favor of any counterparty.

Fair Values. The table below presents a comparison by category of carrying amounts and fair values of the Company's financial instruments:

	December 31, 2020		December 31, 2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Cash and cash equivalents	P679	P679	P152	P152
Receivables	1,070	1,070	1,070	1,070
Financial Liabilities				
Loans payable	6,574	6,574	6,901	6,901
Accounts payable and accrued expenses	13,974	13,974	14,724	14,724
Noncurrent liabilities	3,037	3,037	3,037	3,037

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

Cash and Cash Equivalents, Receivables, Loans Payable and Accounts Payable and Accrued Expenses. The carrying amounts approximate their fair values due to the relatively short-term maturities of these financial instruments.

Noncurrent Liabilities. The carrying amounts approximate fair value since the Company does not anticipate that the effect of discounting using the prevailing market rate is significant.

Capital Management

The Company 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 Company manages its capital structure and makes adjustments in the light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to stockholders, pay-off existing debt, return capital to shareholders or issue new shares.

The Company defines capital as paid-in capital stock, additional paid-in capital and retained earnings. Treasury stock is excluded from capital for purposes of capital management.

The Company 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 separate 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 Company's business, operation and industry.

There were no changes in the Company's approach to capital management during the year.

The Company is not subject to externally imposed capital requirements.

16. Other Matters

Effect of Coronavirus Disease 2019

The Company and its subsidiaries have been affected by the lockdown, different quarantine restrictions, liquor bans and travel restrictions implemented by the government in the first half of 2020.

The government's relaxation of the quarantine restrictions starting mid-May had an immediate positive effect on the operations of the Company's subsidiaries. The Company and its subsidiaries posted consolidated net income in the second half, 25% higher than the same period last year, reversing the losses incurred in the first half. The improvement of the performance in the second half was mainly brought about by the sustained performance recoveries from all major subsidiaries. Sales volumes of San Miguel Brewery Inc. and Ginebra San Miguel Inc. significantly improved and Petron Corporation, in particular, bounced back to profitability. Demand for power continued to increase with the opening of more commercial and industrial establishments. Traffic volumes on operating toll roads have also improved.

Sales and operating income of the Company's subsidiaries in 2020 were still lower than 2019 despite the recoveries in the second half.

17. Supplementary Information Required under RR No. 15-2010

BIR has issued RR No. 15-2010 which requires certain tax information to be disclosed in the notes to the separate financial statements. The Company presented the required supplementary tax information as a separate schedule attached to its annual income tax return.

Annex “C”

Supplementary Schedules



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**REPORT OF INDEPENDENT AUDITORS
TO ACCOMPANY SUPPLEMENTARY INFORMATION FOR FILING
WITH THE SECURITIES AND EXCHANGE COMMISSION**

The Board of Directors and Stockholders
Top Frontier Investment Holdings, Inc.
5th Floor, ENZO Building
399 Sen. Gil J. Puyat Avenue, Makati City

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of Top Frontier Investment Holdings, Inc. (the Company) and Subsidiaries (the Group), as at and for the year ended December 31, 2020, on which we have rendered our report dated March 22, 2021.

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

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

Firm Regulatory Registration & Accreditation:
PRC-BOA Registration No. 0003, valid until November 21, 2023
SEC Accreditation No. 0003-SEC, Group A, valid for five (5) years covering the audit of 2020 to 2024
financial statements (2019 financial statements are covered by SEC Accreditation No. 0004-FR-5)
IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024
financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)
BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024
financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)



This supplementary information is presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and is not a required part of the consolidated financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

R.G. MANABAT & CO.

A handwritten signature in black ink, appearing to read 'Darwin P. Virocel', with a stylized flourish at the end.

DARWIN P. VIROCEL

Partner

CPA License No. 0094495

SEC Accreditation No. 94495-SEC, Group A, valid for five (5) years
covering the audit of 2019 to 2023 financial statements

Tax Identification No. 912-535-864

BIR Accreditation No. 08-001987-031-2019

Issued August 7, 2019; valid until August 6, 2022

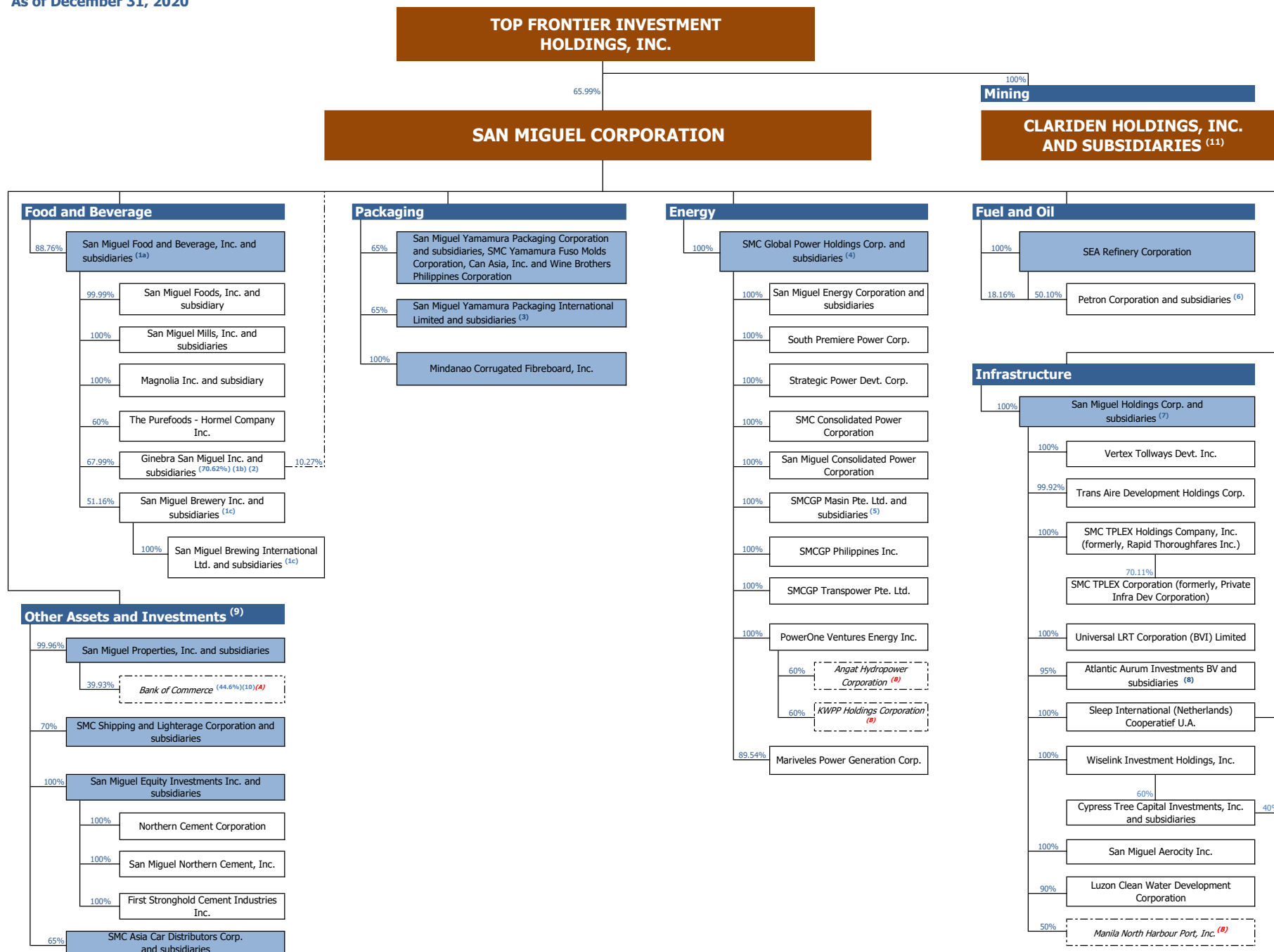
PTR No. MKT 8533922

Issued January 4, 2021 at Makati City

March 22, 2021

Makati City, Metro Manila

TOP FRONTIER INVESTMENT HOLDINGS, INC.
GROUP STRUCTURE *
As of December 31, 2020



* The group structure includes the Parent Company, Top Frontier Investment Holdings, Inc., its co-subsidiary, Clariden Holdings, Inc. and its subsidiaries and San Miguel Corporation's major subsidiaries, associates and joint ventures.

Note:

(A) Associate

(B) Joint Venture

I. San Miguel Corporation

1. San Miguel Food and Beverage Inc. (formerly San Miguel Pure Foods Company Inc.) subsidiaries also include (a) San Miguel Super Coffeemix Co., Inc., PT San Miguel Foods Indonesia (formerly PT San Miguel Pure Foods Indonesia) and San Miguel Foods International, Limited (formerly San Miguel Pure Foods International, Limited) and subsidiary, San Miguel Foods Investment (BVI) Limited (formerly San Miguel Pure Foods Investment (BVI) Limited) and subsidiary, San Miguel Pure Foods (VN) Co., Ltd.; (b) Ginebra San Miguel Inc. subsidiaries including Distileria Bago, Inc., East Pacific Star Bottlers Phils Inc., Ginebra San Miguel International, Ltd., GSM International Holdings Limited, Global Beverage Holdings Limited and Siam Holdings Limited.; and (c) San Miguel Brewery Inc. subsidiaries including Iconic Beverages, Inc. and Brewery Properties Inc. and subsidiary and San Miguel Brewing International Ltd. and subsidiaries including, San Miguel Brewery Hong Kong Limited and subsidiaries, PT. Delta Djakarta Tbk. and subsidiary, San Miguel (Baoding) Brewery Company Limited, San Miguel Brewery Vietnam Limited, San Miguel Beer (Thailand) Limited and San Miguel Marketing (Thailand) Limited. San Miguel (Baoding) Brewery Co. Ltd. is in the process of liquidation as at December 31, 2020.
2. San Miguel Food and Beverage Inc. owns 67.99% of issued and outstanding common and preferred shares of Ginebra San Miguel Inc. San Miguel Corporation owns the total issued and outstanding preferred shares of Ginebra San Miguel Inc. equivalent to direct ownership of 10.27%. The holders of preferred shares are entitled to vote in the same manner as the holders of common shares. Effectively, San Miguel Corporation owns 70.62% of total issued and outstanding common and preferred shares of Ginebra San Miguel Inc.
3. San Miguel Yamamura Packaging International Limited subsidiaries include San Miguel Yamamura Phu Tho Packaging Company Limited, San Miguel Yamamura Glass (Vietnam) Limited, San Miguel Yamamura Haiphong Glass Company Limited, Zhaoqing San Miguel Yamamura Glass Company Limited, Foshan San Miguel Yamamura Packaging Company Limited, San Miguel Yamamura Packaging and Printing Sdn. Bhd., San Miguel Yamamura Woven Products Sdn. Bhd. and subsidiary, Packaging Research Centre Sdn. Bhd., San Miguel Yamamura Plastic Films Sdn. Bhd., San Miguel Yamamura Australasia Pty Ltd and subsidiaries including SMYC Pty Ltd (formerly Cospak Pty Limited) and subsidiary, Foshan Cospak Packaging Co. Ltd., SMYV Pty Ltd, SMYB Pty Ltd, SMYP Pty Ltd, Cospak Ltd (New Zealand), SMYBB Pty Ltd, SMYJ Pty Ltd, and Wine Brothers Australasia Pty Ltd.
4. SMC Global Power Holdings Corp. subsidiaries also include San Miguel Electric Corp., SMC PowerGen Inc., SMC Power Generation Corp., Albay Power and Energy Corp., Lumiere Energy Technologies Inc. (formerly Limay Premiere Power Corp.), Universal Power Solutions, Inc. (formerly Limay Power Generation Corporation), SMCGP Philippines Energy Storage Co. Ltd. and Prime Electric Generation Corporation and subsidiary, Alpha Water and Realty Services, Corp.
5. SMCGP Masin Pte. Ltd. subsidiaries include SMCGP Masinloc Partners Company Limited, SMCGP Masinloc Power Company Limited, and Masinloc Power Partners Co. Ltd. SMCGP Masin Pte. Ltd. is in the process of liquidation as at December 31, 2020.
6. Petron Corporation subsidiaries include Petron Marketing Corporation, Petron Freeport Corporation, Petrogen Insurance Corporation (Petrogen), Overseas Ventures Insurance Corporation Ltd., New Ventures Realty Corporation and subsidiaries, Petron Singapore Trading Pte., Ltd., Petron Global Limited, Petron Oil & Gas International Sdn. Bhd. and subsidiaries including Petron Fuel International Sdn. Bhd., Petron Oil (M) Sdn. Bhd. and Petron Malaysia Refining & Marketing Bhd. (collectively Petron Malaysia), Petron Finance (Labuan) Limited and Petrochemical Asia (HK) Limited and subsidiaries.
7. San Miguel Holdings Corp. subsidiaries include Optimal Infrastructure Development, Inc., ULCOM Company Inc., Terramino Holdings, Inc. and subsidiary, Alloy Manila Toll Expressways Inc., SMC Infraventures, Inc. and subsidiary, Citra Intercity Tollways Inc. and SMC Mass Rail Transit 7 Inc.
8. Atlantic Aurum Investments B.V. subsidiaries include Atlantic Aurum Investments Philippines Corporation and subsidiaries including Stage 3 Connector Tollways Holding Corporation and subsidiary, Citra Central Expressway Corp., and Citra Metro Manila Tollways Corporation and subsidiary, Skyway O&M Corp., MTD Manila Expressways Inc. and subsidiaries, Alloy Manila Toll Expressways Inc., Manila Toll Expressway Systems Inc. and South Luzon Tollway Corporation.
9. Other Assets and Investments also include San Miguel International Limited and subsidiaries, SMC Stock Transfer Service Corporation, ArchEn Technologies Inc., SMITS, Inc. and subsidiaries, San Miguel Integrated Logistics Services, Inc. and subsidiary, Anchor Insurance Brokerage Corporation, Davana Heights Development Corporation and subsidiaries and SMC Equivest Corporation.
10. SMC Equivest Corporation also owns 4.69% ownership in Bank of Commerce.

II. Clariden Holdings, Inc.

11. Clariden Holdings, Inc. subsidiaries include V.I.L. Mines, Incorporated, Asia-Alliance Mining Resources Corp., Prima Lumina Gold Mining Corp., Excelon Asia Holding Corporation, New Manila Properties, Inc. and Philnico Holdings Limited and subsidiaries including Pacific Nickel Philippines, Inc., Philnico Industrial Corporation and Philnico Processing Corp. (collectively the Philnico Group).

TOP FRONTIER INVESTMENT HOLDINGS, INC. AND SUBSIDIARIES

INDEX TO FINANCIAL STATEMENTS AND
SUPPLEMENTARY SCHEDULES
DECEMBER 31, 2020

A	- FINANCIAL ASSETS	
B	- AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)	NOT APPLICABLE
C	- AMOUNTS RECEIVABLE/PAYABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS	
D	- LONG-TERM DEBT	
E	- INDEBTEDNESS TO RELATED PARTIES	NOT APPLICABLE*
F	- GUARANTEES OF SECURITIES OF OTHER ISSUERS	NOT APPLICABLE
G	- CAPITAL STOCK	

* Balance of account is less than 5% of total assets of the Group

TOP FRONTIER INVESTMENT HOLDINGS, INC. AND SUBSIDIARIES
SCHEDULE A - FINANCIAL ASSETS
DECEMBER 31, 2020
(Amounts in Millions, Except No. of Shares Data)

Name of Issuing Entity / Description of Each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amount Shown in the Statements of Financial Position	Value Based on Market Quotations at December 31, 2020	Income (Loss) Received and Accrued
Cash and cash equivalents	- P	347,962	Not applicable P	5,534
Trade and other receivables - net	-	120,965	Not applicable	363
Derivative assets	-	635	Not applicable	(5,007) *
Financial assets at FVPL	-	275	Not applicable	(9)
Financial assets at FVOCI **	-	5,915 P	5,915	23
Financial assets at amortized cost **	-	255	255	11
Noncurrent receivables and deposits - net	-	25,058	Not applicable	43
Restricted cash	-	7,980	Not applicable	113
	P	509,045 P	6,170 P	1,071

* This represents net marked-to-market losses from derivative assets and derivative liabilities that have matured during the year and those that are still outstanding as of year-end.

** The number of shares or principal amounts of bonds and notes are presented in ATTACHMENT TO SCHEDULE A - FINANCIAL ASSETS.

See Notes 39 and 40 of the Consolidated Financial Statements

TOP FRONTIER INVESTMENT HOLDINGS, INC. AND SUBSIDIARIES
ATTACHMENT TO SCHEDULE A - FINANCIAL ASSETS
DECEMBER 31, 2020
(Amounts in Millions, Except No. of Shares Data)

Name of Issuing Entity	No. of Shares or Principal Amount of Bonds and Notes	Value Based on Market Quotation at December 31, 2020 (a)
San Miguel Corporation		
Alabang Country Club	7 P	37
Alta Vista Golf and Country Club	2	1
Apo Golf & Country Club	3	-
Baguio Country Club	1	3
Bancom Group Inc	999,546	-
Calatagan Golf Club	1	-
Camp John Hay	2	1
Canlubang Golf Club	3	5
Capitol Hills Golf & Country Club	1	-
Carmen Red Ltd.	-	5,139
Casino Espanol de Manila	2	-
Cebu Country Club	1	8
Celebrity Sports Plaza	3	-
Club Filipino	8	3
Continental Potash	7,909	-
Evercrest	2	-
Export & Industry Bank	940,560,000	-
Green Valley Club - Baguio	1	-
Greenfield Tennis Club	3	-
Iloilo Golf Club	1	-
Inter island Broadcasting Corp	4,458,928	-
Landgolf Inc	2	-
Makati Executive Center	1	-
Makati Sports Club	11	11
Manila Bankers Life	250,000	1
Manila Electric Company	100,331	1
Manila Golf & Country Club	3	186
Manila Polo Club	2	50
Manila Southwoods Golf & Country Club	1	1
Medical Doctors Inc.	83,379	192
Merchant Investment	41,660	-
Metropolitan Club	2	1
Metropolitan Theater	198	-
Mimosa Golf & Country Club	3	2
Montserrat Trading	1,000	-
Motor Services	52,500	-
Naga Telephone Co.	220	-
Negros Occidental Golf club	6	-
Norcem Philippines	80,000	-
Orchard Golf & Country Club	5	2
Pacific Club Corporate	1	-
Pantranco South Express	340,992	-
People's Press	1,500	-
Phil. Columbian Club	3	-
Phil. Dealing Sytem Holding Corp.	250,000	25
Phil. International Fair	500	-
Phil. Long Distance Tel. Co	230,594	2
Phil. Overseas Resources	10,000	-
Pilipino Telephone	-	-
Puerto Azul Golf Club	3	-
Quezon City Sports Club	1	1
Sta Elena Properties	7	5
Sta Elena Golf Club	1	6
Sta Lucia Realty Golf Club	2	1
Subic Bay Yacht Club	1	-

Name of Issuing Entity	No. of Shares or Principal Amount of Bonds and Notes	Value Based on Market Quotation at December 31, 2020 (a)
Tagaytay Highland Golf and Country Club	2 P	1
Tagaytay Midlands Country Club	1	1
The Country Club - Canlubang	2	8
Universal Leisure Club	1	-
Valle Verde Golf Club	53	16
Valley Golf Club Inc.	2	2
Victorias Country Club	1	-
Petron Corporation		
Government Security	-	185
Treasury Bill	-	39
Aboitiz Power Bonds	28	28
Ayala Bond	75	77
SM Investments Corporation Bond	50	51
San Miguel International Limited		
Others	-	-
San Miguel Properties, Inc.		
Apo Golf & Country Club	1	1
Mimosa Golf & Country Club	4	2
Sta. Elena Golf & Country Club	1	6
Metro Club	1	-
Meralco	91,011	1
Riviera Golf Course and Country Club	1	4
Tagaytay Midlands Country Club	1	1
San Miguel Paper Packaging Corp.		
Phil Long Distance Tel.	5,200	-
Evercrest Golf & Country Club	1	-
Orchard Golf & Country Club	1	1
Apo Golf & Country Club	1	-
San Miguel Yamamura Packaging Corporation		
Canlubang Golf & Country Club	1	2
Manila Southwoods Golf and Country Club	1	5
Orchard Golf & Country Club	1	2
Puerto Azul Golf Club	1	-
Riviera Golf Course and Country Club	1	-
Mindanao Corrugated Fibreboard, Inc.		
Apo Golf Country Club	1	-
Food and Beverage Group		
Club Filipino	2	-
Makati Sports Club, Inc.	2	2
Philippine Long Distance Tel. Co.	5,753	1
Valle Verde Country Club	1	-
Capitol Hills Golf and Country Club, Inc.	1	-
Alabang Country Club	1	6
Manila Southwoods Golf & Country Club	1	1
Sta Elena Golf Club	1	6
Manila Electric Co.	14,895	-
Tagaytay Highland Golf and Country Club	1	1
Royal Tagaytay Country Club	1	-
Orchard Golf and Country Club	1	1
HSBC Holdings	20,400	5
Pacific Club Kowloon	1	7
The American Club Hong Kong	1	8
Hong Kong Football Club	1	6
Discovery Bay Golf Club	1	8

Name of Issuing Entity	No. of Shares or Principal Amount of Bonds and Notes	Value Based on Market Quotation at December 31, 2020 (a)
San Miguel Holdings Corp.		
Architectural Center Club Inc	1 P	-
Philippine Expressway Support Service Inc	1	-
Phil Am Properties	1	-
SMC Global Power Holdings Corp		
Treasury Bill	-	1
Total Financial Assets	P	6,170
See Notes 4, 10, 12, 39 and 40 of the Consolidated Financial Statements.		

TOP FRONTIER INVESTMENT HOLDINGS, INC. AND SUBSIDIARIES
SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED
DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2020
(Amounts in Millions)

NAME OF RELATED PARTY		BEGINNING BALANCE	ADDITIONS/ CTA/RECLASS/ OTHERS	AMOUNTS COLLECTED/ CREDIT MEMO	TOTAL	CURRENT	NONCURRENT	ENDING BALANCE
Top Frontier Investment Holdings, Inc.	P	6,663	P 1,142	P (1,329)	P 6,476	P 3,439	P 3,037	P 6,476
Clariden Holdings, Inc. and Subsidiaries		562	29	(18)	573	573	-	573
San Miguel Corporation and Subsidiaries		749	2,203	(2,400)	552	552	-	552
	P	<u>7,974</u>	P <u>3,374</u>	P <u>(3,747)</u>	P <u>7,601</u>	P <u>4,564</u>	P <u>3,037</u>	P <u>7,601</u>

TOP FRONTIER INVESTMENT HOLDINGS, INC. AND SUBSIDIARIES
SCHEDULE C - AMOUNTS PAYABLE TO RELATED PARTIES WHICH ARE ELIMINATED
DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2020
(Amounts in Millions)

NAME OF RELATED PARTY		BEGINNING BALANCE		ADDITIONS/ CTA/RECLASS/ OTHERS		AMOUNTS PAID/ DEBIT MEMO		TOTAL		CURRENT		NONCURRENT		ENDING BALANCE
San Miguel Corporation and Subsidiaries	P	6,706	P	1,171	P	(1,347)	P	6,530	P	3,493	P	3,037	P	6,530
Top Frontier Investment Holdings, Inc.		1,070		2,202		(2,202)		1,070		1,070		-		1,070
Clariden Holdings, Inc. and Subsidiaries		198		1		(198)		1		1		-		1
	P	<u>7,974</u>	P	<u>3,374</u>	P	<u>(3,747)</u>	P	<u>7,601</u>	P	<u>4,564</u>	P	<u>3,037</u>	P	<u>7,601</u>

TOP FRONTIER INVESTMENT HOLDINGS, INC. AND SUBSIDIARIES
SCHEDULE D - LONG-TERM DEBT
DECEMBER 31, 2020
(Amounts in Millions)

TITLE OF ISSUE	AGENT / LENDER	Outstanding Balance	Current Portion of Debt	Transaction Cost Current	Amount Shown as Current	Long-term Noncurrent Portion Debt	Noncurrent Transaction Cost	Amount Shown as Noncurrent	Outstanding Balance	INTEREST RATES	Number of Periodic Installments	Interest Payments	Final Maturity
Subsidiaries													
<i>Peso denominated:</i>													
SMC													
Fixed	Philippine Depository and Trust Corp.	60,000	-	-	-	60,000	(378)	59,622	59,622	4.8243%, 5.1923%, 6.25%, 5.2840%, 5.55%, 6.625%, 5.7613% and 7.125%	Bullet	Quarterly	March 2022, April 2022, March 2023, March 2024, October 2024, March 2025, March 2027
Fixed	BDO Unibank, Inc.	15,760	160	(1)	159	15,600	(98)	15,502	15,661	6.94%	Amortized	Quarterly	June 24, 2026
		75,760	160	(1)	159	75,600	(476)	75,124	75,283				
Petron Corporation													
Fixed	Philippine Depository and Trust Corp.	13,000	13,000	(24)	12,976	-	-	-	12,976	4.0032%	Bullet	Quarterly	October 2021
Fixed	Philippine Depository and Trust Corp.	7,000	-	-	-	7,000	(32)	6,968	6,968	4.5219%	Bullet	Quarterly	October 2023
Fixed	Philippine Depository and Trust Corp.	13,200	-	-	-	13,200	(108)	13,092	13,092	7.8183%	Bullet	Quarterly	April 2024
Fixed	Philippine Depository and Trust Corp.	6,800	-	-	-	6,800	(60)	6,740	6,740	8.0551%	Bullet	Quarterly	April 2025
		40,000	13,000	(24)	12,976	27,000	(200)	26,800	39,776				
SMC Global Power Holdings Corp.													
Fixed	Philippine Depository and Trust Corp.	35,000	-	-	-	35,000	(230)	34,770	34,770	5.375%, 6.75%, 6.25% and 6.625%	Bullet	Quarterly	December 2022, August 2023, December 2024 and December 2027
Fixed	Philippine Depository and Trust Corp.	30,000	-	-	-	30,000	(241)	29,759	29,759	6.8350%, 7.1783% and 7.6000%	Bullet	Quarterly	April 2022, April 2024 and April 2026
SM Brewery Inc.													
Fixed	Bank of the Philippine Islands	10,000	-	-	-	10,000	(61)	9,939	9,939	4.63%	Bullet	Quarterly	December 2024
Fixed	Philippine Depository & Trust Corp.	7,000	-	-	-	7,000	(12)	6,988	6,988	6.60%	Bullet	Semi-annual	April 2022
SM Brewery Inc.													
Fixed	Philippine Depository & Trust Corp.	12,462	12,462	(5)	12,457	-	-	-	12,457	5.50%	Bullet	Semi-annual	April 2021
Fixed	Philippine Depository & Trust Corp.	2,538	-	-	-	2,538	(11)	2,527	2,527	6.00%	Bullet	Semi-annual	April 2024
		15,000	12,462	(5)	12,457	2,538	(11)	2,527	14,984				
SMC Global Power Holdings Corp.													
Fixed	Philippine Depository & Trust Corp.	6,153	6,153	(8)	6,145	-	-	-	6,145	4.3458%	Bullet	Quarterly	July 2021
Fixed	Philippine Depository & Trust Corp.	4,091	-	-	-	4,091	(18)	4,073	4,073	4.7575%	Bullet	Quarterly	July 2023
Fixed	Philippine Depository & Trust Corp.	4,756	-	-	-	4,756	(33)	4,723	4,723	5.1792%	Bullet	Quarterly	July 2026
		15,000	6,153	(8)	6,145	8,847	(51)	8,796	14,941				
SMC Consolidated Power Corporation													
Fixed	Philippine National Bank as Trustee	40,390	2,295	(78)	2,217	38,095	(469)	37,626	39,843	6.2836%, 6.5362% and 7.3889%	Amortized	Quarterly	June 2029
Citra Central Expressway Corp.													
Fixed	BDO Unibank Inc. - Trust and Investment Group as Trustee	8,509	296	(12)	284	8,213	(50)	8,163	8,447	6.865%, 6.9283%, 7.4817%	Amortized	Quarterly	August 2027
Fixed	BDO Unibank Inc. - Trust and Investment Group as Trustee	3,130	109	(6)	103	3,021	(22)	2,999	3,102	0.080589	Amortized	Quarterly	August 2027
Fixed	BDO Unibank Inc. - Trust and Investment Group as Trustee	17,704	615	(34)	581	17,089	(138)	16,951	17,532	9.0260%, 9.4679%, 9.8080 % and 9.8754%	Amortized	Quarterly	August 2027
Fixed	BDO Unibank Inc. - Trust and Investment Group as Trustee	978	34	(2)	32	944	(8)	936	968	0.08696	Amortized	Quarterly	August 2027
		30,321	1,054	(54)	1,000	29,267	(218)	29,049	30,049				
Atlantic Aurum Investments Philippines Corporation													
Fixed	Philippine National Bank as Trustee	27,160	566	(53)	513	26,594	(307)	26,287	26,800	5.556%, 5.825% and 5.997%	Amortized	Quarterly	December 2029
San Miguel Consolidated Power Corporation													
Fixed	Philippine National Bank as Trustee	18,708	1,296	(38)	1,258	17,412	(258)	17,154	18,412	7.7521% and 6.5077%	Amortized	Quarterly	August 2030
San Miguel Food and Beverage													
Fixed	RCBC Trust and Investments Division	8,000	-	-	-	8,000	(89)	7,911	7,911	5.0500%	Bullet	Quarterly	March 2025
Fixed	RCBC Trust and Investments Division	7,000	-	-	-	7,000	(82)	6,918	6,918	5.2500%	Bullet	Quarterly	March 2027
		15,000	-	-	-	15,000	(171)	14,829	14,829				
SMC Global Power Holdings Corp.													
Fixed	BDO Unibank, Inc.	14,550	150	(23)	127	14,400	(59)	14,341	14,468	6.9265%	Amortized	Quarterly	April 2024
SMC TPLEX Corp (formerly Private Infra Dev Corporation)													
Fixed	BDO Unibank Inc. - Trust and Investment Group as Trustee	11,640	420	(20)	400	11,220	(104)	11,116	11,516	5.6276%	Amortized	Quarterly	September 2029
San Miguel Foods, Inc.													
Fixed	Bank of the Philippine Islands	10,000	-	-	-	10,000	(68)	9,932	9,932	3.5483%	Amortized	Quarterly	December 2029

TOP FRONTIER INVESTMENT HOLDINGS, INC. AND SUBSIDIARIES
SCHEDULE D - LONG-TERM DEBT
DECEMBER 31, 2020
(Amounts in Millions)

TITLE OF ISSUE	AGENT / LENDER	Outstanding Balance	Current Portion of Debt	Transaction Cost Current	Amount Shown as Current	Long-term Noncurrent Portion Debt	Noncurrent Transaction Cost	Amount Shown as Noncurrent	Outstanding Balance	INTEREST RATES	Number of Periodic Installments	Interest Payments	Final Maturity
<u>Petron Corporation</u>													
Fixed	BDO Unibank, Inc.	8,035	2,143	(12)	2,131	5,892	(15)	5,877	8,008	5.5276%	Amortized	Quarterly	July 2024
<u>Petron Corporation</u>													
Fixed	Bank of the Philippine Islands	5,000	2,500	(7)	2,493	2,500	(3)	2,497	4,990	5.7584%	Amortized	Quarterly	December 2022
Fixed	Bank of the Philippine Islands	5,000	625	(11)	614	4,375	(19)	4,356	4,970	4.5900%	Amortized	Quarterly	April 2025
<u>Vertex Tollways Devt. Inc.</u>													
Fixed	Philippine National Bank as Trustee	5,031	943	(11)	932	4,088	(17)	4,071	5,003	6.7495%, 6.7701%, 7.165%, 7.5933% and 7.6567%	Amortized	Quarterly	February 2025
<u>South Luzon Tollway Corporation</u>													
Fixed	BDO Unibank Inc. - Trust and Investment Group as Trustee	4,900	-	-	-	4,900	(23)	4,877	4,877	5.5796% and 6.4872%	Bullet	Quarterly	May 2022 and May 2025
<u>Luzon Clean Water Development Corporation</u>													
Fixed	Asia United Bank Corporation - Trust and Investment Group as Trustee	4,095	147	(5)	142	3,948	(26)	3,922	4,064	8.4211%, 8.699%, 9.278% and 9.885%	Amortized	Quarterly	March 2030
<u>Petron Corporation</u>													
Fixed	Union Bank of the Philippines	2,000	1,000	(2)	998	1,000	-	1,000	1,998	5.4583%	Amortized	Quarterly	October 2022
<u>San Miguel Mills, Inc.</u>													
Fixed	Bank of the Philippine Islands	2,000	-	-	-	2,000	(13)	1,987	1,987	3.2837%	Amortized	Quarterly	December 2026
<u>Star Infrastructure Development Corporation</u>													
Fixed	Philippine National Bank as Trustee	1,346	484	(3)	481	862	(1)	861	1,342	6.6583%	Amortized	Quarterly	June 2023
<u>SMC Shipping and Lighterage Corporation</u>													
Fixed	Union Bank of the Philippines	1,500	1,500	(1)	1,499	-	-	-	1,499	5.000%	Bullet	Quarterly	July 2021
<u>Ginebra San Miguel Inc.</u>													
Fixed	Security Bank Corporation	500	166	(1)	165	334	(3)	331	496	4.2105%	Amortized	Quarterly	December 2023
<u>Philnico Processing Corp.</u>													
Fixed	Equitable Bank	52	52	-	52	-	-	-	52	12.000%	Amortized	Semi Annual	December 2007
<u>San Miguel Foods, Inc.</u>													
Floating	Bank of the Philippine Islands	8,000	-	-	-	8,000	(56)	7,944	7,944	BVAL + margin or BSP overnight rate + margin whichever is higher	Amortized	Quarterly	December 2029
<u>San Miguel Yamamura Packaging Corp</u>													
Floating	China Banking Corporation	4,447	737	(9)	728	3,710	(19)	3,691	4,419	BVAL + margin	Amortized	Quarterly	January 2025
Floating	Philippine National Bank	3,227	1,173	(7)	1,166	2,054	(4)	2,050	3,216	BVAL + margin	Amortized	Quarterly	July 2023
Floating	Philippine National Bank	1,920	160	(4)	156	1,760	(7)	1,753	1,909	BVAL + margin	Amortized	Quarterly	December 2024
<u>Trans Aire Development Holdings Corp.</u>													
Floating	Bank of Commerce	1,881	502	(1)	501	1,379	(1)	1,378	1,879	BVAL + margin	Amortized	Quarterly	October 2022
		<u>454,463</u>	<u>49,688</u>	<u>(378)</u>	<u>49,310</u>	<u>404,775</u>	<u>(3,143)</u>	<u>401,632</u>	<u>450,942</u>				
<u>Foreign currency - denominated</u>													
<u>SMC</u>													
Fixed	DB Trustees (Hong Kong) Limited	24,798	-	-	-	24,798	(92)	24,706	24,706	4.875%	Bullet	Semi-annual	April 2023
	Standard Chartered Bank (Hongkong)												
Floating	Limited as Agent	96,046	-	-	-	96,046	(2,132)	93,914	93,914	LIBOR + margin	Bullet	1/3/6 months	September 2024
	Standard Chartered Bank (Hongkong)												
Floating	Limited as Agent	19,209	-	-	-	19,209	(218)	18,991	18,991	LIBOR + margin	Bullet	1/3/6 months	March 2023
Floating	Various foreign banks	14,407	-	-	-	14,407	(146)	14,261	14,261	LIBOR + margin	Bullet	1/3/6 months	June 2023
	Sumitomo Mitsui Banking Corporation												
Floating	Singapore Branch	14,407	-	-	-	14,407	(163)	14,244	14,244	LIBOR + margin	Bullet	1/3/6 months	September 2023
Floating	Various foreign banks	10,564	-	-	-	10,564	(75)	10,489	10,489	LIBOR + margin	Bullet	1/3/6 months	October 2022 and 2024
Floating	Mizuho Bank, Ltd.	<u>9,605</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,605</u>	<u>(111)</u>	<u>9,494</u>	<u>9,494</u>	LIBOR + margin	Bullet	1/3/6 months	November 2023
		189,036	-	-	-	189,036	(2,937)	186,099	186,099				

TOP FRONTIER INVESTMENT HOLDINGS, INC. AND SUBSIDIARIES
SCHEDULE D - LONG-TERM DEBT
DECEMBER 31, 2020
(Amounts in Millions)

TITLE OF ISSUE	AGENT / LENDER	Outstanding Balance	Current Portion of Debt	Transaction Cost Current	Amount Shown as Current	Long-term Noncurrent Portion Debt	Noncurrent Transaction Cost	Amount Shown as Noncurrent	Outstanding Balance	INTEREST RATES	Number of Periodic Installments	Interest Payments	Final Maturity
<u>Petron Corporation</u>													
Floating	Standard Chartered Bank (Hongkong) Limited as Agent	13,700	6,840	(136)	6,704	6,860	(34)	6,826	13,530	LIBOR + margin	Amortized	1, 3, or 6 months	June 2022
Floating	Standard Chartered Bank (Hongkong) Limited as Agent	32,896	5,454	(255)	5,199	27,442	(307)	27,135	32,334	LIBOR + margin	Amortized	1, 3, or 6 months	May 2024
Floating	Standard Chartered Bank (Hongkong) Limited	7,204	-	-	-	7,204	(201)	7,003	7,003	LIBOR + margin	Amortized	1, 3, or 6 months	August 2023
Floating	Sumitomo Mitsui Banking Corp.	6,987	-	-	-	6,987	(142)	6,845	6,845	LIBOR + margin	Amortized	1, 3, or 6 months	March 2025
<u>SMC Global Power Holdings Corp.</u>													
Floating	Winrock Special Opportunities I Limited	33,616	9,605	(10)	9,595	24,011	(300)	23,711	33,306	LIBOR + margin	Bullet	Quarterly	March 2021 and March 2023
<u>Masinloc Power Partners Co. Ltd.</u>													
Fixed	Philippine National Bank as Trustee	25,875	2,581	(43)	2,538	23,294	(235)	23,059	25,597	4.7776% and 5.5959%	Amortized	Semi-annual	January 2023 and December 2030
Floating	Philippine National Bank as Trustee	8,549	856	(14)	842	7,693	(78)	7,615	8,457	LIBOR + margin	Amortized	Semi-annual	January 2023 and December 2030
<u>San Miguel Yamamura Australasia PTY, Ltd</u>													
Floating	MUFG Bank Ltd. as Agent	2,863	370	(10)	360	2,493	(26)	2,467	2,827	BBSY + margin	Amortized	Quarterly	July 2024
<u>INSA Alliance Sdn. Bhd.</u>													
Floating	MAYBANK	4	2	-	2	2	-	2	4	COF + margin	Amortized	Monthly	December 2022
Floating	Hong Leong Bank Berhad	1	1	-	1	-	-	-	1	COF + margin	Amortized	Monthly	July 2021
Floating	Hong Leong Bank Berhad	1	1	-	1	-	-	-	1	COF + margin	Amortized	Monthly	September 2021
Floating	MAYBANK	15	2	-	2	13	-	13	15	COF + margin	Amortized	Monthly	October 2027
		21	6	-	6	15	-	15	21				
		<u>320,747</u>	<u>25,712</u>	<u>(468)</u>	<u>25,244</u>	<u>295,035</u>	<u>(4,260)</u>	<u>290,775</u>	<u>316,019</u>				
Total Long-term Debt		P <u>775,210</u>	P <u>75,400</u>	P <u>(846)</u>	P <u>74,554</u>	P <u>699,810</u>	P <u>(7,403)</u>	P <u>692,407</u>	P <u>766,961</u>				

See Notes 21, 30, 33, 38, 39 and 40 of the Consolidated Financial Statements.

TOP FRONTIER INVESTMENT HOLDINGS, INC. AND SUBSIDIARIES
SCHEDULE G - CAPITAL STOCK
DECEMBER 31, 2020

DESCRIPTION	NUMBER OF SHARES AUTHORIZED	NUMBER OF SHARES ISSUED	TREASURY SHARES	NUMBER OF SHARES OUTSTANDING	DIRECTORS, OFFICERS AND EMPLOYEES
ISSUED SHARES					
COMMON SHARES	740,000,000	490,196,200	157,310,033	332,886,167	199,710,043
PREFERRED SHARES	<u>2,600,000</u>	<u>2,598,040</u>	<u>693,500</u>	<u>1,904,540</u>	<u>-</u>
	<u>742,600,000</u>	<u>492,794,240</u>	<u>158,003,533</u>	<u>334,790,707</u>	<u>199,710,043</u>

* See Note 24 of the Consolidated Financial Statements.

* number of shareholders as of DECEMBER 31, 2020: 31,284

TOP FRONTIER INVESTMENT HOLDINGS, INC. AND SUBSIDIARIES
TRADE AND OTHER RECEIVABLES
DECEMBER 31, 2020
(In Millions)

			Past Due				
	Total		Current	1 - 30 Days	31 - 60 Days	61 - 90 Days	Over 90 Days
Trade	P 74,700	P	45,989	P 8,894	P 2,736	P 1,363	P 15,718
Non-trade	48,975		23,486	3,608	316	335	21,230
Amounts Owed by Related Parties	11,058		9,631	276	60	11	1,080
Total	<u>134,733</u>	P	<u>79,106</u>	P <u>12,778</u>	P <u>3,112</u>	P <u>1,709</u>	P <u>38,028</u>
Less allowance for impairment losses	<u>13,768</u>						
Net	P 120,965						



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**REPORT OF INDEPENDENT AUDITORS
ON SUPPLEMENTARY INFORMATION FOR FILING
WITH THE SECURITIES AND EXCHANGE COMMISSION**

The Board of Directors and Stockholders
Top Frontier Investment Holdings, Inc.
5th Floor, ENZO Building
399 Sen. Gil J. Puyat Avenue, Makati City

We have audited, in accordance with Philippine Standards on Auditing, the separate financial statements of Top Frontier Investment Holdings, Inc. (the Company) as at and for the year ended December 31, 2020, on which we have rendered our report dated March 22, 2021.

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

Firm Regulatory Registration & Accreditation:
PRC-BOA Registration No. 0003, valid until November 21, 2023
SEC Accreditation No. 0003-SEC, Group A, valid for five (5) years covering the audit of 2020 to 2024
financial statements (2019 financial statements are covered by SEC Accreditation No. 0004-FR-5)
IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024
financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)
BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024
financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)



This supplementary information is presented for purposes of complying with the Revised Securities Regulation Code Rule 68 and is not a required part of the separate financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audits of the separate financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the separate financial statements taken as a whole.

R.G. MANABAT & CO.

A handwritten signature in black ink, appearing to read 'D. Virocel', with a long horizontal line extending to the left.

DARWIN P. VIROCEL

Partner

CPA License No. 0094495

SEC Accreditation No. 94495-SEC, Group A, valid for five (5) years
covering the audit of 2019 to 2023 financial statements

Tax Identification No. 912-535-864

BIR Accreditation No. 08-001987-031-2019

Issued August 7, 2019; valid until August 6, 2022

PTR No. MKT 8533922

Issued January 4, 2021 at Makati City

March 22, 2021

Makati City, Metro Manila

TOP FRONTIER INVESTMENT HOLDINGS, INC.
5th Floor, ENZO Building, 399 Sen. Gil J. Puyat Avenue, Makati City
RECONCILIATION OF RETAINED EARNINGS
FOR DIVIDEND DECLARATION
(In Millions)

Retained Earnings, January 1, 2020	P25,983
Add: Net income during the period closed to retained earnings	2,945
Less: Dividend declarations during the period	(1,328)
TOTAL RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION, DECEMBER 31, 2020	P27,600



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REPORT OF INDEPENDENT AUDITORS ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Board of Directors and Stockholders
Top Frontier Investment Holdings, Inc.
5th Floor, ENZO Building
399 Sen. Gil J. Puyat Avenue, Makati City

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of Top Frontier Investment Holdings, Inc. (the Company) and Subsidiaries (the Group), as at and for the year ended December 31, 2020, on which we have rendered our report dated March 22, 2021.

Our audit was made for the purpose of forming an opinion on the consolidated financial statements of the Group taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, is the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards and may not be comparable to similarly titled measures presented by other companies.

Firm Regulatory Registration & Accreditation:
PRC-BOA Registration No. 0003, valid until November 21, 2023
SEC Accreditation No. 0003-SEC, Group A, valid for five (5) years covering the audit of 2020 to 2024
financial statements (2019 financial statements are covered by SEC Accreditation No. 0004-FR-5)
IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024
financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)
BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024
financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)



This supplementary information is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68, and is not a required part of the consolidated financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

R.G. MANABAT & CO.

A handwritten signature in black ink, appearing to read 'D. Virocel', with a long horizontal line extending to the left.

DARWIN P. VIROCEL

Partner

CPA License No. 0094495

SEC Accreditation No. 94495-SEC, Group A, valid for five (5) years
covering the audit of 2019 to 2023 financial statements

Tax Identification No. 912-535-864

BIR Accreditation No. 08-001987-031-2019

Issued August 7, 2019; valid until August 6, 2022

PTR No. MKT 8533922

Issued January 4, 2021 at Makati City

March 22, 2021

Makati City, Metro Manila

TOP FRONTIER INVESTMENT HOLDINGS, INC. AND SUBSIDIARIES

FINANCIAL SOUNDNESS INDICATORS

The following are the major performance measures that Top Frontier Investment Holdings, Inc. and Subsidiaries (the Group) uses. Analyses are employed by comparisons and measurements based on the financial data as of December 31, 2020 and 2019 for liquidity, solvency and profitability ratios and for the periods ending December 31, 2020 and 2019 for operating efficiency ratios.

	December 2020	December 2019
<u>Liquidity:</u>		
Current Ratio	1.52	1.38
Quick Ratio	1.06	0.91
<u>Solvency:</u>		
Debt to Equity Ratio	1.95	2.21
Asset to Equity Ratio	2.95	3.21
<u>Profitability:</u>		
Return on Average Equity Attributable to Equity Holders of the Parent Company	(0.14%)	5.98%
Interest Rate Coverage Ratio	1.78	2.44
Return on Assets	1.19%	2.61%
<u>Operating Efficiency:</u>		
Volume Growth (Decline)	(20%)	3%
Revenue Growth (Decline)	(29%)	0%
Operating Margin	10%	11%

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

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

Annex “D”

List of Principal Products



LIST OF PRODUCTS

I. BEER AND NAB

1. San Miguel Pale Pilsen
2. San Mig Light
3. San Miguel Super Dry
4. San Miguel Premium All-Malt
5. Red Horse
6. Gold Eagle
7. Cerveza Negra
8. Cali
9. San Miguel Flavored Beer
10. San Miguel Zero
11. San Miguel Nab
12. San Mig Free
13. Valor
14. Blue Ice
15. Dragon
16. W1N Bia (Bia Hoi)
17. Anker
18. Kuda Putih
19. Bruck
20. Knight

NON-ALCOHOLIC BEVERAGES

1. Magnolia Fruit Drink
2. Magnolia Healthtea
3. Agua Prima
4. San Mig Cola

BREWED FOR PRIVATE LABEL

1. Ikinama
2. Kiwamugi

BREWED UNDER LICENSING/TOLLING AGREEMENT

1. Carlsberg
2. Sunlik

IMPORTED/DISTRIBUTED

1. Kirin Ichiban
2. Samuel Adams
3. Rebel IPA
4. Angry Orchard
5. Spitfire
6. Whitstable Bay
7. Mahou
8. Magners
9. Arcobrau
10. Twisted Tea
11. Little Creatures
12. James Squire

II. SPIRITS

1. Ginebra San Miguel
2. Ginebra San Miguel Premium Gin
3. G.S.M. Blue Light Gin
4. G.S.M. Blue Flavors (Mojito, Margarita and Gin Pomelo)
5. Primera Light Brandy (Premium Brandy Liqueur)
6. Vino Kulafu (Chinese Wine)
7. Antonov Vodka
8. Don Enrique Mixkila Distilled Spirit
9. Añejo Gold Rum (65 Proof)
10. San Miguel Ethyl Alcohol

FOR EXPORT ONLY

11. Tondeña Gold Rum
12. Tondeña Manila Rum (Silver, Gold and Dark)
13. Mix Gin
14. Mix Rum
15. Mix Vodka
16. Gran Matador Solera Gran Reserva Brandy
17. Gran Matador Gold
18. Anejo Dark Rum 5 Years

III. FOOD

San Miguel Foods, Inc.

POULTRY

Live Broilers

Dressed Chicken (Wholes)

- Magnolia Fresh Chicken (Fresh Chilled and Frozen)
- Magnolia Spring Chicken (Fresh Chilled and Frozen)
- Magnolia Big Bird (Fresh and Frozen)
- Magnolia Jumbo Chicken (Fresh and Frozen)
- Magnolia Free Range Chicken (Fresh and Frozen)

Supermarket House Brands Cut-ups

- Magnolia Chicken Cut-ups (Fresh Chilled and Frozen)
- Magnolia Chicken Station Cut-ups
- Magnolia Chicken Station Convenient Cuts

- Magnolia Free Range Cut Ups

Marinated

- Magnolia Chicken Station Timplados products (Freshly-made at the Magnolia Chicken Stations)
- Magnolia Chicken Prepacked Timplados
- Magnolia Chicken Streat Sarap
- Magnolia Real Chicken Burger Steak

Giblets

- Magnolia Chicken Giblets (Fresh and Frozen Liver and Gizzard)

Institutional

- Whole Chicken
- Customized Bone-in Cut-ups and Deboned Fillets

Export

- Magnolia Chicken Griller (Fresh and Frozen)
- Chicken Yakitori (Frozen)
- Bone-in Chicken Cut-ups (Frozen)
- Deboned Chicken Fillets (Frozen)
- Marinated Products (Frozen)

Brown Eggs

- Magnolia Cage-Free Brown Eggs 12s
- Magnolia Egg-A-Day 7s

FRESH MEATS

Live Hogs

Wholesale Cuts

- Pork
 - Hog Carcass
 - Boxed Primal Parts

- Beef
 - Beef Forequarters
 - Beef Hindquarters
 - Boxed Primal Cuts

Retail Cuts

- Monterey Primal Cuts (Pork, Beef)
- Monterey Cut Ups (Pork, Beef)
 - Individual Portion Cuts (cut and packed in the Monterey Meatshops)
- Monterey Ready-To-Cook Marinated Meats /Timplados (Pork, Beef)
 - Monterey Meatshop produced Timplados
 - Pork BBQ Tenderloin Skewers (produced in the plant)
 - Monterey Exclusives Baby Back Ribs, American Style Ribs, Premium Beef Tapa
- Montana Cut Ups (Pork, Beef)
 - Individual Portion Cuts (cut and packed inside store)
- Montana Ready-To-Cook Marinated Meats /Timplados (Pork, Beef)

FEEDS**Animal and Aquatic Feeds****Hog Feeds**

- B-MEG Premium Hog Pellets
- B-MEG Expert Hog Feeds
- B-MEG Mega Mash
- B-MEG Essential Hog Feeds
- B-MEG Bonanza Hog Pellets
- Jumbo Hog Feeds
- Pureblend Hog Pellets

Poultry Feeds

- B-MEG Premium Layer
- B-MEG Essential Layer
- B-MEG Expert Layer
- B-MEG Layer
- B-MEG Integra
- B-MEG Integra Powermaxx
- B-MEG Derby Ace
- B-MEG Alertone Mixed Grains
- B-MEG Fighting Cock Pellets
- B-MEG F-Series
- B-MEG Pigeon Pellets
- B-MEG Premium Broiler
- B-MEG Essential Broiler
- B-MEG Essential Broiler Breeder
- B-MEG Broiler
- B-MEG Chick Grower
- B-MEG Duck Feeds
- Jumbo Pullet Developer Pellets
- Pureblend Broiler
- Pureblend Special Broiler
- Pureblend Layer
- Pureblend Duck Feeds

Aquatic Feeds

- B-MEG Super Premium Floating Feeds
- B-MEG Premium Tilapia Pellets
- B-MEG Premium Bangus Pellets
- B-MEG Premium Fish Feeds
- B-MEG Aquaration Feeds
- B-MEG Expert Fish Feeds
- B-MEG Prize Catch Floating Feeds
- B-MEG Nutrifloat Floating Feeds
- Pinoy Sinking Pellets
- Pinoy Floating Feeds

Others

Pureblend Quail Feeds
B-MEG Horse Feeds

Concentrates

B-MEG Hog Concentrate
B-MEG Cattle Concentrate
B-MEG Pig Protein Concentrate
B-MEG Essential Hog Concentrate
B-MEG Essential Goat Concentrate
B-MEG Essential Cattle Concentrate

Animal Health Care Veterinary Medicines**Anti-infective - Water Soluble Preparation**

Amoxil-V
Cephalexin 20%
Cotrimoxazole 48%
Doxa-V
Dox-C-Lin Gold Premium
Dox-C-Trin Gold Premium
B-MEG Integra Trimax
B-MEG Integra CXD-3

Supplement/Vitamins - Water Soluble Preparation

B-MEG Integra Multimax
B-MEG Integra Electromax
Elec-V
Multi-V
Multivitamins +Minerals + Amino Acids
Vitamin B-Complex (Broiler)

Anti-Inflammatory/Anti-pyretic - Water Soluble Preparation

Para-V

Supplement/Vitamins – Oral Solution

B-MEG Integra Multimax D5
B-MEG Integra Power Edge

Dewormer/Anti-nematodal - Water Soluble Preparation

Bulatigok SD
Bulatigok

Disinfectant

Protect Plus
Protect Plus Gold
Aqua Care
Calci Care

Injectables

Alamycin LA
Iron-Vet
Norovit
Respiclear

Oral Preparation

B-Meg Integra Trifast

Anti-infective - Feed Premixes

Tiamulin 10%

Supplement/Vitamin - Feed Premixes

B-MEG Essential Swine Vitamin
B-MEG Essential Swine Mineral
B-MEG Essential Poultry Vitamin
B-MEG Essential Poultry Mineral

Supplement/Vitamin - Liquid Preparation

Vitamin ADE
Vitamin E 60%
Multi-V Plus
Multi-V

Anti-infective - Liquid Preparation

Norfloxacin 20%
Doxa V Plus
Cotri V Plus
Respitil

Others

B-MEG Integra Feathershine Shampoo

Pet Care

Dog Food
Nutri Chunks

San Miguel Mills, Inc.**Hard Wheat Flour**

King
Emperor
Monarch
Pacific
Harina de Pan de Sal
Pinoy Tasty

Soft Wheat Flour

Queen
Countess
Red Dragon
Alpha

Specialty Flour

Baron All-Purpose Flour
Baron Siopao Flour
Princess Cake Flour
Golden Wheat Whole Wheat Flour (Coarse and Fine)
Gallant Flour
Semolina Flour

Customized Flour

Royal Premium Noodle Flour
Prince Miki Flour
Prince Noodle Flour
Prince Wrapper Flour
Pizza Flour
Tart Flour

Premixes

- Mix' n Bake
 - Batter Mix
 - Bibingka Mix
 - Breading Mix
 - Brownie Mix
 - Chiffon Cake Mix
 - Choco Cake Mix
 - Crème Cake Mix
 - Cookie Mix
 - Corndog Mix
 - Crinkle Mix
 - Pan de Sal Mix
- Mix' n Steam
 - Puto Mix
- Mix' n Fry
 - Pancake Mix
 - Tortilla Mix
 - Yeast Raised Doughnut Mix
 - Yellow Cake Donut Mix

Bakery Ingredients

- Bake Best Bread Improver
- Bake Best Gold Bread Improver
- Bake Best Platinum Bread Improver
- Bake Best Baking Powder
- Emperor's Best Instant Yeast

The Purefoods-Hormel Company, Inc.**REFRIGERATED MEATS****Hotdogs**

- Purefoods Tender Juicy Hotdog (Classic, Jumbo, Kingsize, Cocktail, Cheesedog, Chick 'n Cheese, Chick 'n Bacon, Chick 'n Chili, Giant, Cheesy Pizza, Cheesy Spaghetti, Balls, Cheeseballs)
- Purefoods Star Hotdog (Regular, Cheezeedog, Chick n' Tasty, Cheeseballs)
- Higante Hotdog (Regular, Cheesedog, Chicken and Cheese)
- Purefoods Deli Franks (German, Angus Beef, Turkey, Cheese, Spicy Pepper Beef)
- Purefoods Deli Sausages (Bockwurst, Schublig, Hungarian Cheese)
- Purefoods Beefies Hotdog (Regular, Lots-a-Cheese)
- Vida Hotdog
- Bongga Hotdog

Breaded, Battered and Fried

- Purefoods Chicken Nuggets (Chicken Breast Nuggets, Crazy Cut Shapes, Letters & Numbers, Bacon & Cheese, Cheese Overload, Drummets, Chicken Popcorn)
- Purefoods Fish Nuggets
- Purefoods Shrimp Tempura
- Purefoods Tail-On Shrimp
- Purefoods Squid Rings
- Star Chicken Nuggets
- Star Burger Bites

Bacon

- Purefoods Bacon (Honeycured, Honey Roast, Spicy Barbecue, Maple-flavored, Bacon Crumble)
- Hormel Black Label Bacon
- Vida Bacon

Sliced Hams

Purefoods Ham (Sweet, Cooked, Chicken)
Purefoods Fiesta Ham Slices
Star Sweet Ham
Vida Sweet Ham

Whole Hams

Purefoods Fiesta Ham (Whole, Pre-Sliced, Bone-in, Chicken)
Purefoods Jamon de Bola
Purefoods Chinese Ham
Purefoods Brick Ham
Purefoods Pear-Shaped Ham
Jamon Royale

Ready-to-Cook/Ready-to-Eat

Monterey Sisig
Purefoods Crispy Fried Chicken
Purefoods Heat & Eat (Teriyaki, Chicken Balls, Chicken Karaage)
Ready to Eat Viands (Kare Kare, Bistek Tagalog, Lechon Paksiw, Pork Binagoongan, Pork Humba, Beef Caldereta, Beef Pares, Bicol Express, Chicken Afritada, Callos, Korean Beef Stew, Dinuguan, and Chicken Pastel)

Native Line

Purefoods Tocino (Classic, Sweet Chili, Chicken)
Purefoods Longanisa (Hamonado, Recado, Chicken)
Purefoods Tapa

Plant-Based

Veega (Burger, Nuggets, Balls, Sausage, Giniling)

GROCERY PRODUCTS**Corned Meats**

Purefoods Corned Beef (Classic, Hash, Chili Garlic, Hot & Spicy, with Chunks)
Chunkee Corned Beef
Star Corned Beef (Regular, Chunky Cheese)
Star Carne Norte
Bongga Carne Norte (Regular, Hot & Spicy)

Luncheon Meats

Purefoods Luncheon Meat (Classic, BBQ, Chili Pepper, Bacon, Cheese)
Purefoods Chinese Style Luncheon Meat
Purefoods Chicken Luncheon Meat
Star Beef Loaf
Star Meat Loaf
Bongga Beef Loaf

Sausages

Purefoods Vienna Sausage
Purefoods Chicken Vienna Sausage

Canned Viands

Purefoods Sizzling Delights (Sisig, Chicken Sisig)
Ulam King (Caldereta, Menudo, Mechado)

Canned Chicken

Purefoods Chicken (Broth, Afritada, Homestyle-Curry, Hot & Spicy)

Specialty Grocery Products

Purefoods Liver Spread
Purefoods Spaghetti Meat Sauce
Purefoods Chorizo Filipino

Magnolia, Inc.**BUTTER, MARGARINE AND CHEESE****Butter**

Magnolia Gold Butter (Salted, Unsalted) and Magnolia Gold Spreadable
Magnolia Butter-licious!

Refrigerated Margarine

Dari Creme (Classic, Buttermilk) and Dari Creme Spreadable
Buttercup
Baker's Best

Non-Refrigerated Margarine

Star Margarine (Classic, Sweet Blend, Garlic, Chocolate)
Delicious Margarine
Magnolia Non-Refrigerated Margarine (Food Service)
Primex Shortening (Food Service)

Cheese

Magnolia Cheezee (Block, Spread, Squeeze - Cheddar, Pimiento, Milky White)
Daily Quezo
Magnolia Quickmelt
Magnolia Cheddar
Magnolia Cream Cheese (Block, Spread)
Magnolia Christmas Cheeseballs (Quezo de Bola, Gold Edam) - Seasonal
Magnolia Food Service Cheese

JELLY SNACKS AND DESSERTS

JellYace Fruiteez
JellYace Bites
JellYace Suki Pack

MILK

Magnolia Chocolait
Magnolia Fresh Milk
Magnolia Low Fat Milk
Magnolia Full Cream Milk
Magnolia Non Fat Milk

SPECIALTY OILS

Magnolia Nutri-Oil Coconut Oil
Magnolia Nutri-Oil Palm Oil
Pure Oil
Cookbest Coconut Oil
Cookbest Canola Oil
Golden Fry Palm Oil

ALL-PURPOSE CREAM

Magnolia All-Purpose Cream

SALAD AIDS

Magnolia Real Mayonnaise
Magnolia Sandwich Spread
Magnolia All-Purpose Dressing

FLOUR MIXES

- Magnolia Pancake
- Magnolia All Purpose Flour
- Magnolia Chocolate Cake Mix Collection
- Magnolia Fast and Easy Bake Cake Mixes

ICE CREAM

Bulk Ice Cream

- Magnolia Classic (Vanilla, Chocolate, Ube, Mango, Kesong Puti, Avocado)
- Magnolia Gold Label (Double Dutch, Rocky Road, Cookies N' Cream, Latte Choco Brownie, Wintermelon Milk Tea, Quadruple Chocolate)
- Magnolia Best of the Philippines (Turon Dulce de Leche, Taro White Cheese, Tablea Yema, Mango Dark Chocolate, Avocado Macchiato, Ube Keso)

Frozen Novelties

- Magnolia Spinner (Chocolate, Vanilla, Caramel)
- Magnolia Cookie Monster (Chocolate)
- Magnolia Party Cups (Vanilla, Chocolate)
- Magnolia Popsies (Orange Chill, Choco Cool)
- Magnolia Pinipig Crunch (Vanilla Crisp)
- Magnolia Ice Cream on Stick (Avocado, Mango Dark Chocolate, Kesong Puti)

San Miguel Gold Label (For Export)

- SMGL Mellorine
- SMGL Frozen Dessert
- SMGL Ice Confectionery

SNACKS

Traditional

- Prima Toast
- Egg Cracklet
- Mamon Tostado
- Broas
- Puto Seko
- Camachile

Cookies

- Pasencia
- Pasencia White
- Oat Cookies

Crackers

- Graham Crackers
- Graham Cracker Sandwich
- Crushed Graham
- Supreme Flakes

Assorted

- Holiday Mix
- Famous Five

CannedTuna

- San Miguel Del Mar Tuna Chunks

San Miguel Super Coffeemix Co., Inc.

Coffee

- San Mig Super Coffee Regular 3-in-1 Coffeemix - Original
- San Mig Super Coffee Sugar Free 3-in-1 Coffeemix - Mild, Original and Strong
- San Mig Super Coffee - Barako
- Essenso 3-in-1 Micro Ground Coffee
- San Mig Super Coffee - Sugar Free White
- San Mig Crema White Coffee

San Miguel Foods, Inc. - Great Food Solutions (GFS)

Value-Added Meats

- Pizza Toppings
- Slices
- Specialties (Sauces and Ready-to-Serve Viands)
- Hotdogs and Deli
- Breaded, Battered and Fried
- Meat Free
- Bacon
- Grocery Products

Dairy, Fats and Oils

- Butter, Margarine and Cheese
- Coconut and Palm Oil

Flour and Dry Bakery Ingredients

- Basic Flour and Premixes

Ice Cream

Coffee

Milk

Biscuits

SPAM

Canned Goods (Tuna)

Peanut Butter

Traded Products

- Dairy
 - Mozzarella
 - Sliced-on-Slice Cheese
 - Parmesan

Olive Oil

- Pomace, Pure and EVOO Oil

GFS Commissary Products

- Breaded, Battered and Fried
- Patties
- Marinated Value-Added Meats
- Ready-to-Eat Meals

Foodcrave Marketing Inc.**Treats**

- Baked Breads
- Ready-to-Eat Products
- Ice Cream
- Snacks and Beverages
- Edible Grocery Products

Chick 'n Juicy

- Big 'n Juicy Lechon Manok
- Big 'n Juicy Lechon Manok Quarter Meal
- Half Big 'n Juicy Lechon Manok
- Big 'n Crunchy Fried Chicken Meal (1 piece)
- Big 'n Crunchy Drumstick (1 piece)
- Big 'n Crunchy Drumstick (3+1 pieces)
- Crispy Chicken Skin
- Spicy Neck

P.T. San Miguel Foods Indonesia**Bakso (Meat Balls)**

- Farmhouse (Beef)
- Vida (Beef)

Sausages

- Farmhouse (Sosis Sapi Goreng, Sosis Sapi, Beef Cocktail, Beef Frankfurter, Premium Beef, Premium Cheese, Premium Chicken)
- Vida (Chicken, Beef)

Cold Cuts and Burger

- Farmhouse (Smoked Beef, Beef Burger)
- Purefoods Choice (Chicken Fajita Chunk, Chicken Luncheon, Minced Beef BBQ, Minced Chicken Teriyaki, Smoked Beef)

Services

- Customization

San Miguel Pure Foods (VN) Co., Ltd.**Value-Added Meats**

- Le Gourmet (Bacon, Ham, Beef, Chicken, Pate, Sausage, Traditional, Meatball)
- Tender Juicy Hotdog

2020 LIST OF PETRON PRODUCTS

PETRON PHILIPPINES

A. FUELS

Automotive Fuels

Petron Blaze 100 Euro 6
Petron XCS
Petron Xtra Advance
Petron Turbo Diesel
Petron Diesel Max

Industrial Fuels

Petron Fuel Oil

Aviation Fuels

Aviation Gasoline
Jet A-1

Household Fuels

Gasul
Fiesta
Gaas

B. AUTOMOTIVE LUBRICATING OILS

Diesel Engine Oils

Rev-X Turbo HTP
Rev-X Fully Synthetic
Rev-X Synthetic Blend
Rev-X Premium Multi-grade
Rev-X Multi-grade
Rev-X Pantra
Rev-X HD4X
Rev-X HD
Rev-X Hauler
Petron XD3
Petron Railroad Extra

Gasoline Engine Oils

Blaze Racing HTP
Blaze Racing Fully Synthetic
Blaze Racing Synthetic Blend
Blaze Racing Premium Multi-grade
Blaze Racing Multi-grade
Ultron Race / Fully Synthetic
Ultron Rallye / Synthetic Blend
Ultron Touring / Premium Multi-grade
Ultron Extra / Multi-grade
Petron MO

Motorcycle Oils

Petron Sprint 4T Fully Synthetic
Petron Sprint 4T Premium Multi-grade
Petron Sprint 4T Synthetic Blend - new
Petron Sprint 4T Multi-grade
Petron Sprint 4T Monograde
Petron Sprint 4T Scooter Oil Fully Synthetic
Petron Sprint 4T Scooter Oil Synthetic Blend
Petron Sprint 4T Scooter Oil Premium Multi-grade
Petron Scooter Gear Oil
2T Powerburn
2T Premium
2T Autolube

Automotive Gear Oils

Petron GHTP Gear Oil
Petron GX
Petron GEP
Petron GST

Automotive Transmission Fluids

Petron ATF Premium HTP
Petron ATF Premium
Petron TF 38
Petron TDH 50

Other Automotive Oils

STM

C. INDUSTRIAL LUBRICATING OILS

Turbine, Hydraulic and Circulating Oils

Hydrotur AW 22 / 32 / 46 / 68 / 100
Hydrotur AWX 32 / 68 / 100
Hydrotur AW GT 32
Hydrotur EP 46
Hydrotur N 100
Hydrotur R 32 / 46 / 68 / 100 / 150 / 185 /
220 / 320
Hydrotur SX 68
Hydrotur T 32 / 46 / 68
Hydrotur TEP 68 / 77

Industrial Gear Oils

Hydrotur SX 220
Hypex EP 68 / 100 / 150 / 220 / 320 / 460 /
570 / 680 / 1000 / 4000 / 25k (Oil-
Based)
Hypex EP 2K / 4K (Asphalt-Based)

Milrol 5K
Gearfluid 2K / 5K / 8K
Gearkote 3K / 22K / 68K
Petrocyl S 390 / 700
Petrocyl 680

Cutting Oils

Turnol 40
Petrokut 10 / 27

Refrigeration Oils

Zerflo 68
Zerflo P68

Transformer Oil

Voltran 60

Slideway Oil

Hydrotur SW 68
Hydrotur SW 220

Other Industrial Lubricating Oils

Airlube 100 / 150 / 320
Petrosine 68
Petron Universal Tractor Fluid
Petron CVT Fluid - new

D. MARINE LUBRICATING OILS

Crosshead Engine Cylinder Oils

Petromar DCL 7050
Petromar DCL 4000 Series

Trunk Piston Engine Oils

Petromar HF 1040 / 1540
Petromar HF 2040
Petromar HF 3000 series
Petromar HF 4000 series
Petromar HF 5040 / 5540
Petromar XC 1030 / 1040 / 1050 / 1530 / 1540
Petromar XC 2030 / 2040
Petromar XC 3030 / 3040
Petromar XC 4040 / 4050
Petromar XC 5040 / 5540
Petron MS 9250 / 9370

Crosshead Engine System Oil

Petromar 65

Marine outboard 2-stroke oil

Petron Regatta

E. GREASES

Multi-purpose Greases

Petrogrease MP 2 / 3
Molygrease Premium
Petrogrease Premium

Water Resistant Grease

Petrogrease XX

Extreme Pressure Greases

Petrogrease EP 00 / 0 / 1 / 2
Molygrease EP 2
Molygrease EP 2P
Petrogrease EP 375

High Temperature Greases

Petrogrease HT

Complex Greases

Petron Grease HTP Lithium Complex – from
High Temperature Greases
Petron Premium Lithium Complex

F. ASPHALTS

Penetration Asphalt

Petropen

Cutback Asphalt

Petropen CB

Emulsified Asphalt

Petromul SS-1
Petromul CSS -1

Blown Asphalts

Asphaltseal
Asphalt Joint Sealer

Polymer Modified Bitumen

Petron Polymer Modified Bitumen

G. SPECIAL PRODUCTS

Process Oils

Stemol 68
Petrosine 68

Process Oil series

Heat Transfer Oil

Petrotherm 32

Cleaning Agent

Greaseaway

Greasolve

Protective Coatings

Petrokote 392

Marinekote

Autokote

Cablekote 70

H. AFTERMARKET SPECIALTIES

PetroMate Oil Saver

PetroMate Diesel Power Booster

PetroMate Engine Flush

PetroMate Super Coolant

PetroMate Penetrating Oil

PetroMate Greaseaway

PetroMate Brake and Clutch Fluid

Petron Brake Fluid HTP DOT 4

**J. PERFORMANCE ADDITIVES &
CHEMICALS**

pCHEM DEF (Diesel Exhaust Fluid)

pCHEM 3500

pCHEM 3500F

pCHEM 140M

pCHEM 3500MF

pCHEM 500FS

pCHEM 1000

pCHEM 100X

pCHEM 3500M

pCHEM 3000DP

pCHEM 6000DP

pCHEM BT25

**LIST OF PRODUCTS AND SERVICES OF THE
SAN MIGUEL YAMAMURA PACKAGING GROUP**

PRODUCTS

- Glass
 - ACL Decorated Bottles
 - Custom Glass Containers
 - Stock Glass Bottles
 - Glasslite Technology
- Plastics
 - PET Bottles
 - Plastic Containers
 - HDPE Bottles (Jerry Cans)
 - Pails (4L, 20L)
- Metal Containers
 - 2 pc. Aluminum Can (Body and End)
 - 330 ml Standard and Sleek
 - 250 ml
 - 180 ml Mini Cans
- Flexibles
 - Vacuum Metalized Laminates
 - Sachets and Stand-up Pouches
 - Retort Pouches
 - Zip-Lock Bags
 - PVC Shrink Labels
 - Curviche
- Metal Closures
 - Crowns
 - Pilfer Proof Caps
 - Continuous Thread Caps
 - Vacuum Twists of Caps/Lug Caps
- Plastic Closures
 - Plastic Screw Caps
- Cork Closures
- Paper
 - Cartons
 - Partitions and Pads
 - Single and Double Wall Boards
 - White Coated Boards

- Boards with Water Resistant Coating
- Slipsheets
- Gondolas
- Coslock (Carton Dividers)
- Plastics
 - Pallets
 - 2pc. Pallet
 - 8pc. Pallet
 - Pallet Lite
 - Twin Pallet
 - Slim Pallet
 - Non/Reversible Pallet
 - One-way Pallet
 - Reinforced Pallet
 - Heavy Duty Pallet
 - Crates
 - Bread and Food Trays

OTHER PROCESS OR MATERIAL RELATED PRODUCTS

- Sacks (Woven or Paper)
- Pigpen and Poultry Flooring
- Flexible Intermediate Bulk Container
- Stretch Wrap/Shrink Film
- Envirotuff Insulation and Van Liner
- Molds
 - Precision Machine Parts and Assemblies
 - Glass Container Molds
 - Plastic Injection Molds

SERVICES

- All-In Beverage Filling for Cans, PET and Glass Bottles
- Crate and Pallet Leasing
- R&D Beverage Formulation
- Trading
- Logistics Services, including trucking and warehousing.

San Miguel Properties, Inc. and Subsidiaries
List of Projects
as of December 31, 2020

A. RESIDENTIAL PROJECTS

PROJECTS	LOCATION
Dover Hill (Bright Ventures Realty, Inc.)	Mabini Street corner Ortega and Pilar Streets, Barangay Addition Hills, San Juan
One Dover View (Carnell Realty, Inc.)	621 Lee Street, Barangay Addition Hills, Mandaluyong
Two Dover View (SMPI)	620 Lee Street, Barangay Addition Hills, Mandaluyong
Emerald 88 (SMPI)	598 Dr. Sixto Antonio Avenue, Barangay Maybunga, Pasig
Bel Aldea (SMPI)	Brgy. De Fuego Street, General Trias, Cavite
Maravilla (SMPI)	Brgy. San Francisco, General Trias, Cavite
Asian Leaf (SMPI)	Brgy. San Francisco, General Trias, Cavite
Wedgewoods (Excel Unified Land Resources, Inc.)	Sta. Rosa, Laguna

B. HOSPITALITY PROJECTS

PROJECTS	LOCATION
Makati Diamond Residences (SMPI Makati Flagship Realty Corporation)	118 Legazpi St., Legazpi Village, Makati

C. INDUSTRIAL PROJECTS

PROJECTS	LOCATION
Mariveles Economic Zone (E-Fare Investment Holdings, Inc.)	Mariveles, Bataan

D. SMPI-OWNED BUILDINGS / LAND / WAREHOUSE

PROJECTS	LOCATION
Building and Land Lease of San Miguel Corporation Head Office Complex (SMPI)	No. 40 San Miguel Avenue, Ortigas, Mandaluyong City
Building Lease of 808 Building (SMPI)	Meralco Avenue corner Gen. Lim Street, Barangay San Antonio, Pasig City
Building Lease of Six (6) Units in San Miguel Properties Centre (SMPI)	No. 7 Saint Francis Street, Ortigas, Mandaluyong City
Warehouse Lease of Rengo Warehouse and Land Lease of Sucat Property (SMPI)	Dr. A. Santos Avenue (Sucat Road), Parañaque
Building Lease of Delgado Building (La Verduras Realty Corp.)	No. 38 Gen. Delgado St., San Antonio Village, Brgy. San Antonio, Pasig City
Land Lease of Bunawan, Davao City Property (SMPI)	Along Davao-Agusan National Highway, Brgy. Bunawan, Davao City
Land Lease of Antipolo City Property (SMPI)	Crestview Circle, Crestview Heights Subd., Brgy. San Roque, Antipolo City

Land Lease of Parking Space for El Magnifico Building (Kingsborough Realty, Inc.)	No. 37 Gen. Delgado St., San Antonio Village, Brgy. San Antonio, Pasig City
Land Lease of General Trias, Cavite Property (SMPI)	Arnaldo Highway, Brgy. San Francisco, Gen. Trias, Cavite Arnaldo Highway, Brgy. San Francisco, Sitio De Fuego, Gen. Trias, Cavite

E. TOURISM DEVELOPMENT PROJECTS

PROJECTS	LOCATION
Boracay Gateway Project Tourism Zone (La Belle Plume Realty, Inc.)	Brgy. Union, Nabas, Aklan / Brgy. Malay, Caticlan, Aklan
Beachfront Resort Hotel and Spa (Moonspring Development Inc.)	Brgy. Union, Nabas, Aklan
Aqean Bay Waterpark (Newscapes Haven Development Inc.)	Brgy. Union, Nabas, Aklan
Transit Hotel (Caticlanscapes Realty Development Inc.)	Brgy. Union, Nabas, Aklan

**All Tourism Development Projects suspended pending travel restrictions under the IATF rules.*

Annex “E”

List of Collective Bargaining Agreements (CBA)

COLLECTIVE BARGAINING AGREEMENTS
As of Dec. 31, 2020

BANK OF COMMERCE

Installation, Bargaining Agent & Affiliation	Number of Members	Number of CBAs	EXPIRATION	
			Economic	Representation
Bank of Commerce Employees Union	853	1	June 30, 2020 (July 1 - Dec 31, 2020 moratorium; negotiation to resume 1Q of 2021)	June 30, 2020 (negotiation to resume 1Q of 2021)

GINEBRA SAN MIGUEL INC.

Installation, Bargaining Agent & Affiliation	Number of Members	Number of CBAs	EXPIRATION	
			Economic	Representation
GSMI - Cebu Plant (Dailies) - Ginebra San Miguel Inc. FREEWAS Daily Paid Employees Union	26	1	December 31, 2021	December 31, 2023
GSMI - Cabuyao Plant (Dailies) - United Independent Union of GSMI-Cabuyao Plant	78	1	December 31, 2020	December 31, 2022
GSMI - Sta Barbara Plant (Dailies) - Daily Paid Workers Independent Union	69	1	December 31, 2022	December 31, 2021
GSMI - Sta Barbara Plant (Monthlies) - La Tondeña Distillers Independent Workers Union (LATODIWU)	21	1	December 31, 2022	March 31, 2022
Distilleria Bago Inc. (Monthlies) - Distilleria Bago Employees Union Congress of Independent Organizations - (CIO - DBEU)	84	1	December 31, 2022	December 31, 2021
	278	5		

PETRON CORPORATION

Installation, Bargaining Agent & Affiliation	Number of Members	Number of CBAs	Expiration	
			Economic	Representation
Petron Corporation (Head Office Complex, Depots) - Petron Employees Association (PEA - NATU)	176	1	December 31, 2019	December 31, 2021
Petron Corporation (Pandacan, Navotas and Batangas) - Petron Employees Labor Union (PELU)	45	1	December 31, 2019	December 31, 2021
Petron Corporation (Bataan) - Bataan Refiners Union of the Philippines (BRUP - PTGWO)	377	1	January 1, 2019	December 31, 2021
	598	3	CBA being negotiated / finalized.	

SAN MIGUEL BREWERY INC.

Installation, Bargaining Agent & Affiliation	Number of Members	Number of CBAs	Expiration	
			Economic	Representation
Concerned Workers of SMC – Polo Brewery	269	1	June 30, 2022	July 12, 2025
SMBI Employees Union (SMBIEU) – PTGWO (Monthlies – Polo)	86	1	June 30, 2022	June 30, 2024
San Fernando Brewery Employees Union (SFBEU) –(Dailies)	323	1	Feb. 15, 2023	Feb. 15, 2025
San Miguel Brewery Inc. Employees Union (SMBIEU-SFB)-Monthlies	104	1	Dec. 31, 2022	Dec. 31, 2024
GMA Salesforce Union - Dissolved				
GMA-Monthlies Employees Union – GMAEU-PTGWO	76	1	June 30, 2022	June 30, 2024
San Miguel Brewing Group - Bacolod Brewery Employees Union (SMBG-BBEU) (Dailies)	84	1	July 31, 2022	Apr. 27, 2024
Philippine Agricultural, Commercial and Industrial Workers Union-Trade Union Congress of the Philippines (PACIWU-TUCP) (Bacolod Monthlies)	44	1	Oct. 31, 2022	Oct. 31, 2024
Kahugpongong Sa Ligdong Mamumu-O (KLM) (Dailies) (Mandaue) **	183	1	Dec. 31, 2023	Dec. 31, 2025
San Miguel Davao Brewery Employees Independent Union (Dailies)	122	1	Nov. 30, 2021	Nov. 30, 2022
	1,291	9		

SAN MIGUEL FOOD GROUP

Installation, Bargaining Agent & Affiliation	Number of Members	Number of CBAs	Expiration	
			Economic	Representation
Magnolia Inc. (Dailies) Progressive Workers' Union - IBM Local 47 KMU (PWU- IBM KMU)	163	1	Feb. 28, 2020	Feb. 28, 2025
San Miguel Foods Inc. (GMA Monthlies)- SMFI Employees Union (SMFIEU) - PTGWO	150	1	Dec. 31, 2022	Oct. 22, 2021
San Miguel Foods Inc. - South Luzon SMFI Poultry (Monthlies) - Magnolia Poultry Employees Union - PTGWO	30	1	Dec. 31, 2022	June 30, 2021
San Miguel Mills, Inc. - Mabini Batangas Flour Mill Employees Union (Monthlies) - Purefoods Flour Mill Employees Union - (PFMEU)	41	1	Dec. 31, 2022	July 31, 2022
	384	4		

SMC INFRASTRUCTURE

Installation, Bargaining Agent & Affiliation	Number of Members	Number of CBAs	Expiration	
			Economic	Representation
Manila North Harbor Inc. (Dailies & Monthlies)- Waterfront Workers Union - North Harbor Inc.	751	1	November 30, 2020	November 30, 2022
Star Tollway Corporation Toll Teller Association (Monthlies)	143	1	July 31, 2019	July 31, 2021
Malayang Samahan ng Toll Tellers sa MATES - Workers Solidarity Network	637	0		
	1,531	2		

SAN MIGUEL YAMAMURA PACKAGING CORPORATION

Installation, Bargaining Agent & Affiliation	Number of Members	Number of CBAs	EXPIRATION	
			ECONOMIC	REPRESENTATION
SMC Yamamura Fuso Molds Corporation (Monthlies) - SMC Yamamura Fuso Molds Monthlies Union - PTGWO PTGWO Local Chapter 842	68	1	Dec. 31, 2021	December 31, 2023
San Miguel Yamamura Corporation (Ex-Parent) Manila Plastics Plant (Monthlies) San Miguel Packaging Specialists, Inc Employees Union - Manila Plastics Plant - PTGWO Local 888	55	1	June 30, 2022	June 30, 2022
San Miguel Yamamura Corporation (Ex-Parent) Manila Glass Plant (Monthlies) San Miguel Yamamura Packaging Corp. Employees Union - Manila Glass Plant - Association of Genuine Labor Organization (SMYPCEU-MGP-AGLO)	156	1	June 30, 2022	June 30, 2022
San Miguel Yamamura Corporation (Ex-Parent) - Metal Closure & Lithography Plant - (Monthlies) San Miguel Packaging Specialists, Inc Employees Union - Metal Closure & Lithography Plant - PTGWO Local 890	25	1	June 30, 2022	June 30, 2022
Mindanao Corrugated Fireboard, Inc. (Monthlies)Mincorr Independent Workers Union - Alliance of Progressive Labor - Sentro ng mga Nagkakaisa at Progresibong Manggagawa (MIWU=APL-SENTRO)	72	1	Dec. 31, 2019	Dec. 31, 2022
San Miguel Packaging Specialists, Inc. Canlubang PET and CAPS Plant (Monthlies) SAMAHAN ng MALAYANG MANGGAGAWA sa BPSI-Canlubang-PTGWO	19	1	Dec. 31, 2022	June 13, 2022
Can Asia, Inc. - Monthlies Union - San Miguel Yamamura Packaging Corporation - Can Asia, Inc. (Independent Union)	90	1	Dec. 31, 2019	Dec. 31, 2024
SMC Yamamura Asia Corporation (Monthlies) Union Buo Organisadong Samahan ng Empleyado sa SMYAC - Independent (BOSES-SMYAC)	466	1	Dec. 31, 2022	April 01, 2023
Rightpak International Corporation (Monthlies) - Rightpak Employees Union - PTGWO	133	1	May 31, 2020	May 31, 2022
SMYPC - Mandaue Packaging Plants (Glass, MCLP, Power) (Dailies) Kahugpong Sa Ligdong Mamumuo - SMPSI Mandaue (KLM-SMPSI Mandaue)	67	1	Dec. 31, 2020	Dec. 31, 2020
	1,151	10		
TOTAL	6,086	34		

Annex “F”

List of Properties and Location

Company Name / Subsidiary		Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
FOOD AND BEVERAGE BUSINESS							
1	SAN MIGUEL BREWERY, INC.						
	A. DOMESTIC						
	Head Office						
	Office Space	40 San Miguel Ave., Mandaluyong City	Owned	Good			
	Production Facilities						
	Polo Brewery	Marulas, Valenzuela City, Metro Manila	Owned	Good			
	San Fernando Brewery	Brgy. Quebiawan, McArthur Highway, San Fernando, Pampanga	Owned	Good			
	Sta. Rosa Bottling Plant	Sta. Rosa Industrial Complex, Brgy. Pulong Sta. Cruz, Sta. Rosa, Laguna	Owned	Good			
	Bacolod Brewery	Brgy. Granada, Sta. Fe, Bacolod City, Negros Occidental	Owned	Good			
	Mandaue Brewery	National Highway, Brgy. Tipolo, Mandaue City	Owned	Good			
	Davao Brewery	Brgy. Darong, Sta. Cruz, Davao del Sur	Owned	Good			
	Cagayan de Oro Brewery	Sta. Ana, Tagoloan, Misamis Oriental	Building & Facilities- Owned; Land-Rented	Good	1,230,428.97	March 25, 2028	The lease may be renewed for a period of 25 years upon such terms and conditions mutually agreed upon by the parties
	Sales/Area Offices and Warehouses						
	San Fernando Region Office	SMC Complex, Brgy. Quebiawan, McArthur Highway, San Fernando, Pampanga	Owned	Good			
	Carmen Sales Office	Carmen East, Rosales, Pangasinan	Owned	Good			
	Dagupan Sales Office	Caranglaan Dist., Dagupan City, Pangasinan	Owned	Good			
	Baguio Sales Office	Naguilian Road, San Carlos Heights, Brgy. Irisan, Baguio City, Benguet	Owned	Good			
	Carlattan Sales Office	Pennsylvania Ave., Brgy. Madayegdeg, San Fernando, La Union	Owned	Good			
	Cauayan Sales Office	Brgy. San. Fermin, Cauayan, Isabela	Owned	Good			
	Santiago Sales Office	National Road, Brgy. Mabini, Santiago City, Isabela	Owned	Good			
	Region Office (Angeles Sales Office)	San Andres St., San Angelo Subdivision, Sto. Domingo, Angeles City, Pampanga	Owned	Good			
	Region Office	Brgy. 22, San Guillermo, San Nicolas, Ilocos Norte	Owned	Good			
	Central North Luzon Area	Brgy. Tablac, Candon City, Ilocus Sur	Owned	Good			
	Central North Luzon Area	Maharlika Highway, Brgy. Sta Maria, Lallo, Cagayan	Owned	Good			
	Guiguinto Sales Office	Cagayan Valley Rd., Brgy. Sta. Cruz, Guiguinto, Bulacan	Owned	Good			
	San Isidro Sales Office	Gapan-Olongapo Rd., Poblacion San Isidro, Nueva Ecija	Owned	Good			
	Caloocan Sales Office	A. Cruz St., Brgy. 96, Caloocan City	Owned	Good			
	Tondo Sales Office	Honorio Lopez Blvd., Guidote St., Tondo, Manila	Owned	Good			
	Cubao Sales Office	Brgy. Mangga, Cubao , Quezon City	Owned	Good			
	Portion of Tondo Sales Office	portion of Tondo S.O. - Buendia cor. Guidote St., Tondo Manila	Owned	Good			
	Novaliches Sales Office	Novaliches S.O. - Quirino Highway, Brgy. Kaligayahan, Novaliches, Quezon City, Metro Manila	Owned	Good			
	Pureza Sales Office	Brgy. 425, Zone 43, Sampaloc District, Manila	Owned	Good			
	Sta. Ana Sales Office	M. Carreon St., Brgy. 864, Sta. Ana District, Manila	Owned	Good			
	Taytay Sales Office	Manila East Rd., Brgy. Dolores, Taytay, Rizal	Owned	Good			
	Sucat Sales Office	Dr. A. Santos Ave., Bgy. San Dionisio, Parañaque City	Owned	Good			
	Parañaque Sales Office	No. 100 Bernabe Subd., Brgy. San Dionisio, Sucat, Parañaque City, Metro Manila	Owned	Good			

Company Name / Subsidiary		Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
	Canlubang Sales Office	Silangan Exit, Canlubang, Calamba City, Laguna	Owned	Good			
	Lucena Sales Office	Maharlika Highway, Brgy. Isabang, Lucena City, Quezon	Owned	Good			
	Gumaca Sales Office	Maharlika Highway, Brgy. Villa Bota, Gumaca, Quezon	Owned	Good			
	Naga Sales Office	Maharlika Highway, Brgy. Concepcion Grande Pequeña, Naga City, Camarines Sur	Owned	Good			
	Puerto Princesa Sales Office	Brgy. Mandaragat, Puerto Princesa City, Palawan	Owned	Good			
	San Jose Sales Office	Aurora Quezon and Calderron St., Brgy. Labangan, San Jose, Occidental Mindoro	Owned	Good			
	Batangas Sales Office	National Rd., Brgy. Balagtas, Batangas City, Batangas	Owned	Good			
	South Luzon Area	Ayala Highway, Brgy. Balintawak, Lipa City, Batangas	Owned	Good			
	Bacolod Region Office (Bacolod Sales Office)	Brgy. Granada, Sta. Fe, Bacolod City, Negros Occidental	Owned	Good			
	Iloilo Sales Office	Muelle Loney St., Brgy. Legaspi, Iloilo City	Owned	Good			
	Himamaylan Sales Office	National Hi-way, Brgy. 4, Himamaylan City, Negros Occidental	Owned	Good			
	Negros	Flores St., Brgy. Sum-Ag, Bacolod City, Negros Occidental	Owned	Good			
	Numancia Sales Office	Brgy., Camansi Norte, Numancia, Aklan	Owned	Good			
	Roxas Sales Office	Brgy. Libas, Roxas City, Capiz	Owned	Good			
	IGBR Region Office	Meliza St. Brgy. Zamora, Iloilo City	Owned	Good			
	CV North & South Region Offices	National Highway, Brgy. Tipolo, Mandaue City	Owned	Good			
	Region Office	Brgy. Darong Sta. Cruz, Davao del Sur	Owned	Good			
	Region Office (Davao SO)	National Highway, Bgy. Ulas, Talomo, Davao City	Owned	Good			
	Rented Out/Region Office	National Highway, Brgy. Magugpo, Tagum City	Owned	Good			
	Mindanao	Sergio Osmeña, Brgy. Poblacion, Koronadal City	Owned	Good			
	Rented Out/Region Office	National Highway, Brgy. Lagao, Gen. Santos City	Owned	Good			
	Opol Sales Office	National Highway, Brgy. Luyong Bonbon, Opol, Misamis Oriental	Owned	Good			
	Zamboanga Sales Office	R.T. Lim Blvd., Baliwasan, Zamboanga City	Owned	Good			
	Mindanao	Brgy. Bongtod, Tandag City, Surigao del Sur	Owned	Good			
	Mindanao	J.P. Rizal Ave., Poblacion, Digos City	Owned	Good			
	Butuan Sales Office	R. Calo St., Fort Poyohan, Butuan City	Owned	Good			
	Cabanatuan Sales Office	Cabanatuan S.O. - No. 140 Duran Compound, Maharlika Highway, Brgy. Bitas, Cabanatuan City	Land & Building-Rented	Good	82,104.58	January 31, 2022	Renewable upon mutual agreement of both parties.
	Region Office	Region Office - #578 P. Burgos St. Cabanatuan City, Nueva Ecija	Land & Building-Rented	Good	35,240.63	May 31, 2021	Renewable upon mutual agreement of both parties
	Warehouse	Barangay Sta. Rita, Guiguinto, Bulacan	Warehouse Parking space - rented	Good	349,025.00	May 31, 2024	Renewable upon mutual agreement of both parties
	Valenzuela Sales Office	Valenzuela S.O. - Bldg. 23 Plastic City Cpd., #8 T. Santiago St., Brgy. Canumay, Valenzuela City, Metro Manila	Land, Warehouse and Open Space-Rented	Good	305,870.53	April 30, 2021	Renewable upon mutual agreement of both parties
	Valenzuela Sales Office	Valenzuela S.O. - Bldg. 24 & 25 Plastic City Cpd., #8 T. Santiago St., Brgy. Canumay, Valenzuela City, Metro Manila	Land, Warehouse and Open Space-Rented	Good	185,678.57	April 30, 2021	Renewable upon mutual agreement of both parties
	Warehouse (Balintawak Sales Office)	Kaingin Rd., Brgy. Apolonio Samson, Balintawak, Quezon City	Land, Warehouse and Open Space-Rented	Good	780,995.00	August 31, 2022	Renewable upon mutual agreement of both parties

Company Name / Subsidiary		Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
	Warehouse	685 Tandang Sora Ave., Quezon City	Warehouse-Rented	Good	118,571.43	May 30, 2021	The Contract is subject to renewal or extension under such terms and conditions as may mutually agreed upon between the parties in writing.
	Pasig Sales Office	Pasig S.O. - Mercedes Ave., Pasig City, Metro Manila	Land & Warehouse-Rented	Good	1,082,812.50	December 31, 2021	Renewable upon mutual agreement of both parties
	Masbate Sales Office	Bgy. Pinamarbuan, Mobo, Masbate	Land, Warehouse and Open Space-Rented	Good	185,850.00	March 31, 2021	Renewable upon mutual agreement of both parties
	Legazpi Sales Office	Legazpi S.O. - Tahao Street, Bgy. Gogon, Legaspi City, Bicol	Warehouse, Office & Open Space-Rented	Good	304,920.00	December 31, 2021	Renewable upon mutual agreement of both parties
	Dasmariñas Sales Office	Dasmarinas S.O. - Brgy. Langkaan II, Governors Drive, Dasmarinas, Cavite	Warehouse-Rented	Good	455,625.00	January 31, 2022	Renewable upon mutual agreement of both parties
	Bacoor Sales Office	Bacoor S.O. - Tirona Highway, Habay 1, Bacoor, Cavite	Warehouse-Rented	Good	346,987.50	March 31, 2021	Renewable upon mutual agreement of both parties
	Bulan Sales Office	Bulan S.O. - T. de Castro St., Zone 8, Bulan, Sorsogon	Warehouse-Rented	Good	128,100.00	October 31, 2021	Renewable upon mutual agreement of both parties
	Pila Sales Office	Pila S.O. - Brgy. Bulilan Norte, National Highway, Pila, Laguna	Warehouse-Rented	Good	267,857.14	September 30, 2021	Renewable upon mutual agreement of both parties
	Dumaguete Region Office	Dumaguete Region Office - Brgy. Pulang Tubig, Dumaguete City	Land & Land Improvement-Rented	Good	74,529.00	December 31, 2024	Renewable at the option of the lessee
	Dumaguete Sales Office	Dumaguete S.O. - Brgy. Pulang Tubig, Dumaguete City	Warehouse-Rented	Good	110,250.00	September 30, 2023	Renewable upon mutual agreement of both parties
	Iloilo Sales Office	Brgy. Pagduque, Dumanas, Iloilo	Warehouse-Rented	Good	325,968.00	June 15, 2024	Renewable upon mutual agreement of both parties
	Catbalogan Sales Office	Samar Region Office - San Bartolome St., Catbalogan, Samar	Warehouse, Office Space & Open Space-Rented	Good	187,000.00	November 30, 2031	Renewable upon mutual agreement of both parties
	Tagbilaran Sales Office	Tagbilaran S.O. - Tomas Cloma Ave., Taloto District, Tagbilaran City, Bohol	Warehouse-Rented	Good	75,000.00	October 31, 2022	Renewable upon mutual agreement of both parties
	Tacloban Sales Office/Region Office	Fatima Village, Tacloban City, Leyte	Portion of Land-Rented/Portion of Land-Owned	Good	243,705.27	May 31, 2024	Renewable upon mutual agreement of both parties
	Caraga Region Office	715 Molave St., Guingona Subd. Butuan City, Agusan del Norte	Land & Land Improvement-Rented	Good	115,473.09	August 31, 2025	Renewable upon mutual agreement of both parties
	Region Office	Brgy. Aguada, Ozamiz City	Building-Rented	Good	99,825.00	July 31, 2022	Renewable upon mutual agreement of both parties
	Iligan Sales Office	Iligan S.O. - Pandan, Sta. Filomena, Iligan City	Warehouse-Rented	Good	62,500.00	September 30, 2022	Renewable upon mutual agreement of both parties
	Liloy Sales Office	Liloy S.O. - Baybay, Liloy, Zamboanga del Norte	Warehouse-Rented	Good	44,642.86	September 30, 2022	Renewable upon mutual agreement of both parties
	Dipolog Sales Office	Dipolog S.O. - Sta. Filomena, Dipolog City	Warehouse-Rented	Good	50,892.86	September 30, 2022	Renewable upon mutual agreement of both parties
	Terminal						
	Bataan Malt Terminal (land, building, machineries & equipment, furnitures & fixtures)	Mariveles, Bataan	Building & Facilities-Owned; Land-Rented	Good	661,029.65	April 30, 2025	Renewable upon mutual agreement of both parties

Company Name / Subsidiary		Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
	Investment Properties	Brgy. Estefania, Bacolod City (9 lots)	Owned	Good			
		No. 31 Rosario St., Brgy. Granada, Bacolod City	Owned	Good			
		Brgy. Penabatan, Pulilan, Bulacan	Owned	Good			
		L26 B11, Brgy. Sto.Domingo, Sta.Rosa, Laguna	Owned	Good			
		Jaro, Iloilo (2 lots)	Owned	Good			
		Barrio of Tinajeros, Malabon City (2 lots)	Owned	Good			
		Bo. of San Jose and Poblacion Cabanatuan City (3 lots)	Owned	Good			
		Barrio of Mallorca, San Leonardo. Nueva Ecija (2 lots)	Owned	Good			
		Poblacion, San Leonardo, Nueva Ecija	Owned	Good			
		Lot 5009 Imus Estate, Imus Cavite	Owned	Good			
		Imus Friar, Imus, Prov. of Cavite (2 lots)	Owned	Good			
		Lot 5159 Poblacion, Imus Prov. Of Cavite	Owned	Good			
		Barrio of San Rafael & San Roque (2 lots)	Owned	Good			
		Bo. Of Pob. 2nd Municipality of Tarlac (2 lots)	Owned	Good			
		71-B-3-B-4 Barrio Suizo Municipality of Tarlac	Owned	Good			
		Bgy. Paringao, Municipality of Bauang, La Union	Owned	Good			
		Bo. Mabilao, San Fabian, Pangasinan (4 lots)	Owned	Good			
	B. INTERNATIONAL						
	Breweries						
	San Miguel Beer (Thailand) Ltd.	89 Moo2, Tiwanon Rd., Baan Mai, Muang , Pathumtani 12000, Thailand	Owned	Good			
	PT Delta Djakarta Tbk	Jalan Inspeksi Tarum Barat Desa Setia Darma Tambun Bekasi Timur 17510, Indonesia	Owned	Good			
	San Miguel (Guangdong) Brewery Co., Ltd	San Miguel Road 1#, Longjiang Town, Shunde District, Guangdong Province, China	Owned	Good			
	San Miguel (Baoding) Brewery Co. Ltd.	Shengli street, Tianwei West Road, Baoding City, Hebei Province, China	Owned	Good			
	San Miguel Brewery Vietnam Ltd.	Quoc Lo 1 , Suoi Hiep , Dien Khanh , Khanh Hoa	Owned	Good			
	San Miguel Brewery Hong Kong Limited	22 Wang Lee Street, Yuen Long Industrial Estate, Yuen Long, New Territories, Hong Kong	Building-Owned; Land-Rented	Good	HKD 251,898.00	2047	No renewal options
	Sales/Area Offices and Warehouses						
	Guangzhou San Miguel Brewery Co. Ltd.						
	Shantou Sales Office	Room 803 and Room 804, Underground Parking, Huamei Garden, Shantou City	Owned	Good			
	Shunde Sales Office	No.1 San Miguel Avenue, Longjiang Town, Shunde District, Foshan City, Guangdong, PRC	Owned	Good			
	San Miguel (China) Investment Co. Ltd.	1-7A, 1-11A, 1-12A, 1-9C, 1-7C Parkview Tower Chaoyang District Beijing 100027, China	Owned	Good			
	San Miguel Baoding Brewery Company Limited						
	San Miguel Baoding Brewery Company Limited	4-3-102, 4-3-202, 4-3-302 JiXing Yuan, Baoding City	Owned	Good			
	San Miguel Baoding Brewery Company Limited	JinXia Villa, Baoding City, Hebei Province, China	Owned	Good			
	San Miguel Brewery Hong Kong Limited	9 th Floor, Citimark Building , No.28 Yuen Shun Circuit, Siu Lek Yuen, Shatin, NT, Hong Kong	Land-Rented	Good	HKD 31,229.00	2047	No renewal options
	San Miguel Brewery Hong Kong Limited	San Miguel Industrial Building, No. 9-11 Shing Wan Road, Tai Wai, Shatin, NT, Hongkong	Land-Rented	Good	HKD 16,832.00	2047	No renewal options

Company Name / Subsidiary		Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
	San Miguel (Guangdong) Brewery Co.,Ltd						
	San Miguel (Guangdong) Brewery Co.,Ltd	Longjiang, Industrial Estate, Shunde District, Guangdong Province	Land-Rented	Good	Entire rent paid at the start of lease term	May 01, 2053	For renewal at the expiry date.
	Guangzhou Admin Office	Room 702, No. 98, South East Road, Yuexiu District, Guangzhou, Unit A and unit B	Office Space-Rented	Good	RMB 69,243.40	January 04, 2021	At the end of contract, in the same condition, we have the priority right of renewal, lease and rent will be discussed by both parties .
	Dongguan Sales Office	No. 1805, building 3, Grape Manor, No.9 Jinao Avenue, Xincheng District, Wanjiang District, Dongguan city	Office Space-Rented	Good	RMB 3,300.00	November 29, 2021	At the end of contract, in the same condition, we have the priority right of renewal, lease and rent will be discussed by both parties .
	Shenzhen Sales Office	Kaijiada building, no. 1 industrial park road, dalang street office, longhua district, shenzhen city	Office Space-Rented	Good	RMB 4,300.00	November 29, 2021	At the end of contract, in the same condition, we have the priority right of renewal, lease and rent will be discussed by both parties .
	Zhongshan Sales Office	Qijiang Road,Shaxi District, Zhongshan City, China	Leased	Good	CNY 1,500.00	November 29, 2021	At the end of contract ,in the same condition, We have the priority right of renewal, lease and rent will be discussed by both parties.
	San Remo Taiwan (SRT)						
	San Miguel Company Ltd. Taiwan Branch-Taipei	3F-3, No.167, Fusing N. Rd., Taipei, Taiwan (ROC)	Office Space-Rented	Good	NT\$140,000.00	April 15, 2022	For renewal at the end of contract.
	San Miguel Company Ltd. Taiwan Branch-Kaohsiung	No.305-6, Renlin Rd., Renwu Dist., Kaohsiung City 814, Taiwan (R.O.C.)	Office Space-Rented	Good	NT\$58,000.00	December 31, 2022	Renewable upon mutual agreement of both parties
	San Miguel Company Ltd. Taiwan Branch-Taichung	No.159, Shuwang Rd., Dali Dist., Taichung City 412, Taiwan (R.O.C.)	Office Space-Rented	Good	NT\$37,143.00	December 30, 2022	Renewable upon mutual agreement of both parties
	San Miguel Company Ltd. Taiwan Branch-North Region Warehouse	No. 34-88, Dahu Rd., Guishan Dist., Taoyuan City 333, Taiwan (R.O.C.)	Office Space-Rented	Good	depends on how much space we use	December 31, 2021	Renewable upon mutual agreement of both parties
	San Miguel China Investment Company Limited	Room 701, Tower 1, Xiaoyun Center, Xiaguangli, No. 15 Chaoyang District, Beijing China 100026	Office Space-Rented	Good	RMB 23,000.00	September 23, 2021	Renewable upon mutual agreement of both parties
	San Miguel Baoding Brewery Company Limited						
	San Miguel Baoding Brewery Company Limited	Shengli Street, Tianwei West Road, Baoding City, Hebei Province, China	Land-Rented	Good	Entire rent paid at the start of lease term	June 01, 2046	Renewable upon mutual agreement of both parties
	Shijiazhuang Sales Office	1-2-802, Kentongmingdi, Jianshe Road, Shi Jia Zhuang City , Hebei Province, China	Office Space-Rented	Good	CNY 1,600.00	March 31, 2021	Renewable upon mutual agreement of both parties
	San Miguel Marketing Thailand Limited						
	North sales office	North Office 403/5 Lumpoon Road, Wadked , Amphor Muang , Lumpoon	Office Space-Rented	Good	THB 13,684.21	December 15, 2021	Renewable upon mutual agreement of both parties
	South sales office (Phuket)	14/4 Moo 4 , Tambon Wichit Amphor Muang, Phuket	Office Space-Rented	Good	THB 23,157.90	December 31, 2021	Renewable upon mutual agreement of both parties
	South sales office (Samui)	44/38 Moo 1 Tambon Maenam,Amphur Koh Samui Suratthani	Office Space-Rented	Good	THB 21,052.63	September 30, 2021	Renewable upon mutual agreement of both parties
	Northeast sales office	44/50 Moo 3 Chataphadung Rd, Thumbon Naimuang, Amphur Muang Khonkean	Office Space-Rented	Good	THB 11,578.95	December 31, 2021	Renewable upon mutual agreement of both parties
	Pattaya sales office	263/91 Moo 12 Tambon Nongprue Banglamung Chonburi	Office Space-Rented	Good	THB 25,263.16	February 28, 2021	Renewable upon mutual agreement of both parties

Company Name / Subsidiary		Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
	San Miguel Brewery Vietnam Limited						
	San Miguel Brewery Vietnam Ltd.	Quoc Lo 1 , Suoi Hiep , Dien Khanh, Khanh Hoa	Land-Rented	Good	VND 7,704,250.00	November 12, 2024	Renewable upon mutual agreement of both parties
	Ho Chi Minh Sales Office	180 Nguyen Van Troi Street , Ward 8, Phu Nhuan District, Ho Chi Minh City	Office Space-Rented	Good	USD 5,993.16	April 01, 2021	Renewable upon mutual agreement of both parties
	Da Nang Sales Office	180 2/9 Street, Da Nang City, Vietnam	Office Space-Rented	Good	VND 24,000,000.00	October 05, 2021	Renewable upon mutual agreement of both parties
	Nha Trang Sales Office	308 Thong Nhat street, Phuong Son, Nhatrang, Khanh Hoa, Vietnam	Office Space-Rented	Good	VND 22,000,000.00	December 31, 2021	Renewable upon mutual agreement of both parties
	Ho Chi Minh Warehouse	1500/3C, An Phu Dong Ward, Dist 12, Ho Chi Minh City	Warehouse-Rented	Good	VND 40,000,000.00	April 10, 2021	Renewable upon mutual agreement of both parties
	Vung Tau Office	215/15 Ba Cu Ward 4, Vung Tau City	Rented	Good	VND 5,000,000.00	April 01, 2021	Renewable upon mutual agreement of both parties
	Power Plant						
	San Miguel Baoding Utility	Shengli street, Tianwei west Road, Baoding City ,Hebei Province, China	Owned	Good			
2	GINEBRA SAN MIGUEL, INC.						
	A. HEAD OFFICE						
	GSMI Office Space	3rd and 6th Floors SMPC Bldg., St. Francis Ave., Ortigas Centre, Mandaluyong City	Owned	Good			
	GSMI Office Space	5th Floor SMPC Bldg., St Francis Ave., Ortigas Center, Mandaluyong City	Rented	Good	943,475.44 (September 2019 - August 2020); 1,009,518.72 (September 2020 - August 2021)	August 31, 2021	Renewable upon mutual agreement of both parties
	B. NORTH LUZON						
	Plants						
	GSMI Sta. Barbara Plant (Land and Facilities)	Tebag West, Sta. Barbara, Pangasinan	Owned	Good			
	EPSBPI Cauayan Plant (Land and Facilities)	San Fermin, Cauayan, Isabela	Owned	Good			
	Warehouse/Sales Office						
	GSMI Cauayan Sales Office	327 Prenza Highway, San Fermin, Cauayan Isabela	Owned	Good			
	GSMI Pua Warehouse 1	Don Jose Canciller St., Cauayan City, Isabela	Rented	Good	387,828.00	March 31, 2021	Renewable upon mutual agreement of both parties
	GSMI Pua Warehouse 3	Don Jose Canciller St., Cauayan City, Isabela	Rented	Good	328,480.00	February 29, 2020 Ongoing renewal of contract. Extended until March 31, 2021	Renewable upon mutual agreement of both parties
	GSMI Porac Warehouse and Sales Office	Sta. Cruz, Porac, Pampanga	Rented	Good	272,250.00	December 31, 2020	Renewable upon mutual agreement of both parties (Ongoing renewal)
	GSMI La Union Sales Office	Lee Building, Natl. Hiway, Brgy. Carlatan, San Fernando City, La Union	Rented	Good	17,368.42	December 31, 2020	Renewable upon mutual agreement of both parties (Ongoing renewal)
	GSMI Minien Warehouse	Brgy. Minien East, Sta. Barbara, Pangasinan	Rented	Good	25,000.00	June 30, 2021	Renewable upon mutual agreement of both parties

Company Name / Subsidiary		Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
	GSMI Lunec Warehouse	Brgy. Lunec, Malasiqui, Pangasinan	Rented	Good	490,014.00	February 29, 2020 Ongoing renewal of contract. Extended until April 10, 2021	Renewable upon mutual agreement of both parties
	Depot						
	GSMI Alcohol Depots #1 and #2	Brgy. Namonitan, Sto. Tomas (Damortis), La Union	Owned	Good			
	Land						
	GSMI Lingayen Property	Libsong East, Lingayen, Pangasinan	Owned	Good			
	GSMI Olongapo Property	Sta. Rita, Olongapo City, Zambales	Owned	Good			
	GSMI Cauayan Property	San Fermin, Cauayan, Isabela	Owned	Good			
	C. GMA						
	Warehouse/Sales Office						
	GSMI Pasig (C5) Sales Office (Warehouse Space, Parking Space and Parking Space with Bathroom)	Maja Compound, Canley Road Corner E. Rodriguez (C5), Bagong Ilog, Pasig City	Rented	Good	883,020.00	June 15, 2021	Renewable upon mutual agreement of both parties
	GSMI Sucat Parañaque Sales Office	#8380 Dr. A. Santos Avenue, BF Homes, Parañaque City	Owned	Good			
	D. SOUTH LUZON						
	Plants						
	GSMI Lucena Plant (Land and Facilities)	Bgy. Gulang-gulang, Lucena City, Quezon	Owned	Good			
	EPSBPI Ligao Plant (Land and Facilities)	Km 503, Hacienda Mitra, Paulog, Ligao City, Albay	Owned	Good			
	GSMI Cabuyao Plant (Land and Facilities)	Silangan Industrial Estate, Brgy. Pittland, Terelay Phase, Cabuyao, Laguna	Owned	Good			
	Warehouse/Sales Office						
	GSMI Ligao Sales Office	Km. 503, Hacienda Mitra, Brgy. Paulog, Ligao City, Albay 4504	Owned	Good			
	EPSBPI Warehouse Extension	Km. 503, Hacienda Mitra, Brgy. Paulog, Ligao City, Albay 4504	Owned	Good			
	GSMI Sales Admin Office	1080 Dona Aurora Boulevard, Gulang-gulang, Lucena City	Rented	Good	22,645.50	November 30, 2022	Renewable upon mutual agreement of both parties
	GSMI Legazpi Warehouse	Barangay 42, Rawiz Legazpi City	Rented	Good	126,000.00	June 30, 2021	Renewable upon mutual agreement of both parties
	GSMI Pagsanjan Sales Office	National Road, Brgy. Sabang, Pagsanjan, Laguna	Rented	Good	36,000.00	November 21, 2021	Renewable upon mutual agreement of both parties
	Depot						
	GSMI Cotta Depot	Francisco Ferdinand St., Teacher's Village, Bgy. Cotta, Lucena City	Owned	Good			
	GSMI Tabangao Depot	Bgy. Tabangao, Aplaya, Batangas City	Owned	Good			
	GSMI Alcohol Depot (Tanks 1, 2, 3)	BBTI, Bauan, Batangas	Rented	Good	528,000.00	December 31, 2021	Renewable at the option of the lessee
	GSMI Alcohol Depot (Tanks 4 & 6)	BBTI, Bauan, Batangas	Rented	Good	720,000.00	December 31, 2021	Renewable at the option of the lessee
	GSMI Alcohol Depot (Tanks 5 & 7)	BBTI, Bauan, Batangas	Rented	Good	720,000.00	December 31, 2021	Renewable at the option of the lessee
	GSMI Alcohol Depot (Tanks 8 & 9)	BBTI, Bauan, Batangas	Rented	Good	384,000.00	December 31, 2020	Renewable at the option of the lessee (Ongoing renewal)
	Land						
	EPSBPI Ligao Plant (Land)	KM 503, Hacienda Mitra, Paulog, Ligao City, Albay	Owned	Good			

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E. VISAYAS							
	Plants						
	GSMI Mandaue Plant (Land and Facilities)	Subangdaku, Mandaue City, Cebu	Owned	Good			
	GSMI Bago Plant (Land and Facilities)	Brgy. Calumangan, Bago City, Negros Occidental	Owned	Good			
	DBI Alcohol Distillery (Land and Facilities)	Km 13.5, Brgy. Taloc, Bago City, Negros Occidental	Owned	Good			
	DBI Deepwell Sites (Land and Facilities)	Brgy. Taloc, Bago City, Negros Occidental	Owned	Good			
	Warehouse/Sales Office						
	GSMI Warehouse	Mandaue Port, J. Cenniza St., Looc, Mandaue City	Owned	Good			
	GSMI Bago City Sales Office	Km 13.5, Brgy. Taloc, Bago City, Negros Occidental	Owned	Good			
	Distileria Bago, Inc. (Aged Alcohol Warehousing and Management)	Brgy. Taloc, Bago City, Negros Occidental	Owned	Good			
	GSMI Tacloban Sales Office	Picas Sagkahan, Diversion Road, Brgy. 59, Tacloban City	Rented	Good	15,000.00	October 15, 2021	Renewable upon mutual agreement of both parties
	Depot						
	GSMI Ouano Alcohol Depot	Brgy. Looc, City of Mandaue, Island of Cebu	Owned	Good			
	Land						
	DBI Relocation Site	Brgy. Calumangan, Bago City, Negros Occidental	Owned	Good			
	DBI (160sq.m new acquisition)	Brgy. Taloc, Bago City, Negros Occidental	Owned	Good			
	GSMI Looc Land (Depot)	Mandaue Port, J. Cenniza St., Looc Mandaue City	Owned	Good			
	F. MINDANAO						
	Warehouse/Sales Office						
	GSMI Davao Warehouse and Sales Office	Brgy. Talomo, Ulas, Davao City	Owned	Good			
	GSMI Pagadian Sales Office	2nd flr., Nesoricom Prime Arcade, National Highway, Tiguma, Pagadian City	Rented	Good	17,894.74	May 31, 2020 Ongoing renewal of contract. Extended until May 31, 2023.	Renewable upon mutual agreement of both parties
	GSMI Cagayan de Oro Sales Office	Unit 118 & Unit D-218 Lyl Apt., Kimwa Comp. Baloy, Brgy. Tablon, Cagayan De Oro City	Rented	Good	29,000.00	December 31, 2020	Renewable upon mutual agreement of both parties (Ongoing renewal)
3	FOOD GROUP						
	Admin Office/Sales Office						
	Pasig Office - San Miguel Food and Beverage, Inc. (SMFB)	17F, 18F, 21F, 22F, 23F JMT Corporate Condominium Building, ADB Avenue, Ortigas Center, Pasig City	Owned	Good			
	Iloilo Office - Agro Industrial Cluster	Melliza St., Iloilo City	Owned	Good			
	Isabela Sales Office - Poultry	Soyung, Echague, Isabela	Owned	Good			
	General Santos Office - Agro Industrial Cluster	Bo. Makar, Calumpang, Gen. Santos City	Owned	Good			
	Admin Office and Feedmill/Processing Plant/Product Development Laboratory/Warehouse						
	Cavite Admin Office and Magnolia Plant - Magnolia, Inc.	Governor's Drive, Bo. De Fuego, Gen. Trias, Cavite	Owned	Good			
	Depok Office and Poultry Processing Plant - PT San Miguel Purefoods Indonesia	Jl. Raya Bogor Km. 37 Sukamaju, Cilodong, Depok, Indonesia	Owned	Good			
	Tarlac Office, Feedmill and Warehouse Feeds	Luisita Industrial Park, San Miguel, Tarlac City	Owned	Good			

Company Name / Subsidiary		Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
	Bataan Feedmills and Warehouse - Feeds	Mindanao Avenue, Corner 10th Ave. BEZ, Mariveles, Bataan City	Owned	Good			
	Pasig Office and Product Development Laboratory - SMFI-Corporate	SMFG Cmpd., Legaspi cor. Eagle St., Ugong, Pasig City	Owned	Good			
	La Pacita Antipolo Office & Plant - Magnolia	#88 Garnet, Bario Mambugan, Antipolo City	Owned	Good			
	Bacolod Warehouse - San Miguel Mills Inc.	Reclamation Area, Barangay Poblacion, Bacolod City	Owned	Good			
	Isabela Feedmill and Warehouse - Feeds	Bo. Soyung, Echague, Isabela City	Owned	Good			
	Bulacan Feedmill and Warehouse (San Ildefonso) - Feeds	Brgy. Malipampang San Ildefonso, Bulacan	Owned	Good			
	Farm/Hatchery						
	Isabela Cattle Farm - Meats	3305 San Luis, Cauayan, Isabela City	Owned	Good			
	Calamba Hatchery - Poultry	Brgy Licheria, Calamba City	Owned	Good			
	Bataan Farm - Poultry	Brgy. General Lim, Orion, Bataan City	Owned	Good			
	Bukidnon Hatchery - Poultry	Kapitan Bayong, Impasug-ong, Bukidnon City	Owned	Good			
	Bukidnon Hog Farm - Meats	San Vicente, Sumilao, Bukidnon City	Owned	Good			
	Laguna Cattle Farm - Meats	Brgy. Mabacan, Calauan, Laguna	Owned	Good			
	Flourmill/Feedmill						
	Iloilo Feedmill - Feeds	Brgy. Gua-an, Leganes, Iloilo	Owned	Good			
	Pangasinan Feedmill - Feeds	Brgy. Bued, Binalonan, Pangasinan City	Owned	Good			
	Mabini Flourmill - San Miguel Mills, Inc.	Brgy. Bulacan, Mabini, Batangas City	Owned	Good			
	Tabangao Flourmill - San Miguel Mills, Inc.	Brgy. Tabangao, Batangas City	Owned	Good			
	Bukidnon Feedmill - Feeds	Impalutao, Impasug-ong, Bukidnon City	Owned	Good			
	Davao Feedmill - Feeds	Sitio Landing, Brgy. Darong , Sta. Cruz, Davao Del Sur	Owned	Good			
	Pavia Iloilo Feedmill - SMFI - Feeds	Brgy. Mali-ao Pavia, Iloilo	Owned	Good			
	Ormoc Feedmill - SMFI - Feeds	Brgy, Macabug, Ormoc City	Owned	Good			
	Misamis Oriental Feedmill - SMFI - Feeds	Brgy Gracia, Sitio Kivulda, Phividec, Tagoloan, Misamis Oriental	Owned	Good			
	Mandaue Feedmill - SMFI - Feeds	JL Ceniza St., Brgy Looc, Mandaue City	Owned	Good			
	Grain Terminal						
	Mabini Bulk Grain Handling Terminal - San Miguel Mills, Inc. (GBGTC)	Brgy. Balibaguhan and Brgy. Bulacan, Mabini, Batangas City	Owned	Good			
	Land						
	Mabini Land - SMFB	Brgy. Bulacan, Mabini, Batangas City	Owned	Good			
	Pasig Land - San Miguel Mills, Inc. (GAC)	San Miguel Ave., Corner Tektite Road, Pasig City	Owned	Good			
	Bulacan Land - SMFI Feeds	Malipampang, San Ildefonso, Bulacan	Owned	Good			
	General Santos Warehouse - Feeds	Bo. Makar, Calumpang, Gen. Santos City	Owned	Good			
	Bacolod Land - SMMI	Reclamation Area, Barangay Poblacion, Bacolod City	Owned	Good			
	Isabela Land - Feeds	Bo. Soyung, Echague, Isabela City	Owned	Good			
	Iloilo Land - Feeds	Brgy. Gua-an. Leganes, Iloilo	Owned	Good			
	Processing Plant						
	Binh Duong Processing Plant - San Miguel Purefoods (VN) Co., Ltd.	An Tay, Ben Cat, Binh Duong, Vietnam	Owned	Good			
	Cavite Meat Plant - Purefoods Hormel Company, Inc.	Bo. De Fuego, Brgy. San Francisco, Gen. Trias, Cavite	Owned	Good			
	Davao Poultry Processing Plant - Poultry	Brgy. Sirawan, Toril Davao City	Owned	Good			

Company Name / Subsidiary		Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
	Cavite Meat Plant - Meats	Governor's Drive Bo. Langkaan 1, Dasmarinas Cavite City	Owned	Good			
	Laguna Ice Cream Plant - Golden Food Management Inc. (GFMI, formerly Golden Food & Dairy Creamery Corporation)	Sta. Rosa Industrial Complex, Brgy. Pulong Sta. Cruz, Sta. Rosa, Laguna	Owned	Good			
	San Fernando Processing Plant	SMC Complex, Quebiawan, San Fernando, Pampanga	Owned	Good			
	Processing Plant and Cold Storage						
	Mandaue Poultry Processing Plant and Cold Storage - SMFI - Poultry	Riverside, Canduman, Mandaue City	Owned	Good			
	Warehouse						
	Quezon City Warehouse - Purefoods Hormel Company, Inc.	Regalado Ave., Fairview, Quezon City	Owned	Good			
	Admin Office						
	Mandaluyong Office - San Miguel Food and Beverage, Inc.	40 San Miguel Ave., Mandaluyong City	Owned	Good			
	Laguna Office - Poultry	2nd & 3rd Floor, Andenson Building III, National Hi-way, Brgy. Parian, Calamba City, Laguna	Rented	Good	Jan-July: 856,604.16 Aug-Dec: 925,132.00	July 31, 2021	Renewable every 5 years
	Davao Office - Poultry	3rd Floor Alpha Bldg., Lanang Business Park, Lanang, Davao	Rented	Good	321,599.60	August 31, 2025	Renewable every 5 years
	Ho Chi Minh Office - SMPFVN	6F Mekong Tower, 235-241 Ward 13, Tan Binh, Ho Chi Minh City, Vietnam	Rented	Good	VND 35,863,636.00	July 31, 2025	Renewable every 5 years
	Cebu Office - Poultry	5th and 6th Flr., Clotilde Bldg., Casuntingan, Mandaue City, Cebu	Rented	Good	178,200.00	June 30, 2023	Renewable every 3 years
	Cebu Office - Great Food Solutions, Poultry and SMIS	7th Floor Clotilde Bldg., Casuntingan, Mandaue City, Cebu	Rented	Good	27,000.00 (GFS) 59,400.00 (Poultry) 59,400 (SMIS)	June 30, 2023	Renewable upon mutual agreement of both parties
	Zamboanga Office - Poultry	Don Alfonso Marquez Subd., MCLL Highway Tetuan Zamboanga City	Rented	Good	30,387.63	December 31, 2021	Renewable every year
	Bukidnon Office - Agro Industrial Cluster and Poultry	Propia St. , Malaybalay, Bukidnon	Rented	Good	133,928.57	January 31, 2023	Renewable every 2 years
	Cagayan de Oro Office - Agro Industrial Cluster and Poultry	Masterson Avenue Zone 13, Carmen, Cagayan de Oro	Rented	Good	370,729.43	June 30, 2021	Renewable every 5 years
	Dumaguete Office - Poultry	Unit 1-C, JC Building, Ipil Road, Brgy. Daro, Dumaguete City	Rented	Good	28,359.38	October 30, 2021	Lease may be renewed upon mutual consent of both parties, after written notice to renew is given by the Lessee to the Lessor 60 days before expiry date.
	Bacolod Office - Poultry	NFCC Cybercentre Complex, Lacson Cr. Hernaez St., Bacolod City	Rented	Good	238,419.00	June 30, 2022	Renewable every 3 years
	Davao Office - Meats	Marapangi, Toril, Davao City	Rented	Good	7,500.00	January 31, 2021	Renewable upon mutual agreement of both parties
	Batangas Office - Poultry	San Roque, Sto Tomas, Batangas	Rented	Good	9,000.00	January 31, 2021	Renewable every year
	C5 Pasig Office - SMFB, SMFI, PHC, Magnolia, Coffee, SMMI	100 E. Rodriguez Jr. Ave., C5 Road, Ugong, Pasig City	Owned	Good			
	Tacloban Office - SMFI - AIC	Unit 12, 2nd Floor Bldg. B, Metrobank Center, Juan Luna St., Brgy. Poblacion, Palo, Leyte	Rented	Good	53,773.20	October 21, 2023	Renewable every 5 years
	Ormoc Office - SMFI - AIC	AW Square 3rd/F R#3F Cor. Real & San Vidal St., Ormoc City	Rented	Good	30,800.00	November 30, 2024	Renewable every 5 years

Company Name / Subsidiary		Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
	Admin Office and Cold Storage/Processing Plant/Warehouse						
	Bohol Admin Office - Poultry	Eastern Poblacion, Alburquerque, Bohol	Rented	Good	7,200.00	November 30, 2022	Renewable every 3 years
	Butuan Office and Cold Storage - Agro Industrial Cluster and Poultry	Km 9 Tag-ibo Butu-an	Rented	Good	8,210.71 (Office) 443,820.84 (Cold Storage)	31-Mar-2023 (Office - AIC and Cold Storage - Poultry)	Renewable every 5 years (Office & Cold Storage)
	Misamis Occidental Office and Cold Storage - Agro Industrial Cluster and Poultry	Mailen, Clarin, Misamis Occidental	Rented	Good	12,000.00 (Office) 278,423.00 (Cold Storage)	31-Dec-2021 (Office) 31-Dec-2022 (Cold Storage)	Renewable every year (Office) Renewable every 5 years (Cold Storage)
	Camarines Sur Office - SMFI - AIC; Office, Quality Assurance Office, Cold Storage and Holding Room - SMFI - Poultry; and Cold Storage - SMFI - Meats	Sta. Rita Industrial Estate, Sagurong, Pili, Camarines Sur	Rented	Good	57,500 (Office AIC) 548,500.00 (Office - Poultry) 267,857.14 (QA Office - Poultry) 1,640,821.00 (Cold Storage - Poultry) 553,797.00 (Holding Room - Poultry) 383,699.68 (Cold Storage - Meats)	November 15, 2021 (AIC Office) Continuing unless terminated and agreed by both parties (Poultry Admin and QA Office) Decemer 31, 2021 (Poultry Cold Storage & Holding Room, and Meats Cold Storage)	Renewable annually (AIC Office & Poultry Admin & QA Office) Renewable every 3 years (Poultry Cold Storage and Holding Room, and Meats Cold Storage)
	Iloilo Office and Cold Storage - SMIS	Iloilo Sales Options, Brgy. Mali-ao Pavia Iloilo, Jentec Storage Corp. Iloilo	Rented	Good	9,000 (Office) 494,519.08 (Cold Storage - SMIS)	January 1, 2021 (Office) March 31, 2021 (Cold Storage SMIS)	Renewable upon mutual agreement of both parties
	Cebu Office, Labatory & Cold Storage - Poultry	Brgy. Pangdan, Naga City, Cebu	Rented	Good	60,000.00 (Office and Labatory) 1,305,759.45 (Cold Storage)	June 30, 2021	Renewable every 6 months
	Cavite Cold Storage - Magnolia, Inc., Meats and Poultry	Anabu Hills Industrial Estate, Anabu 1-c, Imus Cavite	Rented	Good	Cold Storage: 1,684,698.97 (Magnolia) 3,495,898.41 (Meats) 967,520.36 (Poultry) Warehouse: 738,464.08 (Meats)	December 31, 2020	Renewable every year (Ongoing renewal)
	Mandaue Office and Cold Storage - Poultry	Lot 2459-B1&B2 Batiller Street, Barangay Umapad, Mandaue City	Rented	Good	221,019.00 (Office) 1,358,893.12 (Cold Storage)	March 31, 2021	Renewable upon mutual agreement of the parties
	Cebu Cold Storage - Poultry	F.E. Zuellig Ave., North Reclamation Area, Mandaue, Cebu	Rented	Good	4,003,437.40	July 31, 2021	Renewable every 3 years
	Mandaue Office and Storage - Poultry	245 Subangdaku, Mandaue City	Rented	Good	59,400.00	June 30, 2023	Renewable upon mutual agreement of both parties
	Cold Storage						
	Davao Cold Storage - Poultry	Daliao, Toril Davao	Rented	Good	189,963.20	December 31, 2020	Renewable every year (Ongoing renewal)
	Navotas Cold Storage - Poultry and Purefoods Hormel Company, Inc.	Lapu-Lapu Ave. and C3 Road cor. Northbay Blvd., Navotas	Rented	Good	6,514,420.00 (Poultry) 12,008,283.82 (PHC)	September 30, 2021	Renewable every 2 years
	Misamis Oriental Cold Storage - Poultry	Mohon Tagoloan Misamis Oriental	Rented	Good	379,238.00	December 31, 2021	The Lessee maybe pre-terminate the Contract without cause by giving 60 days prior written notice to the Lessor

Company Name / Subsidiary		Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
	Misamis Oriental Cold Storage - Meats	Phividec Industrial Estate, Sugbongcogon, Tagoloan, Misamis Oriental	Rented	Good	47,600.00	February 28, 2021	Renewable upon mutual agreement of both parties (Meats)
	Palawan Cold Storage - Poultry	Puerto Princesa, Palawan	Rented	Good	346,500.00	December 31, 2021	Renewable every 2 years
	Davao Cold Storage - Poultry and Meats	Purok 15, Panungtungan, Tibungco, Davao	Rented	Good	1,977,853.85 (Poultry) 610,951.30 (Meats)	September 30, 2021	Renewable every 3 years
	Pangasinan Cold Storage - Poultry	Brgy. Mabilao, San Fabian, Pangasinan 2433	Rented	Good	204,984.00	September 30, 2023	Renewable upon mutual agreement of both parties
	Bacolod Cold Storage - Poultry	Calong-calong, Airport Subd, Brgy Singcang, Bacolod City	Rented	Good	220,535.74	December 31, 2020	Renewable every 3 years (Ongoing renewal)
	Misamis Oriental Cold Storage - Meats	Sta. Ana, Tagoloan, Misamis Oriental	Rented	Good	118,552.00	December 31, 2021	Renewed upon the expiry of its contract term for the like period(s) under the same terms and conditions, except as may be otherwise agreed by the parties in writing
	Mandaluyong Cold Storage - San Miguel Integrated Sales	10th floor San Miguel Properties Centre, 7 St. Francis st. Mandaluyong City	Owned	Good			
	Pasig Cold Storage - Great Food Solutions	Luis St., San Miguel, Pasig City	Rented	Good	1,414,643.10	June 30, 2021	Renewable upon mutual agreement of both parties
	Dagupan Cold Storage - SMIS	AB Fernandez Ave., Dagupan City	Rented	Good	1,534,057.03	June 30, 2021	Renewable upon mutual agreement of both parties
	Pampanga Cold Storage - SMIS	Gloria 1 Sindalan, San Fernando, Pampanga	Rented	Good	1,651,206.99	June 30, 2021	Renewable upon mutual agreement of both parties
	Isabela Cold Storage - Meats	San Luis, Cauayan, Isabela	Rented	Good	302,728.56	Continuing unless terminated and agreed by both parties	Renewable upon mutual agreement of both parties
	Calamba Cold Storage - SMIS	Logistikus, Inc., Bldg 4, Molson Park, CA Yulo Ave, Canlubang Industrial Park, Calamba, Laguna	Rented	Good	3,226,171.64	March 31, 2021	Renewable upon mutual agreement of both parties
	Cagayan De Oro Cold Storage - SMFI - SMIS	Door 6 Waterside Living Complex, J Pacana St., Cagayan De Oro City	Rented	Good	42,130.27	June 30, 2021	Renewable upon mutual agreement of both parties
	Cagayan De Oro Cold Storage - SMFI - Poultry	Tablon, Cagayan de Oro City	Rented	Good	1,756,430.00	March 31, 2021	Renewable upon mutual agreement of both parties
	Carmona Cavite Cold Storage - SMFI - Poultry	Blk 2 Lot 4&5 Soutwoods Industrial Park, Carmona, Cavite	Rented	Good	3,500,565.41	January 23, 2021	Renewable every year
	Palawan Cold Storage - SMFI - Poultry	Abara Road, Brgy. San Pedro, Puerto Princesa City, Palawan	Rented	Good	346,500.00	December 31, 2021	Renewable every year
	Misamis Oriental Cold Storage - SMFI - Poultry	Sugbongcogon Phividic, Misamis Oriental	Rented	Good	128,220.00	February 28, 2021	Renewable every year
	Negros Oriental - Cold Storage - SMFI - Poultry	Sra Ascion, San Jose, Negros Oriental	Rented	Good	841,726.35	October 28, 2021	Renewable every 3 years
	Tagoloan Cold Storage - SMFI - Poultry	Zone 18,Natumolan,Tagoloan Misamis Oriental	Rented	Good	2,760,251.38	December 31, 2020	Renewable upon mutual agreement of both parties (Ongoing renewal)

Company Name / Subsidiary		Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
	Cold Storage and Blast Freezing Facility/Holding Room/Laboratory/Warehouse/Processing Plant/Mixes Storage/Office						
	Bulacan Holding Room - SMFI - Poultry	#95 Landicho St., Brgy. Balasing, Sta. Maria, Bulacan	Rented	Good	178,685.00	June 30, 2022	Renewable every 3 years
	Bulacan Cold Storage and Holding Room - Poultry	111 Pulong Gubat, Balagtas Bulacan	Rented	Good	2,391,480 (Cold Storage) 811, 795.00 (Holding Room)	December 31, 2022	Renewable every 2 years
	Pampanga Cold Storage- SMFI - Meats & Mixes Storage - Poultry	888 Quezon Rd, Brgy. San Isidro, San Simon, Pampanga	Rented	Good	2,136,013.22 (Cold Storage) 6,752.00 (Mixes Storage)	December 31, 2021	Renewable upon mutual agreement of both parties
	Leyte Cold Storage and Office and Labatory - Poultry	Brgy. Antipolo, Albueria, Leyte	Rented	Good	1,637,614.00 (Cold Storage) 35,000.00 (Office and Labatory)	August 31, 2025	Renewable every 5 years
	Bulacan Cold Storage, Holding Room and Laboratory - Poultry	Brgy. Caysio, Sta. Maria, Bulacan	Rented	Good	2,704,334.00 (Cold Storage) 990,746.00 (Holding Room) 30,164.56 (Laboratory)	February 28, 2022 (Cold Storage, Holding Room, Laboratory)	Renewable every 3 years (Cold Storage, Holding Room, Laboratory)
	La Union Cold Storage, Holding Room and Laboratory - Poultry	Brgy. Rabon, Rosario, La Union 2506	Rented	Good	1,794,978.13 (Cold Storage & Holding Room) 72,081.00 (Laboratory)	September 30, 2023	Renewable every 3 years
	Iloilo Cold Storage - Poultry and Meats	Brgy. Sambag Jaro Iloilo	Rented	Good	238, 860.34 (Poultry) 60,415.89 (Meats)	December 31, 2020	Renewable upon mutual agreement of both parties (Ongoing renewal)
	Pampanga Cold Storage, Holding Room and Labatory - Poultry	Brgy. San Isidro, San Simon, Pampanga	Rented	Good	906,252.00 (Cold Storage) 317,853.00 (Holding Room) 49,090.00 (Labatory)	July 07, 2022	Renewable every 5 years
	Tarlac Cold Storage, Holding Room and Laboratory - Poultry	Brgy. San Nicolas Balas, Concepcion, Tarlac 2316	Rented	Good	1,810,069.00 (Cold Storage) 1,211,826.00 (Holding Room) 37,882.07 (Laboratory)	December 31, 2021	Renewable every 3 years (Cold storage)
	Bataan Cold Storage and Holding Room - Poultry	Brgy. Tumalo, Hermosa, Bataan	Rented	Good	2,363,154.00 (Cold Storage) 1,088,895.00 (Holding Room) 32,215.84 (Labatory)	December 31, 2021	Renewable every 3 years
	Nueva Ecija Cold Storage, Holding Room and Labatory- Poultry	Km104, Brgy Tabuating, San Leonardo, Nueva Ecija	Rented	Good	650,183.63 (Cold Storage) 696,779.25 (Holding Room) 218,560.00 (Labatory)	March 8, 2021	Renewable every 3 years
	Iloilo Cold Storage and Processing Plant - Poultry	Barangay Tungay, Sta. Barbara, Iloilo	Rented	Good	849,650.00 (Cold storage) 474,483.96 (Processing plant)	December 31, 2023	Renewable every 3 years
	Negros Oriental Cold Storage and Processing Plant - Poultry	Bolocboloc Sibulan Negros Oriental	Rented	Good	11,552.02 (Processing Plant) 114,975.00 (Cold Storage)	October 31, 2021	Renewable every 3 years

Company Name / Subsidiary		Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
	Negros Occidental Processing Plant and Cold Storage & Laboratory - Poultry	Hda Binunga. Brgy Guinhalaran, Silay City, Negros Occidental	Rented	Good	395,443.01 (Processing Plant) 672,383.29 (Cold Storage)	January 31, 2021	Renewable every 3 years
	Foreshore						
	Mabini Bulk Grain Handling Terminal Foreshore - GBGTC	Brgy. Balibaguhan and Brgy. Bulacan, Mabini, Batangas	Rented	Good	373,949.14	December 31, 2025	Lease may be renewed for another 25 years at the option of the DENR
	Mabini Foreshore - San Miguel Mills, Inc.	Brgy. Bulacan, Mabini, Batangas	Rented	Good	49,089.06	Continuing unless terminated and agreed by both parties	Lease may be renewed for another 25 years at the option of the DENR
	Tabangao Foreshore - San Miguel Mills, Inc.	Brgy. Tabangao, Batangas	Rented	Good	9,648.63	August 22, 2024	Lease may be renewed for another 25 years at the option of the DENR
	Land						
	Mabini Bulk Grain Handling Terminal (Land only) - GBGTC	Brgy. Balibaguhan and Brgy. Bulacan, Mabini, Batangas	Owned	Good			
	Pangasinan Feedmill (Land only) - Feeds	Brgy. Bued, Binalonan, Pangasinan	Owned	Good			
	Mabini Flourmill (Land Only) - San Miguel Mills, Inc.	Brgy. Bulacan, Mabini, Batangas	Owned	Good			
	Bataan Farm (Land only) - Poultry	Brgy. General Lim, Orion, Bataan	Owned	Good			
	Bataan Feedmill (Land only) - Feeds	Mindanao Avenue, Corner 10th Ave. BEZ, Mariveles, Bataan	Rented	Good	1,260,960.00 (Plant 1) 716,214.10 (Plant 2)	December 31, 2054 (Plant 1) March 31, 2041 (Plant 2)	Renewable upon mutual agreement of both parties
	Cebu Land - San Miguel Mills, Inc.	P. Rodriguez Street & Dad Cleland Road, Poblacion, Lapu-Lapu, Cebu	Rented	Good	Jan-June : 3,492,045 July -Dec : 3,666,648	May 31, 2031	Renewable upon mutual written agreement of the parties
	Pasig Office (Land Only) - San Miguel Foods, Inc. - Corporate	SMFG Cmpd., Legaspi cor. Eagle St., Ugong, Pasig	Owned	Good			
	Pampanga Processing Plant (Land Only) - Poultry	SMPFC Region Office, SMC Complex, Quebiawan, San Fernando, Pampanga	Owned	Good			
	Laguna Ice Cream Plant (Land Only) - Magnolia (GFDCC)	Sta. Rosa Industrial Complex, Brgy. Pulong Sta. Cruz, Sta. Rosa, Laguna	Owned	Good			
	Ready-to-Eat Plant (Land Only) - Great Food Solutions	Sta. Rosa Industrial Complex, Brgy. Pulong Sta. Cruz, Sta. Rosa, Laguna	Owned	Good			
	Processing Plant						
	Lipa Dressing Plant - Poultry	Brgy Kayumanggi, Lipa	Rented	Good	1,037,190.00	March 01, 2023	Renewable every 3 years
	Quezon Processing Plant - Poultry	Brgy Lagalag, Tiaong, Quezon	Rented	Good	2,811,599.00	June 30, 2021	Renewable every 3 years
	Puerto Princesa Dressing Plant - Poultry	Brgy Tagburos, Puerto Princesa	Rented	Good	20,000.00	December 31, 2021	Renewable upon mutual agreement of both parties
	Albay Processing Plant - Poultry	Brgy. Anislag, Daraga, Albay	Rented	Good	163,578.00	July 31, 2021	Renewable every 3 years
	Lucena Processing Plant - Poultry	Brgy. Bocohan, Lucena	Rented	Good	1,534,600.00	June 30, 2021	Renewable every 3 years
	Isabela Processing Plant - Poultry	Garit Sur, Echague Isabela	Rented	Good	633,400.00	March 15, 2021	Renewable every 3 years
	South Cotabato Processing Plant - Poultry	Polomolok, South Cotabato	Rented	Good	169,150.08	December 31, 2021	Renewable upon mutual agreement of both parties
	Davao City Processing Plant - SMFI - Poultry	R.Castillo, Davao City	Rented	Good	234,500.00	December 31, 2020	Renewable upon mutual agreement of both parties (Ongoing renewal)
	Rizal Processing Plant - Poultry	#1 Sitio Kapatagan, Brgy. Pinugay, Baras, Rizal	Rented	Good	327,431.86	February 28, 2021	Renewable every year
	Davao Processing Plant - SMFI - Meats	Marapangi, Toril, Davao City	Rented	Good	73,660.71	January 31, 2021	Renewable upon mutual agreement of both parties
	Batangas Processing Plant - SMFI - Meats	Brgy Aya, San Jose, Batangas	Rented	Good	2,874,728.46	December 31, 2022	Renewable upon mutual agreement of both parties

Company Name / Subsidiary		Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
	Davao Processing Plant - SMFI - Meats	Marilog District, Davao City	Rented	Good	2,519,299.61	March 03, 2023	Renewable upon mutual agreement of both parties
	South Cotabato Processing Plant - Meats	Purok 3, Brgy. Glamang, Polomolok, South Cotabato	Rented	Good	906,949.03	Continuing unless terminated and agreed by both parties	Renewable upon mutual agreement of both parties
	Zamboanga Processing Plant -- Poultry	Km. 10 National Highway, Boalan, Zamboanga City	Rented	Good	711,711.03	December 31, 2020	Renewable upon mutual agreement of both parties (Ongoing renewal)
	Sales Office						
	Iloilo Office - San Miguel Integrated Sales	Orbe St., Brgy. Baybay Norte, Miag-ao, Iloilo	Rented	Good	8,928.57	June 30, 2028	Renewable upon mutual agreement of both parties
	Antipolo City Sales Office - SMMI	KM23 Sumulong Highway, Brgy. Sta. Cruz, Antipolo City	Rented	Good	24,500.00	February 17, 2024	Lessee shall notify lessor of its intention to renew this Contract, and any renewal agreement shall be subject to mutual written agreement by both parties
	Bacoor City Sales Office (Kambal Pandal) - SMMI	Spring Ville Central Park, Ph3 Molino 3, Bacoor, Cavite	Rented	Good	10,000.00	June 17, 2024	Either party may terminate agreement by giving at least 30 days notice. If the lessee is not able to pay the monthly rent for 2 consecutive months, the Lessor has the option to terminate the contract.
	Las Piñas City Sales Office - Foodcrave Marketing, Inc. (FMI)	Casimiro Commercial Center, Las Piñas City	Rented	Good	34,000.00	August 22, 2024	Any renewal or extension must be approved and agreed on in writing by both the Lessor and the Lessee
	Selling Outlets						
	Pembo Makati Selling Outlet - Foodcrave Marketing, Inc.	199 Lot 20A Sampaguita St., Pembo, Makati City	Rented	Good	21,052.63	December 31, 2022	Continuing unless terminated and agreed by both parties
	East Rembo Makati City Selling Outlet - Foodcrave Marketing, Inc.	184-A 20th Ave., Brgy. East Rembo, Makati City	Rented	Good	15,789.47	January 31, 2021	Renewable by mutual agreement of the parties. However should there be some operational losses on the part of the lessee he could terminate this contract with prior notice to the lessor in writing at the least (2) months before its termination.
	Damayan Quezon City Selling Outlet - Foodcrave Marketing, Inc.	50 Tolentino St. Cor. F. Bautista St., Damayan, Quezon City	Rented	Good	12,631.58	November 30, 2021	Continuing unless terminated and agreed by both parties
	Village East Quezon City Selling Outlet - Foodcrave Marketing, Inc.	113 Maginhawa St., Brgy. Teacher's Village East, Quezon City	Rented	Good	36,842.11	December 14, 2021	Continuing unless terminated and agreed by both parties
	Pasong Tamo Quezon City Selling Outlet - Foodcrave Marketing, Inc.	328 Tandang Sora Ave, Brgy. Pasong Tamo 6, Quezon City	Rented	Good	26,315.79	January 31, 2021	This lease may be renewed under the terms and conditions as may be agreed upon between the parties, after written notice to renew is given by the LESSEE to the LESSOR at least (30) days prior to the expiration of this lease.
	Kamuning Quezon City Selling Outlet - Foodcrave Marketing, Inc.	L. Sianghio St. Cor K-3rd St, Kamuning, Quezon City	Rented	Good	26,250.00	March 31, 2022	Continuing unless terminated and agreed by both parties
	North Fairview 5 Quezon City Selling Outlet - Foodcrave Marketing, Inc.	Block 72 Lot 24 Phase 8, Dollar St., North Fairview 5, Quezon City	Rented	Good	12,631.58	April 26, 2021	Continuing unless terminated and agreed by both parties
	Project 8 Quezon City Selling Outlet - Foodcrave Marketing, Inc.	No. 38-A Grants cor. GSIS Ave, GSIS Village, Brgy. Sangandaan, Project 8, Quezon City	Rented	Good	15,789.47	May 21, 2022	Continuing unless terminated and agreed by both parties
	Commonwealth Quezon City Selling Outlet - Foodcrave Marketing, Inc.	Katuparan St., Brgy. Commonwealth, Quezon City	Rented	Good	15,789.47	August 31, 2021	Continuing unless terminated and agreed by both parties

Company Name / Subsidiary		Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
	Concepcion Uno Marikina City Selling Outlet - Foodcrave Marketing, Inc.	783 J Rizal St., Concepcion Uno, Marikina City	Rented	Good	12,631.58	November 30, 2021	Continuing unless terminated and agreed by both parties
	Tanong Marikina City Selling Outlet - Foodcrave Marketing, Inc.	199 A Bonifacio Ave, Tanong, Marikina City	Rented	Good	15,789.47	June 14, 2021	Continuing unless terminated and agreed by both parties
	Concepcion Uno Marikina City Selling Outlet - Foodcrave Marketing, Inc.	32 Bayan Bayanan Ave. Concepcion Uno, Marikina City	Rented	Good	21,052.63	August 31, 2021	Continuing unless terminated and agreed by both parties
	Bicutan Taguig City Selling Outlet - Foodcrave Marketing, Inc.	Blk 184 Lot 10 Purok 1A, Central Bicutan, Taguig City	Rented	Good	26,315.79	February 28, 2021	Continuing unless terminated and agreed by both parties
	New Lower Bicutan Taguig City Selling Outlet - Foodcrave Marketing, Inc.	15 M.L. Quezon St., Purok 1 New Lower Bicutan, Taguig City	Rented	Good	26,315.79	December 31, 2022	Continuing unless terminated and agreed by both parties
	Pinagsama Taguig City Selling Outlet - Foodcrave Marketing, Inc.	Barretto Bldg, Phase 2, Pinagsama, Taguig City	Rented	Good	28,421.05	April 04, 2022	Continuing unless terminated and agreed by both parties
	South Signal Village Taguig City Selling Outlet - Foodcrave Marketing, Inc.	#17 Luzon St., South Signal Village, Taguig City	Rented	Good	30,000.00	June 04, 2022	Continuing unless terminated and agreed by both parties
	San Dionisio Parañaque City Selling Outlet - Foodcrave Marketing, Inc.	Buenaventura St. cor. Quirino Ave, San Dionisio, Parañaque City	Rented	Good	15,789.47	January 31, 2021	Continuing unless terminated and agreed by both parties
	Sampaloc Manila Selling Outlet - Foodcrave Marketing, Inc.	675 M. Dela Fuente St., Zone 044, Brgy. 449, Sampaloc, Manila	Rented	Good	35,000.00	March 31, 2022	The LESSEE shall be given priority by the LESSOR to renew the lease against other prospective tenants, PROVIDED, that the LESSEE shall give (30) days advance notice of its intention to extend or renew this Contract before the expiry date.
	Tondo Manila Selling Outlet - Foodcrave Marketing, Inc.	2551 Pinoy St., Balut, Brgy. 146 Zone 12, Tondo, Manila	Rented	Good	26,315.79	March 31, 2022	Continuing unless terminated and agreed by both parties
	Zone 17 Tondo Manila Selling Outlet - Foodcrave Marketing, Inc.	1146 R Papa St., Brgy. 187, Zone 17, Tondo, Manila	Rented	Good	17,894.74	July 31, 2021	Continuing unless terminated and agreed by both parties
	Rizal Ave. Manila Selling Outlet - Foodcrave Marketing, Inc.	LRT1 Abad Santos Station, Rizal Ave. Manila	Rented	Good	15,000.00	October 21, 2021	Renewable upon agreement of both parties
	Putatan Muntinlupa City Selling Outlet - Foodcrave Marketing, Inc.	Beside Caltex National Road, Brgy. Putatan, Muntinlupa City	Rented	Good	21,052.63	March 31, 2022	Continuing unless terminated and agreed by both parties
	Almanza Uno, Las Piñas City Selling Outlet - Foodcrave Marketing, Inc.	L6 #26 Pilar Road Almanza Uno, Las Piñas City	Rented	Good	13,684.21	January 14, 2021	Continuing unless terminated and agreed by both parties
	Maybunga Pasig City Selling Outlet - Foodcrave Marketing, Inc.	78 Dr. Sixto Antonio Ave, Maybunga, Pasig City	Rented	Good	26,315.79	April 04, 2021	Continuing unless terminated and agreed by both parties
	Rosario Pasig City Selling Outlet - Foodcrave Marketing, Inc.	78A ECM Bldg, Dr. Sixto Ave, Rosario, Pasig City	Rented	Good	15,789.47	June 14, 2021	Continuing unless terminated and agreed by both parties
	Navotas City Selling Outlet - Foodcrave Marketing, Inc.	1438 M. Naval St, Tangos North District II, Navotas City	Rented	Good	13,684.21	June 30, 2021	Continuing unless terminated and agreed by both parties
	Brgy. Dalandanan Dist. I Valenzuela City Selling Outlet - Foodcrave Marketing, Inc.	302 G. Lazaro St., Mc Arthur Highway, Brgy. Dalandanan Dist. I, Valenzuela City	Rented	Good	13,684.21	May 31, 2022	Continuing unless terminated and agreed by both parties
	Tipas Taguig City Selling Outlet - Foodcrave Marketing, Inc.	590-D Tipas Town Center, Lot 2839, HR Capistrano St., Tipas, Taguig City	Rented	Good	11,214.96	August 27, 2021	Continuing unless terminated and agreed by both parties
	Camarin Caloocan City Selling Outlet - Foodcrave Marketing, Inc.	Area D, 7770 Ilang Ilang St. (Zapote St.) Camarin, Caloocan City	Rented	Good	21,052.63	August 04, 2021	Continuing unless terminated and agreed by both parties
	San Juan Taytay Rizal Selling Outlet - Foodcrave Marketing, Inc.	Velasquez St., Brgy San Juan, Taytay, Rizal	Rented	Good	14,000.00	April 30, 2022	Continuing unless terminated and agreed by both parties

Company Name / Subsidiary		Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
	San Juan Taytay Rizal Selling Outlet - Foodcrave Marketing, Inc.	Cuatro Cantos Rizal Ave., Brgy. San Juan, Taytay, Rizal	Rented	Good	15,789.47	March 31, 2021	This lease may be extended upon the mutual agreement of the parties atleast (30) calendar days prior to the expiration of the lease. Failure of the LESSEE to initiate negotiations for the renewal of the lease thirty (30) days preceding the expiry thereof shall give the LESSOR the right to show the Leased Premises to other prospective lessees.
	Cainta Rizal Selling Outlet - Foodcrave Marketing, Inc.	CRV Bldg, F.P. Felix Ave. Cor. Karangalan Drive, Gate 2 PH 1, Karangalan Village, Brgy San Isidro, Cainta, Rizal	Rented	Good	40,527.00	April 04, 2021	Continuing unless terminated and agreed by both parties
	Cabuyao Laguna Selling Outlet - Foodcrave Marketing, Inc.	#77 Brgy. San Isidro, Cabuyao, Laguna	Rented	Good	10,526.32	Continuing unless terminated and agreed by both parties	Renewable upon mutual written agreement of the parties
	Calamba Laguna Selling Outlet - Foodcrave Marketing, Inc.	173 Mary Help of Christian St., Calamba City, Laguna	Rented	Good	15,789.47	November 30, 2021	Continuing unless terminated and agreed by both parties
	Cabuyao Laguna City Selling Outlet - Foodcrave Marketing, Inc.	J.P. Rizal St., Brgy Uno Cabuyao, Laguna	Rented	Good	26,315.79	February 28, 2021	Continuing unless terminated and agreed by both parties
	San Juan Calamba City Laguna Selling Outlet - Foodcrave Marketing, Inc.	#74 Brgy. San Juan, Calamba City, Laguna	Rented	Good	10,526.32	March 31, 2022	Continuing unless terminated and agreed by both parties
	Parian Calamba City Laguna Selling Outlet - Foodcrave Marketing, Inc.	Brgy. Parian, Calamba City, Laguna	Rented	Good	15,789.47	May 31, 2021	Continuing unless terminated and agreed by both parties
	Sta. Cruz Laguna Selling Outlet - Foodcrave Marketing, Inc.	1453 P. Guevarra Ave, Brgy. Poblacion IV, Sta. Cruz, Laguna	Rented	Good	15,789.47	May 31, 2021	Continuing unless terminated and agreed by both parties
	Los Baños Laguna Selling Outlet - Foodcrave Marketing, Inc.	6947 Brgy. San Antonio, Los Baños, Laguna	Rented	Good	21,052.63	August 31, 2021	Continuing unless terminated and agreed by both parties
	Cabuyao City Laguna Selling Outlet - Foodcrave Marketing, Inc.	151 Brgy. Pulo National Highway, Cabuyao City, Laguna	Rented	Good	10,526.32	June 30, 2021	Continuing unless terminated and agreed by both parties
	Banay-Banay Cabuyao City Laguna Selling Outlet - Foodcrave Marketing, Inc.	Brgy. Banay-Banay National Hi-way Cabuyao City Laguna	Rented	Good	20,000.00	September 30, 2021	Renewable upon agreement of both parties
	GMA Cavite Selling Outlet - Foodcrave Marketing, Inc.	Blk 3, Lot 15, Congressional Rd, San Gabriel, GMA, Cavite	Rented	Good	31,578.95	April 15, 2021	Continuing unless terminated and agreed by both parties
	Bacoor Cavite Selling Outlet - Foodcrave Marketing, Inc.	Lot 7 Blk 3, PH5, Gawaran Ave, Springville Heights, Molino 7, Bacoor Cavite	Rented	Good	10,526.32	May 31, 2021	Upon the "9th" month of the contract the LESSEE must notify the LESSOR whether they want to extend the Term. Both parties must agree on the terms before contract extension is to be executed. If the lessee does not opt to extend, the LESSEE is given one week after the expiration of Contract to clear out, vacate and remove its fixtures inside the Leased Premises.
	Bacoor Cavite Selling Outlet - Foodcrave Marketing, Inc.	6 Aniban IV, Bacoor, Cavite	Rented	Good	12,631.58	January 31, 2021	the contract may be renewed at LESSEE's option upon written agreement of the parties, after written notice to renew is given by LESSEE or LESSOR atleast (30) days before the expiry date.

Company Name / Subsidiary		Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
	Sto. Domingo Laguna Selling Outlet - FMI	Orodoveza Business Center, Brgy Sto Domingo Bay, Laguna	Rented	Good	21,052.63	October 31, 2021	Renewable upon agreement of both parties
	San Isidro Gals Quezon City Selling Outlet - FMI	1 Bayani St. Brgy. San Isidro Gals Quezon City	Rented	Good	10,000.00	January 31, 2022	Renewable upon agreement of both parties
	Kamuning Quezon City Selling Outlet - FMI	L. Sianghio St., cor. K-3rd St., Kamuning Quezon City	Rented	Good	30,000.00	March 31, 2022	Renewable upon agreement of both parties
	Tondo Manila Selling Outlet - FMI	2805 Juan Luna St. Gagalangin, Tondo, Manila	Rented	Good	10,000.00	November 30, 2021	Renewable upon agreement of both parties
	Cabuyao Laguna Selling Outlet - FMI	Unit 2, #208 Brgy. Mamatid Cabuyao Laguna	Rented	Good	8,000.00	January 14, 2022	Renewable upon agreement of both parties
	Imus Cavite Selling Outlet - FMI	Unit G Adonis M. Gonzales Commercial Stalls Blk11 Lot1 Woodsite I Bahayang Pag-as Subd., Pasong Buaya II, Imus, Cavite	Rented	Good	18,000.00	January 31, 2023	Renewable upon agreement of both parties
	Bagong Barrio Caloocan City Selling Outlet - FMI	135 Malolos Ave. Bagong Barrio, Caloocan City	Rented	Good	15,789.47	January 04, 2023	Renewable upon agreement of both parties
	San Miguel Avenue Selling Outlet - FMI	40 San Miguel Avenue, Ortigas Center, Mandaluyong City	Rented	Good	46,249.80	November 14, 2024	Renewable upon agreement of both parties
	Marikina Sales Office - FMI	Liwasang Kalayan St., Marikina Heights, Marikina City	Rented	Good	30,250.00	December 31, 2024	If lessee intends to renew the lease, it shall inform Lessor in writing 180 days prior to expiration of contract of such intention setting forth its offer to renew with such rental rates for the lessor to consider
	San Roque Antipolo Sales Office - FMI	GF C&B Circle Mall, Cristmar Aveneue cor. L. Sumulong Circle., Brgy. San Roque, Antipolo City	Rented	Good	22,500.00	February 28, 2025	If lessee intends to renew the lease, it shall inform Lessor in writing 90 days prior to expiration of contract of such intention setting forth its offer to renew with such rental rates for the lessor to consider
	San Juan Sales Office - FMI	Dover Hill condominium, Mabini Corner Ortega & Pilar Street, Addition Hills, San Juan City	Rented	Good	20,247.24	September 24, 2025	Either party may serve a written request for renewal on the other party within ninety (90) days prior to the expiration of the Lease Period; provided that the party, upon whom such notice is served, shall NOT be obliged to agree to the renewal of the lease.
	Calamba Laguna Sales Office - FMI	1-D along Provincial Road Barangay Parian, Calamba City, Laguna	Rented	Good	43,100.00	February 15, 2021	Upon expiration of this Contract, it is understood that the LESSEE shall peacefully vacate and return the Leased Premises to the LESSOR pursuant to Section 242 hereof.
	Sucat Parañaque Sales Office - FMI	Dr. A Santos Avenue, San Antonio, Sucat Parañaque	Owned	Good			
	Tres Las Piñas Sales Office - FMI	Lot 1&2 J. Aguilar Avenue Talon Tres Las Pinas	Owned	Good			
	Bicutan Parañaque Sales Office - FMI	West Service Road Bicutan Parañaque	Owned	Good			
	Zapote Road Las Piñas Sales Office - FMI	Alabang Zapote Road Las Pinas City	Owned	Good			
	Quezon City Sales Office - FMI	Petron La Vista, 365 Katipunan Ave., Quezon City	Owned	Good			
	C5 Sales Office - FMI	100 Eulogio Rodriguez Jr. Ave, Pasig City	Owned	Good			

Company Name / Subsidiary		Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
	Sales Office and Cold Storage/Laboratory/Warehouse						
	Pangasinan Office, Cold Storage, Processing Plang, Laboratory and Warehouse - Poultry	GTL Compound, San Vicente, San Jacinto, Pangasinan, 2431	Rented	Good	25,000.00 (Office) 1,304,469.50 (Processing Plant, Cold Storage & Holding Area) 30,745.45 (Laboratory) 40,000.00 (Warehouse)	30-Jun-2021 (Office, Warehouse) 31-Dec-2023 (Processing Plant, Cold Storage, Laboratory)	Renewable every 3 years
	Warehouse						
	AFSI-Managed Warehouses - Feeds	1st Industrial Park Zamboanga City Special Economic Zone Authority Sitio San Ramon, Brgy. Talisayan, Zamboanga	Rented	Good	269,010.00	December 31, 2020	Renewable upon mutual written agreement of the parties (Ongoing renewal)
	Bulacan Warehouse - San Miguel Mills, Inc.	Baliuag, Bulacan	Rented	Good	Jan-Jun: 103,818.00 Jul-Dec: 114,199.80	August 31, 2021	Renewable upon mutual written agreement of the parties
	LSL Multi-Serve-Managed Warehouses - Feeds	Bay 6 Everland Agri Corp., Km. 12, Sasa, Davao City; Km. 11, Sasa, Davao	Rented	Good	544,000.00	December 31, 2020	Renewable upon mutual written agreement of the parties (Ongoing renewal)
	Isabela Warehouse - Feeds	Bgry. Mabini, Alicia Isabela	Rented	Good	562,500.00	Continuing unless terminated and agreed by both parties	Renewable upon mutual written agreement of the parties
	Pangasinan Warehouse - Feeds	Carmay East, Rosales, Pangasinan	Rented	Good	1,249,792.00	December 31, 2020	Renewable upon mutual written agreement of the parties (Ongoing renewal)
	Pangasinan Warehouse - Feeds	Carmen East, Rosales, Pangasinan	Rented	Good	1,283,935.29	Continuing unless terminated and agreed by both parties	Renewable upon mutual written agreement of the parties
	MMIJOE-Managed Warehouses - Feeds	Diversion Rd., Buhangin, Davao City; Km 10, Sasa, Davao City	Rented	Good	1,021,540.00	December 31, 2020	Renewable upon mutual written agreement of the parties (Ongoing renewal)
	SMCSL-Managed Warehouses - Feeds	Manila; Bataan; Batangas; Camarines Sur; Cebu; Iloilo; Bacolod; Cagayan de Oro; Ozamiz; Bukidnon; General Santos; Zamboanga; Davao	Rented	Good	28,868,349.32	December 31, 2022	Renewable upon mutual agreement of both parties
	D Meter-Managed Warehouses - Feeds	Cristo Rey Capas, Tarlac 2315; Brgy Bungad, SFDM, Quezon City	Rented	Good	1,558,295.33	June 30, 2021	Renewable every three years
	Tarlac Warehouse - Feeds	Mabini, Moncada, Tarlac	Rented	Good	298,675.00	December 31, 2020	Renewable upon mutual written agreement of the parties (Ongoing renewal)
	Pangasinan Warehouse - Feeds	Nancayasan, Urdaneta, Pangasinan	Rented	Good	284,400.00	December 31, 2020	Renewable upon mutual written agreement of the parties (Ongoing renewal)
	Camarines Sur Warehouse - Feeds	Santiago, Pili, Camarines Sur	Rented	Good	221,785.71	March 31, 2021	Renewable every month
	Isabela Warehouse - Feeds	Sinabbaran, Echague, Isabela	Rented	Good	1,393,479.80	December 31, 2020	Renewable upon mutual written agreement of the parties (Ongoing renewal)
	La Union Warehouse - Feeds	Taboc, San Juan, La Union	Rented	Good	345,446.43	December 31, 2020	Renewable upon mutual written agreement of the parties (Ongoing renewal)
	South Cotabato Warehouse - Poultry	Tumbler, Polomolok South Cotabato	Rented	Good	612,919.55	December 31, 2020	Renewable upon mutual written agreement of the parties (Ongoing renewal)

Company Name / Subsidiary		Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
	Pangasinan Warehouse - Feeds	Urdaneta, Pangasinan	Rented	Good	1,124,800.00	December 31, 2020	Renewable upon mutual written agreement of the parties (Ongoing renewal)
	Davao Warehouse - San Miguel Integrated Sales	Purok 9 KM 20 Tibungco, Davao City	Rented	Good	537,811.21	March 31, 2021	Renewable upon mutual agreement of both parties
	Mandaluyong Warehouse - Feeds	979 C. Castaneda Street, Mandaluyong City Metro Manila	Rented	Good	160,000.00	June 30, 2021	Renewable every year
	Camarines Sur Warehouse - Feeds	Brgy. San Jose, Pili, Camarines Sur	Rented	Good	201,600.00	December 31, 2020	Renewable upon mutual agreement of both parties (Ongoing renewal)
	Cebu Warehouse - San Miguel Integrated Sales	G. Ouano Street, Brgy. Opao, Mandaue City	Rented	Good	1,206,923.20	March 31, 2021	Renewable upon mutual agreement of both parties
	Parañaque Warehouse - AIC, SMIS and Great Food Solutions	Pacific Coast Plaza Building, 1St Villamor Street, Parañaque	Rented	Good	31,586.10 (AIC) 162,586.00 (SMIS) 49,651.00 (GFS)	December 31, 2024	Mutually be agreed upon between the parties.
	Iloilo Warehouse - Poultry	Cabugao Norte, Sta. Barbara, Iloilo	Rented	Good	93,409.59	December 31, 2020	Renewable upon mutual agreement of both parties (Ongoing renewal)
	General Santos Warehouse - Feeds	Hadano Avenue, Brgy. Labangal, General Santos City	Rented	Good	1,893,375.00	April 30, 2021	Renewable every year
	Tarlac Warehouse - Feeds	Brgy. Estrada Capas, Tarlac	Rented	Good	944,864.29	December 31, 2020	Renewable upon mutual agreement of both parties (Ongoing renewal)
	Mandaue Warehouse - SMFI - AIC	M.L. Quezon St., Casuntingan, Mandaue City	Rented	Good	37,315.04	October 31, 2022	Renewable every 3 years
	Pangasinan Warehouse - SMFI -Feeds	San Nicolas, Villasis, Pangasinan	Rented	Good	163,200.00	December 31, 2020	Renewable upon mutual agreement of both parties (Ongoing renewal)
	Bulacan Warehouse - SMIS	Rosas Norte, Brgy Saluysoy, Meycauyan, Bulacan	Rented	Good	1,788,007.61	June 30, 2021	Renewable upon mutual agreement of both parties
	Navotas Warehouse - Poultry	Lapu-Lapu Ave. cor. Northbay Blvd., Navotas City	Rented	Good	6,514,420.00	September 30, 2021	Renewable upon the expiry of its contract term for the like period(s) under the same terms and conditions, except as may be otherwise agreed by the parties in writing.
	San Fernando Warehouse - Feeds	San Vicente, San Fernando, La Union	Rented	Good	342,426.79	Continuing unless terminated and agreed by both parties	Renewable upon mutual agreement of both parties
	San Fernando Warehouse - Feeds	Rizal, Moncada, Tarlac	Rented	Good	470,383.20	Continuing unless terminated and agreed by both parties	Renewable upon mutual agreement of both parties
	Laguna Warehouse - SMFI - Poultry	Denson Whse, Brgy Parian, Calamba, Laguna	Rented	Good	141,490.00	July 31, 2021	Renewable every 5 years
	Others (Blast Freezing Facility/Selling Station/Slaughterhouse)						
	Pampanga Selling Station -Meats	888 Quezon Rd, Brgy. San Isidro, San Simon, Pampanga	Rented	Good	58,000.00	June 30, 2024	Renewable every 5 years

Company Name / Subsidiary		Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
PACKAGING BUSINESS							
	A. DOMESTIC						
1	SAN MIGUEL YAMAMURA PACKAGING CORPORATION						
	SMYPC Main Office, SMYPC Trading and SMYPC Contract Packaging						
	Building / Office Space	San Miguel Properties Centre, Saint Francis St., Mandaluyong City	Owned	Good			
	SMYPC Rightpak Plant, SMYPC Canlubang PET & Caps Plant, SMYPC MCLP Canlubang Plant and SMYPC Leasing Operations						
	Land	Canlubang Industrial Estate, Canlubang, Laguna	Owned	Good			
	SMYPC Cebu Beverage Packaging Plant, SMYPC Cebu Glass Plant and SMYPC MCLP Mandaue Plant						
	Land	SMC Mandaue Complex, Hi-way, Tipolo, Mandaue City, Cebu	Owned	Good			
	SMYPC Cebu Beverage Packaging Plant & SMYPC Cebu Glass Plant						
	Warehouse	SMC Wharf, Tipolo, Mandaue City, Cebu	Owned	Good			
	SMYPC Cebu Glass Plant						
	Warehouse	Quano Wharf, Mandaue City	Owned	Good			
	Warehouse	Tabok, Mandaue City	Rented	Good	1,053,360.00	November 22, 2021	Renewable for a period in accordance with the mutual written agreement of both parties
	Warehouse	Sitio Bangkerohan, Tayud, Consolacion	Rented	Good	453,065.00	July 31, 2021	Renewable for a period in accordance with the mutual written agreement of both parties
	Warehouse	Tayud, Consolacion	Rented	Good	680,240.00	June 30, 2021	Renewable for a period in accordance with the mutual written agreement of both parties
	Warehouse	CLD Ouano Wharf, Mandaue City, Cebu	Rented	Good	215,000.00	June 30, 2021	Renewable for a period in accordance with the mutual written agreement of both parties
	Warehouse	Mega Warehouse, SMC Complex, Mandaue City	Owned	Good			
	SMYPC San Fernando Bev. Packaging Plant						
	Land and Warehouse	Brgy. Maimpis, City of San Fernando, Pampanga (Gate 2, SMC PET Plant)	Owned	Good			
	SMYPC Pet Recycling Plant and SMYPC MCLP San Fernando Plant						
	Land	SMC San Fernando Complex, Quebiauan, San Fernando City	Owned	Good			
	SMYPC Manila Glass Plant						
	Land	Muelle dela Industria St., Binondo, Manila City	Owned	Good			
	Warehouse	San Fernando Brewery, San Fernando, Pampanga	Owned	Good			
	Warehouses	No. 35 Calle Malusak, San Pablo, Malolos City, Bulacan	Rented	Good	727,005.00	April 01, 2021	Renewable for a period in accordance with the mutual written agreement of both parties
	Warehouses	No.10 T. Santiago St., Plastic City Compound, Canumay, Valenzuela City	Rented	Good	172,125.00	December 31, 2021	Renewable for a period in accordance with the mutual written agreement of both parties
	Warehouse	Sitio Torres, Sta. Cuz, Porac, Pampanga	Rented	Good	176,446.57	December 31, 2021	Renewable for a period in accordance with the mutual written agreement of both parties
	Warehouse	162 Balite, San Fernando, Pampanga	Rented	Good	595,000.00	April 01, 2021	Renewable for a period in accordance with the mutual written agreement of both parties
	Warehouse	Alliance Textiles Mills Barangay Banay Banay, Cabuyao, Laguna	Rented	Good	526,150.00	December 31, 2021	Renewable for a period in accordance with the mutual written agreement of both parties

Company Name / Subsidiary		Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
	Warehouse	LIIP-PEZA, Mamlasan, Biñan, Laguna	Rented	Good	1,239,444.64	March 30, 2021	Renewable for a period in accordance with the mutual written agreement of both parties, With additional PR for 6 months
	SMYPC Glass Business Office						
	Land	Barrio Halayhay, Tanza, Cavite	Owned	Good			
	SMYPC Manila Plastics Plant						
	Warehouses	#30, #32, #33 and #34 T. Santiago Street, Canumay, Valenzuela City	Rented	Good	1,271,455.66	March 31, 2021	Renewable for a period in accordance with the mutual written agreement of both parties
	Warehouse	#276 Boontown Industrial Park Brgy. Tambobong, Bocaue , Bulacan	Rented	Good	512,727.24	September 30, 2021	Renewable for a period in accordance with the mutual written agreement of both parties
	Warehouse	Pulang Lupa, Valenzuela	Rented	Good	1,066,682.10	March 31, 2022	Renewable for a period in accordance with the mutual written agreement of both parties
	Warehouse	Quano Wharf, Mandaue City	Owned	Good			
	SMYPC MPP Cebu Operations						
	Warehouse	Mandaue Cebu	Owned	Good			
	Warehouse	CBPP, SMC Complex, Mandaue City	Owned	Good			
	Warehouse	Sitio Bangkerohan, Tayud, Consolacion	Rented	Good	800,000.00	August 01, 2021	Renewable for a period in accordance with the mutual written agreement of both parties
	SMYPC SMY Glass Plant						
	Land	Km 27, Aguinaldo Highway, Imus, Cavite	Owned	Good			
	Land & Warehouse	Canlubang Industrial Estate, Canlubang, Laguna	Owned	Good			
	Common Goal Warehouse	7001 Aguinaldo Highway, Brgy. Salitran, Dasmariñas City	Rented	Good	1,619,005.08	December 31, 2021	Renewable for a period in accordance with the mutual written agreement of both parties
	Warehouse	Quezon Road, San Simon, Pampanga	Rented	Good	2,125,700.00	October 31, 2021	Renewable for a period in accordance with the mutual written agreement of both parties
	Welbourne Warehouse	Blk02 Lot31, Welborn Industrial Park, BRGY Bancal, Carmona Cavite	Owned	Good			
	Warehouse	Tagoloan, Misamis Oriental	Owned	Good			
	SMYPC Logistics Services						
	Warehouse	Alliance Textiles Mills Barangay Banay Banay, Cabuyao, Laguna	Rented	Good	2,002,600.00	May 31, 2022	Renewable for a period in accordance with the mutual written agreement of both parties
	Warehouse	Alliance Textiles Mills Barangay Banay Banay, Cabuyao, Laguna	Rented	Good	273,020.00	August 31, 2021	Renewable for a period in accordance with the mutual written agreement of both parties
2	SMC YAMAMURA FUSO MOLDS CORPORATION	Governor Dr., Bo. De Fuego, Bgy. San Francisco, Gen. Trias, Cavite	Owned	Good			

Company Name / Subsidiary		Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
3	MINDANAO CORRUGATED FIBREBOARD, INC.						
	Land	Km 12 Sasa, Davao City	Owned	Good			
	Warehouses	Sitio Ilang, Brgy. Tibungco, Davao City	Rented	Good	851,330.20	September 30, 2021	Renewable for a period in accordance with the mutual written agreement of both parties
	Warehouses	Brgy. Casinglot, Tagoloan, Misamis Oriental	Rented	Good	339,045.00	March 31, 2021	Renewable for a period in accordance with the mutual written agreement of both parties
	Warehouses	National Highway Casinglot, Tagoloan, Misamis Oriental	Rented	Good	225,000.00	September 30, 2021	One year contract only. End of term per contract is September 30, 2021.
4	CAN ASIA, INC.						
	Land	Bgy. San Francisco de Malabon, Gen. Trias, Cavite	Owned	Good			
	B. INTERNATIONAL						
5	SAN MIGUEL YAMAMURA PACKAGING INTERNATIONAL LTD. AND SAN MIGUEL YAMAMURA GLASS (VIETNAM) LTD.	9/F Citimark Building, 28 Yuen Shun Circuit, Siu Lek Yuen, Shatin, N.T. Hongkong, PRC	Owned by San Miguel Brewery Hong Kong Ltd (SMBHK) (Owner is SMBHK, Lessee is Neptunia Corporation Limited (NCL) and rent payable by NCL)	Good			
6	ZHAOQING SAN MIGUEL YAMAMURA GLASS COMPANY LTD.						
	Plant	12 North Avenue, Housha St., Zhaoqing City Guangdong Province, PRC	Land Use Rights	Good			
	Warehouse	Duanzhou Science and Technology Industrial Area, Zhaoqing City	Rented	Good	186,580.83	September 30, 2021	Renewable for a period in accordance with the mutual written agreement of both parties
	Warehouse	Duanzhou Science and Technology Industrial Area, Zhaoqing City	Rented	Good	600,131.92	October 31, 2022	Renewable for a period in accordance with the mutual written agreement of both parties
	Warehouse	The sixth workshop of Xijiang Machinery Factory, Zhaoqing City	Rented	Good	37,405.30	March 31, 2021	Renewable for a period in accordance with the mutual written agreement of both parties
7	FOSHAN SAN MIGUEL YAMAMURA PACKAGING COMPANY LTD.	3 Dongdi Road, Junan Township, Guangdong Province, PRC	Land Use Rights	Good			
8	SAN MIGUEL YAMAMURA HAIPHONG GLASS COMPANY LTD.	17-A Ngo Quyen St., Ngo Quyen District, Haiphong City, Vietnam	Land Use Rights	Good			
9	SAN MIGUEL YAMAMURA PHU THO PACKAGING COMPANY LTD.	1 Le Van Khuong Street, Hiep Thanh Ward, District 12, Ho Chi Minh City, Vietnam	Land Use Rights	Good			
10	SAN MIGUEL YAMAMURA PLASTICS FILMS SDN. BHD.	No. 172, Jalan Usaha 5, lots 83, 84, 85, 75, 76 Ayer Keroh Industrial Estate, 75450 Melaka, Malaysia	Owned	Good			
11	SAN MIGUEL YAMAMURA PACKAGING AND PRINTING SDN. BHD. AND PACKAGING RESEARCH CENTRE SDN. BHD.	Lot 5078 and 5079, Jalan Jenjarum 28/39, Seksyen 28, 40400 Shah Alam, Selangor Darul Ehsan, Malaysia	Owned	Good			

Company Name / Subsidiary		Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
12	SAN MIGUEL YAMAMURA WOVEN PRODUCTS SDN. BHD.						
	Office Space	Lot 9 and 10, Jalan Usuha 4, Ayer Keroh Industrial Estate, 75450 Melaka, Malaysia Lot 4305, Jalan Usaha 8, Ayer Keroh Industrial Estate, 75450 Melaka, Malaysia	Owned	Good			
	Plant	Lot 75, Jalan Usaha 5, Ayer Keroh Industrial Estate, 75450 Melaka	Rented	Good	RM20,748.00	December 31, 2021	Renewable upon mutual agreement of both parties
	Warehouse	Lot 4320, Jalan Usaha 6, Ayer Keroh Industrial Estate, 75450 Melaka, Malaysia	Rented	Good	RM 6,500.00	March 31, 2021	Renewable upon mutual agreement of both parties
13	INSA ALLIANCE SDN. BHD.						
	Office Space	Plo 64 & Plo 65, Jln Kejuteraan 4, Kaw. Perindustrian, Jln Genuang, 85000 Segamat, Johor.	Owned	Good			
	Plant	Plo 64 & Plo 65, Jln Kejuteraan 4, Kaw. Perindustrian, Jln Genuang, 85000 Segamat, Johor.	Owned	Good			
	Warehouse	Plo 136, Jln Kejuteraan 4, Kaw. Perindustrian, Jln Genuang, 85000 Segamat, Johor.	Owned	Good			
	Warehouse	Plo 97, Jln Kejuteraan 4, Kaw. Perindustrian, Jln Genuang, 85000 Segamat, Johor.	Rented	Good	AUD 2,000.00	August 31, 2021	Renewable upon mutual agreement of both parties
14	SAN MIGUEL YAMAMURA AUSTRALASIA						
	Office	1 Culverston Road, Minto NSW, Australia	Rented	Good	AUD 113,841.71	July 31, 2027	Renewable upon mutual agreement of both parties
	Production	21 Huntsmore Road, Minto NSW, Australia (Unit 1)	Rented	Good	AUD 22,532.72	July 31, 2027 - Unit 1	Renewable upon mutual agreement of both parties
	SMYC PTY LTD						
	Warehouse	117-121 Lewis Rd, Knoxfield, Victora	Rented	Good	AUD 57,792.47	July 31, 2027	Renewable upon mutual agreement of both parties
	Warehouse	Warehouse 5, Acacia Link Industrial Estate, 25 Industrial Crescent, Willawong, Queensland	Rented	Good	AUD 29,668.10	April 30, 2022	Renewable upon mutual agreement of both parties
	Warehouse	30-32 Rosberg Rd, Wingfield, South Australia	Rented	Good	AUD 45,229.63	June 18, 2022	Renewable upon mutual agreement of both parties
	Warehouse	52 McDowell Street Welshpool, Western Australia	Rented	Good	AUD 36,093.35	September 30, 2024	Renewable upon mutual agreement of both parties
	Warehouse	22 Kinta Drive, Beresfield, Newcastle	Rented	Good	AUD 7,053.91	November 30, 2021	Renewable upon mutual agreement of both parties
	Warehouse	10-12 Linear Court, Derwent Park, Tasmania	Rented	Good	AUD 14,691.33	November 16, 2021	Renewable upon mutual agreement of both parties
	SMYP PTY LTD						
	Plant	21 Huntsmore Road, Minto NSW, Australia (Unit 2)	Rented	Good	AUD 20,014.36	July 31, 2027	Renewable upon mutual agreement of both parties
	Warehouse	21 Huntsmore Road, Minto NSW, Australia (Unit 3)	Rented	Good	AUD 29,107.40	July 31, 2030	Renewable upon mutual agreement of both parties
	Plant	114-118 Talinga Road, Cheltenham, Victora	Rented	Good	AUD 71,566.13	January 01, 2028	Renewable upon mutual agreement of both parties
	Plant	13-15 Wangara Road, Sandringham, Victoria	Rented	Good	AUD 45,045.08	November 06, 2022	Renewable upon mutual agreement of both parties
	Plant	160 May Terrace Ottoway, South Australia	Rented	Good	AUD 77,490.59	October 17, 2026	Renewable upon mutual agreement of both parties

Company Name / Subsidiary		Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
	Plant	Lionels Vineyard, Payne Road Jindong, Western Australia (Margaret River)	Rented	Good	AUD 22,590.78	October 04, 2022	Renewable upon mutual agreement of both parties
	Plant	Cnr Sayer and Mandogalup Road, Hope Valley, Western Australia (Perth)	Rented	Good	AUD 25,166.66	December 31, 2025	Renewable upon mutual agreement of both parties
	Plant	Barrel Store Number 2, Hanwood Estate Winery, Jack McWilliams Road, NSW (Griffith)	Rented	Good	AUD 7,879.77	September 30, 2023	Renewable upon mutual agreement of both parties
	SMYV PTY LTD						
	Plant/Office	34-38 Aldershot Road, Lonsdale South Australia	Owned	Good			
	Barossa Bottling Pty Ltd						
	Plant/Office	Lot 147, Sturt Highway, Nuriootpa, South Australia	Rented	Good	AUD 10,637.72	July 31, 2022	Renewable upon mutual agreement of both parties
	SMYBB Pty Ltd						
	Plant/Office	463-469 & 487-501 Cowra Avenue, Mildura, Victoria	Rented	Good	AUD 60,546.57	August 01, 2022	Renewable upon mutual agreement of both parties
	Plant/Office	503-513 Cowra Avenue, Mildura, Victoria	Rented	Good	AUD 26,514.08	May 16, 2025	Renewable upon mutual agreement of both parties
	SMYJ Pty Ltd						
	Plant/Office	50 Bond Street Mordialloc Victoria	Rented	Good	AUD 24,612.93	July 10, 2023	Renewable upon mutual agreement of both parties
	Plant/Office	48 Bond Street Mordialloc Victoria	Rented	Good	AUD 19,403.37	July 29, 2025	Renewable upon mutual agreement of both parties
15	COSPAK LIMITED	27 Ross Reid Place, East Tamaki, Auckland, New Zealand	Rented	Good	NZD 130,368.28	July 31, 2026	Renewable upon mutual agreement of both parties
16	FOSHAN NANHAI COSPAK PACKAGING COMPANY LIMITED	Beijia Team of Niande Village Committee, Nanfeng Road, Leping Town, Sanshui District, Foshan City, Guangdong Province, PRC	Rented	Good	¥ 60,262	October 31, 2023	Renewable upon mutual agreement of both parties
FUEL AND OIL BUSINESS							
1	PETRON CORPORATION						
	Refinery and Powerplant						
	Petron Bataan Refinery	Petron Bataan Refinery, Limay, Bataan	Owned	Good			
	Power Plant (Units 1, 2, 3 and 4)	Brgy. Lamao, Limay, Bataan	Owned	Good			
	Metro Manila and Manufacturing						
	Terminal (Navotas)	PFDA CMPD., Navotas, M.M.	Rented Except Building & Facilities	Good	3,173,404.69	Aug 26, 2039	Renewable upon mutual agreement of both parties
	Terminal (Rosario)	Gen. Trias, Rosario, Cavite	Rented Except Building & Facilities	Good	257,606.37	August 31, 2018	Renewable upon mutual agreement of both parties (With pending court case) (Ongoing lease renewal)
	Terminal (Pandacan)	Jesus St., Pandacan, Manila	Rented Except Building & Facilities	Good	2,484,715.38	August 31, 2018	Renewable upon mutual agreement of both parties (With pending court case) (Ongoing lease renewal)
	Lube Oil Manufacturing Plant	Block 12, 13 and 14 Harbour Centre, North Harbor, Tondo, Manila	Owned	Good			
	Airport Installations	Laoag Airport Installation, Laoag Airport, Brgy. Araniw, Laoag City	Rented Except Building & Facilities	Good	3,180.00	October 31, 2029	Renewable upon mutual agreement of both parties
	Airport Installations	NAIA Airport Installation (Petron) & JOCASP, JOCASP Compound, NAIA Complex, Pasay City	Rented Except Building & Facilities	Good	804,833.47	December 31, 2035	Renewable at the option of the lessee

Company Name / Subsidiary		Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
	Luzon Operations						
	Terminal (Palawan)	Brgy. Masipag, Puerto Princesa City	Rented Except Building & Facilities	Good	216,000.00	November 30,2023	Renewable at the option of the lessee
	Terminal (Palawan)	Parola, Brgy. Maunlad, Puerto Princesa City, Palawan	Rented Except Building & Facilities	Good	4,222.12	August 31, 2018	Renewable upon mutual agreement of both parties (With pending court case) (Ongoing lease renewal)
	Sales Office (Pasacao)	Sitio Camangui, Brgy. Santa Rosa del Sur, Pasacao, Camarines Sur	Rented Except Building & Facilities	Good	Jan - 466,357.50 Jun - 489,675.38	May 31, 2027	Renewable upon mutual agreement of both parties
	Terminal (Poro)	Poro Pt.,San Fernando, La Union	Rented Except Building & Facilities	Good	Jan - 297,020.48 Mar - 314,841.71	February 28, 2023	Renewable upon mutual agreement of both parties
	Terminal (Poro)	Poro Pt.,San Fernando, La Union	Rented Except Building & Facilities	Good	22,279.97	August 31, 2018	Renewable upon mutual agreement of both parties (With pending court case) (Ongoing lease renewal)
	Terminal (Poro)	Poro Pt.,San Fernando, La Union	Rented except Building & Facilities	Good	25,300.00	June 01, 2021	Renewable upon mutual agreement of both parties
	Sales Office (Calapan)	Sixteen Enterprises Compound, Brgy. Masipit, Calapan City, Oriental Mindoro	Rented	Good	Jan - 25,467.75 Jul - 26,741.14	June 30, 2022	Renewable upon mutual agreement of both parties
	Sales Office (San Jose)	Purok Tagumpay 2, Brgy. Caminawit, San Jose, Occidental Mindoro	Rented	Good	17,000.00	April 30, 2021	Renewable upon mutual agreement of both parties
	Sales Office (Masbate)	Masbate	Rented except Building & Facilities	Good	4,759.53	December 31, 2021	Renewable upon mutual agreement of both parties
	Terminal (Batangas)	Bo. Mainaga, Mabini, Batangas	Rented Except Building & Facilities	Good	41,987.17	August 31, 2018	Renewable upon mutual agreement of both parties (With pending court case) (Ongoing lease renewal)
	Terminal (Bataan)	Limay, Bataan	Rented Except Building & Facilities	Good	1,611.84	August 31, 2018	Renewable upon mutual agreement of both parties (With pending court case)
	Sales Office (Odiongan)	Brgy Poctoy, Odiongan, Romblon	Rented	Good	67,175.33	December 31, 2051	Renewable at the option of the lessee
	Visayas Operations						
	Depot (Amlan)	Tandayag, Amlan, Negros Oriental	Rented Except Building & Facilities	Good	54,851.58	November 30, 2032	Renewable at the option of the lessee
	Terminal (Bacolod)	Bo. San Patricio, Bacolod City, Negros Occidental	Rented Except Building & Facilities	Good	79,672.14	August 31, 2018	Renewable upon mutual agreement of both parties (With pending court case) (Ongoing lease renewal)
	Terminal (Bacolod)	Bo. San Patricio, Bacolod City, Negros Occidental	Owned	Good			
	Depot (Siquijor Mini BP)	Candanay Sur, Siquijor	Owned	Good			
	Terminal (Iloilo)	Lapuz, Iloilo City	Rented Except Building & Facilities	Good	1,262,518.00	August 31, 2023	Renewable upon mutual agreement of both parties
	Depot (Isabel)	LIDE, Isabel, Leyte	Rented Except Building & Facilities	Good	256,915.58	Continuing unless terminated and agreed by both parties	Renewable upon mutual agreement of both parties
	Terminal (Mactan)	MEPZ, Lapu- lapu City	Rented Except Building & Facilities	Good	780,000 - MCIAA 10,218.75 - PEZA	December 2045 - MCIAA Continuing unless terminated by both parties - PEZA	Continuing unless terminated by both parties

Company Name / Subsidiary		Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
	Terminal (Ormoc)	Bo. Linao, Ormoc City, Leyte	Rented Except Building & Facilities	Good	25,283.83	August 31, 2018	Renewable upon mutual agreement of both parties (With pending court case) (Ongoing lease renewal)
	Terminal (Ormoc)	Bo. Linao, Ormoc City, Leyte	Rented Except Building & Facilities	Good	5,000.00	May 31, 2025	Renewable upon mutual agreement of both parties
	Terminal (Roxas)	Sitio Pook, Brgy. Culasi, Roxas, City	Owned	Good			
	Terminal (Tacloban)	Anibong, Tacloban City	Rented Except Building & Facilities	Good	PNOC - 14,354.61 Domingo Lot - 375,000	August 31, 2018 January 2, 2039	Renewable upon mutual agreement of both parties (Expired in 2018 - With pending court case, Ongoing lease renewal)
	Depot (Tagbilaran)	Graham Ave., Tagbilaran, Bohol	Rented Except Building & Facilities	Good	4,401.92	August 31, 2018	Renewable upon mutual agreement of both parties (With pending court case)
	Terminal (Mandaue)	Looc, Mandaue City, Cebu	Rented Except Building & Facilities	Good	360,293.37	August 31, 2018 March 31, 2028 January 1, 2038	Renewable upon mutual agreement of both parties (Expired in 2018 - With pending court case, Ongoing renewal)
	Airport Installations	Iloilo Airport, Cabatuan, Iloilo City	Rented Except Building & Facilities	Good	60,200.00	Continuing unless terminated and agreed by both parties	Terminal has an ongoing application with CAAP Iloilo for a long term contract in Iloilo (20-25 yrs)
	Mindanao Operations						
	Terminal (Davao)	Km. 9, Bo. Pampanga, Davao City	Rented Except Building & Facilities	Good	158,031.23	August 31, 2018	Renewable upon mutual agreement of both parties (With pending court case) (Ongoing lease renewal)
	Terminal (Bawing)	Purok Cabu, Bawing, General Santos City	Owned	Good			
	Terminal (Iligan)	Bo. Tomas Cabili, Iligan City, Lanao del Norte	Rented Except Building & Facilities	Good	9,903.68	August 31, 2018	Renewable upon mutual agreement of both parties (With pending court case) (Ongoing lease renewal)
	Terminal (Iligan)	Bo. Tuminobo, Iligan City, Lanao del Norte	Owned	Good			
	Terminal (Jimenez)	Jimenez, Misamis Occidental	Rented Except Building & Facilities	Good	200,000.00	December 16, 2024 and March 2, 2035	Renewable upon mutual agreement of both parties
	Terminal (Nasipit)	Talisay, Nasipit, Agusan del Norte	Owned	Good			
	Terminal (SL Phividec)	SL Phividec, Mindanao	Owned	Good			
	Terminal (Tagoloan)	Tagoloan, Misamis Oriental PNOC- 13,836 sq m	Rented Except Building & Facilities	Good	13,653.54	August 31, 2018	Renewable upon mutual agreement of both parties (With pending court case) (Ongoing lease renewal)
		Tagoloan, Misamis Oriental - 13,499 sq m.	Rented Except Building & Facilities	Good	11,083.22	December 31, 2020	Renewable at the option of the lessee (Ongoing lease renewal)
		Tagoloan, Misamis Oriental PHIVIDEC/NVRC (FLA)- 19,965 sq m.	Rented Except Building & Facilities	Good	11,733.13	February 9, 2034	Renewable at the option of the lessee
	Terminal (Zamboanga)	Bgy. Campo Islam, Lower Calarian, Zamboanga City	Rented Except Building & Facilities	Good	31,269.35	August 31, 2018	Renewable upon mutual agreement of both parties (With pending court case) (Ongoing lease renewal)
	Airport Installations	Laguindingan, Misamis Oriental CAAP- 4000 sq m.	Rented Except Building & Facilities	Good	201,187.50	March 31, 2040	Renewable upon mutual agreement of both parties

Company Name / Subsidiary		Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
	Airport Installations	Davao Airport	Rented Except Building & Facilities	Good	32,262.50	May 31, 2028	Renewable upon mutual agreement of both parties
	Airport Installations	Zamboanga International Airport	Rented Except Building & Facilities	Good	7,045.00	November 30, 2029	Renewable at the option of the lessee
	Gasul Operations						
	Depot (LPG Operation)	Lakandula Drive, brgy. Bonot, Legaspi City	Rented Except Building & Facilities	Good	43,169.61	August 31, 2018	Renewable upon mutual agreement of both parties (With pending court case) (Ongoing lease renewal)
	Depot (Gasul - San Fernando)	Brgy Dela Paz Norte, San Fernando, Pampanga	Rented Except Building & Facilities	Good	9,691.29	August 31, 2018	Renewable upon mutual agreement of both parties (With pending court case) (Ongoing lease renewal)
	Refilling Plant (San Pablo)	San Pablo	Owned	Good			
	Terminal (Gasul – Pasig)	Bo. Ugong, C5,Pasig, M.M	Rented Except Building & Facilities	Good	955,475.80	August 31, 2018	Renewable upon mutual agreement of both parties (With pending court case) (Ongoing lease renewal)
2	PETRON MALAYSIA REFINING & MARKETING BHD						
	Refinery						
	Port Dickson Refinery	Lot 2645 - Lot 2648, 1222, 1593-1595, 1757, 1803, 1805, 1836, 1838, 1926-1930 & 2278, Port Dickson, Negeri Sembilan	Owned	Good			
	Lumut LPP plant	Lot 15636, Lumut Port Industrial Park, Mukim Lumut, Jalan Kampung Acheh, Sitiawan, Perak.	Owned	Good			
	Terminals and Depots						
	Port Dickson Terminal	Batu 1.5, Jalan Pantai, 71009 Port Dickson, Negeri Sembilan	Owned	Good			
	Bagan Luar Terminal	Lot 95-125, Lot 2327-2338 Section 4 Butterworth, Seberang Perai Utara, Penang	Owned	Good			
	KLIA Aviation Depot	Forward Fuel Base, Jalan FFB Kuala Lumpur International Airport (KLIA) 64000 Sepang Selangor Darul Ehsan, Malaysia	Rented	Good	MYR 8,976.00	Continuing unless terminated and agreed by both parties	Contract automatically renewed on yearly basis unless terminated in accordance with the termination provision in the agreement
	KVDT- MPP (Tie-in facilities for MPP/KVDT)	GM 1397 Lot 194 Mukim and Daerah Port Dickson Negeri Sembilan	Rented Except Building & Facilities	Good	MYR 6,300	June 30, 2023	Renewable upon mutual agreement of both parties

Company Name / Subsidiary		Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
3	PETRON FUEL INTERNATIONAL SDN BHD						
	Kuantan Terminal	Lot 1863, Mukim Sungai Karang, Tanjung Gelang, Kuantan Port, 26100 Kuantan. PAHANG	Rented	Good	Terminal 1 MYR 18,983.98 Terminal 2 MYR 17,898.05	Terminal 1 Dec 2027 Terminal 2 Dec 2027	Current rate is RM12.06 per square meter per year from 1st January 2016 until 31st Dec 2018 and shall be increased by 10% on 1st January 2019 and after every three (3) years thereafter Current rate is RM12.06 per square meter per year from 1st January 2018 until 31st Dec 2018 and shall be increased by 10% on 1st January 2019 and after every three (3) years thereafter
	Pasir Gudang Terminal	Jalan Cecair Satu, Kawasan Perdagangan Bebas, Lembaga Pelabuhan Johor, 81700 Pasir Gudang, Johor.	Rented	Good	MYR 9,788	June 2051	An option for renewal for a period of thirty (30) years. Note: Revision of assessment fee effective 2017 by Johor Port after approval by MPPG.
	Westport JV	Terminal Bersama Sdn Bhd, Jeti Petrokimia, Pelabuhan Barat, 49290 Pulau Indah, Selangor	Rented	Good	MYR 54,994.50	Aug 2024	Renewable upon expiry of lease term
4	PETRON OIL (M) SDN BHD						
	Tawau Terminal	Jalan Tg Batu Laut, 91000 Tawau, Sabah	Rented Except Building & Facilities	Good	MYR .125 (Yearly Rental - MYR 1.50)	October 2902	No option stated in the agreement
	Sandakan Terminal	Jalan Kampung Karamunting, Sandakan, Sabah	Rented Except Building & Facilities	Good	MYR 587.7	May 2022	No option stated in the agreement
	Sepangar Bay Terminal	P.O. Box 10558, Kota Kinabalu 88806, Sabah	Rented Except Building & Facilities	Good	MYR 25,333.33 (Yearly Rental - MYR 304,000.00)	July 2031	An option for renewal for a period of thirty (15) years.
ENERGY BUSINESS							
1	SAN MIGUEL ENERGY CORPORATION						
	1000 MW Sual Coal-Fired Thermal Power Plant	Brgy. Pangascasan, Sual, Pangasinan	IPPA with PSALM	Good			
2	SOUTH PREMIERE POWER CORP.						
	1200 MW Ilijan Natural Gas Combined Cycle Power Plant	Brgy. Ilijan, Batangas City, Batangas	IPPA with PSALM	Good			
3	STRATEGIC POWER DEVT. CORP.						
	345 MW San Roque Multi-Purpose Hydroelectric Power Plant	Brgy. San Roque, San Manuel, Pangasinan	IPPA with PSALM	Good			

Company Name / Subsidiary		Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
4	SMC CONSOLIDATED POWER CORPORATION (SCPC) ^(a)						
	Phase I - 2 X 150 MW Coal-Fired Power Plant (Units 1 and 2)	Brgy. Lamao, Limay, Bataan	Owned	Good			
	Phase II - 2 X 150 MW Coal-Fired Power Plant (Units 3 and 4)	Brgy. Lamao, Limay, Bataan	Owned	Good			
	Land - Site 1 (where a portion of the Phase I power plant and related facilities are situated)	Brgy. Lamao, Limay, Bataan	Owned	Good			
	Land - Site 2 (where a portion of the Phase II power plant and related facilities are situated)	Brgy. Lamao, Limay, Bataan	Owned	Good			
	Land (Ash Dump Facility)	Brgy. Lamao, Limay, Bataan	Owned	Good			
	Offshore/Foreshore land	Brgy. Lamao, Limay, Bataan	Rented	Good	2,034,084.17	December 2042	Renewable for another 25 years at the option of the Lessor
	Land - Site 3 (where a portion of the Phase II power plant and related facilities are situated)	Brgy. Lamao, Limay, Bataan	Rented	Good	344,792.50	March 2042	Renewable for another 25 years to be agreed by both parties
5	SAN MIGUEL CONSOLIDATED POWER CORPORATION (SMCPC) ^(b)						
	2 X 150 MW Coal-Fired Power Plant (Units 1 and 2)	Brgy. Culaman, Malita, Davao Occidental	Owned	Good			
	5 X 1.6 MW Diesel Generator Set	Brgy. Baliwasan, San Jose Road, Zamboanga City, Zamboanga Del Sur	Owned	Good			
	Land (where Units 1 and 2 power plant and related facilities are situated)	Brgy. Culaman, Malita, Davao del Sur	Owned	Good			
	Offshore/Foreshore land	Brgy. Culaman, Malita, Davao Occidental	Rented	Good	55,300.51	February 2043	Renewable for another 25 years at the option of the Lessor
	Offshore/Foreshore land	Brgy. Culaman, Malita, Davao Occidental	Rented	Good	558,354.47	February 2043	Renewable for another 25 years at the option of the Lessor
6	GRAND PLANTER INTERNATIONAL INC.						
	Land - Site 1 (where a portion of the SCPC Phase I and II power plants and related facilities are situated)	Brgy. Lamao, Limay, Bataan	Owned	Good			
	Land - Site 1 (where the 20 MW battery enegry storage project of UPSI is situated)	Brgy. Lamao, Limay, Bataan	Owned	Good			
	Land - Site 2	Brgy. Alangan, Limay, Bataan	Owned	Good			
	Land - Project Expansion	San Carlos City, Negros Occidental	Owned	Good			
7	ONDARRE HOLDING CORPORATION						
	Land	Brgy. Wack-Wack, Greenhills, Mandaluyong City	Owned	Good			
8	DAGUMA AGRO-MINERALS, INC.						
	Land	Tambler, General Santos City	Owned	Good			
9	ALPHA WATER REALTY SERVICES CORPORATION ^(c)						
	Land (where Units 1-3 of MPPCL power plant and related facilities and the 10 MW battery energy storage project are situated)	Brgy. Bani, Masinloc, Zambales	Owned	Good			

Company Name / Subsidiary		Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
10	MASINLOC POWER PARTNERS CO. LTD. (MPPCL) ^(c)						
	330 MW coal-fired power plant (Unit 1)	Brgy. Bani, Masinloc, Zambales	Owned	Good			
	344 MW coal-fired power plant (Unit 2)	Brgy. Bani, Masinloc, Zambales	Owned	Good			
	335 MW coal-fired power plant (Unit 3)	Brgy. Bani, Masinloc, Zambales	Owned	Under commissioni ng phase			
	10 MW battery energy storage project	Brgy. Bani, Masinloc, Zambales	Owned	Good			
	Land (where Units 1-3 power plant, and related facilities, and the 10 MW battery energy storage project are situated)	Brgy. Bani, Masinloc, Zambales	Rented	Good	Lease with PSALM - US\$3,966.43	April 2028	With assignable option to purchase
11	SMCGP PHILIPPINES ENERGY STORAGE CO. LTD.						
	Land	Brgy. Binicuil, Kabankalan, Negros Occidental	Owned	Good			
	2 X 20 MW battery energy storage system	Brgy. Binicuil, Kabankalan, Negros Occidental	Owned	Ongoing construction			
12	ALBAY POWER AND ENERGY CORPORATION						
	Land used for operating and maintaining the 40-MVA Substation.	Legazpi City Albay.	Rented	Good	22,500.00	December 2021	Renewable upon mutual agreement by both parties.
	Land used for operating and maintaining the 20-MVA Substation.	Centro Occidental, Polangui, Albay	Rented	Good	25,000.00	Febraury 2024	Renewable upon mutual agreement by both parties.
13	MARIVELES POWER GENERATION CORPORATION						
	Land (where the 4 X 150MW coal- fired power plant will be located)	Mariveles, Bataan	Owned	Good			
	Land (where the transmission network project is situated)	Mariveles, Bataan	Owned	Good			
14	STRATEGIC ENERGY DEVELOPMENT INC.						
	15 MW Diesel-Fired Power Plant	Brgy. Magdum, Tagum City	Owned	Good			
	Land (where 15 MW Diesel-Fired Power Plant is situated)	Brgy. Magdum, Tagum City	Owned	Good			
15	TOPGEN ENERGY DEVELOPMENT INC.						
	Land	Barrio of Centro Occidental, Municipality of Polangui, Province of Albay	Owned	Good			

Company Name / Subsidiary		Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
16	UNIVERSAL POWER SOLUTIONS, INC.						
	Land (where the 20 MW Malita battery energy storage project is situated)	Brgy. Culaman, Malita, Davao Occidental	Owned	Ongoing construction			
	Land (where the 40 MW BCCPP battery energy storage project is situated)	Limay, Bataan	Rented	Ongoing construction	195,741.00	April 15, 2045	Renewable upon mutual agreement by both parties.
	Land (where the 20 MW Jasaan battery energy storage project is situated)	Jasaan, Misamis Oriental	Rented	Ongoing construction	2,160,000.00	April 15, 2045	Renewable upon mutual agreement by both parties.
	Land (where the 20 MW Toledo battery energy storage project is situated)	Calong-calong and Talevera, Toledo City, Cebu	Rented	Ongoing construction	900,000.00	April 15, 2045	Renewable upon mutual agreement by both parties.
	Land (where the 20 MW Villanueva battery energy storage project is situated)	Brgy. Sta. Ana, Tagaloan and San Maritin , Villanueva, Phividec Industrial Estate of Misamis Oriental - Special Economic Zone (PIEMO-SEZ)	Rented	Ongoing construction	295,740.00	June 04, 2045	Renewable upon mutual agreement by both parties.
	Land (where the 40 MW Navotas battery energy storage project is situated)	North Bay Boulevard, Navotas, Metro Manila	Rented	Ongoing construction	764,632.80	April 30, 2036	Renewable upon mutual agreement by both parties.
17	DEWSWEEPER INDUSTRIAL PARK, INC.						
	Land	Brgy. Lipata, Padre Burgos, Quezon	Owned	Good			
	Land (for project expansion)	Brgy. Ibabang Polo, Pagbilao, Quezon	Owned	Good			
	Land	Brgy. Ilayang Polo, Pagbilao, Quezon	Owned	Good			
INFRASTRUCTURE BUSINESS							
1	SAN MIGUEL HOLDINGS CORP.						
	Office Space	Wing A and B - 11/F San Miguel Properties Centre St. Francis Street, Mandaluyong City	Owned	Good			
	Office Space	20/F San Miguel Properties Centre St. Francis Street, Mandaluyong City	Owned	Good			
	Office Space - 83 sq meters	No. 40 San Miguel Avenue, Mandaluyong City	Owned	Good			
	Office Space	4th Floor San Miguel Properties Center St. Francis Street Mandaluyong City	Owned	Good			
	Office Space - 635.75 sq meters	Unit C and D - 23rd Floor of the JMT Corporate Condominium, ADB Avenue, Ortigas Center, Pasig City	Owned	Good			
	Office Space	Unit A - 18th Floor of the JMT Corporate Condominium, ADB Avenue, Ortigas Center Pasig City	Owned	Good			
2	VERTEX TOLLWAYS DEVT. INC.						
	Office Space	No. 40 San Miguel Ave., Mandaluyong City	Owned	Good			
	Office Space	Ground Floor, TOB Doña Soledad Avenue, Bicutan, Paranaque City	Owned	Good			
	Office Space	Unit C 18th Floor of the JMT Corporate Condominium, ADB Avenue, Ortigas Center	Owned	Good			
3	TERRAMINO HOLDINGS, INC AND ASSETVALUES HOLDING COMPANY, INC.						
	Office Space	11F and 20/F San Miguel Properties Centre St. Francis Street, Mandaluyong City	Owned	Good			
4	UNIVERSAL LRT CORPORATION (BVI) LIMITED						
	Office Space	11/F San Miguel Properties Centre, St. Francis Street, Mandaluyong City	Owned	Good			

Company Name / Subsidiary		Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
5	TRANS AIRE DEVELOPMENT HOLDINGS, CORP.						
	Residential Building	Caticlan, Malay, Aklan	Rented	Good	300,000.00	February 07, 2022	Subject to renewal or extension as mutually agreed between the parties
	Office Space	Wing B 2/F San Miguel Building, 40 San Miguel Ave. Mandaluyong City	Owned	Good			
6	SMC TPLEX HOLDINGS COMPANY, INC. (Formerly: Rapid Thoroughfares, Inc.)						
	Land	Emilio Vergara Highway Corner Mabini Street Extension, Sta. Arcadia, Cabanatuan, Nueva Ecija	Owned	Good			
	Land	Maharlika Highway, Malipampang, San Ildefonso, Bulacan	Owned	Good			
7	SMC TPLEX CORPORATION (Formerly: Private Infra Dev Corporation)						
	Head Office (Old)	Unit 06 UG Pioneer Highlands Condo Tower 2, Pioneer corner Madison Streets, Mandaluyong City	Owned	Good			
	Head Office	The JMT Bldg, ADB Ave. Ortigas Center, Pasig City	Owned	Good			
	ROW - Living quarters	McArthur Hiway, Bued, Binalonan Pangasinan	Rented	Good	Renato E. Legaspi - P10,000	January 31, 2021	Contract was terminated last January 31, 2021
	ROW - Office	Brgy. Poblacion, Sison, Pangasinan	Rented	Good	Columba Aquino Liberato - P16,000	January 31, 2021	Contract was terminated last January 31, 2021
	ROW - Office	Brgy. Poblacion, Sison, Pangasinan	Rented	Good	Columba Aquino Liberato - P14,000	January 31, 2021	Contract was terminated last January 31, 2021
	ROW - Office & Lodging	Cauringan, Sison Pangasinan	Rented	Good	RCDC Property Rental - P24,000	December 21, 2021	Subject to renewal or extension as mutually agreed between the parties
	DPWH Lodging	Brgy. Asan Norte, Municipality of Sison, Pangasinan	Rented	Good	Fermina C. Marcena - P10,000	December 21, 2021	Subject to renewal or extension as mutually agreed between the parties
	Construction Office & Lodging/DPWH & IC Office	Sitio Anoyao, Barangay Linmansangan, Binalonan Pangasinan	Rented	Good	Big Elephant Inland Resort P150,000	December 21, 2021	Subject to renewal or extension as mutually agreed between the parties
8	OPTIMAL INFRASTRUCTURE DEVELOPMENT, INC.						
	Land	Manila Harbour Centre, Brgy. 128 Zone 10 (Isla de Balut/Vitas), Tondo, Manila City	Owned	Good			
9	SLEEP INTERNATIONAL (NETHERLANDS) COOPERATIEF U.A.						
	Office Space	Prins Bernhardplein 200, 1097 JB Amsterdam	Owned by the Service Provider	Good			
10	WISELINK INVESTMENT HOLDINGS, INC.						
	Office Space	40 San Miguel Avenue, Brgy. Wack-Wack Mandaluyong City	Owned	Good			
11	ATLANTIC AURUM INVESTMENTS B.V.						
	Office Space	Museumlaan 2, 3581 HK, Utrecht, The Netherlands	Owned by the Service Provider	Good			
12	STAGE 3 CONNECTOR TOLLWAYS HOLDINGS CORPORATION						
	Office Space	40 San Miguel Avenue, Mandaluyong City	Owned	Good			
13	CITRA CENTRAL EXPRESSWAY CORP						
	Office Space	4F Toll Operations Complex, Dona Soledad Ave., Better Living Subd., Paranaque City	Owned by ROP (Citra Metro Manila Tollways Corporation Concession Rights)	Good			
	Office Space	Unit D - 18th Floor of the JMT Corporate Condominium ADB Avenue, Ortigas Center Pasig City	Owned	Good			
14	CITRA METRO MANILA TOLLWAYS CORPORATION						
	Office Space	21st to 24th Floors One Magnificent Mile-CITRA Building, San Miguel Avenue, Ortigas Center 1605 Pasig City	Owned	Good			

Company Name / Subsidiary		Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
	Office Space	3/F Toll Operations Building, Doña Soledad Avenue, Brgy. Don Bosco, Parañaque City	Owned	Good			
15	SKYWAY O&M CORPORATION						
	Office Space	1st and 2nd Floors TOB Doña Soledad Avenue, Bicutan, Paranaque City	Owned	Good			
16	ALLOY MANILA TOLL EXPRESSWAYS INC.						
	Office Space	GF Operations and Control Center, Km.44 South Luzon Expressway, Sitio Latian, Brgy. Mapagong, Calamba City, Laguna	Owned by ROP (South Luzon Tollway Corporation Concession Rights)	Good			
	Land	Km.44 Sitio Latian, Brgy. Mapagong, Calamba City, Laguna	Owned	Good			
17	JETHANDLER ASIA SERVICES, INC.						
	Office Space	Caticlan, Malay, Aklan	Rented	Good	51,580.76	September 01, 2021	Renewable upon mutual agreement in writing by the parties through their duly authorized representatives
	Office Space	Caticlan, Malay, Aklan	Rented	Good	142,105.26	November 30, 2021	For pre-termination effective January 1, 2021
	Lot Rental	Caticlan, Malay, Aklan	Rented	Good	39,252.34	July 12, 2023	No renewal options
	Lot Rental	Caticlan, Malay, Aklan	Rented	Good	88,421.05	July 12, 2022	Renewable for another period of two (2) years upon mutual agreement of the parties
	Stockroom Rental	Caticlan, Malay, Aklan	Rented	Good	18,947.37	December 31, 2021	Subject to renewal or extension upon expiration at the option of the LESSEE and on such terms and conditions as may mutually be agreed upon between the parties
	PNP Staffhouse	Caticlan, Malay, Aklan	Rented	Good	8,421.05	December 31, 2021	Subject to renewal or extension upon expiration at the option of the LESSEE and on such terms and conditions as may mutually be agreed upon between the parties
	AVSEC Barracks	Caticlan, Malay, Aklan	Rented	Good	10,526.32	December 31, 2021	Subject to renewal or extension upon expiration at the option of the LESSEE and on such terms and conditions as may mutually be agreed upon between the parties
18	MANILA TOLL EXPRESSWAY SYSTEMS, INC.						
	Office Space	GF Operations and Control Center, Km.44 South Luzon Expressway, Sitio Latian, Brgy. Mapagong, Calamba City, Laguna	Owned by ROP (South Luzon Tollway Corporation Concession Rights)	Good			
19	SMC INFRAVENTURES INC.						
	Office Space	40 San Miguel Avenue, Mandaluyong City	Owned	Good			
20	SOUTH LUZON TOLLWAYS CORPORATION						
	LAND	Lot 3122-C, Sitio Latian, Brgy. Mapagong, Calamba, Laguna	Owned	Good			
21	CITRA INTERCITY TOLLWAYS, INC.						
	Office Space	4F Toll Operations Complex, Dona Soledad Ave., Better Living Subd., Paranaque City	Owned by ROP (Citra Metro Manila Tollways Corporation Concession Rights)	Good			

Company Name / Subsidiary		Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
	Office Space	Unit B 18th Floor of the JMT Corporate Condominium, ADB Avenue, Ortigas Center, Pasig City	Owned	Good			
22	CYPRESS TREE CAPITAL INVESTMENTS, INC.						
	Office Space	7th Floor, Electra House Building, 115-117 Esteban St., Legazpi Village, Makati City	Owned	Good			
23	STAR INFRASTRUCTURE DEVELOPMENT CORPORATION						
	Land	Brgy. Lapu Lapu, Ibaan, Batangas	Owned	Good			
	SIDC OFFICE	7th Floor Electra House Condominium, 115- 117 Esteban St., Legaspi Village, Makati City	Rented	Good	48,049.82	January 31, 2021	Subject to renewal or extension as mutually agreed between the parties
	Office Space	2F Operations and Control center, Km 44 South Luzon Expressway, Sitio Latian, Brgy. Mapagong ,Calamba City	Rented	Good	18,830.26	December 31, 2021	Subject to renewal or extension as mutually agreed between the parties
24	STAR TOLLWAY CORPORATION						
	Office Space	Brgy. Tambo, Lipa City, Batangas	Owned by ROP (Star Infrastructure Development Corporation Concession Rights)	Good			
25	ULCOM COMPANY, INC.						
	Office Space	11/F San Miguel Properties Centre St. Francis Street, Mandaluyong City	Owned	Good			
26	SMC MASS RAIL TRANSIT 7, INC.						
	Office Space	40 San Miguel Avenue, Mandaluyong City	Owned	Good			
	Office Space	GF 808 Bldg, Meralco Avenue Cor Gen Lim Street, Brgy. San Antonio, Pasig City	Owned	Good			
	Office Space	4F 808 Bldg, Meralco Avenue Cor Gen Lim Street, Brgy. San Antonio, Pasig City	Owned	Good			
	Office Space	808 Bldg, Meralco Avenue Cor Gen Lim Street, Brgy. San Antonio, Pasig City (Meeting Rooms G & H)	Owned	Good			
	Office Space	808 Bldg, Meralco Avenue Cor Gen Lim Street, Brgy. San Antonio, Pasig City (Meeting Rooms I & J)	Owned	Good			
27	AEROFUEL STORAGE MANAGEMENT INC.						
	Office Space	11/F San Miguel Properties Centre St. Francis Street, Mandaluyong City	Owned	Good			
28	ARGONBAY CONSTRUCTION COMPANY, INC.						
	Office Space	11/F San Miguel Properties Centre St. Francis Street, Mandaluyong City	Owned	Good			
29	INTELLIGENT E- PROCESSES TECHNOLOGIES CORP.						
	Office Space	16th Floor Unit A, 45 San Miguel Building, 45 San Miguel Avenue, Ortigas Center, Pasig City	Rented	Good	211,250.00	May 31, 2021	Upon mutual agreement of the Lessor and the Lessee, the lease may be renewed under such terms and conditions acceptable to the parties, provided, however, that within ninety (90) days prior to the expiration of the Lease Period, the Lessee shall inform the Lessor in writing of its intention to renew the lease. If no written notice of renewal is received by the Lessor from the Lessee during the said 90- day period, the lease shall automatically terminate upon the expiration of the original Lease Period.

Company Name / Subsidiary		Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
	Office Space	KM 44 South Luzon, Brgy. Mapagong, Sitio Latian, Calamba, Laguna	Rented	Good	250,655.02	May 31, 2021	May be renewed upon mutual written agreement of the parties. Either party may serve a written request for renewal on the other party within ninety (90) days prior to the expiration of the Lease Period; provided that the party, upon whom such notice is served, shall not be obliged to agree to the renewal of the lease.
	Office Space	KM 44 South Luzon, Brgy. Mapagong, Sitio Latian, Calamba, Laguna	Rented	Good	159,135.00	December 31, 2021	May be renewed upon mutual written agreement of the parties. Either party may serve a written request for renewal on the other party within ninety (90) days prior to the expiration of the Lease Period; provided that the party, upon whom such notice is served, shall not be obliged to agree to the renewal of the lease.
30	LUZON CLEAN WATER DEVELOPMENT CORPORATION						
	Office Space	BBW Administration Bldg. Don Manuel F. Reyes Ave. PH 1, Gate 1, Pleasant Hills Subd., Brgy. San Manuel City of SJDM, Bulacan 3023	Owned	Good			
31	PASIG RIVER EXPRESSWAY CORPORATION						
	Office Space	40 San Miguel Avenue, Mandaluyong City	Owned	Good			
32	TPLEX OPERATIONS AND MAINTENANCE CORP						
	Office Space	Brgy Baculong, Victoria, Tarlac	Owned	Good			
	Office Space	Brgy Baculong, Victoria, Tarlac	Owned	Good			
	Office Space	Brgy Palakipak, Rosales, Pangasinan	Owned	Good			
33	SINCERE LUMBER CO., INC.						
	Land	1500 Quirino Ave., Paco, Manila City, Metro Manila	Owned	Good			
34	SAN MIGUEL AEROCITY INC						
	Office Space	Lower Penthouse, 808 Building, Meralco Avenue, Brgy Antonio Pasig City	Owned	Good			
	Office Space	5th Floor, 808 Building, Meralco Avenue, Brgy Antonio Pasig City	Owned	Good			
35	SMC Central Access Link Expressway Corp.						
	Office Space	40 San Miguel Avenue, Brgy. Wack-Wack Mandaluyong City	Owned	Good			
36	SMC Marilao Access Link Expressway Corp.						
	Office Space	40 San Miguel Avenue, Brgy. Wack-Wack Mandaluyong City	Owned	Good			
37	SMC Northern Access Link Expressway Corp.						
	Office Space	40 San Miguel Avenue, Brgy. Wack-Wack Mandaluyong City	Owned	Good			
38	SMC Southern Access Link Expressway Corp.						
	Office Space	40 San Miguel Avenue, Brgy. Wack-Wack Mandaluyong City	Owned	Good			
39	SOUTH LUZON TOLL ROAD-5 EXPRESSWAY INC						
	Office Space	No. 40 San Miguel Ave., Mandaluyong City	Owned	Good			
39	ATLANTIC AURUM INVESTMENTS PHILIPPINES CORPORATION						
	Office Space	40 San Miguel Avenue, Mandaluyong City	Owned	Good			

Company Name / Subsidiary		Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
40	MTD Manila Expressways, Inc.						
	Office Space	40 San Miguel Avenue, Brgy. Wack-Wack Mandaluyong City	Owned	Good			
41	ASSETVALUES HOLDING COMPANY INC						
	Office Space	11F and 20/F San Miguel Properties Centre St. Francis Street, Mandaluyong City	Owned	Good			
OTHERS							
1	SAN MIGUEL CORPORATION						
	Iligan Coconut Oil Mill	Sta.Filomena, Iligan City	Owned	Good			
	Land and Warehouse	A. Del Rosario Ave., Brgy. Tipolo, Mandaue City	Owned	Good			
	Land	Banilad, Mandaue - Petron Station	Owned	Good			
	Land	Alfonso, Cavite - Management Training Center	Owned	Good			
	Office Space	Meralco Ave., Pasig City - 808 Building	Owned	Good			
	Warehouse Only	Northbay Blvd., Navotas, Metro Manila	Owned	Good			
	Land	San Fernando, Pampanga - SMFI Poultry	Owned	Good			
	Office Space	40 San Miguel Ave., Mandaluyong City - SMC Corporate Office	Owned	Good			
	Land	San Rafael, Tarlac - Petron Station	Owned	Good			
	Land	Tagaytay - Petron Station	Owned	Good			
	Land	Tunasan - Petron Station	Owned	Good			
	Land	Looc Ouano, Mandaue City	Owned	Good			
	Warehouse Only	SMC Complex, Quebiawan, San Fernando, Pampanga	Owned	Good			
2	REAL ESTATE BUSINESS						
	San Miguel Properties, Inc.						
	Bel Aldea Subdivision	Brgy. San Francisco, Gen. Trias, Cavite	Owned	Good			
	Maravilla Subdivision	Brgy. San Francisco, Gen. Trias, Cavite	Owned	Good			
	Asian Leaf Subdivision	Brgy. San Francisco, Gen. Trias, Cavite	Owned	Good			
	Office Spaces	San Miguel Properties Centre, Mandaluyong City	Owned	Good			
	Office Building	155 Edsa (SMITS), Ortigas Center, Mandaluyong City	Owned	Good			
	Land	620 Lee St., Mandaluyong City	Owned	Good			
	Land	San Isidro Road corner Unnamed Road Lot, Brgy. Tatalon, Cabuyao, Laguna	Owned	Good			
	Land and Building	808 Bldg. Meralco Avenue corner General Lim St., Brgy. San Antonio, Pasig City	Owned	Good			
	Land	Along Commerce Avenue Corner Asean Drive and Jakarta Lane, Filinvest Corporate City, Brgy. Alabang, Muntinlupa City	Owned	Good			
	Land	Brgy. Canlubang and Majada, Calamba City, Laguna	Owned	Good			
	Land	Barrio de Fuego, Gen. Trias, Cavite	Owned	Good			
	Land	Barrio Sinaliw Munti, Alfonso, Cavite	Owned	Good			
	Land	Brgys. of Mabatac, Sinaliw and Kaytitinga, Sitios of Amuyong and Haulian, Alfonso, Cavite	Owned	Good			
	Land	Brgys. Lourdes and Santiago, Lubao, Pampanga	Owned	Good			
	Land	Cagay Road, Brgy. Asid, Masbate City	Owned	Good			
	Land	Brgy. Tagabuli, Sta. Cruz, Davao del Sur	Owned	Good			
	Land	Sitio Landing, Brgy. Darong, Sta. Cruz, Davao del Sur	Owned	Good			
	Land	Brgy. Darong, Sta. Cruz, Davao del Sur	Owned	Good			
	Land	Brgy. Bato, Sta. Cruz, Davao del Sur	Owned	Good			
	Land	Brgy. Yapak, Boracay Island, Malay, Aklan	Owned	Good			

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	Land	327 Brgy. Prenza-San Fermin, Cauayan City, Isabela	Owned	Good			
	Land	471 F. Ortigas St., Brgy. Hagdang Bato Libis, Mandaluyong City	Owned	Good			
	Land/Building/Improvements	San Miguel Corporation - Head Office Complex, No. 40 San Miguel Avenue, Mandaluyong City	Owned	Good			
	Land	Dr. A Santos Ave. (Sucat Road), Parañaque City	Owned	Good			
	Land	Brgy. Boot, Tanuan, Batangas	Owned	Good			
	Land	Brgy. Glamang (Silway), Polomolok, South Cotabato	Owned	Good			
	Land	Maragondon / Mabacao - Magallanes Road, Brgy. Mabato, Maragondon, Cavite	Owned	Good			
	Land	Acacia St., Brgy. Hagdang Bato, Mandaluyong City	Owned	Good			
	Land	Sixto Avenue, Maybunga, Pasig City	Owned	Good			
	Land	National Road, Brgy. Bunawan, Davao City	Owned	Good			
	Land	Crestview Heights Subd., San Roque, Antipolo, Rizal	Owned	Good			
	Land and Building	Crestview Circle, Crestview Heights Subdivision, San Roque, Antipolo City	Owned	Good			
	Land	618 Lee St. Brgy. Addition Hills, Mandaluyong City	Owned	Good			
	Land	Brgy. Bucal Calamba, Laguna	Owned	Good			
	Land	Brgy. Tawala, Panglao, Bohol	Owned	Good			
	Land	Bunawan Davao Del Sur, Davao City part of 146-7637	Owned	Good			
	Land and Building	635 Lee St. Addition Hills Mandaluyong City	Owned	Good			
	Land and Building	Brgy. Sasa, Davao City	Owned	Good			
Bel-Aldea Realty, Inc.							
	Land and Building	No. 77 IPO St., Brgy. Paang Bundok, La Loma, Quezon City	Owned	Good			
Bright Ventures Realty, Inc.							
	Land	A. Marcos cor M.H. del Pilar and A. Mabini Sts., Addition Hills, San Juan City	Owned	Good			
	Land / Dover Hill	No. 168 Pilar Corner P. Zamora Sts., Brgy. Addition Hills, San Juan City	Owned	Good			
Brillar Realty and Development Corp.							
	Land	Limbones Island, Brgy. Papaya, Nasugbu, Batangas	Owned	Good			
Dimanyan Wakes Holdings, Inc.							
	Land	Bo. Bulalacao, Bulalacao Island, Coron, Palawan	Owned	Good			
Busuanga Bay Holdings Inc.							
	Land	Bo. Bulalacao, Bulalacao Island, Coron, Palawan	Owned	Good			
Bulalacao Property Holdings, Inc.							
	Land	Bo. Bulalacao, Bulalacao Island, Coron, Palawan	Owned	Good			
Calamian Prime Holdings, Inc.							
	Land	Bo. Bulalacao, Bulalacao Island, Coron, Palawan	Owned	Good			
Palawan White Sands Holdings Corp.							
	Land	Bo. Bulalacao, Bulalacao Island, Coron, Palawan	Owned	Good			
Coron Islands Holdings, Inc.							
	Land	Bo. Bulalacao, Bulalacao Island, Coron, Palawan	Owned	Good			
Rapidshare Realty and Development Corporation							
	Land	341 Northwestern St., Brgy. Wack-Wack, Greenhills, Mandaluyong City	Owned	Good			
SMC Originals, Inc.							
	Land	Antonio Arnaiz Avenue corner Estacion St., Brgy. Pio del Pilar, Makati City	Owned	Good			
Silang Resources, Inc.							
	Land	Brgys. San Vicente, San Miguel, Biluso And Lucsuhin, Silang, Cavite	Owned	Good			

Company Name / Subsidiary		Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
	Tanauan Resources, Inc.						
	Land	No. 34 McKinley Road, Brgy. Forbes Park (North Side), Makati City	Owned	Good			
	SMPI Makati Flagship Realty Corp.						
	Land and Building	117 Legaspi and Gallardo Sts., Legaspi Village, Makati City	Owned	Good			
	Carnell Realty, Inc.						
	Land	621 Lee St., Mandaluyong City	Owned	Good			
	Grandioso Realty Corporation						
	Land	National Road, Brgy. Tumbler, General Santos City	Owned	Good			
	Sta. Cruz Resource Management, Inc.						
	Land and Building	54 and 50 Hydra St., Bel Air 3, Makati City	Owned	Good			
	Maison 17 Properties, Inc.						
	Land	116 Legaspi and Gallardo Sts., Legaspi Village, Makati City	Owned	Good			
	Integrated Geosolutions, Inc.						
	Land	Bo.Diezmo, Cabuyao, Laguna	Owned	Good			
	Tierra Castellanas Development Inc.						
	Land	Brgy. Bungoy, Dolores, Quezon	Owned	Good			
	Excel Unified Land Resources Corp.						
	Wedge Woods Subdivision	Silang, Cavite	Owned	Good			
	512 Acacia Holdings, Inc.						
	Land	512 Acacia Ave., Ayala Alabang Village Phase II-A, Brgy. Alabang, Muntinlupa City	Owned	Good			
	La Verduras Realty Corp.						
	Land	No. 38 Gen. Delgado Street, San Antonio Village, Pasig City	Owned	Good			
	First Monte Sierra Realty Corporation						
	Land	Brgy. San Antonio, Basco, Batanes	Owned	Good			
	El Vertice Realty Corp.						
	Land and Building	4912 Pasay Road, Dasmariñas Village, Makati City	Owned	Good			
	Estima Realty Corp.						
	Land and Building	4914 Pasay Road, Dasmariñas Village, Makati City	Owned	Good			
	Lanes and Bi-Ways Realty Corp.						
	Land	403 Columbia St., East Greenhills, Mandaluyong City	Owned	Good			
	Land	#2 Columbia St. N.East Greenhills, San Juan	Owned	Good			
	Premiata Realty, Inc.						
	Land	52 Mercedes cor 61 Aries, Bel Air 3, Makati City	Owned	Good			
	Picanto de Alta Realty Corp.						
	Land	1331 J.P. Laurel St. Brgy. 643 Zone 066, San Miguel District, Manila	Owned	Good			
	Kingsborough Realty, Inc.						
	Land	37 Gen. Delgado St., San Antonio Village, Pasig City	Owned	Good			
	E- Fare Investment Holdings Inc.						
	Land	Mariveles, Bataan	Owned	Good			

Company Name / Subsidiary		Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
	Rapidshare Realty and Development Corporation						
	Land	Northwestern Street, Barangay Wack-Wack Greenhills, Mandaluyong City	Owned	Good			
	Land and Building	Ortigas Street, Barangay Wack-Wack, Greenhills, Mandaluyong City	Owned	Good			
	Apice Solare Resources Corp.						
	Land	National Road, Barangay Igmaya-an, District 1, Don Salvador Benedicto, Negros Occidental	Owned	Good			
	Roca Pesada Realty Corp.						
	Land	118 Esteban Abada St. Varsity Hills, Quezon City	Owned	Good			
	Casa Sabroso Holdings Inc.						
	Land and Building	Ilongo St. La Vista, Quezon City	Owned	Good			
	Uno Clarity Investment Holdings Inc.						
	Land and Building	Buruanga, Aklan	Owned	Good			
	Zee2 Resources Inc.						
	Land	82 Cambridge Circle, North Forbes Park, Makati City	Owned	Good			
	Quicksilver Development Corp.		Owned	Good			
	Land	50 McKinley Road North Forbes Park Makati City	Owned	Good			
	Max Harvest Holdings Inc.						
	Land	Brgy. Anyatam San Ildefonso Bulacan	Owned	Good			
	One Wilson Cayenne Holdings, Inc.						
	Land	708-A J.R Yulo St. Mandaluyong City	Owned	Good			
	Land	6-C East St. Addition Hills Mandaluyong City	Owned	Good			
	Auburnrite Holdings Inc.						
	Land	Bungahan, Biñan, Laguna	Owned	Good			
	Land	Mamplasan, Biñan, Laguna	Owned	Good			
3	PACIFIC CENTRAL PROPERTIES, INC.						
	Land	Limay, Combined Power Plant, Limay, Bataan	Owned	Good			
	Land	Dauin, Negros Oriental	Owned	Good			
	Land	Outlook Drive, Baguio City	Owned	Good			
4	SMC SHIPPING AND LIGHTERAGE CORPORATION AND SUBSIDIARIES						
	SMC Shipping and Lighterage Corporation						
	Land	Maribojoc-Cortes National Road Junction, Barrio Salvador, Cortes, Bohol	Owned	Good			
	Land and Building	Dr. A. Santos Avenue corner Unnamed Road, Brgy. San Antonio, Parañaque City	Owned	Good			
	Land	Mariveles Bataan Lot #1 and #2, Barrio of Lucanin, Mariveles, Bataan	Owned	Good			
	Land	Mariveles Bataan Lot #3, Barrio of Agnipa and Cabcaban, Mariveles, Bataan	Owned	Good			
	Land	National Road, Brgy. San Pedro, Bauan and Brgy. San Juan, Mabini, Batangas	Owned	Good			
	Building (Admin Buildings, Warehouses D, C, R, S, I, N, Q, L, M, Terminals, Parking Shed, Loading Bay)	Ouano Wharf, Looc, Manduae City	Owned	Good			
	Building (KCSLI)	Dad Cleland Avenue, Looc, Lapu Lapu City	Owned	Good			
	Land and Building	Brgy. Loboc, Lapaz, Ilollo	Owned	Good			
	Land	Mariveles, Bataan	Rented	Good	2,550,306.28	September 30, 2030	Renewable upon mutual agreement of the parties
	Land	Yard 2, Engineering Island, Baseco Compound, Port Area, Manila City	Rented	Good	3,067,079.30	January 02, 2022	Renewable upon mutual agreement of the parties

Company Name / Subsidiary		Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
	Land at Bataan Warehouse 1 & 2	Freeport Area, Mariveles, Bataan	Rented	Good	422,592.96	May 31, 2023	Renewable upon mutual agreement of the parties
	Land	Block 22 Manila Harbor Center, Tondo, Manila City	Rented	Good	1,163,568.14	April 14, 2020	Renewable upon mutual agreement of the parties (Ongoing renewal)
	Land	San Pedro, Bauan, Batangas	Rented	Good	450,000.00	December 06, 2042	SMCSL can exercise an option to purchase the reclaimed lot during the life of the lease period should the municipality decide to sell the property
	Land	Brgy. Tubod, Municipality of Sto. Tomas, La Union	Rented	Good	200,000.00	August 31, 2022	Renewable upon mutual agreement of the parties
	Land	Bo. of Gua-an, Municipality of Leganes, Province of Iloilo	Owned	Good			
	Land	Ouano Wharf, Looc, Manduae City	Owned	Good			
	Land	Road Lot 3 Brgy. 128 Zone 010, Tondo, Manila	Owned	Good			
	Land	Santa Elena, Orion, Bataan	Owned	Good			
	Land, Land Improvement (e.g. Pier), Building, and Machineries	Namonitan, Santo Tomas, La Union	Owned	Good			
	Warehouse	Limay, Bataan	Owned	Good			
	Coal Warehouse	Namonitan, Santo Tomas, La Union	Owned	Good			
	Land	Baluarte, Tagoloan Misamis Oriental	Owned	Good			
	Land	Lot 1118&1119 Puting Buhangin Orion Bataan	Owned	Good			
	Warehouse	Mactan, Cebu	Owned	Good			
	Warehouse	Loboc, Iloilo	Owned	Good			
	Warehouse	Tagoloan, Misamis Oriental	Owned	Good			
	Pier	Iloilo	Owned	Good			
	Pier	Mandaue, Cebu	Owned	Good			
	Warehouse	Mabini, Bauan, Batangas	Owned	Good			
	Blk 12 (Lot 1) and Blk 14 (Lot 1-15)	Harbor, Manila	Owned	Good			
	Warehouse	Zone 3, Upper Agusan, Cagayan de Oro City	Rented	Good	1,746,360.00	April 30, 2021	Renewable upon mutual agreement of the parties
	Warehouse	Brgy. Masaya, Rosario Batangas	Rented	Good	1,802,822.50	March 31, 2021	Renewable upon mutual agreement of the parties
	Warehouse (Pasacao 1 - 5)	Bicol Oil Mill Cmpd. Balogo, Pasacao, Camarines Sur	Rented	Good	1,017,600.00	December 31, 2021	Renewable upon mutual agreement of the parties
	Warehouse rental for Feedmill Plant	CDO	Owned	Good			
	Warehouse rental for Feedmill Plant	Iloilo	Owned	Good			
	Warehouse (Whses A, B, D1, D2)	Casisang, Malaybalay City, Bukidnon	Rented	Good	390,000.00	December 31, 2022	Renewable upon mutual agreement of the parties
	Foreshore Area	Looc, Lapu Lapu City	Rented	Good	1,342.67	October 03, 2021	Renewable after one (1) year or upon mutual agreement of the parties
	Foreshore Area	Looc, Lapu Lapu City	Rented	Good	1,398.79	October 03, 2021	Renewable after one (1) year or upon mutual agreement of the parties
	Foreshore Area	Looc, Lapu Lapu City	Rented	Good	27,994.66	January 24, 2021	Renewable after one (1) year or upon mutual agreement of the parties
	Foreshore Area	Looc, Lapu Lapu City	Rented	Good	1,763.17	October 03, 2021	Renewable after one (1) year or upon mutual agreement of the parties
	Foreshore Area	Looc, Lapu Lapu City	Rented	Good	5,246.54	February 15, 2021	Renewable after one (1) year or upon mutual agreement of the parties
	Warehouse (NZU 1 & 2)	Campo Islam, Zamboanga City	Rented	Good	451,143.00	December 31, 2023	Renewable upon mutual agreement of the parties

Company Name / Subsidiary		Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
	Space rental	Baseco, Manila	Rented	Good	35,281.12	December 31, 2021	Renewable upon mutual agreement of the parties
	Warehouse (L2, L4, L5)	Door 7, Far East Cereals Bldg, Davao	Rented	Good	478,170.00	February 28, 2021	Renewable upon mutual agreement of the parties
	Warehouse	218 Don Jose Canciller Avenue, Cauayan City	Rented	Good	89,000.00	April 14, 2021 - July 15, 2021	Renewable upon mutual agreement of the parties
	Warehouse	Davao	Rented	Good	2,108,971.43	December 31, 2021	Renewable upon mutual agreement of the parties
	Warehouse	12 Zone 3, Kauswagan, CDO	Rented	Good	1,606,500.00	June 30, 2021	Renewable upon mutual agreement of the parties
	Warehouse	Davao	Rented	Good	280,000.00	February 28, 2021	Renewable upon mutual agreement of the parties
	Warehouse	Orion, Bataan	Rented	Good	198,000.00	June 30, 2034	Renewable upon mutual agreement of the parties
	Warehouse	Parang, Batangas	Rented	Good	408,000.00	March 2021 to December 2021	Renewable upon mutual agreement of the parties
SMC Shipping and Lighterage Corporation and SL Mariveles Drydocking and Shipyard Corporation							
	Building (Warehouses, Admin Building, Slipway, Seawall, Guardhouse)	Luzon Avenue, Baseco Compound, Mariveles, Bataan	Owned	Good			
	Land	Baseco Compound Luzon Avenue Mariveles, Bataan	Rented	Good	713,878.97	April 30, 2021	Renewable upon mutual agreement of the parties
SMC Shipping and Lighterage Corporation and Baseco Shipyard Corporation							
	Building (Warehouses, Admin Building, Improvements, Container Yard, Access Roads, Guardhouse, Truckscale, Equipments)	Yard 2, Engineering Island, Baseco Compound, Port Area, Manila City	Owned	Good			
	Land	Yard 2, Engineering Island, Baseco Compound, Port Area Manila	Rented	Good	2,523,293.73	December 31, 2021	Renewable upon mutual agreement of the parties
SMC Shipping and Lighterage Corporation and various subsidiaries							
	Buildings	2F to 6F VIP Bldg., Roxas Blvd., Ermita, Manila City	Rented	Good	303,571.43	December 31, 2021	Renewable upon mutual agreement of the parties
SL Harbour Bulk Terminal Corporation							
	Land	Blk14 Lots 1-4 Manila Harbour Centre, Brgy. 128, Zone 10, Tondo District, Manila City	Owned	Good			
	Land	Blk15 Lots 8-9 Brgy. 128 Zone 010, Tondo, Manila	Owned	Good			
	Land	Blk4 Lot 10-11 Road Lot 3, Brgy. 128 Zone 010, Tondo, Manila	Owned	Good			
	Land	Manila Harbour Center Lot 3 fronting Blk 15 lot 9 (BERTHING 5)	Rented	Good	389,209.29	April 29, 2024	Renewable upon mutual agreement of the parties
	Land	Manila Harbour Center Lot 3 fronting Blk 15 lot 9 (BERTHING 4)	Rented	Good	294,747.55	April 29, 2024	Renewable upon mutual agreement of the parties
	Land	Blk17 Lot 4 Manila Harbour Centre, Vitas, Tondo, Manila City	Rented	Good	431,323.88	Continuing unless terminated and agreed by both parties	Renewable upon mutual agreement of the parties
	Foreshore and Offshore Areas	Gracia, Tagoloan, Misamis Oriental (41,682 sqm)	Rented	Good	27,145.23	March 07, 2029	May be renewed for 25 years upon terms and conditions mutually agreed upon by the parties
	Foreshore and Offshore Areas	Gracia, Tagoloan, Misamis Oriental (50,152 sqm)	Rented	Good	251,233.01	March 07, 2029	May be renewed for 25 years upon terms and conditions mutually agreed upon by the parties

Company Name / Subsidiary		Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
	Foreshore and Offshore Areas, and Port Facility	Gracia, Tagoloan, Misamis Oriental (121,396 sqm)	Rented	Good	279,927.04	August 03, 2022	Renewable upon mutual agreement of the parties
	Building (Admin Buildings, Terminals, Parking Shed, Loading Bay, Mini Laboratory, Storage Areas)	Manila Harbour Centre, Brgy. 128, Zone 10, Tondo, Manila City	Owned	Good			
	Land Improvements (Walkways, Driveway, Ground Improvements, Access Roads, Catwalks, Perimeter Fence, Etc.)	Manila Harbour Centre, Brgy. 128, Zone 10, Tondo, Manila City	Owned	Good			
	Buildings (Admin Building, Bulk Office, Mini Laboratory, etc.)	Limay, Bataan	Owned	Good			
	Buildings (Admin Building, Mini Laboratory, etc.)	Tagoloan, Misamis Oriental	Owned	Good			
	Land	Blk12 Rd 10 Cor Rd 21 New Harbour Center, Brgy. 128 Zone 010, Tondo, Manila	Owned	Good			
	Land	Blk14 Lot 5 Rd Lot 3 Cor Rd Lot 9 New Harbour Center, Brgy. 128 Zone 010, Tondo, Manila	Owned	Good			
	Land	Barrio Kitang, Limay, Bataan (228,616 sqm)	Rented	Good	363,745.00	December 31, 2021	Renewable on a year to year basis for as long as the original lease agreement is in effect and under such terms and conditions based on the mutual consent and agreement of both parties
	Land	Block 15, Lots 7, Manila Harbour Centre, Tondo, Manila	Rented	Good	1,348,725.33	Continuing unless terminated and agreed by both parties	Renewable upon mutual agreement of the parties
	Land	Block 15, Lots 1-6, Manila Harbour Centre, Tondo, Manila	Rented	Good	1,140,108.03	Continuing unless terminated and agreed by both parties	Renewable upon mutual agreement of the parties
	Leasehold Improvements (Driveway, Pier, Perimeter Fence, etc.)	Limay, Bataan	Owned	Good			
	Leasehold Improvements (Driveway, Pier, Perimeter Fence, etc.)	Tagoloan, Misamis Oriental	Owned	Good			
	Machinery and Equipment (Fuel Tanks)	Bataan Combined Cycle Power Plant, Barangay Luz, Kitang 2, Limay, Bataan	Rented	Good	3,733,455.00	Continuing unless terminated and agreed by both parties	Renewable upon mutual agreement of the parties
	Machinery and Equipment (Fuel Tanks, Water Tanks, Tank Truck Loading Racks, etc.)	Manila Harbour Centre, Brgy. 128, Zone 10, Tondo, Manila City	Owned	Good			
	Machinery and Equipment (Fuel Tanks, Water Tanks, Tank Truck Loading Racks, etc.)	Limay, Bataan	Owned	Good			
	Machinery and Equipment (Fuel Tanks, Water Tanks, Tank Truck Loading Racks, etc.)	Tagoloan, Misamis Oriental	Owned	Good			

Company Name / Subsidiary		Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
	Land	Land with an area of 5,167.53 sqm located at Manila Harbour Center, Blk 15, Lot 7.	Rented	Good	1,140,108.03	December 09, 2021	Prior to the termination of the contract, the lessor shall conduct a public bidding, wherein the lessee may participate. The lessee shall have the right to equal the highest bid if he manifests such right in writing not more than 5 days from the opening of the bid which shall be the basis for the renewal of the lease contract. If the lessee did not participate in the bidding and there is no other bidder, the lessee shall equal the minimum bid price to qualify for award. This right of the lessee can be exercised only once.
	Land	386,755 sqm land in Manila Harbour Center	Rented	Good	155,132.02	April 30, 2021	Renewable upon mutual agreement of the parties
	Land	The lease agreement pertains to lease of land in Manila Harbor Blk 4 lot 10 and 11.	Rented	Good	1,072,000.00	Continuing unless terminated and agreed by both parties	Renewable upon mutual agreement of the parties
	Land	Road Lot 3 fronting lot 10 and 11 of block 4, Manila Harbour Centre, Tondo, Manila City	Rented	Good	184,525.46	May 14, 2023	Renewable upon mutual agreement of the parties
	MG8 Terminal Inc.						
	Land	Road Lot 19 (New Harbor Center) Brgy. 128 Zone 010, Tondo, Manila	Owned	Good			
	Land	Lucanin, Mariveles, Bataan	Owned	Good			
	Land	Mabini, Batangas	Owned	Good			
	Land	Lot 10181, CAD-584, C-24 San Pedro, Bauan Cadastre	Owned	Good			
	Land	Lot 10184-A, of the sub. Plan, Psd-04-148187 being a portion of Lot - 10184 Cad 584, Bauan Cadastre	Owned	Good			
	Land	Lot 14038-B of the sub. Plan Psd-04-195256 being portion of Lot 14038 Cad 584, Bauan Cad., LRC Rec. No.	Owned	Good			
	Land	Lot 10156 Cad-584 San Pedro, Bauan, Batangas TCT 05-0034-00532	Owned	Good			
	Land and pier and port facilities	Various land in Bauan, Batangas	Owned	Good			
	Warehouse 1 , 2, 3	Mabini and Bauan, Batangas	Owned	Good			
	SMC Shipyard Cebu Land Inc.						
	Land and Building	Dad Cleland Ave., Looc, Lapu Lapu City	Owned	Good			
5	SM BULK WATER CO., INC.						
	Land	Bobulusan, Guinobatan, Albay	Owned	Good			
	Land	Brgy. Batang, Ligao City	Owned	Good			
6	SMC STOCK TRANSFER SERVICE CORPORATION						
	Office Space	Units 1505-1507, Robinsons Equitable Tower, ADB Avenue, corner Poveda, Pasig City	Owned	Good			
	Parking Space	Parking Slots 31-33, Robinsons Equitable Tower, ADB Avenue, corner Poveda, Pasig City	Owned	Good			
7	SAN MIGUEL PAPER PACKAGING CORPORATION	Dr. A Santos Avenue, Sucat, Parañaque City	Owned	Good			

Company Name / Subsidiary		Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
8	SAN MIGUEL INTEGRATED LOGISTICS SERVICES INC. AND SUBSIDIARY						
	San Miguel Integrated Logistics Services Inc. and subsidiary						
	Warehouse	45 Muelle Dela Industria Binondo Manila	Owned	Good			
	Land and Building	Laguna	Owned	Good			
	Ulas Warehouse	Davao	Owned	Good			
	Land	Purok 5, Brgy Rawis Legazpi City	Owned	Good			
	Land	A. Mabini Street San Juan City	Owned	Good			
	Land	Fe Martinez St. Brgy Anghit Daet Camarines Norte	Owned	Good			
	Petrofuel Logistics Inc						
	Office	SMC Head Office Complex, #40 San Miguel Avenue, Mandaluyong City	Owned	Good			
9	SAN MIGUEL INTEGRATED MERCHANDISING SERVICES INC.						
	Office	A.S. Fortuna Street, Bakilid, Mandaue City	Rented	Good	55,440.00	January 31, 2021	Renewable upon mutual agreement of the parties
	Office	Mabini Suites Bldg., Mabini St., Corner Quirino Ave., Davao City	Rented	Good	42,000.00	June 30, 2021	Renewable upon mutual agreement of the parties
	Office	5Th Floor, Citibank Center Building, 8741 Paseo De Roxas, Makati City	Rented	Good	416,833.95	January 31, 2021	Renewable upon mutual agreement of the parties
	Office	Blk 6 Lot 15-16 Friendship Hiway, Korean Town Brgy. Anunas, Angeles City	Rented	Good	58,035.71	July 7, 2021	Renewable upon mutual agreement of the parties
8	SAN MIGUEL EQUITY INVESTMENTS INC. AND SUBSIDIARIES						
	San Miguel Equity Investments Inc.						
	Office Space	No. 40 San Miguel Avenue, Mandaluyong City	Owned	Good			
	Ionic Cementworks Industries Inc.						
	Land	Pagbilao, Quezon	Owned	Good			
	Arthocem Concrete Industries Inc.						
	Land	Sariaya, Quezon	Owned	Good			
	Southstrong Cement Industries Corp.						
	Land	Leganes, Iloilo	Owned	Good			
	Land	Tayasan, Negros Oriental	Owned	Good			
	Primero Cemento Industries Corp.						
	Land	Agno, Pangasinan	Owned	Good			
	Oro Cemento Industries Corporation						
	Land	Darong, Sta. Cruz, Davao del Sur	Owned	Good			
	Cement Grinding Plant	Darong, Sta. Cruz, Davao del Sur	Owned	On-Going Construction			
	E-Novate Holdings, Inc.						
	Land	Cagniog and Trinidad, Surigao City	Owned	Good			
	San Miguel Northern Cement, Inc.						
	Land (location of cement plant)	Brgy. Labayug, Sison Pangasinan	Owned	Good			
	Cement Plant	Brgy. Labayug, Sison Pangasinan	Owned	On-going Construction			
	Land	Brgy. Inoman, Pozorrubio, Pangasinan	Owned	Good			
	Northern Cement Corporation						
	Head Office Space	3rd Flr 155 Eda Building, 155 Edsa Brgy Wack Wack Mandaluyong	Owned	Good			
	Cement Plant	Brgy. Labayug, Sison Pangasinan	Owned	Good			
	Land	Brgy. Labayug, Inmalog - Sison Pangasinan	Owned	Good			
	Land	Brgy. Bila And Paldit - Sison, Pangasinan	Owned	Good			
	Land	Brgy. Amagbagan, Sison, Pangasinan	Owned	Good			
	Land	Brgy. Bobonan, Inoman, Sugcong - Pozorrubio, Pangasinan	Owned	Good			
	Land	Brgy. Lunec, Malasiqui, Pangasinan	Owned	Good			
	Land	Brgy. Asin, Malasiqui, Pangasinan	Owned	Good			

Company Name / Subsidiary		Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
	Land	Brgy. La Paz, Villasis And Mangan Dampay - Malasiqui, Pangasinan	Owned	Good			
	Land	Brgy. Mangan Dampay, Taloyan, Bacudao - Malasiqui, Pangasinan	Owned	Good			
	Land	Brgy. Ansagan, Tuba, Benguet	Owned	Good			
	Land	Brgy. Tubod And Namonitan - Sto Tomas, La Union	Owned	Good			
	Land	Brgy. Namonitan And Casantaan - Sto Tomas, La Union	Owned	Good			
	Land	Brgy. Paldit, Sison, Pangasinan	Rented	Good	72,930.38	December 31, 2025	Renewable subject to conditions
	Land	Brgy Olympia, Makati City	Rented	Good	32,417.55	December 31, 2024	Renewable subject to conditions
9	MINING BUSINESS						
	Clariden Holdings, Inc., V.I.L. Mines, Incorporated, Excelon Asia Holding Corporation, New Manila Properties, Inc., Pacific Nickel Philippines, Inc., Philnico Industrial Corporation, Philnico Processing Corp.						
	Office Space	155 EDSA, Brgy. Wack-Wack, Mandaluyong City	Owned	Good			
	Prima Lumina Gold Mining Corp.						
	Office Space & Warehouse	Purok 8, Bañez Residence, Pobalcion Compostela, Comval Province	Rented	Good	16,625.00	July 31, 2021	Renewable upon mutual agreement of both parties
	V.I.L. Mines, Incorporated						
	Office Space	Brgy. Poblacion, Labo, Camarines Norte	Rented	Good	12,000.00	July 31, 2021	Continuing unless terminated and agreed by both parties
	Asia-Alliance Mining Resources Corp.						
	Office Space	23rd Floor 88 Corporate Center, Valero cor. Sedeño Sts., Salcedo Village, Makati City	Owned	Good			
	Pacific Nickel Philippines, Inc						
	Mine Site Admin/Central Office	Brgy. Talisay, Nonoc Island, Surigao City	Owned	Good			
	Philnico Processing Corp						
	Mine Site Admin/Central Office	Brgy. Talisay, Nonoc Island, Surigao City	Owned	Good			
	Processing Plant	Brgy. Talisay, Nonoc Island, Surigao City	Owned	New plant for construction			

Note: All owned properties are free of liens and encumbrances, except for the following:

- ^(a) The Power Plant, including all related facilities therein, are mortgaged in favor of the lenders to secure the loan obligation of SCPC;
- ^(b) The Power Plant, including all related facilities therein, are mortgaged in favor of the lenders to secure the loan obligation of SMCP; and
- ^(c) The Power Plant, including all related facilities therein, and the land are mortgaged in favor of the lenders to secure the loan obligation of MPPCL.

Annex “G”

List of Top 20 Stockholders as of 31 December 2020

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Top Frontier Investment Holdings, Inc.
STOCK TRANSFER MODULE
List of Stockholders
As of Dec 31, 2020

PAGE 1

RANK	STOCKHOLDER NAME	Common	Preferred	TOTAL SHARES	% OF O/S
1	INIGO U. ZOBEL	199,601,517	0	199,601,517	59.619790 %
2	MASTER YEAR LIMITED	49,799,800	0	49,799,800	14.874905 %
3	PRIVADO HOLDINGS, CORP.	36,814,051	0	36,814,051	10.996139 %
4	PCD NOMINEE CORPORATION (FILIPINO)	25,998,251	0	25,998,251	7.765523 %
5	SAN MIGUEL CORPORATION	2,561,031	1,904,540	4,465,571	1.333840 %
6	PCGG IN TRUST FOR THE COMPREHENSIVE AGRARIAN REFORM PROGRAM	2,763,633	0	2,763,633	0.825481 %
7	PCD NOMINEE CORPORATION (NON-FILIPINO)	1,912,999	0	1,912,999	0.571401 %
8	MILLENNIUM ENERGY, INC.	1,080,738	0	1,080,738	0.322810 %
9	SYSMART CORPORATION	345,700	0	345,700	0.103259 %
10	MARINE SHORE INVESTMENT HOLDINGS, INC.	258,767	0	258,767	0.077292 %
11	COLUMBUS CAPITANA CORPORATION	239,233	0	239,233	0.071457 %
12	EVERETT STEAMSHIP CORPORATION	190,333	0	190,333	0.056851 %
13	GINGOOG HOLDINGS CORPORATION	183,008	0	183,008	0.054663 %
14	EL SUPERIOR DE LA CORPORACION FILIPINA DE PADRES AGUSTINOS RECOLETOS, INC.	170,000	0	170,000	0.050778 %
15	EDUARDO M. COJUANGCO JR.	127,354	0	127,354	0.038040 %
16	MACRINA LEYSON	114,475	0	114,475	0.034193 %
17	CARMEL OF THE DIVINE INFANT JESUS OF PRAGUE INC. A/C NO 2	95,751	0	95,751	0.028600 %
18	PAC RIM REALTY & DEVELOPMENT CORP.	91,205	0	91,205	0.027242 %
19	THE ROMAN CATHOLIC BISHOP OF TUGUEGARAO	85,663	0	85,663	0.025587 %
20	HENRY SY SR.	81,569	0	81,569	0.024364 %
		322,515,078	1,904,540	324,419,618	96.902217 %

TOTAL NO. OF SHARES : 334,790,707
TOTAL NO. OF DISTINCT STOCKHOLDERS : 31,284
TOTAL NO. OF ACCOUNTS : 31,284

Annex “H”

Summary of SEC Form 17-C for 2020

TOP FRONTIER INVESTMENT HOLDINGS, INC.
SUMMARY LIST OF REPORTS UNDER SEC FORM 17-C FILED DURING THE YEAR 2020

Date Reported	Subject
March 12, 2020	<p>Reports on the following matter which were approved during the Board of Directors Meeting held on March 12, 2020:</p> <ul style="list-style-type: none"> a. the approval of the audited financial statements of the Corporation for the year ended December 31, 2019, the details of which shall be reported to the Securities and Exchange Commission and the Philippine Stock Exchange, Inc. under SEC Form 17-A due to be filed on or before April 14, 2020; b. the declaration of cash dividends to shareholders owning preferred shares as of March 12, 2020, amounting to Php531,366,660.00, or Php279.00 per preferred share, payable on March 13, 2020; and c. the approval of the 2020 Internal Audit Plan.
March 16, 2020	Report on the filing of Current Report under Section 17 of the Securities Regulation Code amid Covid-19 Pandemic.
May 28, 2020	<p>Reports on the following matter which were approved during the Board of Directors Meeting held on May 28, 2020:</p> <ul style="list-style-type: none"> a. the approval of the financial performance and financial position of the Corporation as of 31 March 2020, the details of which shall be reported to the Securities and Exchange Commission ("SEC") and the Philippine Stock Exchange, Inc. ("PSE") under SEC Form 17-Q; b. the declaration of cash dividends to shareholders owning preferred shares as of 28 May 2020, amounting to Php265,683,330.00, or Php139.50 per preferred share, payable on 29 May 2020; c. the details of the 2020 Annual Stockholders' Meeting of the Corporation, as disclosed on even date under PSE Disclosure Form 7-1; d. nomination and qualification of incumbent directors for re-election to the Board in the 2020 Annual Stockholders' Meeting; e. appointment of R.G. Manabat & Co. as external auditors of the Corporation for 2020, to be submitted for approval, confirmation, and ratification of the stockholders in the 2020 Annual Stockholders' Meeting; and f. report on the validation of the results of the performance assessments of the Board Committees, Board of Directors, and Management for 2019.
July 09, 2019	<p>Reports on the following matters which were approved during the meetings held on July 09, 2020:</p> <ul style="list-style-type: none"> a. Annual Meeting of the Stockholders <ul style="list-style-type: none"> i. Approval of the Minutes of the Annual Stockholders' Meeting held on July 9, 2019; ii. Presentation and approval of the Annual Report; iii. Ratification of all acts and proceedings of the Board of Directors and corporate officers of the Corporation since the Annual Stockholders' Meeting held on July 09, 2018 up to July 09, 2020, as set forth in the minutes of the meetings of the Board of Directors; iv. Appointment of R.G. Manabat & Co. as external auditors for 2020; and

	<p>v. Election of the following as members of the Board of Directors of the Corporation;</p> <ol style="list-style-type: none"> 1. Iñigo U. Zobel 2. Ramon S. Ang 3. Ferdinand K. Constantino 4. Aurora T. Calderon 5. Consuelo M. Ynares-Santiago – Independent Director 6. Minita V. Chico-Nazario – Independent Director 7. Teresita J. Leonardo-De Castro – Independent Director <p>b. Organizational Meeting of the Corporation</p> <ol style="list-style-type: none"> i. Election of Minita V. Chico-Nazario as the Lead Independent Director of the Corporation; ii. Election of the following as officers of the Corporation: <ol style="list-style-type: none"> 1. Iñigo U. Zobel - Chariman of the Board 2. Ramon S. Ang - President and Chief Executive Officer 3. Aurora T. Calderon - Treasurer 4. Bella O. Navarra - Chief Finance Officer 5. Virgilio S. Jacinto - Corporate Secretary and Compliance Officer 6. Irene M. Cipriano - Assistant Corporate Secretary 7. Maria Rosario B. Balanza - Investment Relations Officer and Data Protection Officer 8. Ramon R. Bantigue - Internal Audit Group Head iii. Appointment of the following as members of the Board Committees: <p><u>Audit and Risk Oversight Committee</u></p> <ol style="list-style-type: none"> 1. Minita V. Chico-Nazario - Chairperson** 2. Consuelo M. Ynares-Santiago - Member 3. Teresita J. Leonardo-De Castro - Member 4. Ferdinand K. Constantino - Member 5. Aurora T. Calderon - Member <p><u>Related Party Transaction Committee</u></p> <ol style="list-style-type: none"> 1. Teresita J. Leonardo-De Castro - Chairperson** 2. Consuelo M. Ynares-Santiago - Member 3. Minita V. Chico-Nazario - Member 4. Ferdinand K. Constantino - Member 5. Aurora T. Calderon - Member <p><u>Corporate Governance Committee</u></p> <ol style="list-style-type: none"> 1. Consuelo M. Ynares-Santiago - Chairperson** 2. Minita V. Chico-Nazario - Member 3. Teresita J. Leonardo-De Castro - Member 4. Ferdinand K. Constantino - Member 5. Virgilio S. Jacinto - Member <p><i>**Independent Director</i></p> <p>iv. Designation of depository banks and appointment of authorized signatories for banking and other corporate transactions.</p>
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August 06, 2020	<p>Report on the following matters approved during the Regular Meeting of the Board of Directors of Top Frontier held on August 8, 2019:</p> <ul style="list-style-type: none"> a. the financial performance and financial position of the Corporation as of June 30, 2020, the details of which shall be reported to the Securities and Exchange Commission and the Philippine Stock Exchange, Inc. under SEC Form 17-Q due to be filed on August 14, 2020; and b. the declaration of cash dividends to shareholders owning preferred shares as of August 6, 2020, amounting to Php265,683,330.00, or Php139.50 per preferred share, payable on August 7, 2020.
November 05, 2020	<p>Report on the following matters approved during the Regular Meeting of the Board of Directors of the Corporation held on November 07, 2019:</p> <ul style="list-style-type: none"> a. the financial performance and financial position of the Corporation as of September 30, 2020, the details of which shall be reported to the Securities and Exchange Commission and the Philippine Stock Exchange, Inc. under SEC Form 17-Q due to be filed on or before November 16, 2020; b. the declaration of cash dividends to shareholders owning preferred shares as of November 5, 2020, amounting to Php265,683,330.00, or Php139.50 per preferred share, payable on November 6, 2020; c. approval of the Amended Board Charter.

Annex “I”

Sustainability Report for 2020

Sustainability Report for 2020 of Top Frontier Investment Holdings, Inc.

Contextual Information

Company Details	
Name of Organization	Top Frontier Investment Holdings, Inc. ("Top Frontier" or "Company")
Location of Headquarters	5 th floor, ENZO Bldg., Sen. Gil Puyat Avenue, Makati City
Location of Operations	<p>CLARIDEN HOLDINGS, INC.</p> <p>Clariden Holdings, Inc. ("Clariden"), holds mining tenements in various areas in the Philippines. These mining tenements, owned by Clariden's various subsidiaries, include:</p> <ul style="list-style-type: none"> (i) Mineral Production Sharing Agreements ("MPSAs") for the Nonoc Nickel Project under Pacific Nickel Philippines Inc. ("PNPI"), including parts of the original MPSA as assigned to Prima Lumina Gold Mining Corp. ("PLGMC") and VIL Mines Inc. ("VMI")¹ and Mt. Cadig Nickel Project under VMI; (ii) Exploration Permits ("EPs") for certain areas under the Bango Gold Project under PLGMC; (iii) a pending Application for Production Sharing Agreement ("APSA") and a pending Exploration Permit Applications ("EXPA") for other areas of the Bango Gold Project. Note that Asia Alliance Mining Resources Inc., a 60%-owned subsidiary of Clariden, was also chosen as the contractor under a Joint Operating Agreement to be executed for the North Davao Project; (iv) VMI's application for a Government Seabed Quarry Permit ("GSQP");² (v) Applications for Offshore Exploration Permits ("OEPs") by VMI (three (3)) and PLGMC (two (2)). <p>SAN MIGUEL CORPORATION</p> <p>Please refer to San Miguel Corporation's ("SMC") SEC 17-A Annex D: List of Properties.</p>
Report Boundary: Legal entities (e.g. subsidiaries) included in this report	This Report includes information from the local operations of the following companies and their respective subsidiaries, unless otherwise stated:

¹ Approved by the Department of Natural Resources on November 06, 2019.

² Approved on March 12, 2020.

	<p>CLARIDEN HOLDINGS, INC.</p> <p>Excelon Asia Holdings, Corporation Pacific Nickel Philippines, Inc. Prima Lumina Gold Mining Corp. VIL Mines Inc.</p> <p>SAN MIGUEL CORPORATION</p> <p>San Miguel Food and Beverage, Inc. ("SMFB"), including its subsidiaries San Miguel Brewery, Inc. ("SMB"), San Miguel Foods, Inc. ("SMFI"); Ginebra San Miguel, Inc. ("GSMI"); San Miguel Yamamura Packaging Corp. ("SMYPC"); Petron Corporation ("Petron"); SMC Global Power Holdings Corp. ("SMCGP"); San Miguel Holdings Corp. (SMHC); San Miguel Properties, Inc. ("SMPI"); SMC Shipping and Lighterage Corporation ("SMLC"); San Miguel Integrated Logistics Services Inc ("SMILSI"); Northern Cement Corporation ("NCC"); San Miguel Foundation, Inc. ("SMF")</p>
Business Model, including Primary Activities, Brands, Products, and Services	<p>Top Frontier is organized and registered with the Securities and Exchange Commission as a holding company. Top Frontier is the largest shareholder of SMC which is engaged in various businesses, including beverage, food, packaging, energy, fuel and oil, infrastructure, property development and leasing, cement, car distributorship and banking services. It is also one of the largest and most diversified conglomerates in the Philippines by revenues and total assets, with sales equivalent to approximately 4% of the Philippine GDP in 2020 based on data from the SMC consolidated revenues in 2020 divided by Philippine's total revenue sourced from Philippine Statistics Authority.</p> <p>On August 30, 2013, Top Frontier acquired 100% of the outstanding common stock of Clariden, a holding company with interests in exploration, mining and development through its subsidiaries.</p> <p>The Nonoc Nickel Project is Clariden's most advanced project and is at its Exploration Stage. The application for the renewal of the exploration periods of PNPI, and PLGMC and VMI were approved in September and October 2020, respectively. Currently, PNPI, where mining and mineral processing activities were previously undertaken, is implementing a voluntary Annual Environmental Protection and Enhancement Program ("AEPEP") and Annual Social Development and Management Program ("ASDMP") in recognition of its responsibility to manage and maintain the various environmental structures on</p>

	site left behind by previous mining and processing operations, and to its host communities.
Reporting Period	January 1, 2020 to December 31, 2020
Highest Ranking Person responsible for this report	Atty. Virgilio S. Jacinto Corporate Secretary and Compliance Officer

Materiality Process

Explain how you applied the materiality principle (or the materiality process) in identifying your material topics.

Material topics were determined through two (2) processes by Top Frontier's subsidiaries, Clariden and SMC, and consolidated at the Top Frontier level.

Clariden used the Sustainability Accounting Standards Board's ("SASB") Industry Standard for the Metals and Mining Sector to determine material topics. For SMC, selected topics which it had determined to be material in its sustainability reporting on the bases of its determination that these are important aspects of its operation. Pertinent heads and management teams underwent a process that included a series of interviews, mapping exercises, and consultations to identify material topics for each business unit using their respective industry standards as prescribed by the SASB and the Global Reporting Initiative (GRI). Metrics for the material topics in this standard were juxtaposed with those in the SEC template and added as additional disclosures in this document.

Since Top Frontier is a holding company, most of its impacts, risks, opportunities, and their management approaches are primarily experienced and applied by its two (2) subsidiaries, Clariden and SMC. Moreover, SMC, as a listed company, also has its own sustainability report which is likewise disclosed in this Report. Note that, whenever applicable, especially in the environmental and social aspects, the numbers and narratives for both subsidiaries are discussed separately. This is for the reason that SMC is a large conglomerate on its own, and if its disclosures will be combined with Clariden, the latter's disclosures could be diluted in the discussion.

However, whenever a Top Frontier groupwide-level disclosure is suitable (*i.e.* applicable to both SMC and Clariden, such as in economic performance, which is based on the consolidated financial statements of Top Frontier, and in several management approaches, impacts, risks, and opportunities, the heading, "**Top Frontier (Groupwide)**", is placed. For this purpose, "Group" shall mean Top Frontier, together with its major subsidiaries: SMC and Clariden, and their respective subsidiaries. Also, the terms "SMC"/"SMC Group" and "Clariden"/"Clariden Group" will refer to "SMC and its subsidiaries" and "Clariden and its subsidiaries", respectively, when the context of the discussion so suggests.

As Top Frontier continues to improve its processes, enhance its policies and develop responsive products and services, the Company's materiality process and topics shall be reviewed and updated accordingly. As such, this report contains some updated 2019 data previously not covered. The Securities and Exchange Commission requires reporting on impacts, risk, opportunities and management approach. These are evaluated on a topical level and disclosures can cut across several metrics.

Note: To avoid repetitions on management approaches, the discussions on some impacts, risks, and opportunities are made per main topic, instead of per subtopic, such as but not limited to, Anti-corruption and Energy. The discussion on Economic Performance includes Procurement Practices since suppliers are also considered stakeholders who receive economic value from the Company.

ECONOMIC

Economic Performance

Direct Economic Value Generated and Distributed

Top Frontier (Groupwide)

Disclosure	2020 Amount (in Million Pesos)	2019 Amount (in Million Pesos)	Units
Direct economic value generated (revenue)	731,488	1,030,958	million PhP
Direct economic value distributed:			
a. Operating costs (including payments to suppliers)	467,225	703,795	million PhP
b. Employee wages and benefits	39,345	41,982	million PhP
d. Dividends given to stockholders and interest payments to loan providers	85,264	87,889	million PhP
e. Taxes given to government	127,942	143,254	million PhP
f. Investments to community (e.g. donations, CSR)	1,902	955	million PhP

Impacts & Risks

Top Frontier (Groupwide):

The Company recognizes that it has a significant economic impact due to the scale of economic value that it generates as a Group through numerous product and business lines. This economic value is distributed to various stakeholders such as the government, employees, stockholders and investors, suppliers, and various communities. This distribution enables wealth to be cycled in the economy, enabling national, institutional, even personal, development.

The ability to generate revenue / economic value, and corollarily, the ability to distribute such value, is posed with competition risks, operational risks (including accidents, equipment breakdown, power interruptions, human error, natural disasters), legal and regulatory risks, social and cultural risks (including customer acceptance of products, customer purchasing power, negative publicity on some products), raw material sourcing risks, financial risks (including interest rate risk, foreign currency risk, liquidity risk, and credit risk), and the COVID-19 pandemic. The major business risks for the Company have been identified in its 2020 SEC Form 17-A, specifically pages 31-33 thereof, together with the risk management strategies adopted by the Management to address the same.

Stakeholders affected: Employees, Partners, Regulators, Investors, Communities

Management Approach to Identified Impacts and Risks

Top Frontier (Groupwide):

The Company's existing risk management policies are established to identify and analyze the risks faced by the Company and its subsidiaries, to set appropriate risk limits and controls, and to monitor risk and adherence to limits. Specifically, to minimize competition risks, the Group introduces new products in its businesses, improves product propositions and packaging, and redefines product distribution systems. Operational risks are managed by undertaking necessary precautions such as maintenance practices. Legal and regulatory risks are mitigated with constant consultation with relevant government agencies and maintaining a strong compliance culture and process to adhere to laws and regulations.

Further, social and cultural risks are addressed by introducing products that address or are attuned to the lifestyles and needs of consumers. Risks on raw material sourcing are minimized by entering into various commodity derivatives and manage price fluctuations in raw material prices, especially strategic commodities.

Lastly, financial risks, which are most directly related with economic performance, are addressed through prudent fund management, using a combination of natural hedges, and close monitoring of liquid assets.

Moreover, the Board of Directors ("BOD") constituted the Audit and Risk Oversight Committee to assist the BOD in fulfilling its oversight responsibility of the Group's corporate governance process relating to the quality and integrity of the financial statements and financial reporting process, performance of internal auditors, independent audit of the consolidated financial statements, compliance with tax and other regulatory requirements, and evaluation of management's process to assess and manage enterprise risk issues.

The major business risks for the Company have been identified in its 2020 SEC Form 17-A, specifically pages 31-33 thereof, together with the risk management strategies adopted by the Management to address the same. For a more exhaustive discussion on the risks relating specifically to the COVID-19 pandemic, please refer to the Sustainability Report of SMC at:

<https://www.sanmiguel.com.ph/files/reports/SMC-SEC FORM 17A 04.16 2021 Part 2-FINAL .pdf>

Opportunities

Top Frontier (Groupwide):

Risk management system is reviewed annually. The BOD's criteria for assessing the effectiveness of the risk management system are whether such risk management policies reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand.

Especially in response to the COVID-19 pandemic, the SMC Group, saw opportunities for the businesses to contribute to relief and rehabilitation efforts by donating and making available essential goods like food, fuel products, ensuring the steady supply of power, and supporting government initiatives to address the pandemic such as the *Libreng Sakay* program for medical frontliners and locally-stranded individuals. SMC also provided free toll fees to frontliners and help for farmers by purchasing their produce such vegetables and carabao's milk.

Treats convenience stores in select Petron service stations sold San Miguel Food products at discounted prices for communities limited by lockdowns.

Stakeholders affected: Employees, Partners, Regulators, Investors, Communities

Management Approach to Identified Opportunities

Top Frontier (Groupwide):

Mindful of its social, economic, and environmental responsibilities, Top Frontier continuously and consistently studies all prospects and aspects of its business operations as part of its commitment to its established goal to build shareholder value with integrity, honesty, and fairness. The Company will continue in implementing the management approaches that will minimize identified risks in order to further enhance its ability to generate and distribute economic value.

The extent to which the COVID-19 pandemic will continue to impact the Group will depend on future developments, including a successful vaccine rollout, the timeliness and effectiveness of actions taken to contain and mitigate the effects of COVID-19, both in the Philippines and internationally, by governments, central banks, healthcare providers, health system participants, other businesses and individuals, which are highly uncertain and cannot be predicted. The degree the COVID-19 pandemic adversely affects the business and financial results of Top Frontier, may also have the effect of heightening many of the other risks described in this report.

Climate-related risks and opportunities

Having a diversified portfolio, Top Frontier recognizes that there could be climate change-related financial risks in some form or another throughout the Group. This could include supply chain disruptions and logistical challenges due to typhoons in the country. Raw material sourcing could be affected if drought impacts a particular region where it has significant operations. There could also be regulatory risks on fuel and oil, conventional power plants, and mining – industries often mentioned in climate change dialogues.

Knowing these, there is an opportunity to look at the Group's portfolio and evaluate which ones are most vulnerable to climate change and which ones would have natural advantages or could take advantage of climate change scenarios.

Currently, Top Frontier is still studying how to incorporate the guidelines of the Task Force on Climate-related Financial Disclosures ("TCFD") given the large portfolio of the Group. In the coming reporting cycles, the Company shall look at how climate change could be integrated in Board agenda, risk frameworks, and strategies, and further on, measure and manage climate change impacts by analyzing different scenarios using scientifically approved tools and methodologies.

The SMC Group has aligned its own sustainability approach to the United Nations Sustainable Development Goals. In order to better understand the UN SDGs from the perspective of its stakeholders, the Company has created three(3) thematic clusters that capture the spirit of the SDGs in terms of its long-held values: (1) doing business and creating growth in a responsible manner, while adhering to good governance and setting the standard for best practices; (2) being a good neighbor to the communities, stakeholders, customers, and to the larger nation; and (3) taking steps to act as stewards for future generations.

Procurement Practices

Proportion of spending on local suppliers

This topic is considered not material to the Clariden Group as this is not included in the list of material topics for Metals and Mining Sector by SASB. This section will cover the SMC Group only.

Disclosure	2020 Quantity	2019 Quantity	Units
Percentage of procurement budget used for significant locations of operations that is spent on local suppliers ¹	69	43	%

¹Number represents percentage of total accredited local suppliers only

Impacts & Risks

SMC Group:

SMC's businesses reach beyond the economic centers of the country to its most remote areas. Fueling progress in these far-flung places, along with our development initiatives, we foster the potential for a more inclusive growth. For instance, economic opportunities start to arise where there is a Petron service station because our presence supports the government's move to set up farm-to-market roads and other public infrastructure that facilitate productivity. By tapping into the local business network, whether in terms of providing us with services or supplies, we build capacity at the grassroots level and create more partner businesses and contractors that help strengthen our business as we widen our scope.

Substandard materials and fraudulent contractors will dampen operational efficiency and product quality. In turn, these may have repercussions on the market share of the various brands and profitability of the company and may also affect the health and safety of its employees and customers.

In addition, failure to properly manage the procurement schedule and delays in the delivery of pertinent raw materials and equipment can result in unnecessary spending and inventory problems. Stock outs may lead to lost sales, reduced customer satisfaction, and if not immediately addressed, customer loyalty levels and relationship with business partners can be affected. Overstocks, on the other hand, may require additional spending on warehousing or disposal.

Stakeholders affected: Suppliers, Management, Employees, Investors, Customers, Business Partners

Management Approach to Identified Impacts and Risks

SMC Group:

SMC believes the size and scale of its distribution network operations provide significant economies of scale and opportunities for synergy in production, research and development, distribution, management, and marketing. This is one of the benefits resulting from the vertical integration strategy of SMC, enabling it to supply to its other subsidiaries. The size and scale of SMC also result to advantages and bargaining powers with suppliers and retailers.

With this in mind, SMC has centralized its procurement to streamline the procurement activities of all SMC business units, thus increasing its efficiency. SMC's Corporate Procurement Group ("CPG"), governed by its Procurement Policy Manual, lays out specific procedures for the accreditation of suppliers, vetting them to guarantee that SMC will get the right supplier with the best materials and services for the right price. SMC supports local suppliers and prioritizes them in sourcing materials and services given that quality and quantity requirements are met at competitive rates. SMC also provides capacity-building opportunities to enable deserving local businesses to meet the SMC Group's standards, increasing partnership with local merchants.

SMC also formulates its business strategies to enhance bargaining power for common materials and to manage its price risks on strategic commodities. Through hedging, prices of commodities are fixed at levels acceptable to the business units, thus protecting raw material cost and preserving margins. Additionally, alternative sources of raw materials are used in operations to avoid and manage risks on unstable supply and higher costs.

Opportunities

SMC Group:

SMC, through the CPG, can explore synergies with local suppliers, where applicable and suitable for the business. By actively engaging with qualified third party providers who could suitably cater to the requirements of the business, SMC will be giving its suppliers an opportunity to improve their financial condition.

SMC also strives to improve accountability within its network. These changes include:

- Embedding of ethical practices within procurement processes
- Increased transparency in transactions
- Optimization of procedures for customer responsiveness
- Increased flexibility in determining optimal and efficient strategies
- Identification of areas for expertise development

Stakeholders affected: Suppliers, Management, Employees, Investors, Financial Institutions, Regulators, Communities

Management Approach to Identified Opportunities

SMC Group:

Good corporate governance is the foundation of SMC's leadership position. It views CPG's central role in encouraging the adoption of good governance principles among the suppliers, communicating and cascading ethical practices throughout the supply chain, and increasing the compliance with these principles. Thus, SMC has created a governance group that looks into the development, updating, and consistent application of procurement-related policies and procedures.

SMC will also continually invest in its people, processes, and technology through staff training, improved communication processes, and upgrading business tools.

SMC can impose measures on third party contractors to constantly upgrade quality levels to make their operations more sustainable. Furthermore, the company encourages third party contractors to hire local

workers which will help improve the quality of life of the members of the community where its facilities are located.

Anti-corruption

Training on Anti-corruption Policies and Procedures

Top Frontier (Groupwide):

Disclosure*	2020 Quantity	2019 Quantity	Units	
Percentage of employees to whom the organization's anti- corruption policies and procedures have been communicated to	100	100	%	
Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicated to	100	100	%	
Percentage of directors and management that have received anti-corruption training	0	0	%	
Percentage of employees that have received anti-corruption training	0	0	%	

**Annual training on good governance attended by the BOD and management may include anti-corruption discussions. There is no specific training for management or employees, that caters solely on the topic.*

Incidents of Corruption

Top Frontier (Groupwide):

Disclosure	2020 Quantity	2019 Quantity	Units
Number of incidents in which directors were removed or disciplined for corruption	0	0	#
Number of incidents in which employees were dismissed or disciplined for corruption	0	0	#
Number of incidents when contracts with business partners were terminated due to incidents of corruption	0	0	#

Impacts & Risks

Top Frontier (Groupwide):

Corruption and all its forms disrupt normal economic flows from society to the Company and vice versa, and gives undue and unfair benefits and favor to an individual or stakeholder group.

Incidents of corruption can negatively impact the Group's various companies and brands. Additionally, it may have legal repercussions and strain the trust between the Company and its stakeholders.

Stakeholders affected: Employees, Partners, Regulators, Investors

Management Approach to Identified Impacts and Risks

Top Frontier (Groupwide):

The Company's Code of Conduct and Ethics enjoins its directors, officers, and employees to conduct business in a manner which is ethical, fair and right, and in all reasonable circumstances, above reproach and with utmost discretion. All employees are enjoined to refuse to grant personal favors, or decline any gift or benefit, that may compromise the independence of the Group or create a sense of obligation on its part or potentially influence its business judgment. It is also the Company's policy to compete fairly and honestly, believe in profit with honor, and commit to good governance and the highest moral standards in the performance of duties and responsibilities. Compliance with and respect in all applicable laws, rules and regulations governing the Group's businesses in all jurisdictions where such is conducted, is part of the Company's Code of Conduct and Ethics.

As such, the Company is 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 in their dealings with all stakeholders.

All employees are expected and directed to comply with all laws and applicable regulations, and to conduct business in accordance with the highest standards of business ethics. This includes compliance with applicable laws, rules and regulations on bribery and corruption. It is every employee's responsibility to know and to understand legal and policy requirement as they apply the same to their task, and to notify management when they believe a violation of law or a Company policy has been committed.

The Company's Code of Conduct and Ethics also states that employees who fail to comply with the standards and abide by the values set forth in the same shall be subject to disciplinary action, including termination, as the Company may deem appropriate to the nature of the violation, without prejudice to the Company's right to avail of criminal and civil remedies available to it under law. The Company does not tolerate any retaliation in any form against any employee who, in good faith, raises a concern or reports a possible legal or ethical violation under the said Code.

The Code of Conduct and Ethics can be found in this link:

<https://www.topfrontier.com.ph/index.php/sp/page/34.html>.

In addition, the Company has developed policies and guidelines on Related Party Transactions, Material Related Party Transactions, Conflicts of Interest, and Whistleblowing to bolster anti-corruption in its operations. Details on these can be found in this link:

<https://topfrontier.com.ph/index.php/sp/page/37.html>.

Opportunities

Top Frontier (Groupwide):

The Company recognizes that the fight against corruption needs constant vigilance. Thus, it ensures that there are opportunities to regularly review and evaluate guidelines, policies, and initiatives related to anti-corruption. Likewise, through the Company's whistleblowing framework, a suitable system for whistleblowing is established such that employees are allowed to freely communicate their concerns about illegal or unethical practices, without fear of retaliation. Moreover, there are opportunities to further disseminate and conduct trainings on anti-corruption throughout the Company.

Stakeholders affected: Employees, Partners, Regulators, Investors

Management Approach to Identified Opportunities

Top Frontier (Groupwide):

The Company is proactive in consistently studying the business and legal environment to ensure that its regulations relating to all forms of graft and corruption remain relevant and effective. It shall report any changes to the said policies and regulations, if any, in the next reporting cycles.

ENVIRONMENT

Resource Management

Energy consumption within the Organization

Resource Management

Energy consumption within the Organization:

Disclosure	2020 Quantity	2019 Quantity	Units
Energy consumption (renewable sources)	566,448	470,908	GJ
Energy consumption (non-renewable)	133,798,241	142,471,076	GJ
Sold Energy	43,400,960	40,029,849	GJ
Energy consumption (electricity)	798,611,265	901,860,204	kWh
Net Energy Consumption	93,838,728	106,158,832	GJ

Reduction of energy consumption

Disclosure	2020 Quantity	2019 Quantity	Units
Energy Reduction (TOTAL)	841,063	74,238	GJ

Impacts & Risks

Clariden Group:

Mining is an energy-intensive industry. Energy requirements of mines are usually sourced from on-site combustion of vehicles and generator sets.

Combustion of diesel and gasoline produces emissions may have negative impacts on human health and the environment.

Electricity consumption of the mines poses a risk of competition for energy supply in the area. The main impacts of electricity consumption, however, lies in its generation. In 2019, Mindanao's installed energy capacity was 4,436 MW with coal accounting for 47.1%, 21.1% for oil-based and 31.8% for renewable energy (geothermal, hydro, biomass, solar and wind). Despite having a lower renewable energy mix compared to Luzon and Visayas, the present mix in Mindanao is still dominated by coal-fired plants.

Since PNPI is at the exploration stage, risks associated with electricity consumption, on-site combustion of vehicles and generator sets, and combustion of diesel and gasoline are deemed minimal in this reporting period. The said risks are likewise minimal for the parts of the PNPI MPSA assigned to PLGMC and VMI, which, while also in the exploration stage, have no current activities in view of the pandemic. Note that other Clariden properties are also in the exploration stage but that no exploration activities are being undertaken in view of the pandemic and other site specific reasons.

Stakeholders affected: Local Communities, Employees Stationed in the Site

SMC Group:

SMC's energy consumption is primarily from fuel consumption to produce steam that eventually generates power, that is sold (43%) by our power plants. The rest is used to run process equipment to produce fuels, food, and beverage products. The next energy source is electricity, which powers the SMC Group's offices, manufacturing plants, construction projects, and other facilities. Although the Philippines, including SMC's energy business, is gradually increasing its clean energy capacity, the country still relies mostly on coal-fired power plants. While it is still the most affordable technology for energy production, coal power plants generate GHG emissions and air polluting substances that negatively affect people and the environment. Coal power still remains the fastest way to fill the shortage in power while development of alternative sources takes longer and is more expensive.

The growing demand for SMC's products and services will naturally result in increased energy consumption, which in turn will enlarge the SMC Group's impacts on various environmental measures. In addition, the absence of an efficient energy management system may lead to higher operational costs, capacity overload affecting daily output, and possible power outages in SMC's facilities and fence-line communities with unstable energy capacities or weak distribution systems.

Stakeholders affected: Employees, Local Communities, Regulators

Management Approach to Identified Impacts and Risks

Clariden Group:

Clariden implements energy and fuel conservation measures in adherence to its ISO 14001:2015 certification. Regular maintenance and repair of equipment are conducted to ensure efficient usage of fuel resources and effective reduction of emissions from diesel and gasoline combustion. Both water and electrical power supply scheduling, as well as rotational provision to different areas at the mine site, are also implemented as part of the Clariden's electricity conservation strategies.

SMC Group:

SMC has established its Environmental Management Systems tailor-fitted to address the varying impacts of the SMC Group's corporate offices and manufacturing plants. Each facility has clear targets in the form of KPIs for the reduction of electricity and fuel consumption. Air emissions, effluents and solid waste volumes are also being monitored and addressed.

SMC addresses this concern by making sure that its operations implement or are moving towards the implementation of an applicable Energy Management System, specifically the globally recognized ISO 50001 certification.

SMC's various subsidiaries develop engagement programs and hold trainings on conservation measures for all employees. Additionally, they are given the opportunity to suggest ways to conserve energy through the Work Improvement Suggestions by Employees (WISE) and Work Improvement Team (WIT) programs. Main offices also implement a Power Scheduling Program that allows for the regulation of energy consumption of air conditioners, elevators, and lights. Light bulbs were converted from fluorescent to LED bulbs which translated to a 40 percent reduction in building lighting operation. Solar energy panels are also installed in some head offices to add renewable source to SMC's energy consumption mix.

SMC's head office leads by example by implementing a Power Scheduling Program that allows for the regulation of energy consumption of air conditioners, elevators, and lights.

Opportunities

Clariden Group:

Clariden could further analyze its energy consumption trends to determine opportunities for improvement.

Stakeholders affected: Local Communities, Employees Stationed in the Site

SMC Group:

SMC has invested in studies to develop a series of power consumption reduction schemes for each of its business units to be implemented in the upcoming years. These studies, which cover manufacturing facilities, assess the consumption volumes and patterns of each facility, including their corresponding efficiency scores and possible gaps and pain points.

Stakeholders affected: Employees, Local Communities, Regulators

Management Approach to Identified Opportunities

Clariden Group:

Clariden could explore strategies and initiatives in integrating energy-saving technologies and other measures for energy efficiency.

SMC Group:

In support of these studies, SMC's business units continue to monitor baseline data of its energy consumption to continuously reduce consumption across the company. SMCGP's greenfield power plants – Malita and Limay Circulating Fluidized Bed (CFB) and the Masinloc power plant, for instance, publishes its Weekly Environment Watch, which documents consumption and emission rates for the information of all stakeholders. The SMC Group is currently exploring this opportunity to extend the initiative into a company-wide energy audit, which is seen to result in a more holistic and transparent energy management policy and approach.

Water consumption within the Organization

Water consumption within the Organization

Disclosure	2020 Quantity	2019 Quantity	Units
Water withdrawal	2,274,262,613	2,561,431,113	m ³
Fresh Water (Ground, Surface, Water District, Produced Water)	27,827,927	33,151,913	cum
Rainwater	76,818	72,299	cum
Seawater	2,246,411,944	2,528,268,458	cum

Water Discharged	2,245,586,132	2,508,594,375	cum
Water consumption	28,730,555	52,898,296	m ³
Water recycled and reused	1,070,374	1,170,972	m ³
% Water Recycled and Reused	0.05	0.05	%
% Water Recycled/Reused of Fresh Water	3.85	3.53	%

Impacts & Risks

Clariden Group:

Mining operations have high demand for water, thus posing a risk on its availability and quality in areas where mines are located. The mining operation competes with local communities for limited water resources.

With a large area of land being exposed due to mining operations, siltation caused by soil erosion and sediment spills become a major concern. Siltation impacts human and aquatic life by degrading water quality, as well as altering the physical layout of the streams and rivers near the mining site.

The impacts of wet tailings on water quality can be severe. These toxic substances could leach from the wet tailings impoundment facilities and cause groundwater contamination.

Since PNPI is at the exploration stage, the risks associated with competition for limited water resources, and siltation and soil erosion are deemed to be minimal in this reporting period.

Disturbed areas and structures from previous mining and processing operations are addressed through temporary revegetation and reforestation activities and other appropriate management strategies under the AEPEP.

Stakeholders affected: Local Communities, Employees Stationed in the Site

SMC Group:

Working with a broad array of industries, water is consumed not only for the sanitation of SMC's facilities, but most importantly as process water and as a product ingredient. The instability of water supply in the Philippines, specifically in the areas of operations, could entail this risk of price hikes and supply shortages, consequently adversely affecting SMC's businesses.

As one of the biggest conglomerates in the country working in a broad array of industries, water is critical to SMC's manufacturing processes and operations. The instability of water supply in the Philippines, specifically in SMC's areas of operations, can lead to price hikes and supply shortages that can adversely affect its businesses. Some of SMC's business units, such as its Beverage business, sources its water requirements from deep wells and water utility service providers. State restrictions on the use of deep well water could potentially disrupt operations. Likewise, price increases for the use of deep well water or by water utility service providers can adversely affect operating costs, which in turn can adversely affect the Company, its financial condition, results of its operations, and prospects.

Stakeholders affected: Employees, Regulators

Management Approach to Identified Impacts and Risks

Clariden Group:

In order to mitigate the impacts of its activities on the water resources of the nearby communities, Clariden will utilize the Sabang Dam as a future source of water in the planned mineral processing activities. Excess water from the dam is to be shared with the host barangays. Currently, it sources its water from the Duyangan reservoir for domestic use.

To address the risk of siltation, Clariden maintains ten (10) siltation ponds within Nonoc Island. Regular desilting is being conducted. In addition, 85 fascines were also installed and being maintained to minimize siltation.

Temporary rehabilitation of previously disturbed, but still mineralized, areas with napier grass is also undertaken. While reforestation is being undertaken in other identified areas, i.e., buffer zones.

Water quality monitoring is undertaken on a monthly basis to ensure compliance with regulatory standards.

SMC Group:

In 2017, SMC made a commitment to cut utility and domestic (non-scarce and non-product) water use across the entire San Miguel Group by 50 percent. The SMC Group aims to achieve this goal by 2025 through higher water management efficiency by:

- Eliminating wastage of water across operations through adoption of stricter measures to improve the efficiency of the Company's water use, utilization of water-saving technologies, and implementation of conservation programs. All facilities and machinery are closely monitored for any signs of leakage and malfunction that would cause water wastage;
- Reusing and recycling more water. SMC optimizes its wastewater treatment facilities to further lessen its water footprint. Business units constantly try to make greater use of treated greywater for non-essential purposes. For example, treated wastewater effluents from San Miguel Brewery and San Miguel Global power plants are reused for utilities and gardening within the facilities, and
- Reducing the use of ground and surface water and protecting vital water sources. The Company continues to reduce the use of ground and surface water, protect these water sources, and empower communities to do the same. To reduce the use of surface water, the Company makes use of alternative water resources. For 2020, Petron alone utilized 1,753,482 cum of desalinated water, 303,209 cum of recycled wastewater, and 7,271 cum of harvested rainwater in its operation. These alternative sources of water account for 25.2 percent of Petron's fresh water requirement.
- SMFB also monitors water use, which it has identified as a key part in the effort. It constantly updates its water meters and installs sub-meters where needed. Fixing leaks have also resulted in elimination of water wastage across SMFB's operations.

SMC is considering several water source development projects as part of its long-term business strategies to ensure availability and stability of water sources in the future.

SMC also supports the current administration in the development of policies that will integrate and centralize management of water for the country.

Opportunities

Clariden Group:

Clariden could further analyze its water consumption and water quality trends to determine opportunities for improvement.

Stakeholders affected: Local Communities, Employees Stationed in the Site

SMC Group:

The increasing cost of water makes it financially viable to adopt water treatment technologies that will increase use of alternative sources such as seawater, treated industrial wastewater, grey water, and black water.

Stakeholders affected: Employees, Regulators

Management Approach to Identified Opportunities

Clariden Group:

Clariden could explore strategies and initiatives in integrating water efficient technologies and other measures for water conservation.

SMC Group:

In 2020, SMC doubled the volume of harvested rainwater using empty drums and idle tanks. Additional rainwater collecting tanks are budgeted already in the coming years.

Tertiary treatment of wastewater will be expanded using state-of-the art water purification technologies to increase use of recycled water in boilers and cooling towers.

Materials used by the Organization

This topic is considered not material to the Clariden Group as this is not included in the list of material topics for Metals and Mining Sector by SASB. This section will cover the SMC Group only.

Disclosure	2020 Quantity	2019 Quantity	Units
Materials used by weight or volume			
• renewable	4,557,101,617	5,471,414,578	kg
• non-renewable	11,667,533,651	13,298,923,429	kg
Percentage of recycled/reused input materials used to manufacture the organization's primary products and services	10.3*	13.2*	%

*Includes reused second-hand bottles, plastic crates and pallets from GSMI and SMB.

Impacts & Risks

SMC Group:

The products and businesses of the SMC Group, specifically, the beverage, food, packaging, fuel and oil, and energy businesses, depend on the availability of raw materials. Most of these raw materials, including some critical raw materials, are procured from third parties. These raw materials are subject to price volatility caused by a number of factors, including changes in global supply and demand, foreign exchange rate fluctuations, weather conditions, and governmental controls. Aside from said risks, each material input carries risks intrinsic to the economic, social, and environmental aspects of producing and delivering them.

SMC may face disruptions in the supply of major raw materials. For example, the current global focus on bioethanol fuel has contributed, and is expected to continue to contribute, to higher prices for molasses, which is a major raw material to produce spirits, as traders can choose to sell their molasses to producers of bioethanol rather than to beverage alcohol, thereby causing higher demand and cost. Movements in the global supply of raw materials may affect cost and prices, affecting the SMC's ability to purchase materials for needed output.

It is key to the success of SMC's operations that it acquires high quality raw materials and uses efficient processes in production. Using substandard materials will produce substandard products for its customers, whereas if processes are inefficient, these will result in low yields leading to wasted raw materials. With the large quantities needed as input for the SMC's products, wastage of these materials due to process inefficiency may impact the local (Philippines or Southeast Asia) supply of mentioned materials.

Stakeholders affected: Investors, Customers

Management Approach to Identified Impacts and Risks

SMC Group:

The SMC Group manages its material consumption through efficient processing systems and inventory management within plant operations.

Operational processes are engineered to be efficient, fully utilizing input materials with minimal wastage. Businesses are equipped with the latest technology managed by highly skilled teams who ensure processes are constantly efficient and regularly monitored. SMC also invests in research and development of better materials and more efficient processes that could lessen the overall impact of consumption. To further minimize wastage, materials leftover from production processes are assessed for viability. If materials are deemed viable and will not compromise the batch, they will be re-used in production. SMC's inventory management entails diligent monitoring and use of materials, ensuring the delivery of suppliers and contingency suppliers, and use of alternative primary materials. SMC is not dependent on one or a limited number of suppliers for its primary raw materials and essential supplies.

Opportunities

SMC Group:

Through vertical integration, SMC combines strengths and finds the complementary capabilities of its diverse businesses to maximize the value of materials.

Stakeholders affected: Investors, Customers

Management Approach to Identified Opportunities

SMC Group:

SMC continues to evaluate opportunities to expand both within and outside the SMC Group by examining processes and material requirements and identifying all material derivatives and by-products which may be useful to other business units' supply chain as inputs, thereby lowering wastage and maximizing the use of raw material. For example, the Animal Nutrition and Health segment under SMF, uses the by-products of other SMFB subsidiaries as raw materials such as spent grain and yeast from SMB, pollard from San Miguel Mills, Inc., and offal and feathers from the poultry dressing plants of the poultry business. There is an opportunity to develop this strategy as a way to manage the company's consumption of materials efficiently across all of SMC's businesses.

Ecosystems and biodiversity (whether in upland/watershed or coastal/marine)

Disclosure	2020 Quantity	2019 Quantity	Units
Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	5	5	#
Habitats protected or restored	60.78	168	ha
IUCN Red List species and national conservation list species with habitats in areas affected by operations	2	2	

Impacts & Risks

Clariden Group:

Mining operations can have a range of impacts on biodiversity, such as alterations of landscape, vegetation removal, generation of noise, and impacts to wildlife habitats.

Displacement of wildlife species due to excavation activities is the most direct impact of mining. Land is cleared before mining activities begin. This deforestation reduces the livability of wildlife habitats since vegetation provides essential food, nesting sites, and cover for escape from predators.

Siltation of rivers and streams near mines impacts aquatic life by changing growing conditions and the physical shape of the waterbody. Mining processes also expose nearby waterbodies to heavy metals and toxic chemicals.

Chronic noise exposure brought about by the mining operations is especially destructive to species which rely on sound for communication and hunting. Studies have shown that bird species avoid areas with noise pollution³. This decrease in bird population could adversely affect seed dispersion, and several ecological processes.

Since PNPI is in its exploratory stage, these risks are deemed to be minimal in this reporting period. The said risks are likewise minimal for the parts of the PNPI MPSA assigned to PLGMC and VMI, which, while also in the exploration stage, have no current activities in view of the pandemic. Note that other Clariden properties are also in the exploration stage but that no exploration activities are being undertaken in view of the pandemic and other site specific reasons.

Stakeholders affected: Local Communities, Customers, Employees, Investors, Regulators

SMC Group:

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management approach
The nationwide reach of SMC's operations exposes the Company to the varying conditions of, and risks to, our natural environment. Thus we seize opportunities to protect and nurture biodiversity.	Customers Communities Employees Investors Regulators	The Company's management ensures that facilities across all business units are compliant to the standards set by the Department of Environment and Natural Resources (DENR) and are equipped with assessment tools for ecological monitoring reports.
What are the risk/s identified?	Which stakeholders are affected?	Management approach
SMC holds its business units responsible for assessing and decreasing impacts to surrounding ecosystems and biodiversity. These impacts include loss of trees due to clearing activities for construction, natural systems being interrupted because of operations, loss of biodiversity due to noise pollution, depletion of groundwater resources, and degradation of water systems due to wastewater effluents. These impacts to biodiversity and ecosystems not only have	Customers Communities Employees Investors Regulators	SMC, through its subsidiaries, has also initiated company-wide initiatives such as reforestation, carbon sink programs, and coastal clean-ups. This includes SMCGP's project, the "747 Program", which aims to plant seven million trees over the next seven years through a combination of reforestation initiatives, protected forest reserves, biochar production, and mangrove rehabilitation. These are conducted in coordination with the local and national governments. <i>Puno ng Buhay Program, a complementary endeavor of SMB, is a</i>

³Ravi K. Jain, Zengdi Cui, and Jeremy K. Domen, "Chapter 4 - Environmental Impacts of Mining," *Environmental Impact of Mining and Mineral Processing*, 2016, pp. 53157).

legal repercussions but have consequences to local communities as well.		<p>forest restoration and mangrove conservation and restoration partnership with the LGU and DENR. Host communities are given technical skills training on mangrove management. This program has also provided residents of coastal areas an additional source of livelihood.</p> <p>Specific to Bawing Terminal, Petron prepared a 10-year rehabilitation plan-- from 2020 to 2030 that covers 91,737 m2 of foreshore area along the Sarangani Bay Protected Seascape. The plan focuses on addressing environmental issues (including water pollution and habitat destruction) and socio-economic issues (alternative livelihood). This rehabilitation plan will be reviewed and updated every 10 years, or sooner if needed, to account for developments in the area and changes in regulations.</p> <p>Along the shore of the Guimaras Strait and adjacent to the distillery, in particular, GSMI secured a mangrove reforestation area as contribution to the preservation of the water quality and marine biodiversity in the Strait. Mangroves planted in the 12-hectare area have a 96% survival rate. Benefits from the initiative include reduced risk of flooding and soil erosion and a reduction in carbon emissions, thereby minimizing environment-related risks to the strait. Regular tree planting within the vicinity is conducted every year.</p> <p>GSMI also works with partner cooperatives on the island of Guimaras in organizing regular coastal clean-ups and to monitor the shoreline and mangroves.</p>
What are the opportunity/ies identified?	Which stakeholders are affected?	Management approach
There are opportunities for SMC to engage stakeholders in	Customers Communities	Strengthened by the plans and capabilities of SMC's infrastructure arm, the Company can conduct more

shared activities to protect ecosystems. The Company can also introduce science-based solutions or interventions to correct existing practices in environmental management. It can also inform and engage the general public on San Miguel's various social and environmental advocacies.	Employees Investors Regulators	thorough assessments for upcoming development projects. From the planning stage to the completion of greenfield projects, the Company also can ensure that installations and new technologies are suitable to natural resources and existing ecosystems, and can also contribute to biodiversity.
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Management Approach to Identified Impacts and Risks

Clariden Group:

Clariden implements a temporary revegetation program of disturbed areas as well as periodic maintenance of reforestation and areas and an eco-farm project. Clariden undertakes germination, collection, and production of several tree species in the company-owned nursery. Its reforestation programs are aligned with the National Greening Program and the Mining Forest Program of the government, as well as the government-mandated Temporary Rehabilitation Program for previously disturbed but still mineralized areas.

Fascines were installed and maintained regularly within Nonoc Island to reduce siltation. Desilting activity with the use of heavy equipment was also conducted. The tailings pond is lined with impervious material to prevent leakage, and continuous monitored to ensure the integrity of the structure.

Monthly noise monitoring is also conducted to ensure that operations are within the regulatory standards.

SMC Group:

SMC's management ensures that facilities across all business units are compliant to the standards set by the Department of Environment and Natural Resources (DENR) and are equipped with assessment tools for ecological monitoring reports. Moreover, impact areas are addressed as follows:

- **Angat Hydroelectric Power Plant.** SMCGP and K-Water initiated the Angat Dam and Dykes Strengthening Project (ADDSP) as a precautionary measure to preserve and protect this crucial source of water for Metro Manila, as part of its commitment to the operators of the Angat Dam. This Php 1.08 billion initiative included structural improvements to the dam as well as the main and secondary dykes. This major undertaking ensures the structural integrity of the Angat Dam.
- **Masinloc Power Plant.** The Masinloc power plant implements a ridge-to-reef program that includes maintenance of plantation on watersheds leading to the bar reserve, seagrass enhancement planting, mangrove planting, and coral transplantation in artificial reefs. In 2018, SMCGP was able to rehabilitate 500 sqm. of seabed through 10 artificial reefs in the area.
- **Malita Power Plant.** SMCGP, through its subsidiary, partnered with the local government to adopt a kilometer of the Malita River in an effort to protect the surrounding body of water and its aquatic life. Cleanups and monitoring activities have resulted in the increase in dissolved oxygen levels to greater than 7mg/L which aids organism proliferation and survival. SMCGP conducted an underwater resource assessment and observed an increase in the species of fish along newly installed Unit 3 Intake pipes. In a bid to step up their monitoring systems, SMCGP established a Butterfly Sanctuary for the butterflies to serve as bio indicators.

- **Distileria Bago, Inc. Plant.** All discharges from GSMI's distilling plant are compliant to regulatory standards, which reduces, if not eliminates, possible negative impacts to the environment. Adjacent to the operational site, a mangrove reforestation area has been adopted and the survival rate of planted mangroves is at 96%. The area also reduces the risk of flooding, soil erosion, and storm surges and serves as habitat to numerous animals. Regular coastal and estero clean-ups and shoreline and mangrove monitoring are done with local government units and nearby communities.
- **Petron Bawing Terminal.** Petron prepared a 10-year rehabilitation plan for 2020 – 2030 which covers 91,737 sq m of foreshore area along the Sarangani Bay Protected Seascape. The plan addresses water quality management, habitat protection, and alternative livelihood. This rehabilitation plan will be reviewed and updated every decade, or at a shorter duration if warranted, to account for developments in the area and changes in regulations.

Opportunities

Clariden Group:

There are opportunities to conduct close monitoring of the survival rate of planted tree species in the revegetated disturbed areas. This data could serve as input for evaluating the success of the revegetation program.

Annual biodiversity mapping could also be considered to accurately document existing flora and fauna species near the area of the mine and identify priority species for conservation and propagation.

Stakeholders affected: Local Communities, Customers, Employees

SMC Group:

The Group continuously seeks ways to improve and find opportunities within their operations in order to minimize impacts on neighboring ecosystems. Strengthened by the plans and capabilities of the Group's infrastructure arm, SMC has the opportunity to have a more thorough assessment for upcoming development projects.

The physical limitations from the Covid-19 quarantines provided an opportunity to optimize the use of online communication platforms to reach out to more people for Petron's environmental advocacy. An example is the virtual environment forum sponsored by Petron as part of the 2020 Pawikan Festival of the Province of Bataan, which generated hundreds more in attendance than previous years' actual forum in the Pawikan Conservation Center in Morong, Bataan.

Stakeholders affected: Local Communities, Regulators, NGOs

Management Approach to Identified Opportunities

Clariden Group:

Clariden proactively explores strategies and initiatives to integrate biodiversity conservation as part of standard operating procedures and preparatory to future mining activities.

SMC Group:

From the planning stage to the completion of greenfield projects, the company takes the opportunity to ensure that installations and new technology is not only suitable to the natural resources and existing ecosystem, but also induces the improvement of and proliferation of biodiversity.

Environmental impact management

Air Emissions

GHG

Disclosure	2020 Quantity	2019 Quantity	Units
Direct (Scope 1) GHG Emissions	13,731,953	15,762,417	Tonnes CO2e
Energy indirect (Scope 2) GHG Emissions	577,524	645,235	Tonnes CO2e

Impacts & Risks

Clariden Group:

Direct or Scope 1 GHG emissions are derived from fuel combustion of generator sets and company vehicles. GHG emissions have negative impacts on the environment as they contribute to climate change.

Since PNPI is in its exploratory stage, these risks are deemed to be minimal in this reporting period. The said risks are likewise minimal for the parts of the PNPI MPSA assigned to PLGMC and VMI, which, while also in the exploration stage, have no current activities in view of the pandemic. Note that other Clariden properties are also in the exploration stage but that no exploration activities are being undertaken in view of the pandemic and other site specific reasons.

Stakeholders affected: Local Communities, Employees Working in the Site

SMC Group:

GHG emissions of SMC are primarily generated from powerplants, consumption of electricity to power facilities and head offices, as well as through fuel refining and storage business lines. Processes involved in the processing of materials to produce products emit pollutants which may also impact air quality. Coal-fired powerplants are one of the biggest industrial sources of mercury. Fuel mixes and formulas may emit high concentrations of carbon monoxide (CO) and nitrogen oxide (NOx). Activities such as these deteriorate air quality within the vicinity of sites of operations and significantly contributes to climate change. Other than the negative consequent effects of climate change, emissions may be a health and safety risk to employees, customers, and nearby communities as concentrations of air pollutants may cause respiratory ailments.

Potential risk may arise should the government impose cap on greenhouse gas emission from industries to support its GHG reduction commitment in the Council of Paris.

Stakeholders affected: Local Communities, Regulators, Employees

Management Approach to Identified Impacts and Risks

Clariden Group:

Since GHG emissions are directly related to energy consumption, regular maintenance and repair of equipment are conducted to ensure efficient usage of fuel resources and effective reduction of emissions from diesel and gasoline combustion.

SMC Group:

SMC manages air emissions by closely monitoring production by-product levels, making sure that reduction target levels are met. This is in accordance with the different EMS systems in place in different facilities, as well as environmental compliance standards (sulfur oxide (SO_x), NO_x, Particulate Matter, CO and Opacity) set by the DENR and World Bank ("WB").

Aside from the groupwide effort to reduce emissions, business units have different strategies in place to achieve this. The energy business implements bike health/emission programs, fleet management strategies, technology integration for business tasks and a weekly update on emission data. Petron ensured that its 29 terminals are certified with EMS ISO 14001, ensuring that their system is capable of emission reductions, supplemented with a terminal Eco-watch program.

These efforts are complemented by SMC's investment on instruments to measure and reduce emissions such as electrostatic precipitators which is a device that abates air pollution generation in certain processes.

Opportunities

Clariden Group:

Since GHG emissions are directly related to energy consumption, Clariden could further analyze its energy consumption trends to determine opportunities for improvement.

Stakeholders affected: Local Communities, Employees Working in the Site

SMC Group:

The issue of climate change and global emissions reductions has paved the way for the emergence of green technologies. Advancements in green technology includes certain process and materials that not only streamline operation but also manages air emissions.

Stakeholders affected: Local Communities, Regulators, Employees

Management Approach to Identified Opportunities

Clariden Group:

Clariden could explore strategies and initiatives in integrating energy-saving technologies and other measures for energy efficiency.

SMC Group:

SMC is continuously studying technological developments in order to find ways to integrate these new practices and equipment to increase efficiency.

Air pollutants

Disclosure	2020 Quantity	2019 Quantity	Units
NO _x	14,781,901	14,442,184	kg
SO _x	37,520,847	38,708,516	kg
Volatile organic compounds (VOCs)	199,393	90,364	kg
Particulate matter (PM)	1,511,838	1,604,089	kg

Impacts & Risks**Clariden Group:**

Small dust particles can be easily dispersed by the wind especially when there is frequent disturbance on the land surface. Mobilizing mining personnel and large amounts of material in and out of the mining site disperses loose dust particles. The vehicles used to transport personnel and mining materials produce GHG emissions from the combustion of fuel. Air pollution from these sources can have significant impacts on human health and the environment.

Since PNPI is in its exploratory stage, these risks are deemed to be minimal in this reporting period. The said risks are likewise minimal for the parts of the PNPI MPSA assigned to PLGMC and VMI, which, while also in the exploration stage, have no current activities in view of the pandemic. Note that other Clariden properties are also in the exploration stage but that no exploration activities are being undertaken in view of the pandemic and other site specific reasons.

Stakeholders affected: Local Communities, Employees, Regulators

SMC Group:

Various steps involved in the processing of materials to produce the Company's products emit pollutants and impact air quality. Coal-fired power plants are one of the biggest industrial sources of mercury. Fuel mixes and formulas may emit high concentrations of CO and NO_x. All these deteriorate air quality within the vicinity of sites of operations and significantly contribute to climate change. Other than the negative consequent effects of climate change, emissions may be a health and safety risk to employees, customers, and nearby communities as concentrations of air pollutants may cause respiratory ailments.

Stakeholders affected: Local Communities, Employees, Regulators

Management Approach to Identified Impacts and Risks

Clariden Group:

Monthly ambient air quality sampling is conducted at ten (10) stations through a third-party provider to ensure that the project operates within regulatory limits. The level of polluting emissions from Clariden's vehicles are also mitigated through regular maintenance and repair. Dust suppression strategies are also implemented within the site.

SMC Group:

SMC manages air emissions by closely monitoring by-product levels, making sure that reduction target levels are met. This is in accordance with EMS systems in place in different facilities, as well as environmental compliance standards (SO_x, NO_x, PM, CO and opacity) set by DENR and the WB. SMC's business units have different strategies in place to achieve this.

SMC acknowledges that our businesses has significant impacts on the environment and must go beyond compliance with environmental regulations. The Company has been able to better articulate how our operations stay in line with our vision of being an industry leader that cares for the environment by developing a system in place for measuring environmental footprint, which we extend from our facilities to our customers.

Opportunities

Clariden Group:

Clariden has been consistently compliant with air pollution standards, and it shall ensure that it will proactively monitor and explore ways to continue and enhance its compliance.

Stakeholders affected: Local Communities, Employees, Regulators

SMC Group:

SMC ensures that manufacturing facilities have established systems that meet environmental compliance standards. Its presence in different industries allows for capabilities for research and development. The Company believes that research and development play vital roles in maintaining its position and market leadership, and consequently setting the mark for cleaner and more efficient processes.

Stakeholders: Local Communities, Employees, Regulators

Management Approach to Identified Opportunities

Clariden Group:

Clariden is constantly studying opportunities for further improvement in its compliance with all applicable standards, and will integrate the same into its operational strategies and procedures.

SMC Group:

SMC is continuously studying these developments in order to find ways to integrate these new practices and technologies to increase efficiency. As an example, SMCGP plans to explore the use of catalytic reduction technology to further improve NOx emissions. This advanced active emission control technology injects reductant agents to capture and remove NOx emissions. SMC is also looking into increasing air pollutant monitoring across all business units, especially those with high impact operations.

Solid and Hazardous Wastes

Solid Waste

Disclosure	2020 Quantity	2019 Quantity	Units
Total solid waste generated	2,335,047,421	2,477,989,007	kg
Recycled	983,947,477	778,086,909	kg
Composted	4,939,972	4,770,640	kg
Residuals/Landfilled	1,346,159,972	1,695,131,458	kg

Note: Reusable and recyclable wastes are collectively classified as Recyclable Waste, hence zero for reusable waste.

Also, we do not dispose waste through incineration, thus no figure is reflected.

Impacts & Risks

Clariden Group:

Wastes generated from daily activities are handled appropriately by PNPI's Mine Environmental Protection and Enhancement Office ("MEPEO")/Environmental Department who ensures that it is compliant to all relevant waste regulations in the country. Improper solid waste disposal could lead to land and water pollution. Solid wastes are usually transported to landfills. However, landfills also raise several concerns such as land degradation, toxic substance leaching, and marine litter.

Since PNPI is in its exploratory stage, these risks are deemed to be minimal in this reporting period. The same goes for the parts of the PNPI MPSA assigned to PLGMC and VMI, which, while also in the exploration stage, have no current activities in view of the pandemic. Note that other Clariden properties are also in the exploration stage but that no exploration activities are being undertaken in view of the pandemic and other site specific reasons.

Stakeholders affected: Local Communities, Employees, Regulators, Solid Waste Hauler

SMC Group:

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management approach
<p>SMC's manufacturing facilities and corporate offices generate various types of solid waste that may result in negative environmental and cost impacts if not managed properly. Clearly, the inefficient management of waste poses health and environmental risks. The poor handling of solid waste may also affect the sanitation of its various sites, which is a crucial aspect in manufacturing quality products. Additional costs may also lead to regulatory ramifications, including penalties and the need to replace contaminated products. Food waste is a type of solid waste that is significant to SMC's operations as food and beverage take up a huge part of its core business. In the process of meeting varying demands for products, the food and beverage lines may result in surpluses and packaging defects leading to wastage. Products that are not sold within their prescribed shelf life also turn into food waste. Food waste refers to "discarding or alternative (non-food) use of food that is safe and nutritious for human consumption along the entire food supply chain, from primary production to end household consumer level".</p>	<ul style="list-style-type: none"> • Customers • Communities • Employees • Investors • Regulators 	<p>SMC implements a comprehensive solid waste management program to protect public health and the environment. The Company fully complies with the Ecological Solid Waste Management Act (RA 9003) and all statutes that cover the ambit of SMC's operations.</p> <p>SMC's facilities pursue various efforts to reduce solid wastes, including:</p> <ul style="list-style-type: none"> • Collection of production scraps for recycling • Utilization of animal waste for biomass energy • Recovery of spent grain to serve as additives in animal feeds • Proper waste segregation • Banning of single-use plastics • Returning damaged or substandard materials to suppliers • Selling of scrap metals to third parties • Recycling of plastics • Recycling and reusing paper <p>In addition to these, the Company strives to increase its value to customers by developing products and initiatives that integrate sustainability, such as the returnable glass bottle system for the beer business, and the use of recyclable products for the packaging business. SMC takes a further step in reducing the country's food waste by redirecting possible wastage to food banks before they expire. Processed meats and products that are not able to meet distribution standards but are still of quality are donated to its adopted indigent communities in Tondo, Manila. More than a feeding program initiative, this program aims</p>

		to eradicate poverty through capacity-building initiatives for the said community.
What are the risk/s identified?	Which stakeholders are affected?	Management approach
<p>The Company delegates the task of transporting solid wastes to appropriate landfills relative to site locations, to DENR accredited waste haulers.</p> <p>SMC recognizes its vital role in making sure wastes are properly collected, sorted, and stored. Improper disposal of solid wastes can contribute to land or marine pollution. If solid wastes are not properly managed, it can cause the proliferation of pests and illnesses, as well as potentially leaching into the local groundwater table.</p>	<ul style="list-style-type: none"> • Customers • Communities • Employees • Investors • Regulators 	<p>A specific division or business task force may be created to fully centralize the collection and management of these solid wastes. For example, collected solid wastes can be recycled or used as biomass for fuel in the refining process; while collected solid wastes from infrastructure business can be recycled and used for other projects. There is also a potential in integrating practices from international operations and seeking counsel from globally renowned partners to develop efficient solid waste management systems.</p>
What are the opportunity/ies identified?	Which stakeholders are affected?	Management approach
<p>The packaging business has the technology and research capacity to test for ways to recycle packaging materials. This presents an opportunity to develop programs specific to the Company's needs in recycling and waste reduction.</p>	<ul style="list-style-type: none"> • Customers • Communities • Employees • Investors • Regulators 	<p>As part of its ongoing commitment to environmental stewardship, SMC continues to explore other opportunities that will help make the Company's processes more efficient end-to-end—from manufacture to delivery of its products. The Company continues to evaluate new technologies that will reduce solid wastes in its facilities and send less of it to landfills.</p> <p>In late 2019, the Company initiated a project to develop a process to utilize plastic waste for the production of asphalt. The Company partnered with Dow Philippines to use around 900 kilos of plastic waste—equivalent to some 180,000 sachets and plastic bags—into asphalt. The asphalt was then used for a 1,500 sq.m. area at its logistics facility in Cavite. This was a first in the country.</p>

Management Approach to Identified Impacts and Risks

Clariden Group:

PNPI's MEPEO/Environmental Department handles the collection, segregation, and disposal of solid and industrial wastes. Residual wastes are transported to legally operated landfills that meet the standards of the DENR. There is also a Materials Recovery Facility located at Nonoc Island which is adequately staffed regularly maintained.

SMC Group:

Please refer to the table above.

Opportunities

Clariden Group:

With increasing awareness on the negative impacts of landfills, there is an opportunity for re-processing residual wastes that could be considered and effectively divert residual wastes from the landfills.

Stakeholders affected: Local Communities, Employees, Regulators, Solid Waste Hauler

SMC Group:

Please refer to the table above.

Management Approach to Identified Opportunities

Clariden Group:

If there are opportunities for more improvement in solid waste management, Clariden could look into ways that it could integrate these into strategies and procedures. Clariden is looking at the possibility of adopting a locally developed technology to produce briquettes from tree/wood trimmings/wastes which can be used as an alternative fuel source.

SMC Group:

Please refer to the table above.

Hazardous Waste

Disclosure	2020 Quantity	2019 Quantity	Units
Total weight of hazardous waste generated	4,803,879	4,446,640	kg
Total weight of hazardous waste transported	1,917,099	10,508,825	kg

Note: Sudden surge comes from a one-time generation of waste from Petron refinery's unscheduled maintenance that was made possible due to unprecedented shutdown caused by the pandemic.

Impacts & Risks

Clariden Group:

Mismanagement of hazardous wastes poses a serious threat on human health and the environment. Storage facilities for hazardous wastes, if not constructed and maintained properly, can present significant threats of collapse, leakage, and groundwater contamination. The same can also be said if these wastes are not transported properly. Since PNPI is in its exploratory stage, these risks are deemed to be minimal in this reporting period. The hazardous waste present at the Project site were generated during the mining and mineral processing and refining activities by the original owners during the period 1974 to 1986 and are being managed by Clariden.

Stakeholders affected: Local Communities, Employees, Regulators, Hazardous Waste Hauler

SMC Group:

SMC's business lines produce a large volume of hazardous wastes. These wastes come from the processes involved in company operations. If not properly stored, treated and transported, these wastes may lead to serious risks to human and ecological health.

All these materials pose serious risks that may compromise the health and safety of employees working in the facilities if not properly stored, treated, and transported. Soil, surface water, and groundwater pollution due to ineffective containment, storage, and/or disposal of hazardous wastes negatively impact public health and the environment. In addition, improper solid and hazardous waste management could have regulatory ramifications.

Stakeholders affected: Employees, Regulators, Customers, Local Communities, Hazardous Waste Hauler

Management Approach to Identified Impacts and Risks

Clariden Group:

Hazardous wastes are collected, stored, and properly labelled in a Hazardous Waste Storage Facility which is regularly monitored and maintained by trained personnel. DENR-accredited waste haulers are engaged for the transport and treatment of the hazardous wastes.

No tailings were generated by the PNPI in Nonoc Island since the stoppage of mineral processing and refining activities in 1986. The iron tailings that are currently stored in the tailings pond were generated from the previous operations prior to acquisition. Clariden maintains the integrity of its tailings storage facilities to prevent spills and/or leakages.

SMC Group:

SMC's facilities have their own hazardous wastes storage located in strategic locations inside facilities, away from regular foot traffic, direct sunlight and are readily accessible by hazardous wastes transporters. Necessary emergency equipment and procedures are also in place in the event that a spill occurs in order to neutralize and contain spilled hazardous wastes. Some machines also have capabilities to recycle hazardous waste such as the Bottom Ash Recycling Systems of the energy business' boilers. The bottom ash will be sieved within the system and will be reused as bed material for the furnace or silica sand replacement.

SMC is in coordination with several of the country's top waste treaters, and have engaged their services for the transport, treatment and disposal of hazardous wastes. They are also negotiating with their suppliers with regards to the collection of broken light bulbs, old car and generator batteries, printer toner and other wastes that need special handling.

The organization has a rigorous vetting process for selecting third party service providers for the transport and disposal of its hazardous waste. Due diligence and regular performance evaluation are done to ensure that all hazardous wastes are disposed in accordance to regulations.

Opportunities

Clariden Group:

Clariden could look into the possibility of re-processing the tailings that are stored in its facilities. Based on laboratory analyses, there is only a negligible presence of heavy metals in the iron fines/tailings. Clariden is studying the most effective technologies and procedures of re-processing the tailings based on these findings.

Stakeholders affected: Local Communities, Employees, Regulators, Hazardous Waste Hauler

SMC Group:

SMC is looking into the possibility of integrating their own hazardous waste recycling or neutralization facility within terminals, refineries, power plants and manufacturing plants.

The waste of one plant could be raw material of another. This has already been demonstrated at some cement plants where the fuel system feeding into the kiln is designed to accommodate tires, used oil, plastics, and other high energy waste materials.

Stakeholders affected: Employees, Regulators, Customers, Local Communities, Hazardous Waste Hauler

Management Approach to Identified Opportunities

Clariden Group:

If there are opportunities for more improvement in hazardous waste management, Clariden could look into ways that it could integrate these into strategies and procedures. Clariden is evaluating the most cost-effective offsite and onsite disposal methods to manage the hazardous waste in the area.

SMC Group:

SMC will continuously work towards the improvement of hazardous waste management systems and look into new methods and technology, should the opportunity arise. The company is looking into possible synergies among facilities for the exchange and reuse/recycling of hazardous wastes.

Effluents

Disclosure	2020 Quantity	2019 Quantity	Units
Total volume of water discharges	2,245,586,132	2,508,594,375	m ³
Percent of wastewater recycled	3.85	3.53	%

Impacts & Risks

Clariden Group:

Wastewater from the mines' processes are highly concentrated with various chemicals which could pollute nearby water sources if left untreated. Discharge of untreated wastewater puts Clariden at the risk of losing its license to operate as well as paying of fines as a result of its non-compliance to environmental laws and regulations.

Since PNPI is in its exploration stage, the risks from the potential discharge of wastewater to the surrounding environment and result to non-compliance to environmental laws and regulations are deemed to be minimal in this reporting period. said risks are likewise minimal for the parts of the PNPI MPSA assigned to PLGMC and VMI, which, while also in the exploration stage, have no current activities in view of the pandemic. Note that other Clariden properties are also in the exploration stage but that no exploration activities are being undertaken in view of the pandemic and other site specific reasons.

Stakeholders affected: Local Communities, Regulators, Employees Working in the Site

SMC Group:

As mentioned, SMC's production plants may involve a significant number of by-products, which include effluents. The various processes by the different businesses in the SMC Group may have an impact to the water bodies surrounding operational locations, possibly contributing to water pollution especially if discharges do not meet DENR effluent standards. The company's sewage discharges or liquid wastes may contain microplastics or harmful chemicals detrimental to nearby water systems if they fail to undergo careful treatment and management.

In 2016, a new effluent standard (DAO 2016-08) was imposed by DENR which now includes the nutrient parameters ammonia nitrogen, nitrate nitrogen, and phosphate--most of which the company's wastewater treatment facilities were not designed to address. The new regulation also removed the exemption of those discharging 30 cum. or less from complying with the effluent standard. Retrofit and upgrade of treatment facilities were initiated but their performance has yet to be verified pending completion of commissioning.

Meanwhile, smaller plants previously equipped only with septic tanks have to come up with cost-effective treatment measures to meet effluent standards.

Stakeholders affected: Employees, Regulators, Customers, Local Communities

Management Approach to Identified Impacts and Risks

Clariden Group:

Settling pond effluent monitoring and oil and grease sampling are conducted regularly. Strict compliance to the environmental laws and regulations is ensured.

SMC Group:

SMC ensures that its facilities have efficient wastewater treatment systems manned by technical experts who monitor and regulate effluents, and that these systems are at par with industry standards and meet and go beyond standards set by the Clean Water Act. This involves monitoring the properties and quality of effluents as well as of marine life where it is discharged, to fully understand its impact. In one of the outputs of SMCGP power plants' Environmental Monitoring Plan, there was a significant growth of mollusks since the start of its operations, which consequently helped the community as it served as their source of livelihood.

Business units, including the SMC Head Office, have invested significantly to upgrade sewage treatment and industrial wastewater treatment facilities. Many are nearing completion before the five-year grace period of the regulation expires.

Opportunities

Clariden Group:

Clariden could explore strategies on how it could effectively implement water conservation and wastewater recycling in its facilities and operations pursuant to its ISO 14001:2015 management system.

Stakeholders affected: Local Communities, Regulators

SMC Group:

Upgrade and retrofit of treatment facilities are costly and if this could be avoided or minimized, it would result to substantial cost savings.

Wastewater reuse and recycling will help reduce the needed upgrade and will support the program to sustain water resources.

Stakeholders affected: Employees, Regulators, Customers, Local Communities

Management Approach to Identified Opportunities

Clariden Group:

As this is connected with water use, Clariden could explore strategies and initiatives in integrating water efficient technologies and other measures for water conservation as well as wastewater treatment. It could also look into best practices in tailings impoundment, even possibly monetize it as much as practicable, to further ensure that the risk of leaching is minimized.

SMC Group:

The Water for All project aims to, among others, increase reuse and recycling of water that will reduce volume of discharge, thus lessening the hydraulic load of wastewater treatment facilities. Any needed retrofit or upgrade will be relatively smaller and cheaper.

Another strategy employed by the company is to review the use of materials that contribute to nutrient parameters in the wastewater and to find alternatives to these.

Environmental compliance**Non-compliance with Environmental Laws and Regulations****Top Frontier (Groupwide)¹:**

Disclosure	2020 Quantity	2019 Quantity	Units
Total amount of monetary fines for non-compliance with environmental laws and/or regulations	1,305,000.00	45,000.00	PhP
No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations	5	3	#
No. of cases resolved through dispute resolution mechanism	2	0	#

Certification	Number of applicable operational sites				
	SMFB	SMYPC	Petron	SMCGP	SMHC
ISO 50001:2011 Energy Management System		All		2	
ISO 90001:2015 Quality Management	6			2	
ISO 14001:2015 Environmental Management System ¹	1	2	29	3	
ISO 55001: 2014 Asset Management System				2	
(2) IMS Certifications for EnMS				All	
OHSAS 18001 Occupational Health and Safety	All	All	All	All	All

Impacts & Risks**Clariden Group:**

Mining operations are subject to several regulations on environmental management. Due to the nature of mining, environmental laws and regulations are set up to act as safeguards to ensure the ecological soundness of the project. As discussed in the earlier sections, mining operations are energy- and water-

intensive. The industry also produces a significant amount of solid and hazardous wastes. Thus, mining companies run the risk of non-compliance to these regulations. Failure to comply have economic, social, and environmental impacts. Economic impacts include monetary fines, and worse, possible suspension of license to operate. These scenarios impact employees and investors. Since these laws are intended as safeguards from environmental degradation, failure to comply grossly impacts the natural environment and the nearby communities.

Stakeholders affected: Employees, Investors, Local Communities, Regulators

SMC Group:

Ensuring the SMC's facilities are compliant with all national and local environmental laws, regulations and ordinances not only protects the environment and natural resources, but it allows for SMC's facilities to continue their operations. SMC recognizes that the DENR-EMB as well as the local government units in its location of operations hold the authority to stop SMC's operations when they deem that any of the businesses do not have the relevant permits and controls in place to mitigate pollution caused by facilities' processes. This applies to daily operations, plant maintenance, production of materials, and corporate head offices. Other than the cost of penalties, there might be a significant amount of loss if operations are disrupted for a day or more. Non-compliance can lead to both safety and reputational risks to products as well as these laws and regulations may be the baseline standards of quality for consumers.

Stakeholders affected: Employees, Investors, Regulators, Customers

Management Approach to Identified Impacts and Risks

Clariden Group:

Compliance is core to the business of Clariden. Clariden's regulatory compliance is ensured through close coordination between the Head Office and the mine site staff. Clariden also studies industry trends to adequately prepare a management plan in anticipation of new regulations that the government might implement.

SMC Group:

In order to maintain a high level of compliance to environmental laws and regulations, SMC ingrains in their employees a strong culture of compliance, ensuring that all requirements, permits and approvals are secured in a timely manner. SMC secures full compliance to all of the relevant laws of the Philippine Government applicable to their operations. As an extension of environmental compliance, SMC's employees play a proactive role in participating in the environmental audits of the facilities, as well as local Multi-Partite Monitoring Teams. This shows the communities near operations the transparency SMC and their willingness to work with experts to further improve their service.

Facilities are also certified under EMS ISO 14001 standards, guaranteeing top environmental compliance and performance. More than regulatory compliance, SMC adopts internationally recognized standards to ensure that its plants are operating in safe and efficient conditions. The SMC Group has sought out accreditations from both locally and internally renowned institutions to attest to their dedication to operational excellence.

Opportunities

Clariden Group:

Clariden keeps track of policy/regulatory improvements as well as best mining and environmental management practices, techniques, and methodologies in the industry to ensure continuing compliance to regulations and industry standards.

Stakeholders affected: Employees, Investors, Local Communities, Regulators

SMC Group:

Together with the Internal Audit, Audit and Risk Committee, and Monitoring Teams per business divisions, SMC will strive to make sure that all business activities will remain compliant to all pertinent regulations

Stakeholders affected: Employees, Investors, Regulators, Customers

Management Approach to Identified Opportunities

Clariden Group:

If there are opportunities for more improvement in its environmental performance and if laws are updated, Clariden could look into ways that it could integrate these into strategies and procedures pursuant to its ISO 14001:2015 management system.

SMC Group:

Synergizing its environmental systems and centralized IT system, SMC can streamline the process of obtaining data relevant to compliant documents. SMC is also looking into training most if not all departments involved regarding these regulations. SMC will also seek consultations from outside organizations who expertise in environmental metrics for a check-and-balance and proper audit of prepared compliance documents.

Production Metric

Mining Production

This topic is considered not material to SMC Group. This section will cover the Clariden Group only.

Disclosure	2020 Quantity	2019 Quantity	Units
Production of metal ores	0	0	Tonnes
Production of finished metal products	0	0	Tonnes

Impacts & Risks

Clariden Group:

Commercial mining operations have been halted in the Nonoc Nickel Project since mid-2014. Said project has been reclassified as “in the exploration stage”. The risks mentioned in the earlier sections are still

present in the current context of the project. However, the current impacts are significantly lower compared to operations in the commercial operations/extraction stage.

The exploration stage is a lengthy process of drilling, sampling and analysis aimed at determining the quality and quantity of mineral resources within the contract areas. The activity involves utilization of natural resources, and possible generation/emission of gaseous substances, dispersal of dust particles, and production of solid and hazardous wastes, which if left unmanaged could have negative impacts on human health and the environment as discussed in the previous sections.

Stakeholders affected: Local Communities, Employees, Regulators

Management Approach to Identified Impacts and Risks

Clariden Group:

Acknowledging the extent of its impacts, Clariden, for the year 2020, continued to implement the AEPEP which is focused on seven (7) activities on land resource, water resource and quality monitoring, noise and vibration, air quality monitoring, conservation, environmental research, and periodic coordination meetings and communications.

Opportunities

Clariden Group:

PNPI, along with the relevant government agencies, and concerned stakeholder groups, assess the results of the AEPEP annually. PNPI is currently looking into ways on how it could further improve its processes.

A new Environmental Compliance Certificate, AEPEP and Final Mine Rehabilitation and/or Decommissioning Plan will be prepared/secured and implemented to consider the potential impacts of planned mining (and mineral processing) activities.

Stakeholders: Local Communities, Employees, Regulators

Management Approach to Identified Opportunities

Clariden Group:

Clariden will proactively integrate industry best practices during the commercial operations stage to ensure it operates beyond compliance.

SOCIAL

Employee Management

Employee Hiring and Benefits

Employee data

Clariden Group:

Disclosure	2020 Quantity	2019 Quantity	Units
Total number of employees	70	104	
a. Number of female employees	11	20	#
b. Number of male employees	59	84	#
Attrition rate		9.6	rate
Ratio of lowest paid employee against minimum wage	N.A.	N.A.	ratio
Percentage of workers who are contractors			%

SMC Group:

Disclosure	2020 Quantity	2019 Quantity	Units
Total number of employees ¹	45,522	44,079	
a. Number of female employees	13,641	13,224	#
b. Number of male employees	31,881	30,855	#
Attrition rate	11.10%		rate
Ratio of lowest paid employee against minimum wage	0		ratio

¹ Includes only permanent/regularized male and female employees

Employee benefits

Clariden Group:

List of Benefits	Y/N	% of Employees Who Availed for the Year			
		Female		Male	
		2020	2019	2020	2019
SSS	Y	10.0%	22.2%	17.1%	7.5%
PhilHealth	Y	0.0%	11.1%	4.8%	0.0%
Pag-Ibig	Y	0.0%	0.0%	29.3%	12.5%
Parental Leaves	N	0.0%	0.0%	0.0%	2.5%
Vacation Leaves	Y	70.0%	100%	85.4%	95%
Sick Leaves	Y	60.0%	100%	19.5%	40%
Medical Benefits (aside from PhilHealth)	Y	30.0%	55.5%	4.9%	32.5%
Housing Assistance (aside from Pag-ibig)	N				
Retirement Fund (aside from SSS)	Y	10.0%	0.0%	2.4%	0.0%
Further education support	N				
Company Stock Options	N				
Telecommuting	N				
Flexible-working Hours	N				

Others					
Life Insurance	Y	0.0%	0.0%	0.0%	0.0%
Accident Insurance	Y	0.0%	0.0%	0.0%	0.0%
Emergency Leaves	Y	10%	33.33%	2.44%	5.0%
Rice Subsidy	N				
Clothing (in kind or cash)	N				
Burial Assistance	Y	0.0%	0.0%	0.0%	0.0%

SMC Group:

List of Benefits	Y/N	% of Employees Who Availed for the Year			
		Female		Male	
		2020	2019	2020	2019
SSS	Y	23.7%	21.8%	22.0%	20.7%
PhilHealth	Y	2.1%	4.4%	1.9%	3.9%
Pag-Ibig	Y	15.9%	16.4%	18.8%	18.7%
Parental Leaves	Y	0.1%	0.0%	1.9%	1.7%
Vacation Leaves	Y	50.9%	49.0%	37.9%	36.7%
Sick Leaves	Y	31.1%	34.5%	22.7%	23.4%
Medical Benefits (aside from PhilHealth)	Y	57.6%	85.5%	48.5%	65.1%
Housing Assistance (aside from Pag-ibig)	Y	4.0%	3.9%	2.2%	2.4%
Retirement Fund (aside from SSS)	Y	1.5%	2.7%	1.6%	2.6%
Further education support	Y	0.1%	0.1%	0.0%	0.1%
Company Stock Options	N				
Telecommuting	N				
Flexible-working Hours ¹	N				
Others					
Life Insurance	Y	0.0%	0.0%	0.2%	0.1%
Accident Insurance	Y	0.0%	0.0%	0.0%	0.0%
Emergency Leaves	Y	18.1%	20.4%	19.7%	17.8%
Rice Subsidy	Y	42.7%	42.5%	35.9%	35.6%
Clothing (in kind or cash)	Y	45.1%	54.8%	44.9%	54.4%
Burial Assistance	Y	0.7%	0.6%	0.6%	0.4%

¹ Flexible working hours have been implemented since the pandemic last year, in compliance with government regulations/directives. However, work arrangements are set and agreed upon by individual teams and are fluid. No group-wide system in place to monitor remote work arrangements.

Impacts & Risks

Top Frontier (Groupwide):

Top Frontier and its subsidiaries provide decent work to its employees, giving appropriate benefits to them. This leads to better employee satisfaction. However, there is always the risk of turnover since each employee would have his or her own individual preference as well as different levels of (dis)satisfaction to co-workers, management, or the given tasks.

Management Approach to Identified Impacts and Risks

Top Frontier (Groupwide):

To mitigate the negative impacts and risks, the Human Resources Departments of the Group ensure that there are grievance mechanisms in place in cases of dissatisfaction in the workplace and try to resolve these cases.

Moreover, to provide decent work and provide employees beyond what the law requires, pursuant to the relevant Health and Welfare Programs of the Company and its subsidiaries, it has its own clinic and accredited third party medical personnel. The plan provides for hospitalization and medical benefits under the plan for qualified employees. The employee may enjoy the benefits under the plan as long as he has accrued sick leave credits. The following are provided: free hospitalization, medical consultation, medicines and medical services.

There is a Health and Welfare Program for the dependents of the employees, provided that the dependents are registered with the relevant company in the Group. The Health and Welfare Program covers hospitalization, dental, diagnostic procedures, and out-patient services. The employee and the relevant company share on a 50-50 basis the insurance premiums. The Health and Welfare Program covers room and board, doctors' fees, surgical fees and miscellaneous expenses of eligible dependents, outpatient benefits, subject to certain limits.

Opportunities

Top Frontier (Groupwide):

Top Frontier and its subsidiaries continue to monitor and comply with employment laws as well benchmark with industry in terms of benefits and other provisions. The Group will also continue to analyze reasons for attrition and create policies and practices to help arrest it.

Management Approach to Identified Opportunities

Top Frontier (Groupwide):

Management approaches to opportunities will be identified in succeeding reporting cycles.

Employee Training and Development

Clariden Group:

Disclosure	2020 Quantity	2019 Quantity	Units
Total training hours provided to employees	360	3,132	hours
Average training hours provided to employees			
a. Female employees	32.7	37.2	hours/employee
b. Male employees	6.10	44.9	hours/employee

SMC Group:

Disclosure	2020 Quantity	2019 Quantity	Units
Total training hours provided to employees*	299,837	515,766	Hours
a. Female employees	81,266	140,158	Hours
b. Male employees	194,670	376,265	Hours
Average training hours provided to employees	7	12	Hours
a. Female employees	6	11	hours/employee
b. Male employees	6	12	hours/employee

* Total training hours decreased in 2020 because of the disruption brought about by the global COVID-19 pandemic.

Impacts & Risks

Top Frontier (Groupwide):

The Company provides avenues for training in accordance with its training and education policy to improve the employees' competency and increase their productivity and contribution to the organization. Without training, skills could not be updated and competences could stagnate leading to a decline in productivity, leading to less promotion. Moreover, succession planning could be impeded by a lack of identified second liners because the necessary leadership skills were not imparted beforehand.

Management Approach to Identified Impacts and Risks

Top Frontier (Groupwide):

The Group, through their respective Employee Manuals, recognizes its responsibility to shape and develop the knowledge skills, and attitudes of its human resources. Its training and education policy is defined by the following:

- Business contribution – training should be anchored on the needs of the business and help optimize the productivity and performance of the employees
- Alignment of needs – the Company's framework creates an environment where employees have the opportunity to chart their own progress as long as these are supportive of the Company's strategic directions
- Holistic development – the training should not only focus on technical or functional expertise but also on work support skills and leadership. It is also not just limited to traditional classroom settings but also to experiential and mentoring approaches
- Collaborative Partnership and Involvement – planning, design, and delivery of education solutions are done in partnership with clients and accredited service providers

The Group also has an education benefit which provides assistance to employees who wish to pursue further studies, and also extends interest-free loans for employees and their dependents.

TF's training and education philosophy is set out in "Excerpts from the Employee Manual Regarding the Company Policy and Data Relating to Health, Safety and Welfare, and Training of Employees" which may be accessed through this link:

http://www.topfrontier.com.ph/smc_files/corporate_files/CompanyPolicies/TF_Policy_onHealthSafetyWelfare_andTraining_excerptsfromEmployeeManual_10Nov2014.pdf

Opportunities

Top Frontier (Groupwide):

There is an opportunity to take a review the training programs of each of the companies in the Group and benchmark with each company's industry peers.

Management Approach to Identified Opportunities

Top Frontier (Groupwide):

Management approaches to opportunities will be identified in succeeding reporting cycles.

Labor-Management Relations

Clariden Group:

Disclosure	2020 Quantity	2019 Quantity	Units
% of employees covered with Collective Bargaining Agreements	0	0	%
Number of consultations conducted with employees concerning employee-related policies	5	2	#

SMC Group:

Disclosure	2020 Quantity	2019 Quantity	Units
% of employees covered with Collective Bargaining Agreements	34	34 (includes labor union members from Philippine Operations)	%
Number of consultations conducted with employees concerning employee-related policies	1,957		#

Impacts & Risks

Top Frontier (Groupwide):

The entire Group has entered into 35 existing Collective Bargaining Agreements ("CBAs"). Good labor-management relations are essential in providing a safe and secure working environment for employees. This gives them a sense of security that grievances, issues, and concerns are properly addressed without

negative ramifications on their part. It also ensures management that there is continued productive work from employees.

If these good relations are not maintained, there will be risks of strikes and lockouts, which will affect productivity and performance, while also putting a dent on the companies' reputations.

Management Approach to Identified Impacts and Risks

Top Frontier (Groupwide):

All labor laws are sought to be complied by the Group. Each company in the Group has created formal grievance mechanisms for labor issues. Whenever, CBAs are expiring, labor-management negotiations are organized to hear concerns of each side and chart the best way forward for all parties involved. Employee sentiments are also collected through employee surveys.

On an individual level, employees could communicate their concerns to their supervisors, and to the HR Department, if needed. Whenever these occasions arise, employees with grievances are protected by the Whistleblowing Policy.

Opportunities

Top Frontier (Groupwide):

The entire Group is looking for ways to enhance the work experience of its employees and to build better labor-management relations.

Management Approach to Identified Opportunities

Top Frontier (Groupwide):

The Group could revisit previous concerns and key discussion points gathered from both collective and individual engagement channels and, based on these, could come up with policies and initiatives for better labor-management relations moving forward.

Diversity and Equal Opportunity

This topic is considered not material to the Clariden Group as this is not included in the list of material topics for Metals and Mining Sector by SASB. This section will cover the SMC Group only.

SMC Group:

Disclosure	2020 Quantity	2019 Quantity	Units
% of female workers in the workforce	31	31	%
% of male workers in the workforce	69	69	%

Impacts & Risks

SMC Group:

SMC employee candidates are given equal opportunity regardless of race or sexual orientation as well as other backgrounds. SMC recognizes the need for a diversified workplace to keep doors open for dialogue and varying perspectives. Should favoritism of any kind occur (e.g. men are hired over women due to perceived superiority in the required technical skills), SMC might face reputational risks, thereby decreasing the chance of acquiring the right talent. This would also induce a biased working atmosphere and culture that suppresses new ideas and points of view.

Management Approach to Identified Impacts and Risks

SMC Group:

Business units in the SMC Group adopt its mother company's mantra of being a progressive employer, giving opportunities to all people regardless of gender, race, or background. SMC is an equal opportunity employer that hires based on personal skills, knowledge, and capabilities of each candidate. As an inclusive employer, it gives opportunities to individuals especially those belonging to SMC's fenceline communities, no matter their social status. The standard of conduct is also followed during the hiring process:

- Respect for People: recognize each other as individuals and commit to nurturing each other's individual capabilities.
- Integrity: conduct business in a manner which is ethical, fair and right, and in all reasonable circumstances, above reproach.
- Manpower Selection and Placement Policy: selection process is based on merits and aptitudes
- Diversity and Gender Equality
- Adhere to Republic Act 6725 which protects against the discrimination of women with respect to the terms and conditions of their employment.
- Malita Plant seeks to increase proportion of women in the workforce by 4%.
- Observes the Anti-Discrimination act of 2017 – protects employees from discrimination in all operations of business units.
- Do not consider age, gender, religious, ethnic affiliations as bases for prospective employment.
- Maintain 0 cases of discrimination (as of 2018), by ensuring open-door culture and open dialogue activities such as one-on-one employee-management meetings, team building, coffee table discussions, monthly communication, regular toolbox sessions.
- Make sure the business is free from risk of child labor, forced and compulsory labor, and violation of people's freedom of association.

Opportunities

SMC Group:

SMC shall continue to expand the reach of job postings and enhance the hiring process to enable more candidates to bid for open positions. The company shall also keep abreast of pertinent labor laws and opportunities to assist the government and/or the local community in upholding diversity and equal opportunity in the workplace.

Management Approach to Identified Opportunities

SMC Group:

SMC makes sure to uphold the principle of gender diversity in the Company, and recruit and reward all employees based on merit.

While there is no formal hiring policy on minority groups, we actively promote workforce diversity in our different subsidiaries. For instance, in Petron, by giving members of nearby Aeta communities the opportunity to be employed in Petron through an apprenticeship program in our Refinery in Bataan province. In previous years, there were Aetas who successfully graduated as trainees and became gainfully employed. This in turn inspired other members of the indigenous group to apply for similar apprenticeships.

Our Better World Tondo learning and feeding center and food bank has been supporting families in the poorest districts of Manila, providing education and food support regularly, before and during the pandemic.

Workplace Conditions, Labor Standards, and Human Rights

Occupational Health and Safety

Clariden Group:

Disclosure	2020 Quantity	2019 Quantity	Units
Safe Man-Hours	375,115	694,593	Man-hours
No. of work-related injuries	1	5	#
No. of work-related fatalities	0	0	#
No. of work-related ill-health	223	448	#
No. of safety drills	5	8	#
Near miss frequency rate	7.99	5.76	Rate

SMC Group:

Disclosure	2020 Quantity	2019 Quantity	Units
Safe Man-Hours	93,039,639	52,468,884	Man-hours
No. of work-related injuries	574	746	#
No. of work-related fatalities	5	3	#
No. of work-related ill-health	1,172	1,506	#
No. of safety drills	303	134	#

Impacts & Risks

Clariden Group:

In mining operations, the health and safety of employees are two of the top priorities due to the hazards that come naturally with the work. Safe and healthy employees could help ensure uninterrupted productivity and a satisfied workforce. Accidents in mining activities coming from vehicle and heavy

equipment operations, falling debris, slips and falls, exposure to hazardous materials, among others, could lead to injuries, and even deaths, leading to losses in man-hours and, more importantly, priceless lives.

SMC Group:

With over 100 facilities nationwide, occupational health and safety is a major concern for SMC and all its subsidiaries.

Clear measures for occupational health and safety, compliance to labor standards, and respect for human rights constitute good working conditions and enable employees to perform to their full potential. SMC has identified various risks to maintain good working conditions that may hamper the productivity of its business and its people.

Issues concerning safety and health at facilities are critical to smooth and optimum operations across SMC's businesses. Conversely, if not properly managed, these issues may lead to minor to major disruptions in operations. These may also pose a risk to the company's reputation.

The ongoing global pandemic also presents multiple challenges to ensuring safety and health across all of SMC's businesses, facilities, and supply chains. If not properly addressed, these can lead not just to business disruptions but also the spread of the virus.

Employees, especially those working in manufacturing plants, are exposed to industrial risks and hazards that may cause injury or even death. Common risks in manufacturing plants include the following hazards:

- Physical hazards due to moving parts, uneven and slippery surfaces, as well as broken tools and equipment.
- Cuts and wounds due to sharp objects, pinch points and other equipment/materials; Electric hazards due to powerlines, exposed electrical components, weather and environmental conditions, and corroded components,
- Respiratory health hazards due to air pollution and dangerous chemicals
- Idiopathic environmental hypersensitivity due to exposure to electric and magnetic fields
- Site staff and visitors are also at higher risk if there is lack of appropriate safety training and protocols.
- All these hazards would also increase Lost Time Injury (LTI) rate, leading to lower productivity and output levels.
- Violations may disrupt operations and adversely affect operations and business performance. Other than the fines and legal ramifications to the company, violations to labor laws and human rights negatively impact overall employee well-being.

Management Approach to Identified Impacts and Risks

Top Frontier (Groupwide):

Top Frontier endeavors to provide an environment where the holistic wellness of employees is nurtured and protected. It also supports several wellness programs and maintains facilities that take care of the well-being of its employees. It also provides comprehensive health care service directed at prevention of disease and protection from health hazards and maintenance of health. As such, it has its own clinic and accredited third party medical personnel.

The Company also seeks to have accident-free operations in all its offices and facilities. The policy on safety is derived from principles, values, legal and regulatory requirements, and is operationalized through the implementation of standards of performance and standard operating procedures. These are further reinforced by audits and proactive education of the workforce.

More details on health, safety, and welfare can be found on this link:

https://www.topfrontier.com.ph/smc_files/corporate_files/CompanyPolicies/TF_Policy_onHealthSafetyWelfare_andTraining_excerptsfromEmployeeManual_10Nov2014.pdf

Clariden Group:

In the Clariden Group, particularly PNPI, this emphasis on health and safety is operationalized in its own Safety and Health Policy. On site, the company has a dedicated Safety and Health Department staffed by a safety engineer supported by safety inspectors, a part-time physician and a full-time nurse, and a clinic. Various types of safety meetings are done on a daily, weekly, and monthly basis in compliance with the DOLE and the MGB rules. Employees are also regularly trained on safety topics such as defensive driving, incident command system, firefighting, first aid, and the Republic Act No. 11058, otherwise known as the OSH Law. A variety of emergency drills (fire, earthquake, on-land and at sea oil spill, water search and rescue, and chemical spill etc.) are also conducted every year. Annual physical and drug testing as well as lectures on Hepatitis B, HIV and TB, among others are also conducted. The Safety and Health Department and regulators also regularly conduct inspections. All workers are also required to wear Personal Protective Equipment ("PPE") in the site.

SMC Group:

SMC maintains a high standard of safety and encourages its employees to foster a culture of safety in their workplaces. A task force is assigned to address immediate concerns that affects the health and safety of its employees should emergencies such as disease outbreak arise. SMC spares no expense in providing its workers with PPEs available for their tasks.

SMC especially values employee safety particularly in this time of pandemic. It has invested significantly to ensure that any chance of a possible spread of the virus in workplaces is minimized and mitigated. SMC put up its own COVID-19 PCR testing laboratory to regularly test, for free, some 70,000 employees and third party providers, to help ensure safety at workplaces. It also installed hand-washing stations, temperature checking equipment, and contact-tracing applications at its buildings and facilities. It provides both plant-based and office-based employees all necessary safety equipment, and strictly implements workplace safety and health protocols as well as work-from-home schemes, among others.

SMC also invested significantly to implement a government order to transition all tollways to cashless toll collection, to help minimize the spread of the virus between motorists and tollways workers.

For high-risk operations, the SMC Group ensures that workplace conditions are conducive to productivity, safety, efficiency, and excellence. In order to support this, the facilities have attained the following relevant certifications:

- Integrated Management Systems (IMS)
- Occupational Health/Safety Management Systems (OHSAS 18001:2007)
- Quality Management System (ISO 9001)
- Environmental Management Systems (ISO14001)

SMC's facilities also undergo yearly safety audits to monitor its workplace conditions, safety performance, and other key metrics. Findings from these audits are used to improve existing procedures and controls to further boost SMC's productivity without sacrificing the safety of its employees. At the ground level, daily toolbox meetings are conducted prior to the start of work, wherein hazard hunts and safety briefings are done to keep employees aware of the hazards found in the workplace. Plants and sites are also equipped with disaster preparedness kits, along with people with the proper training to execute emergency safety protocols. Visitors to any of the facilities are also required to undergo safety briefings before they enter.

All of SMC's facilities also conduct regular disaster and emergency drills. These are done in coordination with the local fire department, police department and the Philippine Red Cross/Crescent.

A summary of SMC's policies, such as the Policy and Data Relating to Health, Safety, and Welfare of Employees, Including Training can be found on this link:

<https://www.sanmiguel.com.ph/page/companys-policies>

Opportunities

Clariden Group:

In mining, whenever there is a case of injury, there is always an opportunity do better. There was a minor work-related incident in 2020, and the goal is to bring this to zero in the succeeding reporting cycles.

SMC Group:

SMC and its business units are continuously developing initiatives to make sure its employees receive sufficient training for their line of work, and team building activities to induce a healthy work culture.

SMC's HR department and the respective HR departments of business units are continuously developing initiatives to make sure employees receive sufficient training and the appropriate team-building activities to constantly ensure a safe and healthy workplace.

With the ongoing pandemic, SMC can implement additional safety measures, particularly, vaccinating, free of charge, employees and third party providers against the COVID-19 virus.

Management Approach to Identified Opportunities

Clariden Group:

When it comes to safety, there are standard operating procedures in place governed by MGB and DOLE rules. In case of accidents, the Company is mandated to submit a report to the MGB within 24 hours of occurrence and to conduct incident/accident analysis as basis for corrective actions.

SMC Group:

SMC and its business units will employ the necessary administrative controls for identified opportunities. SMC puts their people first above every concern – their safety and well-being is the priority.

The company will continue to prioritize adherence to the highest safety standards and work to maintain its safety certifications. It will continue to implement existing safety programs across the group and continuously improve these, and strengthen the culture of safety across all facilities and businesses.

SMC has also committed to assume the cost for vaccination of 70,000 employees and third-party providers, and has indicated it may also help in vaccinating employees' families.

Labor Laws and Human Rights

Top Frontier (Groupwide):

Disclosure	2020 Quantity	2019 Quantity	Units
No. of legal actions or employee grievances involving forced or child labor	0	0	#

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

Top Frontier's Mission, Vision and Core Values states:

"Respect for People: The Company instills unity in purpose in its entire organization, focusing on trust and respect for its people, promoting camaraderie and open communication, upholding professional growth, and uplifting dignity of labor, as it works toward shared goals along its organizational structure."

More specific policies pertaining to labor laws and human rights by the Clariden Group and the SMC Group are listed in the tables below:

Clariden Group:

Topic	Y/N	If Yes, cite reference in the company policy
Forced labor	N	
Child labor	Y	Clariden <ul style="list-style-type: none"> Ref. No. 21 of Company's General Labor Standards stating the Policy on Child Labor-Free Workforce (effective October 23, 2015) in line with the DOLE regulation.
Human Rights	Y	Clariden <ul style="list-style-type: none"> Ref. No. 16 of Company's General Labor Standards stating the Policies and Procedures on Sexual Harassment; Ref. No. HIV/AIDS Workplace Policy and Program; Ref. No. 22 Leave for Victims of Violence against Women and Children (adopted provisions of the Republic Act No. 9262). Alcohol-free Workplace per Clariden Company Rules & Regulations Drug-Free Workplace Policy per Clariden Policy Manual Anti-Sexual Harassment Policy (per Republic Act No. 1877) No Smoking Policy per Clariden Company Rules & Regulations

SMC Group¹:

Topic	Y/N	If Yes, cite reference in the company policy
Forced labor	Y	SMC complies with all existing laws; which includes labor and employment laws.
Child labor	Y	Section 9.5 of SMC's Corporate Human Resources policy manual: "The minimum age requirement for applicants is eighteen (18) years old...With the exception of minimum age requirement, San Miguel adheres to a non-discriminatory policy on applicant qualifications"
Human Rights	Y	Policy on Health, Safety and Welfare of Employees as summarized in the Company's website: "As stated in the Company's Employee Manual, in acknowledgement of the varying needs inherent in every individual, the Corporation endeavours to provide an environment where the holistic wellness of employees is nurtured and protected...The Corporation also strives to protect its employees from harassment of any form. The Corporation actively implements mechanisms for dealing with such occurrences and ensures that it will act justly, swiftly and decisively in addressing such complaints."

¹ A summary of SMC's Policies is available at <https://www.sanmiguel.com.ph/page/companys-policies>.

Impacts & Risks**Top Frontier (Groupwide):**

There are no cases of forced and child labor and human rights violations in the whole Group. This gives the Top Frontier Group an indication that all employees are given decent work in their respective industries. Violations on labor and human rights are ethical and moral violations; moreover, they carry with them regulatory and legal risks that will affect the reputation of the entire Group.

Management Approach to Identified Impacts and Risks**Top Frontier (Groupwide):**

Top Frontier strives to protect its employees from harassment of any form. The Company actively implements mechanisms for dealing with such occurrences and ensures that it will act justly, swiftly and decisively in addressing such complaints.

Clariden Group:

Operationalizing labor laws and human rights in the workplace are enumerated in the policies mentioned in the table above.

SMC Group:

SMC mandates compliance to all existing labor and employment laws, and also has clear policies against child labor.

Section 9.5 of its CHR policy manual sets the minimum age requirement for employment at SMC and any of its businesses to 18 years old. The Company likewise espouses adherence to human rights and continuously works to ensure a safe working space for employees.

SMC also mandates in its supply contracts that all external suppliers must comply with labor laws, including anti-forced child labor policies. The Company ensures to the best of its ability that its partners are of good standing, and are not violators of laws. It is clearly stated in supply contracts that contractors will not be compensated if they violate labor laws and/or do not submit requirements related to compliance to labor and other laws.

All suppliers are required to submit a compliance certification to ensure they comply with all regulations. This includes strict compliance to labor laws and anti-child labor policies.

Suppliers are also required to pay all their taxes as part of the process before they are paid. The company requires all billings to pass through Human Resources to ensure labor compliance prior to processing of fees.

Opportunities**Clariden Group:**

There is an opportunity to create a policy explicitly disallowing forced labor in the Clariden Group.

SMC Group:

SMC and its business units will continuously develop initiatives to ensure a healthy work culture that upholds human rights and labor rights.

With regards to the new Operations and Management (O&M) employees, the next goal is to professionalize them and improve their integration into the SMC Group.

Many of these employees have been working on a temporary basis for third-party contractors for the past 10-15 years. They were treated as “commodities” and as such, had never known job security. SMC’s goal is to teach them to be members of a professional organization and integrate them into the San Miguel system.

Management Approach to Identified Opportunities**Clariden Group:**

Management approaches and policies pertaining to forced labor could be studied and created.

SMC Group:

SMC will uphold a culture of compliance to all Labor Laws and enforce policies related to adherence to Labor and Human Rights.

More than that, the company will continue to champion workers' welfare, and one of the most effective ways to do this is to continue its program of hiring third-party workers to become regular SMC employees.

Programs to orient new employees on their rights and provide them their entitlements will continue, together with initiatives that will improve their integration into the SMC Group.

Supply Chain Management

This topic is considered not material to the Clariden Group as this is not included in the list of material topics for Metals and Mining Sector by SASB. This section will cover the SMC Group only.

While the Company has its group-wide supplier accreditation policy and observes a common procedure to implement such policy, it will not be disclosed as it is considered a trade secret, proprietary to the Group and highly confidential. The supplier accreditation policy demands that an accredited supplier abide by statutory requirements as well as standards set by the Company. Each supplier contract includes a clause that ensures adherence to laws that tackle topics such as, but not limited, to environmental performance, forced labor, child labor, human rights, bribery, and corruption.

Do you consider the following sustainability topics when accrediting suppliers?

Topic	Y/N	If Yes, cite reference in the company policy
Environmental performance	Y	"We shall comply with all applicable environmental regulations. All required environmental permits, licenses, authorizations, registrations and clearances must be obtained and their operational and reporting requirements followed."
Forced labor	Y	"We shall not use forced or involuntary labor."
Child labor	Y	"We shall not use child labor. Employment of young workers shall only occur in accordance with the law."
Human rights	Y	"We shall provide a workplace free of harassment, discrimination, harsh and inhumane treatment."
Bribery and corruption	Y	"Any form of corruption, extortion and embezzlement shall be prohibited. We shall not offer, pay nor accept

		bribes or participate in other illegal inducements in business or government relationships. We shall work against corruption in all its forms.”
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Impacts & Risks

SMC Group:

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
SMC Group's manufacturing and logistics operations are outsourced to legitimate and independent third-party contractors. In doing so, SMC distributes economic value to its suppliers while also enhancing their ability to generate economic value to themselves and create employment for others.	SMC is unique since it operates in an ecosystem that includes a diverse group of supply chain stakeholders, from large foreign and local contractors to Philippine society's most basic units, the household and the barangay. While the potential for inclusive development is great, the challenge for alignment is enormous. SMC also seeks to leverage on the Company's size and scale to extend the sustainability agenda throughout our sphere of influence.
What are the risk/s identified?	Management approach
Risk in the supply chain could involve awarding contracts to suppliers that do not meet SMC's standards and are not compliant to environmental standards and labor laws. Violation of these laws by suppliers would negatively impact the Company's brand and reputation. Moreover, these would cause project delays and would also result in higher construction or production costs. Expiring legal documents and hidden grievances that were missed during the accreditation process may pose additional reputational risks to the Company, as well as possible disruption to operations. The negligence of suppliers and other contractors in environmental, labor, human rights and corruption parameters stand to adversely affect SMC's reputation and performance.	<p>Other than legality and capacity, CPG also considers the following criteria when accepting suppliers:</p> <p>Suppliers who are engaged in wastewater treatment and environmental-related service are required to provide DENR Certification to ensure that they are compliant with the Clean Air Act of 1999 and its Implementing Rules and Regulations. Suppliers are required to provide trade references with contact information in order for the Supplier Management Team to crosscheck their performance and services.</p> <p>The CPG also follows good governance practices such as:</p> <ul style="list-style-type: none"> - Supporting the protection of human rights and making sure that people's rights are not abused with the help of SMC HR's policies and guidelines, which CPG adheres to. - Working to eliminate forced labor, child labor, and discrimination in the workplace. - Preventing corruption in all forms such as fraud, bribery, and extortion. As part of the

	<p>corporate supplier management policy, the suppliers are asked to accept the policy on integrity and honesty in all of its dealings with SMC, specifically the procurement group.</p> <p>As discussed in SMC's policies, suppliers must follow laws that protect their workers and abide by Philippine laws. These specific compliance requirements are stated in each of their contracts. This standard set of requirements and/or contract clauses is to be followed by all subsidiaries.</p>
What are the opportunity/ies identified?	Management Approach
<p>SMC continually faces the challenge of being in a resource-intensive industry that is both a contributor to, and a recipient of, the effects of climate change. Thus, we adopt strategies to improve our environmental performance to be at par or better than other players in the energy industry.</p> <p>Recognizing that our environmental footprint extends to our supply chain, we also extend training on environmental programs to suppliers, contractors, and service providers. SMC has been partnering with farmers and backyard livestock operators to transfer technology and help raise rural incomes. The Company's work in this area continues to evolve, and SMFB's Food Division has deployed supplier engagement teams to provide training and further develop skills around building sustainable and resilient supply chains.</p> <p>We adopt best practices and harness compliance tools and systems to ensure superior performance amid a complex business environment. Documentation, automation, and standardization of quality processes, behaviors, and systems ensure quality results while still acknowledging the uniqueness that differentiate SMC's performance, products and services from our competitors.</p>	<p>The supplier management policy is a work in progress as the Company just launched the automated registration and accreditation system and is coping with moving all suppliers into the system. A child labor policy will be incorporated into the statement policy which suppliers are asked to accept as part of the registration process.</p>

Relationship with Community

Significant Impacts on Local Communities

Clariden Group:

Operations with significant (positive or negative) impacts on local communities	Location	Vulnerable Groups (if applicable)	Does the particular operation have impacts on indigenous people (Y/N)?	Collective or individual rights that have been identified that or particular concern for the community
Mineral exploration	Clariden (through PNPI) host communities: Brgys. Nonoc, Talisay, Cantiasay, and San Pedro in Surigao City and Brgys. Mabini and Tigbao in Cagdianao, Province of Dinagat Islands	Vulnerable Groups identified in the host communities include PWDs, elderly, BOPs (4Ps beneficiaries), and children	N	Limited environmental impact which are addressed by the Environmental Work Program and the AEPEP. Employment and project/programs and activities implemented under the Social Development and Management Program and the Community Development Program which have positive community impacts

Disclosure	Quantity	Units
Number and duration of non-technical delays	0	Number, days

SMC Group:

Operations with significant impacts on local communities	Location	Vulnerable groups, if applicable*	Does the particular operation have impacts on indigenous people (Y/N)?	Community right and concerns of communities	Mitigating or enhancement measures
Installation of equipment to allow production	Nationwide	Not applicable	No	Health and safety against COVID-19 virus	Ease supply shortage and stabilize prices

of disinfectant alcohol in GSMI facilities					
Distileria Bago, Inc. of GSMI	Bacolod, Negros Occidental	Not applicable	No	The program is geared towards contributing to address the unemployment concerns of people residing in Bacolod, Negros Occidental.	Job creation and various corporate social responsibility programs.
Strict set of requirements for the screening of potential hog and poultry contract breeders by SMF	Region I (Pangasinan, Ilocos), Region II (Isabela), Region III (Zambales, Bataan, Tarlac, Nueva Ecija, Pampanga), Region IV (Batangas, Quezon, Cavite), Region V (Camarines Sur, Albay), and Region VI (Iloilo)	Not applicable	No known negative impact to indigenous people	Usual concerns of the communities when it comes to livestock and poultry farming such as odors coming from the operations.	Site qualification, as part of the guidelines, includes that the site be within the agricultural zone of the community and be 1 kilometer away from the nearest residential areas and farms. Moreover, proper farm management and maintenance of the facilities are included in the requirements set by SMF to the hog and poultry contract breeders. These could all potentially

					address the odor concern.
The sustainable sourcing program of SMF's agri-based raw materials (i.e. cassava)	Assemblers across the Philippines were engaged; operational sites are also present in 8 of the 20 poorest provinces: Eastern Samar, Leyte, Negros Oriental, Zamboanga del Norte, Lanao del Sur, Bukidnon, North Cotabato, and Sarangani	Not applicable	No known negative impact to indigenous people.	The program is geared towards contributing to address the livelihood insecurities of underprivileged agricultural workers in the Philippines. This program also aims to secure the supply chain of the business.	The program has opened livelihood opportunities which are especially impactful on the poor provinces of the country. The production of the cassava has also secured an alternative feed ingredient for SMF's business, while also supporting and boosting the income of local suppliers.
SMB's Carmen Mangrove Development Program with Fishermen's Associations	Carmen, Cebu	Not applicable	No known negative impact to indigenous people	The program aims to help propagate mangroves along the coastlines of Carmen, Cebu for fish habitat	The mangroves have contributed to sustainability of breeding areas for fish and shellfish. Fish catch has steadily improved throughout the years of engagement in Carmen's mangrove areas.

**Vulnerable sector includes children and youth, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E).*

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

Certificates	2020 Quantity	2019 Quantity	Units
FPIC process is still undergoing*	1	1	#
CP secured	N/A	N/A	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
SMC's operations span the entire Philippine archipelago. Its products can be found in every barangay, in every store, and in every mall. Its manufacturing plants, power plants, fuel terminals and fuel service stations are strategically located all over the country.	Expansion programs generate economic activities and jobs creation. Preference for qualified local residents for job vacancies. Engagement of local contractors for maintenance, expansion projects and environmental programs. Contractors buying materials and supplies locally.
What are the risk/s identified?	Management approach
Given SMC's presence across the country, complaints against its operations are almost inevitable. SMC recognizes its impact on communities. Construction of new operational sites may pose health and safety hazards and degrade natural resources originally serving the community. In rare but inevitable cases, possible displacement of informal communities in prospective areas may also be necessary.	Before construction begins on any project, an extensive study is conducted in the form of an Environment Impact Assessment (EIA), to determine the viability of the project's location. This study takes years to complete, therefore exhausting all potential negative effects the projects may have, and providing the Company the opportunity to formulate the needed mitigating measures to address these effects. Once a site is selected, the business unit coordinates with the local government unit for a stakeholder engagement session. This session is used to inform the local community about the project and provide an open forum for them to state their concerns. SMC tries its best to resolve all concerns the local residents may have regarding the project. Once the project is completed, a Grievance Redress Mechanism (GRM) is established, empowering communities to voice any future concerns. SMC's subsidiaries provide a hotline number or email address as a communication channel for the GRM. Stakeholders are also informed that they can contact the SMC parent company in the event that the subsidiary does not address their concerns.

	<p>Through the San Miguel Foundation, SMC engages local communities and seeks to develop mutually beneficial relationships with them. Partnerships can include hiring opportunities for those who live near the project sites and providing support for local projects.</p> <p>SMC will work closely with the National Institute for Indigenous Peoples in the event that a project will affect the livelihood and culture of indigenous peoples,</p>
What are the opportunity/ies identified?	Management Approach
There is an opportunity to engage communities in other community building programs with the support of the San Miguel Foundation.	SMC continues to develop programs that can foster a harmonious working relationship with community organizations and LGUs, in order to arrive at mutually beneficial agreements and outcomes.

Mitigating measures:

Clariden Group:

The majority of land use in host communities are classified as mineral lands or mining areas. Primary industries in the host barangays of Surigao City and the Province of Dinagat are fisheries and mining. Impacts of mining are primarily environmental in nature, and if left without mitigation, could impact health and livelihood of host and neighboring communities. Mitigating these impacts are discussed in the environmental section of this report.

In accordance with The Philippine Mining Act of 1995 (Republic Act No. 7942) and its Implementing Rules and Regulations, for an operating mine, a Social Development and Management Plan ("SDMP") shall be prepared "towards the sustained improvement in the living standards of the hosts and neighboring communities by creating responsible, self-reliant, and resource-based communities capable of developing, implementing, and managing programs, projects, and activities in a manner consistent with the principle of people empowerment." For a project under exploration, a company is mandated to implement a Community Development Program ("CDP") in areas actively covered by its exploration activities. With this, Clariden allots 1.5% of operating costs to implement its voluntary SDMP and 10% of the cost of implementing its Exploration Work Program to implement its CDP. Community service/volunteering and counter-parting by the community such as labor and transportation of materials are encouraged.

Implementation of development programs is in consultation and partnership with the host and neighboring communities and shall be prioritized according to the needs of the communities within a given period of time according to these policies:

- Identified programs and projects will be apportioned in four quarter timelines
- Proponent of livelihood programs will submit a project proposal while proponent for infrastructure projects is required to submit program of works
- Project proposals and program of works will be evaluated during regular or special meetings

- Funding for livelihood or infrastructure projects shall not be given directly to the local government unit (“LGU”), it should be converted to materials needed or inputs
- Funding for the infrastructure projects shall always require a counterpart in the form of cash, labor, or transportation of materials

In 2020, implementation of the CDP achieved a physical accomplishment of 97% and a financial accomplishment of 90% while for the ASDMP, the physical and financial accomplishments were 67% and 59%, respectively. Among the major programs implemented are COVID-19 Relief Assistance for the host and neighbouring communities, improvement of elementary and high schools and infrastructures, college assistance program, and assistance to socio-cultural activities and livelihood programs of the communities. A total of 7,427 food packs, along with washable face masks for household beneficiaries, were distributed to the fifteen (15) host and neighboring communities of PNPI in Surigao del Norte and Province of Dinagat Islands.

SMC Group:

Please refer to the table above.

Impacts & Risks

Clariden Group:

The presence of the Clariden Group in the community where most of the land is classified as mineral lands could create job opportunities in the area. Moreover, pursuant to The Philippine Mining Act of 1995, a portion of operating costs of the company is set aside for social development which could help bolster the socio-economic well-being of the people.

However, as mentioned above and in the environment section, mining operations also have negative impacts and risks to the environment which could also affect host communities. These could include siltation of rivers, and noise and dust due to drillings and transportation.

SMC Group:

Please refer to the table above.

Management Approach to Identified Impacts and Risks

Clariden Group:

In accordance with The Philippine Mining Act of 1995 and its Implementing Rules and Regulations, an SDMP shall be prepared “towards the sustained improvement in the living standards of the host and neighboring communities by creating responsible, self-reliant, and resource-based communities capable of developing, implementing, and managing programs, projects, and activities in a manner consistent with the principle of “people empowerment”. With this, Clariden allots 1.5% of its operating costs to support the implementation of its Social Development and Management Program, with counter-parting from the community such as labor and transportation of materials. For the Community Development Program, regulations mandate that a separate amount equivalent to at least 10% of the total cost of the approved Exploration Work Program be allocated for the implementation of the CDP.

Moreover, impact and risk mitigation to environmental health (and related impacts to human health) are discussed in the environment section of this report.

SMC Group:

Please refer to the table above.

Opportunities

Clariden Group:

There is an opportunity to regularly revisit, and if needed, update the SDMP to be more attuned to current community needs.

Per regulations, the company must prepare and implement a 5-Yr. SDMP in consultation and partnership with the host and neighbouring communities. Each 5-Yr. SDMP is broken down into annual SDMPs. During the preparation of the annual SDMP, programs/projects/activities originally identified in the 5-Yr. SDMP are revisited and can be changed/revised based on the needs and priorities of the communities. Prior to the development of a new 5-Yr. SDMP, a social impact assessment is required to determine/document the successes and lessons learned from the implementation of the previous 5-Yr. SDMP.

A new SDMP will be developed to consider potential impacts of planned mining and mineral processing activities.

SMC Group:

Please refer to the table above.

Management Approach to Identified Opportunities

Clariden Group:

Any management approaches to identified opportunities will be reflected in subsequent SDMP submissions.

SMC Group:

Please refer to the table above.

Customer Management

Customer Satisfaction

This topic is considered not material to the Clariden Group as this is not included in the list of material topics for Metals and Mining Sector by SASB. This section will cover the SMC Group only.

SMC Group:

Customer satisfaction is a material topic to SMC. Several engagement strategies, such as focus group discussions and surveys, are undertaken by different business units and brands to cater to customer preferences. However, due to data sensitivity, the company has opted not to show specific numbers but will instead disclose management approaches in this section.

Impact and Risks

SMC's SMFB believes that its products are part of the daily lives of its consumers, providing sustenance and enjoyment to families through trusted food brands and both alcoholic and non-alcoholic beverages. Its array of 32 brands across six categories serves, and is patronized by, a full spectrum of the population. Based on a survey conducted by a third party between 2015 and 2018, SMFB's products are present in 92% of Filipino homes.

The quantity and timeliness of deliveries of distributors can affect customer satisfaction. For the Fuel and Oil business, strategic location of its service stations, fuel prices, and supply are the aspects that can determine affinity of its customers. Low customer satisfaction causes a decreased amount of sales thereby impacting business performance and financial position.

The Energy, Infrastructure, and Packaging businesses' customer satisfaction are determined by quality of agreed output, regulatory compliances that may delay operations, and good working relationship with customers. Terminated agreements due to low performance or other issues may stain reputation and hinder accumulation of new clients. Low customer satisfaction usually signals inefficient service, posing a risk to the company's revenues and reputation.

SMC holds a highly diversified portfolio of products and services. The company develops products not only for consumers but also for other businesses, as well as for government.

While strictly product safety policies are implemented, there is no direct assurance that products will be free of defects or subjected to tampering, at both the manufacturing and distribution stages. There is also no guarantee that services will always be free of risks from natural hazards and human error. These risks can have an impact on the customers and the company.

Management Approach to Identified Opportunities

As SMC strives to be the customers' top-of-mind choice, one of its guiding principles is Customer Focus. For SMFB in particular, the customer is its reason for existence.

A dedicated team listens to customers' feedback to understand and anticipate their needs, and provide them with products and services that exceed their expectations.

SMFB believes that, given its history in the industry and leading market share in several product categories, it is constantly in tune to market trends.

These trends are used as basis for new products, marketing and distribution programs, among others.

The SMC Group implements various initiatives to communicate with its markets such as focus group discussions and workshops.

SMC ensures that all products and services are of good quality and pass high standards of screening before they reach customers.

The Food and Beverage products cater to, and are attuned to, the evolving lifestyles and needs of consumers. Numerous products across our Beer and Food businesses address increasing health consciousness among customers.

The Packaging products comply with the highest standards and government requirements (eg. FSSC 22000, QA ISO 900). Products are processed to comply with intensive QA tests and earn Certificates of Inspection to assure customers of high quality.

The Energy business ensures proper maintenance of power plants and assigns a task force to implement safety measures.

The Fuel & Oil business is commitment to supplying goods and services at the highest standards of quality.

The Infrastructure business ensures that its projects are constructed with materials of the highest quality; designed to be resilient to natural disaster, and employ highly-qualified engineers and architects

The SMC Group also engages its customers to better understand their needs or grievances. These engagements enable the company to identify areas for improvement. SMC strives to build lasting relationships with their partners. Channels for dialogue are always open should complaints or misunderstandings occur. SMC implements a centralized and dedicated customer service unit that can be reached via its website, email, its *Malasakit* hotline, and social media pages. Complaints and concerns are strategically addressed through this institutionalized system.

Health and Safety

Health and Safety is deemed by the Group to be a material topic. While consolidated data is not yet available, systems are being put in place for data gathering in subsequent reporting cycles. Management approach of the potential impacts and risks is provided in the following section.

Impacts & Risks

SMC Group:

SMC holds a highly diversified portfolio of products and services. The size of the conglomerate and its capabilities allow it to create products not only directly for consumers but for businesses and the government as well.

For its food and beverage business, quality, taste, affordability, and safety impacts the satisfaction of the customer. The quantity and timeliness of deliveries of distributors can also affect customer satisfaction. For its fuel and oil business, strategic location of Petron's stations, fuel prices, and supply are the aspects that can determine affinity of customers. Low customer satisfaction causes a decreased amount of sale thereby impacting business performance and financial position.

The energy business, infrastructure business, and packaging business' customer satisfaction are determined by quality and quality of agreed output, regulatory compliances that may delay operations and good working relationship with customers. Terminated agreements due to low performance or other issues may stain reputation and hinder accumulation of new clients. Low customer satisfactions usually signal inefficient service, posing a risk to the companies' revenues and reputation.

While there are strictly implemented product safety policies, there is no direct assurance that products would be free from all defects or tampering during manufacturing and distribution; and that services would always be safe from risks from natural hazards and human errors. Such risk poses negative impacts to customers as well as the whole business.

In 2020, we saw the unprecedented challenge presented by the COVID-19 pandemic to public health and the way we conduct our operations.

Management Approach to Identified Impacts and Risks

SMC Group:

SMC ensures that all products and service are of good quality and pass high standards of screening before it reaches customers.

- Food & Beverage: The SMC Group has introduced products that address or are attuned to the evolving lifestyles and needs of its consumers. *San Mig Light* and *San Mig Zero*, low-calorie beers, were introduced to address increasing health consciousness and *San Mig Strong Ice* for the upwardly mobile market. Initiatives like this have been pushed in the food division for years.
- Packaging: Compliance to the highest standard and government requirement (e.g. FSSC 22000, QA ISO 900). Products are processed in compliance with intensive QA tests and Certificate of Inspection to assure customers the delivery of high-quality products
- Energy: Proper maintenance of distribution lines and assigning a task force to implement safety measures
- Fuel & Oil: Commitment to supplying goods and services of the highest standards
- Infrastructure: Ensure that materials used are of high quality, design buildings to be resilient to natural disaster and hiring highly qualified engineers and architects

The SMC Group also initiates efforts to engage its customers to better understand their needs and grievances. These engagements enable the Group to identify areas for improvement. The company strives to build lasting relationships with their partners. Channels for dialogue are always open should complaints or misunderstandings occur. The company implements a centralized and dedicated customer service unit that can be reached via their website, email, *Malasakit* hotline and social media pages. Complaints and concerns are strategically addressed through this institutionalized system.

Specific to the risks posed by the Covid-19 pandemic, we put in place immediate and purposeful safety and preventive measures in line with national health mandates to limit the spread of the virus and combat the pandemic. Risk assessments were carried out to ensure business continuity and various adjustments were made including remote working conditions, safe social distancing, respiratory hygiene and frequent disinfection. Personnel awareness is prioritized by constant conduct of related trainings and regular information dissemination. Medical assistance not only limited to physical health but also including mental health support has been provided.

At the same time, SMC facilitated the regular RT-PCR testing for its employees, as well as third party service providers based in NCR. This is in coordination with San Miguel Foundation, Inc. Other initiatives included:

- Providing employees with protective equipment (face masks and shields and alcohol)
- Installing thermal scanners, hand wash stations, floor markings and social distancing guides in SMC offices
- Providing shuttle service to reporting employees in lieu of taking public transportation
- Establishing a special Covid-19 Special Allowance for employees reporting to the office during the ECQ

HR account representatives were likewise assigned to different SMC divisions to better assist employees on concerns and requirements related to COVID-19.

Opportunities

SMC Group:

With the continued expansion of the company's product portfolio to include new lines such as ready-to-eat food products, a seafood line, and a plant-based line, there may be a need to expand customer satisfaction programs, including further utilization of online and social platforms to address customer complaints, as well as training of personnel to familiarize themselves with the new products and how to address customer issues related to these new products.

Management Approach to Identified Opportunities

SMC Group:

SMC will continue to review and update its customer service programs and make adjustments where needed, in order to continuously improve how we manage customer feedback, particularly on product safety, given the expansion of our product portfolio.

Marketing and labelling

This topic is considered not material to the Clariden Group as this is not included in the list of material topics for Metals and Mining Sector by SASB. This section will cover the SMC Group only.

SMC Group:

Marketing and Labelling is deemed by SMC to be a material topic. While consolidated data is not yet available, systems are being put in place for data gathering in subsequent reporting cycles. Management approach of the potential impacts and risks is provided in the following section.

Impacts & Risks

SMC Group:

The SMC Group uses a mix of communication channels for its consumer goods.

Because of the nature of some of our products, adherence to correct labeling protocols is inseparable from product responsibility. This responsibility begins from the time each product rolls out from our facilities until it lands in the hands of our customers.

Alignment of packaging and marketing efforts are of utmost importance as mislabeling these could confuse customers. Miscommunicating product ingredients could lead to dissatisfaction and has regulatory repercussions.

SMC is also dependent on trademarks and propriety rights to ensure production distributions are not compromised. With the business units' highly diversified portfolio and presence with big market shares in different industries, third parties may attempt to sell counterfeit versions or confusingly similar items. Consumers may mistake these products for the original, resulting in reputational and sales risks over time.

The SMC Group may also encounter customer feedback that may tarnish its brand/s and reputation. Inaccurate reports about the health effects of dietary trends and beverage consumption, for example, may also affect purchasing patterns. If the marketing strategies of the SMC Group are not successful or do not respond timely or effectively to changes in consumer preferences, the business and prospects of the SMC Group could be materially and adversely affected.

Management Approach to Identified Impacts and Risks

SMC Group:

Business units have skilled marketing and sales team that handle customer relations. Task forces are trained to receive customer complaints and direct them to the right people to resolve issues, complaints, or grievances. All product labels and collateral undergo thorough screening with pertinent departments to ensure compliance to standards set by the Department of Trade and Industry, Food and Drug Authority, and other regulatory offices. Most packaging needs are sourced directly from the company's packaging business. This allows SMC to closely monitor and ensure that products are properly labeled.

For its alcoholic beverages, the SMC Group promotes responsible drinking among its consumers. In every commercial, advertisement, and promotional material, the statement, "Drink Responsibly" is always included. In light of the COVID-19 pandemic where most on-premise channels have remained closed since March 16, 2020, and large gatherings are prohibited, SMB and GSMI have been promoting at-home consumption in their communications.

Opportunities

SMC Group:

SMC will continue to ensure that its marketing collaterals will reflect the products and services in an authentic manner that upholds consumer interests.

Management Approach to Identified Opportunities

SMC Group:

SMC will continue to ensure that its marketing collaterals will reflect the products and services in an authentic manner that upholds consumer interests. The company will also continue to work with industry, regulators, and other stakeholders to seek out opportunities to provide more information and education to its consumers. For its alcoholic beverages, it will also explore ways to further promote responsible drinking, especially in the marketing of its products.

Customer privacy

This topic is considered not material to Clariden as this is not included in the list of material topics for Metals and Mining Sector by SASB. This section will cover the SMC Group only.

SMC Group:

Disclosure [*]	2020 Quantity	2019 Quantity	Units
No. of substantiated complaints on customer privacy [*]	0	0	#
No. of complaints addressed	0	0	#
No. of customers, users, and account holders whose information is used for secondary purposes	0	0	#

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

Impacts & Risks

SMC Group:

SMC places a high value on the privacy of its customers, employees, and suppliers, and thus strictly adheres to the Data Privacy Act. Even with a solid record in data security, SMC continues to be vigilant as any data breach can compromise the security of SMC. It may result to loss trust from the public and customers and may decrease the company's stock market value. The in-house formulations of SMC products may be leaked, thus harming their position in the market.

- Data obtained from customers are considered inputs for overall system analysis of the company. Any breach in data could expose confidential information and business plans, resulting in penalties and damaged client relations.
- Inefficient data security will lead to data breaches and could expose sensitive information such as client lists.

Management Approach to Identified Impacts and Risks

SMC Group:

In addition to the compliance by Top Frontier and its subsidiaries with the Data Privacy Act, employees in the Group are required to undergo data privacy training. SMC's Data Privacy and Security Office launched a primer and FAQ booklet to increase the awareness of, and ensure proper implementation, of the Data Privacy Act. Newsletters regarding methods for protecting company and personal data are also disseminated. Its networks are also secured with state-of-the-art firewalls and security systems. It also has strict policies with regards to data sharing within and outside the organization. Transfers of important and sensitive data between departments require the approval of the managing authority. Also, all engagement with third parties require that a Non-Disclosure Agreement be signed.

Controls are in place to secure the Group's various systems. Its employees are issued laptops which have pre-installed anti-virus software, and these are constantly updated. CPUs in its employees' workstations have their USB ports disabled, preventing the unnecessary copying of documents. For those employees

working remotely, a secure software is used for them to access files remotely. The use of this software and data transfers are constantly monitored to ensure the security of data and the integrity of the system.

Opportunities

SMC Group:

The SMC Group shall continuously improve existing data security systems in place through proper dissemination of guidelines and technical upgrades.

Management Approach to Identified Opportunities

SMC Group:

SMC will place appropriate management controls and procedures to support the identified opportunities.

Data Security

Top Frontier (Groupwide):

Disclosure	2020 Quantity	2019 Quantity	Units
No. of data breaches, including leaks, thefts, and losses of data	0	0	#

Impacts & Risks

Top Frontier (Groupwide):

Data security is a must in that it promotes trust among stakeholders and also secures individual and corporate information.

Breaches of confidential data from the Group such as individual employee information and ingredient ratios could lead to cases of breach of privacy under the Data Privacy Act which will have regulatory implications. It could also jeopardize market positioning if confidential product data are leaked into the public or to competitors.

Stakeholders affected: Employees, Customers

Management Approach to Identified Impacts and Risks

Top Frontier (Groupwide):

The entire Group takes the privacy of confidential data seriously. Safeguards are being taken to comply with the Data Privacy Act and systems are placed to ensure that no data breaches occur in the entire Group.

All processing of personal data within the Company should be in compliance with the Data Privacy Act and are grounded on the principles of Transparency, Legitimate Purposes, and Proportionality. A Data Protection Officer (“DPO”) for each of the Company and its subsidiaries has been appointed and is responsible for ensuring compliance with applicable laws and regulations for the protection of data privacy and security. Physical and technical security measures are placed to minimize the risk of data breaches.

All employees and agents of the Company involved in the Processing of Personal Data are tasked to regularly monitor signs of a possible data breach or a Security Incident. In instances where these cases should occur, they should report the incident to the DPO who shall in turn notify the National Privacy Commission (“NPC”) and the affected Data Subjects if the incident should warrant it. The notification to the NPC and the affected Data Subjects shall include the nature of the breach, the Personal Data possibly involved, and the measures taken by the company to address it.

The Data Policy of Top Frontier could be found in this link:

http://www.topfrontier.com.ph/smc_files/corporate_files/TFHI-PersonalDataPrivacyPolicy_10May2017-2.pdf

Opportunities

Top Frontier (Groupwide):

There is always an opportunity to check the robustness of company databases and security systems regularly.

Management Approach to Identified Opportunities

Top Frontier (Groupwide):

Based on the findings of regular systems monitoring, the Group remains vigilant and agile in addressing points of improvement.

UN SUSTAINABLE DEVELOPMENT GOALS

Product or Service Contribution to UN SDGs

Key products and services and its contribution to sustainable development.

Clariden Group:

In 2020, Clariden, in view of the COVID-19 pandemic and COVID prevention policies implemented by the national and local governments as well as by the Clariden group, exploration activities were deferred. Nonetheless, Clariden still provided employment inasmuch as environmental, social and other care and maintenance activities were continuously implemented.

Contribution to Society	Potential Negative Impact of Contribution	Management Approach to Potential Negative Impacts
Provision of decent work and create employment in communities while contributing to local economies.	Mining operations naturally have negative impacts on the environment such as land and water pollution and degradation of ecological value as discussed in the environment portion of this report	The Company complies with its environmental compliance certificate requirements to mitigate its impacts as also discussed in the environment portion of this report

Applicable SDG Goals and Targets:

- SDG Contribution: Goal # 8 – Decent Work and Economic Growth
 - 8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value

SMC Group:

Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
San Miguel Corporation	<p><u>Goal 1: No Poverty</u></p> <p>San Miguel-Gayeta Village: Housing and Livelihood program for fisherfolk in Sariaya, Quezon</p> <p>A 5.4-hectare development that provides 450 free, titled housing units for fisherfolk families formerly residing in high-risk coastal areas. Apart from providing them titled properties with houses made of disaster-resilient materials, SMC has also built facilities that will boost their livelihood. These include a fishermen's dock with a fishermen's hall for use as rest area and storage for boats and other equipment; a fishermen's market, livelihood training center, multi-purpose hall with recreational facilities, and a day care center and e-library.</p> <p>This program also supports Sustainable Development Goals (SGDs): SDG 11: Sustainable Cities and Communities</p>	<p>Beneficiaries may choose to not pursue new livelihood opportunities or become complacent and overly dependent on the Company's largesse. Other fisherfolk who are not beneficiaries may feel left out and disregarded, and this may impact harmony in the community.</p>	<p>SMC has entered into a partnership with government's Technical Education and Skills Administration (TESDA) which has designed courses specifically for beneficiaries, on Organic Farming and Edible Landscaping, Fish and Meat Processing.</p> <p>Financial literacy training was also conducted to help prepare graduates to handle small businesses, and prepare residents for the opening of the SMC market which the Company built for them. To help ensure all local fishermen will realize economic benefits, SMC allotted a separate 3.5-hectare property for a Sariaya Fishermen's dock, open to all fishermen.</p> <p>This area can secure more than 100 boats, particularly during typhoon season. SMC also built on the property the Sariaya Fishermen's Hall, which serves as a rest area for fishermen and storage for some 70 boat engines and other fishing implements and supplies. Recently, SMC also donated to both residents and non-residents of the San Miguel-Gayeta village, some 36 fishing boats, to increase their</p>

			<p>chances of pursuing their livelihood. Beneficiaries previously did not own boats and would rely on other fishermen who owned boats, to be able to work.</p> <p>SMC also built adjacent to the village the SMC Market, a dedicated marketplace where residents can sell their fresh catch, processed seafood, and other products.</p> <p>Meanwhile, within the 5.4-hectare village, SMC has set aside a 1,000-square meter plot of land dedicated for those pursuing organic farming. Other facilities the company built to help ensure a stable and secure environment for families are a multi-purpose covered basketball court, livelihood training facility, a day care center, and e-library.</p>
SMC Infrastructure / Manila International Airport Project	<p>Housing and Livelihood for former settlers of Barangay Taliptip in Bulakan, Bulacan:</p> <p>Provides for economic and livelihood assistance for relocatee-families who were former settlers on properties that used to be fishponds, that are now to be utilized for the new Manila International Airport project. A total of 277 families, mostly living in makeshift houses, were</p>	<p>Beneficiaries may choose to not pursue new livelihood opportunities or become complacent and dependent on the Company's assistance. Other fisherfolk who are not beneficiaries may feel marginalized, and this may impact harmony in the community.</p>	<p>SMC continues to actively engage with, and monitor the progress of all former Taliptip residents. It has also implemented many of its major skills training and livelihood programs for them. As of the end of 2020, all families who chose to buy titled properties and build new, concrete houses in Barangays near Taliptip, have moved in to their new homes. Many others chose to use the financial assistance they received to go home to their own</p>

	<p>provided the means to acquire titled properties and build concrete homes, on safer ground. The Company also partnered with TESDA to design courses that are in line with opportunities available to beneficiaries.</p> <p>This program also supports Sustainable Development Goals (SGDs): SDG 4: Quality Education SDG 11: Sustainable Cities and Communities</p>		<p>provinces and build their homes there. SMC continues to keep in contact with, and monitor these former residents to help ensure they are able to realize their goals. Former Barangay Taliptip residents have also been receiving continuous livelihood training opportunities, as well as actual job and livelihood opportunities from SMC.</p> <p>As of end-2020, the Joint Bulacan and SMC-TESDA training program has yielded:</p> <ul style="list-style-type: none"> • 12 graduates of Heavy Equipment Operators (HEO) Hydraulic Excavators course. They have since been hired by SMC and have been deployed to the Tullahan-Tinajeros River dredging and flood mitigation project. • 12 graduates of Shielded Metal Arc Welding. They are self-employed but have been referred to various SMC subsidiaries for their requirements. • 12 graduates of Electrical Installation and Maintenance, self-employed and referred to SMC subsidiaries for their requirements.
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<p>San Miguel Group</p>	<p>Better World Tondo Learning and Feeding Center and Food Bank, Tondo, Manila.</p> <p>It is the pilot community center of SMC's Better World Communities initiative. Opened in September 2019 it aims to support the poorest districts in Manila by addressing food insecurity and providing educational support for underprivileged elementary school children.</p> <p>Better World Tondo serves as a foodbank and soup kitchen for food-insecure families of Tondo. Since the pandemic started, BWT has been sending groceries to 451 families, or 1,400 individuals in Tondo. Every week, an average of 5,000 ready-to-eat takeout meals are provided to the member-beneficiaries of BWT.</p> <p>This program also supports Sustainable Development Goals (SDGs): SDG 2: Zero Hunger</p>	<p>Potential overdependence on the community center, may blunt the members' ability or drive to pursue gainful livelihood opportunities; Donations and volunteer work at the center may be limited and seasonal; The pandemic has also caused the temporary closing of Better World Tondo community center, specifically, its learning center. Before the pandemic, BWT would be open for the community to come in and kids to play on site during opening hours. To keep our employees and beneficiaries safe in this time of pandemic, feeding onsite at the center and in the schools have ceased for now.</p>	<p>SMC understands that to address poverty, a two-pronged approach is required: mitigate hunger among underprivileged families of Better World Tondo, and ensure their children have access to educational support. SMC's partners Rise Against Hunger – Philippines and AHA! Learning Center help it achieve these goals. BWT regularly provides 451 families in Tondo grocery supplies and meals. Meanwhile, 173 students are enrolled in free after-school learning programs.</p> <p>Through these programs, BWT is able to address the beneficiaries' immediate needs and at the same time, prepare and equip children to seek a better future. For the Better World Tondo project, SMC, through San Miguel Foundation leans heavily on partnerships with various stakeholders, to ensure the program is effective in attaining its goals, and that its operations are sustainable.</p> <p>With the help of Rise Against Hunger Philippines, BWT provides regular meals for its students and their families. BWT receives surplus food supply from San Miguel Food and Beverages Inc., and other donors, as well as from Better World Diliman,</p>
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<p>San Miguel Group</p>	<p><u>Goal 2: Zero Hunger</u></p> <p>Better World Diliman, Farmers' Marketplace for surplus fresh produce from all over Luzon.</p> <p>Together with partner Rural Rising Philippines, SMC assists farmers through its Better World Diliman center, which serves as a ready market for excess produce bought from farmers at better-than-farm gate prices and sold to consumers and resellers for low prices. It benefits some 4,500 farmers from Nueva Ecija, Benguet, and Quezon</p>	<p>While excess produce is bought from farmers to minimize their financial exposure, spoilage of produce if these are not efficiently transported and stored will lead to financial losses. This may impact Rural Rising PH's ability to procure more produce from farmers.</p>	<p>Rural Rising PH's and Better World Diliman's support helps ensure farmers some measure of guaranteed uptake, particularly as quarantine restrictions limit the transport even of essential goods. SMC provides Rural Rising PH with a rent-free base of operations and a ready marketplace, converting an unused property in Diliman for this specific purpose.</p> <p>SMC has also donated a delivery vehicle for the effort, and provided chillers and industrial refrigerators.</p>

	<p>province. Apart from ensuring farmers themselves will not go hungry due to financial losses, the program also ensures that end-users of surplus produce—usually consumers or recipients for food donations—have access to nutritious, locally-grown produce.</p> <p>This program also supports Sustainable Development Goals (SDGs): SDG 1: No Poverty SDG 8: Decent Work and Economic Production2 SDG 10: Reduced Inequalities</p>		<p>The project helps ensure that farmers directly benefit from their produce without middlemen cutting into their profits. It also helps reduce food wastage. The project also aims to boost farmer’s capacity through agriculture and entrepreneurship training programs</p>
San Miguel Foods	<p>Handog Kalusugan: Happy si Mommy, Malusog si Baby, a First 1,000 Days Project</p> <p>The first 1,000 days of life—between a woman’s pregnancy and her child’s second birthday—is a unique period of opportunity when the foundations for optimum health and development across the infant’s lifespan are established. The right nutrition and care during this 1,000-day window influences not only whether the child will survive, but also his or her ability to grow, learn, thrive and rise out of poverty. As such, proper infant care during the first 1,000 days contributes to society’s overall stability and prosperity.</p>	<p>Most pregnant women living in poverty have little or no access to pregnancy health education and prenatal services, so they may have a negative perception of program. Due to poverty, there may also be hesitation to continue the program for fear of the inability to afford prenatal care services such as ultrasound and nutrition post-delivery.</p>	<p>Thoughtful and clear communication of to encourage the women to complete the three-year program.</p> <p>Through San Miguel Foods and the San Miguel Foundation, the women received proper consultation during pregnancy and free ultrasounds, which made a huge impact on would-be mothers coming from indigent families. It was meaningful for them to know the condition of the babies while inside the womb, encouraging them to continue with the program and learn more about proper nutrition.</p>

	<p>This health and nutrition intervention program supports government initiatives to address wasting and stunting of Filipino children.</p> <p>In 2019, 500 pregnant women from select barangays in Cebu, Leyte, Iloilo, Negros Oriental, Davao, Misamis Oriental, Bataan, and Bukidnon were identified for the program. SMC, through the San Miguel Foundation, gave them learning sessions on pregnancy health, prenatal consultation, and provided free ultrasounds. They were also given an early literacy program, San Miguel food products, and Adarna books.</p> <p>During the second phase of the program in 2020, San Miguel Foods provided them “Mingo” meals, an instant complimentary food made of rice, mung beans (mongo) and moringa (<i>malunggay</i>, which contain nutrients for optimal growth and development of babies.</p> <p>This project was implemented in the following barangays:</p> <p>Looc, Cebu Canduman, Cebu Macabug, Leyte Maliao, Iloilo San Jose, Negros Oriental Sirawan, Davao; Gracia, Misamis Oriental Orion, Bataan, San Vicente, Sumilao, Bukidnon</p>		
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	<p>This program also supports Sustainable Development Goals (SGDs): SDG 3: Good Health and Well Being</p>		
<p>SMC and Petron Corporation</p>	<p>“Kadiwa” marketplaces at Petron Gas Stations</p> <p>To answer the call of the Department of Agriculture (DA) to help farmers facing significant financial losses due to quarantine restrictions in 2020, SMC agreed to support its “Kadiwa Ni Ani at Kita” program to allow farmers’ excess produce to be sold at temporary “Kadiwa ni Ani at Kita” store outlets it put up at strategically-located Petron gas stations. Apart from helping farmers, it was also a means to provide consumers easier, safer access to affordable, healthy food products at the height of quarantine restrictions, when access to food from traditional markets and retail outlets was severely limited.</p> <p>This program also supports Sustainable Development Goals (SGDs): SDG 8: Decent Work and Economic Growth SDG 10: Reduced Inequalities</p>	<p>The gradual easing of quarantine restrictions means consumers have regained access to traditional markets and retail outlets, which may minimize the need for <i>Kadiwa</i> stores. Lower prices may also affect and undercut market sellers of fresh produce.</p>	<p>SMC continues to host <i>Kadiwa</i> stores at key Petron stations close to urban communities, as part of its efforts to support rural farmers and provide consumers with a more varied selection of food choices during the pandemic.</p> <p>As the pandemic continues due to the limited rollout of vaccination program, restrictions remain on many parts of Metro Manila and neighboring provinces. Thus, helping maintain these <i>Kadiwa</i> stores helps ensure access to food supplies. Fresh produce sold at <i>Kadiwa</i> stores are priced lower than market prices, therefore, consumers looking for store quality produce may still choose to obtain these from regular sellers.</p>

<p>San Miguel Foods</p>	<p>San Miguel Foods Capacity Expansion Program</p> <p>As of end-December 2020, SMC had completed and operationalized eight new food manufacturing facilities as part of its capacity expansion program.</p> <p>The investments form part of a plan to encourage greater domestic production of inputs, in order to help boost the agriculture sector and minimize the country's dependence on imported food product raw materials.</p> <p>This program also supports Sustainable Development Goals (SGDs): SDG 9: Industry innovation and infrastructure</p>	<p>Insufficient local output; underutilization of facilities.</p>	<p>SMC's capacity expansion program is part of a long-term program to ramp up local production of food and sourcing of local raw materials.</p> <p>In 2020, it implemented a plan to source more local corn from farmer cooperatives to secure raw material supply throughout the pandemic. The Company has committed to continue to integrate smallholder farmers into its value chain. The Company has engaged farmer cooperatives and entered into supply contracts with them to help increase their incomes.</p> <p>This will result to increased food security and production of San Miguel Foods' wide selection of fresh and value-added, affordable food products.</p>
<p>San Miguel Group</p>	<p>SMG Nationwide Pandemic Food Donation Program</p> <p>The largest, nationwide food donation drive in the Company's history, initiated at the start of the pandemic, and sustained through the current year.</p> <p>Anticipating very early on that the strict lockdowns would affect a large segment of the population in Metro Manila and in other major cities and</p>	<p>While the food donation program is the largest ever made by the Company, it is temporary in nature, and cannot be sustained at the same levels throughout the pandemic</p>	<p>While the pandemic food donation program was done in immediate response to a severe lack of access to food during a critical period, SMC continues to pursue and invest in long-term solutions to food security. This includes continuing or expanding programs aimed at encouraging higher domestic production of raw materials, engaging directly with farmer cooperatives to ensure more economic benefits</p>

	<p>provinces, that relied on daily-paid work, SMC mounted a nationwide effort to give away its own food products to mitigate hunger, particularly in underprivileged communities. Partnering with local government units, non-profit organizations, and charitable institutions in order to reach as many communities nationwide, SMC distributed canned food products, fresh and processed meats and poultry products, biscuits, nutri-bun breads, dairy products such as milk, cheese, spreads, coffee, and flour, to help boost food supplies throughout the country.</p> <p>Flour was distributed to LGUs and local bakers for them to make into free or low-priced bread for the poorest communities. The company also developed its own nutri-bun, a nutrient-packed, energy dense bread and distributed these to the poorest communities.</p> <p>The Company, through its Better World Tondo feeding center and food bank, also provided daily hot meals to locally-stranded individuals at the country's largest ports and holding areas. SMC continues to deliver free nutri-buns to a number of underprivileged communities, utilizing</p>		<p>for them, and increasing its production capacities and expanding the market for local food products.</p>
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	<p>its Petron gas stations as staging areas.</p> <p>This program also supports Sustainable Development Goals (SGDs): SDG 1: No poverty</p>		
San Miguel Group	<p><u>Goal 3: Good Health and Wellbeing</u></p> <p>Medical donations and assistance in response to the COVID-19 pandemic</p> <p>In order to support medical front liners and overburdened healthcare system of the Philippines, SMC through San Miguel Foundation, donated medical equipment including among others, RT-PCR testing equipment and test kits, personal protective equipment, and funded the construction of temporary quarantine facilities nationwide. In addition to this, Better World Edsa, San Miguel Foundation's RT-PCR testing laboratory was opened. SMC has an ongoing free toll program for all healthcare workers and has waived over P200M pesos in toll. 170,000 liters of fuel, amounting to around P5.8 million, has also been donated by the Company to for government shuttle services benefiting medical front liners and other essential workers.</p>	<p>Despite the arrival of vaccines, the pandemic is raging, with the Philippine government having declared a second lockdown. COVID-19 cases continue to rise to record levels, and have overwhelmed the country's healthcare system; The spread of COVID-19 will also inevitably impact SMC's operations as employees and their families may be infected, resulting to health concerns, disruption of operations, or worse, possible loss of lives</p>	<p>To help medical front liners, the public, and government in mitigating all remaining risks and impacts of COVID-19, the Company is implementing a massive nationwide free vaccination program for 70,000 employees and third-party service providers in its network. Vaccines will also be made available to their families and endorsed individuals at no commercial value.</p>

	<p>In Cebu, 5,000 medical front liners from 18 different hospitals were also provided Cocolife life insurance for a coverage of up to P2 million each.</p> <p>This program also supports Sustainable Development Goals (SGDs): SDG 17: Partnership for the Goals</p>		
Ginebra San Miguel	<p>Production and Donation of Disinfectant Alcohol</p> <p>GSMI Alcohol donation program for hospitals and other critical facilities</p> <p>When the pandemic hit in March 2020, there was already a shortage of rubbing alcohol or disinfectant alcohol in the market. Seeing that alcohol only was a basic necessity to the fight against the spread of the COVID-19 virus at hospitals and other critical facilities, SMC directed GSKI Inc. to reconfigure its operations fully towards the production of 70% ethyl alcohol. In doing so, GSKI became the first Filipino company to fully dedicate its operations to pandemic response. New equipment was acquired to establish new lines at its manufacturing plants nationwide, allowing SMC to donate alcohol to healthcare facilities, local government units</p>	<p>The huge volume of alcohol donated may result to a considerable number of plastic containers used, generating solid waste and impacting the environment.</p>	<p>GSKI utilized reusable containers such as carboys and reusable containers that recipients would set aside after use, to be returned or collected and refilled by GSKI, for the next batch of donations. As such, there was no use of small, disposable containers, plastic wastes were limited, and hospitals were incentivized to collect and return the containers with repeat alcohol donations. All told, SMC donated 1.15 million liters of alcohol to hospitals, government agencies, and communities.</p>

	<p>and government offices, quarantine checkpoints, and other critical installations nationwide.</p> <p>This program also supports Sustainable Development Goals (SDGs): SDG 9: Industry, innovation, and infrastructure SDG 17: Partnership for the goals</p>		
San Miguel Group	<p>Supporting COVID-19 surveillance / work place safety through Better World Edsa:</p> <p>Better World EDSA helps address the lack of RT-PCR testing available in the Philippines by providing employees and their dependents free or affordable, fast RT-PCR testing. The facility has the capacity to process 1,500 tests per day. This helps the government reach a testing capacity of 50,000 per day as well as ease the strain on the country's testing and processing facilities.</p>	<p>It is also possible for our Better World Edsa test site swabbers and laboratory staff to contract COVID-19. This can hinder the day-to-day capacity of our testing and processing.</p>	<p>Our frontline medical staff are provided with full PPE coveralls to protect them from possible infection. In addition to this, all our Better World Edsa employees are swabbed at least twice a month. They are provided accommodations walking distance from the swab site and the laboratory. Our staff also work in shifts, limiting their contact with other shift teams, minimizing exposure to each other in case of possible COVID-19 infection.</p>
San Miguel Group	<p>San Miguel community clinics in Valenzuela, Pampanga, Cebu, Bacolod, Davao, Bukidnon, and Batangas</p> <p>San Miguel's community clinics provide free consultation and medicine to indigent members of host communities. The clinics treat diseases such as</p>	<p>A potential negative impact is overreliance of the community on free health services provided by the community clinics. This may lead to complacency among beneficiaries in taking charge of their own health and in making necessary lifestyles changes;</p>	<p>All community clinics under SMC and its subsidiaries clinic will continue to provide free consultation and treatment to those who need it. We work closely with local officials to ensure we deliver sufficient, quality service. Beneficiaries must first be referred by their</p>

	<p>cardiovascular diseases, hypertension, diabetes, tuberculosis. All in all, the clinics serve up to 8,000 community members every year.</p> <p>Petron clinics in Manila, Bataan, Cavite:</p> <p>Petron manages Petron clinics in Pandacan, Manila; Limay, Bataan, and Rosario, Cavite. Since 2010, Petron clinics have benefited over 10,000 patients. These facilities provide specialized services such as X-Ray, Ultrasound, ECG and Laboratory services to residents of Petron's host communities, and are designed to complement nearby health centers. They also provide free medical consultations and as available, basic medicines and vitamins.</p> <p>SMB community clinic in Davao and Bacolod: This was established to complement the initiatives of the Department of Health in the area. The purpose is to address the immediate health requirements of SMB's host community in Darong, Sta. Cruz. In 2020, the community clinic assisted 2,442 patients with hypertension, diabetes, and other generic illnesses.</p>	<p>Some medicines needed may not be available in the areas where the community clinics are located.</p>	<p><i>barangay</i> and present a referral slip before consultation. This ensures that the clinics' free services are maximized by, and utilized by indigent members of the community and those that really need assistance.</p> <p>There is regular communication via text and social media with the nurses of the community clinics so that the needs of the clinics can be easily tracked. The nurses are encouraged to submit their purchase requisitions early so that the clinics remain well stocked and medication that may need to come from Manila can be easily delivered.</p>
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	<p>This program also supports Sustainable Development Goals (SGDs): SDG 17: Partnership for the goals</p>		
San Miguel Group	<p><u>Goal 4: Quality Education</u></p> <p>Empowering students through free after-school education at Better World Tondo:</p> <p>SMC understands that education is key to addressing many issues, including hunger and lack of opportunity. SMC, through its San Miguel Foundation, has partnered with AHA Learning Center, which helps to improve learning among its 173 children beneficiaries from General Vicente Elementary School in Tondo, through after-school programs. AHA! Learning Center was given a classroom space at our Better World Tondo community center, integrating both our goal of supporting food-insecure families and capacitating their children's though education. Students and their families are also provided consultation with a doctor via text and regular updates regarding COVID-19.</p> <p>This program also supports Sustainable Development Goals (SGDs): SDG 1: No poverty</p>	<p>With the pandemic putting a stop to in-person classes at BWT, instruction has moved to online platforms. However, online learning is difficult for some students due to poor internet connection or lack of prepaid internet data load for telecom services.</p>	<p>With the support of SMC, AHA has continued to deliver lessons over Facebook Chat, phone calls, and other platforms accessible to beneficiaries. In total, they are given a budget of P1.5 million annually to implement their programs. With this support, AHA is able to provide their students with P400 worth of cellular data load per month.</p>

	SDG 3: Good health and well-being SDG 17: Partnership for the goals		
San Miguel Foods / Monterey Farm	<p>Agri-Entrepreneurship with SEED in Sumilao, Bukidnon:</p> <p>Through the School for Experiential Education Development (SEED), scholarships are provided to underprivileged youth in Sumilao. The TESDA-accredited learning program that provides 22 students with a holistic education on agriculture and entrepreneurship centered around character development. The goal, eventually, is for the students to produce their own products that SMF can use in their different business platforms. Throughout the pandemic, the San Miguel Food Group continued to provide SEED Sumilao with scholarship funding as well as use of school facilities.</p> <p>This program also supports Sustainable Development Goals (SGDs): SDG 1: No poverty SDG 17: Partnership for the goals</p>	SEED Sumilao's program is usually conducted in person. However, the lockdown resulting from the COVID-19 pandemic has made conducting in-person lessons more difficult. As such, SEED Sumilao has had to pivot away from the original program; Though the program is completely free for students, they may be unable to work and earn sufficient income during the time they are studying with SEED Sumilao.	<p>To limit the spread of COVID-19, minimum health standards are practiced at SEED Sumilao's facilities. Alcohol is provided for the students and employees. Temperature checks and the wearing of masks are also required. In response to the extended lockdown, SEED Sumilao has shortened their two-year program into a three-month intensive course from which students can earn their Organic Agriculture Production certificate. They can then focus on community-learning. Some classes that do not need hands-on lessons have also continued over Zoom.</p> <p>Students have given feedback that the skills they've learned from SEED have allowed them to augment their food supply and income during the pandemic through backyard farming.</p> <p>Continued education, as well as the certification program, further capacitates students with entrepreneurial skills to pursue agri-entrepreneurship in order to better provide for their families.</p>

<p>SMC Infrastructure / San Miguel Properties, Inc.</p>	<p>Agri-Entrepreneurship with MANABU Farms:</p> <p>MANABU Farms, representing the municipalities of Malay, Nabas, and Buruanga in the province of Aklan, provides 30 small-holder farmers with agriculture and entrepreneurship training and a focus on community gardening. San Miguel Properties, Inc also provides seedlings, water access, irrigation technology, and training for farmers on land preparation to ensure the quality and consistency of production. This program empowers local farmers and promotes locally produced products to be the main source of vegetable supplies in Aklan province and among the Boracay hotels. Currently, fruits and vegetables travel two to three days from Benguet to the island. The farmers will also be integrated into the supply chain of the developments of San Miguel Properties, Inc. so that they can be the direct fruit and vegetable suppliers of the company's future project.</p> <p>This program also supports Sustainable Development Goals (SDGs): SDG 1: No poverty SDG 10: Reduced inequalities</p>	<p>Boracay Island and the businesses that operate on the island rely heavily on tourism. MANABU Farms focuses on producing organic fruit and vegetables, which caters to more upscale markets such as Boracay's hotels. The extended lockdown due to the COVID-19 pandemic has affected the tourist industry. This potentially lessens the source of buyers of the MANABU Farmers' products.</p>	<p>The program continues to capacitate the farmers so that they can be more self-reliant in the future. The program also connects them with regular fruit and vegetable buyers.</p>
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	SDG 17: Partnership for the goals		
SMC Global Power Holdings Corp.	<p>SMC Global Power Engine Scholarship Program</p> <p>The Engine Scholarship Program provides financial support to 58 deserving, low-income students. The program includes five months of stipend, book allowance per semester, board review fee, cost of boarding house rental, and the board fee charged by the Professional Regulation Commission (PRC). This program benefits students in Limay, Malita, and Masinloc.</p> <p>SMC Global Power supporting Indigenous People's Education through the Tulong Dunong Scholarship Program:</p> <p>Deserving IP students are provided educational assistance and are provided funds for book fees, uniforms, and monthly allowance. A monthly allowance is also given to support their food, transportation, and school project fees. This program benefits 27 students in Limay and Malita.</p>	<p>The COVID-19 pandemic has limited schools' ability to conduct in-classroom instruction. Classes are now conducted online, however, most public-school students do not have ready access to smart devices and stable internet signal needed to attend classes online.</p>	<p>SMC Global Power has continued to support the students as they've shifted to online classes. Through these education program, SMC Global Power aims to empower their scholars and improve their employment opportunities.</p>
Petron Corporation	Petron Foundation, Inc supporting students in Tacloban and Capiz:	<p>The COVID-19 pandemic has limited schools' abilities to conduct in-classroom</p>	<p>Petron Foundation, Inc has continued to support its students as they've shifted to online classes.</p>

	<p>TULONG ARAL NG PETRON (TAP) is the company's banner CSR program on education. Since it began in 2002, TAP has sent more than 16,000 deserving students to various public schools throughout the Philippines from elementary to high school, and in colleges and universities in Metro Manila. Assistance comes in the form of uniforms, shoes, school supplies, and a daily meal allowance. This is complemented by support programs such as tutorial classes and a health and nutrition program. Parents also receive livelihood training, parent effectiveness sessions and guidance on the formation of parents associations. PFI partners with the Department of Social Welfare and Development (DSWD), Department of Education (DePED and Local Government Units of our host communities. TAP currently benefits students from Barangay Anibong, Tacloban City and Ivisan, Capiz. For school year 2019-2020 it benefitted 3,194 students from elementary to college.</p> <p>This program also supports Sustainable Development Goals (SGDs):</p>	<p>instruction. Classes are now conducted online, however, most public-school students do not have ready access to smart devices and stable internet signal needed to attend classes online.</p>	
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	SDG 1: No poverty SDG 17: Partnership for the goals		
Petron Corporation	<p><u>Goal 5: Gender Equality</u></p> <p>Capacitating women through livelihood programs:</p> <p>Since 2014, Petron Foundation has empowered the parents of their Tulong Aral Petron (TAP) scholars and the women's groups in Limay, Bataan through basic skills training. Beneficiaries are provided with equipment such as sewing machines and start up materials to make rags and other products. The parents of TAP scholars are also taught basic dressmaking skills. Women in these communities often do not have much economic power in their household but this program helps 30 beneficiaries create products to supplement their family income.</p> <p>This program also supports Sustainable Development Goals (SGDs):</p> <p>SDG 1: No poverty SDG 4: Quality education SDG 8: Decent work and economic growth</p>	<p>The women may have difficulty finding buyers for their products. They were also sewing school uniforms for schools in Rosario, however, this might not be a source of buyers until schools re-open.</p>	<p>Petron's facilities purchase the finished products of women groups in their communities, providing them a more stable source of income. Petron Foundation and the Bataan Refinery's Community Relations group coordinate directly with the beneficiaries. They are able to receive feedback on how to improve their community livelihood programs to benefit more women more effectively.</p>

<p>SMC Infrastructure</p>	<p><u>Goal 6: Clean Water and Sanitation</u></p> <p>Bulacan Bulk Water Project</p> <p>Through the Bulacan Bulk Water Project, SMC distributes potable water to 12 out of 24 Bulacan province's Water Districts at the lowest per cubic meter rates anywhere in the country. The project is part of SMC's larger strategy to provide water in Bulacan and minimize land subsidence, which contributes to flooding, resulting from decades of dependence on extraction of groundwater throughout the province.</p> <p>This program also supports Sustainable Development Goals (SGDs): SDG 9: Industry, innovation, and infrastructure SDG 12: Responsible consumption and production</p>	<p>Potable water from Bulacan Bulk water may not reach all residents due to infrastructure needs on the part of the water districts such as upgrading or installation of new pipelines.</p>	<p>The Bulacan Bulk Water Project continues to actively engage and work with Water Districts to ensure any issues related to providing water supply for consumers, are addressed. The Company continues to provide the lowest water rates for water districts in the country, allowing for more room for necessary investments for the growth of their operations and improvement of their service to consumers.</p>
<p>San Miguel Corporation / San Miguel Group</p>	<p>WATER FOR ALL</p> <p>SMC's pioneering group-wide sustainability initiative, "Water for All", on its third year, continues on its mission to reduce the Company's utilization of fresh water sources by increasing water recycling at all facilities</p>	<p>With the Company's continued expansion to meet higher consumer demand for food and beverage products, power, and fuel, the use of water across SMC's operations will also increase.</p>	<p>SMC's various businesses continue to implement Water for All programs according to a set schedule, including making capital expenditures on improving systems in the facilities to meet its targets. SMC, through its Water For All Council, made up of</p>

	<p>and investing in equipment to safely use desalinated sea water, and retrofit or upgrade facilities to enable more rainwater collection. Overall, in 2020, water reduction attributed to the Water for All program reached 5,118,528 cum, or 19.93% of 2016 non-product, scarce water consumption.</p> <p>This program also supports Sustainable Development Goals (SDGs): SDG 9: Industry, innovation, and infrastructure SDG 12: Responsible consumption and production SDG 13: Climate action</p>		<p>representatives from the different businesses, continues to drive and monitor the program to help ensure targets can be met.</p>
<p>SMC Global Power Holdings Corp.</p>	<p><u>Goal 7: Affordable and Clean Energy</u></p> <p>Access to affordable and reliable energy SMC through SMCGP provides energy to various distribution utility companies through a diversified energy mix consisting of coal power and renewable energy from hydroelectric and liquefied natural gas plants. SMCGP's power facilities contribute 20% to the national grid, 27% of the Luzon grid, and 8% of the Mindanao grid. Access to electricity is key to sustainable development throughout the country,</p>	<p>Power surges or power trips brought about by human error, machine malfunction, or natural disaster can impact power generation and distribution to users. If systems for immediate action are not properly established, disruptions can impact economic activities and the well-being of users; As the Philippines still heavily relies on fossil fuels, increased demand for stable</p>	<p>SMCGP's power facilities regularly undergo scheduled shutdowns for maintenance, which are announced well in advance. Systems are in place to ensure timely mitigation of any potential negative impacts on users. SMCGP maintains a diversified portfolio of power facilities utilizing both traditional and renewable fuel sources. Its approach has always been to invest in the most modern and cleanest technologies in power generation. In recent years, it has rolled out its</p>

	<p>as most income-generating activities rely on it. However, stable supply of power remains an issue in many areas. SMC provides access to reliable and affordable power using the latest technologies for improved efficiencies and cleaner power generation. SMCGP regularly reports to the Department of Environment and Natural Resources (DENR) emission results that are not just within, but significantly lower than what World Bank and DENR standards allow.</p> <p>This program also supports Sustainable Development Goals (SDGs): SDG 9: Industry, innovation, and infrastructure SDG 12: Responsible consumption and production SDG 13: Climate action</p>	<p>and reliable power from across the country may lead to higher utilization of fossil fuels.</p>	<p>BESS project a part of a strategy to stabilize power supply throughout the grid, and lay the groundwork for more viable use of renewable sources in the future.</p>
SMC Global Power Holdings Corp.	<p>SMCGP Investments in innovative power solutions - BESS Even as power companies work to ramp up power capacity and avert a looming power crisis in the Philippines, reliable power remains a challenge even for provinces that already have access to electricity. SMC, through power subsidiary SMC Global Power has invested in the</p>	<p>Increased demand for power from industrialized areas, emerging growth centers, and even from provinces that will begin to enjoy stable power because of the BESS, may lead to insufficiency of supply, or even higher utilization of coal. This may affect the gradual transition to more renewable energy sources in the country.</p>	<p>The BESS project is San Miguel Corporation's contribution to promoting a low-carbon future and promoting clean energy technologies. Apart ensuring more efficient and balanced use of power throughout the grid, the BESS facilities will also support renewable technologies by addressing its inherent problem--intermittence--which significantly aggravates the poor quality of power in the</p>

	<p>construction of 32 BESS facilities nationwide, with a total target capacity of 1,000 megawatts. SMC became the first company to put up a battery storage facility in 2018 at its Masinloc power facility in Zambales. The battery facilities will improve power quality and distribution throughout the grid. Essentially, it will allow even faraway provinces to have the same stable and good quality supply of power as in major cities and provinces. This will allow provinces and islands to have better and equal opportunities for economic growth, even if previously, they could not attract investments because of unstable power.</p> <p>The technology will support the country's "fragile" power grid by removing excess power and injecting required power at strategic areas within the grid within milliseconds—ensuring power quality is maintained and that it reaches users all over the country.</p> <p>This program also supports Sustainable Development Goals (SDGs): SDG 9: Industry, innovation, and infrastructure SDG 12: Responsible consumption and production</p>		<p>grid. The strategically-located BESS facilities allow power to be stored, helping the transition to renewable sources of energy in the future.</p>
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	SDG 13: Climate action		
Ginebra San Miguel Distileria Bago, Inc. Bago City, Negros Occidental	GSMI Biogas /Renewable Energy program While GSMI continues to rely on conventional energy sources, it has turned to biogas, among the waste materials produced in its distillery's wastewater treatment facility, to support our energy requirements. As a result, about 45% of its total energy is from biogas. The investments made in improving the quality of biogas also helped reduce downtime, leading to an increase in the efficiency of its operations. Aside from biogas, the steam generated from the distillery operation to produce alcohol is used to generate electricity, which powers some parts of the DBI facility. This program also supports Sustainable Development Goals (SGDs) SDG 9: Industry, innovation, and infrastructure SDG 12: Responsible consumption and production SDG 13: Climate action	There may be technical challenges associated with the operation and sustainability of biogas.	GSMI implements periodic preventive maintenance of its machines to avoid downtimes.
San Miguel Group	<u>Goal 8: Decent Work and Economic Growth</u> Organization of Service/O&M Companies	Third party service providers may not provide for all the entitlements of their "outgoing" workers who are transitioning	SMC ensures that all third-party companies involved receive sufficient funding to provide workers their entitlements before

	<p>In 2020, SMC continued a program to organize and establish service and O&M corporation. Covering workers providing support services in logistics, merchandising, maintenance, and the like, the program has yielded over 16,000 now mostly regular employees receiving full benefits mandated by government, and enjoying more job security.</p> <p>This program also supports Sustainable Development Goals (SGDs) SDG 1: No poverty SDG 10: Reduced inequalities</p>	<p>from their employment as contract workers to employees of SMC; Some new hires may not pass probationary period or choose not to continue with regular employment in SMC; The large number of new hires may lead to some gaps in onboarding of new employees; it may take longer for them to adjust to San Miguel culture, resulting in lower work quality levels.</p>	<p>transitioning to direct and full-time employment by San Miguel. SMC businesses to which the new employees now belong to continue to implement initiatives to orient and train new employees so they may be effective in their roles and fit into the San Miguel system. Corporate Human Resources will implement further training and employee engagement programs to professionalize new employees coming from third-party providers.</p>
<p>SMC Infrastructure Completion of major infrastructure projects that will decongest Metro Manila and province in Luzon</p>	<p><u>Goal 9: Industry, Innovation and Infrastructure</u></p> <p>Completion of the Skyway Stage 3 project</p> <p>The completion of the Skyway Stage 3 project, an 18 km elevated toll road, has served as a major, long-term solution to the decades-old problem of continuously growing traffic congestion in Metro Manila—a major hindrance to the country’s economic growth and contributor to poverty. The 18-kilometer elevated expressway, which cuts through the Philippine</p>	<p>As the Skyway 3 is a significant investment, the Company has to recover some of the cost to build it. This may result to higher toll fees which are an additional expense for some motorists;</p> <p>If higher toll fees limit the number of users, traffic volumes that need to be diverted to Skyway 3 may not be enough to decongest traffic in Metro Manila’s business roads.</p>	<p>SMC has proposed to the Toll Regulatory Board a toll fee matrix that is favorable to motorists utilizing Skyway 3 to travel between in Metro Manila points within its main alignment, with the highest toll fee applied only to those traveling from end-to-end, from southern Luzon to Northern Luzon. The Company has deferred recovery of a significant portion of the cost of acquiring right-of-way properties for the project. It further modified the “open system” of toll</p>

	<p>capital's busiest and densest-populated cities—Makati, Manila, San Juan, and Quezon City—has demonstrated it can significantly cut traffic on main thoroughfares and city streets. Serving as a seamless link between southern and northern Luzon, it also cuts travel time between north and south from the previous two to three hours, to just within thirty minutes.</p> <p>Improved traffic and decongested streets provides Metro Manila's citizens more time to spend with family, accelerates the flow of goods and supports economic growth, helps the agriculture sector, and also benefits the environment by cutting the use of fuel in stand-still traffic.</p>		<p>collection into a modified system that allows for motorists traveling shorter distances to pay lower fees. With this, the company sees that more vehicles will utilize Skyway 3 for travel within Metro Manila, lessening traffic congestion and pollution in our cities.</p>
<p>SMC Infrastructure Completion of major infrastructure projects that will decongest Metro Manila and province in Luzon</p>	<p>Completion of the Tarlac-Pangasinan-La Union Expressway Project TPLEX is an 88.9-kilometer landmark infrastructure project that enables faster, safer connectivity between Central and Northern Luzon provinces and connects them to the rest of Luzon. It has unlocked the economic potential of the agriculture and tourism sectors and boosted the local industries of northern provinces. With ease-of-travel and faster access</p>	<p>TPLEX runs through numerous private properties, many of them farms, impacting the potential income of owners.</p>	<p>In all its infrastructure projects, SMC works closely with national government as well as local government units to help address right-of-way issues and takes a proactive stance in properly compensating property owners. For TPLEX, the Company agreed to advance all payments for ROW properties and adopted valuations agreed upon by owners and government, to ensure property owners are able to mitigate any effect the use of part of their properties for national infrastructure.</p>

	<p>to markets, TPLEX has provided better livelihood opportunities for people in many provinces.</p> <p>This program also supports Sustainable Development Goals (SGDs) SDG 11: Sustainable cities and communities</p>		
<p>San Miguel Corporation Integrated Agro-Industrial Zone project in Sariaya, Quezon</p>	<p><u>Goal 11: Sustainable Cities and Communities</u></p> <p>San Miguel-Gayeta Village: Sustainable Housing units in Sariaya, Quezon</p> <p>To provide housing for families relocated from high-risk coastal areas in Sariaya, Quezon, future site of the company's agro-industrial zone development, SMC tapped a local firm that designed "green tough" panels for use in the construction of homes. These 450 new homes, located on a 5.4-hectare property, are earthquake-proof, wind-proof, termite-proof, sound and heat-insulated, and environment-friendly. Apart from providing them titled properties with houses made of disaster-resilient materials, SMC has also built facilities that will boost their livelihood.</p> <p>This program also supports Sustainable Development Goals (SGDs)</p>	<p>Beneficiaries may choose to not pursue new livelihood opportunities or become complacent and overly dependent on the company's assistance. Other fisherfolk who are not beneficiaries may feel left out, and this may impact harmony in the community</p>	<p>The Company has made the village a model for sustainable housing relocation in the country. It is sustainable not just because of the materials used to build disaster-resilient homes that offer dwellers better protection from the elements, but because its residents are given the resources, facilities, and training needed to improve their livelihood and become self-sufficient for the long term.</p> <p>To help ensure local fishermen will realize economic benefits, SMC allotted a separate 3.5-hectare property for a Sariaya Fishermen's dock. This area can secure more than 100 boats, particularly during the typhoon season. SMC also built the Sariaya Fishermen's Hall, which serves as a rest area for fishermen and storage for some 70 boat engines, fishing implements and other supplies.</p>

	<p>SDG 1: No poverty SDG 4: Quality Education SDG 8: Decent work and economic growth</p>		<p>SMC has also built adjacent to the village the SMC Market, a dedicated marketplace where residents can sell their fresh catch, processed seafood, and other products.</p> <p>Within the 5.4-hectare village, SMC has set aside a 1,000- square meter plot of land dedicated for those pursuing organic farming.</p> <p>Other facilities include a multi-purpose covered basketball court, livelihood training facility, a day care center, and e-library.</p>
<p>San Miguel Foods Nationwide</p>	<p><u>SDG 12: Responsible consumption and production</u></p> <p>Animal Nutrition and Health (ANH) - Feeds and Veterinary Medicine</p> <p>Animal-sourced foods are essential to good health. Foods such as eggs and milk provide essential vitamins and minerals. Iron-rich meat helps prevent anemia and other nutrient deficiencies.</p> <p>SMF's ANH products are essential to ensuring healthy livestock, which then support food supply.</p> <p>In addition to its contributions to food supply, healthier animals have a smaller environmental footprint.</p> <p>SMF's ANH products also help the livelihood</p>	<p>Improper use of feeds and medicine and inadequate care of animal farms due to lack of capacity, information and the like, can pose threats to fence-line communities, contract growers, and end consumers.</p> <p>The use of antibiotics is not a substitute but should be used as a supplement to proper handling of livestock. The excessive use of antibiotics may result in the growth of resistant bacteria, potentially harming animals and end consumers.</p>	<p>Various training programs are provided to ensure product quality and capacity building. Training includes use of technology and more efficient practices to help increase productivity.</p>

	<p>of farmers, especially backyard raisers with a few livestock. Protecting animal health can help grow the economy and help a meaningful segment of the population rise out of poverty.</p> <p>The Animal and Health Food Segment delivered 1.23 million metric tons of products in 2020.</p> <p>This program also supports Sustainable Development Goals (SDGs):</p> <p>SDG 1: No Poverty SDG 2: Zero hunger SDG 3: Good Health and Well Being SDG 8: Decent Work and Economic Growth</p>		
<p>SMC Global Power Ridge to Reef Conservation Program “Project 747”</p>	<p><u>Goal 13: Climate Action</u></p> <p>Minimizing Carbon footprint with upland Plantation and Maintenance:</p> <p>SMCGP Foundation supports reforestation and the reduction of the Company’s carbon footprint by planting seven million trees on over 4,000 hectares of land in seven key provinces in the last seven years. As of end-2020, SMCGP Foundation had planted--and continues to maintain-- 233,000 potted seedlings, 334 hectares of upland plantation, 43 hectares of bamboo plantation, and 135 hectares of</p>	<p>Trees planted over a large land area may be difficult to maintain.</p>	<p>SMCGP monitors the survival rate of its plantations. Survival rate is at 90% and through continued monitoring, the foundation is able to evaluate and identify how to continuously improve its tree planting initiatives.</p>

	<p>mangrove plantation. These efforts contribute to the sequestration of carbon dioxide emissions and reduction of soil erosion. These plantations also support biodiversity by providing more habitat for various wildlife.</p> <p>This program also supports Sustainable Development Goals (SDGs) SDG 15: Life on land</p>		
<p>SMC Global Power Ridge to Reef Conservation Program “Project 747”:</p>	<p><u>Goal 14: Life Below Water</u></p> <p>Supporting endangered wildlife with SMCGP:</p> <p>Under the project, SMC Global Power supports biodiversity by seeding 10 Tridacna Gigas, one of the most endangered species of giant clams. This is one of SMCGP’s many conservation efforts which also includes its Adopt-a-River program to prevent soil erosion and the scourging of the edges of streams and rivers.</p> <p>This program also supports Sustainable Development Goals (SDGs) SDG 17: Partnership for the goals</p>	<p>Giant clams have become endangered due the high value of their shells. They are vulnerable to illegal poaching.</p>	<p>SMCGP works with a reliable service provider to conduct baseline studies in SMC Global Power Plant sites. This covers the generation of data-based development profile of each host community and gathering of community perceptions. This allows the SMCGP Foundation to create and develop new and relevant projects depending on the needs identified. This also enables the SMCGP Foundation to better monitor and protect the giant clam seedlings.</p>
SMC Infrastructure	<p>Tullahan-Tinajeros River System Dredging and Cleanup Project</p> <p>SMC is undertaking a P1 billion initiative to clean up the 27-kilometer</p>	<p>With the significant amount of silt and waste being removed on a daily basis from the Tullahan-Tinajeros River</p>	<p>To ensure proper and safe disposal of dredged materials, SMC works closely with the Department of Environment and Natural</p>

	<p>Tullahan-Tinajeros River System that stretches from La Mesa Dam in Quezon City, through Caloocan, Malabon, Valenzuela, and Malabon cities, all prone to flooding during the rainy season. The project involves the dredging and removal of silt and garbage from the river to return it to its original depth and allow for the proper flow of floodwaters out into the Manila Bay. As of February 2020 SMC has already extracted over 102,338 metric tons of trash and silt from the river system. The project will provide an opportunity for both life on water and life on land to flourish, even as it helps lessen the number of Filipinos regularly displaced by flooding. It also supports the government's larger program to rehabilitate the Manila Bay</p> <p>This program also supports Sustainable Development Goals (SGDs) SDG 11: Sustainable cities and communities SDG 17: Partnership for the goals</p>	<p>project, the next concern is where to place the waste materials.</p>	<p>Resources to deliver the dredged silt to only DENR-recommended disposal areas.</p>
<p>San Miguel Group/ SMC Infrastructure</p>	<p>Mangrove Planting to support wildlife and address flooding</p> <p>This program involves the planting of 8,000 mangrove seedlings over a three-hectare</p>	<p>Young mangroves are vulnerable to excessive trampling of their roots. They may also be subjected to illegal cutting.</p>	<p>SMC continues to work closely with the DENR and its provincial office for its ongoing environmental initiatives, including the mangrove planting project. This helps ensure monitoring of the</p>

	<p>coastal area in Hagonoy, Bulacan. Mangroves act as a first line of defense for locals living along the coast against storm surges and tidal waves and reduces flooding. Mangroves are essential to biodiversity and act as a nursery area for many marine organisms and are also home to many birds and other wildlife.</p> <p>This program also supports Sustainable Development Goals (SGDs) SDG 15: Life on land SDG 17: Partnership for the goals</p>		<p>plantation. Local stakeholders have also been engaged to help take care of the mangroves. Part of long-term plans for its mangrove reforestation project is the introduction of mud crabs into the mangrove plantations, which is known to improve biodiversity and help protect and strengthen the growth of mangroves. Turned into a local industry, mud crab growing can serve as an alternative source of income for locals and turn them into stewards of mangrove plantations.</p>
Ginebra San Miguel	<p>DBI Mangrove Reforestation Area</p> <p>DBI is located along the coast lines of Guimaras Strait, an identified Biodiversity Conservation Site in Western Visayas by the DENR. In the mid-1990s, DBI established a Mangrove Reforestation Area near the distillery. The program has had positive impacts in the ecosystem of the area, including the conservation of the natural biodiversity of Guimaras Strait and reduce risk of flooding and soil erosion.</p> <p>This program also supports Sustainable Development Goals (SGDs)</p>	<p>Potential negative effects to the initiative are encroachment, illegal harvesting for mangrove barks, competing land-use, funding, and maintaining the health of the mangrove ecosystem.</p>	<p>To mitigate the negative impacts, GSMI maintains its commitment to the conservation of the biodiversity of the Guimaras Strait. GSMI conducts regular tree planting within the vicinity annually, as well as regular clean-up drives in collaboration with the LGU and volunteers from nearby communities. As a result, the 12 hectares of mango reforestation along the Guimaras Strait has ~96% survival rate.</p>

	SDG 15: Life on land SDG 17: Partnership for the goals		
San Miguel Brewery	<p>Carmen Mangrove Development Program</p> <p>The project records the annual planting of mangrove species along the designated coastlines of Carmen, Cebu. The project is a partnership between fishermen associations in the area and the Municipal Agriculturists Office (MAO) and SMB. MAO and SMB provide the mangrove shelters for the fish, while the locals provide seedlings and maintain the mangrove areas. Aside from serving as a natural refuge and habitat for several wildlife species and marine life, mangrove forests also stabilize coastlines, prevent coastal erosion, and protect against threats of water pollution and siltation. They serve as natural flood defense and reduce damage caused by typhoons, tsunamis, sea level rise and tides.</p> <p>This program also supports Sustainable Development Goals (SGDs) SDG 15: Life on land SDG 8: Decent work and economic growth SDG 17: Partnership for the goals</p>	Potential negative effects to the initiative are encroachment, illegal harvesting for mangrove barks, competing land-use, funding, and challenges to maintaining the health of the mangrove ecosystem.	To mitigate these negative impacts, the growth of mangroves as well as the fishing practices, are monitored. Thus far, results show favorable impacts. The mangroves have become a natural refuge and habitat to several marine species. In its annual evaluation, the MAO reported an improvement in fish and shellfish propagation, which has led to a steady improvement in fish catch. This means better livelihood for the fishermen. There has also been increased mangrove stretch and preservation of giant clams in the area, according to the fish wardens and MAO.

<p>San Miguel Brewery</p>	<p><u>Goal 15: Life on Land</u></p> <p>Trees Brew Life: Converting a dumpsite to an ecopark development</p> <p>This project is an offshoot of the Trees Brew Life Program where SMB employees plant trees annually as part of the Company's commitment to save the environment. It is an initiative done in partnership with the Mandaue City Government. Employees planted trees to kick-off the shading of the three-hectare allocation for a recycling park, to be built using primarily recycled materials. The area will also enable SMB to showcase its efforts to recover and reuse some materials that are considered recyclable.</p> <p>This program also supports Sustainable Development Goals (SGDs): SDG 12: Responsible consumption and production</p>	<p>The ecopark was once a dumpsite that has since been converted into an ecopark, as part of the Mandaue City government's efforts to clean up the area. Since the immediate community relied on the dumpsite as their main livelihood; i.e., through scavenging, there may be resistance to the conversion of the dumpsite and lack of motivation to support SMB's tree planting and recycling project.</p>	<p>SMC continues to implement communication programs on the benefits of the ecopark to encourage the community to participate in maintaining the area, as well as the importance of keeping a clean environment and reducing waste.</p>
<p>San Miguel Group</p>	<p><u>Goal 17: Partnership for the Goals</u></p> <p>Partnerships with non-profit organizations and social enterprises</p> <p>Collaboration with passionate and committed NGOs is key to the success of many</p>	<p>The COVID-19 pandemic has disrupted our partners' own operations. With limitations to conducting work in-person, most of our</p>	<p>SMC continues to honor our commitment to provide financial support for our partners and projects despite the pandemic. Adjustments to projects are also agreed upon and</p>

	<p>of SMC's programs. Our partners have the specialized knowledge and skills to help us turn our common goals into reality. Our partners include:</p> <p><u>The School for Experiential and Entrepreneurial Development Philippines: SEED</u> Philippines is the first school for social entrepreneurship for the poor; they aim to educate the next generation of agri-entrepreneurs.</p> <p><u>Rural Rising Philippines: RuRi</u> RuRi aims to harness the full potential of the countryside by connecting farmers with potential buyers through RuRi's strong social media following of 10,000 people.</p> <p><u>Rise Against Hunger Philippines: RAHP</u> specializes in mobilizing the necessary resources to bring food to the vulnerable who need it the most.</p> <p><u>AHA! Learning Center:</u> AHA empowers the youth by providing free after-school learning hours and involving the family in the child's education.</p> <p><u>Philippine Red Cross:</u> The Philippine Red Cross is a humanitarian organization that provides various social welfare services and runs life-saving blood donation drives.</p>	<p>projects with them are harder to implement.</p>	<p>implemented as necessary. All our community centers and facilities follow strict minimum health standards prescribed by the Department of Health. Our Better World EDSA testing facility is also open to our partners should they need RT-PCR tests.</p>
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	<p>This program also supports Sustainable Development Goals (SDGs):</p> <p>SDG 1: No poverty</p> <p>SDG 2: Zero hunger</p> <p>SDG 3: Good health and well-being</p> <p>SDG 4: Quality education</p> <p>SDG 8: Decent work and economic growth</p> <p>SDG 10: Reduced inequalities</p>		
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