Universal Robina

Sprinting to Sustainable Growth

Annual Report 2021

Universal Robina

About the Cover

Sprinting to Sustainable Growth

Perhaps the global pandemic has challenged that notion. Maybe the local economy would indicate otherwise. But one thing cannot be disputed: in the face of whirlwind challenges and change, URC has fought hard to rise above the headwinds. And when enterprises like ours put the pedal to the metal, consumers and communities always benefit.

But being two steps ahead also means recalibrating our business strategies. We reinforced the pillars of our company, fortifying our supply chain, products, and ecosystem. In 2021, we also commenced our 10-year Sustainability Roadmap: broadening our reach, expanding operations, strengthening relationships with stakeholders, and empowering communities through our people-centered initiatives. We act in the name of our consistent dream to put down stronger roots and reach greater heights, even in the face of difficulty.

Perseverance – this is what keeps URC marching on the right path. And as we celebrate 65 years of excellence, we revisit our purpose, values, and ambition, focus on key areas, and strive for digital enhancements - all of which work to future-proof our business. We take pride in being a sustainable global enterprise, setting goals that nurture both the company and people at large. And as new challenges come, URC stands tall. Because we know that the key to a better and brighter future is to sprint towards sustainability and champion the cause, one step at a time.

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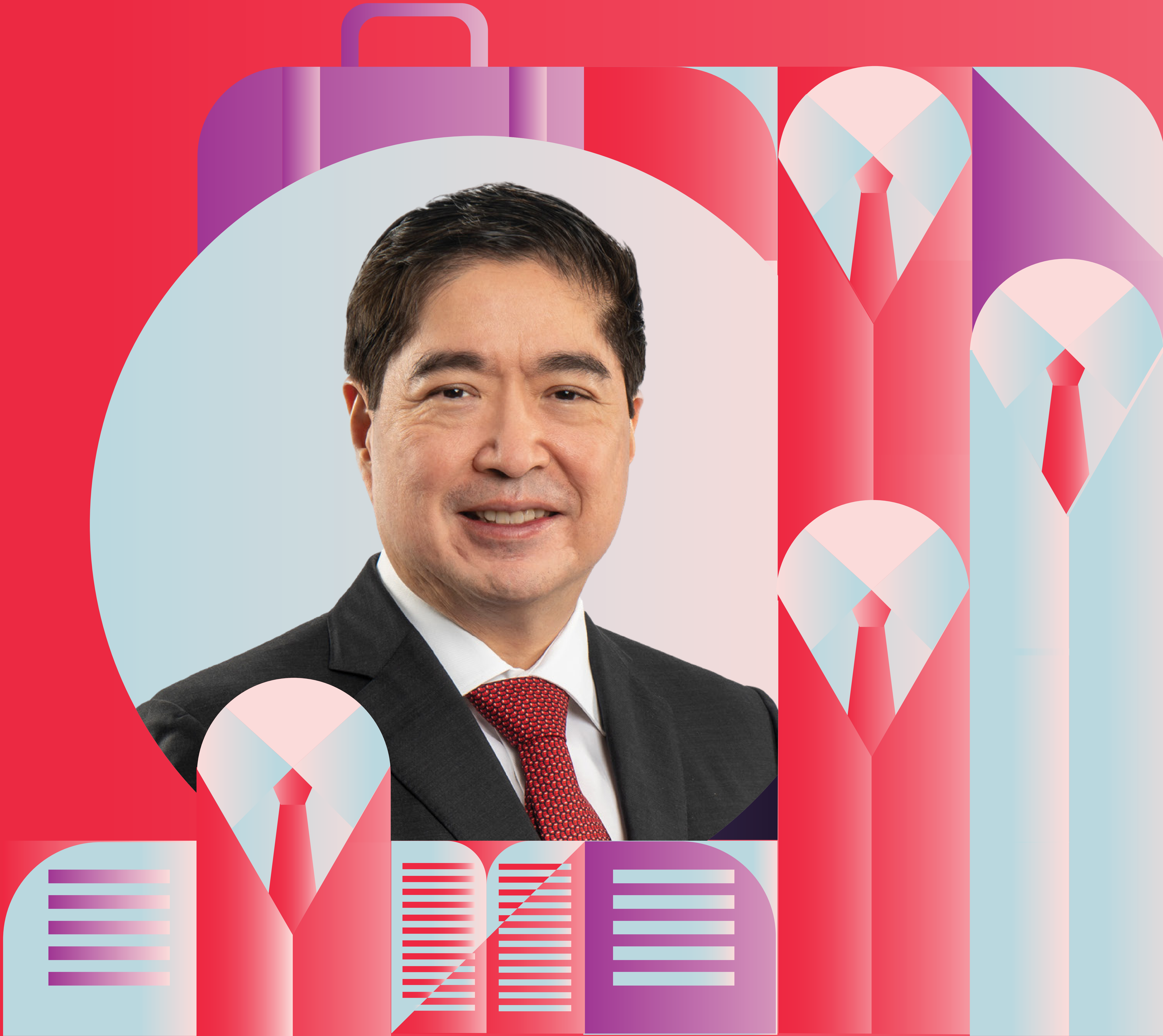
Chairman's Message

"Through all the turmoil, I saw URC working hand-in-hand with the communities we serve – to be essential and to continue being of service."



Chairman’s Message

“It was a tough climb over an unprecedented situation with long-term effects. Facing these realities, URC knew that it had to adapt in a decisive and timely manner.”

- Lance Y. Gokongwei

As I write these words, the world seems both very similar and markedly different from where we stood a year ago. We have lived through two years of COVID-19, and the pandemic continues to rage worldwide as infections continue to spread.

Southeast Asia, long a model of control over the pandemic, experienced a surge of the Delta variant through the region midway through 2021, necessitating more lockdowns in numerous countries.

Markets have yet to recover from the severe troughs of 2020 with consumer demand still muted throughout the year. Inflation continues its upward trajectory, as prices for basic necessities have gone up in lockstep with global commodities. Geopolitical tensions have also added to the mix, with the war in Ukraine contributing to further price and trade volatility. We are not out of the woods yet.

LANDMARKS OF RECOVERY

However, we also saw a renewed sense of optimism take hold, especially with COVID-19 vaccines rolling out across the world. The Philippines was able to inoculate more than half of its adult citizens through an increase in treatment accessibility.

While minimal breakthrough infections are still a concern, the weaker Omicron variant coupled with broader vaccination has lowered the risks for those who contract the disease. This has given governments the opportunity to ease the broader lockdowns that we've experienced early in the pandemic.

People are heading back to work with the continued recovery of service industries and ease of mobilization. Both domestic and international travel have opened up, bringing much-needed relief to local economies. Truly, there is a sense of return to some normalcy, and a more positive outlook moving forward – one that we see accelerating into 2022.

SPRINTING ONWARD

Last year, URC focused on solidifying its foundation for growth, making sure that we have a strong base to build upon as we move past recovery.

We made structural portfolio changes in 2021 when we profitably divested our Oceania business, placing Snack Brands Australia and Griffin's New Zealand under the stewardship of our former partner, Intersnack. While the exit is bittersweet, the URC team is proud of how we've transformed the business over the past seven years, and we look forward to its growth with Intersnack leading the business.

The divestment has steered our commitment back into our core developing markets, and we closed the year with the acquisition of Munchy's, one of the leading biscuits manufacturers in Malaysia. With a strong track record of growth, beloved products, and a management team that fosters an entrepreneurial spirit, Munchy's is a welcome addition to the URC family and its house of brands.

In strengthening our core businesses, the pandemic has pushed greater innovation in our product portfolio and routes-to-market. As offices and schools shifted to work-from-home and distance learning, in-home consumption grew significantly. Value for money selections became a prime consideration for customers given the mounting pressure on people's pocketbooks. People prioritized health and wellness products, following the constant drumbeat on disease and immunity. Mental wellbeing became more important and consumers wanted to treat themselves to premium products that were still affordable.

We also saw exponential growth in both online purchases and direct delivery as people adjusted to mobility lockdowns throughout the year. E-commerce became a supplemental distribution solution for consumers to safely purchase their essentials while allowing businesses to thrive. BCFG distributors were also enabled through s-commerce, tapping social media to sell to nearby accounts without having to physically visit their locations.

Aside from digital channels, our AIG segment stepped up its Kabalikat Program by reaching out to more aspiring entrepreneurs who wanted to start their own businesses through Kabalikat Village Hubs. These Hubs provided not only a stable livelihood for our partners, but also served as a reliable source of essentials for communities. The program was an ingenious solution to address distribution limitations during the pandemic.

Over the past two years, the company accelerated the launch of new products, entry into e-commerce platforms, and expansion of non-traditional distribution programs, achieving a strong track record of success in the market – with more innovations to come.

AGILE AND ACCELERATING

Finally, URC has refreshed its ways of working with the launch of its Agile@Scale transformation in the Philippines, and we are preparing to roll it out broadly across the region. Agile allowed URC to organize into smaller and faster cross-functional teams, with a focus on action and being closer to the customer and the consumer.

With the new setup, product development has hastened, issues have been brought to light sooner, and problems have been solved much quicker while continuing to stay true to URC's entrepreneurial culture and values. This has already paid dividends in the past year, with Agile squads generating significant operating savings and adding to the pipelines of innovative new products for the future.

As we enter a new phase of growth with COVID-19 receding into the background, we know that we are positioned for stronger growth in the years to come. This was made possible by all the foundational work we have done over the last two years: reshaping our portfolio, refreshing our new product pipeline and routes-to-market, revitalizing our ways of working, and reinforcing our distribution channels. We look forward to sprinting towards sustained success, riding the momentum forward, and bringing the company to new heights.

Once again, I would like to thank all our partners – our employees, customers, suppliers, consumers, and communities we work with – for all their support and dedication. With our strong foundation, we have weathered the storms of 2021 together, and are ready to accelerate the business into tomorrow.

Lance Y. Gokongwei
Chairman

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"2021 proved to be another challenging year for the global economy, as nations continued to adapt to the erratic nature of the pandemic. From where URC stands, we witnessed the landscape shift in many ways over a relatively short span of time."

Irwin C. Lee
President & CEO

Universal Robina

Message from the President and CEO

"It's this persevering, people-first spirit from which URC draws its strength and motivation, as we reinforce our capabilities towards accelerated growth. These signs of recovery, alongside our relentless optimism, have solidified our resolve as we face our own giants."

To our valued Shareholders,

2021 proved to be another challenging year for the global economy, as nations continued to adapt to the erratic nature of the pandemic. From where URC stands, we witnessed the landscape shift in many ways over a relatively short span of time.

“From sowing solutions to harvesting results that sustain many.”

- Irwin C. Lee

In the Philippines, we had sporadic lockdowns and mobility restrictions, affecting the distribution of goods, and overall consumer sentiment. Our neighbors in Southeast Asia also implemented stringent safety protocols to counter surges as more contagious variants began spreading across the region.

These events posed logistical constraints that snarled supply chains worldwide, leading to a hyperinflationary environment for commodities. The geopolitical tension in Eastern Europe has also affected price and trade volatility further challenging the stability of supply.

Nevertheless, the past two years have taught us to play to our strengths by overcoming challenges with adaptive innovation and resilient operations.

Now, we are excited to share with you each chapter of our ongoing transformation journey: from sowing solutions to harvesting results that sustain many.

OF GRIT AND RESILIENCE

Nurturing sustainable ambitions and reinforcing our strategic pillars became our tactical advance to rise above headwinds and serve others. Throughout 2021, we built upon our foundation and fundamentals, investing a great deal in improving the performance of our core businesses, anchored on the URC Where-To-Play (WTP) and How-To-Win (HTW) strategies.

In examining our strategies and capabilities in detail, we gained valuable insights into innovating our organizational structure. This led to the establishment of our Agile@Scale Transformation, which allowed the company to take swift action on urgent matters through cross-functional team compositions.

Since the formation of our Agile teams, we witnessed an inspiring display of connected, creative, and adaptive teamwork that supported our WTP strategies. We were able to Grow the Core through rapid product innovation drawn from the teams' close engagement with our customers and consumers. Agile teams also accelerated business outcomes, giving us the quick wins we need to Expand for More and allot more time, resources, and care to elevate our capabilities.

The collaborative approach of our Agile@Scale has sharpened our sight in identifying pressing concerns and crafting immediate solutions, which we hope to replicate as we roll out the initiative in other regions.

Our transformation journey has brought rewarding returns in the form of operational savings and new product development additions to the pipeline. We attribute our progress to the grit and resilience of our people who continue to efficiently deliver results, drive growth, and build confidence in our customers.

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BUSINESS REVIEW

URC Net Income up by 109%

Net Sales
Php 117.0 billion
+3% vs last year

Operating Income
Php 12.7 billion
-8% vs last year

Net Income
Php 24.2 billion
+109% vs last year

including proceeds from Oceania divestment

An essential driver of our sales momentum in 2021 is URC's sustained endurance and agility through these extraordinary times. Despite the persisting volatility of the markets in which we are present, our Net Sales from Continuing Operations grew by +3% to Php 117.0 billion, driven by our International and Commodities businesses. This momentum was even more apparent with the rise of our 4th quarter sales of +11% versus the same period last year.

In the Philippines, we capped off the fiscal year slightly below last year, but the figures reflect a gradual yet positive comeback. Our outlook is backed by URC's sequential and year-on-year growth in the second half of 2021, streaming well into 2022 as we anticipate more significant upturns.

We retained market share gains that were captured during the pandemic, supported by our customer-focused supply chain and advanced product innovations that addressed key consumer themes. These are clear indicators of stability and advancement among our categories, and as economies open up, we expect our firm share base to grow upward and outward.

Our operating income felt the direct impact of rising commodity prices, which we responded to with partial offsetting. Swift pricing actions, mix improvements, and operating expense savings allowed us to reduce its total impact on margins by -76 bps. We are confident that this momentum will only gain upward traction next year, propelling our growth trajectory.

We ended the year on a high note with our Total Net Income up +109%, driven by the recognition of the gain on sale of Oceania, as well as forex gains and sale of idle assets. We also received tax savings from the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act in the Philippines, which lowered corporate income tax rates to drive further investment and growth in the country.

DIVISIONAL PERFORMANCE

As markets recuperate from the low point of 2020, URC saw a positive turning point in the financial performance of **Branded Consumer Foods (BCF).** We've experienced an increase in sales in Q3 and Q4 that has fueled our momentum well into 2022, and we are confident in our growth trajectory.

For **BCF Philippines**, full-year sales were down slightly by -2%, finishing at Php 59.7 billion, as we entered 2021 with a high base driven by pantry-loading during the first half of 2020. However, in the last quarter of 2021, sales increased as mobility restrictions eased with the division achieving +5.4% growth vs. the same period last year.

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Topline growth for **BCFG International** was pegged at +4% arriving at Php 22.2 billion and +5% in constant currency. The growth can be attributed to market recovery from the Delta surge in the third quarter. Indochina was a stand-out in particular, growing +8% in dollar terms and +9% in constant currency.

In operating income, international margins eroded as a result of higher input prices, freight costs, and plant shutdowns in Malaysia and Vietnam in the third quarter at the height of the Delta surge. Our international arm was also able to implement pricing actions similar to BCF Philippines in the fourth quarter of the year, strengthening margins to prepare for 2022.

Our **Agro-Industrial and Commodities (AIC)** group finished the year up +13%, reaching Php 33.4 billion in sales through the growth of Sugar and Renewables (SURE), which grew by +31% in the last year on the back of a more stable sugar cane supply from our acquisitions of La Carlota and Roxol. Excluding our acquisitions/divestitures, the core SURE business still delivered +9% year-on-year growth.

The strong performance of Sugar helped offset the challenges the Flour category faced from surging wheat prices amidst the hyperinflationary environment of wheat throughout the year. Despite these unfavorable conditions, the Flour segment finished the year at +4% growth through this strategic offset.

We also experienced double-digit growth in Pet Foods to exceed Php 2 billion in sales, which helped offset declines in core animal feeds due to the overall decline in the Philippine hog population, as well as lower revenues following the strategic downsizing of our Farm business.

AIC's operating income was down slightly at -4%, as the strong performance of SURE tempered the declines in our other businesses, driven by higher input costs.

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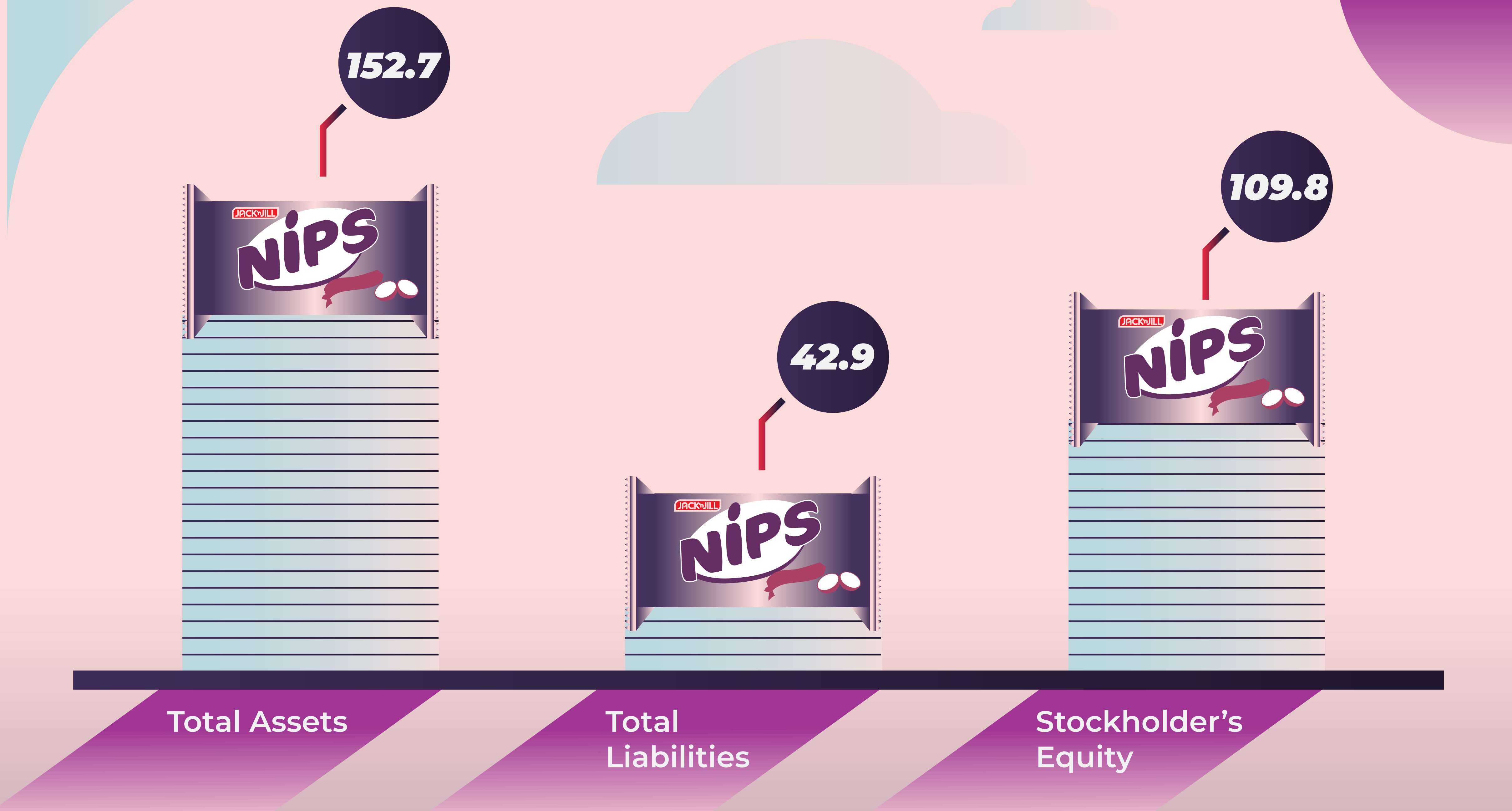
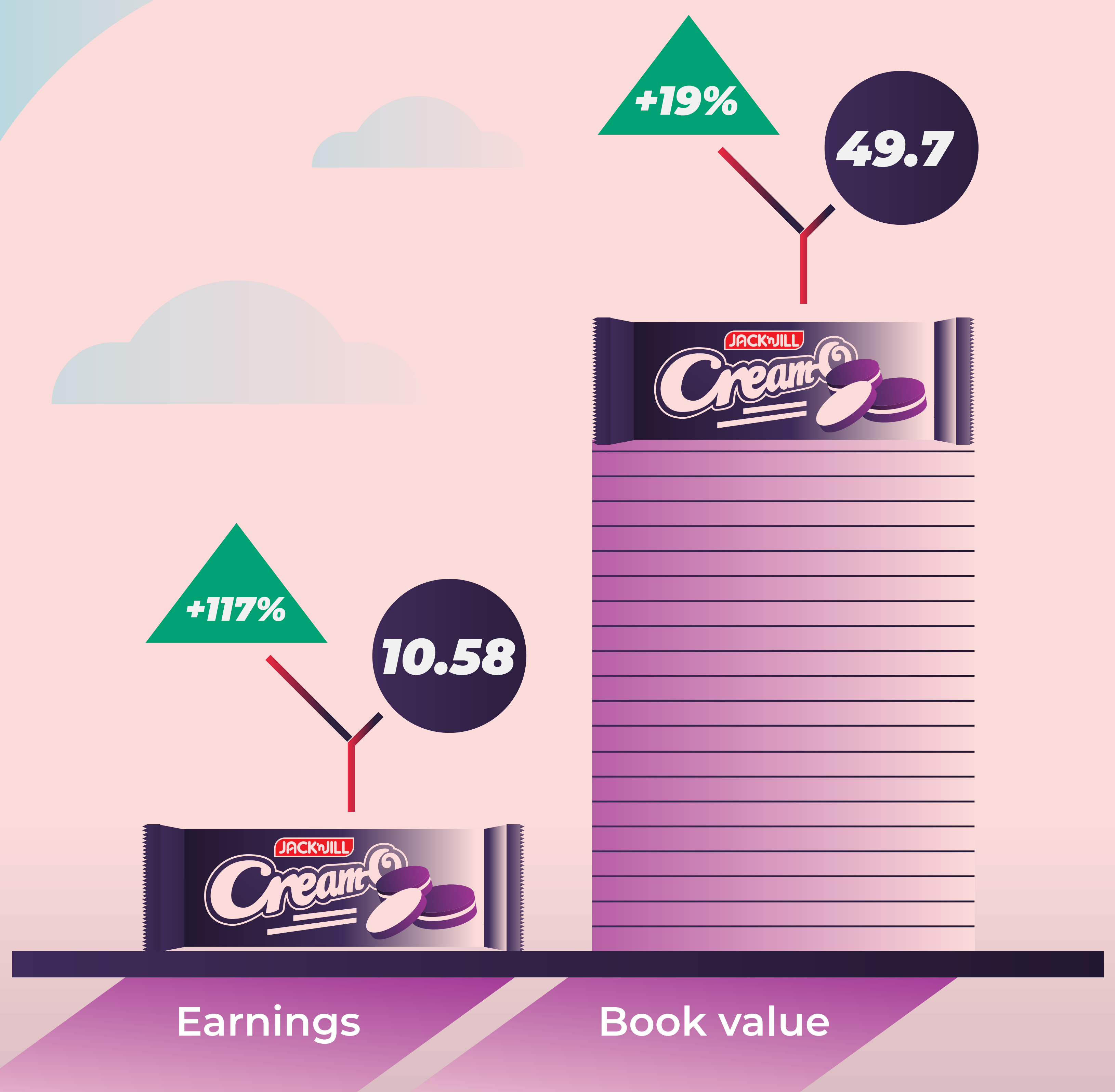
Financial Highlights

Income Statement 2021
in PHP Billions

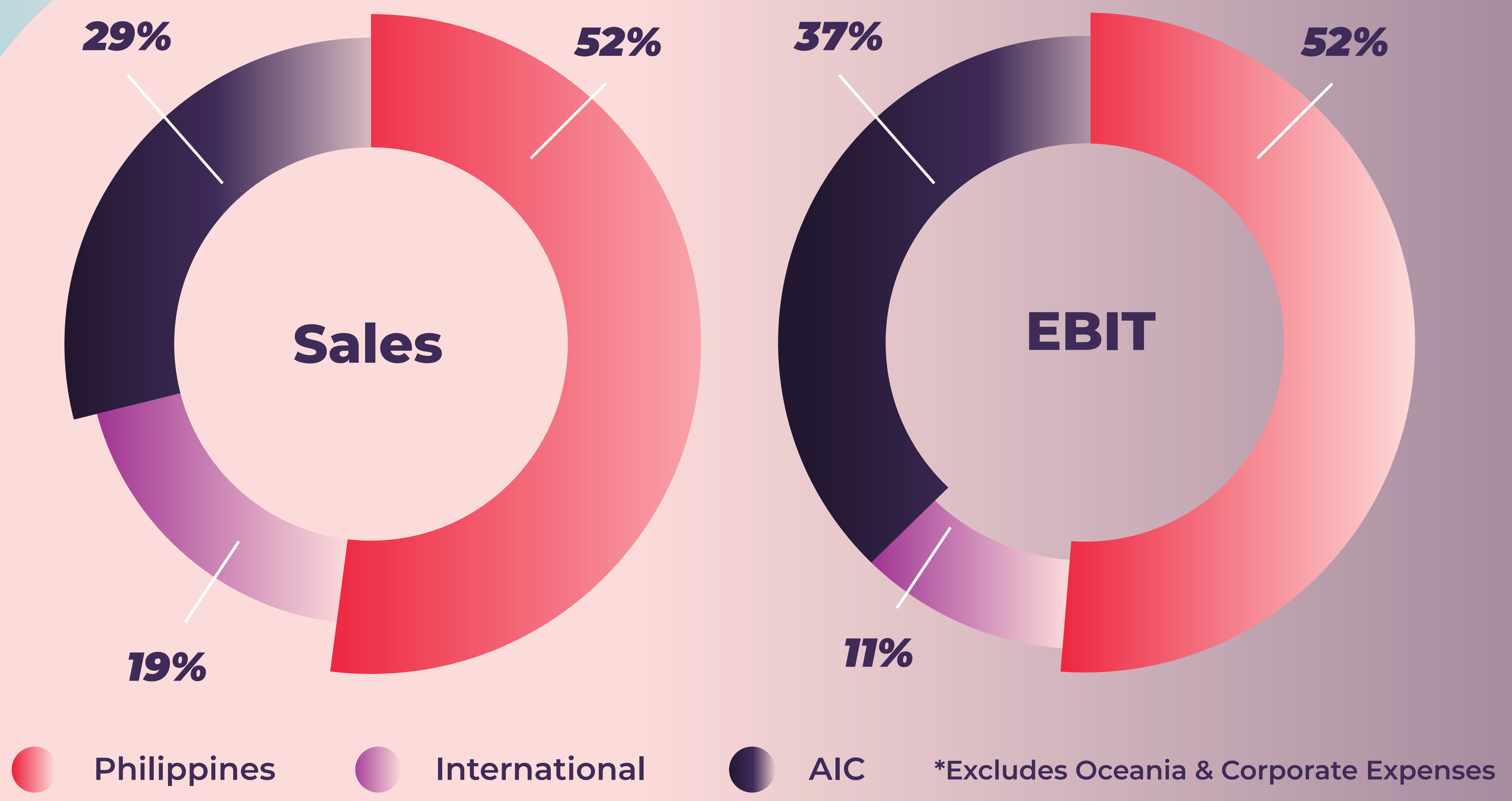
Balance Sheet 2021
in PHP Billions



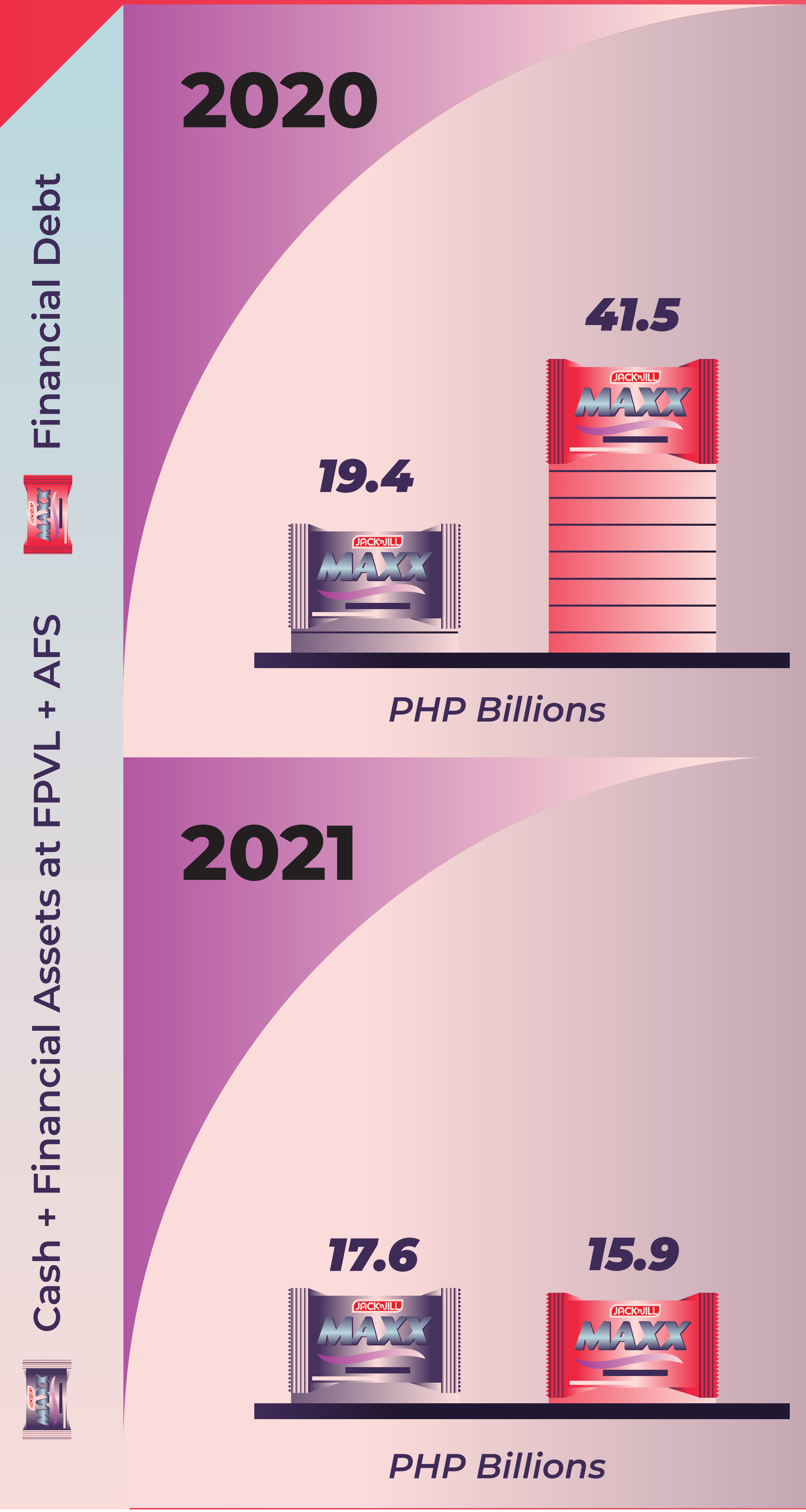
Per Share 2021



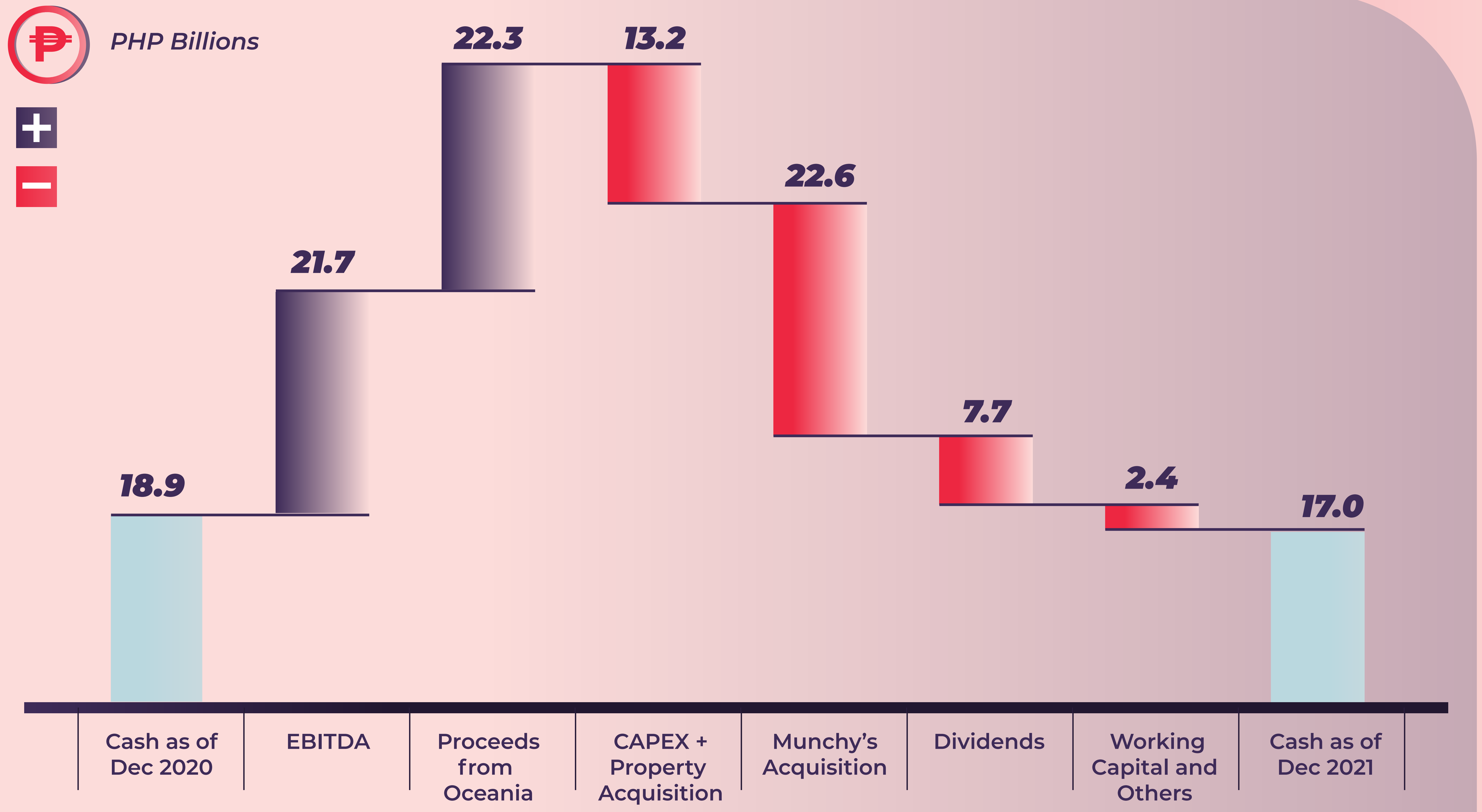
% Contribution 2021



Cash and Financial Debt



Cash Position



PORTFOLIO ADJUSTMENTS

Part of the notable developments this year is how we reshaped our portfolio with the divestment of our Oceania business last July, entrusting Snack Brands Australia and Griffin's New Zealand to the stewardship of our former partner, Intersnack. URC is pleased to have been a contributor to the operational and value creation programs that have strengthened the two businesses. With Intersnack at the helm, we have full confidence that it will remain on course towards growth.

This divestment has allowed us to monetize the efficiencies and synergies from our work in the region, and pivot our resources to concentrate on growth segments across developing markets. We have since reinvested these gains back into the business with our acquisition of Munchy's Malaysia at the end of 2021.

Munchy's is a beloved homegrown company, recognized internationally for its line of multi-awarded biscuits. From its humble beginnings in 1991, the brand has since expanded to more than 50 countries while maintaining a top-of-mind brand presence for 30 years.

This acquisition aligns with URC's efforts to focus on growth while allowing Munchy's to scale up and expand with a stronger distribution network. We look forward to Munchy's strong entrepreneurial leadership and collaborative spirit, as they work with like-minded people within the URC family.

CHARTING PROGRESS

While the year may have been off to a tremulous start, we saw promising landmarks of progress during the second half of 2021 both within the business and the regions we operate.

Scientists and medical experts say we're on the right track towards managing COVID with signs that it will turn endemic soon. People have learned to define their own better normal, taking precautions to curb the spread of the virus while finding delight in new ways. Similarly, global institutions are now practicing a more targeted response in managing the long-term effects of the pandemic as travel barriers ease, providing much-needed relief to local economies. While we might not be out of the woods, we have now caught sight of the treeline.

URC shares this hopeful sentiment and we see this as an opportunity to build upon our progress and accelerate our Agile transformation journey. In jumpstarting our growth trajectory, we will continue to further refine and fortify our approach to the URC WTP strategies.

GROW THE CORE

The company attributes its consistent market leadership to its distinct portfolio, home to a wide and diverse range of brands: from discretionary to staples and budget to premium. Our brands have transformed into timeless Filipino household essentials, providing us with a major competitive advantage.

This year we will Grow the Core by focusing on URC's core categories while applying the Agile approach in engaging with our customers to pinpoint consumer needs that will guide product development. We are also investing in our digital presence to complement these efforts, increasing our presence to build consumer trust, brand equity, and mental availability.

URC utilized the past three years to reinforce our physical availability and expand our direct store coverage footprint. Simultaneously, we have been accelerating our e-commerce entry, following its launch throughout the pandemic.

Our customer-focused efforts were highlighted in the recent Advantage survey, where end-retailers evaluate FMCG suppliers across various metrics. URC finished the year among the top 5 most admired suppliers and is the highest-ranking local manufacturer in the country.

Universal Robina

GO FOR MORE

Following our Expand For More strategy, we're building new legs and entering new spaces with innovation as our growth engine. New products introduced over the past two years contributed between +6-8% of our sales across various geographies.

With our growth strategies in place, the company is set to ride through recovery towards an enduring and sustainable business. In the process, we hope these new exciting concepts and products will meet the everchanging needs of consumers while finding new ways to delight.

Health

Prioritizing health in our portfolio, a relevant demand in the new normal.

Value

Providing value-for-money options for cash-strapped consumers.

In-Home

Creating solutions for superior in-home consumption.

Indulgence

Introducing new premium selecitons for our consumer's satisfaction.

A FUTUREPROOF COMMITMENT

With the worst of the pandemic hopefully behind us, URC enters this new chapter with gratitude, knowledge, and a newfound vigor to sprint toward our vision for a sustainable future.

In welcoming the coming year, we know that this streamlined recovery will continue even as we step up to meet higher demands, preparing for life with endemic COVID. We expect to accelerate our topline growth, anchored on our firm core business standing, robust innovation pipeline, and new category entries in tow.

The pandemic may have delayed our glide path, but it has not derailed our ambitions, nor our investments in capabilities and building blocks for growth. On the contrary, it became a period of reinvention, as we found strength in our ability to adapt and remain versatile.

We have also fortified our 2030 Sustainability Commitments in line with our mission to become a sustainable global enterprise, cascading our programs to URC International partners. Our work is discussed in greater detail in this year's Sustainability Report, "Fortifying Futures".
We look forward to 2022 with renewed confidence in our well-crafted strategies, and relentless optimism for the years ahead as we seize promising opportunities.

From the entire URC team, we would like to thank our shareholders for their continued trust, partners for their guidance and collaborative efforts, and our loyal consumers for their support.

Thank you and stay safe.

Irwin C. Lee
President & CEO.

Universal Robina

About URC

Business Highlights

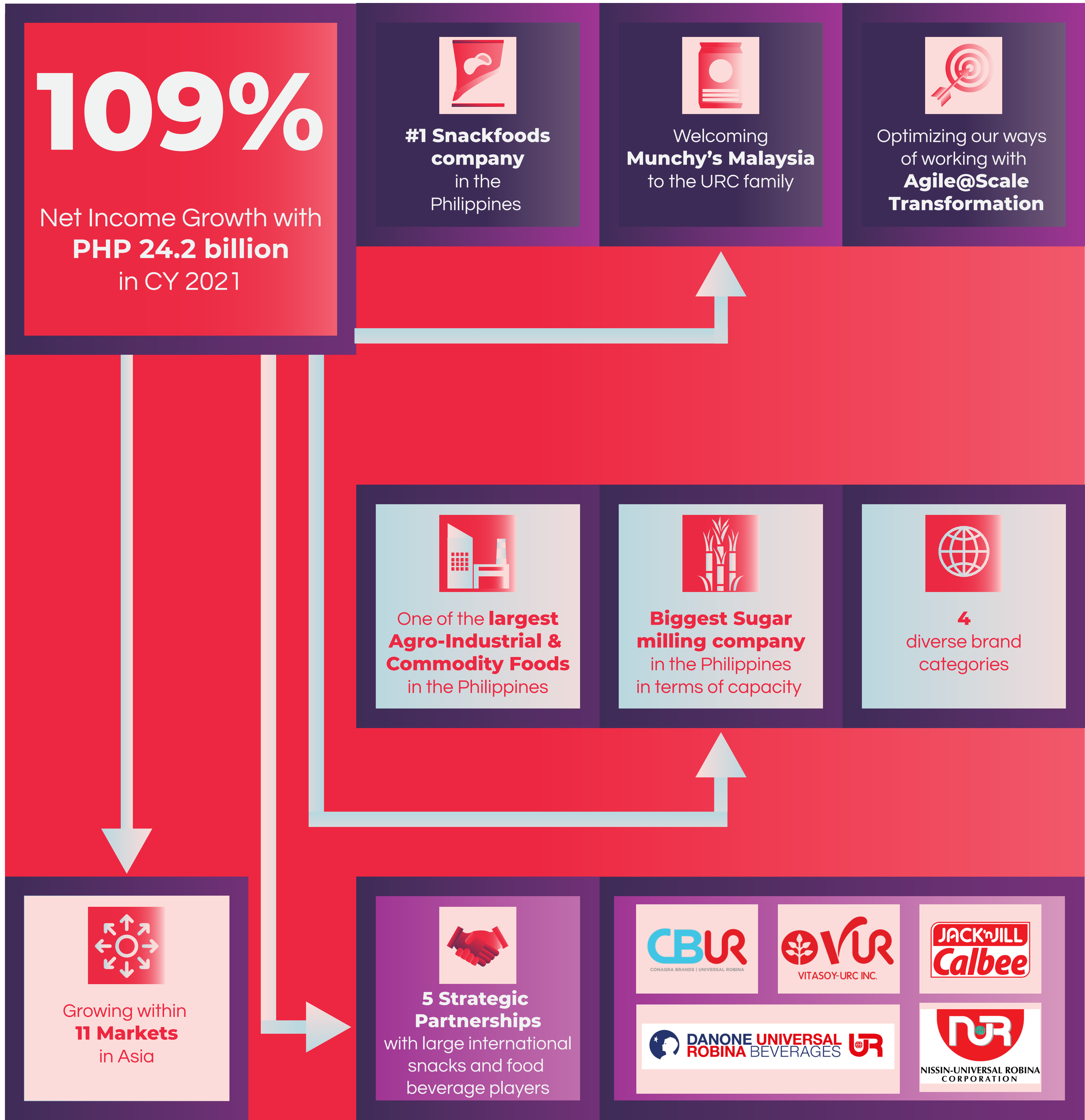
Universal Robina Corporation (URC) is one of the largest branded consumer food and beverage product companies in the Philippines. Founded in 1954 by Mr. John Gokongwei, Jr., URC has pioneered brands of exceptional quality for over six decades.

Today, the company continues to live up to its name as a sustainable global enterprise while delighting customers in eleven high-growth markets across Asia.

URC's diverse portfolio and expansive geographic footprint have empowered the company with market share gains across categories. In the Philippines, it is recognized as the market leader in snacks, candies, chocolates, cup noodles, and ready-to-drink tea. In Thailand, it is known for being a leader in the biscuits category with a firm footing in the wafers category. URC also maintains a strong position in Malaysia's biscuits market and Vietnam's ready-to-drink tea segment.

The company is also one of the Philippines' largest players in the Agro-Industrial & Commodities industry as the largest sugar miller in the country, as well as being one of the largest players in both flour milling and animal feed milling.

URC is accelerating its growth, pursuing Agile@Scale Transformation in innovating products and services, scaling operations, and honing capabilities to future-proof the business. It will continue to serve as retailers' partners of choice with utmost dedication and sincerity. This works in unison with realizing its vision for sustainability in bettering the company and its communities – honoring our people-first heritage and standing by our purpose to delight consumers.



Delightfully URC

Snack-Sized Trivia on Classic URC Treats

Filipinos love to eat, turning to a variety of classic Pinoy treats to satisfy their everyday cravings and food habits. For some, these goodies not only satisfied their taste buds but have also become a part of life's unforgettable moments.

Chances are the classic treats you've grown to love include some of URC's delightful food and drink products. Learn more about our timeless goodies with some snack-sized trivia below!

Chiz Curls

URC's first branded snack product

Your favorite childhood snack, Chiz Curls, is URC's first branded snack product.

Fun fact: The kiddie characters in the packaging have names. The next time you grab a bag of Chiz Curls, say hello to Carl and Curlette!

Chippy

A Pinoy snack staple since the 60s

Since the 60s, the crowd-favorite Chippy Barbeque has been part of barkada trips, recess moments, and weekends at home.

Fun fact: URC named the snack Chippy because this yummy treat was sold at a friendly price during its launch.

Nova

The first multigrain snack in the Philippines

Jack 'n Jill's Nova is the first locally manufactured multigrain snack in the Philippines, and has made a name for itself amongst healthy snack lovers!

Fun fact: Each chip is made from exactly 4 fiber-rich grains, making it a delicious and guilt-free snack you can munch on as much as you want!

Nips

URC's first branded chocolate

Filipinos are known to have a sweet tooth, most notably for chocolate! One of their go-to sweets is Nips, first launched in the 1960s as URC's first branded chocolate.

Fun fact: Nips' name came from the reversed word spin — the first step in the manufacturing process of these candy-coated chocolate lentils.

Maxx

Launched in 1993, loved up to the present

Whether busy in school or at work, Filipinos have brightened up their days with Maxx Candy since the '90s. It's one of URC's first ever candy brands!

Fun Fact: Max Alvarado, the late actor, was one of Maxx's first endorsers.

Cream-O

Well-loved for its variety of flavors, especially Vanilla!

Remember the rewarding feeling of getting a hexagonal box of cookies after finishing chores or school? The distinctive box was filled with Cream-O.

Fun fact: The first Cream-O product URC released was the chocolate-coated cookie sandwiches, now called Cream-O Premium.

Great Taste Coffee

Expanding URC's portfolio of "firsts"

Great Taste Coffee has always been one of the Filipinos' go-to coffee brands. This popular coffee brand has many firsts in the Philippine coffee market, pioneering in 3-in-1 coffee mixes and twin packs.

Fun fact: URC was the first to launch Great Taste White, a creamier coffee mix formulated to cater to the taste buds of modern-day coffee drinkers.

Blend 45

URC's first ever coffee brand

Blend 45 was the largest-selling coffee brand in the market when it was launched in the 60s.

Fun Fact: For years, Blend 45 had the moniker "Pinoy Coffee" — making a mug of Blend 45 perfect for reminiscing the good old days.

C2

The first ready-to-drink tea beverage in the Philippine market

Since its launch in 2004, C2 has been a well-loved ready-to-drink tea for Filipinos throughout the archipelago.

Fun fact: Apart from the Philippines, there are plenty of C2 fans across Southeast Asia — most prominently in Vietnam. Experience their unique C2 flavors on your next trip!

Universal Robina

Celebrating 65 Years

Sustaining Wins. Embracing Change.

In 2021, we celebrated our 65th year in the consumer food and beverage industry.

From a humble trading business that John Gokongwei Jr. ran on his bicycle, URC has grown into one of the largest multinational companies in the ASEAN regions — with presence in Vietnam, Malaysia, Thailand, Indonesia, Myanmar, China, Singapore, Hong Kong, Laos, Cambodia, and most prominently in the Philippines.

Our roots trace back to 1956, when Mr. John opened Universal Corn Products through a loan from China Bank chairman Albino Sycip and introduced Panda Corn Syrup to Filipino consumers.

With his sights set on the future, Mr. John quickly expanded to other segments of the food business to ensure his company would flourish and later have a presence abroad.

In 1961, he and his brothers set up Consolidated Food Corporation or CFC. Soon after, the company introduced Blend 45 which became the best-selling coffee brand at the time, and later diversified into candies, wafers and other food products.

Come 1966, URC was officially born.

Universal Robina quickly dominated the snack food business, rolling out products that have become staples to this day — Chiz Curls, Chippy, Nips, and Jack 'n Jill Potato Chips among others. Later, it added to its portfolio Nova, Pretzels, Piattos, Maxx, and Payless.

In the 1970s, URC continued expanding its portfolio by entering the agro-industrial and commodities business, venturing into hog farming and flour milling, as well as sugar milling in the 1980s. These endeavors integrated vertically with the company's existing businesses, allowing URC to traverse volatility in the commodities market.

In 2004, URC expanded its beverage lineup with C2 ready-to-drink tea, a pivot inspired by Mr. John's observation that bottled brewed tea sold widely across China and Japan. Since C2's introduction to the market, URC sold 100,000 bottles a month. Only 3 years later, it was selling over 30 million bottles a month.

Thanks to Mr. John's constant innovation, entrepreneurial zeal, and strong desire to please the customer, URC was able to plant roots in numerous ASEAN markets.

URC's first foray abroad was via a small factory it set up in Hong Kong to produce Jack 'n Jill Potato Chips. The company eventually set up operations in 9 other countries, with presence in 11 markets in the region.

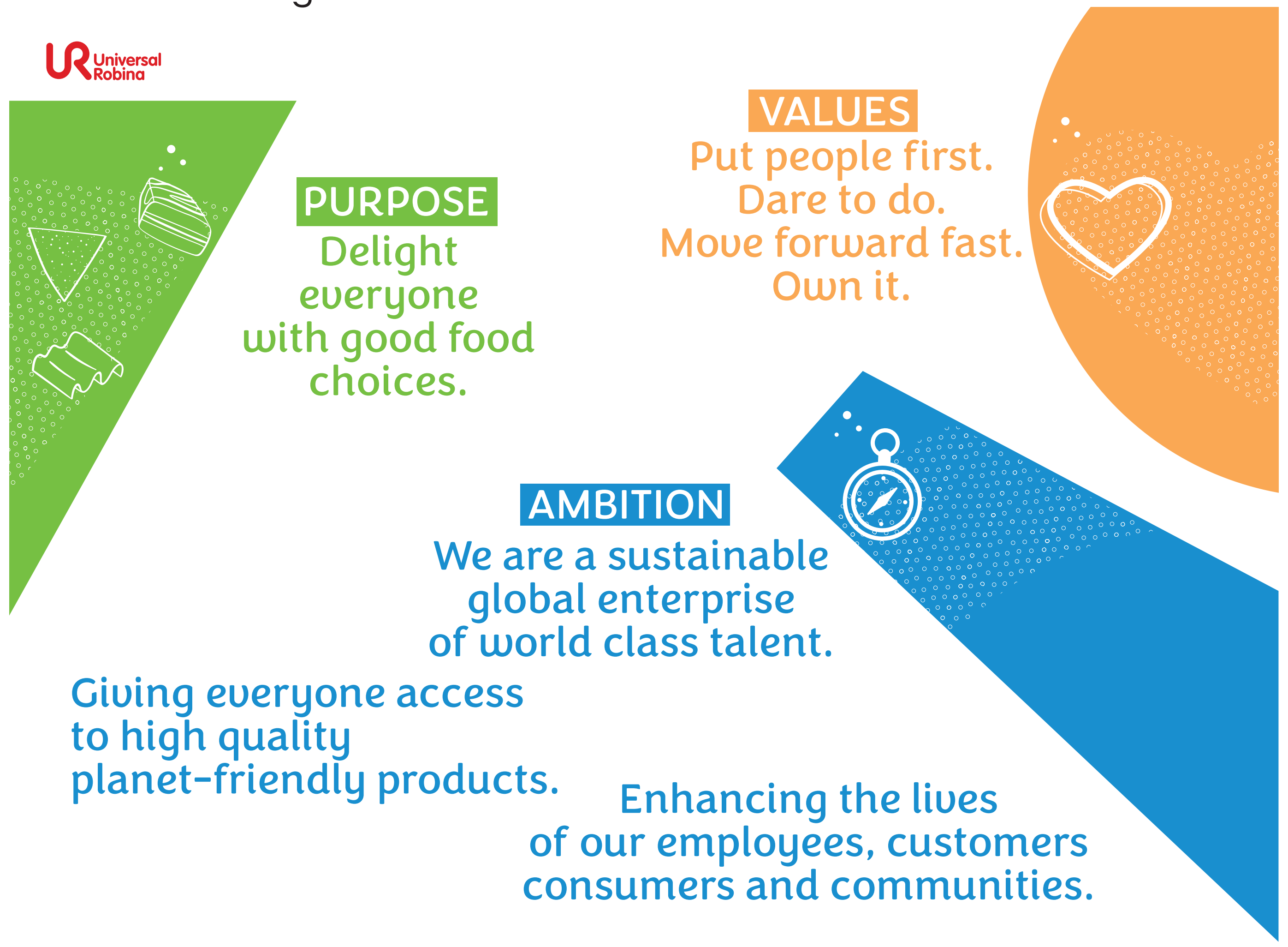
In Thailand, we have maintained our market leadership in the biscuits category made possible with our diverse selection of products, while C2 is a strong player in the ready-to-drink (RTD) tea segment in Vietnam. URC also exports to areas in North America, Europe, the Middle East, Africa and Indian Ocean Islands, North Asia, Oceania and the Pacific Islands.

By sustaining wins and embracing change, URC remains a cornerstone of the Gokongwei group of companies.

Six and a half decades since its founding, URC continues to push boundaries to ensure the well-being of its employees, customers, and communities.

Upholding URC's purpose, values, and ambition, the company was able to weather difficult times shadowed by the COVID-19 pandemic. Our people-first approach is part of our heritage, our identity in the present, and a guiding beacon for the future.

In 2021, we kept our factories and mills up and running. Despite the rolling lockdowns and quarantine restrictions, we made sure millions of Filipinos can stock their pantries with essential food items they need while working or sheltering at home. We sustained the livelihood of our employees and continued honing their talents.



Throughout its journey, URC stayed true to its purpose of delighting everyone — not only with good food and drink, but also with good intentions and better choices.

As we celebrate our 65th milestone, we enter the new year with a strengthened commitment to marshal on so that we can help our nation, as well as our other markets across the globe, come out of this darkness better and stronger.

Our credibility in building solid brands throughout the years made us the partner of choice up to 2021, and we hope our principles lead URC to becoming the very best in the industry for many decades to come.

Universal Robina

URC Through The Years

1950s

1952
Mr. John put up his first company, Amasia Trading, that imports basic food commodities from the U.S.

1954
Universal Corn Products, Inc. was incorporated.

1956
Universal Corn Products introduced Panda Corn Syrup as its first product endorsed by culinary expert Nora Daza.

1960s

1961
Consolidated Foods Corporation was born with Blend 45 as the pioneer product. After coffee came chocolates, with Nips as the launching brand.

1966
Launch year for Universal Robina Corporation.
URC had its first Marketing Convention.
URC launched Chippy, Chiz Curls, and Potato Chips under Jack 'n Jill.

1970s

1970
Robina Farms entered into the hogs business.

1971
URC Hong Kong, URC's first venture outside the Philippines, was established.

1975
Great Taste Coffee was launched.

1980s

1984
Cloud 9 was launched.
URC set up its factory in ASEAN with URC Malaysia.

1987
URSUMCO was incorporated.

1988
URC entered the sugar milling business through URSUMCO and SONEDCO.

1989
Piattos was launched.
URC Singapore was incorporated.

1990s

1990s
URC entered the plastic business through URC Packaging.
URC acquired CARSUMCO.

1992
URC Thailand, one of URC's largest foreign subsidiaries, was incorporated.

1993
MAXX menthol candy was launched.
Hunt URC, a joint venture between URC and Hunt-Wesson, was formed.

1994
Universal Robina Corporation became a publicly listed company.
Nissin Universal Robina Corporation, a joint venture between URC and Nissin Food Products Co. Ltd., was incorporated.

1995
URC introduced Hello chocolate enrobed wafers and Tivoli Heaven in a Bar.
XO coffee flavored candy, Star Fruits Candies, JNJ Choco Knots, and Nissin cup noodles were launched.

1996
Nissin was launched.

1997
Nova multigrain snacks, Magic Flakes crackers, and Nissin Yakisoba cup noodles were introduced.

1998
URC entered the packaging business by setting up URC BOPP.

URC Through The Years

Universal Robina

2000s

2001
URC's biscuit factory in Thailand began commercial operation.

2002
URC Indonesia was incorporated.

2003
URC Vietnam was incorporated.

2004
C2, the first locally-manufactured, high-quality, Ready-To-Drink green tea based beverage was introduced to the market.
Refresh Mineral Water was launched.
Trading Operations in Vietnam started.

2005
URC launched Jack 'n Jill as the master umbrella brand for all its snack foods.
URC Vietnam commenced manufacturing operations.

2006
C2 was launched in Vietnam.

2007
URC acquired PASSI sugar mills in Iloilo.

2008
URC acquired the Granny Goose brand and assets.

2010s

2011
Great Taste White was launched as the first white coffee in the country.
Chicharron ni Mang Juan was introduced.

2012
Chik'n Skin ni Mang Juan was first tasted by Filipinos.

2013
URC Myanmar was incorporated.

2014
URC acquired Griffin's Foods Limited, the largest snacks and biscuits company in New Zealand.

2010s

2014
URC entered into a joint venture with Calbee, Inc. of Japan, to produce premium potato chips in the Philippines under the Jack 'n Jill Calbee brand.
The Distillery Ethanol Plant in Mangjuyod, Negros Occidental started its operations.

2015
URC and Danone of France set up DANONE Universal Robina Beverages, Inc. (DURBI), launching B'lue vitamin-enriched drinks in the Philippines.
The URC factory in Myanmar started its operations.
URC's biomass power cogeneration in Kabankalan, Negros Occidental started operations.

2016
URC acquired Consolidated Snacks Pty. Ltd. (CSPL), also known as Snack Brands Australia.
URC entered into a 50-50 joint venture with Vitasoy Hong Kong.

2019
URC sold a 40% stake in its consolidated business in Australia and New Zealand to Intersnack Group of Germany.

2020s

2020
URC acquired Central Azucarera de la Carlota, Inc. (CACI) and Roxol Bioenergy Corporation. These are now known as URC La Carlota and URC La Carlota Distillery, respectively.
URC diversified into the rubbing alcohol business, and launched Shield+ and BioSure alcohol.

2021
URC sold its remaining stake in its consolidated business in Australia and New Zealand to Intersnack Group.
URC acquired Munchy's, one of the leading biscuit manufacturers in Malaysia.

Winds of Change

Oceania Divestment

URC drew its operations in Oceania to a close with the divestment of its stake in Unisnack ANZ, a leading snacks and biscuits company and home to Griffin's Foods (Griffin's) and Snack Brands Australia (SBA).

The journey has been truly rewarding and as such, we revisit how URC has grown the two businesses over the past seven years.

MINING MILESTONES

Venturing out into the Oceania region marked the beginning of URC's largest forays outside of Asia, unlocking a new geographical landmark within its network through URC Oceania Co. Ltd.

The journey began in 2014 with the acquisition of Griffin's Foods, recognized as New Zealand's largest biscuit manufacturer. It houses several iconic brands including Griffin's, Huntley & Palmers, Gingernuts, Nice & Natural, Eta, and Uppercuts.

Shortly after, we expanded our presence in the region with the acquisition of Snack Brands Australia in 2016. SBA is known as the second-largest salty snacks maker in Australia with a vast assortment of products to its name that includes Kettle Thins, Cheezels, CC's, and Natural Chips.

The company saw the potential of combining these two subsidiaries to create a close synergistic relationship, founded on the businesses' complementary portfolios. Through URC's leadership, Griffin's and SBA were able to flourish with notable operational improvements and value creation programs.

In 2019, a joint venture was formed with Intersnack and URC in Oceania. Intersnack was founded in Germany and has since grown to become a market leader in savory snacks with a long-standing 50-year heritage, which made for a highly collaborative and productive partnership.

DISCOVERING POSSIBILITIES

Our experience in Oceania broadened URC's perspective on the future of food manufacturing, which brought about learnings in operational efficiencies, pathways to health and wellness, and modern trade account management. Strengthening these businesses solidified our value for adding more natural ingredients to our products, ensuring traceability of source, and providing healthy alternatives.

After establishing solid foundational improvements, we decided to monetize these investments in 2021 to refocus our efforts back on developing high-growth markets that align with URC's core strategies and ambitions.

Ultimately, we are proud of the work we've done alongside our partner, Intersnack Group, and we are confident that the business will continue to thrive under their stewardship.

Solid Strides with the Acquisition of Munchy's Malaysia

Our Munchy's acquisition closed in December 2021 with the purchase of 100% of the equity in Crunchy Foods Sdn Bhd, the manufacturers of the well-loved Munchy's brand. With its strong portfolio, talented organization, and operational excellence, Munchy's is a great strategic fit with URC — and we're excited to see this relationship flourish.

With this accretive and sensible investment move, we hope to scale further and grow the business naturally over time.

Building on 30 years of strong brand presence

Munchy's started in 1991 in Batu Pahat, a small town in the South of Malaysia. With just a second-hand wafer stick machine, the biscuit aficionados of the Tan family formulated what would soon become Malaysia's number one biscuit brand.

Over the course of 30 years, Munchy's has climbed its way to the top, venturing to new shores and delivering its home-grown biscuits and signature products to over 60 countries around the world.

From its first baked creations to its latest innovations, Munchy's celebrated presence in the industry continues to delight customers from all walks of life — and we're excited to share the goodness with URC's loyal consumers.

1991 — Munchy's began operating with just one second-hand wafer stick machine.

1993 — The Munchy's brand was created.

1996 — Munchy's iconic factory was built in Batu Pahat, followed by new product launches — Muzic, Munchini, and Lexus.

1997 — Munching to the top, Munchy's set up MunchWorld Marketing, its marketing arm and sole distributor.

2005 — Munchy's current logo was put into use.

2014 — Munchy's products could be found in over 50 countries around the world, and Lexus' relaunch with full IMC achieved its highest ever market share.

2018 — Munchy's launched Choc-O, the first chocolate drizzled cookie in Malaysia. Later that year, the company was acquired by CVC.

2019 — Munchy's launched Lexus Salted Cream Sandwich and Oat Krunch Breakfast.

2021 — The company continues to be a strong player in the biscuits category. By this time, it launched Munchy's Cracker Plus. **Acquired by URC**

Universal Robina

Celebrating harmony in culture and ambitions

As URC and Munchy's embark on this new journey, we happily embrace one another's philosophies and ambitions. With a true entrepreneurial culture, teamwork, and passion for innovation, we will continue to strive for bigger and better results — delivering joy to consumers and inspiring customers with good food and great choices.

	URC	Munchy's
Purpose	Delight everyone with good food choices.	Inspire happiness together.
Values	• Put People First • Own It • Dare to Do • Move Forward Fast	• Teamwork • Make a Difference • Enthusiasm • Bold • Innovative • Entrepreneurial
Ambition	Giving everyone access to quality, planet-friendly products that enhance the lives of employees, consumers, and communities.	Providing healthier, tastier, and delightful creations that bring people together in moments of happiness.

2005, 2008, 2009, 2015	**2018**	**2014, 2015, 2016, 2017**	**2017**
2020 (Gold) *Employer of Choice Award (Private Sector)* *MIHRM CEO-HR Champion Award*	**2019, 2020, 2021**	**2019**	**2021 (Silver)** *EcoVadis Sustainability Rating*

Upstanding awards and worldwide recognition

Munchy's commitment to growth and goodness earned the company several recognitions over the past years, including its Superbrands status, multiple Reader's Digest Trusted Brand awards, consecutive Brand of the Year awards, and many more.

Munchy's strategic fit with URC

Munchy's acquisition catapulted URC to market leadership in Malaysia's Biscuits segment thanks to its strong brand value and minimal overlaps with URC Malaysia's product portfolio.

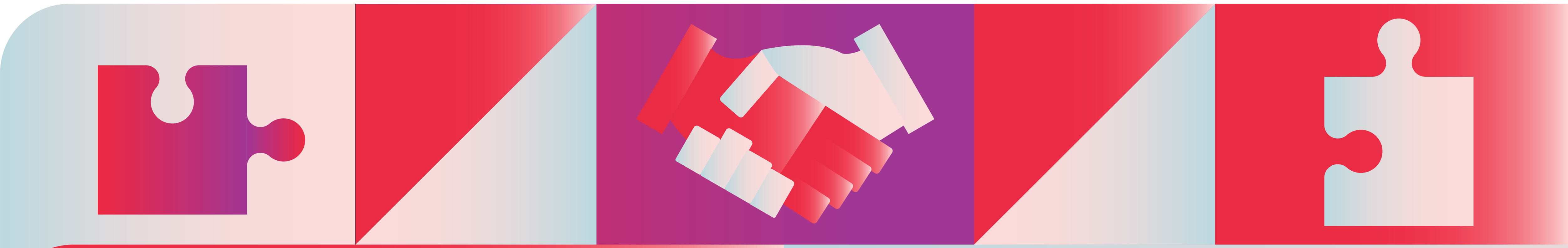
Through URC's strong distribution network in key ASEAN markets, Munchy's will gain scale and strengthen its footprint outside of Malaysia. At the same time, its wide product range deepened our export division's offerings. Munchy's strong premium brand franchise will also allow URC to further premiumize its brand image and pricing down the line.

Munchy's scale also allowed consolidations in procurement relationships and the optimization of supply, logistics, and ad spend for better cost synergies.

Further give-and-take opportunities exist between Munchy's and URC as we collaborate to improve on cost/expenses, and the centralization of functions like Research & Development, Sales & Marketing, headcount, and best practices.

Munchy's will fuel the expansion of URC's local capabilities in Biscuits manufacturing and distribution, producing a wider range of products locally and abroad with sufficient capacity.

The integration of Munchy's strong leadership team is also set to cultivate further growth in URC Malaysia for years to come. With decades of diverse experience, capably maneuvering Munchy's even through challenging times, we're looking forward to their talent, dedication, and contributions to URC in the near future.



Munchy's	URC Malaysia
100% Biscuits #1 in Oat Based Segment #1 in Cream Sandwich & Chocolate Coated Segment #1 in Mixed Category Segment	Biscuits Snacks Chocolates Candies

Purpose, Values, and Ambition

Our North Star

URC witnessed tremendous improvement since the pilot of its How-To-Win and Where-To-Play strategies in 2018. It advanced multiple aspects of the business: effective communication, seamless operations, and impressive product innovations.

The positive outcome of these strategies has been very beneficial for our organization. Now our goal is to bank on this momentum and propel URC forward.

To this end we've reframed and codified our Purpose, Values, and Ambition (PVA) - the center point from which all our initiatives, campaigns, and products pivot.

Purpose

From the start, URC has always been in the business of delighting consumers in their daily lives. Mr. John's top priority when he first established the company was to meet people's needs.

In elevating our Purpose, we aspired to expand the reach of this commitment to address the concerns of modern-day consumers.

While there are many choices in the market, people crave food that is both delicious and healthy. People's heightened consciousness for their well-being inspired us to shift our focus towards creating tastier, accessible, and nutritious food and beverage options.

Consumers believe that food is a major agent in self-care, as well as a medium in caring for the people around them. As a company that shares this belief, our role is to empower consumers and their loved ones to have a well-balanced lifestyle. URC has the capabilities to make this possible building upon its wide variety of wholesome food selections their loved ones to have a well-balanced lifestyle. URC has the capabilities to make this possible building upon its wide variety of wholesome food selections.

PROBLEM

What problem is ours to solve?

People increasingly look for health and wellbeing in their lives, while facing an increasing eceonomic divide. **How do people find healthy food for their lifestyle that tastes good?**

+

IMPACT

What impact do we have on people's lives?

People need affordable food and quality nutrition that addresses different needs in their life. We make good food that delights people throughout their day.

+

ROLE

What is the role we play in making an impact?

We empower everyone to make choices with a variety of options available to them.

After delving deeply into these insights, we arrived at a distinct, inclusive Purpose statement: **URC exists to delight everyone with good food choices.**

URC will lead by example, showing how good food can be both healthy and delicious with the right ingredients, innovation, and effort. Our products serve a broad range of consumers with varying preferences and lifestyles, from premium to budget-savvy products.

We will make these products readily available for consumers to have quality nutrition.

With our distinct Purpose, we have a greater sense of direction to guide us in setting new goals and developing the right culture to motivate us along the way.

Values

At URC, Values are our means of following through with our Purpose. They are a unique combination of principles that make up the fingerprint of our culture and serve as stepping stones towards fulfilling our goals.

We want each Value to be practical and straightforward. They exist to inspire bold action among our people, empowering them to make dynamic contributions to the company.

These four values encapsulate everything URC stands for:

Put People First

People are at the center of everything we do. At URC, we invest our time to understand, honor, and care for each other in all our diversities.

Our firm belief is that we are stronger together. When faced with challenges, everyone should have the initiative to pitch in and support each other.

We nurture relationships by showing our commitment to service, which underpin lasting partnerships.

Dare to Do

We believe that achieving better outcomes is always possible with determination and hard work.

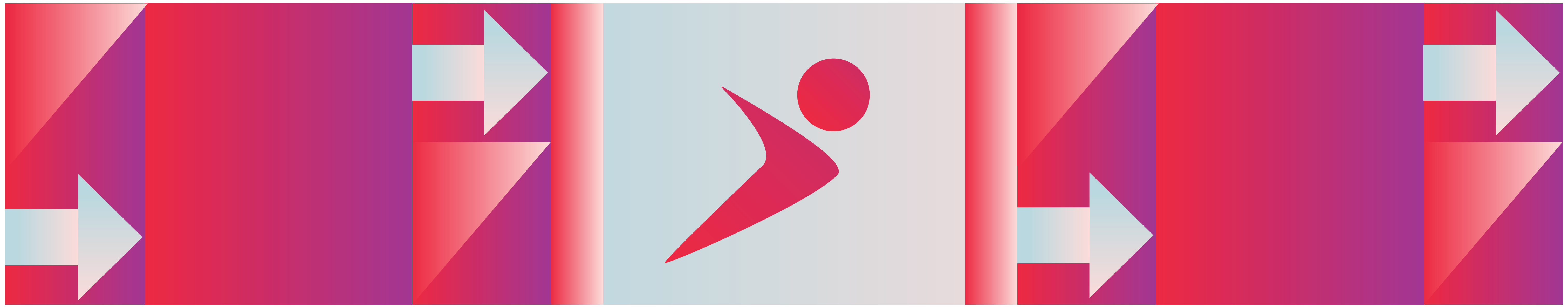
We take calculated risks, using innovative data points to inform our experimentation process.

In so doing, our people become trailblazers. We follow our curiosity to navigate new business landscapes. We are a team that can brave and challenge the status quo for improvement. This shared characteristic encourages our people to assess situations from different perspectives.

Own It

Empowerment unlocks the full power of our potential. We hold ourselves accountable for our duties and commitments.

We believe stepping up, going beyond, and owning our contribution helps us work as one team, focused on goals that move the whole business forward.



Move Forward Fast

Our success is powered by our ability to see new opportunities and act upon them quickly.

We are constantly learning, embracing change, and challenging each other to achieve better things, even when it means unlearning outdated things.

"Combined, these Values make up a fully synergized culture that shapes every facet of URC: its products, decisions, and behaviors."

Combined, these Values make up a fully synergized culture that shapes every facet of URC: its products, decisions, and behaviors.

We hope that taking these principles to heart will also inspire personal development, confidence, and camaraderie — life-long growth and relationships that transcend the workplace.

Ambition

Using our Purpose and Values, we gradually pieced together our key objectives for URC's Ambition. The result was a compelling vision that defines what the company aspires to become by 2035.

Ambition 2035 is best illustrated in three parts that complement our business strategies:

Our business model

"We are a sustainable global enterprise."

- URC delivers consistent, superior returns to all of its stakeholders while caring for the environment that brings life to our business.
- We pioneer products with expansive reach developed from fully integrated systems and best-in-class capabilities.
- From our hardworking factory staff to our trusted business partners, people can count on URC to advocate strong win-win outcomes - collaborating for the good of all.

Our products

"We give everyone access to high-quality, planet-friendly products."

- All of URC's food products prioritize taste and health, delighting customers around the world.
- These products lead within multiple markets by being both accessible and affordable.
- Every brand has a deep connection with consumers through variety and interactive experiences.
- We maintain global standards of quality, including non-food items, while supporting our no-waste agenda to achieve a net-zero impact on the planet.

Our people

"We are top-of-mind for having the best talent in the world."

- URC is a global organization that stays true to its values.
- We foster an open, remote, and fluid work dynamic with a network of productive teams.
- URC empowers each one of us to create innovative solutions and work to our full potential.
- As a team, we foster belongingness. We ensure that everyone feels free to express and contribute their passion, creativity, and talent through their work.

Winning Together

Upon introducing this cohesive Purpose, Values, and Ambition statement, we received great feedback from the different URC teams and branches.

It has been a joy to hear how tenured members and partners of our community strongly resonate with URC's updated shared identity. New members have also developed a better appreciation for what the company stands for, helping them understand their role on a deeper level.

We are certain that our PVA, coupled with our business strategies, will open new opportunities for URC to flourish.

Branded Consumer Foods (BCF)

Spanning 4 branded super categories, BCF is recognized for being our largest business segment. It covers a wide range of beloved brands within the snacking, beverage, and noodle groups. With a growing presence within the ASEAN markets, each category has grown to become a staple on every family's shopping list.

Snack Foods

Snacks
Mang Juan, Potato Chips, Nova, Chippy, Roller Coaster, Jack'n Jill Calbee, Chiz Curls, Granny Goose Tortillos, Potato Chips Vcut, Pic-A, Mr. Chips, Tostillas, Piattos

Biscuits
Dewberry, Munchy's Crackers, Oat Krunch, Fun-O, Presto, Knots, Chocolate Pretzels, Wafrets, Lausanne, Tivoli, Cream-O, Magic, Müzic, Lexus

Cakes
Quake, Cream-O Cakewich, Fun-O

Candies
Dynamite, X.O., Maxx, Chooey, Lush

Chocolates
Nips, Cloud 9, Hello!, Wiggles, Tivoli

Ready-to-Drink Beverages

Tea
C2

Water
Refresh Mineral Water, B'lue

Juice
Refresh

RTD Chocolate
Cloud 9 Chocolate Milk Drink

Soy
Vitasoy

RTD Coffee
Great Taste

Energy Drink
Rong Do

Powdered Beverages

Coffee
Great Taste, Blend 45

Creamer
Cream All

Chocolate
Swiss Miss

Noodles

Pouch
Nissin, Payless

Cup Noodles
Nissin

Pasta
El Real

Agro-Industrial & Commodities (AIC)

This segment is a vertically integrated business comprising the Agro-industrial Group, Sugar and Renewables Group, and Flour. The AIC division is designed to complement the branded consumer foods business with its end products, namely sugar and flour.

Agro Industrial Group

Farms

ROBINA Farms SINCE 1956

- Table Eggs
- Pork Meat Cuts
- Processed Meat and Eggs
- Live Products
- Ready-to-Eat

Food Services

Hidden Spring

ROBINA Food Partners

- Robina Food Partners Powders

Feeds

Uno+ KALIDAD•KABALIKAT•KITA

ROBINA Hog BLEND

TopBreed Top Care, Top Value.

Supremo S-MAXX TRIPLE SA LAKAS!!!

Robina FEATHERLINES

Drugs and Disinfectants

BioSure

Shield+

Sugar and Renewables

- Raw Sugar
- Refined Sugar
- Molasses
- Bioethanol
- Power Export
- Liquid CO_2

Flour

Bread

Baker John

Flour

UNIVERSAL FLOUR FIRST CLASS FLOUR

CONTINENTAL All-Purpose Flour

MyROSE SOFT FLOUR

Globe FIRST CLASS FLOUR

Noodlelicious

SAMPAGUITA SOFT FLOUR

FibrA+ Whole Wheat Flour

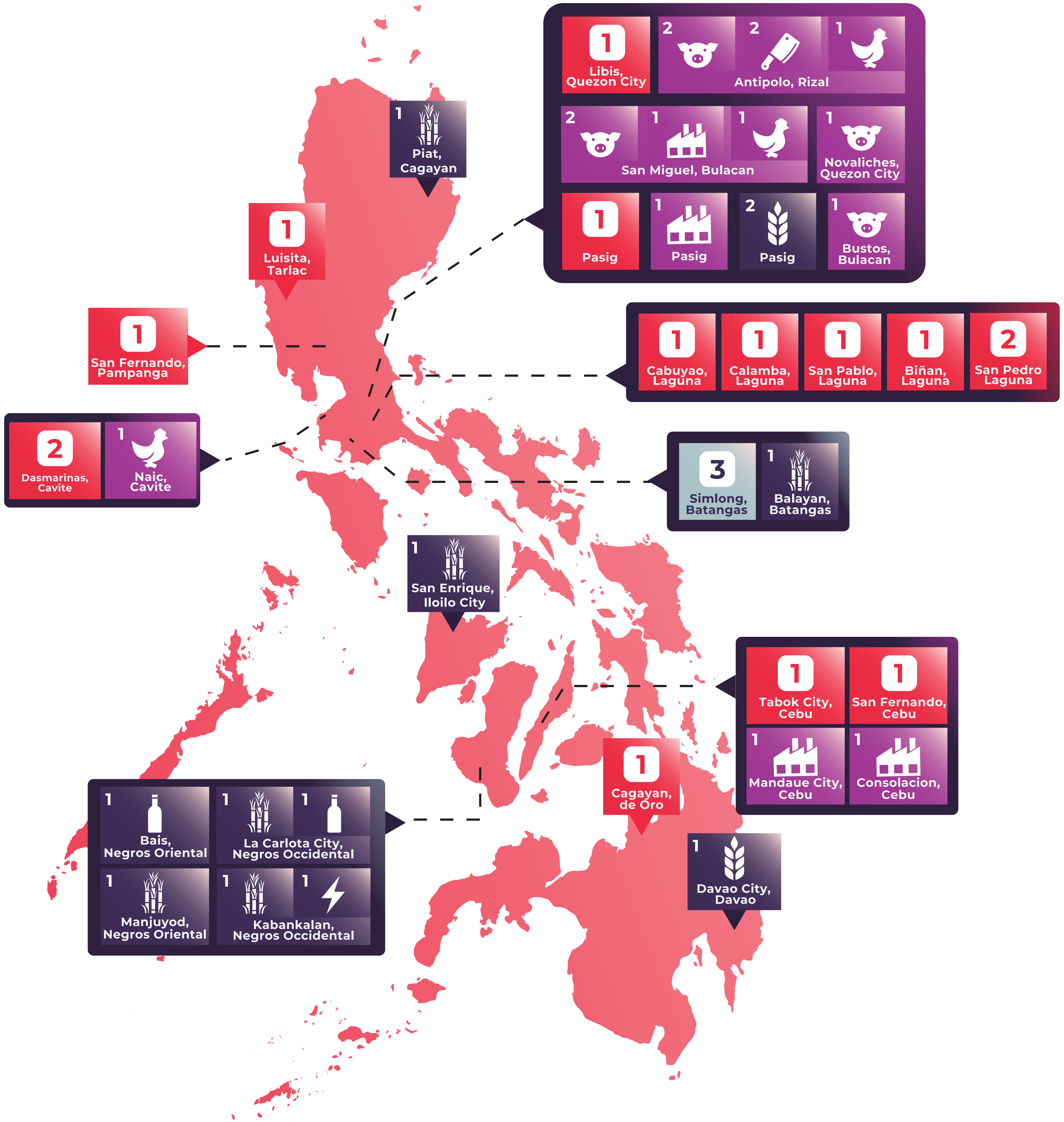
DAISY Cake Flour

Universal Robina

GEOGRAPHIC PRESENCE

TOTAL URC FACILITIES

36	Branded Consumer Foods Facilities
15	Agro-Industrial Facilities
12	Commodity Foods Facilities
5	International Sales Offices and Distribution Presence Facilities



Domestic

Branded Consumer Foods Group

BOPP/Flexible Packaging Plant

Agro-Industrial Group

- Feed Mills
- Piggery Farms
- Poultry Farms
- Slaughterhouse

Commodity Foods Group

- Flour Mills
- Distillery Plant
- Sugar Mills
- Sugar Mill & Biomass-Fired Power Cogeneration Plant

GEOGRAPHIC PRESENCE

Global Exports

Our Branded Consumer Foods' single global export team helped us introduce a diverse portfolio of high-quality products to customers in over 50 countries worldwide. This includes the following regions:

America • Europe • Middle East • Africa/Indian Ocean • North Asia

The expansion helped us maximize sales resources and manufacturing capabilities while supporting our international distributors and retail partners. Together, we hope to break through to new markets and create more win-win opportunities for our network.

Strategy Updates

Growth and Innovation Through the Pandemic:

URC Strategy Updates

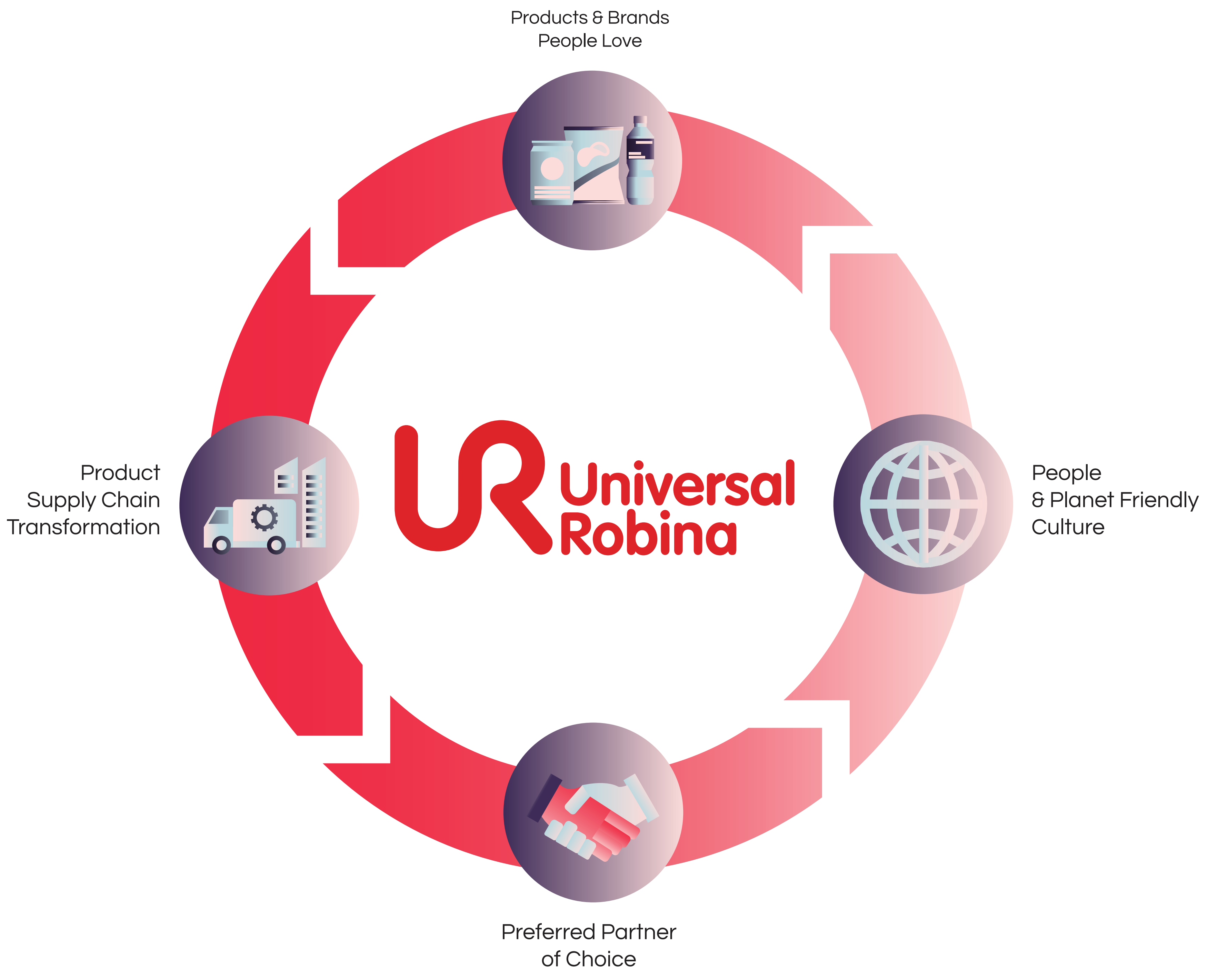
URC's success in navigating through the pandemic and accelerating growth amid new challenges is built on a vigorous strategy focused on innovation and acquisition, effectively positioning the company to hit key objectives, cultivate growth, and exceed expectations.

Throughout 2021, our How-To-Win and Where-To-Play ideals served us well, continuing to strengthen the business moving forward. With the gradual ease of health restrictions worldwide and steady reopening of the economy, new opportunities emerged to bounce back and further growth agendas.

Our Where-To-Play strategies centered on amplifying our core businesses while simultaneously expanding into new adjacencies, categories, and geographies.

Where-to-Play

How-to-Win



On the other hand, our How-To-Win strategies focused on sustaining our 4 Ps Wheel — enabled by a people and planet-friendly culture, we continue to develop products and brands people love, solidify our stance as a preferred partner of choice for both customers and suppliers, and transform our product supply chain to better serve all consumers.

With an unwavering commitment to people, a robust innovation pipeline, and new category entries, URC was able to sustain wins across the board and take even bigger strides toward its long-term ambitions in 2021.

The following section outlines the highlights and leading breakthroughs across our four main platforms.

Universal Robina

Products and Brands People Love

URC is uniquely strong with a wide, diverse, and beloved portfolio of products — from discretionary to staples and value to premium.

Staying true to our mission to delight customers with good food choices, we continued to invest in our brands even through an industry-wide downturn.

URC firmly believes that strong brands are a major competitive advantage and that spending on brands pays off. By continuing to increase brand equity, we pivoted to where our consumers' eyes were, with a strong focus on digital media in 2021.

We built up better distribution through the pandemic and scaled our e-commerce presence rapidly, making concrete progress in future-proofing our growth.

Our Innovation Process Management (IPM) system remained the guiding framework and strategic thrust in 2021 for improving processes, driving new product development, and refreshing existing brands without compromising entrepreneurial speed and agility.

We continued to integrate the Grow-The-Core and Expand-For-More mindset, securing leading positions in most categories and markets while diversifying our portfolio and geographic footprint.

For 2021, we followed through on these key areas:

Health

Prioritizing health in our portfolio, a relevant demand in the new normal.

Value

Providing value-for-money options for cash-strapped consumers.

In-Home

Creating solutions for superior in-home consumption.

Indulgence

Introducing new premium selections for our consumers' satisfaction.

Universal Robina

NEW FEATS IN BOTTLED REFRESHMENTS

In 2021, we reached new milestones for bottled drink brands C2 and Great Taste.

C2 Milk Tea is now #1 in the country with a 45% market share in the ready-to-drink milk tea segment. In Vietnam, a timely revamp of our product variants bumped C2 up to #2 in the country in terms of volume.

Great Taste Iced Coffee also showed significant growth with an 11% market share in one year.

SHARE-WORTHY CHIPS AND FLAVORS

Building on last year's shift to in-home consumption, we continued developing larger variants in the chips category, satisfying customers looking for supersized snacks they can share with friends and family.

In the Philippines, Piattos Supersized contributed incremental growth to the nation's #1 Snack brand, while Vcut Party Pack contributed further into holding the #1 rank in Potato Chips. In Thailand, Roller Coaster became the fastest-growing brand in the potato chips category. Meanwhile, Piattos Jumbo Pack contributed substantial growth to Piattos Indonesia, solidifying its position in modern trade.

Consumers are also on the lookout for new and exciting products. We took this as an opportunity to set the trend with mouthwatering new flavors for Piattos and Nova.

INTRODUCING NEW PREMIUM SELECTIONS

Nips Dark Chocolate is the #1 NPD of 2021, accompanied by the launch of the Strawberry Delight variety. Cloud 9 also released Cloud 9 Gold, with almond fudge and caramel nut crisp flavors.

We also created a new premium segment in Bakery across Vietnam and the Philippines. With it came the introduction of Cream-O Premium, Cream-O Cake Bar, Cream-O Crunchy Cookies in chocolate and caramel or chocolate and coconut flavors, as well as Magic Crackers.

Innovation intensity also propelled URC Thailand to greater success in the wafers category. Tivoli added more diversity to its line of coated wafers with the launch of a product with Ovaltine, as well as a strawberry-filled, chocolate-coated variant. Lausanne, on the other hand, launched its chocolate and vanilla cream-filled wafer.

VALUE-FOR-MONEY COFFEE PRODUCTS

In coffee, we made steadfast progress by continuing to offer value-for-money varieties for consumers who enjoy products at more appealing price points.

Great Taste Instant Soluble grew compared to the previous year with its Premium Classic and Strong Granules varieties. At the same time, Great Taste Duo, the first 2-in-1 mix, made its mark in strong coffee mixes in just half a year.

BOOSTING HEALTH

We also took deliberate steps toward healthier snack, candy, and beverage options.

Presto cookies enhanced with B vitamins were marketed to help busy consumers stay focused. In addition, customers can now find Maxx Vitamin C in stores, offering honey lemon-flavored candies with extra vitamins for immunity.

Meanwhile, C2 Fiber to help with digestion continued growing while C2 Plus Immuno-C catered to consumers looking to boost immunity while enjoying a rich orange-flavored beverage. In Vietnam, we also introduced C2 Plus Immunity in lemon flavor.

Preferred Partner of Choice

URC maintains strong partnerships that generate win-win opportunities for everyone involved, whether for strategic engagements or community-building efforts. We ensure that our partners receive the support they need, which leads to building trust, arriving at meaningful solutions, and sharing success.

With our trusted brands and strong growth, URC has become one of the top suppliers for major retailers in the Philippines. We have gained ground in implementing productive systems and processes that strengthen our integrated supply and distribution network, all aligned with our strategy to the Preferred Partner of Choice.

STRENGTHENING ROUTE-TO-MARKET

We spent the past few years integrating and optimizing Sales Force Automation (SFA) into our sales process to further upgrade our distributors' capabilities. The platform catalogs our list of products into a single application, which allows salesmen to present our wide product portfolio to store owners through a smartphone or tablet. It also highlights the latest URC merchandise and promotions, providing our salesmen with upsell opportunities.

After the URC team helped distributors familiarize themselves with the program, sales personnel were able to better showcase our offerings to store owners, while also being able to solicit orders in the field and send them back to the distributor for order fulfillment in real-time. With the new platform, the sales force was able to spend less time on administrative work and more time selling. In addition, SFA also allowed the sales force to cover more outlets in a time-efficient manner, through dynamic route planning based on a master database of customers in each area.

SFA had a significant impact on the improvement of URC's availability and distribution. At present, URC now covers over 250,000 doors – a tripling of coverage in the span of three years. Store owners were also pleased with the overall convenience and performance of the program, as their orders were transmitted immediately into our system, ensuring fast and accurate delivery of products.

In setting our distribution priorities, we went back to basics to solidify our fundamentals. We set clear KPIs with our distributors, which include must-carry SKUs and specific coverage targets for key channels. On URC's end, we focused on improving order fill rates and the availability of our products, to minimize any stocking issues and inventories.

E-COMMERCE EXPANSION

Similarly, we also sprinted to scale our e-commerce presence and ramp up our digital growth. We examined the positive outcomes from our digitization efforts that have helped us overcome trade limitations during the pandemic, identifying practices we could carry over into a better normal.

We expanded our availability across distribution channels and engaged in new partnerships that would help broaden our reach. In the process, we gained valuable insights as we worked closely with our distributors, touching upon market strategies that inform our plans for the future.

URC also established a dedicated e-commerce sales force responsible for leading our online operations, managing our online offerings, engaging with interested customers, and developing features that enhance the digital consumer experience. The team also oversees our Customer Relationship Management (CRM) system, which provides us with data and analytics to improve our services based on how consumers engage with our platforms.

Looking forward, we are concentrating our efforts on interface development, prototyping, and rapid roll-out of new innovations that will accelerate our growth and presence in the e-commerce space.

Product Supply Chain Transformation

URC's global operations continued adapting to the new normal in 2021, minimizing disruptions caused by the impact of restrictions and the lingering challenges the COVID-19 pandemic posed for our workforce. By capitalizing on new trade opportunities, URC realigned its capabilities and successfully boosted product manufacturing where economies exist.

URC also took the opportunity to identify new ways to improve its product supply chain with its Fuel For Growth program, building on its supply chain transformation program which began in 2018. The Fuel for Growth program identifies Php 5B in potential savings over the course of the next 5 years, coming from further optimization of our supply network, manufacturing operations, and product portfolio.

These savings will translate into improved operating income, but we intend to reinvest these gains back into the business — both in brand-building and in capacity-building for future growth.

In 2021, URC acquired two new sites for planned expansion, reinforcing our commitment to continued investments in new production lines. Our capacity investments will support future growth and aid in achieving a more sustainable supply chain network across the business.

New South Luzon Megaplant
Malvar, Batangas

World Grannary Flour Mill
Sariaya, Quezon

~30% Additional Lines
over the next 5 years

As URC continues to transition and transform its supply chain, our focus on innovating manufacturing processes and improving operational efficiencies remains — while solidifying our operations further in all the communities we serve.

Our Fuel for Growth journey touches on

LEAN Manufacturing

The LEAN Manufacturing methodology has supported countless businesses across industries to minimize waste and optimize conversion costs. We began incorporating the LEAN method in 2019, piloted in one of our largest manufacturing facilities in Calamba, Philippines.

Since then, we have successfully replicated the results across all our facilities and operations under the Branded Foods Business. In line with our Supply Chain Transformation strategy, the program enabled significant savings through lowered production downtime, reduced waste, and optimized use of resources. This has also had the benefit of improving both water and energy usage ratios, aligned with our Sustainability commitments.

The LEAN mindset also improved URC's response to issues in manufacturing and logistics by empowering its operations teams with appropriate training and education, enhanced immersion in the workplace, and the ability to use the company's analytical tools and techniques. By upskilling our people's expertise through exposure to more LEAN initiatives, we were able to effect notable improvements in manufacturing and beyond.

With prices for commodities remaining volatile and experiencing multiyear highs in 2021, URC expanded and accelerated its LEAN Savings Program further, addressing fluctuation and cost inflation and effectively minimizing the cost passed on to consumers.

As we move forward with our LEAN initiatives, we will continue to strengthen our supply chain network across the company, improve efficiencies, and reduce wastage in input material and finished goods.

Procurement Efficiencies

We continued developing our procurement process across all business units, striving for the best value at favorable costs.

In 2021, URC explored opportunities with new suppliers across the region for single sourced key materials, continuously looking for better and more cost-efficient alternatives that will contribute to the sustainability of the business.

In the years to come, we aim to further optimize procurement by upholding our procurement policies and raising awareness in our workforce on the best practices that will drive up our efficiences.

Product Formulation

URC is committed to providing its customers with good choices, offering more quality, healthy, and flavorful options while still ensuring they are priced accessibly.

In 2021, the company continued to work on harmonizing material specifications of its products to leverage scale for better pricing. We are also looking at improving our cost structure through the use of alternative materials but still ensuring that we give the same, or even better, products to our consumers.

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Supply Network Redesign

We took actionable steps in our Supply Network Redesign roadmap over the last few years to consolidate facilities, balance costs, and improve supply resiliency further. This allowed URC to continue optimizing its supply points, assigning key areas of high demand within their proximity to minimize transportation costs.

We also continued implementing our multi-phased approach across domestic and international operations, investing in sufficient production capacity in areas where strong demand growth was projected for the coming years, while also ensuring a sustainable supply of quality materials at low costs via strategic regional procurement.

With the acquisition of Munchy's, URC was also able to take bigger steps to improve long-term cost efficiencies while supporting business expansion in Malaysia, with plans to tap the new Munchy's facility to produce Jack 'n Jill branded products. With all these efforts, we were able to generate meaningful results in enhanced regional sourcing and more upscaled global exports, most especially in Southeast Asia.

Productivity from Scale and Shared Services

As the business continues on its growth trajectory, we have continued to optimize our fixed overheads, investing purposefully to support business requirements. We have also reorganized certain commercial functions to more effectively serve customers across different channels and geographies, without sacrificing quality or service levels.

As we enter 2022, we also see opportunities to establish better customer and end-consumer experiences through building new capabilities such as advanced digital analytics, customer care, and product or services feedback mechanisms, which also allows our teams to work more efficiently while optimizing resources.

People and Planet Friendly Culture

Among URC's priorities are multiple social sustainability dimensions that uphold the welfare of the lives we touch both within the company and outward. It captures the growth of our organization, stewardship for the environment, and uplifting partner communities.

This commitment is best summed up in our strategy for a People and Planet Friendly Culture, where we spearhead programs that ensure we leave a positive impact in the areas where we operate.

OUR ENGINE FOR GROWTH

People are our engine for growth that will drive us well into the future and URC is passionate about upskilling talent and creating new homegrown leaders. This year, we wanted to encourage holistic growth within the organization by focusing on three capability development goals: Shift to Digital Learning, Develop Next Generation Leaders, and Build Agile Academy.

Shift to Digital Learning

In the past few years, the company experienced unprecedented change in our ways of working with some teams working from home while others were engaged in on-site operations. The circumstance pushed us to innovate our upskilling methods, as we saw this as an opportunity to digitize our programs.

We ramped up our shift to a centralized digital learning platform that people could access with ease in the form of agile and innovative channels. In 2021, we launched *URLearning EdFlix Season 1* which offers various types of content, catering to the various learning styles of our employees. It features front-loading content that introduces learners to more courses they can participate in and view at any time, encouraging them to stay on the platform to learn more and learn better.

The first installment of the URLearning EdFlix series includes:

- **Code of Business Ethics:** A Netflix-inspired, self-paced learning subseries that aims to cultivate the value of ethical practices that should be applied in day-to-day business and professional dealings. It also contains five episodes that depict actual work scenarios based on relevant sections from the URC Employee Handbook.

- **URC Workplace Essentials:** A walkthrough of the essential tasks employees will accomplish in the company, such as filing attendances and leaves and logging into the URLearning and Employee Self Service platforms among others. These modules also teach employees how to maximize URC's digital systems, which is especially important for remote work.

- **Values Learning Series:** A values-based, self-paced learning series through bite-sized content like articles, podcasts, book summaries, micro-learning, and videos.

- **Agile Basics:** A series of 8-10-minute videos discussing specific topics of our Agile Transformation, including the different agile roles, ceremonies, units, and agile principles.

We have also broadened our digital learning platform catalog to offer functional learning courses, like virtual instructor-led training sessions. This was received well by our employees with a significant increase in the number of accounts created as of December 2021. At present, the platform caters to 1,619 learners who continue to access and complete courses.

Develop Next Generation Leaders

On top of our virtual learning programs, we created avenues for our people to journey into larger leadership roles to future-proof the business. Thus, we designed leadership capability-building programs rooted in our core values and management competencies.

Excellerate Innovation Bootcamp is a learning journey that equips participants with the basic toolkit, frameworks, and theories for innovative leadership.

The Excellerate program touches on five key areas, namely:

1. Strategic intent
2. Insights generation
3. Ideation
4. Refining through shaping and pre-mortem
5. Discipling experimentation

We designed the **Leadership Excellence and Advancement Development (LEAD)** program for our middle managers, orienting them on vital management practices to develop through coaching culture. Similarly, the **Leadership Enrichment and Advancement Program (LEAP)** was made for managers and supervisors to hone their basic management skills, better conversations, and team development.

In 2021, 30 Excellerate participants graduated from the program with an average presentation score of 85.03% while 15 LEAD participants graduated with an average presentation score of 86%.

Separately, we have also enrolled all the BCFG Philippines Plant Mancoms in **LEAP for Line Managers**; they graduated last July with an overall learning experience of 3.82 over 4.00.

The program has been launched in URC Thailand and URC Myanmar under the management of their respective Human Resource (HR) business partners.

Build Agile Academy

Lastly, one of our most notable undertakings this year was expanding our agile capability across the organization in conjunction with our organizational transformation. To help our people build knowledge and gain awareness of agile practices, we established the **Agile Academy.**

The Academy is designed to equip employees with an in-depth understanding of Enterprise Agile, teaching them its key elements and showing the step-by-step process within our journey. In doing so, the program encourages participants to move from understanding Agile theories to committing to this ambition and applying them, revolving around four elements: Knowledge, Experience, Peer Interaction, and Tools.

In 2021, learning sessions under Agile Academy contributed a total of 57,227 training hours covering Executive MBA, Agile Bootcamps, and Agile in Sprint sessions.

Altogether, these programs are designed to create a unique learning experience that targets the needs of our workforce and enhances their skill set. The programs are not only a physical facility but a well-built foundation, combining a collection of leadership and a skilled curriculum that aligns upskilling with the requirements of the business.

INITIATING DIGITAL EVOLUTION

This year, we invested in streamlining our upskilling initiatives, which requires having the right tools and automation solutions to act as a vehicle for what we hope to achieve.

Internally, we have modernized our HR operations with our partner **Darwinbox**, a fast-growing HR technology platform provider. It is an end-to-end solution that meets the demands of our organization through a comprehensive human capital management system with remarkable agility.

The company-wide platform allows us to consolidate a variety of HR functions into a secure database, including retirement, onboarding, performance management, and talent management.

Using Darwinbox, we launched **URJourney**, the company's career development program that guides employees of all levels to grow and develop through a range of modules. The platform generates data into a performance management system, which we use in the formation of our assessment and career plans. From here, we create development plans specific to employees, as well as an Advancement Planning system.

Digitization and process simplification initiatives are vital in developing new skill sets in our people for project collaboration. Through these programs, we actively take part in supporting our people in advancing their careers by monitoring their progress, providing feedback, and having the fundamental resources readily available to them at any time.

PLANS FOR THE PLANET

Following the sustained success of our **Live Sustainability. Live URC.** program, we calibrated our increased capabilities within the year to refresh our targets – all towards acting upon our commitment as a sustainable global enterprise.

In our **2030 Sustainability Roadmap and Commitments,** we sought to expand our goals and consolidate our programs under six focus areas that are important to the business and its stakeholders: People and Communities, Climate Action, Water, Product, Packaging, and Sourcing. It is the foundation of URC's Purposeful Transformation journey, in which we underwent materiality and benchmarking processes, plotted our short and long-term plans, and set them in motion.

To discuss each of our initiatives in detail, we consolidated URC's programs and progress in our our **2021 Sustainability Report.** It illustrates how the company meets the standards of the Global Reporting Initiative (GRI) guidelines, UN Sustainable Development Goals and multiple government agencies.

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Sprints That Sustain

Agile@Scale Transformation

One of the essential aspects of URC's Purpose, Values, and Ambition is our commitment to empowering people toward future-proof solutions. We are passionate about creating opportunities for our people to achieve their full potential through upskilling and evolving the ways we work.

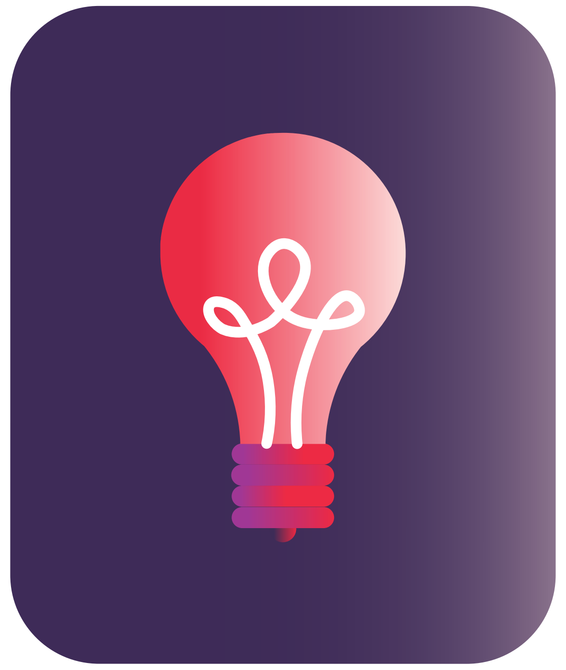
This enthusiasm encouraged us to improve our organizational approach through Agile@Scale Transformation which allows people to organize in cross-functional teams to drive efficiency. It incorporates the principles of systems thinking to resolve concerns with swiftness, deliver requirements, and build relations with more of our customers and consumers.

REFINING FUNDAMENTALS

Agile@Scale Transformation was established in order for people to venture out of their functional silos and into multidisciplinary teams to solve complex problems or accomplish a shared mission. Each member of the team is able to contribute their ideas to ensure that their assigned objectives are achieved, such as launching a new beverage or boosting digital distribution.

There are a variety of key results and goals that our Agile tribes strive to accomplish, all working toward a singular Tribe Mission: grow revenue, profitability, and market share of our core categories within our existing portfolio and accelerate new product development (NPD).

Beyond this core mission, going Agile poises us for promising wins across different facets of the business:



Quality, Quantity, and Speed

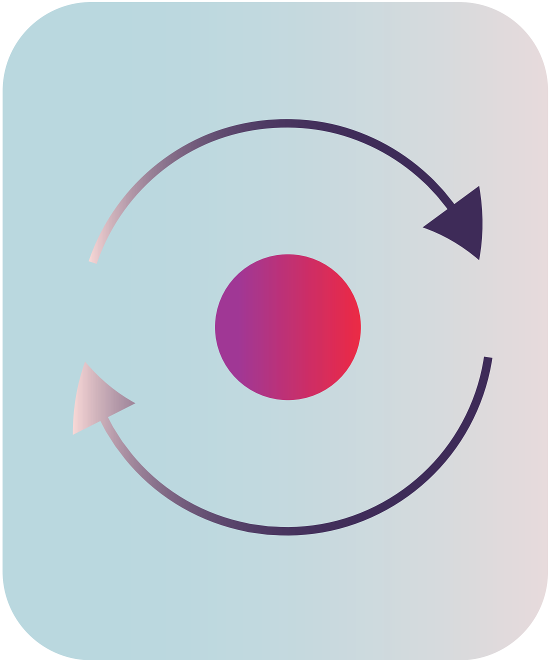
Innovation

Accelerating our New Product Development (NPDs) and launches to achieve sizable gains and sustained success rates.

Operational Excellence

Execution

Foreseeing and addressing gaps in demand planning, reaching savings targets, and maintaining consistent manufacturing standards.



Resource Optimization

Upskilling and Team Morale

Improving employee engagement score, supporting career advancement, and preventing burn-out and over-stretch in the workforce.

DESIGNED TO SUSTAIN

The new Agile structure is composed of several group compositions namely: Tribes, Platforms, Chapters, Squads, and Plant Clusters.

A Tribe is a customer-facing collection of Squads driven by an overarching mission linked to delivering customer value. Platforms are similar to Tribes, but they are not customer-facing; their mission is to design and deliver processes or services that can be used by Tribes to achieve their goals.

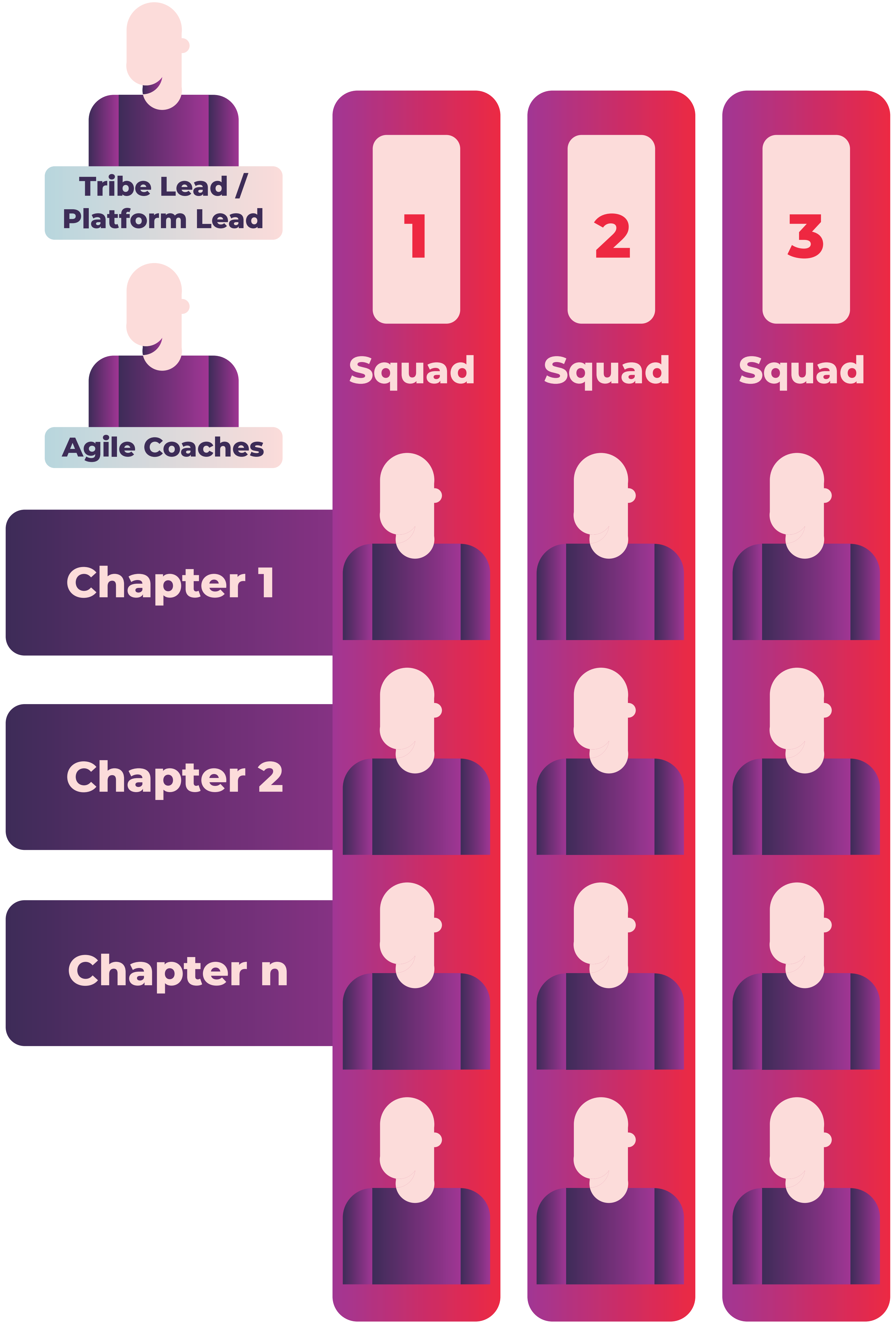
To monitor performance and delivery, every Tribe and Platform will have their corresponding Leads who will manage and strategize with the team. There will also be an Agile Coach for each one to ensure that the unit is synchronized with the Agile mindset and methodologies while providing feedback and guidance throughout the process.

Each Tribe member will have two affiliations – one as a member of their respective Chapter and another for their assigned Squad.

Chapters are groups of people with similar capabilities who meet to discuss the day-to-day priorities each member will work on when deployed to their own Squad.

On the other hand, a Squad is comprised of people with cross-functional capabilities who use their complementary skills to work on a project. They are an autonomous, co-located team who have end-to-end responsibility in accomplishing the mission entrusted to them.

Through Agile@Scale, we were able to assign specific and urgent tasks to specialized, independent teams. It is designed to expedite constructing solutions in actionable steps – may it be for Category Tribes who address product and brand concerns or Sustainability Squads that sprint to make progress in their conservation programs.



UPSKILLING TALENT

An essential proponent to the success of our Agile Transformation is educating our people on the best practices and strategies that will walk them through new ways of work. This is why we established the Agile@Scale Academy, a one-stop learning portal with a curated blended learning journey, created in partnership with McKinsey and Company.

The Agile Academy is a comprehensive program that combines self-paced learning, facilitator-led webinar workshops, virtual sessions with leading agile companies, and hands-on boot camps. It's a platform that caters to different learning styles during the onboarding process of our people, covering all the fundamentals with an array of resources.

Each Squad follows our URC-wide operating model provided by the Agile Design Council, which is composed of key movers within the company. The model maps out our organizational structure, Tribe roadmaps, and sprint sessions for projects.

We've also established the Agile Center of Excellence (CoE), a self-sustaining program that continuously equips critical capabilities, instills governance guidelines, and embeds the Agile mindset in our transformation process.

GEARED FOR GROWTH

As of 2021, we've established approximately 130 Squads and 4 Plant Clusters with over 1,370 people taking part in our Agile Transformation. It served as a venue for our people to step into larger leadership roles with approximately 50 members participating in a series of EMBA sessions while having the freedom to apply them in their projects.

Agile has already generated positive returns in operational savings through the optimization and strategic efforts of our Tribes. They have also contributed to our pipeline of innovative NPDs, pursued digital distribution, and streamlined plant operations all within its pilot year.

URC's Agile Transformation has been a rapidly expanding and fulfilling journey that has produced an abundance of ideas and developments, which we have banked for the future with some well underway. It shifted our methods of working into a progressive and holistic system that fosters regular upskilling, leadership training, and targeted issue resolution that accelerates our growth, powered by the company's engine for growth – the talent, dedication, and commitment of our people.

Corporate Governance

CORPORATE GOVERNANCE

Universal Robina Corporation ("The Company") acknowledges that good corporate governance is essential to build an environment of trust, transparency, and accountability necessary for fostering long-term performance, financial stability, business integrity, and sustainability of the company for the protection of the interests of shareholders and other stakeholders.

Corporate governance is the framework of rules, systems and processes of the corporation that governs the performance of the Board of Directors and Management on their respective duties and responsibilities to the stakeholders. The Revised Corporate Governance Manual was adopted to institutionalize corporate governance principles as a guide for the daily conduct of business.

The Company continuously strives to strengthen and improve its corporate governance practices by adopting best practices that include building a competent board, aligning strategies with goals, managing risk effectively, adhering to high standards of ethics and integrity, and promoting accountability by defining roles and responsibilities.

The Company believes that sound and effective corporate practices are fundamental to the smooth, effective, and transparent operation of the company and its ability to attract investment and enhance shareholder value.

This includes the Company's commitment to ensure fair and equitable treatment to all shareholders, including the minority, and the protection of their rights, which includes:

1. **Right to vote on all matters that require their consent or approval**
2. **Right to inspect corporate books and records**
3. **Right to information**
4. **Right to dividends**
5. **Appraisal right**

The Company is transparent and fair in the conduct of the annual and special Shareholders' meetings. To foster active shareholder participation, the Board sends the Notice of Annual and Special Shareholders' Meeting with sufficient and relevant information at least fifteen (15) business days before the meeting, in compliance with the Securities Regulation Code. The Shareholders are encouraged to personally attend such meetings and those who are unable to attend are apprised ahead of time of their right to appoint a proxy. Subject to the requirements of law, rules and regulations, and the By-Laws, the exercise of that right shall not be unduly restricted and any doubt about the validity of a proxy shall be resolved in the favor of the shareholder.

Guided by the principles of fairness, accountability, and transparency to the shareholding public, the Company ensures that the result of the votes taken during the most recent Annual or Special Shareholders' Meeting is made available the next working day. In addition, the Minutes of the Annual and Special Shareholders' Meeting may be accessed through the Company Website within five (5) business days from the end of the meeting.

Duty to Other Stakeholders

The Company recognizes and places importance on the interdependence between business and society, and promotes a mutually beneficial relationship that encourages the Company's sustainable growth while contributing to the advancement of the society where it operates. The Company employs value chain processes that take into consideration the Economic, Environmental and Social Governance (EESG) issues and concerns.

Customers' Welfare

The Company adopts customer relations policies and procedures to protect the customer's welfare. These include providing and making available the customer relations contact information, who is empowered to address and attend to customer questions and concerns.

Supplier/Contractor Selection

The Company follows the Supplier Accreditation Policy to ensure that the Company's suppliers and contractors are qualified to meet its commitments. Apart from the accreditation process, suppliers and contractors also undergo orientation on Company policies and ethical practices.

Employees

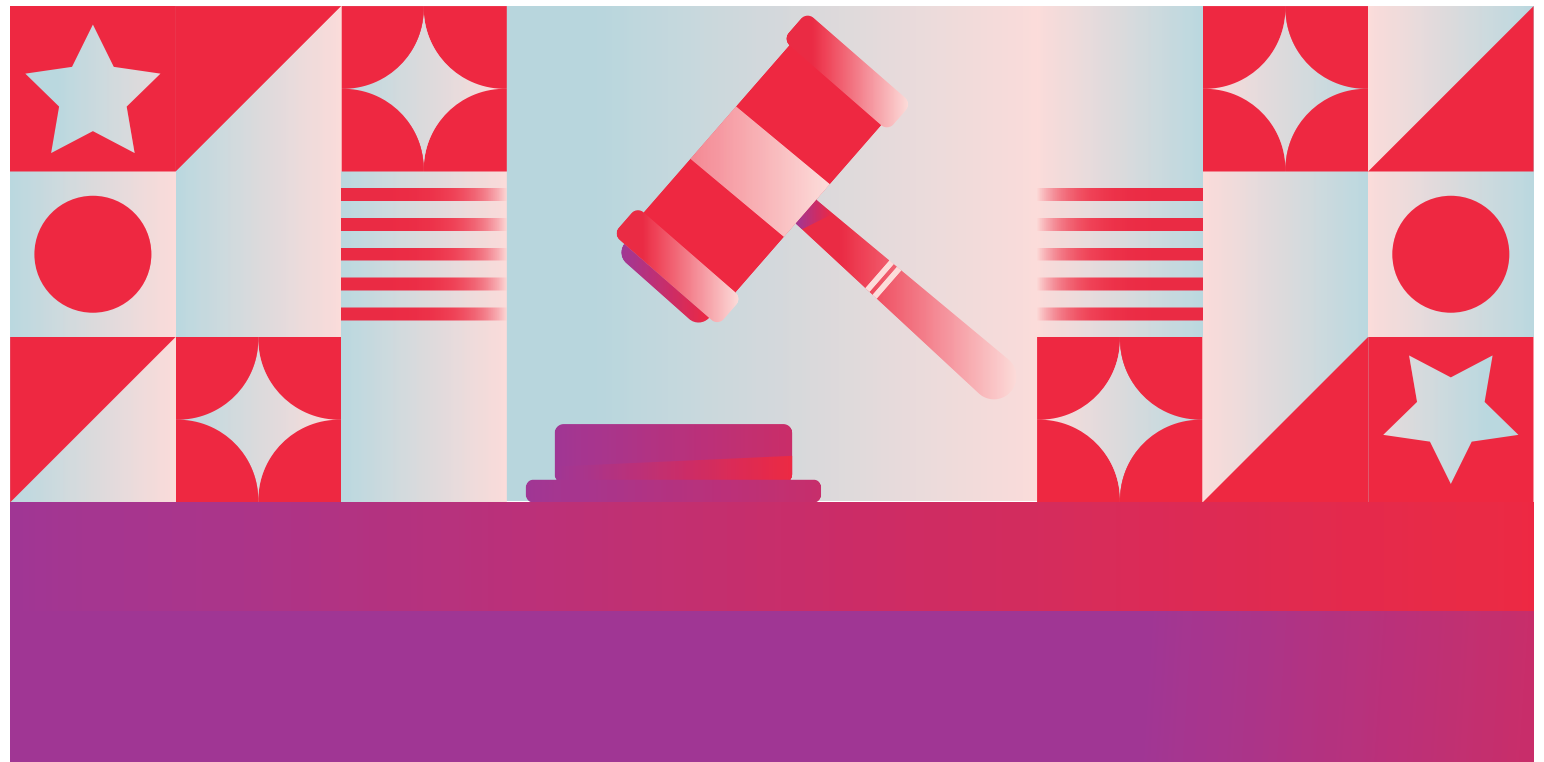
The Board also establishes policies, programs, and procedures that encourage employees to actively participate in the realization of the Company's goals and its governance that includes but are not limited to:

- **Health, safety, and welfare**
- **Training and development**
- **Reward and compensation**

Performance-enhancing mechanisms for employee participation

The Company abides by the standards and policies set by the Department of Labor and Employment. Likewise, the Company has Security and Safety Manuals that are implemented, reviewed, and regularly updated to ensure the security, safety, health, and welfare of the employees in the workplace.

The Company continuously provides learning and development opportunities for its employees through the John Gokongwei Institute for Leadership and Enterprise Development (JG-ILED), a leadership platform for systematic and sustained development programs across the conglomerate.



Its mission is to enable a high-performing organization that will facilitate the learning process and develops the intellectual and personal growth of all employees through targeted and customized training and development programs.

Furthermore, corporate culture and employee know-how are honed at the URC University, which is an online platform that engages URLearning content via interactive modules that make learning fun, engaging, and accessible anytime, anywhere. This platform provides a personalized training experience, a venue to share knowledge and learn from others, and has a reward system for top-performing learners. The URC's brand of people development "inspires personal mastery, encourages servant leadership and collaboration, and ensures operational excellence."

Anti-corruption programs and procedures

The Company is committed to promoting transparency and fairness to all stakeholders.

The Board sets the tone and makes a stand against corrupt practices by adopting anti-corruption policies and programs. Some of the Company's Anti-Corruption programs are embodied in the Code of Business Conduct and Ethics, Conflict of Interest, and Offenses Subject to Disciplinary Action (OSDA) among others. The same is disseminated to all employees across the Company through training programs to embed them in the Company's culture. New employees are oriented regarding policies and procedures related to Business Conduct and Ethics and similar policies. All employees are given periodic reminders. Furthermore, all concerned employees of the Conglomerate are required to comply with the Self-Disclosure Activity on Conflict of Interest and Declaration of Gifts Received on an annual basis.

The Company also has an established suitable framework for whistleblowing and ensures its enforcement to allow employees and other stakeholders to freely communicate their concerns about illegal or unethical practices without fear of retaliation. They have direct access to an independent member of the Board or to a unit created in handling whistleblowing concerns.

The anti-corruption programs and procedures of the Company are summarized below:

Business Conduct & Ethics	Policy Statement
Conflict of Interest	The Company's Code of Business Conduct and Conflict of Interest Policy require employees to make a conscious effort to avoid conflict of interest situations so that their judgment and discretion are not influenced by considerations of personal gain or benefit. A conflict of interest may also occur because of the actions, employment, or investments of an immediate family member of an employee.
Conduct of Business and Fair Dealings	The Company's employees who recommend, endorse, or approve the procurement or sale of goods and services should make a conscious effort to avoid any conflict of interest situations in transactions they are involved with.
Receipt of Gifts from Third Parties	The Company discourages the acceptance of gifts. However, gifts like advertising novelties may be given or accepted during the Christmas season. There is no restriction in the value of the gift that may be accepted. However, accepted gifts with an estimated value of over Php2,000.00 must be disclosed to the Conflicts of Interest Committee.
Compliance with Laws and Regulations	The Company ensures that all transactions comply with relevant laws and regulations. Any deficiencies are immediately rectified.
Respect for Trade Secrets/Use of Non-public Information	The Company has policies that ensure proper and authorized disclosure of confidential information. Disclosures to the public can only be done after the disclosure to SEC and PSE by the Company's authorized officers.
Use of Company Funds, Assets, and Information	Employees are required to safeguard Company resources and assets with honesty and integrity. Employees must ensure that these assets are efficiently, effectively, and responsibly utilized.
Employment and Labor Laws and Policies	The Company ensures the observance, strict implementation, and compliance with employment and labor laws and policies with regard to recruitment, employment, retention, and benefits of the employees.
Disciplinary Action	Violation of any provision of the Code of Business Conduct may result in disciplinary action, which includes dismissal and reimbursement for any loss to the Company that resulted from the employee's actions. If appropriate, a violation may result in legal action against the employee or referral to the appropriate government authorities.

The anti-corruption programs and procedures of the Company are summarized below:

Business Conduct & Ethics	Policy Statement
Whistleblowing	The stakeholders may discuss or disclose in writing any concern on potential violation of the Code of Business Conduct with the Conflicts of Interest Committee. Reports or disclosures can be made in writing or by email using the following contact details: a. Email Address: cicom@jgsummit.com.ph b. Mailing Address Must be sent in a sealed envelope clearly marked "Strictly Private and Confidential-To Be Opened by Addressee Only" CICOM JG Summit Holdings, Inc. 40th Flr. Robinsons Equitable Tower ADB Avenue, Cor., Poveda Road, Pasig City The complaint shall be filed using the Complaint/ Disclosure Form (CDF) available on the company website. All information received in connection with the reports or disclosures shall be strictly confidential and shall not be disclosed to any person without prior consent from the CICOM. The Company commits to protect those who report in good faith from retaliation, harassment and even informal pressures. It will take the necessary and appropriate action in enforcing the policy.
Conflict Resolution	The Conflicts of Interest Committee submits recommendations for courses of action that can be taken in conflicts of interest situations. The decision is done by the Executive Committee.

The anti-corruption policies and programs are made available online for easy access of the rest of the employees in the organization for their reference and guidance. Through the facilitation of the HR team, URC will also roll-out an e-Module of the Code of Business Conduct where all of the Company employees shall be asked to watch and take the exam to gauge their comprehension and retention of the Company policies and guidelines.

URC also launched iSpeak, an initiative in line with the Company's Whistleblowing Policy. iSpeak is a digital platform where employees can freely and securely share feedback, complaints, and reports on non-adherence to Company values including policies on Anti-Corruption.

The Company ensures that Employees reporting via ISpeak are protected from harassment, retaliation, or punishment.

Consistent with the Revised Corporate Governance Manual and pursuant to the recommendations provided in the Code of Corporate Governance for Publicly Listed Companies (PLCs), the Company strengthened its policies on **Board Diversity, Board Nomination and Election, Succession Planning and Remuneration, Material Related Party Transactions, Insider Trading, and Whistleblowing** to reinforce the governance framework of the Company. These policies may be accessed on the Company's website, in the Governance section, https://www.urc.com.ph/corporate-governance/company-policies/

The Company submitted the Integrated Corporate Governance Report (I-ACGR) to the Securities and Exchange Commission (SEC) and Philippine Stock Exchange (PSE) on May 27, 2021. The I-ACGR is a reportorial requirement under SEC Memorandum Circular No. 15 series of 2017 to all PLCs to disclose the Company's compliance/non-compliance with the recommendations provided under the Corporate Governance Code for PLCs.

With the "comply or explain" approach, voluntary compliance to recommended CG best practices is combined with mandatory disclosure.

The Company's I-ACGR may be accessed through the Company website by clicking this link, https://www.urc.com.ph/corporate-governance/I-ACGR

THE BOARD OF DIRECTORS

The Board of Directors ("The Board") is primarily responsible for the governance of the Company and provides an independent check on management. It has the duty to foster the long-term success of the Company and to ensure that the Company's competitiveness and profitability will be sustained in a manner consistent with its corporate objectives for the best interest of the company and its stakeholders.

The Board formulates the Company's vision, mission, strategic objectives, policies, and procedures that guide its activities, including the means to effectively monitor the Management's performance. It provides direction and approval in relation to matters concerning the Company's business strategies, policies, and plans, while the day-to-day business operations are delegated by the Executive Committee.

The Board exercises care, skill, and judgment and observes good faith and loyalty in the conduct and management of the business and affairs of the Company. It ensures that all its actions are within the scope of power and authority as prescribed in the Articles of Incorporation, By-Laws, and existing laws, rules, and regulations. To uphold high standards for the Company, its Shareholders, and other Stakeholders, the Board conducts itself with honesty and integrity in performing its duties and responsibilities.

Board Duties and Responsibilities

The Company's Corporate Governance Manual specifies the roles, duties, and responsibilities of the Board of Directors in compliance with relevant laws, rules, and regulations. In adherence to the principles of corporate governance, the Board is tasked to perform the following:

General Responsibilities

It is the Board's responsibility to foster the long-term success of the Corporation in order to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and in the best interest of the Corporation, its Shareholders and Stakeholders, as a whole.

Duties and Functions

To ensure high standards for the Corporation, its Shareholders, and other Stakeholders, the Board shall conduct itself with honesty and integrity in performing the following duties and responsibilities:

- Act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the Company and all Stakeholders;

- Oversee the development and approve the Company's business objectives and strategy, and monitor their implementation, in order to sustain the Company's long-term viability and strength. The Board shall review and guide the corporate strategy, major plans of action, risk management policies and procedures, annual budgets and business plans; set performance objectives; monitor implementation and corporate performance; and oversee major capital expenditures, acquisitions and divestitures;

- Oversee the adoption of an effective succession planning program and remuneration policies;

- Adopt policies on board nomination and election that will ensure diversity in board composition in terms of knowledge, expertise and experience;

- Oversee the implementation of the policy and system on RPTs, which shall include the review and approval of material or significant RPTs and ensure fairness and transparency of the transactions;

- Oversee the adoption of policies on the selection of Management and Key Officers and the assessment of their performance;

- Oversee the establishment of an internal control system to monitor and manage potential conflicts of interest and an ERM framework to identify, monitor, assess and manage key business risks;

- Annually review, together with Management, the Company's vision and mission;

- Ensure the Corporation's faithful compliance with all applicable laws and regulations, and best business practices;

• Establish and maintain an Investor Relations Program that will keep the Shareholders informed of important developments in the Corporation. The Corporation's CEO shall exercise oversight responsibility for this program;

• Identify the Corporation's Stakeholders in the community in which it operates or is directly affected by its operations and formulate a clear policy of accurate, timely, and effective communication with them;

• Adopt a system of check and balance within the Board. A regular review of the effectiveness of such a system should be conducted to ensure the integrity of the decision-making and reporting processes at all times;

• Ensure that the Corporation has an independent audit mechanism for the proper audit and review of the Corporation's financial statements by independent auditors;

• Ensure that the Corporation establishes appropriate Corporate Governance policies and procedures pursuant to this Manual and the Governance Code, including but not limited to, policies on conflict of interest, and oversee the effective implementation thereof; and

• Consider the implementation of an alternative dispute resolution system for the amicable settlement of conflicts or differences between the Corporation and its Shareholders, if applicable.

Balanced board composition

The Company recognizes the benefits of having a diverse Board and its value in maintaining sound corporate governance while achieving strategic objectives and sustainable growth. The Board Member's biographical details are set out in the succeeding section and may also be found in the Information Statement. The Board is diverse in terms of expertise and professional experience. Furthermore, the posts of Chairman and Chief Executive Officer of the Company are separate to ensure a clear distinction between the Chairman's responsibility to manage the Board and the Chief Executive Officer's responsibility to manage the Company's business. The division of responsibilities between the Chairman and the Chief Executive Officer is clearly established and set out in the Revised Corporate Governance Manual.

Board Independence

The Board has four independent directors that possess all the necessary qualifications and has no disqualifications to hold the position.

The Company reinforces proper mechanisms for disclosure, protection of the rights of shareholders, the equitable treatment of shareholders, and the accountability of the Board and Management are in place. In cases of conflicts of interest, Directors with a material interest in any transaction with the Company abstain from participating in the deliberation of the same.

Board Training and Orientation

The Company ensures that directors are able to perform their functions effectively in this rapidly changing environment to cope with heightened regulatory policies, foreign and local demands, and the growing complexity of the business. Orientation programs are conducted for first-time directors to ensure that new members are appropriately apprised of their duties and responsibilities. This includes the overview of the Company's operations, Code of Conduct, Corporate Governance framework, and other relevant topics essential in the performance of their functions.

As a matter of continuous professional education, the Company facilitates the training opportunities provided for the Directors and Key Officers.

Board Meetings

The Board schedules meetings at the beginning of the year, holds regular meetings in accordance with its By-Laws, and convenes special meetings when required by business exigencies. The notice and agenda of the meeting and other relevant meeting materials are furnished to the Directors at least five (5) business days prior to each meeting. Meetings are duly minuted. The Independent Directors shall always attend Board meetings. Unless otherwise provided in the By-Laws, their absence shall not affect the quorum requirement. To promote transparency, the Board may require the presence of at least one (1) Independent Director in all meetings.

To monitor the Directors' compliance with the attendance requirements, the Company submits to the Commission an advisement letter on the Directors' record of attendance in Board meetings.

Attendance of Directors

January 1, 2021 to December 31, 2021

Board	Name	Date of Election	No. of Meetings Held during the year	No. of Meetings Attended	%
Chairman	Lance Y. Gokongwei	May 13, 2021	4	4	100%
Member	James L. Go	May 13, 2021	4	4	100%
Member	Irwin C. Lee	May 13, 2021	4	4	100%
Member	Patrick Henry C. Go	May 13, 2021	4	4	100%
Member	Johnson Robert G. Go, Jr.	May 13, 2021	4	4	100%
Independent Director	Cesar V. Purisima	May 13, 2021	4	4	100%
Independent Director	Rizalina G. Mantaring	May 13, 2021	4	4	100%
Independent Director	Christine Marie B. Angco	May 13, 2021	4	4	100%
Independent Director	Antonio Jose U. Periquet, Jr.*	May 13, 2021	2	2	100%

*Elected on May 13, 2021

The Board Committees

To enable a better and a more focused attention on the affairs of the Company and aid in the optimal performance of its roles and responsibilities, the Board delegates particular matters to the Board Committees and set up mainly for the purpose of the: (a) Audit Committee, (b) Corporate Governance Committee (c) Board Risk Oversight Committee (BROC) and (d) Related Party Transaction Committee.

A. Audit Committee

The Audit Committee provides oversight over the Company's financial reporting, Internal Control System, Internal and External Audit processes, and monitors compliance with applicable laws and regulations. It ensures that systems and processes are put in place to provide assurance in areas including reporting, monitoring compliance with laws, regulations, and internal policies, efficiency and effectiveness of business operations, and proper safeguarding and use of the Company's resources and assets.

A

Position	Director
Chair	Cesar V. Purisima
Members	Antonio Jose U. Periquet, Jr.*
	Rizalina G. Mantaring
Advisory Member	James L. Go

*Elected on May 13, 2021

B. Corporate Governance Committee

The Corporate Governance Committee oversees the development and implementation of Corporate Governance principles and policies and recommends a formal framework for the nomination, remuneration, and evaluation of the performance of the Directors and key Management Officers that is consistent with the Company's culture, strategies, and the business environment.

B

Position	Director
Chair	Antonio Jose U. Periquet, Jr.*
Members	Christine Marie B. Angco
	Cesar V. Purisima

*Elected on May 13, 2021

C. Board Risk Oversight Committee

The Board Risk Oversight Committee oversees the establishment of the ERM framework that effectively identifies, monitors, assesses and manages key business risks and assesses the effectiveness of risk management strategies. The BROC is responsible for defining the Company's level of risk tolerance and providing oversight over its risk management policies and procedures to anticipate, minimize, control or manage risks or possible threats to its operational and financial viability.

C

Position	Director
Chair	Rizalina G. Mantaring
Members	Cesar V. Purisima
	Christine Marie B. Angco
	Irwin C. Lee

D. Related Party Transaction Committee

The Related Party Transaction (RPT) Committee ensures that there is a group-wide policy and system that governs Material Related Party Transactions (MRPTs), particularly those that breach the materiality threshold. The policy shall include the appropriate review and approval of MRPTs, which guarantee fairness and transparency of the transactions.

D

Position	Director
Chair	Christine Marie B. Angco
Members	Antonio Jose U. Periquet, Jr.*
	Rizalina G. Mantaring

*Elected on May 13, 2021

The Corporate Secretary

The Corporate Secretary assists the Board and the Board Committees in the conduct of their meetings, which includes the preparation of the annual schedule of Board and Committee meetings and the annual Board calendar. She also assists the Board Chairs and its Committees in setting the agenda for the meetings, safekeeps and preserves the integrity of the minutes of the meeting of the Board and its Committees, as well as other official records of the Company.

The Corporate Secretary keeps herself abreast of relevant laws, regulations, all governance issuances, relevant industry developments and operations of the Company, and advises the Board and the Chairman on all relevant issues as they arise. She works fairly and objectively with the Board, Management, and Shareholders and contributes to the flow of information between the Board and Management, the Board and its Committees, and the Board and its Stakeholders, including Shareholders.

Atty. Maria Celia H. Fernandez-Estavillo is the Senior Vice President and General Counsel of JG Summit Holdings, Inc. (JGSHI) and Corporate Secretary of URC. Prior to her appointment in JGSHI, Atty. Fernandez-Estavillo was the head of the Legal and Regulatory Affairs Group, Corporate Secretary, and member of the Board of Directors of Rizal Commercial Banking Corporation. She was Assistant Vice President of Global Business Development of ABS-CBN. She also held positions in the government as Head of the Presidential Management Staff, Assistant Secretary at the Department of Agriculture, and Chief of Staff of Senator Edgardo J. Angara. She began her legal career in ACCRA. She graduated from the University of the Philippines with a Bachelor of Science degree in Business Economics (Summa Cum Laude) and a Bachelor Laws degree (Cum Laude). She completed her Master of Laws (LLM) in Corporate Law (Cum Laude) from New York University School of Law. She received the highest score in the Philippine Bar examinations in 1997.

The Compliance Officer

The Compliance Officer monitors, reviews, evaluates and ensures the compliance of the Company; its Officers, and Directors with the provisions and requirements of the Corporate Governance Manual and the relevant laws, the Corporate Governance Code, rules and regulations, and all governance issuances of regulatory agencies. She also ensures the integrity and accuracy of all documentary submissions to the regulators, identifies possible areas of compliance issues, and works towards the resolution of the same. She assists the Board and the Corporate Governance Committee in the performance of their governance functions, including their duties to oversee the formulation or review, and implementation of the Corporate Governance structure and policies of the Company.

Rhodora T. Lao is the Corporate Controller and Chief Compliance and Risk Officer of URC and was the Deputy Chief Finance Officer for Branded Consumer Foods Group of URC. She was formerly the Director for Strategic Initiatives and Group Controller for Coca-Cola Asia Pacific and held various finance roles in Avon APAC, Wyeth Philippines, International Distillers Philippines, and Nestle Philippines. She obtained her Bachelor of Science degree in Business and Accountancy from the University of the Philippines where she graduated Cum Laude.

ENTERPRISE RISK MANAGEMENT, ACCOUNTABILITY AND AUDIT

The Company recognizes the increasing importance of sound risk management practices to drive business growth and sustainability. The Company implemented systems and processes to facilitate proper risk identification, monitoring, and control, which are key to effective corporate governance. Timely and accurate management, financial reporting systems, internal controls, and audits are also employed to protect and maximize stakeholders' value. The Board oversees Management's adoption and implementation of a sound risk management framework for identifying, monitoring, and managing key risk areas. The BOD reviews Management reports with due diligence to enable the company to anticipate, minimize, control, and manage risks or possible threats to its operational and financial viability.

Enterprise Risk Management

Through a sound Enterprise Risk Management (ERM) framework, the Company effectively identifies, monitors, assesses, and manages key business risks. The framework guides the Board in identifying units/business lines and enterprise-level risk exposures, as well as the effectiveness of risk management strategies.

The **ERM framework** revolves around the following eight (8) interrelated risk management approaches:

1. **Internal Environmental Scanning** - it involves the review of the overall prevailing risk profile of the Business Unit (BU) to determine how risks are viewed and addressed by the management. This is presented during the strategic planning, annual budgeting, and mid-year performance reviews of the BU.

2. **Objective Setting** - the Company's BOD mandates the Management to set the overall annual targets through strategic planning activities in order to ensure that management has a process in place for setting objectives that are aligned with the Company's goals.

3. **Event Identification** – it identifies both internal and external events affecting the Group's set targets, distinguishing between risks and opportunities.

4. **Risk Assessment** - the identified risks are analyzed relative to the probability and severity of potential loss that serves as the basis for determining how the risks will be managed. The risks are further assessed as to which risks are controllable and uncontrollable; risks that require management's action or monitoring; and risks that may materially weaken the Company's earnings and capital.

5. **Risk Response** - the Company's BOD, through the oversight role of the Internal Control Group ensures action plans are executed to mitigate risks, either to avoid, self-insure, reduce, transfer or share risk.

6. **Control Activities** - policies and procedures are established and approved by the Company's BOD and are implemented to ensure that the risk responses are effectively carried out enterprise-wide.

7. **Information and Communication** - relevant risk management information is identified, captured, and communicated in form and substance that enable all personnel to perform their risk management roles.

8. **Monitoring** - the Internal Control Group of the respective Company and BUs and Corporate Internal Audit constantly monitor the management of risks through audit reviews, compliance checks, revalidation of risk strategies, and performance reviews.

Risk Assessment Tool

To help Business Units in the Risk Assessment Process - the Risk Assessment Tool, which is a database-driven web application, was developed for departments and units to facilitate the assessment, monitoring, and management of risks.

The Risk Assessment Tool documents the following activities:

Through a sound Enterprise Risk Management (ERM) framework, the Company effectively identifies, monitors, assesses, and manages key business risks. The framework guides the Board in identifying units/business lines and enterprise-level risk exposures, as well as the effectiveness of risk management strategies.

1. **Risk Identification** – is the critical step in the risk management process. The objective of risk identification is the early identification of events that may have a negative impact on the Company's ability to achieve its goals and objectives.
    1.1 **Risk Indicator** – is a potential event or action that may prevent the continuity of operation or business
    1.2 **Risk Driver** – is an event or action that triggers the risk to materialize
    1.3 **Value Creation Opportunities** – is the positive benefit of addressing or managing the risk

2. **Identification of Existing Control Measures** – activities, actions, or measures already in place to control, prevent or manage the risk.

3. **Risk Rating/Score** – is the quantification of likelihood and its impact on the Company if the risk materializes. The rating has two (2) components:
    3.1 **Probability** – the likelihood of occurrence of risk
    3.2 **Severity** – the magnitude of the consequence of risk

4. **Risk Management Strategy** – is the structured and coherent approach to managing the identified risk.

5. **Risk Mitigation Action Plan** – is the overall approach to reduce the risk impact severity and/or probability of occurrence.

Results of the Risk Assessment Process are summarized in a Dashboard that highlights the risks that require urgent actions and mitigation plans. The dashboard helps the Management to monitor, manage and decide on a risk strategy and a needed action plan.

Internal Controls

With the leadership of the Company's Chief Financial Officer (CFO), internal control is embedded in the operations of the company and in each BU, thus increasing their accountability and ownership in the execution of the BU's internal control framework. To accomplish the established goals and objectives, BUs implement robust and efficient process controls to ensure:

- **Compliance with policies, procedures, laws, and regulations**
- **Economic and efficient use of resources**
- **Check and balance and proper segregation of duties**
- **Identification and remediation control weaknesses**
- **Reliability and integrity of information**
- **Proper safeguarding of company resources and protection of company assets through early detection and prevention of fraud**

Adequate and Timely Information

To enable the Directors to properly fulfill their duties and responsibilities, Management provides the Directors with complete, adequate, and timely information about the matters to be taken up in their meetings. The information may include the background or explanation on matters brought before the Board, disclosures, budgets, forecasts, and internal financial documents. If the information provided by Management is not sufficient, further inquiries may be made by the Director to enable him to properly perform his duties and responsibilities. The Directors have independent access to Management and to the Corporate Secretary.

The Directors, either individually or as a Board, and their performance regarding their duties and responsibilities may seek access to independent professional advice within the guidelines set by the Board.

Accountability and Audit

The Board ensures that its Shareholders are provided with a balanced and comprehensible assessment of the Company's performance, position, and prospects on a quarterly basis. Interim and other reports that could adversely affect its business are also made available on the Company website including its submissions and disclosures to the SEC and Philippine Stock Exchange (PSE). The Management formulates the rules and procedures on financial reporting and internal control for presentation to the Audit Committee in accordance with the following guidelines:

1. The extent of its responsibility in the preparation of the financial statements of the Company, with the corresponding delineation of the responsibilities that pertain to the External Auditor, should be clearly defined;

2. An effective system of internal control that will ensure the integrity of the financial reports and protection of the assets of the Company for the benefit of all Shareholders and other Stakeholders;

3. On the basis of the approved Internal Audit Plan, Internal Audit examinations should cover, at the minimum, the evaluation of the adequacy and effectiveness of controls that cover the Company's governance, operations, and information systems. This includes the reliability and integrity of financial and operational information, effectiveness and efficiency of operations, protection of assets, and compliance with contracts, laws, rules, and regulations;

4. The Company consistently complies with the financial reporting requirements of the SEC;

5. The External Auditor shall be rotated or changed every five (5) years or earlier. The signing partner of the External Auditing firmt hat is assigned to the Company should be changed with the same frequency. The Corporate IA Head should submit to the Audit Committee and Management an annual report on the Internal Audit department's activities, responsibilities, and performance relative to the Internal Audit Plan as approved by the Audit and Risk Committee. The annual report should include significant risk exposures, control issues, and other matters that may be needed or requested by the Board and Management. The Internal Audit Head should certify that he conducts his activities in accordance with the International Standards on the Professional Practice of Internal Auditing. If he does not, the Internal Audit Head shall disclose to the Board and Management the reasons why he has not fully complied with the said documents; and

6. The Board, after consultations with the Audit Committee, shall recommend to the Shareholders an External Auditor duly accredited by the SEC who shall undertake an independent audit of the Company, and shall provide an objective assurance on the matter by which the financial statements shall be prepared and presented to the Shareholders.

Universal Robina

Internal Audit

The Corporate Internal Audit is focused on delivering its mandate of determining whether the governance, risk management, and control processes, as designed and represented by management, are adequate and functioning in a manner that provides a reasonable level of confidence that:

1. Employees' actions are compliant with policies, standards, procedures, and applicable laws and regulations;

2. Quality and continuous improvement are fostered in the control processes;

3. Programs, plans, and objectives are achieved;

4. Resources are acquired economically, used efficiently, and protected adequately;

5. Significant financial, managerial, and operating information is accurate, reliable, and timely;

6. Significant key risks are appropriately identified and managed; and

7. Significant legislative or regulatory issues impacting the Company are recognized and properly addressed.

Opportunities that may improve management control, profitability, and the Company's reputation may be identified during audits.

Other Matters

Audit and Audit-Related Fees

Name of Auditor	Audit Fee	Non-Audit Fee
SyCip, Gorres, Velayo & Co.	Php11,328,000	-0-

Ownership structure

Holding 5% shareholding or more (as of December 31, 2021)

Shareholder	Number of Shares	Percent	Beneficial Owner
JG Summit Holdings, Inc.	1,215,223,061	55.21%	Same as record owner
PCD Nominee Corporation (Non-Filipino)	574,510,744	26.10%	PCD Participants & their clients
PCD Nominee Corporation (Filipino)	379,695,775	17.25%	PCD Participants & their clients

Dealing in securities
(changes in shareholdings of directors and key officers)

A. Elected Directors for the calendar year 2021

Name of Director	Number of Direct Shares	% to Total Outstanding Shares
James L. Go	407,001	0.02%
Lance Y. Gokongwei	913,235	0.04%
Patrick Henry C. Go	45,540	0%
Johnson Robert G. Go, Jr.	1	0%
Irwin C. Lee	300,001	0.01%
Cesar V. Purisima	1	0%
Rizalina G. Mantaring	7,401	0%
Christine Marie B. Angco	1	0%
Antonio Jose U. Periquet, Jr.	500,000	0.02%

B. Elected Officers for the calendar year 2021

Name of Officer	Position/Designation	Number of Direct Shares	% to Total Outstanding Shares
James L. Go	Chairman Emeritus	407,001	0.02%
Lance Y. Gokongwei	Chairman	913,235	0.04%
Irwin C. Lee	President & Chief Executive Officer	300,001	0.01%
Patrick Henry C. Go	Executive Vice President	45,540	0%
Anna Milagros D. David	Chief Marketing Officer	49,630	0%
Francisco M. Del Mundo	Chief Financial Officer	0	0%
David J. Lim, Jr.	Chief Supply Chain and Sustainability Officer	0	0%
Shanie Ann S. Kawpeng	Chief Strategy Officer	1,500	0%
Elisa O. Abalajon	Chief Human Resources Officer	0	0%
Krishna Mohan Suri	Vice President, Global Innovation, Research & Development	0	0%
Socorro M.L. Banting	Vice President	0	0%
Karen Therese C. Salgado	Chief Information Officer	0	0%
Rhodora T. Lao	Corporate Controller and Chief Compliance & Risk Officer	0	0%
Maria Celia H. Fernandez-Estavillo	Corporate Secretary	0	0%
Charles Bernard A. Tañega	Treasurer	0	0%
Elvin Michael L. Cruz	Corporate Legal Counsel	0	0%
Jose Miguel T. Manalang	Director, Strategy & Investor Relations	3,000	0%

Dividends

The Board of Directors of Universal Robina Corporation ("URC") approved on April 29, 2021 and July 30, 2021 the declaration of the following cash dividends from the unrestricted retained earnings of URC as of March 31, 2021 and June 30, 2021, respectively:

a) Regular Cash Dividend of One Peso and Fifty Centavos (P1.50) per share and paid on June 15, 2021 and
b) Special Cash Dividend of One Peso and Eighty Centavos (P1.80) per share and paid on September 15, 2021.

Company Website

The Company updates the public with operating and financial results through timely disclosures filed at SEC and PSE. These are available on the company's website: https://www.urc.com.ph/

Universal Robina

BOD and Executive Officers

Board of Directors

James L. Go
Director, Chairman Emeritus

Lance Y. Gokongwei
Director, Chairman

Patrick Henry C. Go
Director, Executive Vice President

Irwin C. Lee
Director, President & Chief Executive Officer

Johnson Robert G. Go, Jr.
Director

Rizalina G. Mantaring
Independent Director

Antonio Jose U. Periquet, Jr.
Independent Director

Christine Marie B. Angco
Independent Director

Cesar V. Purisima
Independent Director

Universal Robina

Corporate Officers

James L. Go
Chairman Emeritus

Lance Y. Gokongwei
Chairman

Patrick Henry C. Go
Executive Vice President

Irwin C. Lee
President and Chief Executive Officer

Anna Milagros D. David
Chief Marketing Officer

Francisco M. del Mundo
Chief Financial Officer

David J. Lim, Jr.
Chief Supply Chain and Sustainability Officer

Shanie Ann S. Kawpeng
Chief Strategy Officer

Elisa O. Abalajon
Chief Human Resources Officer

Krishna Mohan Suri
Vice President, Global Innovation, Research & Development

Socorro M.L. Banting
Vice President

Karen Therese C. Salgado
Chief Information Officer

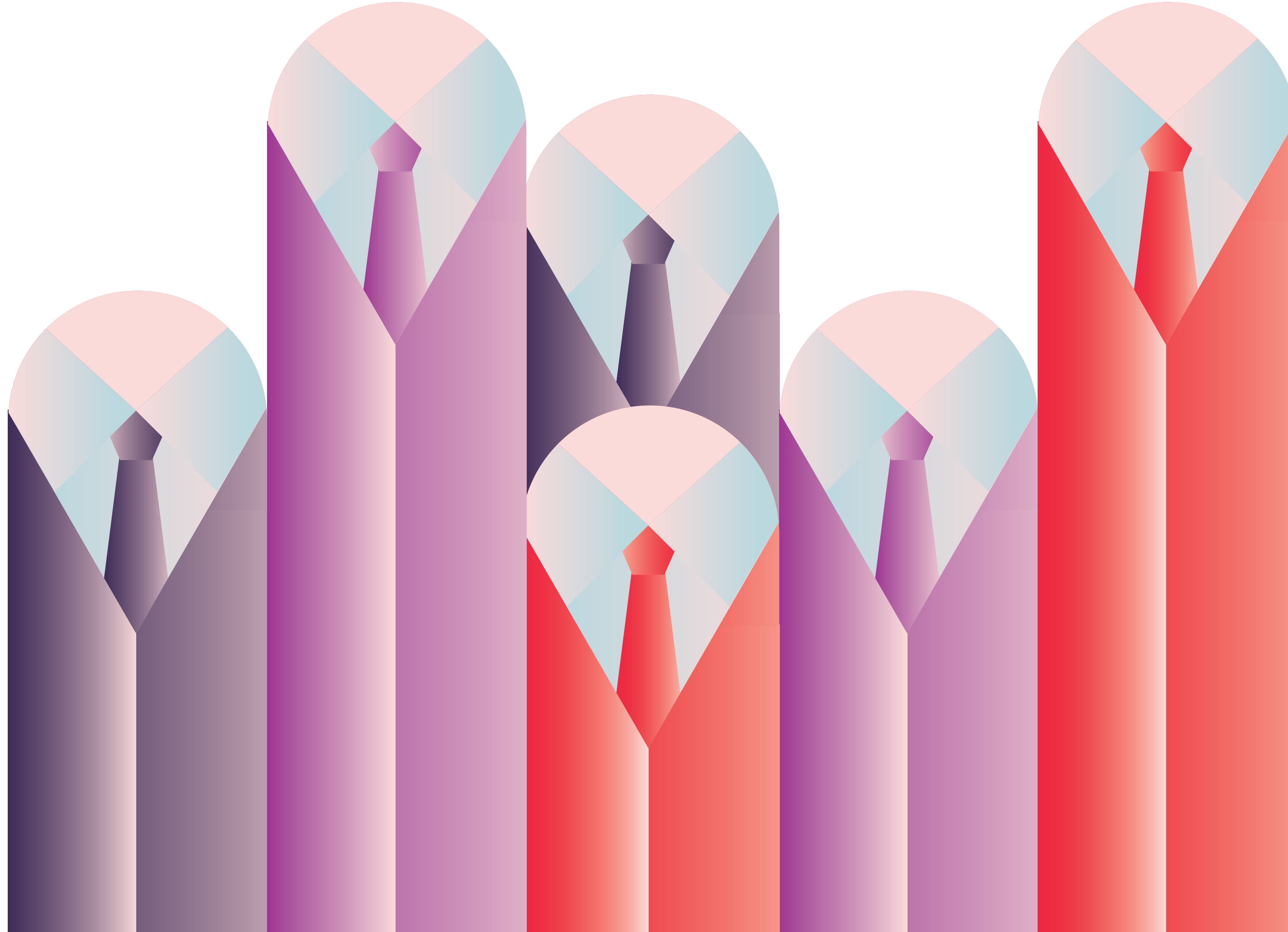
Rhodora T. Lao
Corporate Controller and Chief Compliance and Risk Officer

Maria Celia H. Fernandez-Estavillo
Corporate Secretary

Charles Bernard A. Tañega
Treasurer

Elvin Michael L. Cruz
Corporate Legal Counsel

Jose Miguel T. Manalang
Director, Strategy and Investor Relations



Universal Robina

Executive Management Team

Anna Milagros D. David
Co-Managing Director, Brands & Categories, URC BCFG PH and Chief Marketing Officer, URC

Marcia Y. Gokongwei
Co-Managing Director, Operations, URC BCFG PH

Renato P. Cabati
Managing Director, Sugar & Renewables (SURE)

Vincent Henry C. Go
Managing Director, Agro-Industrial Group (AIG) and Food Services

Ellison Dean C. Lee
Managing Director, Flour and Breads

Laurent Levan
Senior Vice President, Corporate Development & External Affairs

Brian M. Go
Vice President, Global Exports & Corporate New Ventures

Oscar Villamora
Vice President, Sales, URC BCFG PH and Customer Development, Southeast Asia (SEA)

Teofilo B. Eugenio, Jr.
Vice President & General Manager, Nissin URC and Pasta

Rodney Wong
CEO, Munchy's

Jean Pierre S. Gamboa
General Manager, Vietnam

Tanant Suwanraks
General Manager, Thailand

Keerati Chuplang
General Manager, Myanmar

Taufiqurrahman Basthami ST
General Manager, Indonesia

Maria Sarah P. Albert
General Manager, Malaysia

Ramon C. Agustines
General Manager, Packaging

Eva Lusiana*
General Manager, Danone URC

Carlo Angelo M. Licuanan
General Manager, Vitasoy URC

Francis Emmanuel B. Puno
Senior Advisor, Special Projects

*appointed on January 1, 2022

Universal Robina

Corporate Directory

Universal Robina

Philippines

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Stock Transfer and Dividend Paying Agent
BDO Unibank, Inc., Trust and Investment Group
15/F South Tower BDO Corporate Center 7899 Makati Ave., Makati City

Independent Public Accountants
Sycip Gorres Velayo & Co, Certified Public Accountants
SGV Building 6760 Ayala Avenue Makati City

Investor Relations
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Universal Robina

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International

MALAYSIA

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URC Snack Foods (Malaysia) Sdn Bhd - Head Office / Factory
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URC (Thailand) Co., Ltd. Factory
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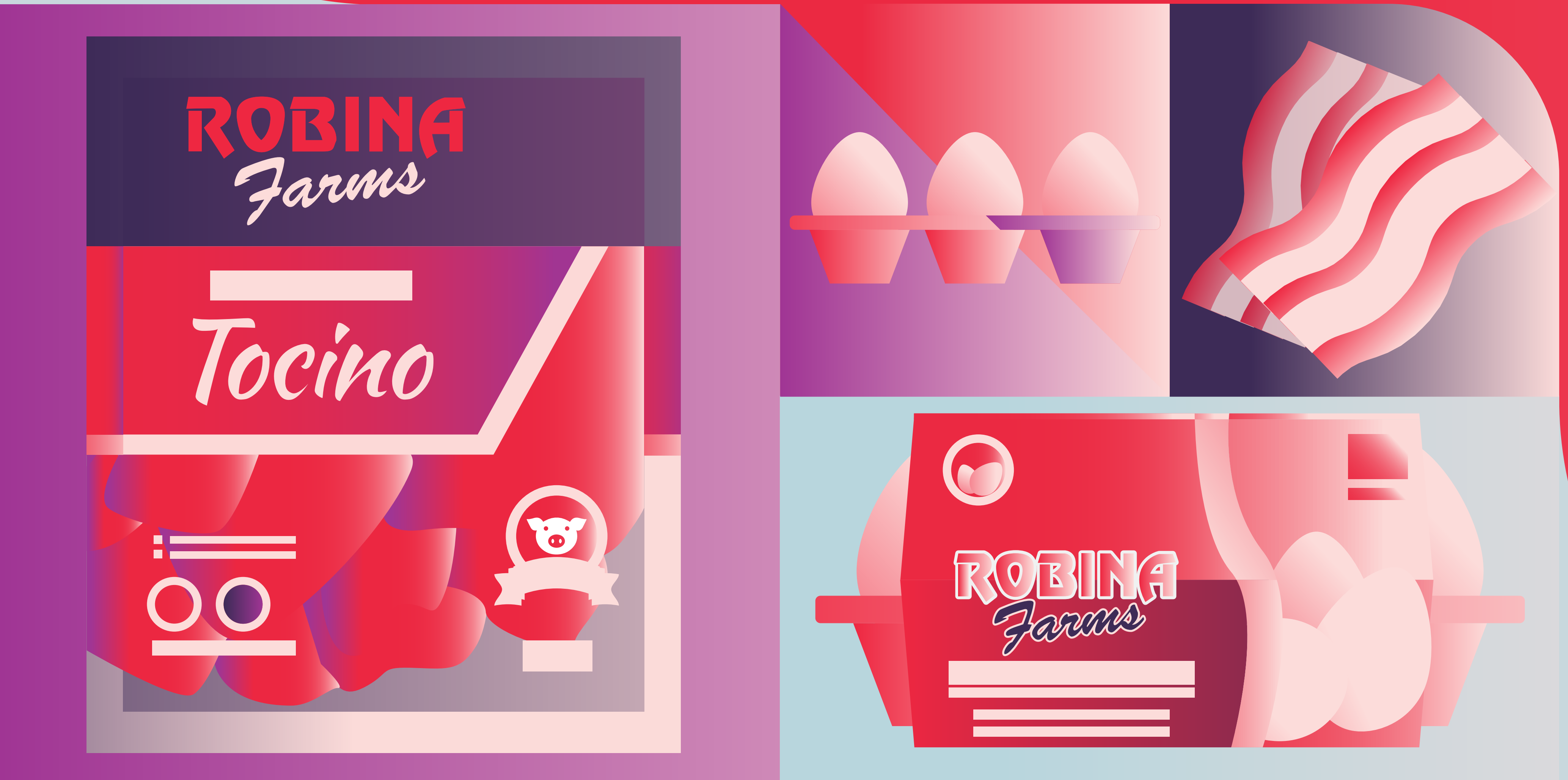
Financial Statements



INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Universal Robina Corporation

Opinion

We have audited the consolidated financial statements of Universal Robina Corporation and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2021 and the notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's 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.

Key Audit Matters

A key audit matter is one that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. The matter below was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter. The description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Recoverability of Goodwill and Intangible Assets

Under Philippine Accounting Standard (PAS) 36, *Impairment of Assets*, the Group is required to perform annual impairment tests on its goodwill and intangible assets with indefinite useful lives. As of December 31, 2021, the Group's goodwill attributable to the acquisition of Crunchy Foods Sdn. Bhd. and Subsidiaries and other acquired entities amounted to ₱20.5 billion. The Group's intangible assets with indefinite useful lives consist of brands and trademarks and product formulation amounting to ₱1.3 billion and ₱0.5 billion, respectively. The annual impairment test is significant to our audit because: (a) the balances of goodwill and intangible assets with indefinite useful lives are material to the consolidated financial statements; and (b) management's assessment process requires significant judgment and is based on assumptions which are subject to higher level of estimation uncertainty due to the current economic conditions which have been impacted by the coronavirus pandemic, specifically revenue growth rate, discount rate and the terminal growth rate that are applied to the cash flow forecasts.

The Group's disclosures about goodwill and other intangible assets with indefinite lives are included in Notes 3 and 15 to the consolidated financial statements.

Audit response
We evaluated the methodologies used and the management's assumptions by comparing the key assumptions used such as revenue growth rate and the terminal growth rate against the historical performance of the cash generating unit (CGU), industry/market outlook and other relevant external data, taking into consideration the impact associated with coronavirus pandemic.. We also assessed the reasonableness of the discount rate used by comparing these against entities with similar risk profiles, capital structures, industries and market information. We also reviewed the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive, specifically those that have the most significant effect on the determination of the recoverable amount of goodwill and intangible assets with indefinite useful lives.

Accounting for Acquisition of Crunchy Foods Sdn. Bhd. and Subsidiaries

In December 2021, the Group acquired 100% ownership interest in Crunchy Foods Sdn. Bhd. (‘Crunchy Foods’) from Crunchy Limited, for a total consideration of ₱24.6 billion. Crunchy Foods owns Munchy Food Industries Sdn. Bhd. and its subsidiary Munchworld Marketing Sdn. Bhd., collectively referred to as the ‘Munchy’s Group’.

This matter is significant to our audit because of the amount of purchase price consideration and the judgments, estimates and complexity involved in the purchase price allocation, which resulted to a provisional goodwill of ₱20.5 billion as of December 31, 2021.

The disclosures in relation to the acquisition of Munchy’s Group are included in Note 15 to the consolidated financial statements.

Audit response
We have discussed with management the valuation methodologies and inputs used in the provisional purchase price allocation, and reviewed the share purchase agreement covering the acquisition. We reviewed the basis and assumptions for estimates of the amount of recognized brands amounting to ₱1.3 billion, which we compared against available market data in the country where it is situated. We also reviewed in detail the information used by management in the allocation, particularly the brand performance of Munchy’s in Malaysia. We have also assessed and validated the adequacy and appropriateness of the related disclosures in the consolidated financial statements.

Divestment of Oceania Businesses

In October 2021, the Group sold its remaining 60% ownership interest in Uni Snack Holding Company Ltd. and its subsidiaries (collectively, the ‘Oceania businesses’) to a third party, for a total consideration of ₱24.0 billion. Upon completion of the closing conditions, the Group relinquished its control and ownership over the Oceania businesses and the latter has been deconsolidated from the consolidated financial statements. Moreover, the results of the Oceania businesses’ operations were presented as discontinued operations in the consolidated statements of income for the years ended December 31, 2021, 2020 and 2019.

The Group’s disclosures about the divestment of the Oceania businesses are included in Note 33 to the consolidated financial statements.

This transaction is significant to our audit as the amounts involved are material to the consolidated financial statements. Further, accounting for this transaction required significant management judgment, particularly on the classification of the Oceania businesses as a discontinued operation.

Audit response
We obtained and reviewed the relevant contracts and agreements pertaining to the transactions. We reviewed the assets and liabilities to be deconsolidated as at the date of loss of control, including the results of operations of the Oceania businesses for the 10-month period ended October 29, 2021. We evaluated the Group's basis for classifying the former subsidiaries as a discontinued operation by checking whether the operations and cash flows of the Oceania businesses can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the Group. Furthermore, we reviewed the presentation and disclosures in the notes to the consolidated financial statements.

Other Information

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

Our opinion on the consolidated financial statements does not cover the other information and we do not and 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 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.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 PFRSs, 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.

Auditor's 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 auditor's 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 PSAs 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 PSAs, 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 auditor's 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 auditor's 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 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 auditor's 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 auditor's report is Miguel U. Ballelos, Jr.

SYCIP GORRES VELAYO & CO.

Miguel U. Ballelos, Jr.

Miguel U. Ballelos, Jr.
Partner
CPA Certificate No. 109950
Tax Identification No. 241-031-088
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 1566-AR-1 (Group A)
April 3, 2019, valid until April 2, 2022
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-114-2022, January 20, 2022, valid until January 19, 2025
PTR No. 8853488, January 3, 2022, Makati City

March 4, 2022

UNIVERSAL ROBINA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2021	2020
ASSETS		
Current Assets		
Cash and cash equivalents (Note 7)	**₱16,957,684,321**	₱18,865,392,462
Financial assets at fair value through profit or loss (Note 8)	**513,705,225**	426,510,677
Receivables (Note 10)	**16,766,426,332**	16,596,264,658
Inventories (Note 11)	**28,446,987,863**	26,254,330,867
Biological assets (Note 14)	**132,144,916**	99,919,468
Other current assets (Note 12)	**4,517,854,573**	3,320,420,392
	67,334,803,230	65,562,838,524
Noncurrent Assets		
Property, plant and equipment (Note 13)	**55,881,358,761**	58,989,613,043
Right-of-use assets (Note 37)	**2,215,167,047**	6,015,980,376
Biological assets (Note 14)	**166,105,594**	134,331,929
Goodwill (Note 15)	**21,271,723,229**	31,194,495,817
Intangible assets (Note 15)	**1,820,637,714**	11,599,843,220
Investments in joint ventures (Note 16)	**55,228,221**	386,494,519
Deferred tax assets (Note 32)	**447,528,495**	555,135,378
Other noncurrent assets (Note 17)	**3,464,267,621**	1,756,197,461
	85,322,016,682	110,632,091,743
TOTAL ASSETS	**₱152,656,819,912**	₱176,194,930,267

(Forward)

	December 31	
	2021	2020
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other accrued liabilities (Note 19)	**₱22,578,884,570**	₱24,831,836,720
Current portion of long-term debt (Notes 20, 22 and 23)	**–**	17,838,897,236
Short-term debts (Notes 18 and 22)	**7,808,029,451**	2,668,790,196
Trust receipts payable (Notes 11 and 22)	**8,106,662,079**	7,454,089,371
Income tax payable	**288,842,084**	392,320,487
Lease liabilities - current portion (Note 37)	**245,682,038**	481,895,880
	39,028,100,222	53,667,829,890
Noncurrent Liabilities		
Long-term debts (Notes 20, 22 and 23)	**–**	13,498,653,900
Deferred tax liabilities (Note 32)	**1,242,693,511**	3,800,923,112
Lease liabilities - net of current portion (Note 37)	**2,235,085,558**	6,196,660,683
Other noncurrent liabilities (Note 21)	**383,206,789**	1,246,700,748
	3,860,985,858	24,742,938,443
	42,889,086,080	78,410,768,333
Equity		
Equity attributable to equity holders of the parent		
Paid-up capital (Note 22)	**23,422,134,732**	23,422,134,732
Retained earnings (Note 22)	**88,907,647,831**	70,448,067,424
Other comprehensive income (Note 23)	**3,266,429,260**	1,734,016,815
Equity reserve (Note 22)	**(5,075,466,405)**	(2,665,824,256)
Treasury shares (Note 22)	**(1,099,761,235)**	(679,489,868)
	109,420,984,183	92,258,904,847
Equity attributable to non-controlling interest (Note 22)	**346,749,649**	5,525,257,087
	109,767,733,832	97,784,161,934
TOTAL LIABILITIES AND EQUITY	**₱152,656,819,912**	₱176,194,930,267

See accompanying Notes to Consolidated Financial Statements.

UNIVERSAL ROBINA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31		
	2021	2020	2019
CONTINUING OPERATIONS			
SALE OF GOODS AND SERVICES (Notes 24 and 35)	**₱116,954,788,444**	₱113,161,785,302	₱114,403,217,219
COST OF SALES (Note 24)	**83,489,653,157**	78,573,438,418	80,639,110,369
GROSS PROFIT	**33,465,135,287**	34,588,346,884	33,764,106,850
Selling and distribution costs (Note 25)	**16,082,615,159**	16,159,980,873	16,490,312,513
General and administrative expenses (Note 26)	**4,666,125,109**	4,531,919,017	4,530,684,887
OPERATING INCOME	**12,716,395,019**	13,896,446,994	12,743,109,450
Finance costs (Note 30)	**(573,284,799)**	(661,728,977)	(646,757,264)
Provision for credit and impairment losses (Notes 10, 11 and 13)	**(572,219,061)**	(32,583,003)	(2,211,403)
Net foreign exchange gain (losses)	**346,265,153**	(504,164,262)	(486,935,831)
Finance revenue (Note 29)	**255,372,110**	323,640,769	285,850,678
Equity in net losses of joint ventures (Note 16)	**(91,077,671)**	(61,973,952)	(178,444,727)
Market valuation gain (loss) on financial assets and liabilities at fair value through profit or loss - net (Note 8)	**87,194,548**	136,239,105	(5,253,797)
Other income (losses) - net (Notes 13, 14, 17, and 19)	**2,375,334,123**	(618,541,378)	(339,203,873)
INCOME BEFORE TAX FROM CONTINUING OPERATIONS	**14,543,979,422**	12,477,335,296	11,370,153,233
PROVISION FOR INCOME TAX (Note 32)	**1,578,671,226**	1,973,205,320	1,619,982,214
NET INCOME FROM CONTINUING OPERATIONS	**₱12,965,308,196**	₱10,504,129,976	₱9,750,171,019
DISCONTINUED OPERATIONS			
NET INCOME AFTER TAX FROM DISCONTINUED OPERATIONS(Note 33)	**11,280,571,602**	1,120,472,734	364,512,758
NET INCOME	**₱24,245,879,798**	₱11,624,602,710	₱10,114,683,777
NET INCOME ATTRIBUTABLE TO:			
Equity holders of the parent (Note 34)	**₱23,323,672,422**	₱10,746,720,491	₱9,772,121,586
Non-controlling interests (Notes 16 and 22)	**922,207,376**	877,882,219	342,562,191
	₱24,245,879,798	₱11,624,602,710	₱10,114,683,777
EARNINGS PER SHARE (Note 34)			
Basic/diluted, for income attributable to equity holders of the parent	**₱10.58**	₱4.88	₱4.43

See accompanying Notes to Consolidated Financial Statements.

UNIVERSAL ROBINA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2021	2020	2019
NET INCOME	**₱24,245,879,798**	₱11,624,602,710	₱10,114,683,777
OTHER COMPREHENSIVE INCOME (LOSS)			
Items to be reclassified to profit or loss in subsequent periods, net of tax:			
Cumulative translation adjustments (Note 23)	**1,294,472,221**	(1,566,642,568)	1,197,749,346
Gain (loss) on cash flow hedge (Notes 9 and 23)	**31,878,965**	(31,878,965)	(4,600,119)
	1,326,351,186	(1,598,521,533)	1,193,149,227
Items not to be reclassified to profit or loss in subsequent periods:			
Remeasurement gain (loss) on defined benefit plans (Notes 23 and 31)	**644,591,284**	(203,848,275)	(471,116,684)
Income tax effect	**(207,839,764)**	61,154,482	141,335,005
Unrealized gain (loss) on financial assets at fair value through other comprehensive income (Notes 17 and 23)	**5,830,000**	(890,000)	25,990,000
	442,581,520	(143,583,793)	(303,791,679)
OTHER COMPREHENSIVE INCOME (LOSS)	**1,768,932,706**	(1,742,105,326)	889,357,548
TOTAL COMPREHENSIVE INCOME	**₱26,014,812,504**	₱9,882,497,384	₱11,004,041,325
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Equity holders of the parent	**₱24,856,084,867**	₱9,251,349,055	₱10,666,943,309
Non-controlling interests	**1,158,727,637**	631,148,329	337,098,016
	₱26,014,812,504	₱9,882,497,384	₱11,004,041,325

See accompanying Notes to Consolidated Financial Statements.

UNIVERSAL ROBINA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to Equity Holders of the Parent															
	Paid-up Capital (Note 22)			**Retained Earnings** (Note 22)			**Other Comprehensive Income (Loss)** (Note 23)									
	Capital Stock	**Additional Paid-in Capital**	**Total Paid-up Capital**	**Unappropriated Retained Earnings**	**Appropriated Retained Earnings**	**Total Retained Earnings**	**Cumulative Translation Adjustments**	**Net Unrealized Gain (Loss) on Financial Assets at FVOCI** (Note 17)	**Unrealized Gain (Loss) on Cash Flow Hedge** (Note 9)	**Remeasurement Gain (Loss) on Defined Benefit Plans**	**Total Other Comprehensive Income (Loss)**	**Equity Reserve** (Note 22)	**Treasury Shares** (Note 22)	**Total**	**Equity Attributable to Non-controlling Interest** (Notes 16 and 23)	**Total Equity**
Balances as at January 1, 2021	**₱2,230,160,190**	**₱21,191,974,542**	**₱23,422,134,732**	**₱70,448,067,424**	**₱–**	**₱70,448,067,424**	**₱2,344,845,823**	**₱53,680,000**	**(₱19,127,379)**	**(₱645,381,629)**	**₱1,734,016,815**	**(₱2,665,824,256)**	**(₱679,489,868)**	**₱92,258,904,847**	**₱5,525,257,087**	**₱97,784,161,934**
Net income for the year	–	–	–	**23,323,672,422**	–	**23,323,672,422**	–	–	–	–	–	–	–	**23,323,672,422**	**922,207,376**	**24,245,879,798**
Other comprehensive loss	–	–	–	–	–	–	**1,072,840,824**	**5,830,000**	**19,127,379**	**434,614,242**	**1,532,412,445**	–	–	**1,532,412,445**	**236,520,261**	**1,768,932,706**
Total comprehensive income	–	–	–	**23,323,672,422**	–	**23,323,672,422**	**1,072,840,824**	**5,830,000**	**19,127,379**	**434,614,242**	**1,532,412,445**	–	–	**24,856,084,867**	**1,158,727,637**	**26,014,812,504**
Cash dividends (Note 22)	–	–	–	**(7,273,734,164)**	–	**(7,273,734,164)**	–	–	–	–	–	–	–	**(7,273,734,164)**	**(433,650,000)**	**(7,707,384,164)**
Acquisition of new subsidiary (Note 16)	–	–	–	–	–	–	–	–	–	–	–	–	–	–	**341,291,631**	**341,291,631**
Derecognition of noncontrolling interest (Note 33)	–	–	–	–	–	–	–	–	–	–	–	–	–	–	**(6,244,876,706)**	**(6,244,876,706)**
Reclass of equity reserves (Note 22)	–	–	–	**2,409,642,149**	–	**2,409,642,149**	–	–	–	–	–	**(2,409,642,149)**	–	–	–	–
Purchase of treasury shares (Note 22)	–	–	–	–	–	–	–	–	–	–	–	–	**(420,271,367)**	**(420,271,367)**	–	**(420,271,367)**
Balances as at December 31, 2021	**₱2,230,160,190**	**₱21,191,974,542**	**₱23,422,134,732**	**₱88,907,647,831**	**₱–**	**₱88,907,647,831**	**₱3,417,686,647**	**₱59,510,000**	**₱–**	**(₱210,767,387)**	**₱3,266,429,260**	**(₱5,075,466,405)**	**(₱1,099,761,235)**	**₱109,420,984,183**	**₱346,749,649**	**₱109,767,733,832**
Balances as at January 1, 2020	₱2,230,160,190	₱21,191,974,542	₱23,422,134,732	₱64,644,456,817	₱2,000,000,000	₱66,644,456,817	₱3,678,701,625	₱54,570,000	₱–	(₱503,883,374)	₱3,229,388,251	(₱2,665,824,256)	(₱679,489,868)	₱89,950,665,676	₱5,233,836,518	₱95,184,502,194
Net income for the year	–	–	–	10,746,720,491	–	10,746,720,491	–	–	–	–	–	–	–	10,746,720,491	877,882,219	11,624,602,710
Other comprehensive loss	–	–	–	–	–	–	(1,333,855,802)	(890,000)	(19,127,379)	(141,498,255)	(1,495,371,436)	–	–	(1,495,371,436)	(246,733,890)	(1,742,105,326)
Total comprehensive income	–	–	–	10,746,720,491	–	10,746,720,491	(1,333,855,802)	(890,000)	(19,127,379)	(141,498,255)	(1,495,371,436)	–	–	9,251,349,055	631,148,329	9,882,497,384
Cash dividends (Note 22)	–	–	–	(6,943,109,884)	–	(6,943,109,884)	–	–	–	–	–	–	–	(6,943,109,884)	(343,000,000)	(7,286,109,884)
Acquisition of new subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	–	–	3,272,240	3,272,240
Reversal of appropriation of retained earnings (Note 22)	–	–	–	2,000,000,000	(2,000,000,000)	–	–	–	–	–	–	–	–	–	–	–
Balances as at December 31, 2020	₱2,230,160,190	₱21,191,974,542	₱23,422,134,732	₱70,448,067,424	₱–	₱70,448,067,424	₱2,344,845,823	₱53,680,000	(₱19,127,379)	(₱645,381,629)	₱1,734,016,815	(₱2,665,824,256)	(₱679,489,868)	₱92,258,904,847	₱5,525,257,087	₱97,784,161,934
Balances as at January 1, 2019, as previously reported	₱2,230,160,190	₱21,191,974,542	₱23,422,134,732	₱61,789,482,388	₱2,000,000,000	₱63,789,482,388	₱2,480,952,279	₱28,580,000	₱4,600,119	(₱179,565,870)	₱2,334,566,528	(₱5,075,466,405)	(₱679,489,868)	₱83,791,227,375	₱202,251,895	₱83,993,479,270
Effect of adoption of sugar revenue recognition – PFRS 15	–	–	–	25,962,727	–	25,962,727	–	–	–	–	–	–	–	25,962,727	–	25,962,727
Balances as at January 1, 2019, as restated	2,230,160,190	21,191,974,542	23,422,134,732	61,815,445,115	2,000,000,000	63,815,445,115	2,480,952,279	28,580,000	4,600,119	(179,565,870)	2,334,566,528	(5,075,466,405)	(679,489,868)	83,817,190,102	202,251,895	84,019,441,997
Net income for the year	–	–	–	9,772,121,586	–	9,772,121,586	–	–	–	–	–	–	–	9,772,121,586	342,562,191	10,114,683,777
Other comprehensive income (loss)	–	–	–	–	–	–	1,197,749,346	25,990,000	(4,600,119)	(324,317,504)	894,821,723	–	–	894,821,723	(5,464,175)	889,357,548
Total comprehensive income	–	–	–	9,772,121,586	–	9,772,121,586	1,197,749,346	25,990,000	(4,600,119)	(324,317,504)	894,821,723	–	–	10,666,943,309	337,098,016	11,004,041,325
Cash dividends (Note 22)	–	–	–	(6,943,109,884)	–	(6,943,109,884)	–	–	–	–	–	–	–	(6,943,109,884)	(294,000,000)	(7,237,109,884)
Gain from sale of equity interest in a subsidiary (Note 22)	–	–	–	–	–	–	–	–	–	–	–	2,409,642,149	–	2,409,642,149	4,988,486,607	7,398,128,756
Balances as at December 31, 2019	₱2,230,160,190	₱21,191,974,542	₱23,422,134,732	₱64,644,456,817	₱2,000,000,000	₱66,644,456,817	₱3,678,701,625	₱54,570,000	₱–	(₱503,883,374)	₱3,229,388,251	(₱2,665,824,256)	(₱679,489,868)	₱89,950,665,676	₱5,233,836,518	₱95,184,502,194

See accompanying Notes to Consolidated Financial Statements.

UNIVERSAL ROBINA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2021	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax from continuing operations	**₱14,543,979,422**	₱12,477,335,296	₱11,370,153,233
Income before income tax from discontinued operations (Note 33)	**11,599,742,265**	1,278,949,111	526,258,397
Income before income tax	**26,143,721,687**	13,756,284,407	11,896,411,630
Adjustments for:			
Gain on sale of business (Note 33)	**(10,100,438,582)**	–	–
Depreciation and amortization (Notes 27 and 33)	**6,964,546,747**	7,364,956,117	7,310,056,927
Loss (gain) on sale/disposals of property, plant and equipment (Note 13)	**(3,183,838,706)**	3,151,000	5,478,708
Finance costs (Notes 30 and 33)	**1,313,541,255**	1,440,491,530	1,669,869,069
Provision for credit and impairment losses (Notes 10, 11 and 13)	**572,219,061**	32,583,003	2,211,403
Net foreign exchange (gains) losses	**(357,418,904)**	486,271,868	557,668,047
Pension expense (Note 31)	**313,644,955**	221,475,059	324,824,419
Finance revenue (Notes 29 and 33)	**(272,412,394)**	(342,722,549)	(327,611,502)
Unamortized debt issue cost recognized as expense on pretermination of long-term debts	**92,120,744**	–	–
Equity in net losses of joint ventures (Note 16)	**91,077,671**	30,387,041	158,602,482
Market valuation loss (gain) on financial assets at fair value through profit or loss (Note 8)	**(87,194,548)**	(136,239,105)	5,253,797
Loss (gain) arising from changes in fair value less estimated costs to sell of biological assets (Note 14)	**(2,550,156)**	(37,039,948)	70,184,825
Loss on sale of financial assets at fair value through OCI	**580,000**	–	–
Operating income before working capital changes	**21,487,598,830**	22,819,598,423	21,672,949,805
Decrease (increase) in:			
Receivables	**(471,993,520)**	(1,608,936,413)	(2,318,944,164)
Inventories	**(4,118,047,111)**	(2,046,782,286)	(2,368,577,423)
Biological assets	**(149,317,080)**	653,186,037	(27,562,723)
Other current assets	**(1,255,115,410)**	(98,416,313)	845,787,837
Increase (decrease) in:			
Accounts payable and other accrued liabilities	**342,129,083**	3,557,926,082	(1,273,079,149)
Trust receipts payable	**546,700,633**	(1,257,836,274)	2,751,087,671
Net cash generated from operations	**16,381,955,425**	22,018,739,256	19,281,661,854
Income taxes paid	**(1,847,176,445)**	(2,253,123,509)	(2,304,626,825)
Interest paid	**(925,492,541)**	(884,404,162)	(1,316,264,578)
Contributions to retirement plan (Note 31)	**(344,863,044)**	(252,232,263)	(67,317,180)
Interest received	**202,061,065**	276,644,858	274,971,649
Net cash provided by operating activities	**13,466,484,460**	18,905,624,180	15,868,424,920

(Forward)

	Years Ended December 31		
	2021	2020	2019
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Subsidiary, net of cash acquired (Note 15)	**(₱22,565,594,339)**	₱–	₱–
Property, plant and equipment (Note 13)	**(13,199,692,100)**	(11,136,695,250)	(8,988,692,240)
Investments in joint ventures (Note 16)	**(100,000,000)**	–	(125,000,000)
Financial assets at fair value through OCI	**(77,103,380)**	–	–
Proceeds from sale/disposal of:			
Business (Note 33)	**22,292,159,390**	–	–
Property, plant and equipment (Note 13)	**1,984,600,073**	41,083,408	30,934,961
Financial assets at fair value through OCI	**50,000**	–	–
Financial assets at fair value through profit or loss	**–**	25,750	–
Business without loss of control (Note 22)	**–**	–	7,204,512,000
Decrease (increase) in other noncurrent assets	**3,710,795**	(321,475,301)	108,994,799
Dividends received (Note 8)	**32,302,870**	64,605,739	16,151,435
Net cash used in investing activities	**(11,629,566,691)**	(11,352,455,654)	(1,753,099,045)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of/from:			
Short-term debts (Notes 18 and 38)	**(4,002,001,432)**	(3,202,003,095)	(771,313,583)
Principal portion of lease liabilities (Note 37)	**(814,968,947)**	(830,570,104)	(753,266,948)
Availments of short-term debts (Notes 18 and 38)	**9,200,000,000**	2,125,000,000	2,100,000,000
Purchase of treasury shares (Note 22)	**(420,271,367)**	–	–
Cash dividends paid (Note 22)	**(7,707,384,164)**	(7,286,109,884)	(7,237,109,884)
Increase (decrease) in other noncurrent liabilities	**–**	21,646,161	7,523,486
Net cash used in financing activities	**(3,744,625,910)**	(9,172,036,922)	(6,654,166,929)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(1,907,708,141)**	(1,618,868,396)	7,461,158,946
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**18,865,392,462**	20,484,260,858	13,023,101,912
CASH AND CASH EQUIVALENTS AT END OF YEAR	**₱16,957,684,321**	₱18,865,392,462	₱20,484,260,858

See accompanying Notes to Consolidated Financial Statements.

1. Corporate Information

Universal Robina Corporation (hereinafter referred to as "the Parent Company" or "URC") was incorporated on September 28, 1954, domiciled in the Republic of the Philippines, and is listed in the Philippine Stock Exchange. On October 28, 2002, the Parent Company's corporate life was extended for another 50 years or until September 28, 2054. The registered office address of the Parent Company is at 8th Floor Tera Tower, Bridgetowne, E. Rodriguez, Jr. Avenue (C5 Road), Ugong Norte, Quezon City, Metro Manila.

The Parent Company is a majority owned subsidiary of JG Summit Holdings, Inc. ("the Ultimate Parent Company" or "JGSHI").

The Parent Company and its subsidiaries (hereinafter referred to as "the Group") is one of the largest branded food products companies in the Philippines and has a strong presence in ASEAN markets. The Group is involved in a wide range of food-related businesses which are organized into three (3) business segments: (a) the branded consumer food segment which manufactures and distributes a diverse mix of salty snacks, chocolates, candies, biscuits, packed cakes, beverages, instant noodles and pasta; (b) the agro-industrial segment which engages in hog and poultry farming, production and distribution of animal health products and manufacture and distribution of animal feeds, glucose and soya bean products; and (c) the commodity food segment which engages in sugar milling and refining, flour milling and pasta manufacturing, and renewable energy development. The Parent Company also engages in the manufacture of bi-axially oriented polypropylene (BOPP) films for packaging companies and flexible packaging materials to cater various URC branded products. The Parent Company's packaging business is included in the branded consumer food segment.

The operations of certain subsidiaries are registered with the Board of Investments (BOI) as preferred pioneer and nonpioneer activities. Under the terms of the registrations and subject to certain requirements, the Parent Company and certain subsidiaries are entitled to certain fiscal and non-fiscal incentives, including among others, an income tax holiday (ITH) for a period of three (3) years to seven (7) years from respective start dates of commercial operations (see Note 36).

The Group is also subject to certain regulations with respect to, among others, product composition, packaging, labeling, advertising and safety.

The principal activities of the Group are further described in Note 6.

2. **Summary of Significant Accounting Policies**

Basis of Preparation
The accompanying consolidated financial statements of the Group have been prepared on a historical cost basis, except for financial assets at fair value through profit or loss (FVTPL), financial assets at fair value through other comprehensive income (FVOCI) and derivative financial instruments that have been measured at fair value, inventories that have been measured at lower of cost and net realizable value (NRV) and biological assets and agricultural produce that have been measured at fair value less estimated costs to sell.

The consolidated financial statements of the Group are presented in Philippine Peso. The functional and presentation currency of the Parent Company and its Philippine subsidiaries is the Philippine Peso. All values are rounded to the nearest peso except when otherwise stated.

The functional currencies of the Group's consolidated foreign subsidiaries follow:

Subsidiaries	Country of Incorporation	Functional Currency
URC Asean Brands Co. Ltd. (UABCL)	British Virgin Islands	US Dollar
Hong Kong China Foods Co. Ltd. (HCFCL)	- do -	- do -
URC International Co. Ltd. (URCICL)	- do -	- do -
Shanghai Peggy Foods Co., Ltd. (Shanghai Peggy)	China	Chinese Renminbi
URC China Commercial Co. Ltd. (URCCCL)	- do -	- do -
Xiamen Tongan Pacific Food Co., Ltd.	- do -	- do -
Guangzhou Peggy Foods Co., Ltd.	- do -	- do -
Shantou SEZ Shanfu Foods Co., Ltd.	- do -	- do -
Jiangsu Acesfood Industrial Co., Ltd.	- do -	- do -
Shantou Peggy Co. Ltd.	- do -	- do -
URC Hong Kong Company Limited	Hong Kong	Hong Kong Dollar
PT URC Indonesia	Indonesia	Indonesian Rupiah
URC Snack Foods (Malaysia) Sdn. Bhd. (URC Malaysia)	Malaysia	Malaysian Ringgit
Ricellent Sdn. Bhd.	- do -	- do -
Crunchy Foods Sdn. Bhd (Malaysia)	- do -	- do -
Munchy Food Industries Sdn. Bhd	- do -	- do -
Munchworld Marketing Sdn Bhd	- do -	- do -

Subsidiaries	Country of Incorporation	Functional Currency
URC Foods (Singapore) Pte. Ltd.	Singapore	Singapore Dollar
Advanson International Pte. Ltd. (Advanson)	- do -	- do -
URC Equity Ventures Pte. Ltd.	- do -	- do -
URC (Thailand) Co., Ltd.	Thailand	Thai Baht
Siam Pattanasin Co., Ltd.	- do -	- do -
URC (Myanmar) Co. Ltd.	Myanmar	Myanmar Kyat
URC Vietnam Co., Ltd.	Vietnam	Vietnam Dong
URC Hanoi Company Limited	- do -	- do -
URC Central Co. Ltd.	- do -	- do -

Statement of Compliance

The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs).

Basis of Consolidation

The consolidated financial statements include the financial statements of the Parent Company and the following wholly and majority owned direct subsidiaries as of December 31, 2021 and 2020.

Subsidiaries	Place of Incorporation	Effective Percentages of Ownership
CFC Corporation	Philippines	100.00
Bio-Resource Power Generation Corporation and a Subsidiary (BRPGC)	- do -	100.00
Najalin Agri-Ventures, Inc. (NAVI)	- do -	95.82
URC Snack Ventures Inc. (USVI)	- do -	100.00
URC Beverage Ventures, Inc. (UBVI)	- do -	100.00
Nissin - URC (NURC)	- do -	51.00
URC Philippines, Ltd. (URCPL)	British Virgin Islands	100.00
URCICL and Subsidiaries*	- do -	100.00
Universal Robina (Cayman), Ltd. (URCL)	Cayman Islands	100.00
URCCCL and a Subsidiary	China	100.00

**Subsidiaries are located in Vietnam, Thailand, Myanmar, Indonesia, Malaysia, Singapore, China and Hong Kong*

On December 23, 2019, Intersnack, a European enterprise engaged in the savory snacks market with an extensive product portfolio, bought 40% of Oceania businesses (SBA and Griffin's), which resulted in the reduction of URC's ownership interest in Oceania from 100% to 60% (see Note 22). Further, on October 29, 2021, URC sold its remaining 60% ownership interest to Intersnack (see Note 33).

Control
Control is achieved when the Group is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a 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 Group re-assesses 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. Consolidation of a subsidiary begins when the Parent Company obtains control over the subsidiary and ceases when the Parent Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of financial position and consolidated statement of comprehensive income from the date the Parent Company gains control until the date it ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent of the Group and to the non-controlling interests, even if this results in the non-controlling interest having deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by the Group.

All intragroup transactions, balances, income and expenses are eliminated in the consolidation.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group’s equity therein. The interest of non-controlling shareholders may be initially measured at fair value or at the non-controlling interest’s proportionate share of the acquiree’s identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, non-controlling interests consist of the amount attributed to such interests at initial recognition and the non-controlling interest’s share of changes in equity since the date of the combination.

Any changes in the Group’s ownership interest in subsidiary that does not result in a loss of control is accounted for as equity transactions. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the equity holders of the Parent Company.

If the Group loses control over a subsidiary, it:

derecognizes the assets (including goodwill) and liabilities of the subsidiary;
derecognizes the carrying amount of any non-controlling interest;
derecognizes the related other comprehensive income recorded in equity and recycles the same to profit or loss or retained earnings;
recognizes the fair value of the consideration received;
recognizes the fair value of any investment retained;
recognizes any surplus or deficit in the consolidated statement of income; and
reclassifies 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.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. Some of the Group's subsidiaries have a local statutory accounting reference date of September 30. These are consolidated using management prepared information on a basis coterminous with the Group's accounting reference date.

Below are the subsidiaries with a different accounting reference date from that of the Parent Company:

Subsidiaries*	Year-end
Bio-resource Power Generation Corporation	September 30
Southern Negros Development Corporation	-do-
Najalin Agri-Ventures, Inc.	-do-

**Dormant/non-operating subsidiaries*

Business Combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. This policy also covers purchase of assets that constitutes acquisition of a business.

For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are recognized in profit or loss in the consolidated statement of income as incurred.

Where appropriate, the cost of acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments. All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant PFRSs. Changes in the fair value of contingent consideration classified as equity are not recognized.

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

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that if known, would have affected the amounts recognized as of that date. The measurement period is the period from the date of acquisition to the date the Group receives complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum period of one year.

If the business combination is achieved in stages, the Group's previously-held interests in the acquired entity are remeasured to fair value at the acquisition date (the date the Group attains control) and the resulting gain or loss, if any, is recognized in the consolidated statement of income. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

Combinations of Entities under Common Control
Where there are business combinations involving entities that are ultimately controlled by the same ultimate parent (i.e., Controlling Shareholders) before and after the business combination and that the control is not transitory ("business combinations under common control"), the Group accounts for such business combinations in accordance with the guidance provided by the Philippine Interpretations Committee Q&A No. 2011-02, PFRS 3.2 - *Common Control Business Combinations*. The purchase method of accounting is used, if the transaction was deemed to have substance from the perspective of the reporting entity. In determining whether the business combination has substance, factors such as the underlying purpose of the business combination and the involvement of parties other than the combining entities such as the non-controlling interest, shall be considered. In cases where the transaction has no commercial substance, the business combination is accounted for using the pooling of interests method.

In applying the pooling of interests method, the Group follows the Philippine Interpretations Committee Q&A No. 2012-01, PFRS 3.2 - *Application of the Pooling of Interests Method for Business Combinations of Entities under Common Control in Consolidated Financial Statements*, which provides the following guidance:

The assets and liabilities of the combining entities are reflected in the consolidated financial statements 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 that are made are those adjustments to harmonize accounting policies.

No new goodwill is recognized as a result of the 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 reflected within equity as other equity reserve, i.e., either contribution or distribution of equity.

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

Goodwill
Goodwill arising from the acquisition of a subsidiary is recognized as an asset at the date the control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously-held interest, if any, in the entity over the net fair value of the identifiable net assets recognized.

If after reassessment, the Group's interest in the net fair value of the acquiree's identifiable net assets exceeds the sum of consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously-held equity interest, if any, the excess is recognized immediately in the consolidated statement of income as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortized, but is reviewed for impairment at least annually. Any impairment loss is recognized immediately in profit or loss and is not subsequently reversed.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial years, except that the Group has adopted the following PFRSs and Philippine Accounting Standards (PAS) and Philippine Interpretations beginning January 1, 2021. The adoption of the new and amended standards and interpretations did not have any impact on the consolidated financial statements of the Group unless otherwise indicated.

Amendment to PFRS 16, COVID-19-related Rent Concessions beyond 30 June 2021

The amendment provides relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

The rent concession is a direct consequence of COVID-19;
The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
Any reduction in lease payments affects only payments originally due on or before June 30, 2022; and
There is no substantive change to other terms and conditions of the lease.

A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

The amendment is effective for annual reporting periods beginning on or after April 1, 2021. Early adoption is permitted.

The amendments had no impact on the consolidated financial statements of the Group.

Amendments to PFRS 9, PAS 39, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):

- Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
- Relief from discontinuing hedging relationships
- Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

The Group shall also disclose information about:

- The nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and
- Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition

The amendments had no impact on the consolidated financial statements of the Group.

Significant Accounting Policies

Current versus Noncurrent Classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current or noncurrent classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or
- Cash or cash equivalents, unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities.

Fair Value Measurement
The Group measures certain financial instruments and nonfinancial assets at fair value at each reporting date. Fair values of financial instruments measured at amortized cost and investment properties carried at cost are disclosed in Note 5.

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:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the Group.

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

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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 (unadjusted) market prices in active markets for identical assets or liabilities
Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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 categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting date.

<u>Cash and Cash Equivalents</u>
Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from dates of placement, and that are subject to insignificant risk of changes in value.

<u>Financial Instruments</u>
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.

a) Financial assets

Initial recognition and measurement
Financial assets are classified at fair value at initial recognition and subsequently measured at amortized cost, FVOCI, and FVTPL.

The classification of financial assets at initial recognition depends on the financial asset’s contractual cash flow characteristics and the Group’s business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under PFRS 15.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows which are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its 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. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows. Financial assets classified and measured at FVOCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at FVTPL

The financial assets of the Group as of December 31, 2021 and 2020 consist of financial assets at amortized cost, financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments), derivative assets and financial assets at FVTPL (equity instruments).

Financial assets at amortized cost (debt instruments)
Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Group's financial assets at amortized cost include cash and cash equivalents and receivables.

Financial assets designated at FVOCI (equity instruments)
Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation*, and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the consolidated statements of income when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at FVOCI are not subject to impairment assessment.

The Group elected to classify irrevocably its investments in club shares under this category.

Financial assets at FVTPL
Debt instruments that do not meet the amortized cost criteria, or meets the criteria but the Group has designated as at FVTPL upon initial recognition, are classified as financial assets at FVTPL. Equity investments are classified as financial assets at FVTPL, unless the Group designates an equity investment that is not held for trading as at FVOCI at initial recognition.

A financial asset is considered as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term;
- upon initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument or financial guarantee.

Financial assets at FVTPL are carried in the consolidated statements of financial position at fair value with net changes in fair value recognized in the consolidated statements of income.

This category includes equity instruments which the Group had not irrevocably elected to classify at fair value through OCI and currency options.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) 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 the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group 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 of 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 its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a 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 could be required to repay.

Impairment of financial assets
The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at FVTPL. ECLs represent credit losses that reflect an unbiased and probability-weighted amount which is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime ECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12-month ECL. The 12-month ECL is the portion of lifetime ECL that results from default events on a financial instrument that are

possible within the 12 months after the reporting date. Lifetime ECL are credit losses that results from all possible default events over the expected life of a financial instrument.

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other financial assets such nontrade receivables, loans receivable, due from related parties and other receivables, ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk (SICR) since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For cash and cash equivalents and short-term investments, the Group applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Group uses the ratings from reputable credit rating agencies to determine whether the debt instrument has SICR and to estimate ECLs.

The Group considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

The key inputs in the model include the Group's definition of default and historical data of three years for the origination, maturity date and default date. The Group considers trade receivables and contract assets in default when contractual payment are 90 days past due, except for certain circumstances when the reason for being past due is due to reconciliation with customers of payment records which are administrative in nature which may extend the definition of default. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

Determining the stage for impairment
At each reporting date, the Group assesses whether there has been an SICR for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analyses.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed SICR since origination, then the loss allowance measurement reverts from lifetime ECL to 12-month ECL.

Staging assessment
PFRS 9 establishes a three-stage approach for impairment of financial assets, based on whether there has been a significant deterioration in the credit risk of a financial asset. These three stages then determine the amount of impairment to be recognized.

- Stage 1 is comprised of all non-impaired financial instruments which have not experienced a significant increase in credit risk since initial recognition. Entities are required to recognize
  12-month ECL for stage 1 financial instruments. In assessing whether credit risk has increased significantly, entities are required to compare the risk of a default occurring on the financial instrument as at the reporting date, with the risk of a default occurring on the financial instrument as at the date of initial recognition.

- Stage 2 is comprised of all non-impaired financial instruments which have experienced a significant increase in credit risk since initial recognition. Entities are required to recognize lifetime ECL for stage 2 financial instruments. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a significant increase in credit risk since initial recognition, then entities shall revert to recognizing 12-month ECL.

- Financial instruments are classified as stage 3 when there is objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition with a negative impact on the estimated future cash flows of a financial instrument or a portfolio of financial instruments. The ECL model requires that lifetime ECL be recognized for financial assets that are in default. The Group considers a financial asset in default when contractual payments are 30-60 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows

b) Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at FVTPL
Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by PFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the consolidated statements of income.

Financial liabilities designated upon initial recognition at FVTPL are designated at the initial date of recognition, and only if the criteria in PFRS 9 are satisfied.

The Group does not have financial liabilities at FVTPL as of December 31, 2021 and 2020.

Financial liabilities at amortized cost
This is the category most relevant to the Group. It pertains to financial liabilities that are not held for trading or not designated as at FVTPL upon the inception of the liability. These include liabilities arising from operations and borrowings.

After initial recognition, these financial liabilities are measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on the acquisition and fees or costs that are an integral part of the EIR. Gains and losses are recognized in profit or loss when the financial liabilities are derecognized, as well as through the EIR amortization process.

This category applies to the Group's accounts payable and accrued expenses (excluding advances from customers, advances from third parties, statutory and taxes payables), short-term debt, trust receipts payable and long-term debt.

Derecognition
A financial liability is derecognized when the obligation under the liability is discharged, 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in profit or loss.

c) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of solvency or bankruptcy of the Group and all of the counterparties.

Inventories
Inventories, including goods-in-process, are recorded at cost and subsequently valued at the lower of cost and NRV. NRV 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.

When the inventories are sold, the carrying amounts of those inventories are recognized under 'Cost of sales' in the consolidated statement of income in the period when the related revenue is recognized.

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

Finished goods, goods-in-process, raw materials, containers and packaging materials, and spare parts and supplies
Cost is determined using the weighted average method. The cost of raw materials, containers and packaging materials, and spare parts and supplies consist of their purchase cost. The cost of finished goods and goods-in-process include direct materials and labor, and a proportion of manufacturing overhead costs based on actual goods processed and produced, but excluding borrowing costs.

Materials in-transit
Cost is determined on a specific identification basis.

Biological Assets
The biological assets of the Group are divided into two major categories with sub-categories as follows:

Swine livestock
- Breeders (livestock bearer)
- Sucklings (breeders' offspring)
- Weanlings (comes from sucklings intended to be breeders or to be raised as fatteners/finishers)
- Fatteners/finishers (comes from weanlings unfit to become breeders; intended for the production of meat and meat products or to be sold live)

Poultry livestock
- Breeders (livestock bearer)
- Chicks (breeders' offspring intended to be sold as breeders)

Biological assets are measured on initial recognition and at each reporting date at its fair value less estimated costs to sell. The fair values are determined based on current market prices of livestock of similar age, breed and genetic merit. Costs to sell include commissions to brokers and dealers, nonrefundable transfer taxes and duties. Costs to sell exclude transport and other costs necessary to get the biological assets to the market.

Agricultural produce is the harvested product of the Group's biological assets. A harvest occurs when agricultural produce is either detached from the bearer biological asset or when a biological asset's life processes cease. A gain or loss on initial recognition of agricultural produce at fair value less estimated costs to sell is recognized in the consolidated statement of income in the period in which it arises. The agricultural produce of swine livestock are hog carcasses, while the agricultural produce of poultry livestock are table eggs and hatched chick. These are then subsequently measured following PAS 2, *Inventories*.

A gain or loss on initial recognition of a biological asset at fair value less estimated costs to sell and from a change in fair value less estimated costs to sell of a biological asset are included in the consolidated statement of income in the period in which it arises.

Property, Plant and Equipment
Property, plant and equipment, except land, are carried at cost less accumulated depreciation and amortization and accumulated impairment losses, if any.

The initial cost of an item of property, plant and equipment comprises its purchase price and any cost attributable in bringing the asset to its intended location and working condition. Cost also includes:

(a) interest and other financing charges on borrowed funds used to finance the acquisition of property, plant and equipment to the extent incurred during the period of installation and construction; and
(b) asset retirement obligation relating to property, plant and equipment installed/constructed on leased properties, if any, representing the present value of the expected cost for the decommissioning of an asset after its use, and provided the recognition criteria for a provision are met.

Land is stated at cost less any impairment in value.

Subsequent costs are capitalized as part of the 'Property, plant and equipment' in the consolidated statement of financial position, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Cost of repairs and maintenance are expensed when incurred.

Foreign exchange differentials arising from foreign currency borrowings used for the acquisition of property, plant and equipment are capitalized to the extent that these are regarded as adjustments to interest costs.

Depreciation and amortization of property, plant and equipment commence once the property, plant and equipment are available for use and are computed using the straight-line method over the estimated useful life (EUL) of the assets regardless of utilization.

The EUL of property, plant and equipment of the Group follows:

	Years
Land improvements	5 to 10
Buildings and improvements	10 to 30
Machinery and equipment	10
Transportation equipment	5
Furniture, fixtures and equipment	5

Leasehold improvements are amortized over the shorter of their EUL or the corresponding lease terms. The residual values, useful lives and methods of depreciation and amortization of property, plant and equipment are reviewed periodically and adjusted, if appropriate, at each reporting date to ensure that the method and period of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property, plant and equipment. Any change in the expected residual values, useful lives and methods of depreciation are adjusted prospectively from the time the change was determined necessary.

Construction-in-progress and equipment in transit are stated at cost, net of accumulated impairment losses, if any. This includes the cost of construction and other direct costs. Borrowing costs that are directly attributable to the construction of property, plant and equipment are capitalized during the construction period. Construction in-progress and equipment in transit are not depreciated until such time as the relevant assets are completed and put into operational use.

Construction in-progress and equipment in transit are transferred to the related 'Property, plant and equipment' in the consolidated statement of financial position when the construction or installation and related activities necessary to prepare the property, plant and equipment for their intended use are completed, and the property, plant and equipment are ready for service.

Major spare parts and stand-by equipment items that the Group expects to use over more than one period and can be used only in connection with an item of property, plant and equipment are accounted for as property, plant and equipment. Depreciation and amortization on these major spare parts and stand-by equipment commence once these have become available for use (i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by the Group).

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use or disposal of the asset. Any gain or loss arising from the derecognition of the property, plant and equipment (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated statement of income, in the period the item is derecognized.

Fully depreciated property, plant and equipment are retained in the accounts until these are no longer in use.

<u>Investment Properties</u>
Investment properties consist of properties that are held to earn rentals or for capital appreciation or both, and those which are not occupied by entities in the Group. Investment properties, except for land, are carried at cost less accumulated depreciation and any impairment loss, if any. Land is carried at cost less any accumulated impairment loss, if any. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met, and excludes the cost of day-to-day servicing of an investment property.

Investment properties are measured initially at cost, including transaction costs. Transaction costs represent nonrefundable taxes such as capital gains tax and documentary stamp tax that are for the account of the Group. An investment property acquired through an exchange transaction is measured at fair value of the asset acquired unless the fair value of such an asset cannot be measured, in which case, the investment property acquired is measured at the carrying amount of asset given up.

The Group's investment properties consist solely of buildings and building improvements and are depreciated using the straight-line method over their EUL ranging from 10 to 30 years (see Note 17).

The depreciation and amortization method and useful life are reviewed periodically to ensure that the method and period of depreciation and amortization are consistent with the expected pattern of economic useful benefits from items of investment properties.

Investment properties are derecognized when either they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. Any gains or losses on the retirement or disposal of investment properties are recognized in the consolidated statement of income in the year of retirement or disposal.

Transfers are made to (or from) investment property only when there is a change in use. If 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.

Goodwill

Goodwill represents the excess of the cost of the acquisition over the fair value of identifiable net assets of the investee at the date of acquisition which is not identifiable to specific assets.

Goodwill acquired in a business combination from the acquisition date is allocated to each of the Group's 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 of the Group 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 a segment based on the Group's operating segments as determined in accordance with PFRS 8, *Operating Segments*.

Following initial recognition, goodwill is measured at cost, less any accumulated impairment losses, if any. Goodwill is reviewed for impairment annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired (see further discussion under Impairment of nonfinancial assets).

Where goodwill forms part of a cash-generating unit 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.

Intangible Assets
Intangible assets (other than goodwill) acquired separately are measured on initial recognition at cost. The cost of intangible asset acquired in a business combination is its fair value at the acquisition date. Following initial recognition, intangible assets are measured at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The EUL of intangible assets are assessed to be either finite or indefinite.

The useful lives of intangible assets with a finite life are assessed at the individual asset level. Intangible assets with finite lives are amortized on a straight line basis over the asset's EUL and assessed for impairment, whenever there is an indication that the intangible assets 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. Changes in the EUL or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with finite useful lives is recognized in the consolidated statement of income in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually, either individually or at the cash-generating unit level (see further discussion under Impairment of nonfinancial assets). Such intangibles are not amortized. The assessment of indefinite useful life is reviewed annually to determine whether the 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.

An intangible asset is derecognized upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Gain or loss arising from derecognition of an intangible asset is measured as the difference between the net disposal proceeds and the carrying amount of the asset and is recognized in the consolidated statement of income when the asset is derecognized.

A summary of the policies applied to the Group's intangible assets follows:

	EUL	Amortization method used	Internally generated or acquired
Product formulation	Indefinite	No amortization	Acquired
Brands/Certain trademarks	Indefinite	No amortization	Acquired
Trademarks	Finite (4 years)	Straight line amortization	Acquired
Software costs	Finite (10 years)	Straight line amortization	Acquired
Customer relationship	Finite (35 years)	Straight line amortization	Acquired

Investment in Joint Ventures

The Group has interests in joint ventures. A joint venture is a contractual arrangement whereby two or more parties who have joint control over the arrangement have rights to the net assets of the arrangement.

The Group's investment in joint venture is accounted for using the equity method of accounting.
Under the equity method, the investment in a joint venture is carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share in the net assets of the joint venture. The consolidated statement of income reflects the Group's share in the results of operations of the joint venture. Where there has been a change recognized directly in the investees' equity, the Group recognizes its share of any changes and discloses this, when applicable, in the other comprehensive income in the consolidated statement of changes in equity. Profits and losses arising from transactions between the Group and the joint ventures are eliminated to the extent of the interest in the joint ventures.

The Group discontinues applying the equity method when its investments in investee companies are reduced to zero. Accordingly, additional losses are not recognized unless the Group has guaranteed certain obligations of the associates or joint venture. When the investees subsequently report net income, the Group will resume applying the equity method but only after its equity in the net income equals the equity in net losses of associates and joint venture not recognized during the period the equity method was suspended.

The investee company's accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

Impairment of Nonfinancial Assets

This accounting policy applies primarily to the Group's property, plant and equipment (see Note 13), right-of-use assets (see Note 37), investment properties (see Note 17), investments in joint ventures (see Note 16), goodwill and intangible assets (see Note 15).

Except for goodwill and intangible assets with indefinite useful lives which are tested for impairment annually, the Group assesses at each reporting date whether there is an indication that its nonfinancial assets may be impaired. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Group makes a formal estimate of recoverable amount. Recoverable amount is the higher of an asset's (or cash-generating unit's) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed for the cash-generating unit to which the asset belongs. Where the carrying amount of an asset (or cash generating unit) exceeds its recoverable amount, the asset (or cash-generating unit) is considered impaired and is written-down to its recoverable amount.

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 (or cash-generating unit). In determining fair value less costs of disposal, recent market transactions are taken into account.

The Group bases its impairment calculation on most recent budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses are recognized under 'Provision for credit and impairment losses' in the consolidated statement of income.

The following criteria are also applied in assessing impairment of specific assets:

Property, plant and equipment, right-of-use assets, investment properties, intangible assets with definite useful lives, and investments in joint ventures
For property, plant and equipment, investment properties, intangible assets with definite useful lives, 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 and an impairment assessment is performed. For investments in joint ventures, this impairment assessment is done after application of the equity method. 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 statement of income. After such a reversal, the depreciation and amortization expense are adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Goodwill and intangible assets with indefinite useful lives
Goodwill is reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired.

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 to which goodwill has been allocated, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Discontinued Operations
A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or
- is a subsidiary acquired exclusively with a view to resale.

The disposal group is excluded from the results of continuing operations and is presented as a single amount as ‘Net income after tax from discontinued operations’ in the consolidated statement of income.

Additional disclosures are provided in Note 33. All other notes to the consolidated financial statements include amounts of disposal group, unless otherwise mentioned.

Revenue Recognition
Revenue from contracts with customers is recognized 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. The Group has concluded that it is the principal in its revenue arrangements because it controls the goods or services before transferring them to the customer.

Sale of goods and services
Revenue from sale of goods and services is recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods and services. The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the sale of goods and services, the Group considers the effects of variable consideration, the existence of significant financing components, noncash consideration, and consideration payable to the customer, if any. If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception using the expected value method and is constrained until it is highly probable that a significant revenue reversal in the amount of

cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Some contracts for the sale of goods and services provide customers with a right to return the goods within a specific period.

Sale of sugar and molasses
Sale of raw sugar is recognized upon (a) endorsement and transfer of quedans for quedan-based sales and (b) shipment or delivery and acceptance by the customers for physical sugar sales. Sale of refined sugar and alcohol is recognized upon shipment of delivery and acceptance by the customers. Sale of molasses is recognized upon (a) surrendering of molasses certificates (warehouse receipts for molasses) or (b) delivery and acceptance by the customer for physical molasses, whichever comes first.

Rendering of tolling services
Revenue derived from tolling activities is recognized as revenue over time as the related services are being rendered.

<u>Revenue outside the scope of PFRS 15:</u>
Dividend income
Dividend income is recognized when the shareholder's right to receive the payment is established.

Interest income
Interest income is recognized as it accrues using the EIR method under which interest income is recognized at the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

<u>Provisions</u>
Provisions are recognized when: (a) the Group has a present obligation (legal or constructive) as a result of a past event; (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 can be made of the amount of the obligation. 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, where appropriate, 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 under 'Finance cost' in the consolidated statement of income. Where the Group expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statement of income, net of any reimbursement.

Contingencies
Contingent liabilities are not recognized in the consolidated financial statements but 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 disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable.

Pension Costs
The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period 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 any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

Current service cost
Net interest on the net defined benefit liability or asset
Remeasurements of net defined benefit 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 profit or loss.

Past service costs are recognized in profit or loss on the earlier of:

The date of the plan amendment or curtailment, and
The date that the Group recognizes related restructuring costs.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset.

Net interest on the net defined benefit liability or asset is recognized as expense or income in the consolidated statement of income.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to consolidated statement of income in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Termination benefit
Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.

Employee leave entitlement
Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the annual reporting period is recognized for services rendered by employees up to the end of the reporting period.

Income Taxes

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in countries where the Group operates and generates taxable income.

Deferred tax

Deferred tax is provided using the balance sheet liability method on all temporary differences, with certain exceptions, at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or 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
- In respect of taxable temporary differences associated with investments in 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 from unused minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that future taxable income will be available against which the deductible temporary differences, and the carryforward benefits of unused tax credits from excess MCIT and unused 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 future taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in 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 future taxable profit will be available against which the temporary differences can be utilized.

The carrying amounts of deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets 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 income will allow the deferred tax assets to be recognized.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss in the consolidated statement of comprehensive income. Such deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and liabilities are measured at the tax rate that is expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted as of the reporting date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Value-added Tax (VAT)

Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.

When VAT from sale of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the consolidated statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sale of goods and/or services (output VAT), the excess is recognized as an asset in the consolidated statement of financial position to the extent of the recoverable amount.

The net amount of VAT recoverable from, or payable to, the taxation authority by each entity is included as part of 'Other current assets' or 'Accounts payable and other accrued liabilities' in the consolidated statement of financial position.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Leases

The Group assesses whether a contract is, or contains a lease, at the inception of a contract. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as a lessee
The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use (ROU) assets representing the right to use the underlying assets.

Right-of-use assets
The Group recognizes ROU assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). ROU assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of ROU assets includes the amount of lease liabilities recognized, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received, and any estimated costs to be incurred in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized ROU assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. ROU assets, which are presented under 'Noncurrent Assets' in the consolidated statement of financial position, are subject to impairment.

The depreciation period for each class of ROU assets follows:

	Period
Land and land improvements	10 years
Buildings and improvements	2-20 years
Machinery and equipment	2 years
Transportation equipment	2 years
Furniture and fixture	2 years

Lease liabilities
At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflected the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the commencement date if the interest rate implicit to the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases
The Group applies the short-term lease recognition exemption to its short-term leases of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on
short-term leases are recognized as expense on a straight-line basis over the lease term.

Group as a lessor
Leases where the Group does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Rent income
Rent income arising from investment properties is accounted for on a straight-line basis over the lease term on ongoing leases and is included in other loss in the consolidated statement of income.

Cost and Expenses
Cost and expenses are decreases in economic benefits during the accounting 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. Cost and expenses are recognized when incurred.

Foreign Currency Translation/Transactions
The functional and presentation currency of the Parent Company and its Philippine subsidiaries is the Philippine Peso. Each entity in the Group determines its own functional currency and items included in the consolidated financial statements of each entity are measured using that functional currency.

Transactions and balances
Transactions in foreign currencies are initially recorded in the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange prevailing at the reporting date. Differences arising from settlement or translation of monetary items are recognized in the consolidated statement of income. Tax charges and credits attributable to exchange differences are also dealt with in statement of income. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of initial transaction. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising from translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item.

Group companies
As of reporting date, the assets and liabilities of the subsidiaries are translated into the presentation currency of the Group at the rate of exchange prevailing at reporting date and their respective statements of income are translated at the weighted average exchange rates for the year. The exchange differences arising from the translation are taken directly to a separate component of equity as ‘Cumulative translation adjustments’ under ‘Other comprehensive income’. On disposal of a foreign entity, the deferred cumulative amount recognized in equity relating to that particular foreign operation shall be recognized in the consolidated statement of income.

The Group has determined that the cumulative translation adjustments will not be realized in the foreseeable future. Therefore, the Group does not recognize deferred tax liabilities on its cumulative translation adjustments.

Common Stock
Capital stocks are classified as equity and are recorded at par. Proceeds in excess of par value are recorded as ‘Additional paid-in capital’ in the consolidated statement of changes in equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Retained Earnings
Retained earnings represent the cumulative balance of periodic net income (loss), dividend distributions, prior period adjustments and effect of changes in accounting policy and capital adjustments.

Other Comprehensive Income
Other comprehensive income comprises items of income and expenses (including items previously presented under the consolidated statements of changes in equity) that are not recognized in the consolidated statement of income for the year in accordance with PFRSs.

Treasury Shares
Treasury shares are recorded at cost and are presented as a deduction from equity. Any consideration paid or received in connection with treasury shares are recognized directly in equity.

When the shares are retired, the capital stock account is reduced by its par value. The excess of cost over par value upon retirement is debited to the following accounts in the order given: (a) additional paid-in capital to the extent of the specific or average additional paid-in capital when the shares were issued, and (b) retained earnings. When shares are sold, the treasury share account is credited and reduced by the weighted average cost of the shares sold. The excess of any consideration over the cost is credited to additional paid-in capital.

Transaction costs incurred such as registration and other regulatory fees, amounts paid to legal, accounting and other professional advisers, printing costs and stamp duties (net of any related income tax benefit) in relation to issuing or acquiring the treasury shares are accounted for as reduction from equity, which is disclosed separately.

No gain or loss is recognized in the consolidated statement of income on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Equity Reserves
Equity reserves arise from transactions in which the proportion of equity held by non-controlling interests changes. These are initially measured as the difference between the amount by which the non-controlling interests were adjusted and the fair value of the consideration paid or received. Equity reserves are attributed to the owners of the Parent Company.

Dividends on Common Stocks
Dividends on common shares are recognized as a liability and deducted from equity when approved by BOD of the Parent Company in the case of cash dividends, and the BOD and shareholders of the Parent Company in the case of stock dividends.

Earnings Per Share (EPS)
Basic EPS is computed by dividing consolidated net income attributable to equity holders of the Parent Company (consolidated net income less dividends on preferred shares) by the weighted average number of common stocks issued and outstanding during the year, adjusted for any subsequent stock dividends declared.

Diluted EPS amounts are calculated by dividing the consolidated net income attributable to equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

Segment Reporting
The Group's operating businesses 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 business segments is presented in Note 6 to the consolidated financial statements.

Events after Reporting Date
Any post year-end event up to the date of approval of the BOD of the consolidated financial statements that provides additional information about the Group's position at reporting date (adjusting event) is reflected in the consolidated financial statements. Any post year-end event that is not an adjusting event is disclosed in the notes to the consolidated financial statements, when material.

Standards Issued but not yet Effective
Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements will have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2022

Amendments to PFRS 3, *Reference to the Conceptual Framework*

The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately. At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively.

Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*

The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have a material impact on the Group.

Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*

The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

Annual Improvements to PFRSs 2018-2020 Cycle

Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*

The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.

Amendments to PFRS 9, *Financial Instruments*, *Fees in the '10 per cent' test for derecognition of financial liabilities*

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those 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. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.

Effective beginning on or after January 1, 2023

Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).

An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented for annual reporting periods on or after January 1, 2023. The amendments are not expected to have a material impact on the Group.

Amendments to PAS 8, *Definition of Accounting Estimates*

The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

An entity applies the amendments to changes in accounting policies and changes in accounting estimates that occur on or after January 1, 2023 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.

Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies, and
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

The amendments to the Practice Statement provide non-mandatory guidance. Meanwhile, the amendments to PAS 1 are effective for annual periods beginning on or after January 1, 2023. Early application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Group.

Effective beginning on or after January 1, 2024

Amendments to PAS 1*, Classification of Liabilities as Current or Non-current*

The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. However, in November 2021, the International Accounting Standards Board (IASB) tentatively decided to defer the effective date to no earlier than January 1, 2024. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Effective beginning on or after January 1, 2025

PFRS 17, *Insurance Contracts*

PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

On December 15, 2021, the FRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two (2) years after its effective date as decided by the IASB.

PFRS 17 is effective for reporting periods beginning on or after January 1, 2025, with comparative figures required. Early application is permitted. The amendments are not expected to have a material impact on the Group.

Deferred effectivity

Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the IASB completes 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.

The amendments are not expected to have a material impact on the Group.

3. **Significant Accounting Judgments and Estimates**

The preparation of the consolidated financial statements in compliance with PFRSs requires the Group to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the consolidated financial statements as they become reasonably determinable.

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.

Judgments
In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements:

a. *Revenue recognition on sale of goods and services*
Revenue recognition under PFRS 15 involves the application of significant judgment and estimation in the: (a) identification of the contract for sale of goods that would meet the requirements of PFRS 15; (b) assessment of performance obligation and the probability that the Group will collect the consideration from the buyer; (c) determining method to estimate variable consideration and assessing the constraint; and (d) recognition of revenue as the Group satisfies the performance obligation.

   i. *Existence of a contract*
   The Group enters into a contract with customer through an approved purchase order which constitutes a valid contract as specific details such as the quantity, price, contract terms and their respective obligations are clearly identified. In the case of sales to key accounts and distributors, the combined approved purchase order and trading terms agreement/exclusive distributorship agreement constitute a valid contract.

   ii. *Identifying performance obligation*
   The Group identifies performance obligations by considering whether the promised goods or services in the contract are distinct goods or services. A good or service is distinct when the customer can benefit from the good or service on its own or together with other resources that are readily available to the customer and the Group's promise to transfer the good or service to the customer is separately identifiable from the other promises in the contract.

   Based on management assessment, other than the sale of goods and services, no other performance obligations were identified except in the case of milling revenue.

iii. *Recognition of revenue as the Group satisfies the performance obligation*
The Group recognizes its revenue for all revenue streams at a point in time, when the goods are sold and delivered and as services are being rendered. In addition, part of the assessment process of the Group before revenue recognition is to assess the probability that the Group will collect the consideration to which it will be entitled in exchange for the goods sold that will be transferred to the customer.

iv. *Method to estimate variable consideration and assess constraint*
The Group uses historical experience with key accounts and distributors from the past 12 months to determine the expected value of rights of return and constrain the consideration under the contract accordingly.

v. *Recognition of milling revenue under output sharing agreement and cane purchase agreement*
The Group applies both output sharing agreement and cane purchase agreement in relation to milling operations. Under output sharing agreement, milling revenue is recognized based on the fair value of the millshare at average raw sugar selling price on the month with sugar production after considering in-purchase, which represents cane purchase agreement. Under cane purchase agreement, the Group purchases raw sugar from the traders and/or planters. The in-purchase rate is derived by determining the total raw sugar purchases and the total planters' share. Raw production costs are allocated systematically based on the output sharing and cane purchase agreement rates.

b. *Contingencies*
The Group is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the defense in these matters and is based upon an analysis of potential results. The Group currently does not believe these proceedings will have a material effect on the Group's consolidated financial position. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings.

c. *Determining whether it is reasonably certain that a renewal and termination option will be exercised - the Group as a lessee*
The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to renew the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include renewal and termination options. The Group applies judgment in evaluating whether it is reasonably certain to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew or terminate (e.g., a change in business strategy).

The Group included the renewal period as part of the lease term for leases, together with any periods covered by an option to renew the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

d. *Assessment of elements of a business*
The Group determined that its acquisition of properties in La Carlota City should be accounted for as a purchase of assets. The Group considered the terms and conditions of the asset purchase agreement and other related agreements, and assessed that the properties acquired do not meet the elements of a business because:

(i) there were no outputs as of acquisition date;
(ii) the inputs acquired do not include an organized workforce; and
(iii) no substantive processes were acquired either as part of the terms of the agreements or through the intellectual capacity of any organized workforce.

e. *Discontinued operations*
The Group determined that the sale of the Oceania businesses will qualify for presentation as discontinued operations since it represents a separate line of business for which the operations and cash flows can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the Group (Note 33).

<u>Estimates</u>
The key assumptions concerning the future and other sources of estimation uncertainty at the financial position date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

a. *Assessment for ECL on trade receivables*
The Group, applying the simplified approach in the computation of ECL, initially uses a provision matrix based on historical default rates for trade receivables. The provision matrix specifies provision rates depending on the number of days that a trade receivable is past due. The Group also uses appropriate groupings if its historical credit loss experience shows significantly different loss patterns for different customer segments. The Group 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 Group adjusts historical default rates to forward-looking default rate by determining the closely related economic factor affecting each customer segment. The Group regularly reviews the methodology and assumptions used for estimating ECL to reduce any differences between estimates and actual credit loss experience.

The determination of the relationship between historical default rates and forecasted economic conditions is a significant accounting estimate. Accordingly, the provision for ECL on trade receivables is sensitive to changes in assumptions about forecasted economic conditions.

The Group has assessed that the ECLs on trade receivables is not material because significant amount of its receivables are normally collected within one year. The carrying amount of trade receivables is ₱12.9 billion and ₱13.7 billion as at December 31, 2021 and 2020, respectively (see Note 10).

b. *Assessment for 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 other 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 an SICR since initial recognition in which case lifetime ECLs are provided.

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 that are more than 90 days past due to be the latest point at which lifetime ECL should be recognized unless it can demonstrate that this does not represent an SICR such as when non-payment was an administrative oversight rather than resulting from financial difficulty of the borrower.

The Group has assessed that the ECL on other financial assets at amortized cost is not material because the transactions with respect to these financial assets were entered into by the Group only with reputable banks and companies with good credit standing and relatively low risk of defaults. Accordingly, no provision for ECL on other financial assets at amortized cost was recognized in 2021 and 2020.

c. *Determination of fair values less estimated costs to sell of biological assets*
The fair values of biological assets are determined based on current market prices of livestock of similar age, breed and genetic merit. Costs to sell include commissions to brokers and dealers, nonrefundable transfer taxes and duties. Costs to sell exclude transport and other costs necessary to get the biological assets to the market. The fair values are reviewed and updated if expectations differ from previous estimates due to changes brought by both physical change and price changes in the market. It is possible that future results of operations could be materially affected by changes in these estimates brought about by the changes in factors mentioned.

As of December 31, 2021 and 2020, the Group's biological assets carried at fair values less estimated costs to sell amounted to ₱298.3 million and ₱234.3 million, respectively (see Note 14). For the years ended December 31, 2021, 2020 and 2019, the Group recognized changes in the fair value less costs to sell of biological assets amounting to ₱2.6 million gain, ₱37.0 million gain, and ₱70.2 million loss, respectively (see Note 14). Changes in fair value of biological assets are recognized in the consolidated statements of income.

d. *Impairment of goodwill and intangible assets with indefinite useful lives*
The Group performed its annual impairment test on its goodwill and other intangible assets with indefinite useful lives as of reporting date. The recoverable amounts of the intangible assets were determined based on value in use calculations using cash flow projections from financial budgets approved by management covering a five-year period.

The following assumptions were also used in computing value in use:

Growth rate estimates - growth rates include revenue growth and terminal growth rates that are based on experiences and strategies developed for the various subsidiaries. The prospect for the industry was also considered in estimating the growth rates.

Discount rates - discount rates were estimated based on the industry weighted average cost of capital, which includes the cost of equity and debt after considering the gearing ratio.

Value-in-use is most sensitive to changes in discount rate and growth rate.

As of December 31, 2021 and 2020, the balance of the Group's goodwill and intangible assets with indefinite useful lives and accumulated impairment losses follow:

	2021	2020
Goodwill (Note 15)	**₱21,271,723,229**	₱31,194,495,817
Intangible assets (Note 15)	**1,820,637,714**	11,599,843,220

e. *Assessment of impairment of nonfinancial assets*
The Group assesses the impairment of its nonfinancial assets (i.e., property, plant and equipment, right-of-use assets, investment properties, investments in joint venture and intangible assets with finite useful lives) whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

The factors that the Group considers important which could trigger an impairment review include the following:

- Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating the asset's value in use and decrease the asset's recoverable amount materially;
- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of use of the acquired assets or the strategy for overall business such as plans to discontinue or restructure the operation to which an asset belongs; and
- Significant negative industry or economic trends.

The Group determines an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from recent, binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset base of the cash-generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

For the year ended December 31, 2021, the Group recognized impairment losses on its property, plant and equipment amounting to ₱432.6 million. For the years ended December 31, 2020 and 2019, no impairment loss was recognized (see Note 13).

For the years ended December 31, 2021, 2020 and 2019, the Group did not recognize any impairment losses on its right-of-use assets (see Note 37), investment properties (see Note 17), goodwill and its other intangible assets (see Note 15).

As of December 31, 2021 and 2020, the balances of the Group's nonfinancial assets with finite useful lives, excluding biological assets, net of accumulated depreciation, amortization and impairment losses follow:

	2021	2020
Property, plant and equipment (Note 13)	**₱55,881,358,761**	₱58,989,613,043
Right-of-use assets (Note 37)	**2,215,167,047**	6,015,980,376
Intangible assets (Note 15)	**−**	1,811,906,549
Investments in joint ventures (Note 16)	**55,228,221**	386,494,519
Investment properties (Note 17)	**26,750,788**	29,962,148

f. Determination of the fair value of intangible assets and property, plant and equipment acquired in a business combination
The Group measures the identifiable assets and liabilities acquired in a business combination at fair value at the date of acquisition.

The fair value of the intangible assets acquired in a business combination is determined based on the net sales forecast attributable to the intangible assets, growth rate estimates and royalty rates using comparable license agreements. Royalty rates are based on the estimated arm's length royalty rate that would be paid for the use of the intangible assets. Growth rate estimate includes long-term growth rate and terminal growth rate applied to future cash flows beyond the projection period.

The fair value of property, plant and equipment acquired in a business combination is determined based on comparable properties after adjustments for various factors such as location, size and shape of the property (see Note 13). Cost information and current prices of comparable equipment are also utilized to determine the fair value of equipment.

g. Estimation of pension and other benefits costs
The determination of the obligation and cost of pension and other employee benefits is dependent on the selection of certain assumptions used in calculating such amounts. Those assumptions include, among others, discount rates and salary increase rates (see Note 31). Actual results that differ from the Group's assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of Philippine government bonds with terms consistent with the expected employee benefit payout as of reporting date.

The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future salary increase rates of the Group.

As of December 31, 2021 and 2020, the balance of the Group's present value of defined benefit obligations and other benefits is shown in Note 31 to the consolidated financial statements.

h. *Recognition of deferred income tax assets*
The Group reviews the carrying amounts of its deferred income taxes at each reporting date and reduces the deferred tax assets to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. However, there is no guarantee that the Group will generate sufficient taxable income to allow all or part of the deferred tax assets to be utilized. As of December 31, 2021 and 2020, the Group recognized net deferred tax assets amounting to ₱447.5 million and ₱555.1 million, respectively (see Note 32), as the Group believes sufficient taxable income will allow these deferred tax assets to be utilized.

Net deferred tax liabilities amounted to ₱1.2 billion and ₱3.8 billion as of December 31, 2021 and 2020, respectively (see Note 32).

The recognized and unrecognized deferred tax assets for the Group are disclosed in Note 32.

i. *Valuation of ROU assets and lease liabilities*
The application of PFRS 16 requires the Group to make assumptions that affect the valuation of its ROU assets and lease liabilities. These include determining the length of the lease term and determining the interest rate to be used for discounting future cash flows.

Lease term. The lease term determined by the Group comprises non-cancellable period of lease contracts, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

Discount rate. The Company cannot readily determine the interest rate implicit in the lease, therefore it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is determined using risk-free rates applicable for currency of the lease contract and for similar tenor, corrected by the average credit spread of entities with rating similar to the Group's rating, observed in the period when the lease contract commences or is modified.

j. *COVID-19 Pandemic*
The COVID-19 pandemic did not have a significant impact on the Group's business operations. The operations in the Philippines and other areas around the world remain fully operational with no major disruptions recorded to date.

To ensure ongoing impacts of COVID-19 have been appropriately reflected in the Group's consolidated financial statements, the Group has assessed the impact of COVID-19 as follows:

Collectability of accounts with customers continues to be closely monitored. A material change in the provision for impairment of trade receivables has not been identified.
The cash flow projections used in the impairment testing for goodwill and intangible assets with indefinite lives include the Group's best estimates of any potential future impact from the COVID-19 pandemic.
The market data used by the Group in other estimates (such as market risk, risk free borrowing rates, and data of comparable companies) are the latest available data, which already include the economic effects of the pandemic
The Group has also considered the increase uncertainty in determining key assumptions within the assessment of future taxable income of the entities of the Group upon which recognition of the deferred tax assets is assessed, including forecast of revenue and expenses, among others.

The Group continues to monitor the risks and the ongoing impacts of COVID-19 on its business.

4. Financial Risk Management Objectives and Policies

The Group's principal financial instruments, other than derivative financial instruments, comprise cash and cash equivalents, financial assets at FVTPL, financial assets at FVOCI, and interest-bearing loans and other borrowings. The main purpose of these financial instruments is to finance the Group's operations and related capital expenditures. The Group has various other financial assets and financial liabilities, such as trade receivables and payables which arise directly from its operations. One of the Group's subsidiaries is a counterparty to derivative contracts. These derivatives are entered into as a means of reducing or managing their respective foreign exchange exposures.

The BOD of the Parent Company and its subsidiaries review and approve policies for managing each of these risks and they are summarized below, together with the related risk management structure.

Risk Management Structure
The Group's risk management structure is closely aligned with that of the Ultimate Parent Company. The BOD of the Parent Company and the respective BODs of each subsidiary are ultimately responsible for the oversight of the Group's risk management processes that involve identifying, measuring, analyzing, monitoring and controlling risks.

The risk management framework encompasses environmental scanning, the identification and assessment of business risks, development of risk management strategies, design and implementation of risk management capabilities and appropriate responses, monitoring of risks and risk management performance, and identification of areas and opportunities for improvement in the risk management process.

The BOD has created the board-level Board Risk and Oversight Committee (BROC) to spearhead the managing and monitoring of risks.

BROC
The purpose of the Board Risk Oversight Committee is to oversee the establishment of an Enterprise Risk Management (ERM) framework that will effectively identify, monitor, assess and manage key business risks. The risk management framework shall guide the Board in identifying units/business lines and enterprise-level risk exposures, as well as the effectiveness of risk management strategies. The Committee shall be responsible for defining the Group's level of risk tolerance and providing oversight over its risk management policies and procedures to anticipate, minimize, control or manage risks or possible threats to its operational and financial viability.

Corporate Governance Compliance Officer
Compliance with the principles of good corporate governance is also one of the primary objectives of the BOD. To assist the BOD in achieving this purpose, the BOD has designated a Compliance Officer who shall be responsible for:

- Monitoring, reviewing, evaluating and ensuring the compliance by the Group, its Officers and Directors with the provisions and requirements of the Corporate Governance Manual and the relevant laws, the Code of Corporate Governance, rules, regulations and all governance issuances of regulatory agencies; and
- Assisting the Board and the Corporate Governance Committee in the performance of their governance functions, including their duties to oversee the formulation or review and implementation of the Corporate Governance structure and policies of the Group, and to assist in the conduct of self-assessment of the performance and effectiveness of the Board, the Board Committees and individual Board members in carrying out their functions as set out in the Corporate Governance Manual and the respective charters of the Board Committees.

Enterprise Resource Management (ERM) Framework
The ERM framework revolves around the following activities:

1. Risk Identification. This involves the identification of key business drivers that influence the operability and performance of the business units. Each business driver is assigned strategic and operational objectives that are owned by risk champions and risk owners. Each risk champion and owner conduct their risk identification process using different tools such as risk factor analysis, megatrends analysis, and systems dynamics analysis.
2. Risk Assessment. Each identified risk is assessed to determine if they pose significant impact to the business unit's ability to implement strategy and deliver business objectives. This process involves grouping similar risks into categories such as Reputational Risk, Strategic Risk, Financial Risk, Compliance Risk, Operations Risk, and Emerging Risk. For each risk category, a risk assessment scale provides an objective criterion to evaluate the impact to the business - insignificant, minor, moderate, major, or extreme impact. The impact severity of the risk is rated based on their nature, regardless of the organization's circumstances and capability to manage them.
3. Risk Prioritization. This process enables the organization to focus the implementation of risk responses into certain high and medium severity risks based on the organization's risk profile.
4. Risk Response, Monitoring, and Evaluation. Appropriate risk responses are put in place for each priority risk, both at the level of the risk champions and risk owners and at the enterprise and Group level. Risk champions continually monitor and evaluate the effectiveness of the risk responses. Material residual risks are assessed for improvement of risk response and identification of recovery measures.
5. Risk Reporting. At the Group level, top risks are reviewed, updated and reported to the Board Risk Oversight Committee twice a year.

Risk Management Policies
The main risks arising from the use of financial instruments are credit risk, liquidity risk and market risks such as foreign currency risk, equity price risk and interest rate risk. The Group's policies for managing the aforementioned risks are summarized below.

Credit risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group trades only with recognized and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The Credit Management Division (CMD) of the Group continuously provides credit notification and implements various credit actions, depending on assessed risks, to minimize credit exposure. Receivable balances of trade customers are being monitored on a regular basis and appropriate credit treatments are executed for overdue accounts. Generally, trade receivables are written off when deemed unrecoverable. Likewise, other receivable balances are also being monitored and subjected to appropriate actions to manage credit risk.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, the Group's exposure to credit risk arises from default of the counterparty with a maximum exposure equal to the carrying amount of these instruments.

a. Credit risk exposure

With respect to credit risk arising from financial assets of the Group, which comprise cash and cash equivalents and receivables, the Group’s maximum exposure to credit risk is equal to its carrying amount as of December 31, 2021 and 2020, except for the Group’s trade receivables as of December 31, 2021 and 2020 with carrying value of ₱12.9 billion and ₱13.7 billion, respectively, and collateral with fair value amounting to ₱2.7 billion and ₱2.3 billion as of December 31, 2021 and 2020, respectively, resulting to net exposure of ₱10.2 billion and ₱11.4 billion, respectively.

The collateral securities related to the Group’s trade receivables consist of standby letters of credit. The Group holds no other collateral or guarantee that would reduce the maximum exposure to credit risk.

b. Risk concentrations of the maximum exposure to credit risk

Concentrations arise when a number of counterparties are engaged in similar business activities or activities in the same geographic region or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group’s performance to developments affecting a particular industry or geographical location.
Such credit risk concentrations, if not properly managed, may cause significant losses that could threaten the Group's financial strength and undermine public confidence.

In order to avoid excessive concentrations of risk, identified concentrations of credit risks are controlled and managed in accordance with the Group's policies and procedures.

i. Concentration by geographical location

The Group's credit risk exposures as of December 31, 2021 and 2020 before taking into account any collateral held or other credit enhancements are categorized by geographic location follow:

	2021						
	Philippines	**Asia**	**New Zealand**	**Australia**	**United States**	**Others**	**Total**
Cash and cash equivalents* (Note 7)	**₱6,676,982,136**	**₱10,213,588,237**	**₱–**	**₱–**	**₱–**	**₱–**	**₱16,890,570,373**
Receivables (Note 10):			–	–	–	–	
Trade receivables	**9,346,447,301**	**3,530,064,659**	–	–	–	**1,024,576**	**12,877,536,536**
Due from related parties	**783,827,454**	**61,663,764**	–	–	–	–	**845,491,218**
Advances to officers and employees	**122,628,254**	**5,977,878**	–	–	–	–	**128,606,132**
Interest receivable	**40,737,258**	**478,423**	–	–	–	–	**41,215,681**
Non-trade and other receivables	**2,775,497,953**	**98,078,812**	–	–	–	–	**2,873,576,765**
	₱19,746,120,356	**₱13,909,851,773**	**₱–**	**₱–**	**₱–**	**₱1,024,576**	**₱33,656,996,705**

** Excludes cash on hand*

	2020						
	Philippines	Asia	New Zealand	Australia	United States	Others	Total
Cash and cash equivalents* (Note 7)	₱7,901,208,004	₱8,479,302,955	₱1,109,266,434	₱1,315,087,410	₱–	₱–	₱18,804,864,803
Receivables (Note 10):							
Trade receivables	8,234,367,066	2,619,538,241	896,055,554	1,965,709,767	–	979,342	13,716,649,970
Due from related parties	835,512,682	68,826,811	–	–	–	–	904,339,493
Advances to officers and employees	140,876,064	6,317,086	–	–	–	–	147,193,150
Interest receivable	24,872,980	22,777,739	–	–	–	–	47,650,719
Non-trade and other receivables	1,527,849,086	34,126,797	16,113,438	202,342,005	–	–	1,780,431,326
	₱18,664,685,882	₱11,230,889,629	₱2,021,435,426	₱3,483,139,182	₱–	₱979,342	₱35,401,129,461

** Excludes cash on hand*

ii. Concentration by industry

The tables below show the industry sector analysis of the Group's financial assets as of December 31, 2021 and 2020 before taking into account any collateral held or other credit enhancements.

	2021					
	Manufacturing	**Financial Intermediaries**	**Petrochemicals**	**Tele-Communication**	**Others***	**Total**
Cash and cash equivalents** (Note 7)	**₱–**	**₱16,890,570,373**	**₱–**	**₱–**	**₱–**	**₱16,890,570,373**
Receivables (Note 10):						
Trade receivables	**12,520,301,799**	**–**	**–**	**–**	**357,234,737**	**12,877,536,536**
Due from related parties	**52,682,966**	**19,494,107**	**–**	**–**	**773,314,145**	**845,491,218**
Advances to officers and employees	**116,823,164**	**–**	**–**	**–**	**11,782,968**	**128,606,132**
Interest receivable	**–**	**41,215,681**	**–**	**–**	**–**	**41,215,681**
Non-trade and other receivables	**1,758,615,070**	**502,840,682**	**122,978,675**	**–**	**489,142,338**	**2,873,576,765**
	₱14,448,422,999	**₱17,454,120,843**	**₱122,978,675**	**₱–**	**₱1,631,474,188**	**₱33,656,996,705**

	2020					
	Manufacturing	Financial Intermediaries	Petrochemicals	Tele-Communication	Others*	Total
Cash and cash equivalents** (Note 7)	₱–	₱18,804,864,803	₱–	₱–	₱–	₱18,804,864,803
Receivables (Note 10):						
Trade receivables	13,298,472,064	–	14,096,903	–	404,081,003	13,716,649,970
Due from related parties	214,744,158	28,728,789	–	–	660,866,546	904,339,493
Advances to officers and employees	130,311,475	–	–	–	16,881,675	147,193,150
Interest receivable	–	47,650,719	–	–	–	47,650,719
Non-trade and other receivables	987,421,358	82,106,561	126,311,768	8,491,617	576,100,022	1,780,431,326
	₱14,630,949,055	₱18,963,350,872	₱140,408,671	₱8,491,617	₱1,657,929,246	₱35,401,129,461

**Includes real estate, agriculture, automotive, mining and electrical industries*
***Excludes cash on hand*

iii. Credit quality per class of financial assets

The tables below show the credit quality by class of financial assets as of December 31, 2021 and 2020, gross of allowance for credit losses:

	2021				
	Neither Past Due nor Impaired			**Past Due or Individually Impaired**	**Total**
	High Grade	**Standard Grade**	**Substandard Grade**		
Cash and cash equivalents* (Note 7)	**₱16,890,570,373**	**₱–**	**₱–**	**₱–**	**₱16,890,570,373**
Receivables (Note 10):					
Trade receivables	**10,284,293,935**	**–**	**–**	**2,761,421,022**	**13,045,714,957**
Due from related parties	**845,491,218**	**–**	**–**	**–**	**845,491,218**
Advances to officers and employees	**16,839,605**	**62,122,494**	**–**	**49,644,033**	**128,606,132**
Interest receivable	**40,891,505**	**–**	**–**	**324,176**	**41,215,681**
Non-trade and other receivables	**1,231,497,338**	**811,670,794**	**–**	**1,039,379,009**	**3,082,547,141**
	₱29,309,583,974	**₱873,793,288**	**₱–**	**₱3,850,768,240**	**₱34,034,145,502**

	2020				
	Neither Past Due nor Impaired			Past Due or Individually Impaired	Total
	High Grade	Standard Grade	Substandard Grade		
Cash and cash equivalents* (Note 7)	₱18,804,864,803	₱–	₱–	₱–	₱18,804,864,803
Receivables (Note 10):					
Trade receivables	11,497,989,212	–	–	2,391,909,878	13,889,899,090
Due from related parties	904,339,493	–	–	–	904,339,493
Advances to officers and employees	17,707,080	97,685,845	–	51,446,907	166,839,832
Interest receivable	47,437,656	–	–	213,063	47,650,719
Non-trade and other receivables	460,186,419	479,220,083	–	1,030,348,518	1,969,755,020
	₱31,732,524,663	₱576,905,928	₱–	₱3,473,918,366	₱35,783,348,957

**Excludes cash on hand*

High grade cash and cash equivalents are short-term placements and working cash fund placed, invested, or deposited in foreign and local banks belonging to the top ten (10) banks, including an affiliated bank, in the Philippines in terms of resources and profitability.

Other high-grade accounts are accounts considered to be high value. The counterparties have a very remote likelihood of default and have consistently exhibited good paying habits.

Standard grade accounts are active accounts with minimal to regular instances of payment default, due to ordinary/common collection issues. These accounts are typically not impaired as the counterparties generally respond to credit actions and update their payments accordingly.

Substandard grade accounts are accounts which have probability of impairment based on historical trend. These accounts show propensity to default in payment despite regular follow-up actions and extended payment terms.

iv. Credit risk under general approach and simplified approach

	2021			
	General Approach			
	Stage 1	**Stage 2**	**Stage 3**	**Simplified Approach**
Cash and cash equivalents* (Note 7)	**₱16,890,570,373**	**₱–**	**₱–**	**₱–**
Receivables (Note 10):				
Trade receivables	–	–	–	**13,045,714.957**
Due from related parties	**845,491,218**	–	–	–
Advances to officers and employees	**108,959,450**	–	**19,646,682**	–
Interest receivable	**41,215,681**	–	–	–
Non-trade and other receivables	**2,043,168,132**	**850,055,315**	**189,323,694**	–
Total financial assets at amortized cost	**₱19,929,404,854**	**₱850,055,315**	**₱208,970,376**	**₱13,045,714.957**

**Excludes cash on hand*

	2020			
	General Approach			
	Stage 1	Stage 2	Stage 3	Simplified Approach
Cash and cash equivalents* (Note 7)	₱18,804,864,803	₱–	₱–	₱–
Receivables (Note 10):				
Trade receivables	–	–	–	13,889,899,090
Due from related parties	904,339,493	–	–	–
Advances to officers and employees	147,193,150	–	19,646,682	–
Interest receivable	47,650,719	–	–	–
Non-trade and other receivables	939,406,502	841,024,824	189,323,694	–
Total financial assets at amortized cost	₱20,843,454,667	₱841,024,824	₱208,970,376	₱13,889,899,090

**Excludes cash on hand*

v. Aging analysis

Set out below is the information about the credit risk exposure on the Group's receivables:

	2021					
		Past Due but Not Impaired				
	Current	**Less than 30 Days**	**30 to 60 Days**	**60 to 90 Days**	**Over 90 Days**	**Total**
Gross carrying amount of trade receivables	**₱10,284,293,935**	**₱2,137,568,404**	**₱72,232,646**	**₱198,433,105**	**₱353,186,867**	**₱13,045,714,957**
Expected credit losses	**₱–**	**₱–**	**₱–**	**₱–**	**₱168,171,421**	**₱168,171,421**

	2020					
		Past Due but Not Impaired				
	Current	Less than 30 Days	30 to 60 Days	60 to 90 Days	Over 90 Days	Total
Gross carrying amount of trade receivables	₱11,497,989,212	₱1,855,893,993	₱185,907,376	₱34,650,801	₱315,457,708	₱13,889,899,090
Expected credit losses	₱–	₱–	₱–	₱–	₱173,249,120	₱173,249,120

Liquidity risk

Liquidity risk is the risk of not being able to meet funding obligation such as the repayment of liabilities or payment of asset purchases as they fall due. The Group's liquidity management involves maintaining funding capacity to finance capital expenditures and service maturing debts, and to accommodate any fluctuations in asset and liability levels due to changes in the Group's business operations or unanticipated events created by customer behavior or capital and financial market conditions. The Group maintains a level of cash and cash equivalents deemed sufficient to finance its operations. It also maintains a portfolio of highly marketable and diverse financial assets that assumed to be easily liquidated in the event of an unforeseen interruption of cash flow. The Group also has committed lines of credit that it can access to meet liquidity needs. As part of its liquidity risk management, the Group regularly evaluates its projected and actual cash flows. It also continuously assesses conditions in the financial markets for opportunities to pursue fund raising activities. Fund raising activities may include obtaining bank loans and capital market issues both onshore and offshore.

Maturity Profile of Financial Liabilities

The tables below summarize the maturity profile of the Group's financial liabilities as of December 31, 2021 and 2020 based on the remaining undiscounted contractual cash flows.

	2021					
	On Demand	**1 to 3 Months**	**3 to 12 Months**	**1 to 5 Years**	**More than 5 years**	**Total**
Accounts payable and other accrued liabilities:						
Trade payables, accrued expenses and other payables*	**₱8,244,996,271**	**₱13,044,725,714**	**₱823,401,841**	**₱–**	**₱–**	**₱22,113,123,826**
Due to related parties	**202,541,860**	**–**	**–**	**–**	**–**	**202,541,860**
Short-term debts**	**–**	**7,813,804,441**	**–**	**–**	**–**	**7,813,804,441**
Trust receipts payable**	**–**	**8,115,264,493**	**–**	**–**	**–**	**8,115,264,493**
Lease liabilities**	**–**	**98,591,593**	**374,716,523**	**1,441,900,057**	**2,110,381,626**	**4,025,589,799**
	₱8,447,538,131	**₱29,072,386,241**	**₱1,198,118,364**	**₱1,441,900,057**	**₱2,110,381,626**	**₱42,270,324,419**

**Excludes statutory liabilities*
***Includes future interest*

	2020					
	On Demand	1 to 3 Months	3 to 12 Months	1 to 5 Years	More than 5 years	Total
Accounts payable and other accrued liabilities:						
Trade payables, accrued expenses and other payables*	₱10,152,273,623	₱13,442,772,930	₱674,819,862	₱–	₱–	₱24,269,866,415
Due to related parties	140,590,767	–	–	–	–	140,590,767
Short-term debts**	–	2,670,717,615	–	–	–	2,670,717,615
Trust receipts payable**	–	7,462,894,566	–	–	–	7,462,894,566
Long-term debts**	–	96,174,509	18,130,601,415	14,010,474,922	–	32,237,250,846
Lease liabilities**	–	210,054,450	619,746,712	2,961,540,951	6,069,158,735	9,860,500,848
	₱10,292,864,390	₱23,882,614,070	₱19,425,167,989	₱16,972,015,873	₱6,069,158,735	₱76,641,821,057

**Excludes statutory liabilities*
***Includes future interest*

Market risk

Market risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The three types of market risk are interest rate risk, foreign currency exchange risk and equity price risk.

Foreign currency risk
Foreign currency risk arises on financial instruments that are denominated in a foreign currency other than the functional currency in which they are measured.

The Group has transactional currency exposures. Such exposures arise from sales and purchases in currencies other than the entities' functional currency. For the years ended December 31, 2021, 2020, and 2019, approximately 19.0%, 18.8%, and 20.8% of the Group's total sales, respectively, are denominated in currencies other than the functional currency. In addition, 3.0% and 1.8% of the Group's debts are denominated in various currencies as of December 31, 2021 and 2020, respectively.

The Group estimates a reasonably possible change of +5.00 in the US Dollar to Philippine Peso exchange rate would have an impact of approximately ₱57.8 million and ₱241.3 million on income before income tax, and equity for the years ended December 31, 2021 and 2020, respectively. An equal change in the opposite direction would have decreased income before income tax by the same amount.

The impact of the range of reasonably possible changes in the exchange rates of the other currencies against the Philippine Peso on the Group's income before income tax as of December 31, 2021 and 2020 are not significant.

The exchange rates used to restate the US dollar-denominated financial assets and liabilities were ₱51.00 to US$1.00 and ₱48.02 to US$1.00 as of December 31, 2021 and 2020, respectively.

Equity price risk
Equity price risk is the risk that the fair values of equities will change as a result of changes in the levels of equity indices and the value of individual stocks.

The table below shows the effect on equity as a result of a change in the fair value of equity instruments held as financial assets at FVTPL investments due to reasonably possible changes in equity indices:

	2021		2020	
Changes in PSEi	**18.59%**	**-18.59%**	33.14%	(33.14%)
Change in trading gain (loss) at equity portfolio	**64,004,462**	**(64,004,462)**	134,257,159	(134,257,159)
As a percentage of the Parent Company's trading gain for the year	**(136.23%)**	**136.23%**	(8.67%)	8.67%

The Group's investment in golf shares designated as financial assets at FVOCI are susceptible to market price risk arising from uncertainties about future values of the investment security. The Group estimates an increase of 1.00% would have an impact of approximately ₱0.8 million on equity for the year ended December 31, 2021 and 2020. An equal change in the opposite direction would have decreased equity by the same amount.

Interest rate risk
The Group's exposure to market risk for changes in interest rates relates primarily to the subsidiaries' long-term debt obligations which are subject to floating rate. The Group's policy is to manage its interest cost using a mix of fixed and variable rate debt.

The following table show information about the Group's financial instruments that are exposed to interest rate risk and presented by maturity profile:

	2020								
	<1 year	>1-<2 years	>2-<3 years	>3-<4 years	>4-<5 years	Total	Total (in Philippine Peso)	Debt Issuance Costs (in Philippine Peso)	Carrying Value (in Philippine Peso)
Liabilities:									
Foreign currencies:									
Floating rate									
Australian Dollar loan	AU$488,118,042	AU$–	AU$–	AU$–	AU$–	AU$488,118,042	₱17,888,983,093	₱50,085,857	₱17,838,897,236
Interest rate:									
BBSY Bid+1.25%									
New Zealand Dollar loans	NZ$5,622,167	NZ$5,606,806	NZ$400,560,722	NZ$–	NZ$–	NZ$411,789,695	13,625,258,770	126,604,870	13,498,653,900
Interest rate:									
NZ BKBM+1.10%									
							₱31,514,241,863	₱176,690,727	₱31,337,551,136

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on the long-term debts. With all other variables held constant, the Group's income before tax is affected through the impact on floating rate borrowings, as follows:

	Change in basis points	**Effect on income before tax**
2020	+100	(₱315,142,417)
	-100	315,142,417

5. **Fair Value Measurement**

The following methods and assumptions were used to estimate the fair value of each asset and liability for which it is practicable to estimate such value:

Cash and cash equivalents, receivables (except amounts due from and due to related parties), accounts payable and other accrued liabilities, short-term debts and trust receipts payable
Carrying amounts approximate their fair values due to the relatively short-term maturities of these instruments.

Amounts due from and due to related parties
Carrying amounts of due from and due to related parties, which are payable and due on demand, approximate their fair values.

Financial assets at FVTPL, derivatives and financial assets at FVOCI
Fair values of quoted equity securities are based on quoted prices published in markets.

Biological assets
Biological assets are measured at their fair values less costs to sell. The fair values of Level 2 biological assets are determined based on current market prices of livestock of similar age, breed and genetic merit while Level 3 are determined based on adjusted commercial farmgate prices. Costs to sell include commissions to brokers and dealers, nonrefundable transfer taxes and duties. Costs to sell exclude transport and other costs necessary to get the biological assets to the market.

The Group has determined that the highest and best use of the sucklings and weanlings is finishers while for other biological assets is their current use.

Investment properties
Fair value of investment properties is based on market data (or direct sales comparison) approach. This approach relies on the comparison of recent sale transactions or offerings of similar properties which have occurred and/or offered with close proximity to the subject property.

The fair values of the Group's investment properties have been determined by appraisers in 2017, including independent external appraisers, on the basis of the recent sales of similar properties in the same areas as the investment properties and taking into account the economic conditions prevailing at the time of the valuations are made.

The Group has determined that the highest and best use of the property used for the land and building is its current use.

Long-term debts
The fair value of long-term debts are based on the discounted value of future cash flows (interests and principal) using market rates plus a certain spread.

Fair Value Measurement Hierarchy for Assets and Liabilities

	December 31, 2021				
	Carrying Value	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
Assets measured at fair value					
Financial assets					
Financial assets at FVTPL (Note 8):					
Quoted equity securities	**₱513,705,225**	**₱513,705,225**	**₱–**	**₱–**	**₱513,705,225**
Financial assets at FVOCI					
Quoted equity securities (Note 17)	**157,703,381**	**–**	**157,703,381**	**–**	**157,703,381**
Deposits (Note 17)	**653,063,190**	**–**	**–**	**653,063,190**	**653,063,190**
	₱1,324,471,796	**₱513,705,225**	**₱157,703,381**	**₱653,063,190**	**₱1,324,471,796**
Non-financial assets					
Biological assets (Note 14)	**₱298,250,510**	**₱–**	**₱16,364,135**	**₱281,886,375**	**₱298,250,510**
Assets for which fair values are disclosed					
Investment properties (Note 17)	**₱26,750,788**	**₱–**	**₱–**	**₱324,572,000**	**₱324,572,000**

	December 31, 2020				
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
Assets measured at fair value					
Financial assets					
Financial assets at FVTPL (Note 8):					
Quoted equity securities	₱426,510,677	₱426,510,677	₱–	₱–	₱426,510,677
Financial assets at FVOCI					
Quoted equity securities (Note 17)	75,400,000	–	75,400,000	–	75,400,000
Deposits (Note 17)	623,260,441	–	–	623,260,441	623,260,441
	₱1,125,171,118	₱426,510,677	₱75,400,000	₱623,260,441	₱1,125,171,118
Non-financial assets					
Biological assets (Note 14)	₱234,251,397	₱–	₱8,146,945	₱226,104,452	₱234,251,397
Assets for which fair values are disclosed					
Investment properties (Note 17)	₱29,962,148	₱–	₱–	₱324,572,000	₱324,572,000
Liabilities for which fair values are disclosed					
Derivative liability – call option	₱169,449,156	₱–	₱169,449,156	₱–	₱169,449,156
Long-term debts (Note 20)	31,337,551,136	–	–	31,499,768,092	31,499,768,092
	₱31,507,000,292	₱–	₱169,449,156	₱31,499,768,092	₱31,669,217,248

For the years ended December 31, 2021 and 2020, there were no transfers between Level 1 and Level 2 fair value measurements. Non-financial assets determined under Level 3 include investment properties and biological assets. No transfers between any level of the fair value hierarchy took place in the equivalent comparative period.

Descriptions of significant unobservable inputs to valuation of biological assets, investment properties, and deposits under level 3 of the fair value category follow:

Account	**Valuation Technique**	**Significant Unobservable Inputs**
Biological assets	Adjusted commercial farmgate prices	Commercial farmgate prices
Investment properties	Market data approach and cost approach	Price per square meter, size, shape, location, time element, replacement cost and depreciation for improvements
Deposits	Discounted cash flow method	Credit spread

Significant increases (decreases) in reasonable profit margin applied would result in a significantly higher (lower) fair value of the biological assets.

Significant unobservable inputs

Adjusted commercial farmgate prices	Fair value based on commercial farmgate prices, adjusted by considering the age, breed and genetic merit
Size	Size of lot in terms of area. Evaluate if the lot size of property or comparable conforms to the average cut of the lots in the area and estimate the impact of the lot size differences on land value.
Shape	Particular form or configuration of the lot. A highly irregular shape limits the usable area whereas an ideal lot configuration maximizes the usable area of the lot which is associated in designing an improvement which conforms with the highest and best use of the property.
Location	Location of comparative properties whether on a main road, or secondary road. Road width could also be a consideration if data is available. As a rule, properties located along a main road are superior to properties located along a secondary road.

Time element	An adjustment for market conditions is made if general property values have appreciated or depreciated since the transaction dates due to inflation or deflation or a change in investor's perceptions of the market over time. In which case, the current data is superior to historic data.
Replacement cost	Estimated amount of money needed to replace in like kind and in new condition an asset or group of assets, taking into consideration current prices of materials, labor, contractor's overhead, profit and fees, and all other attendant costs associated with its acquisition and installation in place without provision for overtime or bonuses for labor, and premiums for materials.
Depreciation	Depreciation as evidenced by the observed condition in comparison with new units of like kind tempered by consideration given to extent, character, and utility of the property which is to be continued in its present use as part of a going concern but without specific relations to earnings.
Credit spread	Determined by reference to internal data and used to arrive at a discount rate by adding to the risk free rate

6. Business Segment Information

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. The Group has four (4) reportable operating segments as follows:

- The branded consumer food products segment manufactures and distributes a diverse mix of salty snacks, chocolates, candies, biscuits, bakery products, beverages, instant noodles and pasta. This segment also includes the packaging division, which manufactures BOPP films primarily used in packaging; and its subsidiary, which manufactures flexible packaging materials for the packaging requirements of various branded food products. Its revenues are in their peak during the opening of classes in June and Christmas season.
- The agro-industrial products segment engages in hog and poultry farming, manufacturing and distribution of animal feeds, glucose and soya products, and production and distribution of animal health products. Its peak season is during summer and before Christmas season.
- The commodity food products segment engages in sugar milling and refining, and flour milling and pasta manufacturing and renewable energy. The peak season for sugar is during its crop season, which normally starts in November and ends in April while flour and pasta's peak season is before and during the Christmas season.
- The corporate business segment engages in bonds and securities investment and fund sourcing activities.

No operating segments have been aggregated to form the above reportable operating business segments.

Management monitors the operating results of business segments separately for the purpose of making decisions about resource allocation and performance assessment. The measure presented to manage segment performance is the segment operating income (loss). Segment operating income (loss) is based on the same accounting policies as consolidated operating income (loss) except that intersegment revenues are eliminated only at the consolidation level. Group financing (including finance costs and revenues), market valuation gain and loss, foreign exchange gains or losses, other revenues and expenses and income taxes are managed on a group basis and are not allocated to operating segments. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

The following tables present the financial information of each of the operating segments in accordance with PFRSs except for Earnings before interest, income taxes and depreciation/ amortization (EBITDA) and Earnings before interest and income taxes (EBIT) as of and for the years ended December 31, 2021, 2020 , and 2019.

The Group's business segment information follows (amounts in thousands):

	As of and for the year ended December 31, 2021					
	Branded Consumer Food	Agro-Industrial	Commodity Food	Corporate Business	Eliminations	Total
Sale of Goods and Services						
Third party	₱83,522,784	₱11,482,607	₱21,949,397	₱–	₱–	₱116,954,788
Inter-segment	17,959,755	273	9,149,265	–	(27,109,293)	–
	₱101,482,539	₱11,482,880	₱31,098,872	₱–	₱(27,109,293)	₱116,954,788
Result						
Earnings before interest, income taxes and depreciation/amortization (EBITDA)	₱13,187,380	₱1,553,641	₱5,667,181	(₱1,928,931)	₱–	₱18,479,271
Depreciation and amortization (Note 27)	(3,789,211)	(388,834)	(1,315,956)	(268,875)	–	(5,762,876)
Earnings before interest and income tax (EBIT)	₱9,398,169	₱1,164,807	₱4,351,225	(2,197,806)	₱–	12,716,395
Finance revenue (Note 29)	₱197,998	₱854	₱954	₱55,566	₱–	255,372
Finance costs (Note 30)	₱(205,306)	(₱56,095)	(₱122,874)	(₱189,010)	₱–	(573,285)
Equity in net loss of joint ventures (Note 16)	₱–	₱–	₱–	(₱91,078)	₱–	(91,078)
Market valuation gain on financial assets and liabilities at FVTPL (Note 8)	₱–	₱–	₱–	₱87,195	₱–	87,195
Provision for credit and impairment losses (Notes 10, 11 and 13)	(₱549,736)	₱–	(₱22,483)	₱–	₱–	(572,219)
Other expenses*						2,721,599
Income before income tax						14,543,979
Provision for income tax (Note 32)						(1,578,671)
Net income from continuing operations						₱12,965,308
Net income from discontinued operations						11,280,572
Net income						24,245,880

(Forward)

	As of and for the year ended December 31, 2021					
	Branded Consumer Food	**Agro-Industrial**	**Commodity Food**	**Corporate Business**	**Eliminations**	**Total**
Other Information						
Total assets	**₱103,326,548**	**₱8,084,872**	**₱35,062,823**	**₱6,182,577**	**₱–**	**₱152,656,820**
Total liabilities	**₱24,258,362**	**₱3,124,311**	**₱7,686,846**	**₱7,819,567**	**₱–**	**₱42,889,086**
Capital expenditures	**₱7,776,376**	**₱562,972**	**₱4,434,208**	**₱426,136**	**₱–**	**₱13,199,692**
Non-cash expenses other than depreciation and amortization:						
Impairment losses on:						
Receivables (Note 10)	**(₱30,420)**	**₱–**	**₱–**	**₱–**	**₱–**	**(₱30,420)**
Inventories (Note 11)	**(87,540)**	**–**	**(21,628)**	**–**	**–**	**(109,168)**
Property, plant and equipment (Note 13)	**(431,776)**	**–**	**(855)**	**–**	**–**	**(432,631)**
	(₱549,736)	**₱–**	**(₱22,483)**	**₱–**	**₱–**	**(₱572,219)**

**Includes net foreign exchange losses and other revenues (expenses)*

	As of and for the year ended December 31, 2020					
	Branded Consumer Food	Agro-Industrial	Commodity Food	Corporate Business	Eliminations	Total
Sale of Goods and Services						
Third party	₱83,587,980	₱11,858,467	₱17,715,338	₱–	₱–	₱113,161,785
Inter-segment	18,689,374	253	7,768,296	–	(26,457,923)	–
	₱102,277,354	₱11,858,720	₱25,483,634	₱–	(₱26,457,923)	₱113,161,785
Result						
Earnings before interest, income taxes and depreciation/amortization (EBITDA)	₱14,506,931	₱1,807,097	₱5,551,062	(₱1,811,446)	₱–	₱20,053,644
Depreciation and amortization (Note 27)	(4,297,985)	(432,522)	(1,188,026)	(238,664)	–	(6,157,197)
Earnings before interest and income tax (EBIT)	₱10,208,945	₱1,374,575	₱4,363,036	(₱2,050,110)	₱–	13,896,447
Finance revenue (Note 29)	₱207,981	₱138	₱1,537	₱113,984	₱–	323,640
Finance costs (Note 30)	(₱242,533)	(₱126,160)	(₱182,241)	(₱110,795)	₱–	(661,729)
Equity in net loss of joint ventures (Note 16)	(₱31,587)	₱–	₱–	(₱30,387)	₱–	(61,974)
Market valuation gain on financial assets and liabilities at FVTPL (Note 8)	₱124,602	₱–	₱–	₱11,637	₱–	136,239
Provision for credit and impairment losses (Note 10)	(₱32,583)	₱–	₱–	₱–	₱–	(32,583)
Other expenses*						(1,122,705)
Income before income tax						12,477,335
Provision for income tax (Note 32)						(1,973,205)
Net income from continuing operations						₱10,504,130
Net income from discontinued operations (Note 33)						1,120,473
Net income						₱11,624,603

(Forward)

	As of and for the year ended December 31, 2020					
	Branded Consumer Food	Agro-Industrial	Commodity Food	Corporate Business	Eliminations	Total
Other Information						
Total assets	₱131,259,159	₱7,675,315	₱30,008,649	₱7,251,807	₱–	₱176,194,930
Total liabilities	₱65,823,953	₱4,120,282	₱5,680,809	₱2,785,724	₱–	₱78,410,768
Capital expenditures**	₱5,095,885	₱455,811	₱5,529,018	₱113,289	₱–	₱11,194,003
Non-cash expenses other than depreciation and amortization:						
Credit and impairment losses on receivables (Note 10)	(₱32,583)	₱–	₱–	₱–	₱–	(₱32,583)

**Includes net foreign exchange losses and other revenues (expenses)*
***Includes La Carlota and Roxol acquisition*

	As of and for the year ended December 31, 2019					
	Branded Consumer Food	Agro-Industrial	Commodity Food	Corporate Business	Eliminations	Total
Sale of Goods and Services						
Third party	₱86,114,970	₱13,138,215	₱15,150,032	₱–	₱–	₱114,403,217
Inter-segment	19,459,200	12,000	7,976,445	–	(27,457,470)	–
	₱105,574,170	₱13,150,215	₱23,126,477	₱–	(₱27,457,470)	₱114,403,217
Result						
Earnings before interest, income taxes and depreciation/amortization (EBITDA)	₱14,091,553	₱1,309,580	₱5,074,281	(₱1,624,396)	₱–	₱18,851,018
Depreciation and amortization (Note 27)	(4,337,677)	(422,106)	(1,100,122)	(248,004)	–	(6,107,909)
Earnings before interest and income tax (EBIT)	₱9,753,876	₱887,474	₱3,974,159	(₱1,872,400)	₱–	12,743,109
Finance revenue (Note 29)	₱162,042	₱162	₱1,205	₱122,442	₱–	285,851
Finance costs (Note 30)	(₱184,787)	(₱150,716)	(₱231,814)	(₱79,440)	₱–	(646,757)
Equity in net loss of joint ventures (Note 16)	(₱19,842)	₱–	₱–	(₱158,602)	₱–	(178,444)
Market valuation loss on financial assets and liabilities at FVTPL (Note 8)	₱–	₱–	₱–	(₱5,254)	₱–	(5,254)
Provision for credit and impairment losses (Notes 10, 11 and 15)	(₱2,211)	₱–	₱–	₱–	₱–	(2,211)
Other expenses*						(826,141)
Income before income tax						11,370,153
Provision for income tax (Note 32)						(1,619,982)
Net income from continuing operations						₱9,750,171
Net income from discontinued operations						364,513
Net income						₱10,114,684

(Forward)

	As of and for the year ended December 31, 2019					
	Branded Consumer Food	Agro-Industrial	Commodity Food	Corporate Business	Eliminations	Total
Other Information						
Total assets	₱133,181,540	₱7,903,695	₱22,903,714	₱4,664,041	₱–	₱168,652,990
Total liabilities	₱58,847,775	₱4,498,489	₱6,626,024	₱3,496,200	₱–	₱73,468,488
Capital expenditures	₱6,538,448	₱699,550	₱1,713,010	₱37,684	₱–	₱8,988,692
Non-cash expenses other than depreciation and amortization:						
Credit and impairment losses on:						
Receivables (Note 10)	(₱2,208)	₱–	₱–	₱–	₱–	(₱2,208)
Inventories (Note 11)	(3)	–	–	–	–	(3)
	(₱2,211)	₱–	₱–	₱–	₱–	(₱2,211)

**Includes net foreign exchange losses and other revenues (expenses)*

Inter-segment Revenues

Inter-segment revenues are eliminated at the consolidation level.

Segment Results

Segment results pertain to the net income (loss) of each of the operating segments excluding the amounts of market valuation gains and losses on financial assets at FVTPL, foreign exchange gains and losses and other revenues and expenses which are not allocated to operating segments.

Segment Assets

Segment assets are resources owned by each of the operating segments excluding significant inter-segment transactions.

Segment Liabilities

Segment liabilities are obligations incurred by each of the operating segments excluding significant inter-segment transactions. The Group also reports to the chief operating decision maker the breakdown of the short-term and long-term debts of each of the operating segments.

Capital Expenditures

The components of capital expenditures reported to the chief operating decision maker are the additions to investment property and property plant and equipment during the period.

Geographic Information
The Group operates in the Philippines, Vietnam, Thailand, Myanmar, Indonesia, Malaysia, Singapore, China and Hong Kong. As of December 31, 2021, the Group has discontinued its operations in New Zealand and Australia.

The following table shows the distribution of the Group's consolidated revenues to external customers by geographical market, regardless of where the goods were produced:

	December 31, 2021	December 31, 2020	December 31, 2019
		(In Thousands)	
Domestic	**₱94,784,394**	₱91,931,417	₱92,016,612
Foreign	**22,170,394**	21,230,368	22,386,606
	₱116,954,788	₱113,161,785	₱114,403,218

The Group has no customer which contributes 10% or more of the consolidated revenues of the Group.

The table below shows the Group's carrying amounts of noncurrent assets per geographic location excluding noncurrent financial assets, deferred tax assets and pension assets:

	December 31, 2021	December 31, 2020
	(In Thousands)	
Domestic	**₱49,845,015**	₱43,366,429
Foreign	**34,871,770**	66,635,127
	₱84,716,785	₱110,001,556

7. Cash and Cash Equivalents

This account consists of:

	2021	2020
Cash on hand	**₱67,113,948**	₱60,527,659
Cash in banks (Note 35)	**9,802,213,040**	6,913,377,042
Short-term investments (Note 35)	**7,088,357,333**	11,891,487,761
	₱16,957,684,321	₱18,865,392,462

Cash in banks earn interest at the prevailing bank deposit rates. Short-term investments represent money market placements that are made for varying periods depending on the immediate cash requirements of the Group and earn interest ranging from 0.03% to 5.30%, 0.04% to 6.50%, and from 0.05% to 7.50% for foreign currency-denominated money market placements for the years ended December 31, 2021, 2020, and 2019, respectively. Peso-denominated money market placements, on the other hand, earn interest ranging from 0.50% to 0.74%, 0.12% to 0.60%, and from 2.48% to 3.20% for the years ended December 31, 2021, 2020, and 2019, respectively.

Interest earned on cash and cash equivalents amounted to ₱240.1 million, ₱278.1 million, and ₱311.5 million for the years ended December 31, 2021, 2020, and 2019, respectively (see Notes 29 and 33).

8. Financial Assets at Fair Value Through Profit or Loss

This account consists of investments held-for-trading amounting to ₱513.7 million and ₱426.5 million as of December 31, 2021 and 2020, respectively. Investments held-for-trading consist of quoted equity securities issued by certain domestic entities.

Market valuation changes on financial assets at fair value though profit or loss amounted to ₱87.2 million gain, ₱136.2 million gain and ₱5.3 million loss for the years ended December 31, 2021, 2020, and 2019, respectively.

The Group received dividends from its quoted equity securities amounting to ₱32.3 million, ₱64.6 million and ₱16.2 million for the years ended December 31, 2021, 2020, and 2019, respectively (see Note 29).

9. Derivative Financial Instruments

Derivative designated as accounting hedge

Currency Option
As part of its asset and liability management, the Group uses derivatives, particularly currency option, as cash flow hedges in order to reduce its exposure to market risks.

The Group entered into currency options with a total notional amount of NZ$28.2 million and initial fair value of ₱7.5 million. The Group recognized unrealized loss amounting to ₱19.1 million and ₱4.6 million for the years ended December 31, 2020 and 2019 (see Note 33). The Group made a settlement of ₱4.6 million in 2019 for the related derivatives. The Group's currency options have negative fair value of ₱44.3 million as of December 31, 2020 recorded under 'Accounts payable and other accrued liabilities' (see Note 19).

In October 2021, the option was transferred to Intersnack upon divestment (see Note 33).

Derivative not designated as accounting hedge

Call Option
As part of change in ownership of URC Oceania Group, Intersnack was also given an option to acquire an additional 9% equity share in UHC. The call option has a fair value of ₱169.4 million as of December 31, 2020 recorded under 'Accounts payable and other accrued liabilities' (see Note 19).

In October 2021, Intersnack exercised the call option to acquire an additional equity share in UHC (see Note 33).

10. **Receivables**

This account consists of:

	2021	2020
Trade receivables (Note 35)	**₱13,045,714,957**	₱13,889,899,090
Non-trade receivables	**1,944,264,924**	1,322,631,386
Due from related parties (Note 35)	**845,491,218**	904,339,493
Advances to officers and employees	**128,606,132**	166,839,832
Interest receivable (Note 35)	**41,215,681**	47,650,719
Others	**1,138,282,217**	647,123,634
	17,143,575,129	16,978,484,154
Less allowance for credit losses	**377,148,797**	382,219,496
	₱16,766,426,332	₱16,596,264,658

Allowance for Expected Credit Losses (ECLs) on Receivables
Changes in allowance for impairment losses on receivables follow:

	2021			
	Individual Assessment		Collective Assessment	
	Trade Receivables	Other Receivables	Trade Receivables	Total
Balances at beginning of the period	₱154,108,593	₱208,970,376	₱19,140,527	₱382,219,496
Provision for credit losses	30,419,962	–	–	30,419,962
Derecognition/others	(35,490,661)	–	–	(35,490,661)
Balances at end of the period	₱149,037,894	₱208,970,376	₱19,140,527	₱377,148,797

	2020			
	Individual Assessment		Collective Assessment	
	Trade Receivables	Other Receivables	Trade Receivables	Total
Balances at beginning of the period	₱120,938,630	₱208,970,376	₱19,140,527	₱349,049,533
Provision for credit losses	32,583,003	–	–	32,583,003
Others	586,960	–	–	586,960
Balances at end of the period	₱154,108,593	₱208,970,376	₱19,140,527	₱382,219,496

Allowance for ECLs on other receivables includes credit losses on nontrade receivables, advances to officers and employees and other receivables. Allowance for ECLs on advances to officers and employees amounted to ₱19.6 million as of December 31, 2021 and 2020. Allowance for credit losses on nontrade and other receivables amounted to ₱189.3 million as of December 31, 2021 and 2020.

Non-trade and other receivables are noninterest-bearing and are due and demandable.

Others include claims for insurance amounting to ₱636.9 million and ₱176.0 million as of December 31, 2021 and 2020, respectively.

11. Inventories

This account consists of inventories at net realizable value as follows:

	2021	2020
Raw materials	**₱12,704,439,964**	₱9,897,605,874
Finished goods	**6,530,968,891**	7,424,416,487
Spare parts and supplies	**5,699,226,803**	5,201,919,622
Containers and packaging materials	**1,987,694,188**	2,147,554,861
Goods in-process	**1,524,658,017**	1,582,834,023
	₱28,446,987,863	₱26,254,330,867

Under the terms of the agreements covering interest-bearing liabilities under trust receipts totaling ₱8.1 billion and ₱7.5 billion as of December 31, 2021 and 2020, respectively, certain inventories which approximate the trust receipts payable have been released to the Group under trust receipt agreements with the banks. The Group is accountable to these banks for the trusteed merchandise. Interest expense from trust receipts payable amounted to ₱176.3 million, ₱304.2 million and ₱371.6 million for the years ended December 31, 2021, 2020, and 2019, respectively (see Note 30).

Inventory obsolescence included in 'Cost of sales' amounted to ₱798.9 million, ₱782.3 million, and ₱573.1 million for the years ended December 31, 2021, 2020, and 2019, respectively.

The Group wrote down in full the cost of inventories amounting to ₱109.2 million for the year ended December 31, 2021.

12. Other Current Assets

This account consists of:

	2021	2020
Input VAT	**₱1,602,847,744**	₱1,046,626,946
Advances to suppliers	**1,598,974,514**	1,093,626,488
Prepaid taxes	**254,104,723**	236,532,712
Prepaid insurance	**160,231,482**	251,223,732
Prepaid rent	**51,417,673**	47,274,474
Others	**850,278,437**	645,136,040
	₱4,517,854,573	₱3,320,420,392

Advances to suppliers are generally applied to purchase of inventories and availment of services within the next financial year.

Prepaid rent pertains to short-term leases of the Group that are paid in advance. Prepaid rent, taxes, and insurance are normally utilized within the next financial year.

Others include prepayments of advertising, office supplies and income tax credits that can be applied in the following quarter against the corporate income tax due or can be claimed as tax refund (whichever as applicable).

13. Property, Plant and Equipment

The rollforward of this account follows:

	As of and for the year ended December 31, 2021				
	Land	Land Improvements	Buildings and Improvements	Machinery and Equipment	Sub-total
Cost					
Balance at beginning of year	₱5,447,922,338	₱2,400,409,527	₱20,733,572,114	₱82,836,608,411	₱111,418,512,390
Additions	2,728,248,821	122,019,277	2,281,550,438	6,240,374,432	11,372,192,968
Additions from acquisition of subsidiaries (Note 15)	157,270,576	−	685,144,291	2,847,961,888	3,690,376,755
Divestment of business (Note 33)	(1,512,902,494)	(104,249,083)	(4,099,446,242)	(10,457,586,250)	(16,174,184,069)
Disposals, reclassifications and other adjustments	(60,322,913)	(96,575,991)	(116,971,884)	(1,157,588,143)	(1,431,458,931)
Balance at end of year	6,760,216,328	2,321,603,730	19,483,848,717	80,309,770,338	108,875,439,113
Accumulated Depreciation and Amortization					
Balance at beginning of year	−	892,863,171	10,326,034,563	58,257,627,619	69,476,525,353
Depreciation and amortization (Note 27)	−	79,719,042	1,127,571,956	4,313,316,748	5,520,607,746
Additions from acquisition of subsidiaries (Note 15)	−	−	154,184,417	1,545,514,228	1,699,698,645
Divestment of business (Note 33)	−	(41,823,247)	(1,835,921,536)	(6,811,758,947)	(8,689,503,730)
Disposals, reclassifications and other adjustments	−	(27,165,200)	(20,538,366)	(701,352,878)	(749,056,444)
Balance at end of year	−	903,593,766	9,751,331,034	56,603,346,770	67,258,271,570
Net Book Value	₱6,760,216,328	₱1,418,009,964	₱9,732,517,683	₱23,706,423,568	₱41,617,167,543

	As of and for the year ended December 31, 2021				
	Transportation Equipment	Furniture, Fixtures and Equipment	Construction In-progress	Equipment In-transit	Total
Cost					
Balance at beginning of year	₱2,883,773,873	₱5,999,183,439	₱10,708,482,533	₱4,915,650,424	₱135,925,602,659
Additions	368,947,697	446,414,898	710,257,950	301,878,587	13,199,692,100
Additions from acquisition of subsidiaries (Note 15)	39,884,960	129,606,040	8,978,069	−	3,868,845,824
Divestment of business (Note 33)	(673,055)	(733,629,064)	(3,296,678,447)	−	(20,205,164,635)
Disposals, reclassifications and other adjustments	(95,134,744)	(40,381,188)	(482,913,498)	(80,841,014)	(2,130,729,375)
Balance at end of the year	3,196,798,731	5,801,194,125	7,648,126,607	5,136,687,997	130,658,246,573
Accumulated Depreciation and Amortization					
Balance at beginning of year	2,482,612,560	4,976,851,703	−	−	76,935,989,616
Depreciation and amortization (Note 27)	161,680,481	466,426,459	−	−	6,148,714,686
Additions from acquisition of subsidiaries (Note 15)	30,570,565	91,656,426	−	−	1,821,925,636
Divestment of business (Note 33)	(467,535)	(610,046,890)	−	−	(9,300,018,155)
Disposals, reclassifications and other adjustments	(54,805,417)	(25,862,110)	−	−	(829,723,971)
Balance at end of year	2,619,590,654	4,899,025,588	−	−	74,776,887,812
Net Book Value	₱577,208,077	₱902,168,537	₱7,648,126,607	₱5,136,687,997	₱55,881,358,761

	As of and for the year ended December 31, 2020				
	Land	Land Improvements	Buildings and Improvements	Machinery and Equipment	Sub-total
Cost					
Balance at beginning of year	₱3,772,683,438	₱2,397,316,246	₱19,861,579,349	₱77,735,766,070	₱103,767,345,103
Additions	1,739,997,215	57,342,583	1,095,784,151	5,797,613,068	8,690,737,017
Disposals, reclassifications and other adjustments (Note 19)	(64,758,315)	(54,249,302)	(223,791,386)	(696,770,727)	(1,039,569,730)
Balance at end of year	5,447,922,338	2,400,409,527	20,733,572,114	82,836,608,411	111,418,512,390
Accumulated Depreciation and Amortization					
Balance at beginning of year	–	824,340,805	9,522,920,468	54,491,657,365	64,838,918,638
Depreciation and amortization (Note 27)	–	75,797,528	869,927,406	4,753,967,914	5,699,692,848
Disposals, reclassifications and other adjustments (Note 19)	–	(7,275,162)	(66,813,311)	(987,997,660)	(1,062,086,133)
Balance at end of year	–	892,863,171	10,326,034,563	58,257,627,619	69,476,525,353
Net Book Value	₱5,447,922,338	₱1,507,546,356	₱10,407,537,551	₱24,578,980,792	₱41,941,987,037

	As of and for the year ended December 31, 2020				
	Transportation Equipment	Furniture, Fixtures and Equipment	Construction In-progress	Equipment In-transit	Total
Cost					
Balance at beginning of year	₱2,768,660,001	₱5,792,641,093	₱9,117,139,747	₱5,014,136,348	₱126,459,922,292
Additions	122,849,528	440,349,250	1,846,318,199	93,748,991	11,194,002,985
Disposals, reclassifications and other adjustments (Note 19)	(7,735,656)	(233,806,904)	(254,975,413)	(192,234,915)	(1,728,322,618)
Balance at end of the year	2,883,773,873	5,999,183,439	10,708,482,533	4,915,650,424	135,925,602,659
Accumulated Depreciation and Amortization					
Balance at beginning of year	2,280,164,254	4,714,429,686	–	–	71,833,512,578
Depreciation and amortization (Note 27)	213,594,013	552,473,986	–	–	6,465,760,847
Disposals, reclassifications and other adjustments (Note 19)	(11,145,707)	(290,051,969)	–	–	(1,363,283,809)
Balance at end of year	2,482,612,560	4,976,851,703	–	–	76,935,989,616
Net Book Value	₱401,161,313	₱1,022,331,736	₱10,708,482,533	₱4,915,650,424	₱58,989,613,043

In May 2021, CFC Corporation executed a Memorandum of Agreement and Deed of Absolute Sale with a related party, selling its parcel of land costing ₱8.0 million at ₱3.1 billion selling price, net of ₱132.9 million unamortized discounts on longterm receivable (see Note 17). Gain on disposal attributable to sale amounted to ₱3.1 billion, which was recognized under 'Other income (losses) - net' in the consolidated statements of income.

In January 2021, the Parent Company executed a Memorandum of Agreement and Deed of Absolute Sale with a third party for the sale of its Tolong millsite with a selling price amounting to ₱1.2 billion. Gain on disposal attributable to sale amounted to ₱18.9 million, which was recognized under 'Other income (losses) - net' in the consolidated statements of income.

Acquisition of CACI Sugar Mill, RBC Bioethanol Plant and NAVI Shares
The Parent Company entered into an agreement with Roxas Holdings inc. (RHI), together with its wholly-owned subsidiaries, Central Azucarera de la Carlota, Inc. (CACI) and Roxol Bioenergy Corporation (RBC) for the acquisition of sugar mill and bio-ethanol plant located in La Carlota City, Negros Occidental and shares held by RHI in NAVI.

On September 30, 2020, the Parent Company and RHI proceeded to close the sale transaction, with the signing and delivery of the definitive sales agreements as well as performance of all conditions necessary for the closing of the transaction. The Group recognized property, plant and equipment amounting to ₱4.4 billion from the purchase transaction.

Borrowing Costs
For the years ended December 31, 2021, 2020, and 2019, no borrowing costs have been incurred related to property, plant and equipment under construction.

Depreciation
The breakdown of consolidated depreciation and amortization of property, plant and equipment follows:

	December 31, 2021	December 31, 2020	December 31, 2019
Cost of sales (Note 24)	**₱4,701,076,968**	₱5,065,316,620	₱5,050,952,115
Selling and distribution costs (Note 25)	**95,725,887**	103,303,438	174,609,456
General and administrative expenses (Note 26)	**526,676,490**	471,759,428	389,918,008
Discontinued operations (Note 33)	**825,235,341**	825,381,361	824,923,268
	₱6,148,714,686	₱6,465,760,847	₱6,440,402,847

Impairment Losses
In 2021, the Group recognized impairment losses on property, plant and equipment amounting to ₱432.6 million. The assets written-off pertain to (a) property and equipment on non-operational plants, (b) idle production line and (c) office space leasehold improvements and furniture and fixtures.

Collateral
As of December 31, 2021 and 2020, the Group has no property and equipment that are pledged as collateral.

14. **Biological Assets**

Total biological assets shown in the consolidated statements of financial position follow:

	2021	2020
Current portion	**₱132,144,916**	₱99,919,468
Noncurrent portion	**166,105,594**	134,331,929
	₱298,250,510	₱234,251,397

These biological assets consist of:

	2021	2020
Swine livestock		
Commercial	**₱62,326,102**	₱74,123,306
Breeder	**74,194,347**	42,920,185
Poultry livestock		
Commercial	**69,818,814**	25,796,162
Breeder	**91,911,247**	91,411,744
	₱298,250,510	₱234,251,397

The rollforward analysis of this account follows:

	2021	2020
Balances at beginning of year	**₱234,251,397**	₱957,563,597
Additions	**549,756,538**	1,756,709,312
Disposals	**(488,307,581)**	(1,966,488,386)
Write-down	–	(550,573,074)
Gain arising from changes in fair value less estimated costs to sell	**2,550,156**	37,039,948
Balances at end of year	**₱298,250,510**	₱234,251,397

The Group has 11,469 and 21,142 heads of swine livestock and 944,600 and 589,315 heads of poultry livestock as of December 31, 2021 and 2020, respectively.

15. Goodwill and Intangible Assets

The movement of the goodwill is as follows :

	December 31, 2021	December 31, 2020
Cost		
Balance at beginning of year	**₱31,460,215,108**	₱31,460,215,108
Acquisition of subsidiaries	**20,372,536,451**	–
Disposals	**(30,295,309,039)**	–
Balance at end of year	**21,537,442,520**	31,460,215,108
Accumulated Amortization and Impairment Losses		
Balance at beginning and end of year	**265,719,291**	265,719,291
Net Book Value	**₱21,271,723,229**	₱31,194,495,817

The composition of the Group's goodwill is as follows:

	December 31, 2021	December 31, 2020
Acquisition of Crunchy Foods Sdn. Bhd. in December 2021	**₱20,483,478,005**	₱–
The excess of the acquisition cost over the fair values of the net assets acquired by UABCL in 2000	**775,835,598**	775,835,598
Acquisition of Balayan Sugar Mill in February 2016	**12,409,626**	12,409,626
Acquisition of URC NZ HoldCo in November 2014	–	13,913,396,261
Acquisition of CSPL in September 2016	–	16,492,854,332
	₱21,271,723,229	₱31,194,495,817

Acquisition of Crunchy Foods Sdn. Bhd.
On December 15, 2021, the Group acquired from Crunchy Limited 100% of the shares of Crunchy Foods Sdn. Bhd. (Crunchy Foods), a non-listed company based in Malaysia. Crunchy Foods fully owns Munchy Food Industries Sdn Bhd (MFI) and its subsidiary Munchworld Marketing Sdn Bhd (MWM) (collectively, the Munchy's Group). They operate under the trade name Munchy's, which is one of the major biscuit brands in Malaysia. The Group acquired Crunchy Foods to gain market leadership in Malaysia in the biscuit segment, which is consistent with the Group's overall purpose. The Munchy's Group is also expected to create synergies with URC Malaysia.

Purchase consideration
The purchase consideration was determined to be RM2.07 billion (₱24.6 billion), which was paid in cash by URC Malaysia to Crunchy Limited in exchange for 683,964,000 ordinary shares (100% of the equity) of Crunchy Foods.

Assets acquired and liabilities assumed
As of December 31, 2021, the purchase price allocation relating to the Group's acquisition of Munchy's Group has been prepared on a preliminary basis, using available information as of acquisition date. The provisional fair values of the net assets acquired as of date of acquisition are based on net book values of identifiable assets and liabilities including certain adjustments since the Group does not yet have complete information about their acquisition-date fair values. The Group is currently finalizing the purchase price allocation, which could result to adjustments to the values of the assets and liabilities listed below (except cash), due to changes in information about facts and circumstances about them that existed as of acquisition date but which are not yet known to the Group. The purchase price allocation will include independent valuation of these assets and liabilities, as well as the identification of other assets or liabilities that have not yet been known to Group but which already existed as of acquisition date. The difference between the total consideration and net assets amounting to ₱19.9 billion was initially allocated to goodwill. The preliminary allocation is subject to revision to reflect the final determination of fair values. The preliminary accounting will be completed based on further valuations and studies carried out within 12 months from acquisition date.

The provisional fair values of the identifiable assets and liabilities of Munchy's at the date of acquisition follow:

Purchase consideration transferred	₱24,586,990,326
Fair value of identifiable assets	
Cash and cash equivalents	1,733,890,589
Receivables	762,764,213
Inventories	519,197,774
Property, plant and equipment (Note 13)	1,863,711,802
Right-of-use assets	1,635,322
Brands	1,306,573,017
Intangible assets	1,455,163
Other current assets	94,893,542
Total assets	6,284,121,422
Fair value of identifiable liabilities	
Accounts payable and other accrued liabilities	1,206,202,247
Deferred tax liabilities	400,250,806
Lease liability	1,658,574
Total liabilities	1,608,111,627
Total fair value of identifiable net assets	4,676,009,795
Goodwill	₱19,910,980,531

The goodwill of ₱19.9 billion comprise the value of expected synergies arising from the acquisition. Goodwill and these intangible assets are allocated entirely to the operations of the Munchy's brands. None of the goodwill is expected to be deductible for income tax purposes.

If the business combination had taken place at the beginning of the year, net sales and net income from the continuing operations of the Group would have been ₱121.9 billion and ₱13.3 billion, respectively.

The composition and movements of intangible assets follow:

	As of and for the year ended December 31, 2021					
	Trademarks/ Brands	**Product Formulation**	**Software Costs**	**Customer Relationship**	**Other Intangibles**	**Total**
Cost						
Balances at beginning of period	**₱9,564,461,252**	**₱425,000,000**	**₱57,178,789**	**₱2,201,281,173**	**₱–**	**₱12,247,921,214**
Additions	**10,959,942**	**–**	**–**	**–**	**–**	**10,959,942**
Additions from acquisiton of subsidiaries	**1,306,573,017**	**–**	**–**	**–**	**1,455,163**	**1,308,028,180**
Disposal/others	**(9,286,328,919)**	**–**	**(57,178,789)**	**(2,201,281,173)**	**41,840**	**(11,544,747,041)**
	1,595,665,292	**425,000,000**	**–**	**–**	**1,497,003**	**2,022,162,295**
Accumulated Amortization and Impairment Losses						
Balances at beginning of period	**201,524,581**	**–**	**50,763,051**	**395,790,362**	**–**	**648,077,994**
Amortization during the period (Note 27)	**–**	**–**	**4,637,606**	**62,553,846**	**–**	**67,191,452**
Disposal/others	**–**	**–**	**(55,400,657)**	**(458,344,208)**	**–**	**(513,744,865)**
	201,524,581	**–**	**–**	**–**	**–**	**201,524,581**
Net Book Value at End of Year	**₱1,394,140,711**	**₱425,000,000**	**₱–**	**₱–**	**₱1,497,003**	**₱1,820,637,714**

	As of and for the year ended December 31, 2020				
	Trademarks/ Brands	Product Formulation	Software Costs	Customer Relationship	Total
Cost					
Balances at beginning of period	₱9,564,461,252	₱425,000,000	₱64,694,751	₱2,201,281,173	₱12,255,437,176
Disposal/others	–	–	(7,515,962)	–	(7,515,962)
	9,564,461,252	425,000,000	57,178,789	2,201,281,173	12,247,921,214
Accumulated Amortization and Impairment Losses					
Balances at beginning of period	201,524,581	–	44,669,404	336,114,666	582,308,651
Amortization from discontinued operations (Note 33)	–	–	24,735,801	69,251,299	93,987,100
Disposal/others	–	–	(18,642,154)	(9,575,603)	(28,217,757)
	201,524,581	–	50,763,051	395,790,362	648,077,994
Net Book Value at End of Year	₱9,362,936,671	₱425,000,000	₱6,415,738	₱1,805,490,811	₱11,599,843,220

Trademarks and product formulation were acquired from General Milling Corporation in 2008.

Total intangible assets acquired from the acquisition of CSPL and URC NZ HoldCo in 2016 and 2014 were composed of brands of ₱9.3 billion, customer relationships of ₱2.2 billion and software costs of ₱56.3 million.

The Group performed its annual impairment test on its goodwill and other intangible assets with indefinite useful lives as of December 31, 2021 and 2020. In 2021 and 2020, the recoverable amounts of goodwill and other intangible assets were determined based on value in use calculations.

Value in use calculations used cash flow projections from financial budgets approved by management covering a five-year period. The pre-tax discount rates applied to cash flow projections range from 8.57% to 12.58% and 9.03% to 14.52% for the years ended December 31, 2021 and 2020, respectively. The following assumptions were also used in computing value in use:

Growth rate estimates - growth rates include revenue growth and terminal growth rates that are based on experiences and strategies developed for the various subsidiaries. The prospect for the industry was also considered in estimating the growth rates. Growth rates used in computing the projected future cash flows ranged from 3.90% to 6.10% and 2.00% to 6.60% as of December 31, 2021 and 2020, respectively.

Discount rates - discount rates were estimated based on the industry weighted average cost of capital, which includes the cost of equity and debt after considering the gearing ratio.

Management believes that no reasonably possible changes in any of the above key assumptions would cause the carrying values of goodwill and intangible assets arising from the Group's acquisitions to materially exceed their recoverable amounts.

16. Investments in Joint Ventures

The rollforward analysis of this account follows:

	2021	2020
Acquisition Cost		
Balance at beginning of year	**₱1,203,555,432**	₱1,203,555,432
Additional investments	**100,000,000**	–
Reclassification to Investment in Subsidiary due to gain of control	**(275,293,070)**	–
Balance at end of year	**1,028,262,362**	1,203,555,432

(Forward)

	2021	2020
Accumulated Equity in Net Losses		
Balance at beginning of year	**(₱812,041,712)**	(₱781,654,671)
Equity in net losses from continuing operations	**(91,077,671)**	(61,973,952)
Equity in net income from discontinued operations (Note 33)	**–**	31,586,911
Reclassification to Investment in Subsidiary due to gain of control	**(69,084,800)**	–
Balance at end of year	**(972,204,183)**	(812,041,712)
Cumulative Translation Adjustments	**(829,958)**	(5,019,201)
Net Book Value at End of Year	**₱55,228,221**	₱386,494,519

Proper Snack Foods Ltd.
On June 30, 2017, Griffin's purchased 50.1% of the shares in Proper Snack Foods Ltd. (PSFL) for approximately NZ$7.8 million (₱275.3 million), which includes deferred consideration amounting to NZ$1.5 million (₱51.5 million) recorded under 'Accounts payable and other accrued liabilities' in the consolidated statements of financial position.

In January 2021, the Shareholders' Agreement was amended that resulted to Griffin's gaining ultimate control of the Board with no change in equity interest, which is still at 50.1%. No consideration was paid for the transaction and PSFL net assets at the time of business combination amounted to US$4.6 million (₱226.0 million).

Goodwill and non-controlling interest arising from the business combination based on provisional values amounted to ₱461.6 million and ₱341.3 million, respectively. The accounting for the transaction will be completed based on further valuation and studies carried out within twelve months from the completion date. The net balance of investment in joint venture related to PSFL as of this date was ₱344.4 million.

Vitasoy-URC, Inc.
On October 4, 2016, the Parent Company entered into a joint venture agreement with Vita International Holdings Limited, a corporation duly organized in Hong Kong to form Vitasoy - URC (VURCI), a corporation duly incorporated and organized in the Philippines to manufacture and distribute food products under the "Vitasoy" brand name, which is under exclusive license to VURCI in the Philippines.

Danone Universal Robina Beverages, Inc.
On May 23, 2014, the Parent Company entered into a joint venture agreement with Danone Asia Holdings Pte. Ltd., a corporation duly organized in the Republic of Singapore to form Danone Universal Robina Beverages, Inc. (DURBI), a corporation duly incorporated and organized in the Philippines to manufacture and distribute food products under the “B’lue” brand name, which is under exclusive license to DURBI in the Philippines.

On April 19, 2021, the Parent Company made additional subscriptions to the unissued authorized capital stock of DURBI consisting of 5,000,000 common shares for a total cost of ₱100.0 million.

Calbee-URC Malaysia
On August 23, 2017, URC Malaysia entered into a joint venture agreement with Calbee, Inc., a corporation duly organized in Japan to form Calbee-URC Malaysia Sdn Bhd (CURM), a corporation registered with the Companies Commission of Malaysia organized to manufacture savoury snack products.

As of December 31, 2021 and 2020, the Parent Company has the following percentage of ownership of shares in its joint ventures and its related equity in the net assets as summarized below:

		Percentage of Ownership	
	Place of Business	2021	2020
VURCI	Philippines	50.00	50.00
DURBI	-do-	50.00	50.00
CURM	Malaysia	50.00	50.00
PSFL	New Zealand	nil	50.10

Summarized financial information in respect of the Group's joint ventures as of December 31, 2021 and 2020 are presented below (in thousands).

	CURM		DURBI		VURCI		PSFL	
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020
Revenue	**₱391,634**	₱395,629	**₱354,269**	₱420,497	**₱226,043**	₱266,226	**₱–**	₱581,349
Costs and expenses	**24,680**	25,810	**524,521**	604,555	**588,380**	592,361	**–**	518,700
Net income (loss)	**17,244**	32,509	**(170,252)**	(184,059)	**(362,337)**	(326,136)	**–**	63,174
Current assets	**₱129,069**	₱118,426	**₱412,793**	₱381,449	**₱326,103**	₱500,086	**–**	₱200,555
Noncurrent assets	**33,202**	24,722	**8,695**	16,006	**654,572**	739,224	**–**	600,764
Current liabilities	**45,362**	52,408	**837,376**	838,961	**638,369**	707,763	**–**	80,169
Noncurrent liabilities	**–**	–	**5,510**	6,861	**777,708**	607,333	**–**	40,263
Equity	**₱116,908**	₱90,740	**(₱421,398)**	(₱448,367)	**(₱435,402)**	(₱75,786)	**–**	₱680,887
Group share in equity	**₱55,228**	₱45,370	**₱–**	₱–	**₱–**	₱–	**–**	₱341,124
Carrying amount of investment	**₱55,228**	₱45,370	**₱–**	₱–	**₱–**	₱–	**–**	₱341,124

The summarized financial information presented above represents amounts shown in the joint ventures' financial statements prepared in accordance with PFRSs.

The joint venture companies are private companies and there are no quoted prices available for their shares.

No dividends were declared and received for the years ended December 31, 2021 and 2020.

As of December 31, 2021 and 2020, there were no agreements entered into by the joint ventures that may restrict dividends and other capital distributions to be paid, or loans and advances to be made or repaid to or from the Group. In addition, the Group has no share on commitments and contingencies of its joint ventures.

17. Other Noncurrent Assets

This account consists of:

	2021	2020
Input VAT	**₱717,122,717**	₱768,562,753
Deposits	**653,063,190**	623,260,441
Financial assets at FVOCI	**157,703,381**	75,400,000
Investment properties	**26,750,788**	29,962,148
Others	**1,909,627,545**	259,012,119
	₱3,464,267,621	₱1,756,197,461

Input VAT
Input tax pertains to VAT from purchases and/or importations of various parts, supplies, equipment, machineries and or capital goods, which will be claimed as credit against output tax liabilities in a manner prescribed by pertinent revenue regulations.

Deposits
The Group's deposits pertain to the installation of power and water meters, returnable containers and security deposits for operating leases of plants, warehouses and office buildings. The security deposits are recoverable from the lessors at the end of the lease terms, which range from 2 to 30 years.

Financial Assets at FVOCI
As of December 31, 2021 and 2020, financial assets at FVOCI consists of equity securities with the following movement:

	2021	2020
Balance at beginning of year	**₱75,400,000**	₱76,290,000
Additions	**76,473,381**	−
Disposal	**(630,000)**	−
Changes in fair value during the year	**5,830,000**	(890,000)
Balance at end of year	**₱157,703,381**	₱75,400,000

Fair value changes of financial assets at FVOCI are presented as components of 'Other comprehensive income' in Equity (see Note 23).

Investment Properties
The rollforward analysis of investment properties follows:

	2021	2020
Cost		
Balance at beginning and end of year	**₱94,554,666**	₱94,554,666
Accumulated depreciation		
Balance at beginning of year	**64,592,518**	61,381,154
Depreciation (Note 27)	**3,211,360**	3,211,364
Balance at end of year	**67,803,878**	64,592,518
Net book value at end of year	**₱26,750,788**	₱29,962,148

The investment properties consist of buildings and building improvements which are leased out to related and third parties (see Notes 35 and 37).

Total rental income earned from investment properties included under 'Other income (losses) - net' in the consolidated statements of income amounted to ₱81.4 million, ₱69.0 million, and ₱112.4 million for years ended December 31, 2021, 2020, and 2019, respectively.

Direct operating expenses (included under 'General and administrative expenses' in the consolidated statements of income) arising from investment properties amounted to ₱0.8 million for each of the years ended December 31, 2021, 2020, and 2019.

Collateral
As of December 31, 2021 and 2020, the Group has no investment properties that are pledged as collateral.

Others
Others include noncurrent receivable from an affiliate amounting to ₱1.6 billion as of December 31, 2021 and noncurrent advances to suppliers and deferred charges. Annual payments will be received until 2024.

18. **Short-term Debts**

This account consists of:

	2021	2020
Peso-denominated loan - unsecured with interest of 2.00% for the year ended December 31, 2021 and interest ranging from 2.80% to 2.95% for the year ended December 31, 2020	**₱6,500,000,000**	₱1,000,000,000
Thai Baht-denominated loans - unsecured with interest ranging from from 1.30% to 1.62% for the years ended December 31, 2021 and 2020	**1,308,029,451**	1,365,399,032
Malaysian Ringgit-denominated loan - unsecured with interest at 3.20% for the year ended December 31, 2020	–	303,391,164
	₱7,808,029,451	₱2,668,790,196

Accrued interest payable on the Group's short-term debts (included under 'Accounts payable and other accrued liabilities' in the consolidated statements of financial position) amounted to ₱9.6 million and ₱2.9 million as of December 31, 2021 and 2020, respectively. Interest expense from the short-term debts amounted to ₱156.8 million, ₱82.8 million and ₱93.9 million for the years ended December 31, 2021, 2020, and 2019, respectively (see Note 30).

19. **Accounts Payable and Other Accrued Liabilities**

This account consists of:

	2021	2020
Trade payables (Note 35)	**₱15,290,751,756**	₱15,226,257,283
Accrued expenses	**5,787,267,776**	8,021,725,105
Customers' deposits	**803,599,260**	539,913,731
Due to related parties (Note 35)	**202,541,860**	140,590,767
Withholding taxes payable	**200,653,033**	185,126,132
Advances from stockholders (Note 35)	**196,179,390**	187,943,346
VAT payable	**45,230,445**	245,575,404
Derivative liabilities (Note 9)	**1,366,788**	213,725,486
Others	**51,294,262**	70,979,466
	₱22,578,884,570	₱24,831,836,720

Trade payables are noninterest-bearing and are normally settled on 30-60 day terms. Trade payables arise from purchases of inventories which include raw materials and indirect materials (i.e., packaging materials) and supplies, for use in manufacturing and other operations.

The accrued expenses account consists of:

	2021	2020
Advertising and promotions	**₱2,578,945,327**	₱4,168,067,417
Rent	**457,106,582**	348,924,743
Contracted services	**357,192,934**	295,941,690
Personnel costs	**327,561,717**	1,145,936,799
Utilities	**288,787,556**	420,920,617
Freight and handling costs	**282,422,532**	480,495,182
Professional and legal fees	**154,147,927**	59,423,865
Interest	**16,543,095**	89,132,405
Others	**1,324,560,106**	1,012,882,387
	₱5,787,267,776	₱8,021,725,105

Customers' deposits represent downpayments for the sale of goods or performance of services which will be applied against accounts receivables upon delivery of goods or rendering of services.

Accrued professional and legal fees include fees or services rendered by third party consultants for the review of the Group's brand portfolio and supply chain optimization initiatives. The related expense recognized under 'Other income (losses) – net' in the 2021, 2020 and 2019 consolidated statements of income amounted to ₱176.7 million, nil and ₱161.3 million, respectively.

Others include accruals for taxes and licenses, commission, royalties, restructuring provision and other benefits. In 2019, the Group recorded a restructuring provision related to downsizing of farm operations and consolidation of plant operations. The key objectives of the restructuring are: (a) to focus on the profitable and growing animal nutrition and health business, (b) to maximize the value-added chain concentrating on the processed meat business and (c) to improve long-term cost efficiencies for both farm and plant operations. The restructuring provision consists of write-down of biological assets (Note 14), property, plant and equipment (Note 13) and accrual of employee redundancy costs amounting ₱239.0 million, ₱453.7 million and ₱137.1 million, respectively. The related expense is recognized under "Other income (losses) - net" in the consolidated statement of income. As of December 31, 2021, ₱39.5 million remains of the accrual for employee redundancy costs.

20. Long-term Debts

This account consists of:

	2020		
	Principal	Unamortized debt issuance cost	Net
URC AU FinCo Loan	₱17,888,983,093	₱50,085,857	₱17,838,897,236
URC NZ FinCo Loan	13,625,258,770	126,604,870	13,498,653,900
	₱31,514,241,863	₱176,690,727	₱31,337,551,136

URC AU FinCo Loan due 2022

On September 30, 2016, URC AU FinCo entered into a syndicated term loan facility agreement guaranteed by the Parent Company payable in five years, amounting to AU$484.2 million (₱17.9 billion), with various banks for payment of acquisition costs and to refinance certain indebtedness of an acquired company, CSPL. This syndicated term loan was refinanced through a bridge loan facility agreement payable in six months amounting to AU$484.2 million with three banks. The loan obtained bears a market interest rate plus a certain spread, payable monthly, maturing on March 29, 2022.

URC NZ FinCo NZ$395 Million Term Loan due 2023
On October 22, 2018, URC NZ FinCo entered into a term loan facility agreement guaranteed by the Parent Company payable in five years, amounting to NZ$395.0 million (₱14.4 billion), with various banks for payment of the NZ$420 million term loan due in 2019. The loan obtained bears a market interest rate plus a certain spread, payable quarterly, and maturing on October 22, 2023.

These long-term loans have no collateral but are all guaranteed by the Parent Company.

For each of these loans, the Group is required to maintain consolidated debt to equity ratio of not greater than 2.5 to 1.0. The Group has complied with all of its debt covenants as of December 31, 2020.

Interest expense on these long-term debts amounted to ₱427.7 million, ₱505.5 million and ₱866.4 million in 2021, 2020 and 2019, respectively.

In October 2021, the long-term debt was transferred to Intersnack Group upon divestment (see Note 33).

21. Other Noncurrent Liabilities

This account consists of:

	2021	2020
Net pension liability (Note 31)	**₱383,206,789**	₱1,022,260,701
Miscellaneous	−	224,440,047
	₱383,206,789	₱1,246,700,748

Miscellaneous includes asset retirement obligation and other noncurrent liabilities.

Asset retirement obligation arises from obligations to restore the leased manufacturing sites, warehouses and offices of CSPL at the end of the respective lease terms. These provisions are calculated as the present value of the estimated expenditures required to remove any leasehold improvements. These costs are currently capitalized as part of the cost of the plant and equipment and are amortized over the shorter of the lease term and the useful life of assets.

As of December 31, 2021 and 2020, the carrying value of asset retirement obligation amounted to nil and ₱183.8 million, respectively. The amortization of this asset retirement obligation (included in 'Finance costs' under discontinued operations) amounted to ₱2.5 million, ₱3.0 million and ₱3.3 million for the years ended December 31, 2021, 2020, and 2019, respectively (see Note 33).

22. Equity

The details of the Parent Company's common stock as of December 31 follow:

	2021	2020
Authorized shares	**2,998,000,000**	2,998,000,000
Par value per share	**₱1.00**	₱1.00
Issued shares:		
Balance at beginning and end of year	**2,230,160,190**	2,230,160,190
Outstanding shares	**2,200,983,378**	2,204,161,868

The paid-up capital of the Parent Company consists of the following as of December 31, 2021 and 2020:

Common stock	₱2,230,160,190
Additional paid-in capital	21,191,974,542
Total paid-up capital	₱23,422,134,732

Capital Management

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to these ratios in light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend payment to shareholders, return capital structure or issue capital securities. No changes have been made in the objective, policies and processes as they have been applied in previous years.

The Group monitors its use of capital structure using a financial debt-to-equity ratio which is total financial debt divided by total equity. The Group includes within gross debt all interest-bearing loans and borrowings, while capital represents total equity.

Following is a computation of the Group's financial debt-to-equity ratio:

		December 31, 2021	December 31, 2020
(a)	Short-term debts (Note 18)	**₱7,808,029,451**	₱2,668,790,196
	Trust receipts payable (Note 11)	**8,106,662,079**	7,454,089,371
	Long-term debts (Note 20)	–	31,337,551,136
		₱15,914,691,530	₱41,460,430,703
(b)	Equity	**₱109,767,733,832**	₱97,784,161,934
(c)	Financial debt-to-equity ratio (a/b)	**0.14:1**	0.42:1

The Group's policy is to not exceed a financial debt-to-equity ratio of 2:1. The Group considers its total equity as capital.

Cumulative Redeemable Preferred Shares

The Group's authorized preferred shares of stock are 12.00% cumulative, nonparticipating, and nonvoting. In case of dissolution and liquidation of the Parent Company, the holders of the preferred shares shall be entitled to be paid an amount equal to the par value of the shares or ratably insofar as the assets of the Parent Company may warrant, plus accrued and unpaid dividends thereon, if any, before the holders of the common shares of stock can be paid their liquidating dividends. The authorized preferred stock is 2,000,000 shares at par value of ₱1.00 per share. There have been no issuances of preferred stock as of December 31, 2021 and 2020.

Retained Earnings

Accumulated equity in net earnings of the subsidiaries

A portion of the Group's retained earnings corresponding to the undistributed net earnings of the subsidiaries and joint ventures amounting to ₱78.2 billion and ₱66.1 billion as of December 31, 2021 and 2020, respectively, is not available for dividend declaration. This becomes available for dividend declaration upon dividend distribution by the investees.

Dividends
Details of the Group's dividend declarations follow:

Parent Company
On July 30, 2021, the Parent Company's BOD declared special cash dividends amounting to ₱1.80 per share to stockholders of record as of August 19, 2021. On September 15, 2021, the special cash dividend was paid amounting to ₱4.0 billion.

On April 29, 2021, the Parent Company's BOD declared regular cash dividends amounting to ₱1.50 per share to stockholders of record as of May 20, 2021. On June 15, 2021, the regular cash dividend was paid amounting to ₱3.3 billion.

On March 10, 2020, the Parent Company's BOD declared regular cash dividends amounting to ₱1.50 per share to stockholders of record as of March 24, 2020. On the same date, the Parent Company's BOD declared special cash dividends amounting to ₱1.65 per share to stockholders of record as of June 1, 2020. Total dividends declared amounted to ₱6.9 billion. On April 21, 2020, the regular cash dividend was paid amounting to ₱3.3 billion. On June 26, 2020, the special cash dividend was paid amounting to ₱3.6 billion.

On February 28, 2019, the Parent Company's BOD declared regular cash dividends amounting to ₱1.50 per share to stockholders of record as of March 14, 2019. On the same date, the Parent Company's BOD declared special cash dividends amounting to ₱1.65 per share to stockholders of record as of July 1, 2019. Total dividends declared amounted to ₱6.9 billion. On March 28, 2019, the regular cash dividend was paid amounting to ₱3.3 billion. On July 25, 2019, the special cash dividend was paid amounting to ₱3.6 billion.

NURC
On June 10, 2021, NURC's BOD approved the declaration of cash dividends amounting to ₱885.0 million (₱4.68 per share) to stockholders of record as of June 10, 2021 payable on or before December 31, 2021.

On June 9, 2020, NURC's BOD approved the declaration of cash dividends amounting to ₱700.0 million (₱3.70 per share) to stockholders of record as of December 31, 2019 payable on or before September 30, 2020.

On June 6, 2019, NURC's BOD approved the declaration of cash dividends amounting to ₱600.0 million (₱3.17 per share) to stockholders of record as of December 31, 2018 payable on or before September 30, 2019.

The Group intends to maintain an annual cash dividend payment ratio of 50.0% of the Group's consolidated net income from the preceding fiscal year, subject to the requirements of the applicable laws and regulations and the absence of circumstances which may restrict the payment of such dividends. The BOD may, at any time, modify such dividend payment ratio.

Appropriation of retained earnings
On December 16, 2020, the BOD approved the reversal of the appropriation of retained earnings in the aggregate amount of ₱2.0 billion, which was approved by the BOD in its resolutions adopted on September 8, 2015 and September 7, 2016.

Treasury Shares
The Parent Company has outstanding treasury shares of 29.2 million shares (₱1.1 billion) and 26.0 million shares (₱679.5 million) as of December 31, 2021 and 2020, respectively, restricting the Parent Company from declaring an equivalent amount from unappropriated retained earnings as dividends.

Equity Reserve
In December 2019, Intersnack bought 40% of the Group's equity interest in the Oceania businesses for a total consideration of ₱7.7 billion. As a result of the sale, the equity interest of URC changed from 100.0% to 60.0%. The excess of the total consideration received over the carrying amount of the equity transferred to NCI amounting to ₱2.4 billion was presented under 'Equity reserve' in the consolidated statements of financial position.

In October 2021, the Group sold its remaining 60.0% equity interest in Oceania businesses to Intersnack (see Note 33). As a result, the Group derecognized the assets and liabilities related to its Oceania businesses. The Group is of the view that the Equity Reserve can be reclassified to Retained Earnings to present more useful information about its equity. The Group evaluated the nature of the Equity Reserve, and if there are specific requirements on its derecognition. Management also considered nature of equity and the applicability of the requirements of PFRSs and definitions, recognition criteria and measurement concepts in the Framework.

On February 8, 2022, the Group requested for the Philippine SEC's opinion on the reclassification and subsequent treatment of the Equity Reserve. On February 22, 2022, the SEC confirmed that the reclassification of the Equity Reserve to Retained Earnings, does not counter any principles in PFRSs, and would allow for more understandable financial information for users. Accordingly, the Group reclassified Equity Reserve amounting to ₱2.4 billion to Retained Earnings.

In December 2014, URC entered into a share purchase agreement with Nissin Foods (Asia) Pte. Ltd. to sell 14.0% of its equity interest in NURC for a total consideration of ₱506.7 million. As a result of the sale, the equity interest of URC changed from 65.0% to 51.0%. The excess of the consideration received over the carrying amount of the equity transferred to NCI amounting to ₱481.1 million is presented under 'Equity reserve' in the consolidated statements of financial position.

In August 2012, the Parent Company acquired 23.0 million common shares of URCICL from International Horizons Investment Ltd for ₱7.2 billion. The acquisition of shares represented the remaining 23.00% interest in URCICL. As a result of the acquisition, the Parent Company now holds 100.00% interest in URCICL. The Group charged equity reserve from the acquisition amounting to about ₱3.7 billion presented under 'Equity reserve' in the consolidated statements of financial position.

Non-controlling Interest

The equity interest held by non-controlling interest in subsidiaries with material non-controlling interest is as follows:

	Percentage of Ownership of Material NCI	
Subsidiaries	**2021**	2020
NURC	**49.00**	49.00
UHC	**–**	40.00

The summarized financial information (before inter-company eliminations) of subsidiaries with material non-controlling interest follows (in thousands):

	NURC		UHC	
	2021	2020	**2021**	2020
Current assets	**2,072,669**	₱2,070,179	**–**	₱8,143,192
Noncurrent assets	**1,464,487**	1,287,978	**–**	64,663,475
Current liabilities	**2,393,108**	2,278,429	**–**	23,376,043
Noncurrent liabilities	**16,138**	30,933	**–**	21,305,195
Revenue	**7,967,975**	7,406,463	**–**	19,987,025
Costs and expenses	**6,685,361**	6,130,273	**–**	17,057,554
Net income	**959,753**	893,471	**–**	1,120,473

The accumulated non-controlling interest of material non-controlling interest are as follows:

	2021	2020
UHC	**₱–**	₱5,007,081,716
NURC	**552,675,988**	513,909,767

The profit allocated to non-controlling interest for the years ended December 31, 2021, 2020, and 2019, amounted to ₱922.2 million, ₱877.9 million, and ₱342.6 million, respectively.

Record of Registration of Securities with SEC

Summarized below is the Parent Company's track record of registration of securities under the Securities Registration Code:

Date of offering	Type of offering	No. of shares offered	Par value	Offer price	Authorized number of shares	Issued and outstanding shares
February 17, 1994	Registration of authorized capital stock	–	₱1.00	₱–	1,998,000,000 common shares 2,000,000 preferred shares	–
February 23, 1994	Initial public offering					
	Subscribed and fully paid common shares	929,890,908	1.00	1.00	–	929,890,908
	New common shares	309,963,636	1.00	21.06	–	309,963,636
July 21, 1995	20.00% stock dividend	247,970,907	–	–	–	247,970,907
October 15, 2001	10.00% stock dividend	148,782,542	–	–	–	148,782,542
June 20, 2003	Property-for-share swap [the Parent Company shares in exchange for property of Robinsons Supermarket Corporation (RSC)]	49,871,556	–	–	–	49,871,556
December 16, 2005	Increase in authorized capital stock (payment by way of 15.00% stock dividend)	–	–	–	1,000,000,000 common shares	252,971,932

(Forward)

Date of offering	Type of offering	No. of shares offered	Par value	Offer price	Authorized number of shares	Issued and outstanding shares
February 7, 2006	New share offering for common shares:					
	a. Primary shares	282,400,000	₱1.00	₱17.00	–	282,400,000
	b. Secondary shares	352,382,600				
	c. Over-allotment shares	95,217,400				
November 14, 2007 to October 20, 2008	Acquisition of Parent Company's shares under the share buy-back Program	–	–	–	–	(75,104,200)
April 21, 2009	Issuance of shares to JGSHI	–	–	–	–	5,787,452
December 8, 2009 to January 27, 2011	Acquisition of Parent Company's shares under the share buy-back Program	–	–	–	–	(91,032,800)
June 14, 2012	Sale of treasury shares	–	–	–	–	120,000,000
September 30, 2016	Sale of treasury shares					22,659,935
April 24, 2018	Issuance of shares to stockholders	–	–	–	–	2,521,257
April 24, 2018	Re-purchase of shares issued to stockholders	–	–	–	–	(2,521,257)
November 8, 2021 to December 13, 2021	Acquisition of Parent Company's shares under the share buy-back program					(3,178,490)
						2,200,983,378

The table below provides information regarding the number of stockholders of the Parent Company:

	December 31, 2021	December 31, 2020	December 31, 2019
Common shares	**1,002**	1,002	1,003

23. Components of Other Comprehensive Income

The breakdown and movement of other comprehensive income attributable to equity holders of the Parent Company follow:

	December 31, 2021	December 31, 2020	December 31, 2019
Items to be reclassified to profit or loss in subsequent periods, net of tax:			
Cumulative translation adjustments*	**₱3,417,686,647**	₱2,344,845,823	₱3,678,701,625
Net unrealized gain (loss) on cash flow hedges:			
Balance at beginning of year	**(19,127,379)**	–	4,600,119
Change in fair value during the year (Note 9)	**19,127,379**	(19,127,379)	(4,600,119)
Balance at end of year	**–**	(19,127,379)	–
	3,417,686,647	2,325,718,444	3,678,701,625
Item not to be reclassified to profit or loss in subsequent periods:			
Net unrealized gain on financial assets at FVOCI			
Balance at beginning of year	**53,680,000**	54,570,000	28,580,000
Change in fair value during the year (Note 17)	**5,830,000**	(890,000)	25,990,000
Balance at end of year	**59,510,000**	53,680,000	54,570,000
Remeasurement losses on defined benefit plans, gross of tax:			
Balance at beginning of year	**(921,973,756)**	(719,833,392)	(256,522,672)
Remeasurement gain (loss) on defined benefit plans during the year (Note 31)	**640,951,526**	(202,140,364)	(463,310,720)
Balance at end of year	**(281,022,230)**	(921,973,756)	(719,833,392)
Income tax effect	**70,254,843**	276,592,127	215,950,018
Balance at end of year	**(210,767,387)**	(645,381,629)	(503,883,374)
	(151,257,387)	(591,701,629)	(449,313,374)
	₱3,266,429,260	₱1,734,016,815	₱3,229,388,251

**All movements in cumulative translation adjustments arise from translation of foreign operations. No foreign operations were disposed of in 2020 and 2019.*

The breakdown and movement of other comprehensive income attributable to non-controlling interests follow:

	December 31, 2021	December 31, 2020	December 31, 2019
Items to be reclassified to profit or loss in subsequent periods, net of tax:			
Cumulative translation adjustments	**₱221,631,398**	(₱232,786,766)	₱–
Net unrealized loss on cash flow hedges:			
Balance at beginning of year	**(12,751,586)**	–	–
Change in fair value during the year (Note 9)	**12,751,586**	(12,751,586)	–
Balance at end of year	**–**	(12,751,586)	–
	221,631,398	(245,538,352)	–
Item not to be reclassified to profit or loss in subsequent periods:			
Remeasurement losses on defined benefit plans, gross of tax:			
Balance at beginning of year	**(₱11,850,827)**	(₱10,142,916)	(₱2,336,952)
Remeasurement loss (gain) on defined benefit plans during the year (Note 31)	**3,639,757**	(1,707,911)	(7,805,964)
Balance at end of year	**(8,211,070)**	(11,850,827)	(10,142,916)
Income tax effect	**2,463,321**	3,555,248	3,042,875
	(5,747,749)	(8,295,579)	(7,100,041)
	₱215,883,649	(₱253,833,931)	(₱7,100,041)

24. Sale of Goods and Services/Cost of Sales

Sale of goods and services include revenue from tolling services amounting to ₱1.8 billion, ₱1.4 billion, and ₱1.1 billion for the years ended December 31, 2021, 2020, and 2019, respectively.

Cost of sales account consists of:

	December 31, 2021	December 31, 2020	December 31, 2019
Raw materials used	**₱56,052,221,111**	₱54,156,527,868	₱56,690,266,368
Direct labor	**4,893,555,266**	4,469,234,231	4,336,309,786
Overhead costs	**21,190,780,475**	19,295,208,563	20,661,735,468
Total manufacturing costs	**82,136,556,852**	77,920,970,662	81,688,311,622
Goods in-process	**58,176,006**	98,286,584	(565,123,673)
Cost of goods manufactured	**82,194,732,858**	78,019,257,246	81,123,187,949
Finished goods	**1,294,920,299**	554,181,172	(484,077,580)
	₱83,489,653,157	₱78,573,438,418	₱80,639,110,369

Raw materials used include the Group’s usage of both raw materials and containers and packaging materials inventory.

Overhead costs are broken down as follows:

	December 31, 2021	December 31, 2020	December 31, 2019
Utilities	**₱8,008,784,020**	₱5,960,843,758	₱6,185,335,636
Depreciation and amortization (Note 27)	**4,906,407,621**	5,320,748,870	5,232,854,988
Repairs and maintenance	**3,158,280,693**	2,846,461,942	2,927,822,542
Personnel expenses (Note 28)	**2,749,398,308**	2,539,614,819	2,469,469,336
Security and other contracted services	**774,033,037**	709,639,323	739,778,215
Insurance	**131,450,588**	140,776,854	117,199,950
Rental expense (Note 37)	**110,406,717**	101,293,575	148,729,271
Research and development	**90,452,181**	87,019,320	86,888,100
Handling and delivery charges	**45,708,852**	44,386,508	238,260,011
Others	**1,215,858,458**	1,544,423,594	2,515,397,419
	₱21,190,780,475	₱19,295,208,563	₱20,661,735,468

Others include excise taxes amounting to ₱1.1 billion, ₱1.0 billion, and ₱1.4 billion for the years ended December 31, 2021, 2020, and 2019, respectively.

25. Selling and Distribution Costs

This account consists of:

	December 31, 2021	December 31, 2020	December 31, 2019
Advertising and promotions	**₱7,027,100,301**	₱7,269,713,153	₱7,453,062,546
Freight and other selling expenses	**6,676,963,507**	6,642,136,128	6,757,301,057
Personnel expenses (Note 28)	**1,779,396,237**	1,651,462,445	1,717,906,055
Depreciation and amortization (Note 27)	**227,587,008**	262,173,793	293,557,640
Repairs and maintenance	**131,120,649**	119,823,871	119,284,405
Others	**240,447,457**	214,671,483	149,200,810
	₱16,082,615,159	₱16,159,980,873	₱16,490,312,513

Others include research and development, communication, travel and transportation, rent and concessionaire's fee.

26. General and Administrative Expenses

This account consists of:

	December 31, 2021	December 31, 2020	December 31, 2019
Personnel expenses (Note 28)	**₱2,238,063,374**	₱2,310,628,521	₱2,227,652,610
Depreciation and amortization (Note 27)	**628,881,017**	574,272,972	581,496,227
Repairs and maintenance	**533,162,399**	416,371,338	226,834,443
Security and contractual services	**337,130,022**	331,670,989	327,925,458
Taxes, licenses and fees	**220,362,252**	177,488,870	218,689,056
Professional and legal fees	**148,528,802**	187,460,210	188,186,500
Communication	**76,294,217**	73,096,312	78,421,737
Travel and transportation	**68,231,263**	72,033,734	134,204,227
Rental expense (Note 37)	**67,320,560**	72,256,351	222,554,332
Utilities	**32,360,452**	40,222,472	40,914,672
Stationery and office supplies	**20,107,363**	18,476,492	22,012,229
Donations and contributions	**6,834,074**	4,441,594	6,210,131
Others	**288,849,314**	253,499,162	255,583,265
	₱4,666,125,109	₱4,531,919,017	₱4,530,684,887

Others include insurance, memberships, bank charges, and representation and entertainment related to general and administrative functions.

27. Depreciation and Amortization

The breakdown of consolidated depreciation and amortization follows:

	December 31, 2021	December 31, 2020	December 31, 2019
Cost of sales (Notes 13, 24 and 37)	**₱4,906,407,621**	₱5,320,748,870	₱5,232,854,988
Selling and distribution costs (Notes 13, 25 and 37)	**227,587,008**	262,173,793	293,557,640
General and administrative expenses (Notes 13, 17, 26 and 37)	**628,881,017**	574,272,972	581,496,227
Discontinued Operations (Notes 13, 15, 33 and 37)	**1,201,671,101**	1,207,760,482	1,202,148,072
	₱6,964,546,747	₱7,364,956,117	₱7,310,056,927

28. Personnel Expenses

This account consists of:

	December 31, 2021	December 31, 2020	December 31, 2019
Salaries and wages	**₱4,630,470,962**	₱4,416,597,544	₱3,923,101,995
Other employee benefits	**1,822,742,002**	1,863,633,182	2,167,101,587
Pension expense (Note 31)	**313,644,955**	221,475,059	324,824,419
	₱6,766,857,919	₱6,501,705,785	₱6,415,028,001

The breakdown of personnel expenses follows:

	December 31, 2021	December 31, 2020	December 31, 2019
Cost of sales (Note 24)	**₱2,749,398,308**	₱2,539,614,819	₱2,469,469,336
Selling and distribution costs (Note 25)	**1,779,396,237**	1,651,462,445	1,717,906,055
General and administrative expenses (Note 26)	**2,238,063,374**	2,310,628,521	2,227,652,610
	₱6,766,857,919	₱6,501,705,785	₱6,415,028,001

29. Finance Revenue

This account consists of:

	December 31, 2020	December 31, 2020	December 31, 2019
Bank interest income (Note 7)	**₱223,069,240**	₱259,035,030	₱269,699,243
Dividend income (Note 8)	**32,302,870**	64,605,739	16,151,435
	₱255,372,110	₱323,640,769	₱285,850,678

30. Finance Costs

This account consists of finance costs arising from:

	December 31, 2021	December 31, 2020	December 31, 2019
Interest expense on lease liabilities (Note 37)	**₱203,442,993**	₱216,814,477	₱142,378,384
Trust receipts (Note 11)	**176,269,762**	304,240,663	371,613,584
Short-term debts (Note 18)	**156,785,297**	82,791,315	93,925,041
Net interest on net pension liability (Note 31)	**36,755,458**	42,023,710	26,381,202
Others	**31,289**	15,858,812	12,459,053
	₱573,284,799	₱661,728,977	₱646,757,264

Others include unamortized debt issue costs recognized as expense on pretermination of NZD loan, amortization of asset retirement obligation and other financing charges.

31. Pension Costs

The Group has a funded, noncontributory defined benefit retirement plan covering all its employees. The pension funds are being administered and managed through JG Summit Multi-Employer Retirement Plan, with Robinsons Bank Corporation (RBC) as Trustee. The plan provides for retirement, separation, disability and death benefits to its members. The Group, however, reserves the right to discontinue, suspend or change the rates and amounts of its contributions at any time on account of business necessity or adverse economic conditions. The retirement plan has an Executive Retirement Committee that is mandated to approve the plan, trust agreement, investment plan, including any amendments or modifications thereto, and other activities of the Plan. Certain members of the BOD of the Ultimate Parent Company are represented in the Executive Retirement Committee. RBC manages the funds based on the mandate as defined in the trust agreement.

Under the existing regulatory framework, Republic Act (RA) 7641, *the Philippine Retirement Pay Law*, requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under law. The law does not require minimum funding of the plan. The Parent Company and all of its subsidiaries meet the minimum retirement benefit under RA 7641.

As of December 31, 2021 and 2020, the Group recognized net pension liability amounting to ₱383.2 million and ₱1.0 billion, respectively, included under 'Other noncurrent liabilities' in the consolidated statements of financial position amounted to (see Note 21).

Changes in net defined benefit liability of funded funds and fair value of plan assets of the Group are as follows:

2021

		Net benefit cost in consolidated statements of income				**Remeasurements in other comprehensive income**								
	January 1, 2021	**Current service cost (Note 28)**	**Finance cost (Note 30)**	**Settlement gain**	**Subtotal**	**Benefits paid**	**Return on plan assets (excluding amount included in net interest cost)**	**Actuarial changes arising from changes in experience adjustments**	**Actuarial changes arising from demographic assumptions**	**Actuarial changes arising from changes in financial assumptions**	**Subtotal**	**Contributions**	**Asset Transfer**	**December 31, 2021**
Present value of defined benefit obligation	**₱3,108,752,713**	**₱313,644,955**	**₱122,809,474**	**₱–**	**₱436,454,429**	**(₱160,816,123)**	**₱–**	**₱245,678,402**	**₱11,393,994**	**(₱879,815,171)**	**(₱622,742,775)**	**₱–**	**₱–**	**₱2,761,648,244**
Fair value of plan assets	**(2,086,492,010)**	**–**	**(86,054,016)**	**–**	**(86,054,016)**	**160,816,123**	**(21,848,508)**	**–**	**–**	**–**	**(21,848,508)**	**(344,863,044)**	**–**	**(2,378,441,455)**
	₱1,022,260,703	**₱313,644,955**	**₱36,755,458**	**₱–**	**₱350,400,413**	**₱–**	**(₱21,848,508)**	**₱245,678,402**	**₱11,393,994**	**(₱879,815,171)**	**(₱644,591,283)**	**(₱344,863,044)**	**₱–**	**₱383,206,789**

2020

		Net benefit cost in consolidated statements of income				Remeasurements in other comprehensive income								
	January 1, 2020	Current service cost (Note 28)	Finance cost (Note 30)	Settlement gain	Subtotal	Benefits paid	Return on plan assets (excluding amount included in net interest cost)	Actuarial changes arising from changes in experience adjustments	Actuarial changes arising from demographic assumptions	Actuarial changes arising from changes in financial assumptions	Subtotal	Contributions	Asset Transfer	December 31, 2020
Present value of defined benefit obligation	₱2,899,055,814	₱251,873,194	₱142,180,922	(₱30,398,135)	₱363,655,981	(₱396,323,880)	₱–	(₱174,029,016)	₱132,002,295	₱288,255,542	₱246,228,821	₱–	(₱3,864,025)	₱3,108,752,711
Fair value of plan assets	(2,137,672,734)	–	(100,157,212)	–	(100,157,212)	396,323,880	(42,892,919)	–	–	–	(42,892,919)	(252,232,263)	50,139,238	(2,086,492,010)
	₱761,383,080	₱251,873,194	₱42,023,710	(₱30,398,135)	₱263,498,769	₱–	(₱42,892,919)	(₱174,029,016)	₱132,002,295	₱288,255,542	₱203,335,902	(₱252,232,263)	₱46,275,213	₱1,022,260,701

The fair value of net plan assets of the Group by class as at the end of the reporting period are as follows:

	2021	2020
Assets		
Cash and cash equivalents (Note 35)	**₱8,029,108**	₱974,943
Loans receivable	**240,570,000**	240,570,000
Financial assets at FVOCI	**96,776,126**	56,980,800
Investments at amortized cost	**273,337,911**	294,918,104
UITF investments	**1,602,188,748**	1,345,513,206
Interest receivable	**3,789,279**	4,707,167
Due from Universal Robina Corporation	**10,696,570**	–
Land	**143,201,000**	143,201,000
	2,378,588,742	2,086,865,220
Liabilities		
Accounts payable, accrued trust and management fees	**147,287**	373,210
	₱2,378,441,455	₱2,086,492,010

The costs of defined benefit pension plan as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. The principal assumptions used in determining pension for defined benefit plans are as follows:

	Parent Company		NURC	
	2021	2020	2021	2020
Discount rate	**5.09%**	3.95%	**5.08%**	3.97%
Salary increase	**4.00%**	4.00% to 5.70%	**4.00%**	5.70%

The overall expected rate of return on assets is determined based on the market expectation prevailing on that date, applicable to the period over which the obligation is to be settled.

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the reporting period, assuming all other assumptions were held constant:

	Increase (Decrease)	Parent Company 2021	Parent Company 2020	NURC 2021	NURC 2020
Discount rate	1.00%	**(₱230,507,684)**	(₱313,674,690)	**(₱5,925,328)**	(₱7,456,849)
	(1.00%)	**269,614,527**	374,153,976	**6,930,471**	8,930,181
Salary increase	1.00%	**269,864,839**	363,884,506	**6,936,203**	8,680,414
	(1.00%)	**(234,831,852)**	(311,805,652)	**(6,036,004)**	(7,409,251)

The Group expects to contribute ₱337.7 million in the pension fund in 2022.

Shown below is the maturity analysis of the Group's expected (undiscounted) benefit payments:

	2021	2020
Less than one year	**₱210,902,007**	₱149,778,409
More than one year to five years	**1,097,560,577**	824,835,258
More than five years to 10 years	**1,513,546,156**	1,518,479,037
More than 10 years to 15 years	**1,895,016,653**	2,177,478,768
More than 15 years to 20 years	**2,114,945,942**	2,511,576,982
More than 20 years	**6,024,292,339**	8,732,285,054

Shown below is the average duration of the defined benefit obligation at the end of the reporting period:

	2021	2020
	(Years)	
Parent Company	**9**	11
NURC	**9**	12

32. Income Taxes

Provision for income tax consists of:

	December 31, 2021	December 31, 2020	December 31, 2019
Current	**₱1,680,592,982**	₱1,763,593,118	₱2,087,994,273
Deferred	**(101,921,756)**	209,612,202	(468,012,059)
	₱1,578,671,226	₱1,973,205,320	₱1,619,982,214

Components of the Group's net deferred tax assets and liabilities follow:

	Net deferred tax assets		**Net deferred tax liabilities**	
	2021	2020	**2021**	2020
Deferred tax assets on:				
Pension liabilities	**₱214,689,867**	₱252,456,867	**₱–**	₱171,368,029
Accrued expenses	**–**	–	**99,827,769**	163,366,945
Leases	**99,236,150**	71,342,988	**–**	158,445,022
Impairment losses on trade receivables and property and equipment	**84,839,934**	101,414,636	**2,797,164**	–
Inventory write-downs	**82,734,842**	62,212,573	**2,087,558**	11,223,749
Foreign subsidiaries	**42,413,828**	39,938,807	**–**	–
NOLCO	**39,270,200**	54,156,024	**–**	–
Net unrealized foreign exchange losses	**347,200**	–	**–**	–
	563,532,021	581,521,895	**104,712,491**	504,403,745
Deferred tax liabilities on:				
Gain arising from changes in fair value less estimated point-of-sale costs of swine stocks	**1,496,219**	1,030,416	**–**	–
Accelerated depreciation	**–**	–	**193,870,221**	366,814,562
Intangibles	**–**	–	**322,593,771**	2,923,321,145
Undistributed income of subsidiaries	**105,110,264**	6,988,650	**830,942,004**	1,015,191,150
Accrued revenue	**9,397,043**	14,951,034	**–**	–
Net unrealized foreign exchange gain	**–**	3,416,417	**–**	–
	116,003,526	26,386,517	**1,347,405,996**	4,305,326,857
Net deferred tax assets (liabilities)	**₱447,528,495**	₱555,135,378	**(₱1,242,693,505)**	(₱3,800,923,112)

As of December 31, 2021 and 2020, the Group's subsidiaries did not recognize deferred tax assets amounting to ₱313.6 million and ₱337.6 million, respectively, since management believes that future taxable income will not be available to allow all or part of the deferred tax assets to be utilized.

Reconciliation between the Group's statutory income tax rate and the effective income tax rate follows:

	December 31, 2021	December 31, 2020	December 31, 2019
Statutory income tax rate	**25.00%**	30.00%	30.00%
Increase (decrease) in tax rate resulting from:			
Net income of subsidiaries with different tax rate	**(17.53)**	(13.20)	(14.17)
Income exempt from tax	**(1.04)**	(3.08)	(2.20)
Income subject to lower tax rate	**(0.24)**	(0.11)	–
CREATE Act adjustment	**(0.12)**	–	–
Equity in net income of a joint venture	**0.09**	0.07	(0.40)
Change in value of financial assets at FVTPL	**(0.08)**	(0.03)	0.01
Interest income subjected to final tax	**(0.04)**	(0.11)	(0.27)
Nondeductible interest expense	**0.01**	0.05	0.11
Others	**1.21**	1.91	1.90
Effective income tax rate	**7.26%**	15.50%	14.98%

Under Philippine tax laws, the Group is subject to income taxes, as well as other taxes (presented as 'Taxes and licenses' in the consolidated statements of income). Other taxes paid consist principally of documentary stamp taxes, real estate taxes and municipal taxes.

Corporate Recovery and Tax Incentives for Enterprises or "CREATE" Act

The Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act was signed into law on March 26, 2021. This aimed to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act (RA) 11534 of the CREATE Act introduced reforms to the corporate income tax and incentives systems. It took effect 15 days after its complete publication in the Official Gazette on April 11, 2021.

The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact to the Company:

Effective July 1, 2020, Regular Corporate Income Tax (RCIT) rate is reduced from 30% to 25% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding ₱5.0 million and with total assets not exceeding 100.0 million (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%. Furthermore, effective July 1, 2020, interest expense allowed as a deductible expense is reduced by 20% from 33% of interest income subject to final tax.

Minimum corporate income tax (MCIT) rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.
Imposition of improperly accumulated earnings tax (IAET) is repealed.
Applying the provisions of the CREATE Act, the Company is subject to lower RCIT rate of 25% effective July 1, 2020.
Based on the provisions of Revenue Regulations (RR) No. 5-2021 dated April 8, 2021 issued by the BIT, the prorated corporate income tax rate of the Company for the year 2020 is 27.5%. Consequently, during the year, the Company reversed a portion of its 2020 income tax payable and provision for current income tax accounts amounting to ₱74.2 million. Also, it derecognized its deferred tax assets amounting to ₱89.0 million, provision for deferred income tax for ₱43.5 million, and other comprehensive income for ₱45.5 million.

Current tax regulations further provides that an Optional Standard Deduction (OSD) equivalent to 40.0% of gross income may be claimed as an alternative deduction in computing for the RCIT. For the years ended December 31, 2021, 2020, and 2019, the Group did not claim the OSD in lieu of the itemized deductions.

Entertainment, Amusement and Recreation (EAR) Expenses
Current tax regulations define expenses to be classified as EAR expenses and set a limit for the amount that is deductible for tax purposes. EAR expenses are limited to 0.5% of net sales for sellers of goods or properties or 1.0% of net revenue for sellers of services. For sellers of both goods or properties and services, an apportionment formula is used in determining the ceiling on such expenses. The Group recognized EAR expenses (included under 'General and administrative expenses' in the consolidated statements of income) amounting to ₱44.5 million, ₱40.9 million, and ₱76.2 million for the years ended December 31, 2021, 2020, and 2019, respectively.

MCIT
An MCIT on modified gross income is computed and compared with the RCIT. Any excess of the MCIT over RCIT is deferred and can be used as a tax credit against future income tax liability for the next three years.

33. Discontinued Operations and Disposal of Businesses

Sale of Oceania businesses
In July 2019, Intersnack, agreed to buy 40% of Oceania businesses of URC, to leverage on the Group's and Intersnack's know-how from their respective markets. This transaction is expected to yield better manufacturing, supply chain and sustainability practices and will set the groundwork for an even larger and more efficient Oceania operations. On December 23, 2019, the Australian Foreign Investment Review Board (FIRB) approved the transaction. Following the approval, the transaction was completed on the same date. Considerations received for the transaction consisted of cash and Yarra Valley net assets amounting to US$142.0 million (₱7.2 billion) and US$10.1 million (₱0.5 billion), respectively. As part of the agreement, Intersnack was also given an option to acquire an additional 9% equity share in UHC.

As a result of the sale, the equity interest of URC changed from 100.0% to 60.0%, and gave rise to 40% non-controlling interest in the consolidated financial statements. As the Group continued to exercise control over UHC, the partial disposal was accounted for as a transaction between owners in their capacity as owners, or an equity transaction, in accordance with the requirements of PFRS 3, *Business Combinations*. Accordingly, the excess of the total consideration received over the carrying amount of the equity transferred and call option issued to NCI amounting to ₱2.4 billion is presented under 'Equity reserve' in the consolidated statement of financial position.

On July 29, 2021, URC Oceania executed a share purchase agreement to sell its remaining 60% ownership interest in its Australia and New Zealand businesses (held under UHC) to Intersnack Group. The first tranche was the exercise of the call option from the 2019 transaction by Intersnack, which allowed it to acquire an additional 9% ownership interest (38,700 ordinary shares) in UHC at a pre-determined exercise price. This was immediately followed by the sale for cash of the remaining 51% ownership interest (219,300 ordinary shares) in UHC. The total cash received by URC Oceania from the 2021 disposal amounted to ₱24.0 billion.

The closing conditions were met, and the transaction was approved by the Australian Foreign Investment Review Board and New Zealand Overseas Investment Office on October 29, 2021. As a result of this transaction, the Group has relinquished control and ownership over UHC and its subsidiaries.

The derecognized assets and liabilities of UHC as of the date of deconsolidation follow:

Assets	
Cash and cash equivalents	₱1,638,743,847
Receivables	3,476,025,296
Inventories	2,115,987,811
Property, plant and equipment	10,905,146,480
Right-of-use assets	3,266,978,158
Goodwill	30,867,806,512
Intangibles	11,984,311,273
Deferred tax assets	104,923,273
Other assets	123,738,222
	64,483,660,872

Liabilities	
Accounts payable and other accrued liabilities	₱4,415,922,993
Income tax payable	18,419,235
Lease liabilities	3,863,641,971
Deferred tax liabilities	3,134,514,373
Other liabilities	33,278,489,808
	44,710,988,380
Net Assets	₱19,772,672,492

Cumulative translation adjustments related to Unisnack amounting to ₱214.8 million were also reclassified to profit and loss.

PFRS 5 requires income and expenses from disposal groups to be presented separately from continuing operations, down to the level of profit after taxes. The resulting profit or loss (after taxes) is reported separately in the consolidated statements of income. Accordingly, the consolidated statements of income for the years ended December 31, 2020 and 2019 have been restated to present the results of operations of Unisnack as 'Net income after tax from discontinued operations'.

The results of operations of Unisnack in the consolidated statements of income are presented below:

	2021	2020	2019
Sale of goods and services	**₱18,837,246,465**	₱19,978,296,082	₱19,771,310,360
Cost of sales	**12,856,083,612**	13,508,444,120	13,222,819,393
Gross profit	**5,981,162,853**	6,469,851,962	6,548,490,967
Selling and distribution costs	**2,862,499,842**	3,175,852,507	3,336,999,571
General and administrative expenses	**1,077,497,034**	1,143,290,085	942,643,189
Operating income	**2,041,165,977**	2,150,709,370	2,268,848,207
Finance revenue	**17,040,284**	19,081,780	41,760,824
Finance costs	**(740,256,456)**	(778,762,553)	(1,023,111,805)

(Forward)

	2021	2020	2019
Foreign exchange gain (loss) - net	**₱11,153,751**	₱17,892,394	(₱70,732,216)
Equity in net income of joint venture	**–**	31,586,911	19,842,245
Other income (expense) - net	**170,200,127**	(161,558,790)	(710,348,859)
Income before income tax	**1,499,303,683**	1,278,949,112	526,258,396
Provision for income tax	**319,170,663**	158,476,377	161,745,639
Net income	**₱1,180,133,020**	₱1,120,472,735	₱364,512,757
Gain on deconsolidation	**10,100,438,582**	–	–
Net income from discontinued operations	**₱11,280,571,602**	₱1,120,472,735	₱364,512,757

	2021	2020	2019
Attributable to Parent Company	**₱10,808,518,394**	₱672,283,641	₱145,805,103
Attributable to non-controlling interest	**472,053,208**	448,189,094	218,707,654
	₱11,280,571,602	₱1,120,472,735	₱364,512,757

Other comprehensive income from discontinued operations consists of the following:

	2021	2020	2019
Cumulative translation adjustments	**(₱214,775,311)**	₱514,552,426	₱1,071,875,373
Unrealized gain (loss) on cash flow hedge	**11,044,781**	(31,878,966)	–
	(₱203,730,530)	₱482,673,460	₱1,071,875,373

The related cash flows arising from Oceania businesses activities for the ten months ended October 31, 2021 follow:

Net cash provided by operating activities	₱1,816,495,886
Net cash used in investing activities	21,701,828,072
Net cash used in financing activities	(373,118,903)
Net cash flows from discontinued operations	₱23,145,205,055

The aggregate consideration received consists of:

Cash (net of transaction costs)	₱23,930,903,237
Non-controlling interest	6,244,876,706
Equity items	(302,668,869)
	₱29,873,111,074

Total gain on deconsolidation amounted to ₱10.1 billion, which is the difference between the consideration received and the carrying value of the Group's investment in Unisnack. The net cash outflow arising from the deconsolidation of cash and cash equivalents of Unisnack amounted to ₱1.6 billion.

34. Earnings Per Share

The following reflects the income and share data used in the basic/dilutive EPS computations:

	December 31, 2021	December 31, 2020	December 31, 2019
Net income attributable to equity holders of the parent	**₱23,323,672,422**	₱10,746,720,491	₱9,772,121,586
Weighted average number of common shares	**2,203,752,076**	2,204,161,868	2,204,161,868
Basic/dilutive EPS	**₱10.58**	₱4.88	₱4.43

The weighted average number of common shares excludes the treasury shares. There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these consolidated financial statements.

There were no potential dilutive shares for the years ended December 31, 2021, 2020, and 2019.

35. Related Party Transactions

The Group, in the regular conduct of its business, has entered into transactions with JGSHI, its ultimate parent, and other related parties principally consisting of sales, purchases, advances and reimbursement of expenses, regular banking transactions, leases and, management and administrative service agreements. Transactions with related parties are generally settled in cash.

Intercompany transactions with subsidiaries are eliminated in the accompanying consolidated financial statements. Details of related party transactions are as follows:

December 31, 2021									
Related Party	Category/ Transaction	Amount/ Volume	Cash and Cash Equivalents (Note 7)	Short-term debt (Note 18)	Lease Liability (Note 37)	Trade Receivable (Payable) - net (Notes 10 and 19)	Non-trade Receivable (Payable) - net (Notes 10 and 19)	Terms	Conditions
Ultimate Parent Company	Rental expense	**₱118,469,789**	**₱–**	**₱–**	**(₱706,413,557)**	**₱–**	**(₱9,341,133)**	On demand	Unsecured
	Management services	**47,994,974**	–	–	–	–	**(111,375,780)**	On demand	Unsecured
Entities under common control									
Due from related parties	Sales	**1,379,110,949**	–	–	–	**113,588,779**	–	On demand; non-interest bearing	Unsecured; no impairment
	Rental income	**50,028,712**	–	–	–	–	**66,939,815**	On demand; non-interest bearing	Unsecured; no impairment
	Management services	**350,682,817**	–	–	–	–	**1,842,463,521**	On demand; non-interest bearing	Unsecured; no impairment
	Advances	–	–	–	–	–	**572,508,369**	On demand; non-interest bearing	Unsecured; no impairment
Due to related parties	Rental expense	**227,831,704**	–	–	**(1,491,469,151)**	–	–	On demand	Unsecured
	Purchases	**1,298,087,872**	–	–	–	**(117,955,615)**	–	On demand	Unsecured
	Utilities	**346,722,292**	–	–	–	–	**(77,533,427)**	On demand	Unsecured
	Contracted services	**163,608,143**	–	–	–	–	**(41,116,399)**	On demand	Unsecured
Cash and cash equivalents	Cash in bank	**3,191,256,651**	**4,165,231,032**	–	–	–	–	Interest-bearing at prevailing market rate; due and demandable	Unsecured; no impairment
	Money market placements	**53,898,037**	**1,699,546,853**	–	–	–	–	Interest-bearing at prevailing market rate; due from 21 to 56 days; with interest ranging from 0.1% to 0.2%	Unsecured; no impairment
	Interest income	**4,299,202**	–	–	–	**866,393**	–	Due from 21 to 56 days	Unsecured
Short-term debt	Short-term debt	**200,000,000**	–	–	–	–	–		
	Interest expense	**2,776,111**	–	–	–	–	–		
Subsidiaries									
Due from related parties	Sales	**2,646,671,031**	–	–	–	**520,965,116**	–	On demand; non-interest bearing	Unsecured; no impairment
	Rental income	**26,516,110**	–	–	–	–	**2,995,831**	On demand; non-interest bearing	Unsecured; no impairment
	Dividend income	**9,095,145,203**	–	–	–	–	–		
Due to related parties	Purchases	**14,185,149,708**	–	–	–	**(3,498,836,584)**	–	On demand	Unsecured
Joint Venture									
Due from related parties	Sales	**40,898,498**	–	–	–	**29,193,435**	–	On demand; non-interest bearing	Unsecured; no impairment
	Rental income	**2,896,927**	–	–	–	**3,137,399**	–	On demand; non-interest bearing	Unsecured; no impairment
Due to related parties	Purchases	**938,156,041**	–	–	–	**(137,124,921)**	–	1 to 30 days; non-interest bearing	Unsecured

		December 31, 2020							
Related Party	Category/ Transaction	Amount/ Volume	Cash and Cash Equivalents (Note 7)	Short-term debt (Note 18)	Lease Liability (Note 37)	Trade Receivable (Payable) - net (Notes 10 and 19)	Non-trade Receivable (Payable) - net (Notes 10 and 19)	Terms	Conditions
Ultimate Parent Company	Rental expense	₱121,063,946	₱–	₱–	(₱764,321,855)	₱–	₱–	On demand	Unsecured
	Management services	40,414,311	–	–	–	–	(243,066,092)	On demand	Unsecured
Entities under common control									
Due from related parties	Sales	1,274,143,021	–	–	–	25,245,126	–	On demand; non-interest bearing	Unsecured; no impairment
	Rental income	49,501,228	–	–	–	–	34,688,812	On demand; non-interest bearing	Unsecured; no impairment
	Engineering services	6,664,509	–	–	–	–	61,416,363	On demand; non-interest bearing	Unsecured; no impairment
	Management services	411,141,548	–	–	–	70,348,843	261,615,143	On demand; non-interest bearing	Unsecured; no impairment
	Advances	–	–	–	–	–	689,359,835	On demand; non-interest bearing	Unsecured; no impairment
Due to related parties	Rental expense	211,864,735	–	–	(1,588,880,760)	–	–	On demand	Unsecured
	Purchases	673,852,625	–	–	–	(56,927,174)	–	On demand	Unsecured
	Utilities	262,792,339	–	–	–	–	(40,270,009)	On demand	Unsecured
	Contracted services	137,542,136	–	–	–	(68,741)	4,676	On demand	Unsecured
Cash and cash equivalents	Cash in bank	508,735,676	943,157,274	–	–	–	–	Interest-bearing at prevailing market rate; due and demandable	Unsecured; no impairment
	Money market placements	474,642,999	1,645,648,816	–	–	–	–	Interest-bearing at prevailing market rate; due from 7 to 119 days; with interest ranging from 0.1% to 0.6%	Unsecured; no impairment
	Interest income	9,817,642	–	–	–	1,464,611	–	Due from 7 to 119 days	Unsecured; no impairment
Short-term debt	Short-term debt	200,000,000	–	(200,000,000)	–	–	–	Interest-bearing at prevailing market rate; due within 30 days from availment; with interest of 2.8%	Unsecured
	Interest expense	46,027	–	(46,027)	–	–	–	Due within 30 days	Unsecured
Subsidiaries									
Due from related parties	Sales	2,776,408,565	–	–	–	552,967,141	–	On demand; non-interest bearing	Unsecured; no impairment
	Rental income	22,573,198	–	–	–	–	–		
	Dividend income	357,000,000	–	–	–	–	–		
Due to related parties	Purchases	13,999,697,744	–	–	–	(4,656,218,581)	–	On demand	Unsecured
Joint Venture									
Due from related parties	Sales	52,408,053	–	–	–	14,901,911	–	On demand; non-interest bearing	Unsecured; no impairment
	Rental income	1,498,893	–	–	–	1,923,368	–	On demand; non-interest bearing	Unsecured; no impairment
Due to related parties	Purchases	1,063,089,575	–	–	–	(116,524,260)	–	1 to 30 days; non-interest bearing	Unsecured

				December 31, 2019				
Related Party	Category/ Transaction	Amount/ Volume	Cash and Cash Equivalents (Note 7)	Lease Liability (Note 37)	Trade Receivable (Payable) - net (Notes 10 and 19)	Non-trade Receivable (Payable) - net (Notes 10 and 19)	Terms	Conditions
Ultimate Parent Company	Rental expense	₱114,348,078	₱–	(₱812,744,581)	₱–	₱–	On demand	Unsecured
	Management services	94,979,667	–	–	–	(133,281,084)	On demand	Unsecured
Entities under common control								
Due from related parties	Sales	1,308,193,620	–	–	116,540,404	–	On demand; non-interest bearing	Unsecured; no impairment
	Rental income	108,059,769	–	–	–	55,497,924	On demand; non-interest bearing	Unsecured; no impairment
	Engineering services	9,557,254	–	–	–	85,785,887	On demand; non-interest bearing	Unsecured; no impairment
	Management services	410,814,202	–	–	98,396,360	203,603,020	On demand; non-interest bearing	Unsecured; no impairment
	Advances	–	–	–	–	676,845,919	On demand; non-interest bearing	Unsecured; no impairment
Due to related parties	Rental expense	123,978,820	–	(1,672,628,370)	–	–	On demand	Unsecured
	Purchases	953,972,641	–	–	(1,728,788)	–	On demand	Unsecured
	Utilities	464,081,720	–	–	–	(50,765,776)	On demand	Unsecured
	Contracted services	125,798,697	–	–	–	3,501,234	On demand; non-interest bearing	Unsecured; no impairment
Cash and cash equivalents	Cash in bank	99,590,571	435,189,020	–	–	–	Interest-bearing at prevailing market rate; due and demandable	Unsecured; no impairment
	Money market placements	1,645,648,816	1,645,648,816	–	–	–	Interest-bearing at prevailing market rate; due from 7 to 71 days; with interest ranging from 1.5% to 2.8%	Unsecured; no impairment
	Interest income	50,723,345	–	–	717,908	–	Due from 11 to 71 days	Unsecured; no impairment
Short-term debt	Short-term debt	–	–	–	–	–		
	Interest expense	–	–	–	–	–		
Subsidiaries								
Due from related parties	Sales	1,802,420,482	–	–	1,025,248,922	–	On demand; non-interest bearing	Unsecured; no impairment
	Rental income	22,558,622	–	–	–	–		
	Dividend income	306,000,000	–	–	–	–		
Due to related parties	Purchases	15,344,794,857	–	–	(255,059,464)	–	On demand	Unsecured
Joint Venture								
Due from related parties	Sales	55,252,314	–	–	12,828,560	–	On demand; non-interest bearing	Unsecured; no impairment
	Rental income	1,427,517	–	–	514,288	–	On demand; non-interest bearing	Unsecured; no impairment
Due to related parties	Purchases	1,034,585,102	–	–	(64,894,000)	–	1 to 30 days; non-interest bearing	Unsecured

The Group maintains savings and current accounts and time deposits with an entity under common control which is a local commercial bank. Cash and cash equivalents earn interest at the prevailing bank deposit rates.

As of December 31, 2021 and 2020, the Group has advances from stockholders amounting to ₱196.2 million and ₱187.9 million, respectively (see Note 19). These advances are non-interest bearing and payable on demand.

Transactions with the retirement plan
The Parent Company entered into an agreement to lease the land of the retirement plan for a period of one (1) year, renewable annually. Rentals incurred amounted to ₱25.3 million for the years ended December 31, 2021 and 2020. Terms are unsecured, noninterest-bearing and payable on demand.

Compensation of Key Management Personnel
The compensation of the Group's key management personnel by benefit type follows:

	December 31, 2021	December 31, 2020	December 31, 2019
Short-term employee benefits	**₱359,557,483**	₱250,161,746	₱332,029,853
Post-employment benefits	**37,335,668**	205,220,282	123,379,622
	₱396,893,151	₱455,382,028	₱455,409,475

There are no agreements between the Group and any of its directors and key officers providing for benefits upon termination of employment, except for such benefits to which they may be entitled under the Group's pension plans.

Approval Requirements and Limits on the Amount and Extent of Related Party Transactions
Material related party transactions (MRPT) refers to any related party transaction/s, either individually, or in aggregate over a twelve (12)-month period with the same related party, amounting to ten percent (10%) or higher of the Group's total consolidated assets based on its latest audited financial statements.

All individual MRPT's shall be approved by at least two-thirds (2/3) vote of the BOD, with at least a majority of the Independent Directors voting to approve the MRPT. In case that a majority of the Independent Directors' vote is not secured, the MRPT may be ratified by the vote of the stockholders representing at least two-thirds (2/3) of the outstanding capital stock.

Aggregate RPT transactions within a 12-month period that meets or breaches the materiality threshold shall require the same BOD approval mentioned above.

36. **Registration with the BOI**

Certain operations of the Parent Company are registered with the BOI as preferred pioneer and nonpioneer activities. As a registered enterprise, the Parent Company is subject to some requirements and is entitled to certain tax and non-tax incentives which are considered in the computation of the provision for income tax.

Sugar Millsite - Sonedco
On June 29, 2018, Sugar Millsite - Sonedco was registered with the BOI as an expanding producer of refined sugar and its by-product (molasses).

Under the terms of the registration and subject to certain requirements, Parent Company is entitled to the following fiscal and non-fiscal incentives: (a) ITH for a period of three (3) years from September 2018 (as an expanding producer of refined sugar and its by-product) or actual start of commercial operation, whichever is earlier, but availment shall in no case be earlier than the date of registration; (b) importation of capital equipment, spare parts and accessories at zero (0) duty under EO No. 22 and its Implementing Rules and Regulations. Only capital equipment, spare parts and accessories directly needed and exclusively used in its operation shall be entitled to zero duty; (c) exemption from taxes and duties on imported spare parts and consumable supplies for export producers with Customs Bonded Manufacturing Warehouse (CBMW) exporting at least seventy percent (70%) of production; (d) additional deduction for labor expense for a period of five (5) years from registration an amount equivalent to fifty percent (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 (5) years from the date of registration but not simultaneously with ITH; (e) importation of consigned equipment for a period of ten (10) years from date of registration, subject to posting of re-export bond; (f) employment of foreign nationals. This may be allowed in supervisory, technical or advisory positions for five (5) years from date of registration; (g) simplification of Customs procedures for the importation of equipment, spare parts, raw materials and supplies; (h) exemption from wharfage dues, and export tax, duty, impost and fee for a period of ten (10) years from the date of registration; (i) access to CBMW subject to the Customs rules and regulations, and (j) additional deduction from taxable income equivalent to 100% of expenses incurred in the development of necessary and major infrastructure facilities.

The said expansion started commercial operation on November 27, 2018.

Sugar Millsite - Balayan
On September 8, 2017, Sugar Millsite - Balayan was registered with the BOI as an expanding producer of raw sugar and its by-product (molasses).

Under the terms of the registration and subject to certain requirements, Parent Company is entitled to the following fiscal and non-fiscal incentives: (a) ITH for a period of three (3) years from November 2018 (as an expanding producer of raw sugar and its by-product) or actual start of commercial operation, whichever is earlier but in no case be earlier than the date of registration; (b) importation of capital equipment, spare parts and accessories at zero (0) duty under EO No. 22 and its Implementing Rules and Regulations. Only equipment directly needed and exclusively use in its operation shall be entitled to capital equipment incentives; (c) additional deduction from taxable income of fifty percent (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 (5) years from the date of registration but not simultaneously with ITH; (d) importation of consigned equipment for a period of ten (10) years from date of registration, subject to posting of re-export bond; (e) employment of foreign nationals. This may be allowed in supervisory, technical or advisory positions for five (5) years from date of registration; and (f) simplification of Customs procedures for the importation of equipment, spare parts, raw materials and supplies.

The said expansion started commercial operation early of 2019.

Sugar Millsite – URSUMCO
On April 29, 2021, Sugar Millsite - URSUMCO was registered with the BOI as an expanding producer of refined sugar and its by-product (molasses).

Under the terms of the registration and subject to certain requirements, Parent Company is entitled to the following fiscal and non-fiscal incentives: (a) ITH for a period of three (3) years from April 2021 (as an expanding producer of refined sugar and its by-product) or actual start of commercial operation, whichever is earlier but availment shall in no case be earlier that the date of registration; (b) importation of capital equipment, spare parts and accessories at zero (0) duty under EO No. 85 and its Implementing Rules and Regulations. Only capital equipment, spare parts and accessories directly needed and exclusively use in its operation shall be entitled zero (0) duty; (c) additional deduction for labor expense for a period of five (5) years from registration an amount equivalent to fifty percent (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 (5) years from the date of registration but not simultaneously with ITH; (d) importation of consigned equipment for a period of ten (10) years from date of registration, subject to posting of re-export bond; (e) employment of foreign nationals. This may be allowed in supervisory, technical or advisory positions for five (5) years from date of registration;
(f) simplification of Customs procedures for the importation of equipment, spare parts, raw materials and supplies; (g) exemption from wharfage dues, and any export tax, duty, impost and fee for a period of ten (10) years from date of registration; (h) access to Custom Bonded Manufacturing Warehouse (CBMW) subject to Custom rules and regulations; (i) tax and duty exemption on imported breeding stocks and genetic materials within ten (10) years from date of registration; and (j) tax credit on tax and duty portion of domestic breeding stocks and genetic materials within ten (10) years from date of registration.

The said expansion started commercial operation on April 1, 2021.

Cogeneration
On September 26, 2014, Cogeneration was registered with the BOI as a Renewable Energy (RE) developer of Bagasse-fired power plant.

Under the terms of the registration and subject to certain requirements, the Parent Company is entitled to the following fiscal and non-fiscal incentives: (a) ITH for a period of seven (7) years reckoned from the state at which the RE Plant generated the first kilowatt-hour of energy after commissioning or testing, or two (2) months from date of commissioning or testing, whichever is earlier, as certified by Department of Energy (DOE); (b) duty-free importation of RE machinery, equipment, and materials including control and communication equipment; within the first ten (10) years from the issuance of the DOE certificate of registration; (c) tax exemption of carbon credits; (d) special realty tax rates on equipment and machinery, (e) NOLCO during the first three years from the start of commercial operation shall be carried over as a deduction from the gross income as defined in the National Internal Revenue Code (NIRC) for the next seven (7) years immediately following the year of such loss; (f) after availment of the ITH, the enterprise shall pay a corporate tax of 10% on its taxable income as defined in the NIRC, provided that it shall pass on the savings to the end users in the form of lower power rates; (g) the plant, machinery, and equipment that are reasonably needed and actually used for the exploration, development, and utilization of RE resources may be depreciated using a rate not exceeding twice the rate which would have been used had the annual allowance been computed in accordance with the rules and regulations prescribed by the Department of Finance and the provisions of the NIRC. The enterprise that applies for accelerated depreciation shall no longer be eligible to avail of the ITH; (h) the sale of fuel or power generated by the enterprise from renewable sources of energy such as biomass as well as its purchases of local supply of goods, properties, and services needed for the development, construction, and installation of its plant facilities, and the whole process of exploration and development of RE sources up to its conversion into power shall be subject to zero percent VAT pursuant to NIRC; (i) tax credit equivalent to 100% of the value of VAT and custom duties that would have been paid on the purchase of RE machinery, equipment, materials and parts had these items been imported shall be given to the enterprise that purchases machinery, equipment, materials and parts from a domestic manufacturer.

Distillery

Producer of bioethanol (anhydrous) under RA 9513

On September 30, 2020, the Parent Company took over the operations of the Distillery from Roxol Bioenergy Corporation (RBC) after executing a Deed of Sale on the purchase of RBC's land and assets. The Distillery operations was registered with the BOI on October 24, 2008 as new producer of bioethanol (anhydrous) and potable (hydrous) ethanol under E.O. 226.

Per BOI letter dated October 22, 2014, the BOI registration as new producer of bioethanol (anhydrous) was transferred from E.O. 226 to R.A. 9513 (Renewable Energy Act of 2008) subject to new terms and conditions.

On February 24, 2021, the Certificate of Accreditation No. DOE-COA-2021-BE003A and Certificate of Registration No. RE-B2013-11-077A were both awarded by the Department of Energy (DOE) to the Parent Company. In addition, on March 24, 2021, the DOE issued a letter of endorsement to the BIR in relation to the Parent Company's application of 10% Corporate Tax Rate for income generated from the Distillery operations.

Under the new terms of the registration under RA 9513, the Parent Company is entitled to the following fiscal and non-fiscal incentives: (a) ITH for seven (7) years reckoned from the date of actual commercial operations, as certified by the DOE; (b) duty-free importation of RE machinery, equipment and materials including control and communication equipment, within the first ten (10) years from the issuance of BOI certificate of registration or until October 23, 2018; (c) tax exemption of carbon credits; (d) special realty tax rates on equipment and machinery; (e) the NOLCO during the first three years from the start of commercial operation shall be carried over as deduction from the gross income as defined in the NIRC for the next seven consecutive taxable years immediately following the year of such loss; (f) after availment of the ITH, the enterprise shall pay a corporate tax of 10% on its taxable income as defined in the NIRC, provided that it shall pass on the savings to the end users in the form of lower rates; (g) the plant, machinery, and equipment that are reasonably needed and actually used for the exploration, development and utilization of RE resources may be depreciated using a rate not exceeding twice the rate which would have been used had the annual allowance been computed in accordance with the rules and regulations prescribed by the Department of Finance and the provisions of the NIRC. The enterprise that applies for accelerated depreciation shall no longer be eligible to avail of the ITH; (h) the sale of power generated by the enterprise as well as its purchases of local supply of goods, properties, and services needed for the development, construction, and installation of its plant facilities, and the whole process of exploration and development of RE sources up to its conversion into power shall be subject to zero percent VAT pursuant to NIRC; (i) the enterprise may be entitled to a cash generation-based incentive per kilowatt-hour rate generated, equivalent to fifty percent (50%) of the universal charge of power needed to service missionary areas, chargeable against the universal charge for missionary electrification; (j) tax credit equivalent to 100.0% of the value of VAT and custom duties that would have been paid on the RE machinery, equipment, materials and parts had these items been imported shall be given to the enterprise that purchases machinery, equipment, materials and parts from a domestic manufacturer.

Renewable energy developer of biomass resources
On August 28, 2013, Distillery was registered with the BOI as a manufacturer of bio-ethanol (fuel grade ethanol).

Under the terms of the registration and subject to certain requirements, the Parent Company is entitled to the following fiscal and non-fiscal incentives: (a) ITH for a period of seven (7) years from March 2014 or date of commissioning, whichever is earlier; (b) duty-free importation of RE machinery, equipment, and materials including control and communication equipment; within the first ten (10) years from the issuance of the BOI certificate of registration; (c) tax exemption of carbon credits; (d) special realty tax rates on equipment and machinery, (e) NOLCO during the first three years from the start of commercial operation shall be carried over as a deduction from the gross income as defined in the NIRC for the next seven (7) years immediately following the year of such loss; (f) after availment of the ITH, the enterprise shall pay a corporate tax of 10% on its taxable income as defined in the NIRC, provided that it shall pass on the savings to the end users in the form of lower power rates; (g) the plant, machinery, and equipment that are reasonably needed and actually used for the exploration, development, and utilization of RE resources may be depreciated using a rate not exceeding twice the rate which would have been used had the annual allowance been computed in accordance with the rules and regulations prescribed by the Department of Finance and the provisions of the NIRC. The enterprise that applies for accelerated depreciation shall no longer be eligible to avail of the ITH; (h) the sale of fuel or power generated by the enterprise from renewable sources of energy such as biomass as well as its purchases of local supply of goods, properties, and services needed for the development, construction, and installation of its plant facilities, and the whole process of exploration and development of RE sources up to its conversion into power shall be subject to zero percent VAT pursuant to NIRC; (i) tax credit equivalent to 100% of the value of VAT and custom duties that would have been paid on the purchase of RE machinery, equipment, materials and parts had these items been imported shall be given to the enterprise that purchases machinery, equipment, materials and parts from a domestic manufacturer.

Robina Farms (RF) - Poultry
Expanding producer of table eggs
On July 23, 2018, RF - Poultry was registered as an expanding producer of table eggs for the new commercial layer houses, with a non-pioneer status.

RF - Poultry is eligible to the grant of the following incentives: (a) ITH for three (3) years from July 2018 or actual start of commercial operations, whichever is earlier, but shall in no case be earlier than the date of registration. Income qualified for ITH shall be limited to the income directly attributable to the eligible revenue generated from registered project; (b) exemption from taxes and duties on imported spare parts and consumable supplies for export producers with CBMW exporting at least seventy percent (70%) of production; (c) additional deduction for labor expense for a period of five (5) years from registration an amount equivalent to fifty percent (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 prescribed ratio of capital equipment to the number of workers set by the Board. This may be availed of for the first five (5) years from the date of registration but not simultaneously with ITH; (d) importation of consigned equipment for a period of ten (10) years from date of registration subject to posting of re-export bond; (e) employment of foreign nationals. This may be allowed in supervisory, technical or advisory positions for five (5) years from date of registration; (f) simplification of Customs procedures for the importation of equipment, spare parts, raw materials and supplies; (g) exemption from wharfage dues, and any export tax, duty, impost and fee for a period of ten (10) years from date of registration; (h) access to CBMW subject to the Customs rules and regulations; and (i) additional deduction from taxable income equivalent to 100% of expenses incurred in the development of necessary and major infrastructure facilities.

Robina Farms (RF) - Hogs
Producer of processed meat products
On October 28, 2019, RF - Hogs was registered with the BOI as a new producer of processed meat products, with a non-pioneer status.

Under the terms of the registration and subject to certain requirements, the Parent Company is entitled to the following fiscal and non-fiscal incentives: (a) ITH for a period of four (4) years from October 2019 or actual start of commercial operations, whichever is earlier, but availment shall not be earlier than the date of registration. The income qualified for ITH shall be limited to the income directly attributable to the eligible revenue generated from registered project. The enterprise can avail of bonus year subject to certain terms and conditions provided that the aggregate ITH availment (regular and bonus years) shall not exceed eight (8) years. The ITH bonus year shall not be applicable to expansion and modernization project; (b) importation of capital equipment, spare parts and accessories at zero (0) duty under Executive Order No. 85 and its Implementing Rules and Regulation; (c) exemption from taxes and duties on imported spare parts and consumable supplies for export producers with CBMW exporting at least seventy percent (70%) of production; (d) additional deduction for labor expense for a period of five (5) years from registration an amount equivalent to fifty percent (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 (5) years from the date of registration but not simultaneously with ITH; (e) importation of consigned equipment for a period of ten (10) years from date of registration subject to posting of re-export bond; (f) employment of foreign nationals. This may be allowed in supervisory, technical or advisory positions for five (5) years from date of registration; (g) simplification of Customs procedures for the importation of equipment, spare parts, raw materials and supplies; (h) exemption from wharfage dues, and any export tax, duty, impost and fee for a period of ten (10) years from date of registration; (i) access to CBMW subject to the Customs rules and regulations; (j) tax and duty exemption on imported breeding stocks and genetic materials within ten (10) years from the date of registration; and (k) tax credit on tax and duty portion of domestic breeding stocks and genetic materials within ten (10) years from date of registration.

URC Flour

On December 5, 2018, URC Flour was registered with the BOI as an expanding producer of flour, with a non-pioneer status.

Under the terms of the registration and subject to certain requirements, the Parent Company is entitled to the following fiscal and non-fiscal incentives: (a) ITH for a period of three (3) years from July 2019 or actual start of commercial operations, whichever is earlier, but availment shall not be earlier than the date of registration. The income qualified for ITH shall be limited to the income directly attributable to the eligible revenue generated from registered project; (b) importation of capital equipment, spare parts and accessories at zero (0) duty under Executive Order No. 57 and its Implementing Rules and Regulations; (c) exemption from taxes and duties on imported spare parts and consumable supplies for export producers with CBMW exporting at least seventy percent (70%) of production; (d) additional deduction for labor expense for a period of five (5) years from registration an amount equivalent to fifty percent (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 (5) years from the date of registration but not simultaneously with ITH; (e) importation of consigned equipment for a period of ten (10) years from date of registration subject to posting of re-export bond; (f) employment of foreign nationals. This may be allowed in supervisory, technical or advisory positions for five (5) years from date of registration; (g) simplification of Customs procedures for the importation of equipment, spare parts, raw materials and supplies; (h) exemption from wharfage dues, and any export tax, duty, impost and fee for a period of ten (10) years from date of registration; (i) access to CBMW subject to the Customs rules and regulations; and (j) additional deduction from taxable income equivalent to 100% of expenses incurred in the development of necessary and major infrastructure facilities.

37. Commitments and Contingencies

Milling Contracts

Milling contracts with various planters provide for a 60%-70% share to the planters (including related parties) and 30%-40% share to the Group of sugar and molasses produced from sugar canes milled. The Sugar Industry Development Act of 2015 provides that, to ensure the immediate payment of farmers and secure their income from sugarcane, farmers may enter into any payment method with the sugar mill.

Sugar under Custody but Not Owned
As of December 31, 2021 and 2020, the Group has in its custody sugar owned by several quedan holders amounting to ₱1.4 billion (862,837 Lkg) and ₱1.6 billion (963,224 Lkg), respectively. The said volume of sugar is not reflected in the consolidated statements of financial position since this is not owned by the Group. The Group is accountable to both quedan holders and sugar traders for the value of these trusteed sugar or their sales proceeds.

Leases
The Group's leases mostly pertain to land, office spaces, warehouses, machinery and equipment, transportation equipment and furniture and fixtures. Leases of land, office spaces, warehouses, machinery and equipment, transportation equipment and furniture and fixtures generally have terms ranging from two (2) to thirty (30) years.

Right-of-use Assets
Set out below are the carrying amounts of ROU assets recognized and the movements during the year ended December 31, 2021 and 2020:

	As of and for the year ended December 31, 2021					
	Land and Land improvements	Buildings and Improvements	Machinery and Equipment	Transportation Equipment	Furniture and Fixture	Total
Cost						
Balance at beginning of year, as restated	₱1,059,912,417	₱6,257,085,523	₱57,551,568	₱24,555,252	₱1,615,368	₱7,400,720,128
Additions	–	138,509,999	17,292,372	1,884,898	10,243,075	167,930,344
Divestment of business (Note 33)	–	(4,221,784,563)	(46,381,967)	(25,648,019)	(11,874,363)	(4,305,688,912)
Other adjustments	(1,196,601)	75,135,471	2,429,036	308,317	15,920	76,692,143
Balance at end of year	1,058,715,816	2,248,946,430	30,891,009	1,100,448	–	3,339,653,703
Accumulated Depreciation						
Balance at beginning of year	212,016,298	1,109,076,025	49,366,537	12,665,524	1,615,368	₱1,384,739,752
Depreciation	1,819,240	634,427,844	12,290,512	7,008,423	2,015,106	657,561,125
Divestment of business (Note 33)	–	(983,187,524)	(33,112,194)	(18,764,642)	(3,646,394)	(1,038,710,754)
Other adjustments	(159,978)	118,503,294	2,346,154	191,143	15,920	120,896,533
Balance at end of year	213,675,560	878,819,639	30,891,009	1,100,448	–	1,124,486,656
Net Book Value at End of Year	₱845,040,256	₱1,370,126,791	₱–	₱–	₱–	₱2,215,167,047

	As of and for the year ended December 31, 2020					
	Land and Land improvements	Buildings and Improvements	Machinery and Equipment	Transportation Equipment	Furniture and Fixture	Total
Cost						
Balance at beginning of year, as restated	₱1,061,412,216	₱3,132,730,630	₱53,335,968	₱26,272,904	₱3,561,600	₱4,277,313,318
Additions	–	3,093,822,172	9,489,761	(172,815)	1,507,895	3,104,647,013
Disposals and other adjustments	(1,499,799)	30,532,721	(5,274,161)	(1,544,837)	(3,454,127)	18,759,797
Balance at end of year	1,059,912,417	6,257,085,523	57,551,568	24,555,252	1,615,368	7,400,720,128
Accumulated Depreciation						
Balance at beginning of year	105,990,119	518,359,253	31,326,481	5,920,992	2,136,960	₱663,733,805
Depreciation	105,953,754	555,433,937	22,970,297	7,618,849	2,853,858	694,830,695
Disposals and other adjustments	72,425	35,282,835	(4,930,241)	(874,317)	(3,375,450)	26,175,252
Balance at end of year	212,016,298	1,109,076,025	49,366,537	12,665,524	1,615,368	1,384,739,752
Net Book Value at End of Year	₱847,896,119	₱5,148,009,498	₱8,185,031	₱11,889,728	₱–	₱6,015,980,376

Depreciation

The breakdown of depreciation and amortization of ROU asset follows:

	December 31, 2021	December 31, 2020	December 31, 2019
Cost of sales (Note 24)	**₱117,462,530**	₱145,054,774	₱159,135,411
Selling and distribution costs (Note 25)	**131,861,122**	158,870,355	118,948,184
General and administrative expenses (Note 26)	**98,993,165**	102,513,545	103,415,962
Discontinued operations (Note 33)	**309,244,308**	288,392,021	292,273,914
	₱657,561,125	₱694,830,695	₱673,773,471

Lease Liabilities

The rollforward analysis of the Group's lease liabilities as at December 31, 2021 and 2020 follow:

	2021	2020
As at January 1	**₱6,678,556,563**	₱3,721,018,209
Additions	**393,623,329**	3,104,647,013
Accretion from continued operations (Note 30)	**203,442,993**	216,814,477
Accretion from discontinued operations (Note 33)	**134,272,943**	169,124,714
Derecognition	**(4,138,618,730)**	–
Payments	**(814,968,947)**	(830,570,104)
Other adjustments	**24,459,445**	297,522,254
As at December 31	**₱2,480,767,596**	₱6,678,556,563

The maturity analysis of lease liabilities is disclosed in Note 4, *Financial Risk Management Objectives and Policies.*

Derecognitions arose from disposal of business (Note 33) and lease terminations during the period.

Summarized below are the amounts recognized in the 2021 and 2020 consolidated statement of comprehensive income in relation to the Group's leases:

	2021	2020
Cost of Sales		
Cost of services - depreciation of ROU assets	**₱395,012413**	₱410,674,528
Rent expense - short term leases	**190,368,277**	184,028,580
	585,380,690	594,703,108
Operating Expenses		
Selling and distribution costs:		
Depreciation of ROU assets	**₱139,532,638**	₱166,559,051
Rent expense - short term leases	**367,951,289**	572,155,505
General and administrative expenses:		
Depreciation of ROU assets	**123,016,074**	117,597,117
Rent expense - short term leases	**74,375,388**	79,864,265
	704,875,389	936,175,938
Finance Cost and Other Charges - Accretion of Lease Liabilities	**₱337,715,936**	₱385,939,191
Rent Income	**₱58,792,660**	₱79,747,622

Operating Lease Commitments - Group as a Lessor
The Group has entered into (1) one-year renewable, noncancellable leases with various related parties covering certain land and buildings where office spaces are located. Future minimum rentals receivable under noncancellable operating leases amounted to ₱70.6 million, ₱72.1 million, and ₱72.5 million for the years ended December 31, 2021, 2020, and 2019, respectively.

Operating Lease Commitments - Group as a Lessee
The Group leases land where certain of its facilities are located. The operating lease agreements are for periods ranging from one to twenty years from the date of the contracts and are renewable under certain terms and conditions. The Group's rentals incurred on these leases (included under 'Cost of sales, 'Selling and distribution costs' and 'General and administrative expenses' in the consolidated statements of income) amounted to ₱632.7 million, ₱836.0 million, and ₱887.6 million for the years ended December 31, 2021, 2020, and 2019, respectively.

Future minimum rentals payable under noncancellable operating leases follow:

	December 31, 2021	December 31, 2020	December 31, 2019
Within one year	**₱473,308,116**	₱829,801,162	₱744,058,305
After one year but not more than five years	**1,441,900,057**	2,961,540,951	2,195,913,016
More than five years	**2,110,381,626**	6,069,158,735	2,718,442,085
	₱4,025,589,799	₱9,860,500,848	₱5,658,413,406

Others
The Group has various contingent liabilities arising in the ordinary conduct of business which are under either pending decision by the courts, arbitration or being contested, the outcomes of which are not presently determinable. In the opinion of management and its legal counsel, the eventual liability under these lawsuits or claims, if any, will not have a material or adverse effect on the Group's financial position and results of operations. The information usually required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, is not disclosed on the grounds that it can be expected to prejudice the outcome of these lawsuits, claims, arbitration and assessments.

38. Supplemental Disclosure to Cash Flow Statements

The Group's noncash activities are as follows:

	December 31, 2021	December 31, 2020	December 31, 2019
Cumulative translation adjustment (Note 23)	**₱507,763,509**	(₱1,333,855,802)	₱1,197,749,346
Sale of equity interest without loss of control (Note 22)	**–**	–	513,794,155

The table below provides for the changes in liabilities arising from financing activities:

	Short-term debts	**Long-term debts**	**Total liabilities from financing activities**
January 1, 2021	**₱2,668,790,196**	**₱31,337,551,136**	**₱34,006,341,332**
Cash flows from availment	**9,200,000,000**	**–**	**9,200,000,000**
Cash flows from settlement	**(4,002,001,432)**	**–**	**(4,002,001,432)**
Foreign exchange movement/CTA	**(58,759,313)**	**1,533,234,208**	**1,474,474,895**
Divestment of Oceania businesses	**–**	**(33,049,122,390)**	**(33,049,122,390)**
Others	**–**	**178,337,046**	**178,337,046**
December 31, 2021	**₱7,808,029,451**	**₱–**	**₱7,808,029,451**

	Short-term debts	Long-term debts	Total liabilities from financing activities
January 1, 2020	**₱3,848,485,273**	**₱30,386,077,608**	**₱34,234,562,881**
Cash flows from availment	**2,125,000,000**	**–**	**2,125,000,000**
Cash flows from settlement	**(3,202,003,095)**	**–**	**(3,202,003,095)**
Foreign exchange movement/CTA	**(102,691,982)**	**853,097,627**	**750,405,645**
Others	**–**	**98,375,901**	**98,375,901**
December 31, 2020	₱2,668,790,196	₱31,337,551,136	₱34,006,341,332

Part of the proceeds from disposal of property, plant and equipment in 2021 is a noncurrent receivable from an affiliate (Note 17).

39. **Approval for the Release of the Financial Statements**

The accompanying consolidated financial statements of the Group were authorized for issue by the AC and the BOD on March 4, 2022.