JG SUMMIT
HOLDINGS, INC.

Built to Thrive

JG Summit Holdings, Inc.
2021 Annual Report

About the Cover

There's a fascinating building technology in Japan called Kumiki – the art of using precise cuts and grooves to build strong wooden structures. This method eschews the need for screws and nails, and has resulted in structures that have lasted for hundreds of years. Kumiki is the perfect metaphor for JG Summit. Its multiple businesses, extensive workforce, and complex worldwide network are harmonized by fixed values and a precise strategy. The result is a business superstructure able to withstand years of headwinds and change.

JGS has always forged ahead, its legacy and roadmap enabling it to withstand all kinds of adverse external forces. If 2021 has achieved anything, it shone a spotlight on how JG Summit runs itself and looks ahead to innovate and future-proof its business. By accelerating transformation through deliberate portfolio decisions, proactive strategy recalibrations, strengthening its core businesses in food, petrochemicals, banking, and real estate, and finding strategic new plays in data, fintech, logistics, and ecommerce, JG Summit masters the present while driving towards a sustainable future. Put it all together and what do you get? Everything in its right place.

It's this kind of seamless integration of principles and action that sets JGS apart. A prospering company joined in exemplary vision and practice. Sturdy in the face of the future, a unified sum of all its incredible parts.

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JGS at a Glance

Key Business Metrics

Encouraging growth in revenues and profitability given partial reopening of the economy

Revenues

PHP **230.6** Billion

13% growth vs SPLY

Consolidated revenues were restated to exclude Oceania.

Core Net Income

PHP **3.5** Billion

672% growth vs SPLY

Core Net Income Excluding CEB

PHP **18.4** Billion

21% growth vs SPLY

Subsidiaries strengthened their financial position

cebu pacific

CEB's financial resilience was driven by its Future Size and Shape program

$1.6 Billion

Total Committed Capital in 2021

ROBINSONS LAND CORPORATION

RLC successfully listed its REIT company, RL Commercial REIT

PHP 23.4 Billion

Net Proceeds from Institutional and Retail Investors

Universal Robina

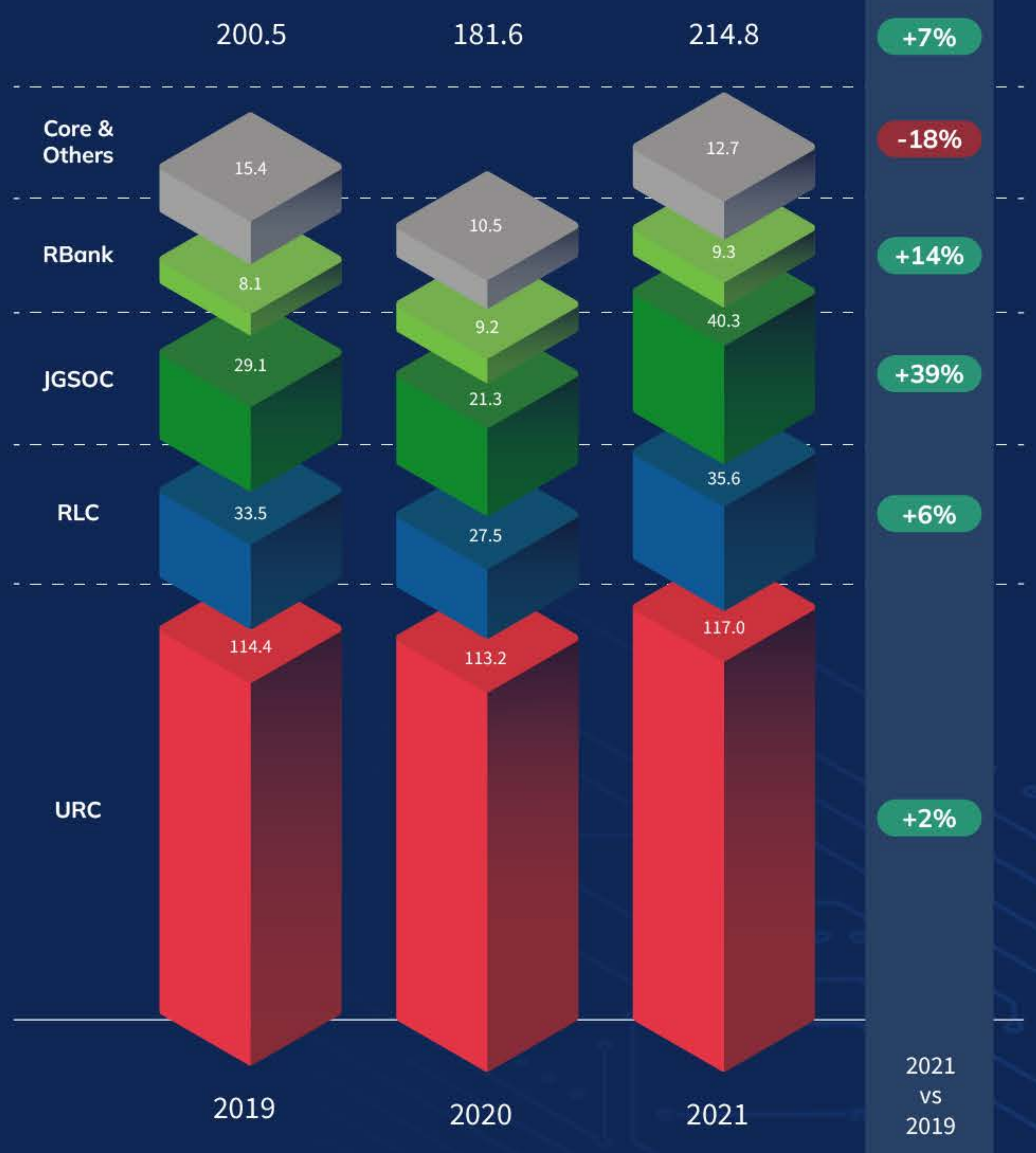
URC is now in a net cash position given the sale of its Oceania business

PHP 1.7 Billion

Net Cash in 2021 (vs Net Debt of Php 22.1B SPLY)

Revenues surpassed 2019 levels excluding CEB

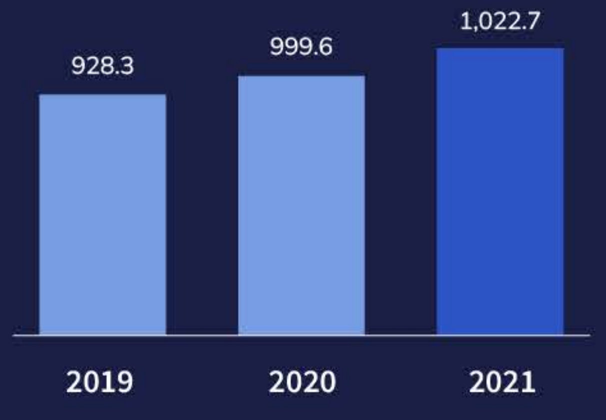
Yearly Revenue in Php Billions



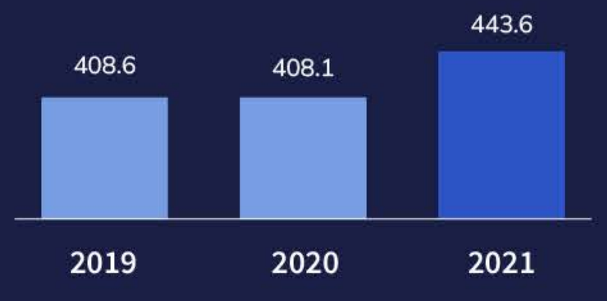
The decline in URC's revenues was driven by the sale of its Oceania business.

Fortified balance sheet to weather COVID-19 and beyond

Total Assets
(in billion pesos)



Total Equity
(in billion pesos)



Healthy Current and Gearing Ratios

Continuous shareholder value creation

3-year Total Shareholder Return of

8%

vs Conglomerate average of -2%

Stable dividends with

PHP **2.9** Billion or Php 0.38 per share

over the year ended December 31, 2021

Chairman's Message

Macroeconomic Environment

The effects of the pandemic continued to hamper global economic activity in 2021 and its impact varied by region and markets. With the rollout of the vaccination program, we have seen a mixed bag of recovery across the developed and developing world. New variants such as Delta further dented economic activities with mobility restrictions in place especially in our home market, the Philippines. We have also seen inflationary pressures coming from the rise in oil prices, peso devaluation and increasing prices of soft commodities (from their low base in 2020) as well as softer demand for products and services given weaker consumer sentiment.

Despite the uncertainty and challenges, JG Summit not only remained resilient, but we continued the work to proactively transform our business via digitalization and continuous innovation aimed to make our products aligned to customer needs and our services easier to access and use. We have also revisited our strategy and recalibrated it to further adjust our business and operating models for the new normal.

Summary of 2021 COVID-19 cases and mobility restrictions

This year with the pandemic still raging on, the Philippines experienced two surges in COVID-19 cases. The first was from the end of March to April, while the second was in September, from the highly-contagious Delta variant. With this situation, many of us spent 2021 in our homes on lockdown, which covered about a quarter of the year in total. These mobility restrictions led to limited operations in our malls and hotels, affecting Robinsons Land Corporation (RLC), and weak travel demand which continued to challenge the performance of Cebu Air, Inc. (CEB).

Weathering heightened inflation, currency depreciation, and volatile energy prices

Sources:
Inflation: https://psa.gov.ph/statistics/survey/price/summary-inflation-report-consumer-price-index-2012100-december-2021
Oil: https://www.indexmundi.com/commodities/?commodity=crude-oil-dubai&months=60
Exchange rate: https://www.bsp.gov.ph/statistics/external/day99.aspx

Apart from continued restrictions and quarantine measures in place, headline inflation rose to 4.5 percent in 2021, up from only 2.6 percent the year before, driven by increases in food, housing, health, transport, and restaurant services. As global economies started to open up, the rise in the demand for oil outpaced supply, leading to price volatility. Combined with strong peso depreciation beginning the third quarter (Q3), this meant a significant increase in input costs for our businesses, particularly Universal Robina Corporation (URC), JG Summit Olefins Corporation (JGSOC), and CEB.

Fortunately, this year we started to see green shoots of recovery. Gross domestic product (GDP) growth turned positive again starting Q2, up from a five-quarter negative streak. Full-year GDP growth reached 5.6 percent, exceeding the expected growth rate of 5.1 percent. In addition, the rollout of the national vaccination program gives us hope for accelerated sequential recovery, with around 49 million individuals fully inoculated as of December 31, 2021. As a result, cases dropped significantly and remained low in the fourth quarter (4Q) pre-Omicron.

The pandemic not only had economic effects, but also became a turning point for the way people live, consume, and work. This year, we saw the continued acceleration of digital, with even more Filipinos becoming digital consumers for the first time. Businesses likewise shifted online, with e-commerce gross merchandise value (GMV) soaring since the start of the pandemic. The workforce has also changed significantly, with focus on work-life balance, flexibility, and well-being becoming increasingly important after a year of work-from-home and hybrid arrangements. Lastly, the pandemic highlighted the importance of health, with more consumers now making health and wellness a priority.

These key trends coupled with the pandemic's economic effects presented a challenge, but also an opportunity for JG Summit to recalibrate our strategy and portfolio. Our major portfolio moves this year are as follows:

Key Portfolio Moves

JGS

JG Summit Holdings, Inc. (JGS) consolidated its power business through the sale of its 30% stake in Global Business Power Corporation (GBP) for Php11.4 billion to Meralco's PowerGen Corporation (MGen), of which JGS retains its 29.6% stake.

URC

Food

Universal Robina Corporation (URC) exited the Australia and New Zealand snack foods business through its sale of Unisnack to the Intersnack Group for $476 million with a healthy gain of $206 million. Later in the year, URC acquired 100% stake in Munchy Food Industries, Malaysia's #1 biscuit brand, which added to its growing presence in ASEAN. It is now URC's third strong arm in ASEAN after Thailand and Vietnam.

RLC

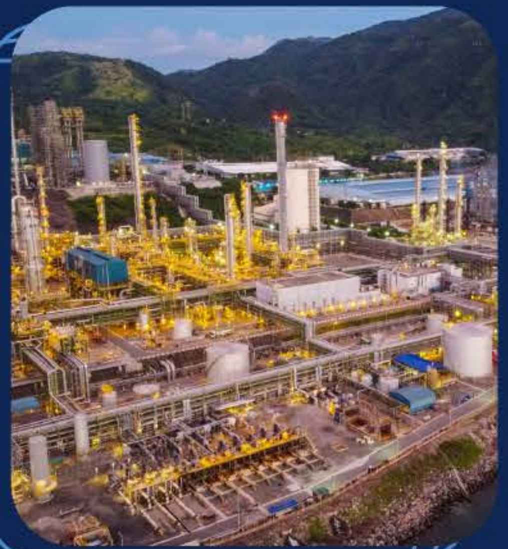
Real Estate

After successfully listing Robinsons Land Corporation's first commercial REIT, RL Commercial REIT (RCR), RLC now has a 63.3% stake in the Philippines largest REIT in terms of market capitalization and portfolio valuation. RLC also completed the turnover of Phase 1 of its Chengdu Ban Bian Jie Project, with total sales at Php10.9 billion.

CEB

Air Transportation

Cebu Air, Inc. (CEB) raised nearly Php12.5 bn from its stock rights offering to strengthen its balance sheet. The company secured a strategic partnership with the International Finance Corporation (IFC) and Indigo Philippines LLC by issuing convertible bonds worth Php12.0 billion, providing the company an ample liquidity runway to continue operations and prepare for the recovery in air travel. Moreover, CEB implemented its Future Size and Shape program, which right-sized its fleet in order to be lean for the new demand.



JGSOC

Petrochemicals

JGSOC officially entered the LPG trading business through Peak Fuel Corporation. The company started commercial operations of its Aromatics Extraction Unit (AEU) in July, and completed the construction of its Butadiene Extraction Unit (BTU) in December. Last year, JGSOC also expanded its existing naphtha cracker plant and PP facility, and by 2022, JGSPG will expand its PE production capacity by an additional 250 kTA using Chevron Phillips technology. The company also obtained SEC approval for the merger of JG Summit Petrochemical Corporation (JGSPC) and JG Summit Olefins Corporation (JGSOC) effective January 1, 2022, with JGSOC as the surviving entity.

RBank

Banking

Robinsons Bank (RBank) expanded its insurance services through its investment in UNICON Insurance. The company also continued to invest in fintech through its stake in GoTyme, the Gokongwei Group's digital banking venture. The neobank is set to launch in 2022.

2022 Outlook

We have started 2022 with the Omicron variant hitting the Philippines early but fortunately the high vaccination rate and upgraded healthcare capacity allowed us to better navigate the situation compared to the previous variants. The move to open up the country and lower quarantine restrictions after the initial surge is expected to drive economic activity and enable our different businesses to benefit strongly from the recovery. The caution though is that macroeconomic challenges remain in place and lately exacerbated by geopolitical tensions. These will have a direct and indirect effect on the shape of the recovery for the country and our group. JG Summit through our culture of agile transformation will continue to be resilient and ready to take advantage of the many opportunities ahead. We have set out clear strategies and made measured but deliberate choices to pivot the business back into sustainable profitable growth in 2022 and beyond. Our entrepreneurial mindset and grit will allow us to thrive in the new normal as we plan to forge ahead in providing our customers with better choices and will continue to create success with our stakeholders.

James L. Go
Chairman

President and CEO's Report

It has been more than two years since the pandemic has begun disrupting the global economy and our business operations. The progressive rollout of the vaccination program in 2021 has been a positive development but we also continued to ride the waves of challenges given the on and off quarantine levels being implemented in the country. We saw the stability of our food and banking segment, and the sequential quarter-on-quarter recovery of our most challenged businesses such as airline and malls. We exhibited not just resiliency in navigating the year, but also did a lot of work to identify opportunities whether commercial or operational brought about by the crisis. To continue to address the ever-changing needs of our stakeholders, we had to proactively embed a strong emphasis on our thrusts on leadership & people development, digital transformation & customer centricity, and sustainability. We recalibrated our long-term objectives, goals, strategy and measures through a strategy refresh process where we looked at our portfolio and ecosystem synergies group wide to ensure we emerge as a stronger business post-pandemic. With these, we remain optimistic that we are well-positioned to thrive as we head into a more sustainable future.

2021 Performance

We closed 2021 with consolidated revenues of Php230.6 billion, a 13% increase versus the same period last year (SPLY) as the partial reopening of the economy benefited its food, real estate, petrochemicals, and banking segments. Cebu Air, Inc. (CEB) likewise showed strong sequential improvements quarter-on-quarter (QoQ). Core net income rose 672% year-on-year (YoY) to Php3.5 billion, driven by the 46% YoY growth of RLC's profits as well as larger contributions from its core investments in Meralco (MER), Singapore Land Group (SLG), and PLDT. However, there were also headwinds from elevated fuel prices, high inflation, and currency depreciation, which led to narrower operating margins for Universal Robina Corporation (URC), JG Summit Olefins Corporation (JGSOC), and CEB. Nonetheless, URC's gain on the sale of its Oceania business and the benefits of CREATE law boosted the group's total net income to Php5.1 billion.

Excluding our airline business, our consolidated revenues have exceeded pre-pandemic or 2019 levels by 7% while its core net income already reached 96% of its 2019 level.

Key Performances of our Strategic Business Units

Universal Robina

Revenues

PHP **117.0** Billion

3% growth SPLY

- Driven by international and commodities divisions
- Branded Consumer Foods Group Philippines displayed sequential recovery from a muted first half, growing 5% YoY in Q4

  Note: Revenues were restated to exclude Oceania

Net Income

PHP **23.3** Billion

117% growth SPLY

- Pricing actions and OPEX optimization mitigated EBIT margin pressures from unprecedented spikes for key commodity prices
- Gain on sale of Oceania & idle land, and the favorable impact of the CREATE law drove net income expansion

cebu pacific

Revenues

PHP **15.8** Billion

30% decline SPLY

- Comes off from higher comparable numbers especially in 1Q20 before the pandemic; but 4th quarter showed strong improvement from steep Domestic growth driven by continued easing of travel regulations and Christmas peak
- Strong cargo operations cushioned the YoY decline in full year revenues

Net Loss

PHP **24.9** Billion

vs Php22.2B loss SPLY

- Negatively impacted by higher fuel prices, maintenance-related expenses, and interest, as well as by the peso depreciation

Key Performances of our Strategic Business Units

ROBINSONS LAND CORPORATION

Revenues

PHP **35.6** Billion

29% growth SPLY

- Boosted by the contribution from Chengdu, realized sales of Bridgetowne Properties, and higher revenues of the Offices and logistics & warehousing facilities
- Malls and Residential divisions, while still challenged, continued to recover on a quarterly basis with improving footfall in malls, and promising net sales take-up for RLC-owned projects

Net Income

PHP **8.1** Billion

53% growth SPLY

- Boosted by sustained EBITDA recovery across most BUs, the benefits of the CREATE law, as well as the listing of RL Commercial REIT, which enjoys more favorable tax treatment

JG SUMMIT OLEFINS CORPORATION

Revenues

PHP **40.3** Billion

90% growth SPLY

- Strong volumes and higher ASP, as well as supplemental contribution from its LPG trading business and its newly commissioned Aromatics Extraction Unit led to significant topline expansion
- Utilization rates improved considering the planned shutdowns in 1Q20

Net Loss

PHP **2.1** Billion

Vs Php2.0bn loss SPLY

- EBITDA grew faster YoY on the back of strong volumes, offsetting higher naphtha prices. However, higher depreciation cost & interest charges and foreign exchange losses for the period given the depreciation of peso against USD resulted in higher net loss in 2021

Key Performances of our Strategic Business Units

ROBINSONSBANK
A Commercial Bank

Revenues

PHP 9.3 Billion

1% growth SPLY

- Stable gross revenues driven by higher loans (up 14% YoY vs industry's 5% growth), and commission income, offset by lower trading gains

Net Income

PHP 1.2 Billion

33% growth SPLY

- Loan expansion coupled with stable NIMs and better cost to income ratio drove 33% YoY increase in Net Income
- NPL ratio at 3.3% as of end 2021, lower than the total banking industry average of 4.0%

Others

Equitized Earnings

MERALCO

PHP 6.7 Billion

46% growth SPLY

- Strong topline given growth in energy consumption across Residential, Commercial, and Industrial segments
- Impairment loss on Pacific Light in the prior year led to significant net income growth

SINGAPORELAND

PHP 2.7 Billion

8% growth SPLY

- Strong topline given growth in energy consumption across Residential, Commercial, and Industrial segments
- Impairment loss on Pacific Light in the prior year led to significant net income growth

Dividends Received

PLDT

PHP 2.0 Billion

6% growth SPLY

- PLDT raised its annual dividends to Php82 per share vs Php77 per share SPLY as its earnings momentum improves

In addition, our balance sheet remains healthy and robust enough to withstand the effects of the pandemic.

Consolidated Gearing Ratio	Consolidated Net Debt to Equity Ratio	Parent Cash	Parent Net Debt
0.68	0.48	PHP 26.5 Billion	PHP 70.8 Billion

Pivoting Towards a Sustainable Future

Coming from a traditional family company to one of the leading conglomerates in the Philippines, we embarked on a transformation journey over the past five years to ensure growth and innovation and deliver shared success to our stakeholders.

Pre-2018

Growth Through the Years

- We have grown from a traditional family company to one of the largest conglomerates in 60 years
- As JGS grew, 'Pain points' became more prominent, rooted in the legacy operating model
- To capture full value and contain risks, we needed to accelerate the pace, quality and breadth of change

2018

Start of a New Journey

- Leadership transition
- Further empowered SBU leadership and reinforced accountabilities
- Built up corporate center units (CCU) and shared services, with increasing role clarity across select functions
- Kicked off a more inclusive and iterative process in crafting long term objectives and goals

2019

Enterprise Transformation

- Established Objectives, Goals, Strategy and Measures (OGSM) as the new Strategic Framework
- Rearticulated our Purpose, Values & Ambition (PVA), and objectives and strategies in the next five years
- Redefined the role and structure of our CCU as well as our governance model

2020

COVID-19 Disruption

- Our solid track record was disrupted given economic slowdown and exposure to impacted industries
- The pandemic became a turning point for how people live, consume, and work
- In line with these, we pivoted our key immediate priorities to the health & safety of our people, operations and supply chain resiliency, cost and liquidity management, and helping our communities to navigate the new normal

2021

OGSM Refresh

- We recalibrated our long-term objectives and strategies to ensure we recover, and take advantage of trends in a post-pandemic environment

The pandemic was a chance for us to leverage on our culture of continuous improvement and innovation in our organization. By committing to an agile, customer-centric, and data-driven work style, we have been able to introduce various products and services to address the changing needs of our stakeholders in a rapidly evolving business environment.

JG SUMMIT HOLDINGS, INC.

- Improved Employee Experience via cutting edge HR platforms
- Launched Internal Customer Satisfaction Survey aimed to embed a strong focus on customers
- Improved overall supplier experience

Universal Robina

- Launched new health and wellness products such as C2 Immuno-C and B'lue with Vitamins range
- Established its Agile Transformation Office to create the building blocks for an agile enterprise
- Launched order Management System (OMS), Global Export Product Availability Dashboard and URC Distributor Network Facebook Page

ROBINSONS LAND CORPORATION

- Launched digital products such as myRLC Homeowner's Portal and Ring Rob Concierge

cebu pacific

- Digitized the entire customer journey from booking to deplaning through its contactless flights
- Maximized the use of its fleet by boosting its cargo operations
- Launched Omni channel experience (Omni X), zero ticketing offices and call center operations in the PH

JG SUMMIT OLEFINS CORPORATION

- Expanded value chain to downstream products through the Philippines' first aromatics and butadiene extraction units

ROBINSONSBANK A Commercial Bank

- Integrated RRewards for customers nationwide
- Enhanced customers' experience via added savings, e Ayuda, and seamless payroll solutions

This situation also gave us the opportunity to look ahead and future-proof our business. We accelerated the transformation of our businesses through deliberate portfolio decisions and proactive strategy recalibrations from our multi-year transformation program.

We updated our OGSM aligned with our purpose of unrelenting commitment to providing our customers with better choices while creating shared success with our stakeholders.

In order to meet our objective of solidifying our position among the largest conglomerates in the Philippines, we have set our financial goals of doubling our market capitalization, doubling core net income, and generating ROE above the cost of equity. In addition, we have also set non-financial goals of achieving a satisfactory ESG rating from MSCI and Sustainalytics, delivering high levels of employee engagement, and achieving an above-average internal customer satisfaction score. To help us achieve these goals, we have identified areas where we should play and key enablers to help us win which are discussed in other sections of this report.

Closing Remarks

Although 2021 presented challenges to the group, we have seen signs of improvement in the market and recovery in consumer demand for products and services as vaccination rollouts accelerated towards the end of the year. While the sentiment is getting better and the pivot topline back to pre-pandemic levels as the economy opens up, inflationary pressures and volatility will continue and this will have impact on our margins. Our plan is to manage these headwinds through better pricing and cost management measures. In line with our OGSM Refresh, we expect to pivot back to recovery in 2022 and reach pre-COVID levels by 2023 in our total core earnings.

To our employees, communities, customers, business partners and shareholders, on behalf of JG Summit, I would like to thank you for your trust and support in the organization. The road to recovery may still be uncertain, but as we remain to embody our purpose, values and key strategic enablers, we are well positioned not only to navigate the challenges of COVID-19, but also to thrive in the post-pandemic world. I enjoin you all to continue helping us build a more sustainable future for all our stakeholders.

Lance Y. Gokongwei
President & Chief Executive Officer

Leadership

Board of Directors

James L. Go
Chairman

Antonio L. Go
Independent Director

Chief Justice Artemio V. Panganiban, Jr. (Ret.)
Independent Director

Johnson Robert G. Go Jr.
Director

Lance Y. Gokongwei
Director, President and CEO

Jose T. Pardo
Independent Director

Patrick Henry C. Go
Director

Renato T. de Guzman
Independent Director

Robina Gokongwei-Pe
Director

JGS Corporate Center Heads

The corporate center unit (CCU) is designed to enable the holding company and its SBUs in the achievement of their business ambitions. Its mandate is to deliver business results, leverage on the JG ecosystem, and ensure business and organizational sustainability. Its parenting role is characterized by synergy creation and strategic guidance.

Name	Position
Lance Y. Gokongwei	President and Chief Executive Officer
Michael P. Liwanag	Senior Vice President, Investor Relations and Chief of Staff
Bach Johann M. Sebastian	Senior Vice President, Strategic Investment
Maria Celia H. Fernandez-Estavillo	Senior Vice President, General Counsel and Corporate Secretary
Renato T. Salud	Senior Vice President, Corporate Affairs and Sustainability
Aldrich T. Javellana	Senior Vice President and Treasurer
Lisa Gokongwei-Cheng	Senior Vice President, Digital Transformation and Corporate Services
Alan D. Surposa	Senior Vice President and Chief Procurement Officer
Brian M. Go	Chief Finance and Risk Officer
David Gulliver G. Go	Chief Human Resources Officer
Michele F. Abellanosa	Vice President, Corporate Controllership and Chief Compliance Officer, Office of the CFRO
Carlos G. Santos	Vice President, Corporate Services and Chief Information Officer
Rya Aissa S. Agustin	Chief Audit Executive, Corporate Internal Audit
Ian Pajantoy	Data Protection Officer
Andre Ria B. Buzeta-Acero	Assistant Corporate Secretary

Strategic Business Unit Heads

Irwin C. Lee
President and Chief Executive Officer,
Universal Robina Corporation

Frederick D. Go
President and Chief Executive Officer,
Robinsons Land Corporation

Michael B. Szucs
Chief Executive Adviser,
Cebu Air, Inc.

Patrick Henry C. Go
President and Chief Executive Officer,
JG Summit Olefins Corporation

Efren Antonio S. Sarte
President and Chief Executive Officer,
Robinsons Bank Corporation

Elmer "Jojo" Malolos
President and Chief Executive Officer,
Data Analytics Ventures, Inc.
and JG Digital Equity Ventures, Inc.

Corporate Structure

JG Summit Holdings, Inc. (JGS) is one of the largest and most diversified Filipino conglomerates, with market-leading business in wide-reaching industries across the Philippines and Asia. Our portfolio consists of our core businesses, ecosystem synergies, growth businesses, and core investments.

Core Businesses

Highly independent and majority-owned businesses that are market leaders in their respective verticals. We continue to drive the potential of these businesses to generate reasonable growth and returns for the group.

Universal Robina

One of the largest branded consumer food and beverage product, and agro-industrial commodity companies in the Philippines

55.3% Stake

cebu pacific

Largest carrier in the Philippine air transportation industry

66.6% Stake

ROBINSONS LAND CORPORATION

One of the Philippines' leading real estate companies and most reputable developers of mixed-use properties

61.2% Stake

JG SUMMIT OLEFINS CORPORATION*

Largest and only fully integrated Petrochemical complex in the Philippines

100.0% Stake

*Formerly JG Summit Petrochemicals Group; Merger of JG Summit Petrochemical Corporation (JGSPC) and JG Summit Olefins Corporation (JGSOC) was effective last January 1, 2022 with JGSOC as the surviving entity

Ecosystem Plays

Emerging investments that capitalize on JG Summit's broad ecosystem. We enable the core and growth businesses through these synergistic new plays.

Infrastructure

LIPAD

Luzon International Premier Airport Development Corporation

Special purpose company established to manage the operations and maintenance of Clark International Airport

33.0% Stake

Logistics

DHL

in partnership with

JG SUMMIT HOLDINGS, INC.

A joint venture with DHL Supply Chain to deliver world-class domestic transport and integrated logistics park operations

50.0% Stake

Technology

DAVI Data Analytics Ventures, Inc.

JGS' data analytics firm that develops the group's extensive digital lifestyle rewards program and data monetization models

45.2% Stake

Technology

JGDEV

JGS' venture capital arm that invests in and develops digital start-ups targeting the Southeast Asian market

100.0% Stake

Growth Businesses

Businesses that have the potential for growth, but require additional investments in the next few years. We aim to invest in and accelerate new verticals with the potential to become core, as well as identify significant new game-changers for JG Summit.

Banking & Financial Services

ROBINSONSBANK
A Commercial Bank

Rapidly growing commercial bank with a nationwide footprint in the Philippines

60.0% Stake

Core Investments

Minority-owned and highly liquid businesses which are stable sources of dividends. We aim to maximize the value of these investments through their steady stream of cash flows and capital appreciation.

Power Distribution

MERALCO

Largest power distribution company in the Philippines that also engages in efficient and cost-competitive power generation business through its subsidiary, MGen

29.6% Stake

Real Estate

SINGAPORELAND

A major real estate developer in Singapore and a diversified property investor overseas

37.0% Stake

Communications

PLDT

Largest and most diversified telecommunications service provider in the Philippines

11.3% Stake

Geographic Presence

JG Summit Holdings is one of the largest and most diversified Filipino conglomerates, with a strong Philippine presence and operations in 8 countries across Asia.


JG Summit Holdings, Inc.
Universal Robina Corporation
Cebu Air, Inc.
Robinsons Land Corporation
JG Summit Olefins Corporation
Robinsons Bank Corporation
2
7
China
2
South Korea
5
Japan
1
United Arab Emirates
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Myanmar
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Thailand
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Laos
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Hong Kong
1
Macau
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Taiwan
4
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Vietnam
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Cambodia
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45
45
226
1
155
Philippines
1
Guam
3
2
Malaysia
1
1
Singapore
1
Brunei
2
2
Indonesia
2
Australia

Strategic Business Units and Investments

Universal Robina Corporation

Visit Website

"2021 proved to be an even more challenging year as we faced continued difficulties brought about by COVID-19, from muted consumer demand to unparalleled commodity and freight cost increases. Despite all the uncertainties, URC remained steadfast. With our purpose of delighting everyone with good food choices in mind, our brands continued to be a part of our consumers' lives as we maintained our leading positions in key markets and categories. We strengthened our partnerships with our customers. We continued to improve distribution, ensuring that we were available in channels where our consumers are present. We remained resilient and strengthened our fundamentals. We will continue to invest in our brands, make future bets in attractive white spaces, build channel strength, and operate efficiently -- all towards future-proofing our growth and building a more sustainable future. URC remains strong today, and will be stronger tomorrow."

Irwin C. Lee
President and Chief Executive Officer

2021 Developments

Our Where to Play and How to Win strategies have positioned us to accelerate growth further. We believe that strong brands are a major competitive advantage, and investment in brands pays off. Even during the downturn, URC kept spending to increase brand equity. We pivoted to where our consumers' eyeballs were, with a doubling of investment in digital media over the past 2 years, all with the goal of increasing mental availability. Innovation also continues to drive our growth engine, and we have quickly and purposefully developed new products and concepts to address key consumer themes answering relevant needs in the new normal such as Health, Value for Money, In Home Consumption, and Affordable Indulgence.

Health

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



Value

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



In-Home

Creating big-pack solutions for superior in-home consumption.



Indulgence

Introducing new premium selections for our consumers' satisfaction.




These initiatives paid off as we were able to hold on to market share gains from 2020 and retained market leadership in key categories in the Philippines in Snacks, Candies, Chocolates and RTD Tea, and Biscuits in Thailand. We've also maintained our strong positions in Biscuits, Noodles and Coffee in the Philippines, Wafers in Thailand, and RTD Tea in Vietnam.

In addition to brand strength and mental availability, we addressed our fundamentals to improve physical availability, growing our universe of buying accounts, now covering over 250k doors. We have also accelerated our e-commerce entry and have seen good progress so far. The focus on customers has also paid off in the most recent Advantage survey, where end retailers score FMCG suppliers across various metrics, URC is now among the top 5 suppliers, and is the highest-ranking local manufacturer among the 30 suppliers covered.

With our Fuel for Growth Program of Php5B in potential savings over the next 5 years, we will be reinvesting it back into the business, both in brand building and in capacity building for future growth, in addition to improvements to our operating income. These savings will be coming from further optimization of our supply network, manufacturing operations, and product portfolio.

Our M&A moves over the last 18 months have also borne significant fruit, with our 2 major acquisitions performing very well so far. La Carlota and Roxol have cemented our #1 position in Sugar, and have contributed growth above expectations in this volatile environment. Our Munchy's acquisition closed in December, and the business has started the year strong, validating our investment and with upside synergies expected to materialize. With our strong balance sheet, we will continue to look at accretive and sensible investment moves to scale and grow inorganically.

Robinsons Land Corporation

Visit Website

"2021 was defined by what is perhaps the single most important event in the recent history of RLC. We successfully listed RLC's flagship real investment trust, RL Commercial REIT, Inc. (RCR), in the Philippine Stock Exchange, despite the challenges of the global pandemic. Proceeds from the landmark IPO will fuel our strong recovery and strategic expansions as the economy approaches full reopening. Along with the strength of our investments, the diversity of our portfolio and relevance of our digital programs will serve as catalysts for sustainable, broad-based growth."

Frederick D. Go
President and Chief Executive Officer

2021 Developments

Notwithstanding the volatility of economic uncertainty, RLC delivered robust financial results. For calendar year 2021, consolidated revenues increased 30% to Php36.5 billion with strong organic growth fuelled by improved customer demand across RLC's core businesses, the sale of parcels of land within the Bridgetowne East Destination Estate, and the continued success of the Chengdu Ban Bian Jie project in China. EBITDA grew 9% to Php15.0 billion, pushing overall EBIT up by 14% to Php9.7 billion. This translated to a consolidated net income of Php8.5 billion, 62% greater versus the same period last year. Meanwhile, net income attributable to equity shareholders of the parent entity rose by 53% to Php8.1 billion.

Raising Php 23.4 Billion from RCR's Landmark IPO

RL Commercial REIT (RCR) listed in the Philippine Stock Exchange on September 14, 2021, subsequently gaining recognition for a number of attributes:

Largest REIT in the country in terms of:

Market Capitalization at Php 64B	Portfolio Valuation at Php 73.9B	Asset Size at 425,315 sqm. of GLA	Widest Geographical Coverage spanning 9 cities and the longest land tenure of up to 99 years	Longest land tenure of up to 99 years

RLC also raised Php23.4 billion in proceeds from the landmark IPO. This will be used to fund income-producing investments and a strategic land banking program that will drive long-term profitability and further enhance shareholder returns.

Strategic Expansions

As markets slowly regained normalcy, RLC delivered strategic expansion opportunities in the company's core business segments.

Robinsons Malls steadily increased its presence in the country with the opening of Robinsons Place La Union, expansion of Robinsons Place Dumaguete and the re-opening of Robinsons Place Tacloban. Featuring surfing decors and ocean murals, Robinsons Place La Union is the biggest mall in the province with a wide variety of fashion outlets and dining establishments. The full-service mall takes pride in showcasing the best of the Ilocos Region.

Meanwhile, Robinsons Hotels and Resorts opened its maiden property under an upscale version of its own homegrown brand, Grand Summit Hotels. Conveniently located beside Robinsons Place General Santos, Grand Summit Hotel is the best choice for travelers looking for a complete, upscale hotel experience in the famed Tuna Capital of the Philippines.

Encouraged by the demonstrated resilience of the BPO industry, Robinsons Offices expanded its breadth with the completion of Bridgetowne East Campus One in the Bridgetowne Destination Estate, Cyber Omega in Ortigas CBD, and Cybergate Iloilo Tower 1 in Iloilo City.

RLC also launched three new residential projects — Forbes Estates Lipa in Batangas, SYNC Y Tower in Pasig City, and Woodsville Crest's Oak Building in Parañaque. Meanwhile, Robinsons Logistics and Industrial Facilities (RLX) capitalized on the rising opportunities in the logistics sector and added three more industrial facilities under its belt.

The Company spent a total of Php24.8 billion in capital expenditures in 2021 for the development of malls, offices, hotels and industrial facilities, construction of residential projects, land acquisitions, and for new investments for its local operations.

Delivering Consistent Shareholder Return

As a centerpiece of its shareholder return policy, RLC paid out more than 20% of its net recurring income as cash dividends in 2021. Furthermore, it launched a Php3.0-billion share buyback program, underscoring its confidence in the Company's growth prospects.

Evolving For The Future

Amid an ever-changing business environment, the Company is set to pursue high quality, well-designed and innovative developments to build a strong diverse portfolio of malls, offices, residential projects, hotels, industrial facilities, and Destination Estates. It will continue to expand its geographical reach and strengthen its presence in highly-urbanized communities, adjacent metro areas, and key emerging cities nationwide.

RLC will likewise focus on digitalization and sustainability as integral components of its overall business strategy. Digital technologies and ESG practices will be further integrated into the business to cultivate its ability to evolve with the market.

With a clear focus on driving long-term growth and sustainability, RLC looks forward to achieving more milestones and cementing its market leadership in the years to come.

Cebu Air, Inc.

Visit Website

"Cebu Air, Inc. (CEB) takes pride in saying that it is the Philippines' leading airline. It has a solid track record to support its well-planned path to recovery. There may have been fewer planes in the sky the past two years, but our work at CEB did not slow down. In an effort to be resilient in times of crisis, we have successfully accelerated our Future Size and Shape transformation to ensure that we work towards the long-term sustainability of our airline. We remain committed to continue providing the best service to our customers, operate in an agile and cost-effective manner, build an organization that efficiently integrates digital enhancements in its core, redefine employee experience, and create shared and sustainable value to our stakeholders."

Michael B. Szucs
Chief Executive Adviser

2021 Developments

Commercial and Financial Performance

We entered 2021 with hope as government released regulations aimed to streamline travel requirements, but the surge in Covid-19 cases led to the reimplementation of strict lockdowns which tempered the regrowth of CEB's operational and financial performance. As such, our full year metrics in 2021 still showed YoY declines given our high pre-lockdown operating levels in the first quarter of 2020, before the onset of travel lockdowns. Nonetheless, we have seen encouraging results as restrictions eased towards 4Q of 2021.

3.4M
Passengers
VS 5 million SPLY

34,463
Flight Count
VS 42,028 SPLY

Cargo operations continued to flourish in 2021 driven by the high demand to transport essential goods, as well as e-commerce shipments.

121M
Kilograms of Cargo Carried
10% growth VS SPLY

Raising over US$ 1.6B via Key Fundraising Initiatives

CEB completed its fundraising initiatives to generate over $1.6B to provide the airline liquidity runway for 24 months and strengthen its balance sheet position.

₱12.5B
Convertible Preferred Shares

$250M
Convertible Bonds Issued to Strategic Investors; the International Finance Corporation (IFC), IFC Emerging Asia Fund LP, and Indigo Philippines LLC

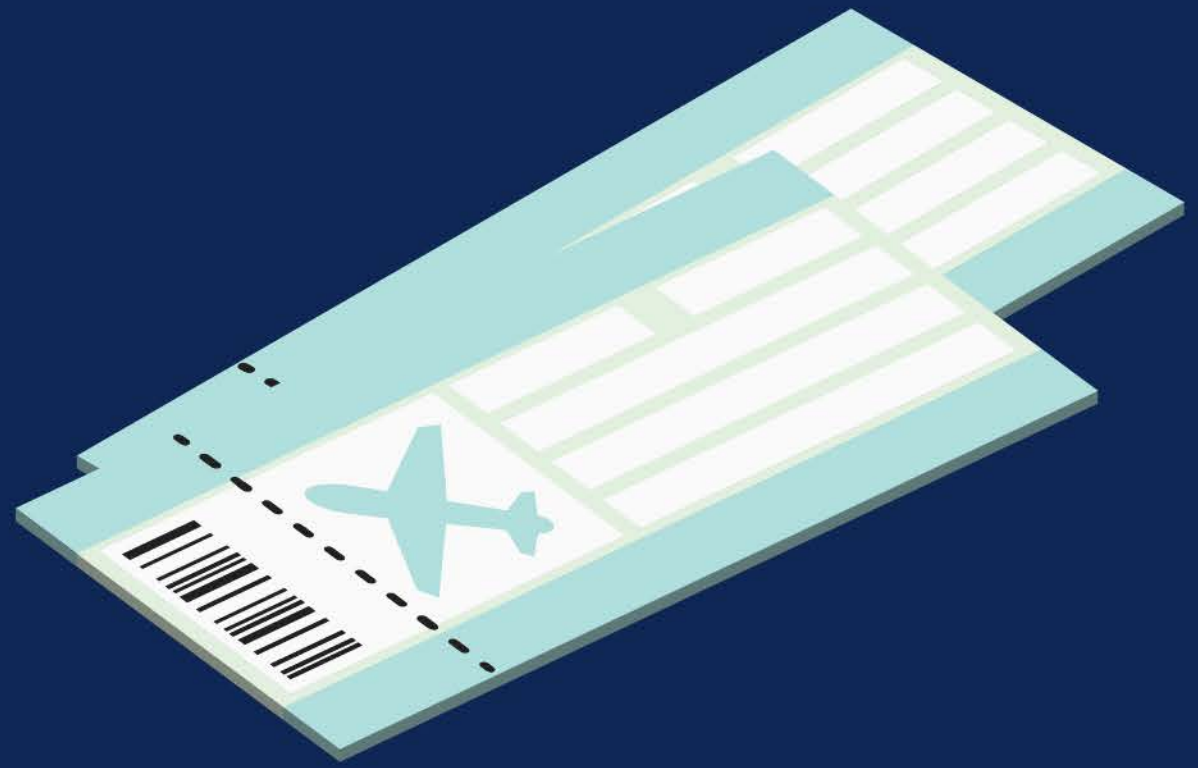
₱16B
Syndicated Loan Facility Agreement

Sale and Leaseback Transactions

Evolving For The Future

CEB Future Size and Shape Update

Our Future Size and Shape transformation plan is our playbook to survive and thrive in the new normal. Our strategy is anchored on 4-key objectives:



- To right-size our network and fleet and regrow in line with demand recovery
- To secure a long liquidity runway through substantial fundraising and engagement with lessors and creditors
- To push for more efficient operations and substantial savings through digitalization process and policy improvements
- To commit to our environmental and social sustainability efforts to deliver additional value as we grow

JG Summit Olefins Corporation

Visit Website

“The Petrochemicals Group continues to transition in expanding the scope of its current business beyond petrochemicals in order to address the needs of its clients and the market. While the bulk chemicals and polymers units are integral components of the business, this is now complemented by fuels trading through Peak Fuel Corporation. We are also diversifying our power sourcing to involve renewable energy, particularly solar, and by shifting to cleaner fuels. We aim to develop all these revenue streams further, as we focus towards sustainable growth for the expanded business.”

Patrick Henry C. Go
President and Chief Executive Officer

2021 Developments

Commercial Operations of the Expanded Naphtha Cracker Plant

JGSOC completed its expansion of the Naphtha Cracker Plant in July 2021. Using Lummus Technology, the first and only naphtha cracker plant in the Philippines increased its capacity to produce 480 Kilo Tons per Annum (KTA) of ethylene, 240 KTA of propylene, 180 KTA of mixed C4, and 250 KTA of pyrolysis gasoline, materials that are used as feedstock for polymer production and its extraction facilities.

Commercial Operations of the Aromatics Extraction Unit

JGSOC commercially started operations of its new Aromatics Extraction Unit in July 2021, which produces benzene, toluene, mixed xylenes and mixed aromatics. It is the first Aromatics Extraction plant in the Philippines to use GT-BTX® technology licensed from Sulzer GTC.

Commercial Operations of the Expanded Polypropylene (PP) Plant

JGSOC finished the expansion of its polypropylene (PP) plant in 2021, with production capacity now at 300 KTA. Using the world-renowned UNIPOL™ gas phase technology, the company is the largest manufacturer of PP in the Philippines today, producing PP Homopolymer and PP Random Copolymer resins marketed under the EVALENE® brand.

Completion of the Butadiene Extraction Unit

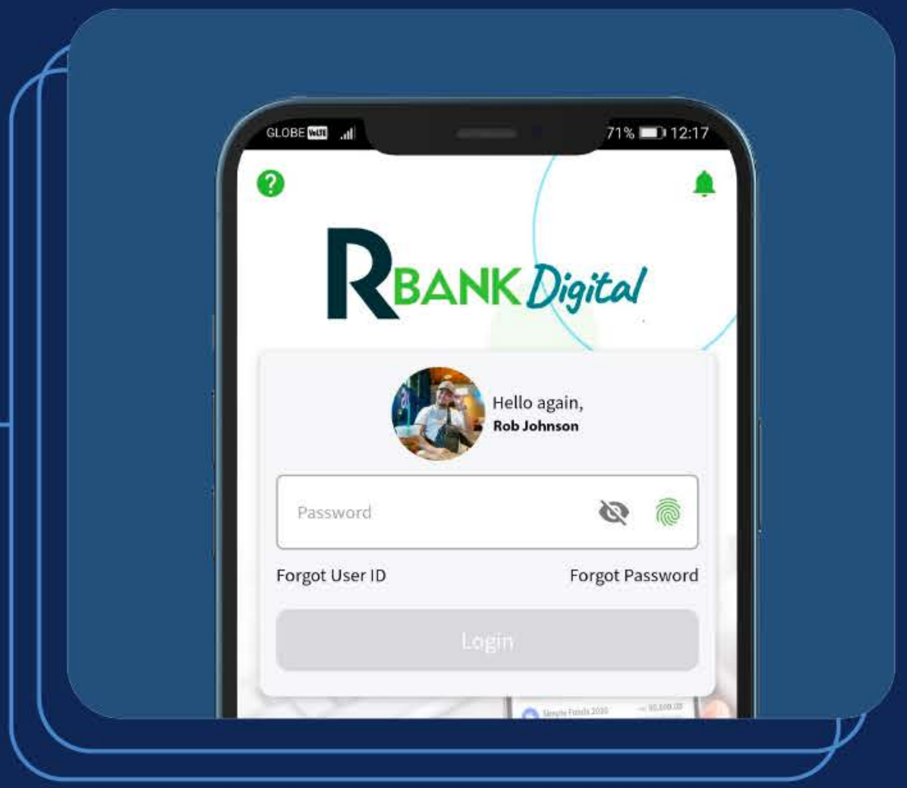
JGSOC also completed the construction of the first and only Butadiene Extraction Plant in the Philippines in December 2021, with commercial operations to start in the first quarter of 2022. Using BASF Process licensed from Lummus Technology, this facility processes mixed C4 produced from the upstream naphtha cracker to extract the downstream products of butadiene (around 70 KTA) and raffinate-1 (around 110 KTA).

Commercial Trading under Peak Fuel Corporation

With the completion of JGSOC's LPG terminal in June 2021, commercial wholesale trading of LPG under Peak Fuel Corporation, JGSOC's fuel arm subsidiary, started with deliveries of LPG to domestic wholesale customers in August 2021.

Evolving For The Future

The Petrochemicals Group is transitioning towards expanding the scope of its business. While the petrochemicals and polymers units continue to be our core businesses, these are also being complemented by the recently launched fuels trading business under Peak Fuel Corp., and upcoming power projects under Merbau Corp. Given this, we aim to expand our portfolio further with higher-value products that allow us to access higher-margin markets. As we work towards sustaining profitable growth, integral are our continuous efforts towards operational excellence, optimization of existing assets and integrated businesses, and the pursuit of value-adding opportunities and investments. The company will deploy agile methodology in its operations starting in 2022.



Robinsons Bank Corporation

Visit Website

"Robinsons Bank once again demonstrated resilience and navigated the toll of the ongoing COVID-19 pandemic with sustained double-digit growth in 2021. Built upon a clear vision and solid strategic business plans, the Bank was quick to pivot and pushed the Bank to the direction that we have set. As a CEO, it is gratifying that I have a strong team who has the grit to face all the difficult situations. The game is changing. Historically, there has been massive branch banking growth, which defined the convenience provided to the customers. The higher the number of branches, the greater the span. But with the rapid digitization going on, onboarding of customers shifted to digital channels. To remain as a relevant organization, we look at this new competitive landscape with enthusiasm to meet our objective in our paths of growth. We need to make sure that Robinsons Bank will be the preferred bank in the community we serve."

Elfren Antonio S. Sarte
President and Chief Executive Officer

2021 Developments

In 2021, the economic shock of the COVID pandemic was mitigated by the continued key policy support implemented by the government to support recovery. The Bangko Sentral ng Pilipinas (BSP) kept its record-low policy rate at 2.0% for the whole year. Together with the country's strong macroeconomic fundamentals, this anchored the Philippines to post a 5.6% economic growth.

The Philippine Banking System (PBS) showed signs of strength as it withstood the pandemic for two years. Total PBS assets accelerated and breached the Php20 trillion level. Lending activities returned to growth. However, the loan quality remained weaker than pre-pandemic levels. The net income rose, while provisions began to wind down. The liquidity and capital buffers remained intact.

Against this backdrop, Robinsons Bank maintained financial stability and delivered favorable performance in 2021.

₱177.1B
Total Assets
19.1% growth VS SPLY at Php 148.7B, 2.7x faster than the industry's growth of 7.0%

3.12%
Non-performing (NPL) Ratio
Outperforming the industry's 3.99% in terms of asset quality, with NPL coverage ratio at 83.8%

₱96.9B
Gross Loans
14.1% growth VS SPLY, outperforming the industry's 4.2% growth

11.3%
Growth in Commercial Loans

18.5%
Growth in Consumer Loans

₱14.4B
Consumer Loan Bookings
Record high 41% growth VS SPLY

₱18.5B
Total Capital
With capital adequacy ratio at 14.4% and common equity tier 1 ratio at 13.7%, both well above the BSP's regulatory requirements

₱106.1B
Total Deposits
64% growth from take-off, better than the industry's 8.8% growth

104%
Growth in Peso CASA Level
Outperforming the industry growth rate of 17.5%

4M
Digital Transactions
104% growth, 2x higher VS SPLY

Digital Products Launched			Investments	
InstaBalé	eGov	RBank Remit	UNICON	GoTyme
≈120,000 transactions amounting to Php 420 Million availments	20,000+ transactions amounting to Php 1.8 Billion transaction volume	1,400+ transactions	40% stake	20% stake

Robinsons Bank accelerated implementation of digitization initiatives to strengthen our relationship with our customers and provide the right products and services. Proactive, in 2020, the Bank was the first to launch an online account opening application at the onset of the pandemic and there has been continuous roll out of digital initiatives since then. We shifted to cashless payments, agency banking, card less ATM product, digital loan product, and supply chain financing among others. Testament to the success of these initiatives are the various commendations we received including Most Innovative Digital Banking Services - Philippines 2021 by The Global Economics Awards.

With the significant developments happening in the Bank, we are confident that the Bank will achieve sustainable growth in the future. Guided by the Bank's new five-year initiative, Roadmap 2026, it will be easy to navigate the roads ahead.

Ecosystem Plays

Luzon International Premiere Airport Development Corporation

Visit Website

“We know that Clark International Airport is a major growth driver for Central and North Luzon. Thus, getting the new terminal ready is critical to our country’s economic recovery. Fueled by this inspiration, we pushed the boundaries of what is possible amidst a global pandemic. Our teams came together and forged ahead with their fiery commitment to this vision – of creating an Airport that will make Filipinos stand proud.”

Ms. Bi Yong Chungunco
Chief Executive Officer

2021 Developments

Presidential Inspection of the Newly Completed Passenger Terminal Building

President Rodrigo Roa Duterte led the inspection of the newly completed 110,000m^2 Clark International Airport New Passenger Terminal Building in July. The inspection included testing of check-in kiosks, bag drops, and other contactless features of the new terminal building. The President was joined by over 200 government officials, and private sector partners.

Successful Performance on CRK’s Operations Readiness for Airport Transfer

LIPAD successfully completed Clark International Airport’s first domestic “proof of concept” trial flights in December, highlighting the New Clark Terminal 2. The trial flights were part of the airport’s ORAT which is a comprehensive and extensive set of measures to ensure that all processes run smoothly and all personnel are trained with the newest technologies in place.

Amid the restrictions and challenges brought about by the global pandemic, CRK is being completed. The trials were conducted after several online workshops and the on-ground exercises. These measures further aided stakeholders in addressing concerns and allowed airlines and ground handlers to familiarize themselves with the new check-in facilities and processes.

Providing Unique and Extensive Commercial Experiences for Travelers Amid Challenges

In the midst of this pandemic and low passenger traffic, LIPAD remains focused on improving the commercial offerings available at the airport for travelers and visitors. LIPAD successfully signed up a variety of in-terminal concessions in 2021, making CRK the first Philippine airport to offer on-trend food & beverage options such as Barcino, Tom & Toms, Peri-Peri, Route 98 Bar & Café, Meat Depot, Mr. Kimbob, and CRK Quick Bytes. In addition, the passengers can enjoy home grown concepts such as Mary Grace, among others. This validates the positive outlook our partners have in the potential of CRK.

Setting Up a Vaccination Hub at Clark International Airport Terminal 1

Similar to our support in bringing home our countrymen, LIPAD is committed to supporting the government's vaccination efforts. In 2021, it set up a portion of its existing terminal to be used as a mass vaccination facility and provided a seamless experience for Filipinos waiting to be vaccinated. The big and open spaces in the old terminal were suitable for a thriving vaccination site. LIPAD's participation is among its contributions to curb the pandemic and help fast track the revival of the economy and the travel industry.

In addition, the CRK Community including its stakeholders (concessionaires, locators, government agencies, airlines, ground handling, and LIPAD workforce) achieved 90-95% full vaccination in 2021. This was attained through effective vaccination drives and collaboration with Clark Development Corporation and Filvax for the inoculation of all airport employees.

JG Digital Equity Ventures

Visit Website

"Despite the challenging operating environment in 2021, it was an eventful year for JG Digital Equity Ventures, which saw the company accelerating its investments in both existing and new strategic ventures that will help drive the group's digital transformation journey going forward. Given our strong portfolio of start-ups and growing team, JGDEV is looking forward to an even better 2022, with the goal of becoming one of the largest corporate venture capital companies in the region."

Jojo Malolos
President & CEO

2021 Developments

7
New Portfolio Companies

2
New Fund Investments

2021 was a strong year for JGDEV. Deal flow and assessments doubled versus the previous year, with the fund investing in 7 new portfolio companies and 2 new fund investments, while participating in multiple follow-on rounds. The JGDEV portfolio now includes strategic investments such as Tyme, Darwinbox, and Growsari, and the company has benefitted from the emergence of early portfolio winners, helping increase the potential value of the fund.

Tyme darwinbox growsari

Evolving For The Future

JGDEV will launch a second DEV fund within 2022 in order to sustain the momentum from DEV Fund I. The second fund will continue to invest primarily in key focus sectors with strategic relevance to the group while also allocating a portion of the fund for opportunistic investments.

In order to help JGDEV achieve its 2022 objectives, the company plans to continue to build its existing team, further develop sector expertise, and maximize its network of VC funds and portfolio companies, all while closely collaborating with both start-ups and the wider Group in order to unlock ecosystem synergies.

Data Analytics Ventures, Inc.

Visit Website

"Much effort and energy has gone into building a good foundation for a data analytics and loyalty program business culminating in an integrated rewards platform for the Gokongwei Group in 2021, Go Rewards. The year has also produced the best-in-class Nexus 360, DAVI's Customer Data Platform (CDP), offering a single view of the customer, and real-time delivery of impactful messaging to the right customer at the right stage of their journey. We are proud of what we have accomplished and are excited about 2022 – the year when 'the rubber hits the road'."

Elmer "Jojo" Malolos
President & CEO

2021 Developments

Launching Go Rewards, an Integrated Rewards Program

DAVI, as an enablement pillar of the Data Strategy of the Gokongwei Group has completed the integration of the loyalty programs of the conglomerate into one. Go Rewards now stands as one of the top-ranking loyalty programs in the country offering personalized marketing capabilities & seamless member experience.

Driving Omnichannel Ecosystem Experiences Through Data Analytics

In collaboration with The Marketplace, PROJECT GROUND ZERO was set up to drive revenue growth through an omnichannel play using insights from Go Rewards customers. These richer insights from DAVI were instrumental in the effective implementation of member acquisition, retention and win-back campaigns that will be carried onto 2022.

Establishing a Unified Customer Data Platform (CDP)

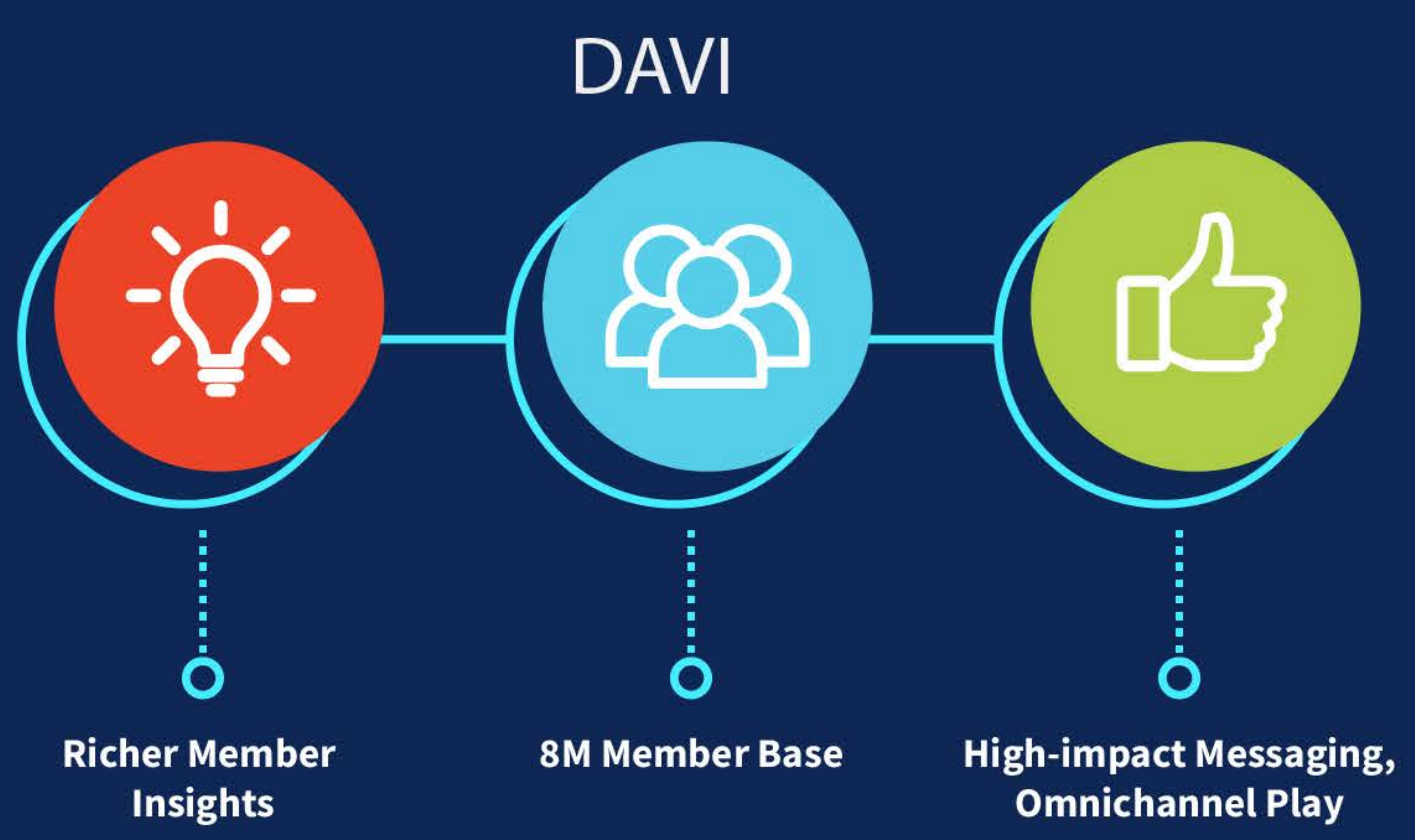
DAVI's CDP provides omnichannel experience for Go Rewards members and activates the real-time trigger marketing and personalization of campaigns. For the Gokongwei Group, this means access to unified analysis identifying new opportunities to improve processes, campaigns, and other business decisions. DAVI's CDP offers user-friendly segmentation & report automation and has significantly improved operational efficiency by reducing GTM to Campaign Launch from 15 days to 30 minutes.

Integrating Rose Pharmacy in Go Rewards

DAVI expanded its member engagement with the integration of Rose Pharmacy in its loyalty program, providing more channels for engagement for our members, especially in the south.

Evolving For The Future

DAVI is committed to grow the Go Rewards member base further into 2022 - with additional formats in retail, airline, and other ecosystem merchants. Efforts to establish best-in-class data infrastructure with best practice data processes and management continue as DAVI aims for the highest data maturity level. The year 2022 will see a robust data hub, capabilities and tools for AI and ML functionalities, and best experiences in Go Rewards.



Ecosystem-Driven Product and Service Innovations

DAVI shifted to a PAY FORWARD approach to value creation and growth hacking with great focus on the Gokongwei Group. Advanced analytics will be heavily utilized to drive sales and members' growth. DAVI will also deploy agile methodology for the rest of its operations in 2022, agile collaboration being a key success factor in value creation, digital transformation, and innovation.

Building Value for the Customer and the Gokongwei Group

Agile Collaborations

Shared goals in driving growth and consistent test and learn iterations.

Customer Engagement

Personalized and effective campaigns and officers to drive customer relationship and lifetime value.

Data Enrichment

Going deeper into data analysis and data science applications to identify new initiatives.

Maximizing Solutions

More effective solutions for seamless implementation and cost effectiveness.

More Avenues for Earning Loyalty Points

DAVI will leverage on the uniqueness of its integrated rewards platform and re-introduce a special flight component for its loyalty program, Go Rewards, in 2022. Members will be provided with more and better ways to engage with Cebu Pacific by providing a "SimpliFlying" experience. Engagement with the Robinsons Retail Group will continue to expand with strategies to grow the pharmacy and convenience store formats. Go Rewards will also support more financial products with key partners that will let our members have more options in handling their payment needs and for earning loyalty points.

DHL Summit Solutions, Inc.

Visit Website

"In the last year, the DHL Summit Solutions, Inc. (DSSI) team has delivered exceptional results while managing changing circumstances and challenges brought about by the pandemic. Looking at our strong operational performance with key customers such as Universal Robina Corporation and Robinsons Supermarket, we are well positioned to strengthen transport operations for other businesses within the JG Summit Group, Robinsons Retail Holdings and beyond in 2022. Our industry-leading technologies and commitment to digitalization will continue to offer our customers unrivaled end-to-end visibility and control over their supply chain."

Ma. Abigail "Abie" Parazo
Country Managing Director

2021 Developments

Expanded Partnerships to Support the Transport Needs of URC

Despite Covid-19 challenges, DSSI has successfully onboarded the control tower operations for Universal Robina Corporation (URC). By the end Q1 2021, DSSI has been delivering finished goods to URC plants and their customers throughout Luzon.

Since then, DSSI has continued to stabilize the business and introduce continuous improvements by leveraging its Connected Control Tower technology to improve URC's service level in 2021.

URC expanded this positive partnership by awarding DSSI with the trucking requirements for several other plants last August, namely the planning and deployment for raw and packaging materials, as well as bagged flour.

Satisfying Robinsons Supermarket Sites' Transportation Requirements

The Robinsons Supermarket Sucat and Pampanga Distribution Centers' transport operations have been successfully transitioned to DSSI in May and October 2021 respectively. The Robinsons Supermarket team now enjoys consistent and outstanding transport service performance, and has access to leading technology from the DSSI Connected Control Tower, such as improved visibility with milestone notification and ETA forecast.

This end-to-end visibility provides all our customers with accurate information on their delivery status, enabling them to make better informed decisions on their supply chain to maximize their customer service levels.

Evolving For The Future

DSSI is poised to onboard other customers within the JG Summit Group and Robinsons Retail Holdings in 2022, with Ministop operations set for Q2 and South Star Drug in the second half of the year.

In the next five years, DSSI will continue to increase its presence and credibility in the Philippine transportation landscape. Leveraging its Connected Control Tower capabilities, DSSI will increase its service offerings from Luzon transportation to include inter-island containerized movement, partnering with major shipping lines.

The DSSI organization will also expand with a team focused on business development and solution design. The expanded internal capabilities will enable DSSI to take on additional external customers from the consumer, retail, life science, and chemical sectors.

Core Investments

Manila Electric Company

Php 6.7B
JGS' share in net income
46% growth vs last year

Php 4.3B
Dividends paid to JGS

29.6%
Equity Stake

Manila Electric Company (Meralco) is the largest private sector electric distribution utility company in the Philippines, serving 7 million customers in 36 cities and 75 municipalities. The company has a franchise area of over 9,685km2, equivalent to 3% of the total land area of the Philippines, yet it accounts for 55% of the country's electricity output. Meralco celebrated 118 years of service in 2021.

Singapore Land Group Limited

Php 2.7B
JGS' share in net income
8% growth vs last year

Php 0.7B
Dividends paid to JGS

37.0%
Equity Stake

Singapore Land Group Limited (SingLand) is a premier Singapore-based real estate company listed since 1971. The company boasts a diverse portfolio of real estate including commercial, office, residential and retail properties, and hotels. The company has a large footprint in Singapore and key overseas markets, with its prime commercial assets in Singapore spanning 2.5 million square feet of office space and 1 million square feet of retail space.

PLDT, Inc.

Php 2.0B
Dividends paid to JGS
6% growth vs last year

11.3%
Equity Stake

PLDT, Inc. (PLDT) is the Philippines' largest fully integrated telecommunications company, offering a wide range of telecommunications and digital services across the Philippines' most extensive fiber optic backbone, as well as fixed line as cellular networks. PLDT currently has one of the largest market capitalizations among Philippine listed companies.

How to Win

Leadership and People Development

When it comes to leadership, JG Summit aims to create the ideal conditions for better employee engagement and optimum performance.

JG SUMMIT HOLDINGS, INC.

JGS Executive Development Program

The program offered best-in-class learning partners, timely topics, and expertise aligned with both leadership competencies and digital fluency needs. Larger groups of leaders (80+ from JGS) took part in select modules, prioritizing programs in their areas of interest that were fitting to their needs, thereby making better use of their valuable executive time.

Module 01
Explores the leadership competency framework, with coaching and developing talent as key pillars.

Module 02
Tackles leaders' self-awareness, capacity, and leadership effectiveness in pursuing unprecedented opportunities and unchartered business models. It delves deeply on advanced digital strategy using AI, analytics, and mobile or cloud to create business value.

Module 03
Focuses on understanding how enterprise agility and digital business models work in creating a compelling value proposition for customers.

Module 04
Addresses challenges by unlocking growth opportunities and preparing our organization to succeed in the future.

Leadership Conversations

We invited leaders across the group to talk about JGS' core values of Entrepreneurial Mindset, Integrity, and Stewardship and how the behavioral dimensions are practiced in the context of JG Summit.

Better Conversations Everyday

We conducted 6 batches of Better Conversations Everyday for CCU, resulting in 105 graduates with follow through sessions from July – November 2021. Our design is simple: learn a core skill, practice it with a small group of people, give and receive feedback to lock-in the learning, and see the results in real time as you make progress on real leadership challenges.

7,848 Hours
Total Learning via Linkedin Learning

80% Employees
Who Accessed LinkedIn Learning in 2021

802 Active Learners
Out of 1,005 Activated Seats

16,000+ Courses, Content, and Live Sessions
Available via LinkedIn, ready to upload to LIL from other LMS providers such as Harvard Spark and Ude

LinkedIn Learning Programs

We moved on a common thread by bringing learning where our people are and giving them flexible choices. The shift to digital has been instrumental as it reinforces our resolve to redefine learning for our talents and, with our continued subscription into the platform, it increased levels of productivity while on a hybrid work-set up.

Shifted to a digital learning platform called "URLearning," providing more accessible learning through agile and innovative channels.

Developed the next generation of leaders through leadership capability-building programs anchored on core values and leadership competencies.

Built Agile Academy across the organization by building knowledge and awareness of agile practices and ways of working through continuous flow of relevant leadership & development programs for all agile roles.

Rolled out a Leadership Development Program for RLC Leaders and high-potential talents.

Introduced Agile in Robinsons Malls by appointing Agile champions.

Maximized the use of digital platforms to drive employee engagement, personnel development, productivity, and commitment.

Continued to rebuild and establish an excellent talent management program in preparation for progressive re-openings and expansion in the Robinsons Hotel and Resorts Division.

Developed a holistic people framework called "Our People Deal" to redefine leadership and people development in the new normal.

Ensured Resilient & Sustainable Operations to Create Shared Value to Stakeholders by leveling up operations to address growth issues and potential disruptors, while ensuring sustainable practices.

Built an organization that is Digital to the Core.

Promoted health and safety support for employees and dependents.

+46 eNPS*

In the year 2021

*employee Net Promoter Score

Continued to "Adjust, Adapt, Affirm" the new ways of working.
Under this paradigm, critical initiatives undertaken were the following:

Wall-to-wall roll-out of Refreshed Values

- **Entrepreneurial Mindset**
- **Integrity**
- **Stewardship**

Heightened Employee Wellbeing Series

- **Mental Health**
- **Resilience**
- **Mindfulness**
- **Pause**

Continued its "Accelerate Leadership Development," a program for emerging leaders with identified managers joining the leadership journey of 18 months.

Rolled out the "Better Conversations Everyday" Program for people managers, which aims to improve manager-employee conversations and serves as an impetus for enriched coaching.

ROBINSONSBANK
A Commercial Bank

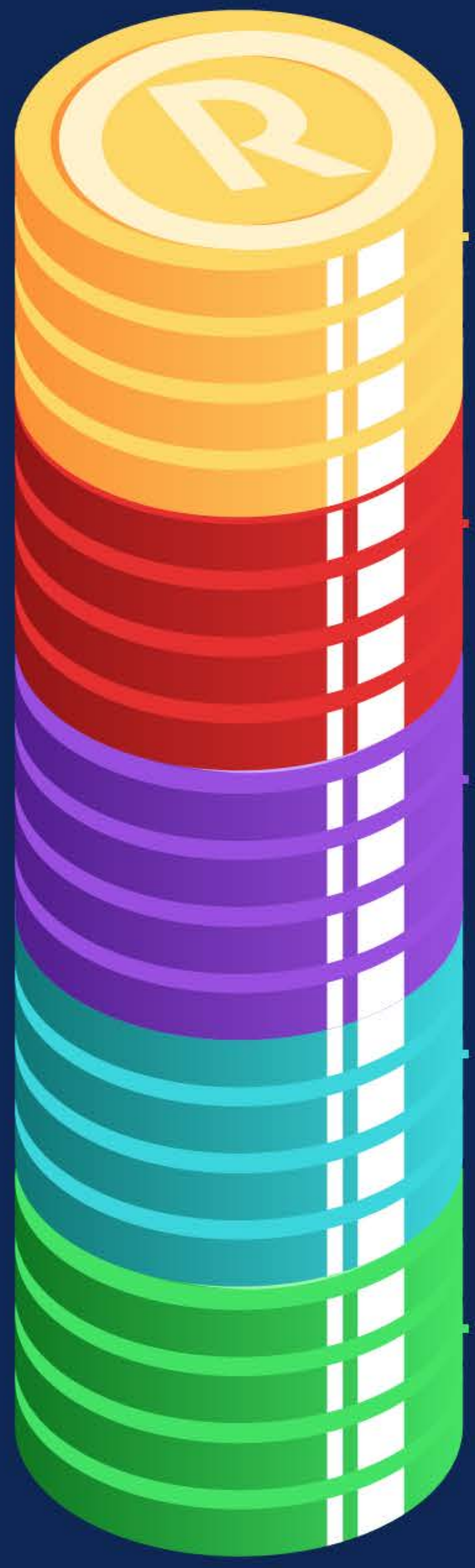
Created the Digital Banking Segment to leverage on technology, drive innovation and customer-centricity, and strengthen the RBank brand.

Underwent reorganization across the Bank for efficient delivery of support and services.

Continuously assessed and built capabilities to future proof RBankers, with a total of 213 programs and 29,412 trained RBankers with 72,718 training hours in 2021, up from 25,208 in 2020.

Had a total of 54 ODP (Officers Development Program) and 29 CXF Champions in 2021, in terms of Employee Engagement.

Generated 140 new ideas via RBank's Agile 101 program, with 100% of RBankers having attended the Agile 101 workshop.



213 Programs
To future-proof RBankers

29,412 People
As trained RBankers

72,718 Hours
Of training in 2021, up from 25,208 hours in 2020

54 ODP, 29 CXF Champions
Trained in Employee Engagement in 2021

140 New Ideas
Generated by the Agile 101 program, which boasted 100% attendance from RBankers

LIPAD

Luzon International Premier Airport Development Corporation

Seamlessly accustomed its agile workforce to new and additional functions necessary for continued airport operations during the pandemic.

JGDEV

Continued to sharpen its approach to screening, analysis, and valuation of high-growth investment opportunities in growing and developing industries.

Expanded the current team in order to accelerate growth, which will allow JGDEV to increase its focus on deal sourcing and portfolio management.

DAVI

Continued to strive toward a compelling Employee Value Proposition, crediting success to its talent base of highly skilled and capable individuals and aiming to accelerate DAVI's ability to build and sustain a High Talent Density - High Performance Culture well into the future.

Beginning the journey toward 2022 with the aim of showcasing the impact of high performing teams to business results. This begins with onboarding talents who are great at building relationships, connecting individuals and moving them towards a shared goal. Meanwhile, DAVI's existing talent base will undergo learning activities designed to develop skills in building high performance culture including productivity and digital transformation tools.

DHL

in partnership with

JG SUMMIT HOLDINGS, INC.

Conducted its first Employee Opinion Survey and garnered a high 83% engagement rate, not to mention a 100% response rate within the first 10 days of the survey run.

83% Engagement Rate

100% Response Rate

within the first 10 days of the survey run

Ensured every employee took part in certified programs such as the Certified Supply Chain Specialist Foundation.

Integrated a performance hub where employees can monitor their personal and career goals, achievements, as well as keep track of their work performance through MyTalentWorld, an online portal for training and learning modules. This year, the group added the SAFE BASICS training module aimed at ensuring security awareness among employees.

Digital Transformation and Customer Centricity

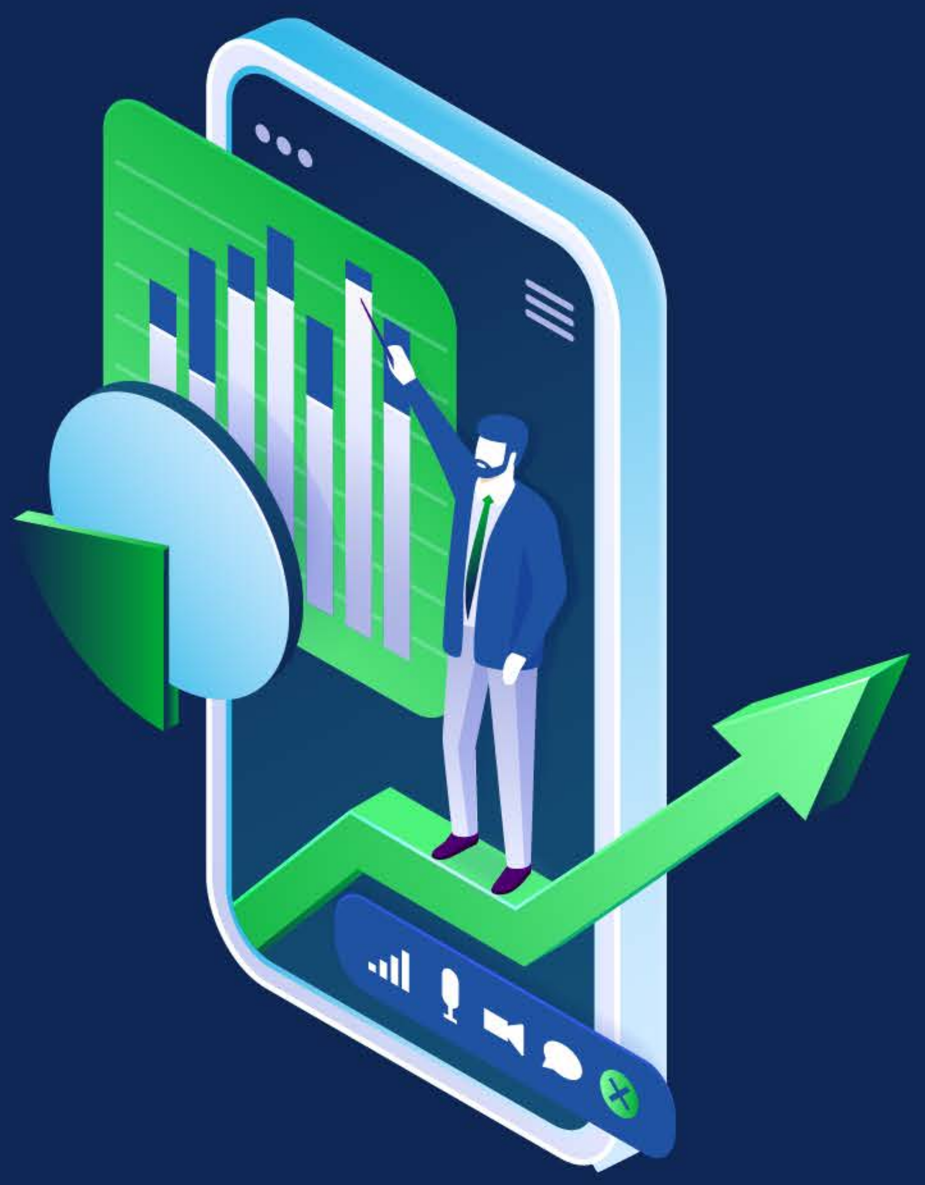
JG Summit harnessed new technologies and ways of working to maximize core growth, and enhance both customer experience and employee experience. These new ways of working tapped into the power of agile project management, data drivenness, and human-centered design.

Digital Transformation Office Initiatives

We generated business value from digitally-enabled projects and operational processes of corporate center units.

- Project Judith, the cross-functional task force formed by JGS Corporate Procurement in 2019 to solve payment-on-time issues, is reaping the impact of initiatives driven by design thinking and being agile.
  - These new ways of working promoted transparency and cross-functional collaboration in the URC plants, and improved URC plants' ratings on business and customer metrics.

- The JGS Digital Transformation Office (DTO) supported JGS Corporate Human Resources in the operationalization of data and predictive models to understand employee lifecycle and deliver better employee experience.
  - JGS DTO's support to the supplier experience and employee experience initiatives of the conglomerate trained both project teams that technology is not the sole lever for digital transformation, and that people and process transformation are equally important.



We collaborated with strategic business units to address major pain points and generate business value.

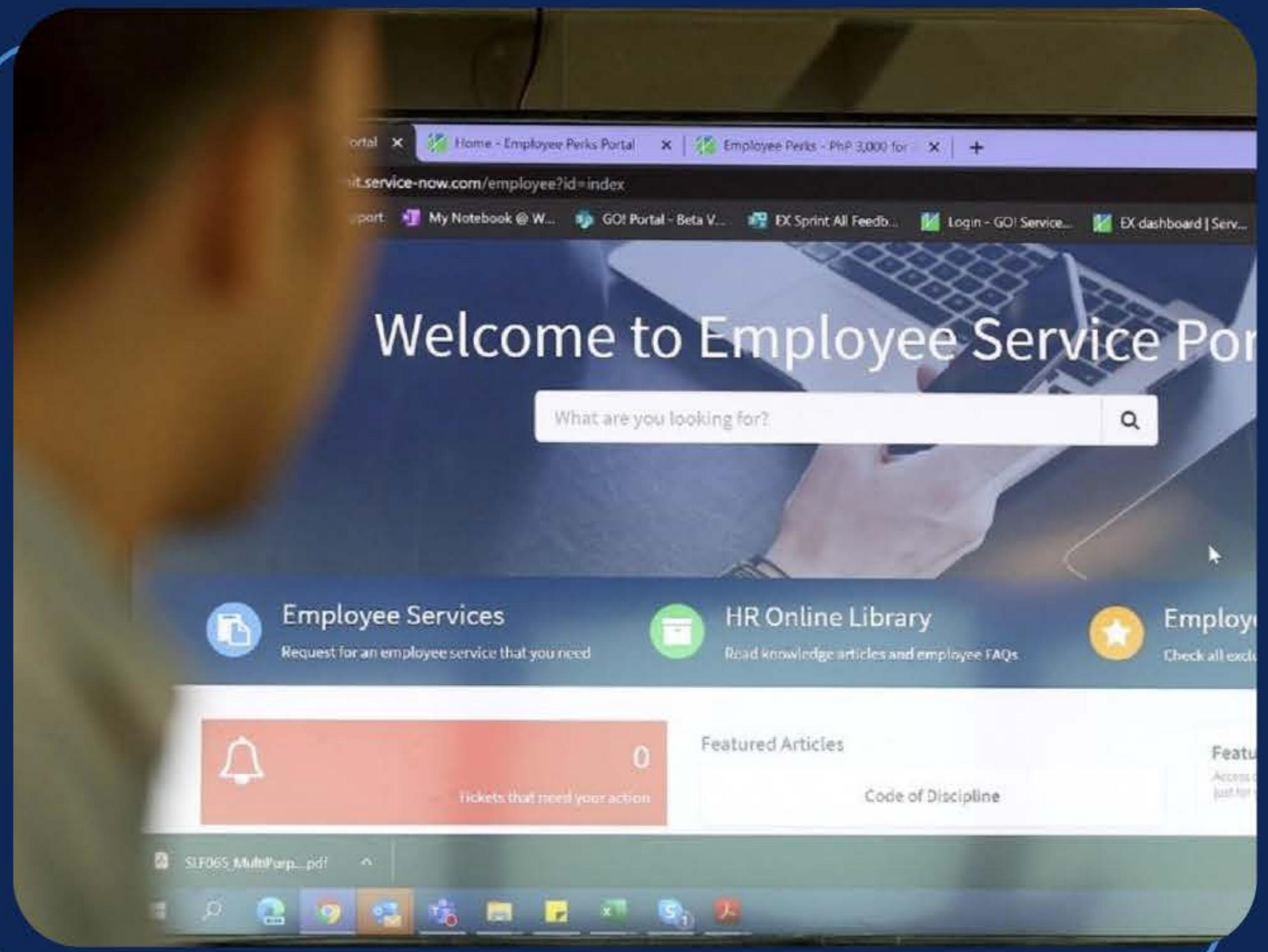
- The JGS DTO worked with Robinsons Bank in establishing an experimentation process in order to grow its RBank Digital (mobile banking app) user base. The experiments involved constantly looking at data and getting insights, designing tests to validate experiments, and analyzing the results in an iterative cycle.
  - These led to an increase in the app's monthly active users, installs, and successful registrations.
- Operational dashboards for Universal Robina Corporation (URC) provided a single source of truth to aid in decision making.
  - There was parallel culture building as JGS DTO resources were embedded in these strategic business units' project teams. This resulted in data-driven design decisions and fast, frequent delivery of value to customers.

We developed digital fluency and competency in the conglomerate.

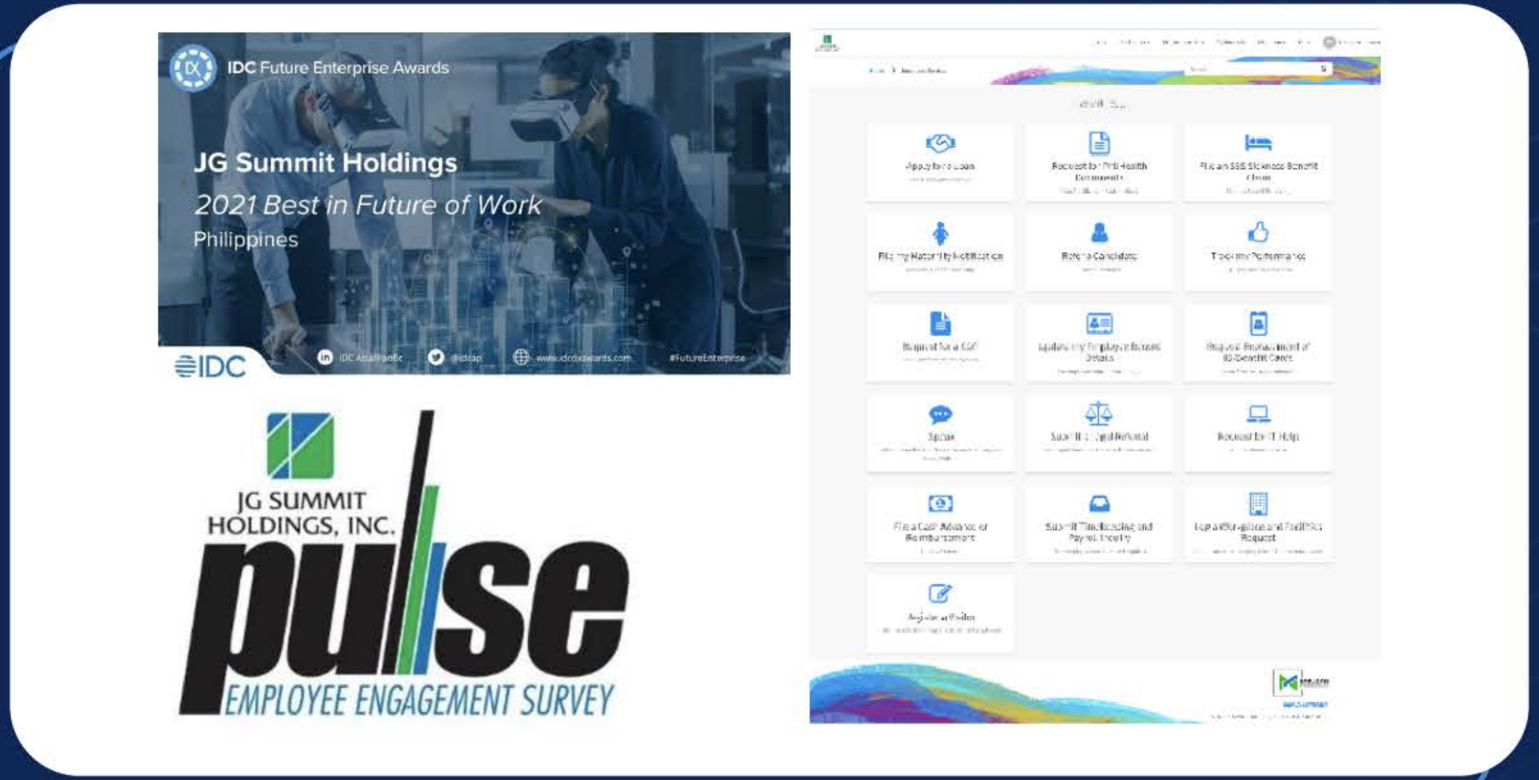
- JGS DTO's formal curriculum allowed the conglomerate's digital practitioners to be trained on specific skills, while informal learning sessions exposed non-practitioners to general industry trends.
- JGS DTO led Unbox Extra: the Gokongwei Group Innovation Festival. More than 5,000 employees and partners across the Gokongwei Group participated in the day-long virtual event. The event featured 30 speakers from 4 continents representing start-ups, corporates, consultants, the academe, and the Gokongwei Group itself.
- JGS DTO supported JGS Corporate Human Resources in the design and delivery of targeted and bespoke individual learning journeys for the conglomerate's Executive Development Program. The program focused on leadership competencies and digital awareness to constantly retool and future-proof the organization.
  - To measure outcome and impact attributable to the learning initiatives, JGS DTO closely partnered with strategic business units to measure learners' sustained behavior change and improvement of business results.

Technology Adoption

- Completed the migration to a full Hybrid Cloud setup of all JG Summit Infrastructure and Network solutions. This was done in partnership with Infosys, Microsoft Azure and PLDT Vitro.
- Fully adopted “Service Now Workflow” systems to enhance Employee Experience.
- Achieved a seamless work-from-home setup through the use of Microsoft 0365 Productivity and Collaboration tools and Security Systems.
- Rolled out a UI Path Robotics Process Automation solution across Aspen Shared Services and RRHI.
- Used the Mulesoft Application Programming Interface (API) to drive a more effective and efficient integration for internal and external customers.

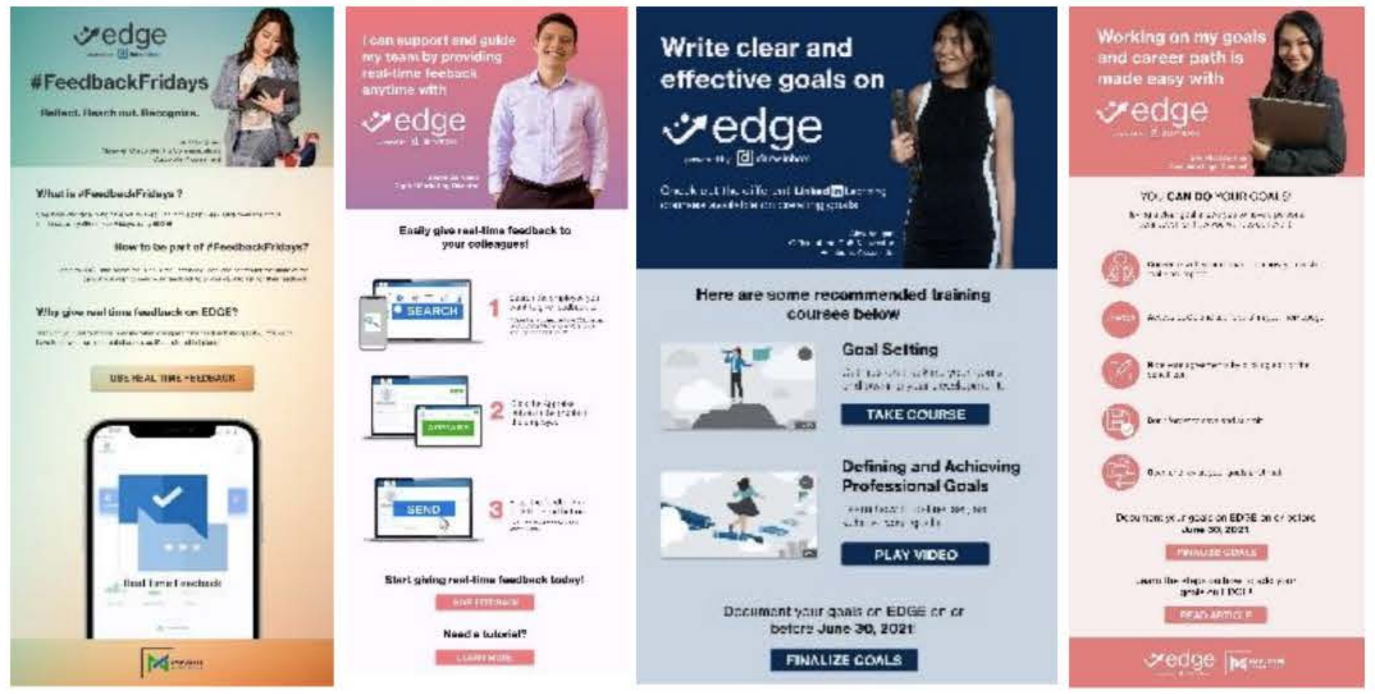


Employee Experience Initiatives



JG Summit recognized as the Best in Future of Work

- On October 7, 2021, JG Summit was recognized during the IDC ASEAN DX (Digital Transformation) Summit. The IDC Future Enterprise Awards are presented by International Data Corporation, a global market intelligence and advisory services provider.
- Employee Listening was supercharged via online means. Using Qualtrics, we have digitized how we pulse our employees and analyze quickly to turn insight to action, addressing service requests or information needs of our workforce. We also have the capability of benchmarking our results against global, country and industry standards. In our annual Employee Engagement Survey, the Group got an Employee Engagement Index of 81%, faring higher than the global average.



Equipping our Employees in their Growth and Development powered by Digital Tools

- We launched an online platform called "Employee Development, Growth, and Engagement" or "EDGE" powered by Darwinbox. This provides more streamlined experiences in Recruitment, Performance Management, and Career Development for our employees, and makes it all available at their fingertips.
- This is also pivotal in making our candidate experience be more seamless and hassle-free via our Recruitment process, and makes the onboarding process easier and fulfilling for new hires.

Embraced Remote Ways of Working to sustain our People Programs

- We adapted to remain connected with each other through localized and group-wide initiatives on Leadership Communication, Online Socialization, and Recognition.

Virtual Communication

Online Socialization

Recognition & Encouragement

COVID PROTECT
GOKONGWEI GROUP VACCINATION PROGRAM

COVID Protect – Gokongwei Group Vaccination Program

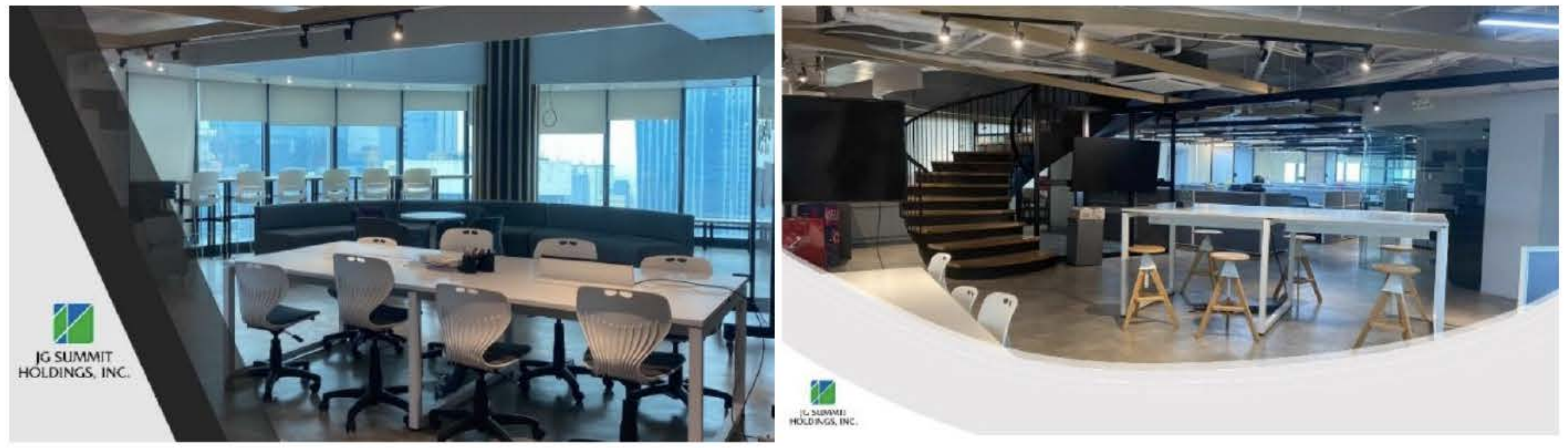
- Health & well-being remains a priority for us. We provided employees with a Telemedicine service called Telehealth at the Gokongwei Group. This program lets employees easily contact medical professionals for COVID and non-COVID related illnesses for them to get proper medical advice and e-prescriptions. In 2021, there were a total of 10,966 consultations by our employees.

- We also provided our employees and their dependents access to vaccines through "COVID Protect – Gokongwei Group Vaccination Program." In 2021, we achieved 95% vaccination rate, both for our organic employees and third-party workers.

- We also established 57 partner hospitals for our employees to have a direct link for special access on hospital admissions in the event that hospitalization due to COVID is necessary

Improved Work Spaces to support Collaboration

- We continued to improve our office workspaces to foster multi-functional collaboration, sustain employee productivity, and encourage agile and design-oriented thinking.



Digitally enabled distributors via tools that URC has provided to help them grow their customer base and manage their business:

Distributor Management System
for inventory management

Sales Force Automation
for order management

Social Commerce Chatbot
where the distributor customers can order

Facebook Federated Pages
where URC helps manage communications for distributors

Enabled analytics via the Command Center dashboards and embarking on pilot projects for the Industrial Internet of Things.

Redesigned workplace for a hybrid model of working and investing in improving the network facilities of plants and offices.

Launched innovative digital transformation initiatives across divisions such as:

Mall Dash
A virtual mall that allows customers to order online from stores within a specific Robinsons Mall.

Partners' Portal
A web-based portal that enables tenant-partners to view their billing statements, make inquiries or requests.

Virtual Directory
A digital directory that provides tenant contact details, updated restaurant menus, latest promotions, new ways to shop, etc.

Online Portals
A digital platform for RLC Residences to improve interaction with external clients and promote convenience.

Improved Websites
Notable improvements to Summit & GO Hotels websites for a better user experience.

F&B Online Selling
Several online selling drives for accessible buying via popular online platforms.

- Built a data analytics ecosystem that includes all mall - customer touchpoints (web, social media, WIFI, security cameras, etc.) to extract richer shopper insights and improve delivery of customer experiences.
- Continued to promote contactless or cashless payment within RLC's malls.
- Implemented virtual turnovers of housing units where punchlisting and tours were conducted via video calls.
- Launched enhanced health and safety protocols in office buildings.
- Aims to populate Sierra Valley with interim commercial locators to attract and familiarize customers to the new township.

- Launched its Omni-channel experience (Omni-X) enabling a more seamless journey through enhanced platforms for digital booking, self-service experience processes, cashless payments options.
- Implemented contactless flight guidelines which include an overall digital boarding experience via online check-in, boarding pass scanning, and self-bag tagging.
- Expanded the capabilities of its social media chatbot, Charlie, who moved CEB to zero call center operations here in the Philippines.
- Building an Agility Platform that will enable CEB to integrate all its digital assets using an agile process that will drive reusability and efficiency.
- Optimizing its Loyalty Program with migration of GetGo Rewards to GoRewards.
- Improving its ancillary conversions through Ancillary Pricing Optimization, Re-packaged Seats and Value Added Services (Priority Boarding, Auto Check-in), and introducing Non-Flight Ancillary Partners (Hotels, Tours, Activities, Transfers, Test Options).
- Offering relevant and innovative seat sale instruments (Super Pass, App-only sale).

Focused on driving business growth and enabling continuous improvement through best-in-class digital systems and solutions supporting four key workstreams:

Maintenance and Operational Reliability

Manufacturing Efficiency and Process Controls

Business Process Improvements

Robust Online Systems and Infrastructure

- For the polymers business, a Diagnostic Business Model was adopted in 2021 towards deepening customers' trust and confidence in our products and business, through which the customer and the Sales and Market Development teams work together to achieve joint objectives and co-create value in the use of our products. This business model is adopted especially for the highly differentiated EVALENE® offerings and potential offerings wherein significant value is created through changes in formulations and structures.

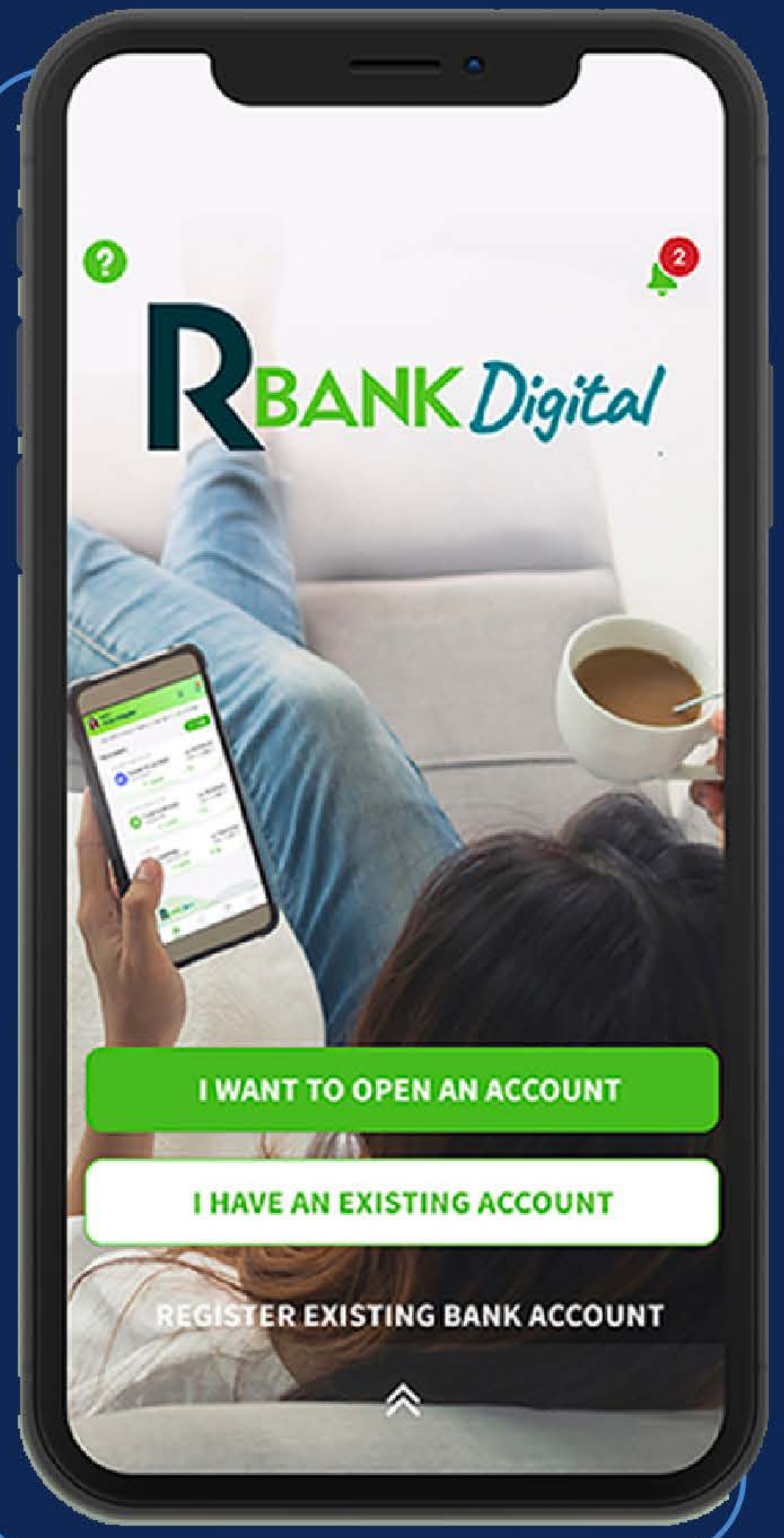
JGSOC's solutions are moving toward Higher Eco-Efficiency

- **Designing for circular economy**
- **Reduced material and/or energy per unit**
- **Incorporation of post-industrial recyclates and/or post-consumer recyclates**
- **Increased functional value per unit**
- **Reduced defect rates**
- **Longer product life**

ROBINSONSBANK
A Commercial Bank

- Introduced URC Sugar Planters Program which is a personalized debit card for URC's suppliers which serves as their ID and collection account.
- Acquired 40% of UNICON Insurance Brokers Corporation's outstanding stocks. This strategic partnership is designed to complete the Bank's suite of insurance products and services offered to valued clients. RBank will enhance digital play in insurance products to enable the customers to make purchases online.
- Launched RBank RRemit in the Bank's digital app, RDX. RBank RRemit allows RDX users to send remittance transactions online for payout at partner remittance agencies, including Cebuana Lhuillier. As of end-2021, the Bank processed over 1,400 RRemit transactions.
- Introduced InstaBalé, an innovative financial product that allows eligible employees to make cash advances on their upcoming salary credits via RDX. By end-2021, this product had more than 120,000 transactions reaching more than PHP420.0 million in total availments.
- Implemented the use of digital CIAR or Customer Information Authorization Record for account opening of both Corporate and Retail accounts. The digital forms are available for download on the RBank website for the convenience of the customers. This initiative resulted in savings on costs, reduced inventory space of pre-printed supplies in the branches, and improved customer experience.
- Launched Supply Chain Financing which aims to provide immediate funds to the supplier by saying goodbye to payment terms and getting paid ahead through an approved invoice.
- Opened its first Regional Business Banking Center (RBBC) in Cebu last November. Considered as a "showcase branch" or "one-stop shop" for RBank's diversified products and services, the RBBC aims to make banking solutions more accessible to the public.

RBank Digital App's New Products, Services, and Features In 2021



- QR interoperability for InstaPay outgoing and incoming through QR (Generator for P2P transfers, QR Reader for P2M transactions)
- RRemit (Remittance to Cebuana Lhuillier)
- RRewards (Robinsons Rewards Redemption)
- InstaBalé (Payroll Loans)
- Account opening in RBank Digital, a capability for existing customers to open a deposit account in RDX without having to go to the branch or submit documentation
- e-Gov, to make payments to government merchants
- Fund transfer via email or mobile number
- Mobile Security Token, an additional security layer (6-digit number) for sensitive transactions
- Credit card only customers can now enroll in RBank Digital

- Strengthened cybersecurity and communications.
- Improved business processes by embracing new contactless technologies.
- Updated Standard Operating Procedures to conform with new normal trends, and leveraging digitalization to improve processes and ease of doing business.
- Adopted contactless and seamless airport processes for customers.
- Increased online presence and engagement to ensure customer communication whether through direct messaging or social media publications.

- Continued to help drive the digital transformation of the conglomerate by investing in start-ups with strong strategic relevance to the group. This includes investments in newer sectors and technologies which have the potential to disrupt key group businesses in the future.

- To promote ecosystem collaboration, JGDEV will look to regularly engage key Group SBUs in order to understand potential pain points, while also establishing a more high-touch approach with key start-ups to closely monitor the status of ongoing projects with the Group.

DAVI

- As part of the value creation agenda, DAVI will provide access to a variety of dashboards designed to enable real-time performance monitoring, fast and informed decision-making and accelerate action on moving priorities.

DHL

in partnership with

JG SUMMIT
HOLDINGS, INC.

- Committed to delivering operational excellence to all our customers and third-party providers.

- Committed to making the roads safer for our employees, customers and the local communities we work in. DSSI will continue our regular education campaigns on defensive driving and safe practices for our third-party providers.

- Maximizing its operations' performance potential and creating an engaging and safe workplace, DSSI's Operations Management System, together with its First Choice way of life (OMS First Choice) is the company's operating system aimed at creating a performance management culture.

Sustainability

Enterprise Risk Management (ERM)

Our Risk Management Process

Amid the continuing pandemic, the looming climate crisis, and the fast-changing needs of our stakeholders, we at JGS acknowledge that viewing business risks and opportunities that includes the context of sustainable development challenges and megatrends is the way to remain responsive, risk intelligent, relevant, and successful. In 2021, we improved our Enterprise Risk Management process to better capture sustainability risk drivers and megatrends and ensure our business strategy is responsive to these factors.

As a group, we employed a bottom-up approach involving various functional units of our operating companies — Airline, Food Manufacturing, Real Estate, Bank, and Petrochemicals — to identify, assess, prioritize, and build risk responses. Top risks identified at the functional unit's level were rolled-up to the enterprise level of our operating companies, and then to the JGS Group enterprise.

Aware of our volatile, uncertain, complex, and ambiguous (VUCA) business environment, we put emphasis on critical, emerging, and systemic risks and drivers, including ESG risks and megatrends, to ensure that we manage them well and protect the interest of our stakeholders.

Risk Identification

Articulating our Business Drivers and Objectives

This initial step enabled our teams to identify key business drivers that influence our operability and performance. These include human capital, competitive advantage, and innovation processes, among others. Each business driver is assigned strategic and operational objectives which are owned by risk champions and risk owners from various functional units of our operating companies.

Understanding our Risks using Risk Identification Tools

Each risk champion and owner conducted their risk identification process using different tools such as risk factor analysis, megatrends analysis, and systems dynamics analysis. This enabled them to determine the factors that could prevent delivery of their unit's business objectives.

- Risk Factor Analysis. This involves identifying risk factors that are critical to the delivery of specific objectives and defining scenarios where these factors were compromised in the past or could be compromised in the future. This thought process made certain market and operational risks apparent to the teams.
- Megatrend Analysis. This process allowed us to have a better understanding of emerging risks that could change our business environment and competitive landscape. This covered sustainability-related megatrends, such as changes in market expectations due to climate change and nature loss. This enabled us to better capture ESG risks.
- Systems Dynamics Analysis. Some risks and risk drivers are systemic in nature. They may not be apparent using direct risk identification approaches and are better understood using a systems lens to uncover seemingly unrelated and indirect factors that affect our business performance. The issues we tackled included ESG factors, such as structural inequality that could influence the overall size of our markets.

Building our Risk Registry

Risks and risk drivers identified by our risk champions and risk owners were summarized, compiled, and documented to comprise our Risk Registry.

Risks Assessment

With the long list of risks identified in the foregoing step, our goal was to determine which of these risks, individually or as a risk system, can pose a significant impact in our ability to implement our strategies and deliver our business objectives.

Risk Categories

We grouped similar risks together into categories, as follows:

Strategic Risk
Concerns events that could affect the outcome of strategic decisions, such as mergers and acquisitions, key investments, resource allocations, and new business ventures.

Reputational Risk
Refers to anything that could impact the company's brand value, public perception, and stakeholder relationships.

Governance Risk
Pertains to risks related to implementation of and adherence to policies and procedures and ethical practices within the organization.

Emerging Risk
Refers to new or developing risks that the company has little to no experience in, such as climate change, biodiversity loss, and pandemics.

Operational Risk
Relates to factors that could potentially disrupt routine business activities or impair property, infrastructure, and security.

IT and Digitalization Risk
Risk of business disruption which may be caused by hardware or software failure, cyberattacks, unauthorized access to company information, and the like, or lost opportunities associated with lack of innovation or investments in technology.

People Risk
Refers to factors and events that could compromise the wellbeing, productivity, and performance of our employees.

Financial Risk
Refers to matters that could affect the financial position or performance of the company such as credit, liquidity, and foreign currency risks.

Legal and Compliance Risk
Includes risks related to compliance to rules and regulations, adaption to changing political landscapes and new government pronouncements, as well as exposures that could arise from contractual obligations, anti-competition and monopolization concerns, and legal disputes against the company.

For each risk category, we developed impact parameters that clearly define what is considered insignificant, minor, moderate, major, or extreme impact to our business. Likewise, we set the likelihood parameters defining whether the chance of occurrence is rare, unlikely, probable, likely, or almost certain. Each operating company developed their own risk assessment scale depending on their context and risk appetite. In doing so, we made our risk rating process easier, standardized and more objective.

Risk severity is assigned a rating of either very low, low, medium, high, or very high depending on their impact and likelihood scores. In assessing risks, we rated the severity of impact based on their nature, regardless of our organization's circumstances and capability to manage them.

Those risks rated medium to very high in severity were considered in the prioritization process.

Risk Prioritization

This process enabled us to focus our implementation of risk responses into certain high and medium severity risks based on our organization's risk profile, vulnerability, and contribution. We also considered the urgency to address the risks.

Risk Profile

We considered our current risk profile, whether we are about to breach our risk appetite, or we are still well within our risk target. Priority for response action is given to high severity risks that are close to appetite breach.

Vulnerability

We prioritized risks based on our preparedness to manage them should they materialize. We focus on strengthening risk responses that we are still not equipped enough to handle.

Contribution

We examined our level of contribution to aggravating certain risks. This is particularly relevant to ESG risks like climate change impacts which we also contribute to. We take on these risks as our responsibility too.

Urgency of Response

Given our finite resources, we considered prioritizing our actions based on the urgency of the risks. To do this, we looked at two factors – velocity and mitigation timeframe. Velocity refers to how quickly we will feel the impact of the risks when they materialize, while mitigation timeframe refers to the length of time that we need to manage these risks. High velocity risks need to be acted upon immediately. However, we also prioritize acting on low velocity risks that require a longer timeframe to manage. For example, impacts of sea level rise because of climate change may not be felt as quickly as an extreme weather event, but we act on them today because it takes more than a decade to decarbonize and improve our resilience to better manage this risk.

Risk Response, Monitoring, and Evaluation

We ensured that appropriate risk responses are in place for each priority risk, both at the level of the risk champions and risk owners and at the enterprise level of our operating companies. Risk responses have also been put in place at the parent level, specifically those that are common to most of our businesses.

Risk champions are tasked to continually monitor and evaluate the effectiveness of the risk responses. Material residual risks are assessed properly for improvement of risk response and identification of recovery measures.

Given the dynamic nature of risks, the entire risk management process is iterated and reviewed at the functional, corporate, and group-wide levels.

Risk Governance

Engaging and building the capacity of personnel in key risk functions is crucial in maintaining strong Enterprise Risk Management and Governance. In 2021, JGSHI identified key risk owners and risks in each operating company and the Corporate Center Unit and provided them with the needed tools to conduct more comprehensive risk identification, assessment, and prioritization.

This enhanced their competency to ensure that sustainability and emerging risks within their control are captured and managed well. Top risks for each functional unit were rolled up to the enterprise level of each operating company and further elevated toJGS's level.

These processes form part of JGS Group's risk management and governance policy.

ERM Structure, Roles and Responsibilities

The following structure represents the line of responsibility of key functions that ensure the management of all risks that are material to the company.

The responsibilities of the Board, the Management, and other critical functions in our ERM process are specified below.

Board of Directors

- 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

Audit, Related Party Transactions and Risk Oversight Committee (AURROC)

- Oversee the establishment of the ERM framework and provide oversight over the company's risk management policies and procedures to anticipate, minimize, control, or manage risks or possible threats to its operational and financial viability
- Oversee the development and implementation of a formal ERM Plan and evaluate the ERM Plan to ensure its continued relevance, comprehensiveness, and effectiveness
- Review the corporation's risk appetite levels and risk tolerance limits based on changes and developments in the business, the regulatory framework, the external economic and business environment, and occurrence of major events that may have a major impact on the company
- Report to the Board on a regular basis, or as deemed necessary, the Company's risk, material risk exposures, the actions taken to reduce the risks, and recommend appetite levels, risk tolerance limits, further action, or plans, as necessary

Chief Risk Officer

- Lead the Enterprise Risk Management process that will ensure a sound ERM framework is in place to effectively identify, monitor, assess, and manage key business risks
- Spearhead the development, implementation, maintenance, and continuous improvement of ERM processes and documentation
- Communicate and report significant risk exposures, control issues, and risk mitigation plans to the AURROC

Risk Council

- Define the company's risk management strategies
- Identify and analyze key risk exposures in all areas, including those relating to Economic, Environmental, Social and Governance (EESG) factors and the achievement of the Corporation's strategic objectives
- Evaluate and categorize each identified risk using the Company's predefined risk categories and parameters
- Assess the probability of each identified risk becoming a reality and estimate its possible significant financial impact and likelihood of occurrence
- Establish a risk register with clearly defined, prioritized, and residual risks
- Develop risk mitigation plans for the most important risks to the Company, as defined by the risk management strategy
- Initiate a dialogue and provide a forum for members from across the enterprise to openly discuss risks
- Monitor the risks as well as the effectiveness of response plans and provide feedback to the risk owners

Business Unit Risk Champions and Risk Owners

Risk Champions

- Composed of heads of each functional or business unit, who are responsible for setting and implementing controls of risks relevant to their department's function
- Regularly review, monitor, and update the risk register and ensure that newly emerging risks are identified, assessed, and prioritized
- Act as the ERM subject matter experts on specific risk categories and collaborate with other risk champions to better understand risk interaction across departments
- Recommend risk appetite for consideration by ERM Team, Risk Council, and CRO
- Ensure effective execution and continuous improvement of the ERM process in their respective business functions

Risk Owners

- Directly accountable and responsible for the identification and management of assigned risks
- Work with risk champions to determine best approaches to managing the risks, evaluate the effectiveness of response, and track and report residual risks, recommend further risk treatment to risk champion and the ERM Team

Internal Audit

- Provide independent assessments to the AURROC, Management, and outside parties on the adequacy and effectiveness of governance, risk management, and control processes for the Company
- Evaluate whether risks relating to the achievement of the company's strategic objectives are appropriately identified and managed
- Periodically review and present to the AURROC the significant risk exposures and control issues, including fraud risks, governance issues, and other matters requiring the attention of, or requested by the Board Committees
- Review any response to risk by management that may be unacceptable to the Company

JGS Group Top Risks Summary

Strategic

- Meeting customer needs
- Performance of new businesses
- Portfolio management
- Group synergy

Reputational

- Corporate image and third-party ratings

Governance

- Compliance with company policies

Emerging

- Climate risk response
- Regulatory changes due to climate risks
- Geopolitical tensions

Operational

- Equipment and process management
- Product quality
- Supply chain disruptions
- Geohazards and disruptive weather events

IT and Digitalization

- Cybersecurity
- Technological resources
- Technology change management

People

- Talent recruitment and retention
- Employee change management
- Occupational health and safety

Financial

- Volatility in input costs
- Protracted economic recovery
- Foreign exchange regulation

Legal and Compliance

- Changing regulatory environment
- Variance in tax law interpretation
- Potential legal disputes
- Post-election transition risks

Strategic Risks

Definition

Concerns events that could affect the outcome of strategic decisions, such as mergers and acquisitions, key investments, resource allocations, and new business ventures

Risks

- Unmet customer needs or expectations
- Performance of new businesses
- Portfolio management
- JGS Group synergy

Implications to JGS Group

- Ability to foresee arising customer needs and expectations will retain and attract new business relationships
- New businesses are expected to meet identified business metrics and key performance indicators
- Risk and return objectives may not be realized if portfolio mix or strategy are not optimal
- Synergy among the JGS Group businesses relies on the alignment of objectives, stakeholder buy-in, internal process effectiveness, and anticipation of external issues

Risk Treatment

- Conduct sector analysis in relation to customer trends, and gather customer insights through engagement
- Incorporate risk management in implementing the OGSM process
- Maintain a diversified portfolio along with adequate investments in fixed income instruments and high dividend paying equity investment
- Review of portfolio strategy, ecosystem synergies, OGSM process implementation, and internal alignment among groups

Reputational Risks

Definition

Refers to anything that could impact the company's brand value, public perception or stakeholder relationships

Risks

- Corporate image and third-party ratings

Implications to JGS Group

- Third-party views and ratings of the JGS Group may affect external stakeholders' views of the group
- The JGS Group, being one of the largest conglomerates, may always be subject to close scrutiny by various stakeholders

Risk Treatment

- Active scanning of mainstream and social media outlets and monitoring of the business positioning in the market and external reputation
- Consistent engagement with the capital markets and investors, including effective communication of sustainability plans, initiatives, and practices to investors and the general public

Governance Risks

Definition

Pertains to risks related to the implementation of and adherence to policies and procedures and ethical practice within the organization

Risks

- Compliance with company policies and processes

Implications to JGS Group

- Unintended breaches to company policies and ethical standards may result to significant financial losses, operational inefficiencies, loss of stakeholder trust or reputational damage

Risk Treatment

- Strengthen process and internal control measures and functions (capability building, self-assessment tools)
- Effective risk assessment and audit planning methodologies
- Reinforcement of good corporate governance practices and training on code of business conduct and ethics

Emerging Risks

Definition

Refers to new or developing risks that the company has little to no experience in, such as climate change, biodiversity loss, and pandemics

Risks

- Necessity of mitigation plans for sustainability and climate change-related risks
- Regulatory changes due to climate risks
- Geopolitical tensions

Implications to JGS Group

- Sustainability and climate change-related risks, such as more extreme weather events, may hamper company operations
- Regulatory changes due to sustainability and climate change concerns, such as carbon pricing, emissions caps, and extended producer responsibility, may affect company operations through increased costs of compliance
- Rising tensions can affect global commerce and security and may cause supply chain bottlenecks, inflationary impact for key commodities and diminished appetite for making strategic transactions

Risk Treatment

- Develop Group-wide action plans for identified sustainability and climate change risks in partnership with the SBUs and CCUs
- Monitor new legislative proposals and regulatory trends and identify potential effects on operations
- Future-proof holdings by setting sustainability and climate-related targets that meet or exceed potential regulatory requirements
- Incorporate geopolitical risk analysis and strategic foresight planning in market and transaction evaluation and formulate possible contingencies to supply chain disruptions

Operational Risks

Definition

Relates to factors that could potentially disrupt routine business activities or impair property, infrastructure, and security

Risks

- Equipment and process management
- Product quality issues
- Supply chain disruptions
- Geohazards and experienced weather events

Implications to JGS Group

- Unforeseen equipment failures can cause disruption in operations and may impact worker safety
- The quality of our products influences our relationship with our customers and their perception of the company
- Our petrochemicals and food manufacturing businesses may be affected by supply interruptions, which may be due to geopolitical issues, natural disasters, and supplier locations or due to extended effects of COVID-19, higher operating costs, and drop in consumer spending
- Disaster preparedness is crucial in reducing the risks of geohazards and extreme weather events that may impact physical assets, operations, and personnel

Risk Treatment

- Ensure proper operations management systems are in place
- Employ quality management systems to ensure product quality is according to standards
- Maintenance of sufficient inventory, documentation of supplier contracts, and local/diversified sourcing of raw materials
- Crisis management plans and business continuity plans that are reviewed and tested periodically
- Continual review of Insurance policies to ensure adequacy of coverage for facilities, assets, and people

IT and Digitalization Risk

Definition

Risk of business disruption which may be caused by hardware or software failure, cyberattacks, unauthorized access to company information, and the like, or lost opportunities associated with lack of innovation or investments in technology

Risks

- Cybersecurity
- Upgrade of technological resources
- Technology change management

Implications to JGS Group

- JGS Group actively works to prevent unauthorized data access and uphold data confidentiality, integrity, and reliability
- Growth is fueled by the availability of technological resources, including people, processes, data, software, and other tools
- Employee agility and the ability to adapt to new ways of working is a key driver of JGS Group's digital growth

Risk Treatment

- Strengthen the security posture of JGS using pragmatic and holistic solutions, including active application of protective and preventive controls, continuous monitoring of the enterprise computing landscape, timely and accurate alerting, threat identification and analysis; implementation of carefully laid-out incident response and recovery activities
- Continuous training on cybersecurity and data privacy
- Use of group ecosystem, resources, and partners to implement key activities
- External benchmarking for best practices and business tools
- Organizational design and sustainability planning to ensure continuity

People Risks

Definition

Refers to factors and events that could compromise the wellbeing, productivity, and performance of our employees

Risks

- Talent recruitment and retention
- Employee change management
- Occupational Health and Safety (OHS) implementation

Implications to JGS Group

- JGS Group competes in the job market for digital talent and retaining the current employee pool
- Employee acceptance and buy-in are necessary for proposed organizational changes
- The correct and consistent implementation of OHS protocols is necessary to ensure employee safety

Risk Treatment

- Upgrade talent acquisition strategies and standardize screening process
- Implementation of HR programs for employees' personal and professional growth and development, including cross-posting and internal movements within the JGS ecosystem
- Utilization of data insights and advanced analytics and wages and benefits benchmarking
- Proper communication and engagement with employees in relation to policies and proposed company changes that may affect them
- Training on health and safety, including webinars on OHS and emergency drills practice
- Implementation of OHS Policy, and employment of OHS Officers at the BU level
- Comprehensive health and life insurance coverage for employees

Financial Risks

Definition

Risks that could affect the financial position or performance of the company such as credit, liquidity, and foreign currency risks

Risks

- Volatility in prices of input costs (e.g. fuel, agricultural goods) needed by the businesses
- Protracted economic recovery from COVID-induced recession
- Foreign exchange regulation

Implications to JGS Group

- Majority of our businesses use input commodities (e.g. fuel, agricultural goods), which may vary in price and so affect profit margins
- Our aviation and real estate operations are heavily affected by COVID-induced economic recession
- The government or central bank regulates foreign exchange inflows and/or outflows restricting liquidity

Risk Treatment

- Cost savings initiatives for products, packaging and raw materials, contract-buying/hedging, diversification of suppliers, and local sourcing
- Streamline business operations and prudent management of liquidity, manage operational costs, and capital expenditures
- Support the country's pandemic response and reopening of the economy by assisting in the procurement, distribution, and administration of vaccines
- Maintenance of foreign currency-denominated financial assets offshore
- Strengthen relationships with foreign banks to facilitate offshore borrowing

Legal and Compliance Risks

Definition

Risks related to compliance with rules and regulations, adaption to changing political landscapes and new government pronouncements, as well as exposures that could arise from contractual obligations, regulatory changes, and legal disputes

Risks

- Changing regulatory environment
- Potential legal disputes
- Variance in tax law interpretation
- Post-election transition risks

Implications to JGS Group

- Internal control failures that may result in non-compliance with regulations such as on environment, health and safety, tax and labor, may lead to penalties, disruption in operations, and reputational damage
- Prolonged legal proceedings or unfavorable outcomes may result in fines, sanctions, liabilities, or higher costs to the business, as well as reputational damage
- Differing interpretations of complex tax laws
- The elections require preparing for potential policy and regulatory changes
- JGS Group's diversified portfolio includes industries that are heavily regulated, such as aviation, petrochemicals, food manufacturing, and banking

Risk Treatment

- Ensure compliance with regulatory requirements through regular monitoring, auditing, and timely remediation when necessary
- JGS Group's Legal team coordinates with the SBU/CCU concerned on the potential issues and pursue all remedies available
- Engage third-party tax consultants as necessary
- Actively monitor post-election environment and identify early regulatory developments and emerging policy directions
- Continue working with government to ensure constant communication and appreciation of policy positions in full transparency

Sustainability at JGS

Our Sustainability Journey

It has been four years since we at JGS kickstarted our sustainability journey. Since then, we have created the JG Summit Sustainability Leads Council, integrated sustainability in our five-year business strategy, and began publishing our annual Sustainability Report.

Concurrently, our SBUs have also been working to institutionalize and implement sustainable practices in their respective industries and monitoring their performance against global standards. Through these efforts, we have appreciated how much impact we can make together as a group, but also realized how much we still can and need to do.

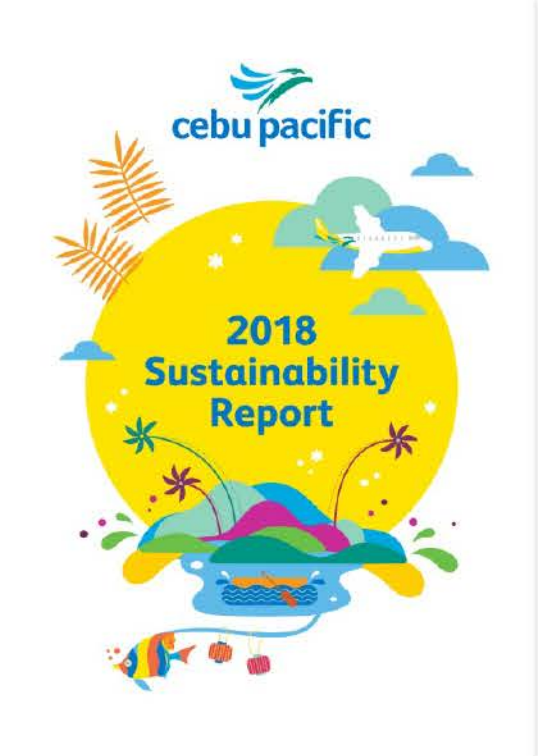
In 2021, we aimed our focus on climate action. True to our word, we have taken initial steps in adopting the recommendations of the Task Force for Climate-Related Financial Disclosures (TCFD) through enhancing our Enterprise Risk Management to include climate-related risks and solidifying our commitments for each of our Sustainability Focus Area.

Moving forward, we will set sustainability targets at group-wide level and SBU level. To complement this, we are also looking into accelerating our TCFD efforts through conducting climate scenario analysis.

2018

GRI Empowering Sustainable Decisions

2019



2020

2021

SCIENCE BASED TARGETS

2016

Universal Robina Corporation started incorporating sustainability practices into its business strategy.

2018

Appointed Lance Y. Gokongwei as President and CEO of JG Summit Holdings and announced Sustainability as a key enabler to the success of the business.

Designated the Corporate Affairs and Sustainability Group to lead the development of Sustainability Strategy together with subsidiaries and in tandem with the Corporate Investor Relations Group.

Created the JG Summit Sustainability Leads Linked Team to help the subsidiaries develop their Sustainability Agenda.

Universal Robina Corporation published its first sustainability report.

2019

Held a CEO Summit where each SBU created a five-year business strategy integrating sustainability processes.

Robinsons Land Corporation published its first sustainability report.

Cebu Pacific released its first sustainability report.

2020

Published the inaugural JG Summit Sustainability Report.

2021

Initiated our climate journey by integrating Sustainability Risk in our Enterprise Risk Management.

Built capability on Science-Based Targets through training and workshops.

Established Corporate Governance and Sustainability Committee at Board level.

2022

Adopt the recommendations by the Task Force for Climate-Related Financial Disclosures (TCFD).

Develop and set ESG targets at group-wide and SBU level.

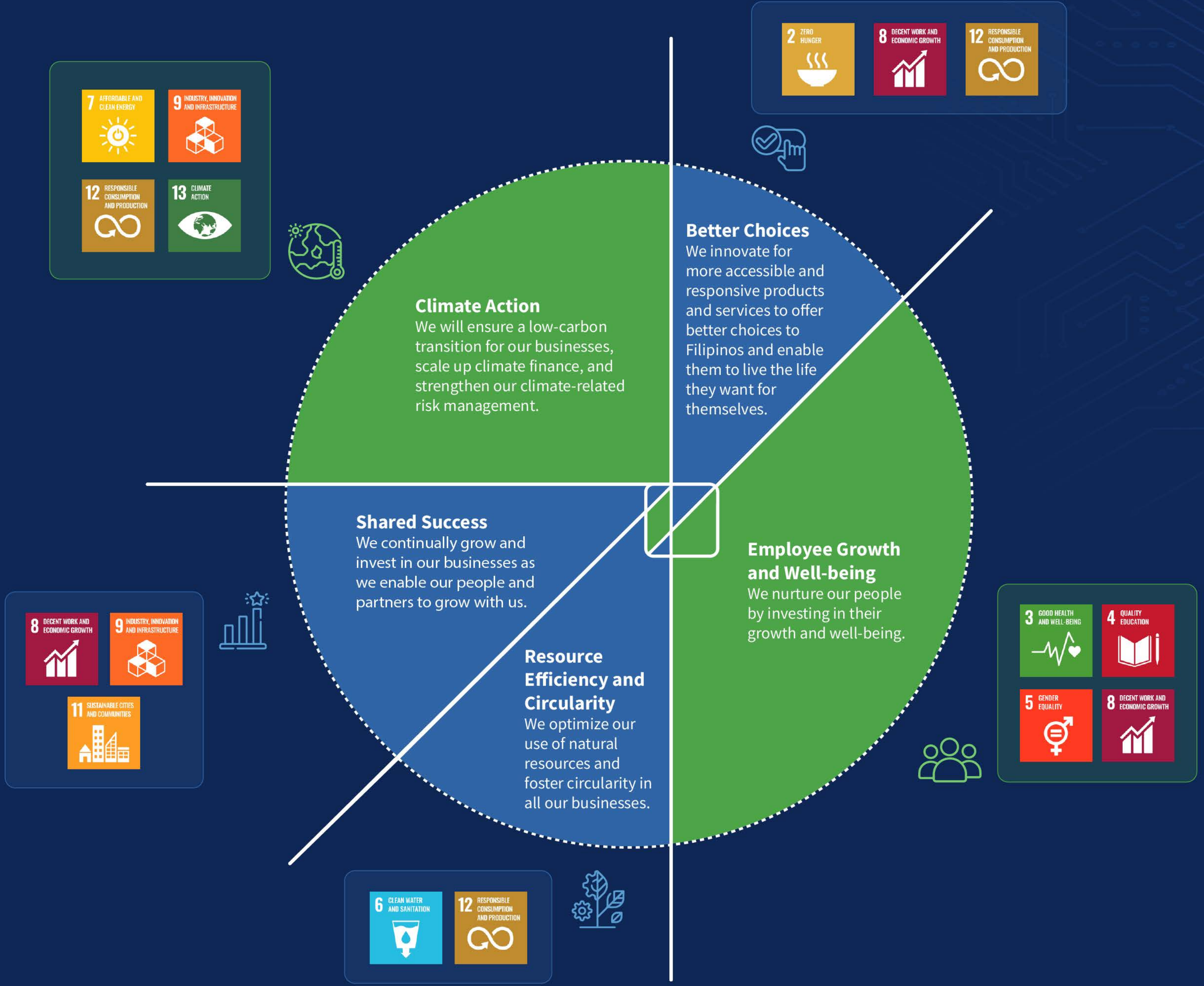
Continued Focus on Sustainability

Focus Areas and Key Actions

JGS's Sustainability Framework summarizes the group's five Sustainability Focus Areas, where we are best positioned to deliver meaningful contributions, address our most pressing societal and environmental issues, and ultimately uplift Filipino lives through generations.

This year, we strengthened our materiality by working with our respective businesses to define how they can most effectively contribute to the achievement of our group-wide ambitions. We did this by reviewing the materiality of each of our businesses and scanning which sustainable development issues they are best positioned to tackle while also generating business value. We then prioritized sustainability issues that (1) the businesses impact at a significant level, (2) present risks and opportunities to their objectives, (3) require solutions that are aligned to their strategy, and (4) are within their capability to deliver meaningful change. For each of those prioritized issues, we defined a set of actions that are most strategic for the SBUs to implement.

The strategic actions identified by each of our businesses were consolidated and aligned to the group's five focus areas. This allowed us to view our group in a holistic manner and discover opportunities for synergy among our businesses to multiply our impact and at the same time, maximize our use of limited resources. Our goal is collaborative action towards group-wide ambition.



Our Commitments

We declare our sustainability commitments for the coming years as follows:

Climate Action

We will ensure a low-carbon transition for our businesses, scale up climate finance, and strengthen our climate-related risk management.

- We invest in modernizing our airline fleet and fuels to the best available in the market.
- We focus on improving operational efficiency in our airline, food manufacturing, and petrochemical businesses.
- We create resilient and low-carbon spaces in our real estate business through land use planning and efficient building design.
- We supplement these initiatives by supporting other companies by financing climate-related projects through RBank.
- We will use science to better understand the physical and transition risks of future climate scenarios in all our investments.
- We will scale the use of renewable energy in all our businesses.

Resource Efficiency and Circularity

We optimize our use of natural resources and foster circularity in all our businesses.

- We continuously improve process efficiency in our resource-intensive business lines, so that we limit the use of scarce resources such as land, construction materials, and input commodities.
- We recover and divert waste from our operations, products, and services.

Employee Growth and Well-being

We nurture our people by investing in their growth and well-being.

- Our people are our greatest asset. We attract and retain the best people by establishing an engaging atmosphere and providing opportunities for professional growth.
- We look after the overall well-being of our employees, always ensuring their health and safety.

Shared Success

We continually grow and invest in new businesses as we enable our people and partners to grow with us.

- Our Partners
  - We provide equitable economic opportunities to our suppliers and service providers to help them remain profitable in times of uncertainty.
  - We will equip our suppliers and business partners with tools that will help them manage their ESG risks.
- Our Communities
  - We invest in community enterprise development, with the goal of local communities becoming our suppliers.
- Policies for Equitable Practice
  - We ensure the equitable flow of economic value to all our stakeholders through inclusive management and governance.

Better Choices

We innovate for more accessible and responsive products and services to offer better choices to Filipinos and enable them to live the life they want for themselves.

- Healthier Options
  - We provide consumers with high quality, healthy, and nutritious food choices.
- Green Buildings
  - Our new RLC Office Buildings in Metro Manila will be green certified.
- Affordable Flights
  - We ensure that every Juan can travel by providing affordable and accessible flight options.
- Inclusive Finance
  - Our banks provide financial services to rural areas and the unbanked.
- Innovative Petrochemical Products
  - We continuously innovate our petrochemical products and provide solutions to address clients' needs nd requirements.

JGS will disclose its sustainability targets in 2022.

2021 Sustainability Performance

JGS made large strides in its sustainability performance in 2021, launching new initiatives that improve the lives of Filipinos while further continuing and expanding ongoing programs. With our interests in various industries, we are also in the unique position and responsibility of greatly contributing to the UN Sustainable Development Goals through our wide range of products and services.

Climate Action

As a group, we have taken steps to manage our GHG emissions by sourcing renewable energy and investing in improving our operational efficiency. These programs have significantly reduced our group-wide emissions.

Php 148 Million

investment in RLC onsite solar panels

Php 2.34 Million

investment in sourcing 100% clean electricity

16 Airbus A330neo

units purchased

27.62 GWh

of on-site renewable energy

Approach	Activities and Projects	Outcomes	SDG
ROBINSONS LAND CORPORATION Reduction of property emissions	• Php 148 million investment in onsite solar panels in 2021; total of Php 1.6 billion since 2015 • Php 2.34 million investment as a form of deposit for a supply agreement with a Retail Electricity Supplier (RES) that supplies 100% renewable energy	• 2 malls with combined 3.27 MW capacity energized in 2021 (Robinsons Place Santiago and Butuan) • 24 malls with 30.70 MW capacity since 2015, providing 21% of these malls' total energy needs • Total of 18,887.47 tons of CO_2e avoided in 2021 for all malls	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 13 CLIMATE ACTION
cebu pacific Shifting towards a more modern and fuel-efficient fleet	• Purchase of 16 Airbus A330neo (New Engine Option) in 2021, with one aircraft delivered in November 2021 • Eco-friendly features of the A33neo include: 25% less fuel use versus previous generation aircraft, 60% less noise pollution, compliant with ICAO's CO2 emissions standards	• Information on actual fuel savings and GHG reduction will be available in 2022	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 13 CLIMATE ACTION

Approach	Activities and Projects	Outcomes	SDG
Universal Robina Reduction of overall emissions	• Sourced renewable energy for BCF Bagumbayan facility starting 2021 through an RES • Presence of onsite solar panels in BCF Canlubang and BCF Thailand. BCF Canlubang was energized in 2020, while BCF Thailand was partially energized in 2020 and completely energized in 2021 • Presence of onsite biogas plants in URC-AIG's chicken farm in Naic, Cavite (Robina Farms 23) and piggery in San Miguel, Bulacan (RF 12) since 2015	• Renewable energy comprised 37.9% of URC's total energy consumption 1,768.89 MWh of renewable energy supplied to BCF Bagumbayan facility in 2021 • 1,768.89 MWh of renewable energy supplied to BCF Bagumbayan facility in 2021 • 3,490.83 MWh of onsite solar energy generated and used at the BCF Canlubang and BCF Thailand facilities in 2021 • 241,966.11 MWh of onsite biogas energy generated and used at RF 23 and RF 12 in 2021	9 Industry, Innovation and Infrastructure 13 Climate Action

Case Studies: Climate Action

RLC & URC: Going for Renewable Energy

The climate crisis is an issue that literally hits close to home. Our country, the Philippines, is one of the most vulnerable to the effects of climate change. We have seen firsthand the devastation brought by recent typhoons to our communities. With this comes a looming threat that these natural calamities are only bound to get stronger and more frequent. That is if we do not act now.

We at JGS are steadfast in our commitment to climate action. Two of our units, RLC and URC, take the lead within the group with investments in renewable energy.

In 2021 alone, RLC installed solar panels to two of its malls. Since the start of this initiative in 2015, we now have a total of 24 solar-powered malls with a total capacity of 30.79 MW. Overall, 20.69% of these malls' electricity is obtained from solar energy, avoiding the release of 18,887.47 tons of CO_2e in 2021. Our investments for onsite solar panels for the malls have so far totaled to Php 1.6 billion.

RLC also supplies renewable energy to its properties through a Retail Electricity Supplier (RES). Robinsons Magnolia's new wing and Robinsons Offices' Giga Tower are both 100% powered by renewable energy through an RES.

In URC, 37.9% of its electricity needs are met by renewable energy. BCF Canlubang and BCF Thailand have onsite rooftop solar panels with combined 7 MW capacity, generating 3,490.83 MWh of electricity in 2021. The BCF Bagumbayan facility started purchasing renewable energy from an RES in 2021, consuming 1,768.89 MWh. URC also operates two biogas facilities – one in a chicken farm (Robina Farms 23) and one in a piggery (RF 12). Anaerobic digestion of the chicken and pig manure by microorganisms produces methane, which is then fed to generators. The 500 kVA and 270 kVA generators generated 241,966.11 MWh of electricity in 2021.

CEB: Shifting Towards a More Modern and Fuel-Efficient Fleet

CEB is constantly working to reduce carbon emissions and minimize the environmental impact of its operations. We expect improvements in CEB's emissions in the coming years because of its recent purchase of 16 Airbus A330neo (New Engine Option) aircraft. One unit already arrived in November 2021. The A330neo uses 25% less fuel than previous generation aircraft, consuming as little as 1.4 liters per seat per 100 kilometers, thus burning less fuel and emitting less carbon. The A330neo is the first aircraft in the world already certified to comply with ICAO's CO_2 emissions standards beyond 2028.

CEB also discloses its carbon emissions on a voluntary basis to the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) and through our sustainability reports. In addition, opportunities for voluntary carbon offsetting are also being explored to compensate for emissions not included in CORSIA.

We aim to further expand these efforts to demonstrate our commitment to climate action.

TCFD Framework

The TCFD Recommendations involve four thematic areas, which are Governance, Strategy, Risk Management, and Metrics and Targets. TCFD provided each thematic area with general guidance on what to disclose, along with more specific recommendations.

TCFD Thematic Areas and General Disclosure Guidance	Recommended Disclosures
Governance General Guidance Disclose the organization's governance around climate-related risks and opportunities.	**1. Describe the board's oversight of climate-related risks and opportunities.** • JGS' Audit, RPT and Risk Oversight Committee (AURROC) assume the following responsibilities in relation to its Enterprise Risk Management (ERM), which includes climate-related risk considerations: ○ Oversee the establishment of ERM framework and provide oversight over the company's risk management policies and procedures to anticipate, minimize, control, or manage risks or possible threats to its operational and financial viability ○ Review the corporation's risk appetite levels and risk tolerance limits based on changes and developments in the business, the regulatory framework, the external economic and business environment, and occurrence of major events that may have a major impact on the Company ○ Provide guidance and oversee policymaking on the Company's sustainability strategies, programs, initiatives, and reports ○ Ensure overall Company support and alignment with appropriate standards and best practices on economic, environmental, social and governance (EESG) and sustainable development **2. Describe management's role in assessing and managing climate-related risks and opportunities.**

TCFD Thematic Areas and General Disclosure Guidance	Recommended Disclosures
	• **JGS has an AURROC that has the following responsibilities:** ◦ Define the company's risk management strategies ◦ Identify and analyze key risk exposures in all areas, including those relating to EESG factors and the achievement of the Corporation's strategic objectives ◦ Develop risk mitigation plans for the most important risks to the Company, as defined by the risk management strategy ◦ Communicate and report significant risk exposures, control issues and risk mitigation plan to the Board *Please refer to JGS's Risk Governance for more information.*
Strategy General Guidance Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.	**1. Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.** • Through our ERM process, we have identified Emerging Risks related to climate and how these may impact our businesses. These risks include more frequent and more severe extreme weather events and sustainability and climate-related regulation, such as carbon pricing and emissions caps. We have identified risk treatments that will be implemented to mitigate these risks. **2. Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.** • We identified the following climate-related risk implications:

TCFD Thematic Areas and General Disclosure Guidance	Recommended Disclosures
	◦ Sustainability and climate risks, such as more extreme weather events, may hamper our operations and affect the company's infrastructure and physical assets. ◦ Regulatory changes due to the transition to the low carbon economy, such as carbon pricing, emissions caps, and extended producer responsibility, may affect company operations through increased costs of compliance. **3. Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.** • JGS plans to conduct climate scenario analysis to better understand our company's exposure to different risks under different climate futures. Analyzing these climate risks and impacts on our facilities will help inform our investments and actions.
Risk Management General Guidance Disclose how the organization identifies, assesses, and manages climate-related risks.	**1. Describe the organization's processes for identifying and assessing climate-related risks. Describe how this is integrated into the organization's overall risk management.** • JGS' process of identification and assessment of climate-related risks is embedded in our overall Enterprise Risk Management (ERM). • The ERM process involves the following steps: 1) Risk Identification, 2) Risk Assessment, 3) Risk Prioritization, 3) Risk Response, Monitoring, and Evaluation. **2. Describe the organization's processes for managing climate-related risks.** • Our management of climate-related risks which are under our emerging risk category include the following risk treatments:

TCFD Thematic Areas and General Disclosure Guidance	Recommended Disclosures
	○ Develop Group-wide action plans for identified sustainability and climate change risks in partnership with the SBUs and CCUs ○ Monitor new legislative proposals and regulatory trends and identify potential effects on operations ○ Consider the impact of potential sustainability and climate-related regulatory requirements on its plans ○ Future-proof holdings by setting sustainability and climate-related targets that meet or exceed potential regulatory requirements *Please refer to Page 75 for more information on JGS's Enterprise Risk Management Process.*
Metrics and Targets General Guidance Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.	**1. Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.** • We monitor how much GHG we are avoiding through our initiatives such as use of solar panels by our Malls, transition to more efficient air- conditioning units, purchase of fuel-efficient airplanes, among others. **2. Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.** • JGS discloses its Scope 1 and 2 emissions for its five main businesses: URC, RLC, CEB, RBank, and JGSOC. Scope 3 emissions are also disclosed for these businesses where available. • Please see Page 125 for our GHG emissions disclosures.

TCFD Thematic Areas and General Disclosure Guidance	Recommended Disclosures
	3. Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets. • CEB will operate with an all-Neo fleet by 2027. • JGS will disclose its sustainability targets in 2022. *Please refer to Page 94 for more information on JGS's Sustainability Framework and commitments under each focus area.*

Resource Efficiency and Circularity

We operate resource-intensive businesses such as food manufacturing, air transport, and petrochemicals. As such, we continue to find ways of optimizing and streamlining our operations.

20% Savings

in fuel versus current industry best practice

Php 935 Million

investment in process efficiency improvement in select RLC and URC facilities

13.5 Metric Tons

of paper saved through RBank digitalization initiatives

Approach	Activities and Projects	Outcomes	SDG
Universal Robina Reduce, Reuse, Recycle Water Program	• Reduction of water consumption through fixing leaks, replacing pipes with more durable materials like stainless steel, eliminating production wastage, improving the efficiency of its water treatment facilities, and using rainwater harvesting methods • Reuse of water when cleaning pallets, watering plants and flushing toilets Recycling of water meant for washing critical raw materials used in its products, such as unpeeled potato, as well as for its cooling towers	• Saved 11.5 million cubic meters of water from 2018 to 2021 and improved Water Use Ratio (WUR)[1] by 49%	6 CLEAN WATER AND SANITATION
Establishment of Project JAGUAR (Journey in Achieving Sustainability Goals through Utilities and Assets Renewal)	• Invested Php 868 million in improving major plant utility equipment such as boilers, air handling units, and compressors in 14 BCF Philippines plants	• Reduction in Energy Use Ratio (EUR)[2] by 6% versus 2018 baseline energy consumption	12 RESPONSIBLE CONSUMPTION AND PRODUCTION
cebu pacific Execution of fuel-efficiency programs	• Implemented continuous descent approach (CDA), alternate route fuel/distance reduction, and fuel landing savings in the last quarter of 2021	• At least 20% financial savings due to fuel initiatives in 2021 versus current industry best practice	12 RESPONSIBLE CONSUMPTION AND PRODUCTION

[1] Water Use Ratio (WUR) is the measurement of water consumption in relation to total products produced per category, covering all water sources of the company.

[2] Energy Use Ratio (EUR) is the measurement of energy consumption in relation to total products produced per category, covering all energy sources of the company.

Approach	Activities and Projects	Outcomes	SDG
JG SUMMIT OLEFINS CORPORATION Develop, improve, and optimize products that enable our customers to achieve eco-efficiency	• Offer highly differentiated EVALENE® products by changing formulations and structures to suit customer needs • Develop new high-performance products that enable customers to be more eco-efficient	• Developed Bimodal HDPE Film Grade and Medium Part HDPE Blow Molding Grade that allows for the addition of more post-consumer recycled material in carrier bags and reprocessed material in jerrycans and other blow-molded parts • Reduced materials consumption and/or energy per unit manufactured for several product types: ○ Reduced materials use in the manufacture of general purpose bags, vacuum bags, heavy duty resin bag, pouches, and heavy-duty films ○ Lower heat seal initiation temperature for Metallocene LLDPE Film Grade ○ Lower processing temperatures for High Clarity Random Copolymer PP Thin Wall Injection Molding Grade compared to the competition ○ Less materials used and faster cycle time in the manufacture of housewares and containers by using high-stiffness Nucleated Homopolymer PP Injection Molding Grade	12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Approach	Activities and Projects	Outcomes	SDG
		○ Lower jointing temperatures for thinner PE-RT (Raised Temperature) pipe grades vs PP-R pipes that serve the same application class and design pressure	
Improving the efficiency of our properties	• Invested Php 67 million for more energy-efficient chillers in the malls	• 6 chillers replaced in 4 malls in 2021 and ongoing replacement for other malls: ○ Actual savings is still under monitoring	12 RESPONSIBLE CONSUMPTION AND PRODUCTION
Reduced paper use through digitization	• Roll out of digital platforms, such as the RBank Digital App, that enable branchless and paperless banking	• 13.5 metric tons of paper saved	12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Case Studies: Resource Efficiency and Circularity

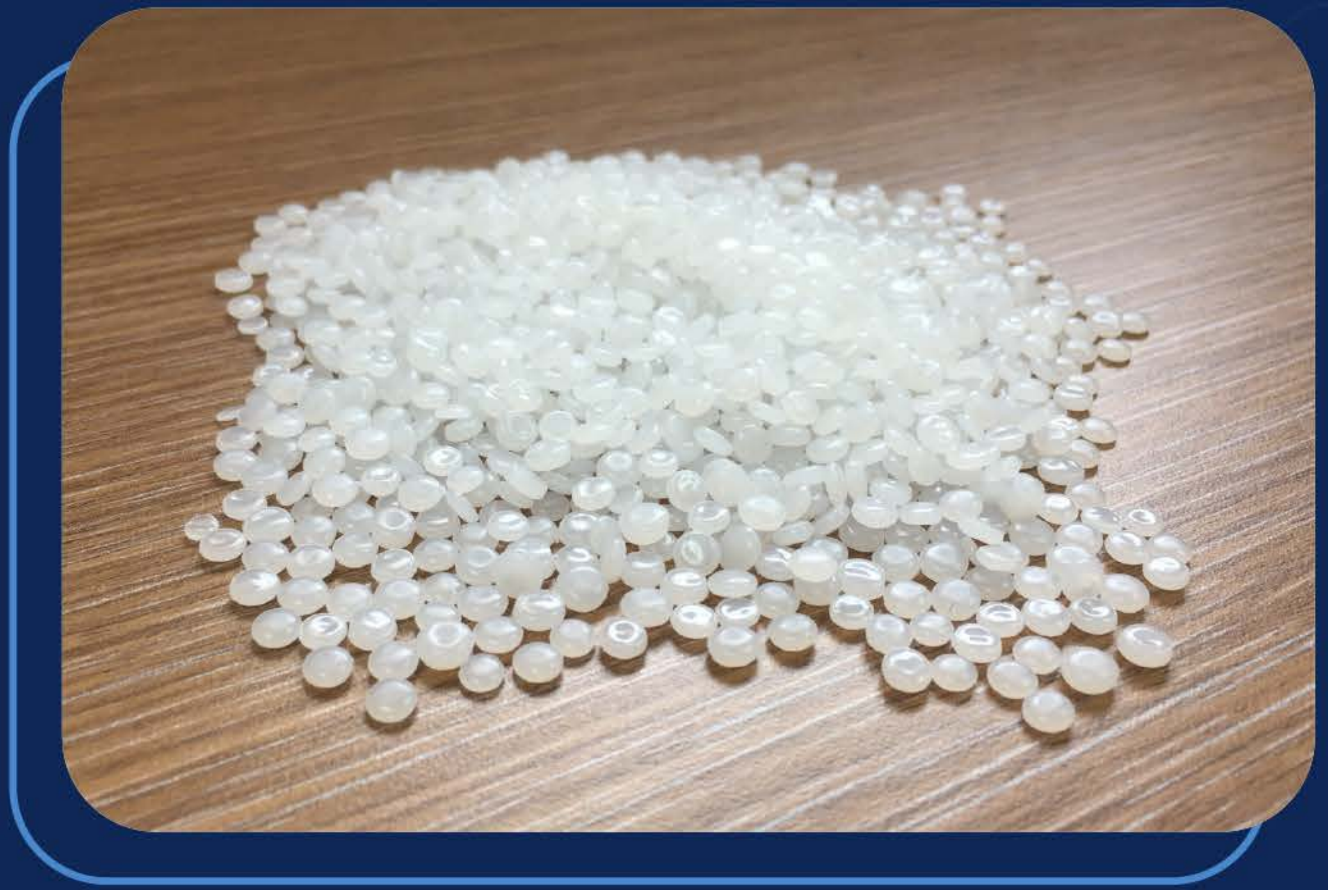
URC: Championing Water Conservation

Water is one of the most precious natural resources that we have. It is not only essential to us as a company as it serves as input material in the production of our goods, but it is also a need and a right of every individual to have access to clean water. Recognizing this, we continue to find new ways to conserve and save water in our operations.

Our food manufacturing business, URC, implements its reduce, reuse, and recycle program to optimize water use in its operations. The company reduces its water consumption by fixing leaks, replacing pipes with more durable materials like stainless steel, eliminating production wastage, improving the efficiency of its water treatment facilities, and using rainwater harvesting methods. It reuses water when cleaning pallets, watering plants and flushing toilets. It recycles water meant for washing critical raw materials used in its products, such as unpeeled potato, as well as for its cooling towers.

As a result of these efforts, URC has saved more than 11 million cubic meters of water since 2018, enough to fill 4,600 Olympic-size swimming pools. In 2021 alone, it recycled more than 860,000 cubic meters of water – enough to cover the needs of 2.26 million people for a day.

JGSOC: Efficiency and Circularity in our Product Offerings



JGSOC takes pride in its continued focus on improving its products and manufacturing efficiency to deliver the best value and increased eco-efficiency to our customers.

We continued to deliver the best value to our customers by improving product formulations and structures and offering highly differentiated EVALENE® products that better suit their needs. We also developed new high-performance products that enable our customers to be more eco-efficient.

For example, we developed Medium Part HDPE Blow Molding Grade that allows for the addition of reprocessed material in jerrycans and other blow-molded parts. We will also be developing Bimodal HDPE Film Grade that enables more post-consumer recycled materials in carrier bags. We will likewise develop Bimodal HDPE Pipe Grade for thinner pipes with lower jointing temperatures at the same application class and design pressure.

Through the use of our Metallocene LLDPE film grades, customers will be able to reduce materials consumption and/or energy used per unit manufactured for several product types. They can optimize through downgauging, or using less material, when replacing typical LLDPE blends for general purpose bags, vacuum bags, heavy-duty resin bags and pouches. Lowering of heat seal initiation temperature for packaging will also be possible with these high-performance grades.

With High Clarity Random Copolymer PP Thin Wall Injection Molding Grade, customers were able to lower processing temperatures. By using high-stiffness Nucleated Homopolymer PP Injection Molding Grade, customers were able to use less materials and had a faster cycle time in the manufacture of housewares and containers.

CEB: Implementing Fuel Efficiency Efforts

Fuel is one of the biggest expenses of CEB and is known for its negative impacts to the environment. Therefore, it has become part of our long-term strategy to create systems that will enable us to fly fuel-efficient aircrafts and carry more passengers and cargo while consuming less fuel.

Aside from purchasing fuel-efficient aircrafts, CEB has also implemented the continuous descent approach (CDA), alternate route fuel and distance reduction, and fuel landing savings in the last quarter of 2021 that all aim to ensure the efficiency of our fuel use.

Employee Growth and Well-being

Maintaining a healthy and encouraging environment for our people has always been our priority. In 2021, we continue to uphold this value and as a result, we have a 96.99% employee retention rate across all the JGS business units.

Php 25 Million

investment in JGS Executive Development Program

1,005

employees with access to **16,000+** courses, content, and live session

95% Vaccinated

workforce including organic employees and third-party workers

16,430

employee consultations through Telehealth services

57

partner hospitals

7,848

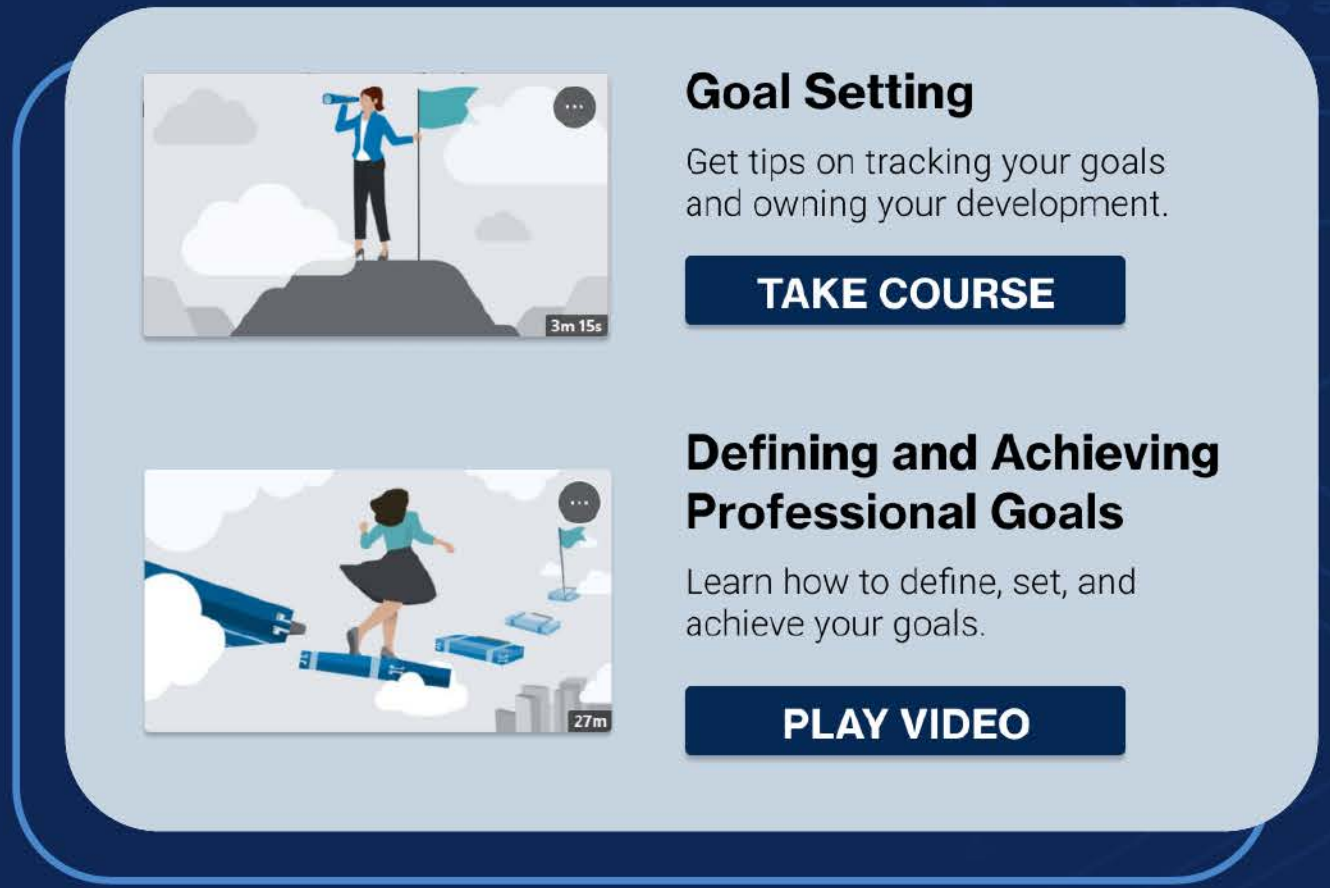
total learning hours provided to: **802 Employees** through LinkedIn Learning

Approach	Activities and Projects	Outcomes	SDG
JG SUMMIT HOLDINGS, INC. JGS Executive Development Program	• Invested Php 25 million in developing the program, offering best-in-class learning partners, timely topics, and expertise aligned with both leadership competencies and digital fluency needs	• Attended by 140 leaders, who are equipped with skills and knowledge on digital transformation, enterprise agility, and decision making	
Continuous learning through the hybrid work setup	• Offered LinkedIn Learning Programs to employees, giving them flexible choices in their development	• 7,848 total learning hours for 802 active learners, who had access to over 16,000 available courses and live sessions	
ROBINSONS LAND CORPORATION Looking after employees' total wellbeing	• Launched Do Well (DWELL) – RLC's total wellbeing framework focusing on four dimensions of wellbeing: Physical, Emotional, Social, Mental, and Spiritual	• 111 registered users in the DWELL dashboard 23 counseling sessions done via the chat helpline Released 45 weekly wellness tips in 2021	3 GOOD HEALTH AND WELL-BEING
cebu pacific Asynchronous learning platforms for employees	• Launched in 2018, Cebu Pacific University (CEB U) continued to roll out its asynchronous learning initiative amid the pandemic called CEB U on the Go, making available 51 bite-sized and self-paced modules across 13 relevant themes, such as Resiliency, Diversity and Inclusion, Goal-Setting, Wellness, Data-Driven Culture, Agility, Emotional Intelligence, and Coaching	• CEB U on the Go was able to reach 52% of Cebu Pacific's employees with 1,316 unique access in 2021	

Approach	Activities and Projects	Outcomes	SDG
	• Specialized technical training programs, such as safety and security, cabin crew, and pilot training classes are handled by specific departments • Learning Management System (LMS) e-learning platform which hosts various training programs		
JG SUMMIT OLEFINS CORPORATION Commitment to employees' well- being and ensuring health and safety in the organization by meeting global standards	• Training sessions, gap analysis, consultations, risk assessments, internal audits and management reviews conducted by the Safety, Health, and Environment (SHE) Department	• Migration to ISO 45001:2018 to enhance occupational health and safety procedures	8 DECENT WORK AND ECONOMIC GROWTH
	• Invested Php 364,600 in the implementation and roll-out of health and wellness Programs for all employees such as Mental Health Literacy, Building Resilience, and Mindfulness and Meditation Programs	• 732 employees attended	3 GOOD HEALTH AND WELL-BEING

Case Studies: Employee Growth and Well-being

JGS: Capacity Building for Business Leaders and Employees



Our employees are the backbone of our company. We ensure that we create an environment for them, where they can grow and flourish as professionals. As such, we invest in training programs that will help them advance their careers with us.

Evolving from our 2020 approach of “Leading Self, Leading Teams, and Leading Organizations, the JGS Executive Development Program 2021 equips our leaders with the skills and mindset they need to drive the company forward and inspire fellow team members. Participants of the program are offered best-in-class learning partners. It also includes modules on leadership competency framework, leaders’ self-awareness, capacity, and leadership effectiveness, understanding enterprise agility and digital business models, and unlocking growth opportunities that comes with preparing the company to succeed. The company invested Php 25 million in developing the program in the training, which was attended by 140 leaders in 2021. Aside from the Executive Development Program, we also held “Conversations with the JGS Leaders”, where leaders from across the group talked about the values that the company espouses: Entrepreneurial Mindset, Integrity and Stewardship.

In addition, JGS also encourages continuous learning for all employees by offering them access to LinkedIn Learning Programs. Employees are allowed flexible choices of programs for their own professional and personal development. In 2021, 1,005 employees were given access to more than 16,000 courses, content, and live sessions.

Overall, JGS employees gained an average of 20.91 training hours for the year from these initiatives.

CEB: Encouraging Continuous Learning for Employees

Our airline business showcases its commitment to nurturing the personal and professional development of its employees through its own employee programs. The training programs provided to employees are customized and aligned to emerging skills and are anchored to the goals of the organization while incorporating CEB’s culture and values.

Cebu Pacific People Department oversees basic courses, people engagement training programs, and management and leadership programs. One of CEB’s platforms is the Learning Management System (LMS), which hosts various e-learning and training modules. The company’s other learning platform is known as the Cebu Pacific University (CEB U), which was launched in 2018. CEB U is envisioned to host all continuous learning opportunities for employees across all levels in the organization. CEB U partners with schools, consulting firms, and other industry experts to deliver the learning programs.

In response to the restrictions due to the pandemic, CEB continued to roll out its asynchronous learning initiative called CEB U on the Go, making available 51 bite-sized and self-paced modules across 13 relevant themes, such as Resiliency, Diversity and Inclusion, Goal Setting, Wellness, Data-Driven Culture, Agility, Emotional Intelligence, and Coaching. In 2021, CEB U on the Go was able to reach 52% of Cebu Pacific’s employees with 1,316 unique access during the year. Specialized technical training programs, such as safety and security, cabin crew, and pilot training classes are handled by specific departments.

JGSOC: Upgrading our Health and Safety Protocols and Valuing Employees' Well-Being

JGSOC reaffirmed its commitment to providing a safe working environment with the implementation of numerous occupational health, safety, and wellness programs for its employees.

The company successfully upgraded to the latest global health and safety standards as it successfully migrated to the ISO 45001:2018 Occupational Health and Safety Management System. This means that JGSOC's procedures properly incorporate health and safety aspects into the overall management system and culture of the company. In addition, the top management has a stronger and more proactive role in its implementation. The migration, which took more than a year, included training sessions, gap analysis, consultations, risk assessments, internal audits, and management reviews.

JGSOC also offered online programs to take care of employees' mental health, such as mental health literacy webinars, a mindfulness program, meditation program, and Building Resilience training series. Offering our employees a safe and pleasant workplace, as well as providing our host communities with the peace of mind that comes from having a safely operating plant in their neighborhoods are integral to JGSOC's management policy.

Shared Success

We ensure the equitable flow of economic value to our key stakeholders. Our Economic Value Distributed to employees, suppliers, government, providers of capital, and communities amounted to Php 235.82 billion in 2021.

133.8 Tons

of Granola potato seeds donated

700+ Farmer Beneficiaries

in the Cordillera Administrative Region, Bukidnon, and Davao del Sur

1,980 New RBank Accounts

opened through Premiumbikes stores

Approach	Activities and Projects	Outcomes	SDG
Universal Robina Supporting local farmers	• Partnered with the Department of Agriculture since 2019 to support potato farmer cooperatives and help increase their harvests ◦ In 2021, donated 133.8 tons of Granola potato seeds to more than 700 farmer beneficiaries in the Cordillera Administrative Region, Bukidnon, and Davao del Sur	• Average of Php 135,000 net income per farmer per planting cycle, with maximum of 3 cycles per year (average from 2019-2021) ◦ Farmer beneficiaries become self-sufficient in that they can now afford to buy their own seeds instead of relying on the free seeds from the cooperative	8 DECENT WORK AND ECONOMIC GROWTH
ROBINSONSBANK A Commercial Bank Banking the unbanked	• Launch of RBankMo – an agency banking or "branchless banking" model as an alternative channel to provide essential banking services to a wider market	• Current partners are Premiumbikes motorcycle dealer and Alabat Island Online Shopping (AIOS). Over 100 of Premiumbikes' 200 branches nationwide serve as RBankMo outlets, while two AIOS branches serve as RBankMo outlets in Alabat Island, Quezon ◦ 1,980 new accounts opened through Premiumbikes stores in 2021 ◦ Php 65,000 total average daily transacted value at a Premiumbikes store by December 2021, around Php 6 million total transacted value in 2021 ◦ Almost Php 1 million total transacted value from more than 200 transactions through AIOS from November-December 2021	8 DECENT WORK AND ECONOMIC GROWTH
	• Launch of COOPSA – a savings account product created for cooperatives to promote financial inclusion by making it accessible to the members of the cooperatives, many of whom remain unbanked	• Around 100 new accounts opened in the pilot run in 3 branches in Visayas	8 DECENT WORK AND ECONOMIC GROWTH

Case Studies: Shared Success

URC: Partnering with Local Farmers

Supporting the continued growth of our partners and communities is key to JGS' long-term success. Our relationship with them is something that we deeply value as a company. One of our businesses who actively reach out to these communities is URC.

In partnership with the Department of Agriculture, URC helps local farmers increase their yield by providing them with high quality Granola potato seeds. Since 2019, more than 365 tons of potato seeds have been distributed to 2,716 farmers from selected cooperatives in the Cordillera Administrative Region, Davao del Sur, and Bukidnon.

The farmers sell a portion of their harvest, while the rest are kept as seeds to sustain the following farming cycles. To date, the farmer beneficiaries of the program have earned a collective amount of Php 350 million net income, averaging Php 135,000 net income per farmer per planting cycle.

With the Philippines being primarily an agricultural country, URC will keep doing its part in providing the agriculture industry the support it needs.

RBank: Promoting Financial Inclusion

According to the latest Financial Inclusion Survey[3] conducted by the Bangko Sentral ng Pilipinas in 2019, 71.4 % of adult Filipinos do not have a formal bank account. While this percentage has already decreased compared to 77.4% in 2017, there is still much to be done to bring financial services closer to the Filipino people. Our banking arm, Robinsons Bank (RBank), continues to come up with innovative solutions to address this issue.

RBank reaches out to the unbanked and underserved Filipinos through RBankMo – an agency banking or "branchless banking" model where customers can do their basic transactions at nearby partner outlets instead of going to an RBank branch. Through RBankMo, customers can open an account, withdraw cash using any BancNet ATM card, deposit money into an RBank savings account, and even pay their bills, all without going far from home.

In 2021, RBankMo partnered with Premiumbikes Corporation (PBC) and Alabat Island Online Shopping (AIOS). PBC is one of the country's leading motorcycle dealership chains with over 200 stores nationwide, many of which are in rural communities with limited access to financial institutions. Over 100 of PBC's 200 branches nationwide are RBankMo outlets, with 1,980 new accounts opened, Php 65,000 total average daily transacted value at a PBC store, and around Php 6 million total transacted value in 2021.

In comparison, AIOS is engaged in general merchandise, wholesale, retail, and online selling and serves the community of Alabat Island, Quezon Province. Alabat Island is home to 42,000 people in three municipalities. With no bank branch and ATM in the entire island, two AIOS branches now serve as the island's alternative bank, delivering basic banking services. This is especially important for 4Ps (Pantawid Pamilyang Pilipino Program) beneficiaries, who receive financial aid from the Philippine government. AIOS became a part of the RBankMo platform in November 2021 and has logged almost Php 1 million total transacted value from more than 200 transactions from November to December 2021.

[3] *https://www.bsp.gov.ph/Media_And_Research/Financial%20Inclusion%20Dashboard/2021/FIDashboard_1Q2021.pdf*

Better Choices

Our brands are built on the trust and loyalty of our customers. This relationship is further nurtured by our rigor to keep offering them high quality, affordable, and accessible products and services.

Php 98 Million

investment (in Giga Tower) to meet international green building standards

70,000

New RBank Simplé Savings Accounts opened

Approach	Activities and Projects	Outcomes	SDG
Universal Robina Offering healthier and better product options for customers	• Creation of product wellness criteria and research and development on product innovation to meet the criteria	• 99% of all products passed one URC Wellness Criterion • 71% of all products passed two URC Wellness Criteria • 36% of all products passed three URC Wellness Criteria	2 ZERO HUNGER

Approach	Activities and Projects	Outcomes	SDG
Robinsons Land Corporation Investing in green buildings	• Php 98 million additional investment in Giga Tower to meet international green building standards	• Giga Tower is LEED Gold-Certified and is projected to consume 9.5% less electricity overall compared to the same design with standard features	11 Sustainable Cities and Communities
cebu pacific Offering lowest fares in the market	• Launch of CEB Super Pass (CSP) as CEB's innovative and insightful response to the air travel challenges brought about by the pandemic. CSP allows customers to buy all the travel vouchers they can and fly when they can within one year to domestic destinations in CEB's widest Philippine network, for only P99 one-way base fare per voucher/pass	• Improvement in CSP success rate (43% in May 2021 and 84% in September 2021) and expected upward trajectory especially as the travel outlook continues to improve in 2022	8 Decent Work and Economic Growth
	• CEB Super Seat Fest (SSF) is CEB's flagship conversion campaign and a month-long festivity in March in celebration of CEB's anniversary. First launched in March 2019 as the biggest month-long online travel sale in the country, it has always been poised to be the airline counterpart of major double day e-commerce sales	• September to December 2021 generated record-breaking success rates in conversion month-on-month as CEB mounted back-to-back SSF and CSP sales	8 Decent Work and Economic Growth

Approach	Activities and Projects	Outcomes	SDG
ROBINSONSBANK A Commercial Bank Banking the unbanked	• Simplé Savings (basic deposit account)	• Almost 70,000 accounts opened • Around Php 78.4 million in deposit balance	8 DECENT WORK AND ECONOMIC GROWTH
JG SUMMIT OLEFINS CORPORATION Continued expansion of products portfolio to better serve and address the needs of customers	• Start of commercial operations of Peak Fuel Corporation	• Commercial wholesale trading of LPG under Peak Fuel Corporation, JGSOC's fuel arm subsidiary, started in August 2021 with deliveries of LPG to domestic wholesale customers	

JGS is one with the Filipino people in upholding the bayanihan spirit. We acknowledge our company's role in providing the needs and support to the communities that we work with.

Pandemic Response

- 1,410 sweeper flights for OFWs and stranded local individuals, with Php 39 million free cargo space for essential and relief goods
- 67 million COVID-19 vaccine doses transported nationwide
- 1.98 million people vaccinated for COVID-19 in 37 malls
- 65,000 COVID-19 vaccine doses donated to the national government and 11,000 doses to local government units via the Gokongwei Brothers Foundation (GBF)
- Php 12.5 million worth of alcohol, medical kits, and other items donated by both local and international URC operations to medical workers, COVID-19 patients, and essential workers
- Php 6 million worth of food packs, medical, school and livelihood supplies donated to the residents and workers of JGSOC's host communities
- Php 1.8 million worth of Christmas gifts given to 330 nurses from hospital partners and ER nurses by RBank as appreciation to the efforts during the pandemic

Supporting Education

- 46 Grades 4-6 students initially supported through the launch of JGSOC's Juan Kapatid Tutorial Program in partnership with GBF to bridge knowledge gaps on STEM subjects and to ensure continuous learning of students even during the pandemic. The matching Suporta Eskwela Parent Club was also launched to serve as a venue for parents to learn how they can support their children in their education and for them to ultimately become advocates of learning
- Php 50,000 donated by RBank through the "The Future is Bright" program for the GBF scholarship fund as of December 2021. RBank donates Php 0.5 for every Pesonet, Bills Payment, Remit, and QR transaction done through the RBank Digital Platform. The program runs from November 2021 to November 2022, in time for RBank's 25th anniversary
- Two schools (Tanza National High School and Molino Elementary School) were given supplies, such as alcohol, face masks, reams of bond paper, and printers with ink under RBank and GBF's GBF Brigada Eskwela Project

Case Studies: Better Choices

URC: Providing Good Food Choices for All

The past two years living with the pandemic reaffirmed the importance of maintaining a healthy lifestyle and boosting our immunity against diseases. As a food manufacturing company that carries brands that are patronized and loved by Filipinos, URC recognizes the opportunity to promote healthier food choices for all.

Since 2019, URC has been working on improving the nutritional quality of its product portfolio. The company has been monitoring its progress in doing so through the Wellness Criteria. By the end of 2021, 99% of all URC products have passed one URC criterion, 71% have passed two, while 36% have passed three. Through its rigorous product research and development, URC will continue to improve these numbers in the coming years.

URC has also implemented product portfolio changes in the past year. This includes a shift to non-PHO (partially hydrogenated oils) formulations for some of its snack and candy brands, such as Nips, Wiggles, Chooey Toffee, Cloud 9, and Wafrets. PHOs, or more commonly known as trans-fat, contribute to the increase of “bad” cholesterol in our bodies which may lead to heart diseases[4]. URC targets to eliminate the use of PHOs by 2022.

Aside from PHOs, sugar is another ingredient that could potentially lead to cardiovascular diseases. In 2021, URC worked on the reformulation of its beverage brands, Blend 45, C2, and Refresh, to lower its added sugar content to 6%.

Meanwhile, other snack and beverage products were fortified with vitamins and minerals. This includes C2 Immuno, B’lue Vita Boost, and Maxx Vitamin C candy which are sources of Vitamin C that help contribute to the normal function of the immune system, and Presto Creams Peanut Butter, which is a source of B vitamins that help you focus.

In line with JGS’ commitment to provide Better Choices to Filipinos, URC continues to uphold its purpose to delight everyone with good food choices.

[4] *Trans Fat | FDA*

RLC: Offering Greener Office Spaces

While we at JGS are already taking steps internally towards heightening operational efficiency efforts, we also want to provide our business partners with the opportunity to also contribute to lessening our negative impacts on the environment. Our real estate arm, RLC, does this by providing its tenants with greener choices when it comes to their office spaces.

As one of the leading real estate companies in the country, RLC continues to innovate its designs, and in the process, integrate sustainability in it. Giga Tower, RLC’s newest office building, is LEED Gold-certified for Building Design and Construction (LEED BD+C), meeting world-class standards in design, construction, and operational efficiency. It is designed to consume 9.5% less electricity overall compared to the same design with standard features.

Advanced meters per energy source per floor were also installed in the project, allowing the tenants to measure the consumption for all systems dedicated to their space and adjust their operations as they see fit. This enables tenants to be more mindful about their consumption of electricity and water, and in the long run, gain cost savings from their operational expenses.

CEB: Enabling Every Juan to Fly Anywhere at Low Costs

Cebu Pacific is the largest carrier in the Philippine air transportation industry, offering low-cost services to more destinations and routes with higher flight frequency within the country than any other airline. While we contribute to ensuring that the planet remains viable for the future generations to come through our purchase of more fuel-efficient planes, we also prioritize providing inclusive, affordable, and accessible air travel to Filipinos.

CEB opened 2021 with 40 domestic and 24 international destinations, spanning Asia, Australia, and the Middle East. As imposition of strict travel restrictions continued, Cebu Pacific ended 2021 with 47 domestic and 15 international destinations. With 74 aircraft in service, the airline transported a total of 3,411,396 passengers, gaining 48.50% of the domestic passenger market share and is the leading airline against key competitors in the air travel industry.

In the same year, CEB launched the CEB Super Pass (CSP) as its innovative and insightful response to the air travel challenges brought about by the pandemic. Through the CSP, customers can buy all the travel passes they can and fly when they can within one year to domestic destinations in CEB's widest Philippine network. The CSP is priced at a competitive price of Php 99 one-way base fare per pass.

CSP continues to improve its sales performance and gain relevance since it was launched. It garnered a success rate of 43% in May 2021 and 84% in September 2021. As travel activities begin to increase once again, we see an upward trajectory for CSP.

CEB has also hosted the CEB Super Seat Fest (SSF) for the past four years. Based on CEB's latest Alida Survey, "affordability" moved up as part of the Top 3 of travel considerations, along with Travel Requirements and Restrictions; hence, SSF has thrived amidst challenging and pressing passenger concerns. This was reflected in the record-breaking success rates during the back-to-back SSF and CEB Super Pass (CSP) sales from September to December 2021, which generated notable spikes in conversion month-to-month. The month-long Php 88 sale has performed well alongside two major offers - Piso and CEB Super Pass - indicating higher-than-ever travel and low fare demand of which CEB continues to make accessible for everyone.

ESG Annex

Economic

Php 231,647 Million
Value Generated

+3.94%

Php 236,974 Million
Value Distributed

+1.36%

The amounts reflected herein are taken from the Company's audited financial statements for the year. Certain items in direct economic value distributed such as dividends given to stockholders are sourced from the previous year's economic value generated based on the SEC guidelines and found in the company's balance sheet accounts. All other items are taken from the company's financial statement. Hence, economic value distributed can be greater than economic value generated.

Social

21,028
Employee Headcount
-6.58%

1.5:1
Male to Female Ratio

20.91
Average Training Hours per Employee
+11.40%

Environmental^

18,110,988 GJ
Energy consumption*
+5.26%

111,098.10 GJ
Total-Owned Generated Renewable
+27.96%

1,769,054 tons CO_2e
Total GHG emissions**
+6.83%

78.18 GJ/MPhp
Energy intensity per revenue
+1.27%

7.64 tons CO_2e/MPhp
GHG intensity per revenue
+2.79%

27,787,228 m^3
Water withdrawal
+111.02%

20,803,198 m^3
Water consumption
+132.51%

6,984,030 m^3
Water discharge
+65.59%

**Increase in scope in energy data. Total fossil fuel consumption for 2021 is lower than pre-pandemic levels (2019).*
***The total greenhouse gas emissions of JGSHI is calculated using the equity approach as recommended by the GHG Protocol Corporate Accounting and Reporting Standard.*
^ Quantities reflect increase in scope in energy data

Additional Data Required by GRI

Economic^		
Disclosure/Metric	**Unit of Measure**	**Value**
Direct economic value generated	MPhp	231,647
Direct economic value distributed	MPhp	236,974
Payment to employees	MPhp	24,828
Payment to Suppliers, Other Operating Cost	MPhp	188,344
Payments to Providers of Capital	MPhp	16,662
Payments to Government	MPhp	7,121
Community Investments Donations & Distributions	MPhp	19
Direct Economic Value Retained	MPhp	5,327
Proportion of spending on local suppliers	%	48.00% (URC & JGSOC) 77.17% (CEB)

^ The amounts reflected herein are taken from the Company's audited financial statements for the year. Certain items in direct economic value distributed such as dividends given to stockholders are sourced from the previous year's economic value generated based on the SEC guidelines and found in the company's balance sheet accounts. All other items are taken from the company's financial statement. Hence, economic value distributed can be greater than economic value generated.

Environmental^^

Disclosure/Metric	Unit of Measure	Value
Materials		
Materials used by weight or volume		
Renewable Materials	tonnes	2,127,735
Non-renewable Materials	tonnes	1,150,809
Recycled input materials used	%	5.96
Energy		
Energy consumption	GJ	18,110,988
Energy intensity	GJ/MPhp	78.18
Water and Effluents		
Water withdrawal	m^3	27,787,228
Water discharge	m^3	6,984,030
Water consumption	m^3	20,803,198
Water Recycled	m^3	1,167,351
Emissions		
Scope 1 emissions	tCO_2e	1,479,011
Scope 2 emissions	tCO_2e	290,042

Environmental^^

Disclosure/Metric	Unit of Measure	Value
GHG emissions intensity	tCO_2e/MPhp	7.64
Emissions of ozone-depleting substances	tonnes	26.69
Air pollutants (NOx)	tonnes	464.65
Air pollutants (SOx)	tonnes	216.80
Air pollutants (PM)*	tonnes	28.63
Wastes		
Non-hazardous Waste	tonnes	3,158,251
Hazardous Waste	tonnes	3,150
Waste diverted from disposal (Updated waste disclosure GRI 306-4)		
Reused	tonnes	0
Recycled	tonnes	990,326
Composted	tonnes	2,134,500
Residuals	tonnes	33,425

**Covers URC BCF PH only.*
^^ Quantities reflect increase in scope in energy data

Social

Disclosure/Metric	Unit of Measure	Value
Total Number of Employees	headcount	21,028
New employee hires	headcount	2,554
Permanent or Indefinite[1]	headcount	742
Temporary or Fixed term[1]	headcount	518
Employee Turnover	headcount	2,112
Voluntary[2]	headcount	1,064
Involuntary[2]	headcount	147
Employee by Gender		
Female	headcount	8,413
Male	headcount	12,615
Employee Age Group****		
Gen Z (26 and below)	headcount	2,837
Millennial (27-41)	headcount	10,838

Social		
Disclosure/Metric	**Unit of Measure**	**Value**
Gen X (42-56)	headcount	4,255
Baby Boomer (57 and up)	headcount	564
Employee breakdown by contract type		
Regular	headcount	18,596
Consultant, FTE and Project Based	headcount	1,066
Probationary	headcount	1,366
Employee Length of Tenure****		
<1 year of Tenure	headcount	1,973
1-3 years	headcount	3,550
3-5 years	headcount	2,991
5-7 years	headcount	2,502
7+ years	headcount	7,478
Parental Leaves Availment**	%	3% Female; 2% Male

Social		
Disclosure/Metric	**Unit of Measure**	**Value**
Diversity		
Female workers in the workforce	%	40
Male workers in the workforce	%	60
Employees from indigenous communities and/or vulnerable sector***	headcount	99
OHS Data		
Safe Man-Hours	hours	90,054,064
Work-related injuries	#	432
Work-related fatalities	#	3
Work-related ill-health	#	0
Safety drills	#	414
LTI	#	55

Social		
Disclosure/Metric	**Unit of Measure**	**Value**
CBA		
Employees covered with Collective Bargaining Agreements	%	24.42
Consultations conducted with employees concerning employee-related policies	#	1,019
Data Privacy		
No. of data breaches, including leaks, thefts and losses of data	#	0

[1] Covers RLC, CEB, JGSOC, and Rbank.
[2] Covers RLC, CEB, JGSOC, Rbank, and CCU.
***Covers RLC, CEB, RBank and CCU*
**** Covers RLC. Vulnerable sector includes, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E).*
***** Covers URC, CEB, JGSOC, Rbank, and CCU.*

Gokongwei Brothers Foundation

GOKONGWEI
BROTHERS FOUNDATION

The Year at a Glance

With the goal of building a better future through education, 2021 marked the first year of GBF's five-year roadmap to achieve our ambition of benefiting 10,000 educators and one million learners by 2025 through the upliftment of Science, Technology, Engineering and Mathematics (STEM) education in the country.

Through the following strategic imperatives, the five-year plan was set in motion to contribute in paving the way for sustainable national development:

Elevate educators' professional development to be responsive to current and future learning needs

Enable essential, relevant, quality content to reach as many educators and learners

Support the growth of STEM and digitally-enabled learners and professionals

Increase the underprivileged sectors' access towards quality education

Promote the effective use of technology to scale access, productivity and quality learning

Strengthen GBF internal practices to support high performance

Gokongwei Brothers Foundation
By The Numbers

633
Total Scholars

990
Lifetime Graduates

₱725M
Total Endowment
since 2002

6,645
Total Teachers
in the TeachSTEM Community

6,656
Total Teachers Capacitated

56
LGUs and Communities Served
under Juan Community for Resilience

3,173
Student and Teacher Beneficiaries
under Juan Community for Education

2021 Milestones

Scholarships

GBF has grown to become one of the top scholarship-giving organizations and the biggest private sector provider of STEM related scholarships in the country. In 2021, GBF onboarded 633 scholars reaching a total of 1,780 or a 137% increase since 2016. Of these, 990 have already graduated. 82% of STEM-SFE graduates have been employed by Gokongwei Group Companies while 88% of Iskolar ni Juan lifetime graduates have been employed by Universal Robina Corporation.

Total Scholars in 2021

All Scholarship Programs	633
Learners	484
Educators	149

Scholars Per Program

Scholarships	
Iskolar ni Juan Tech-Voc (2014) *One-year tech-voc training and URC employment for underprivileged SHS graduates*	54
STEM Scholarship for Excellence (2011) *Given to underprivileged and deserving STEM college students from centers of excellence, in partnership with the Gokongwei Group business units*	238
STEM Agri Scholarship (2020) *SHS and college scholarship to children of sugar cane planter farmers who are partners of URC-SURE in Negros*	11
Young Scientist Award Scholarship (2019) *Full STEM college scholarship granted to the top winners of Philippine-based STEM competitions*	20
St. Stephen High School Scholarship (2012) *A merit and need-based grant for students enrolled in the Chinese high school, supporting scholars from Grade 7 to 12* **Xavier-Zuloaga Scholarship Fund (2020)** *A merit and need-based grant for students of Xavier High School*	15

Scholarships	
NextGen Scholarship for Excellence (2010) *College scholarship extended to children or siblings of GG employees*	120
DLSU Gokongwei College of Engineering Grant (2012) *Scholarship for outstanding students taking any undergraduate degree program at DLSU Gokongwei College of Engineering, supporting scholars from first year until graduation*	8
Ateneo John L. Gokongwei Scholarship (2006) *A merit and need-based grant for students of the Ateneo John Gokongwei School of Management, supporting scholars from first year until graduation*	8

Scholarships	
Go Family Association College Scholarship (2019) *A merit and need-based grant for members of the Go family*	10
TeachSTEM College Scholarship *Supports the bachelor's education of aspiring STEM teachers who will later serve in public schools*	73
TeachSTEM Masters Scholarship *Develops public school and tertiary educators to become proficient educational leaders to strengthen STEM*	76

Capacity Building

SAP University Program

A global program that aims to help educators and learners alike develop critical digital enterprise skills In partnership with JG Summit Holdings, Inc. and the SAP University Alliance. The program includes:

- *Intensive training on SAP S4/Hana software—one of the world's most widely- used enterprise management systems*
- *Integration of SAP S4/Hana training in the university curricula*
- *Internship of trained teachers at the JG Summit Corporate IT Department*

In 2021, GBF sponsored the participation of the University of San Carlos and De La Salle University Dasmarinas in the program.

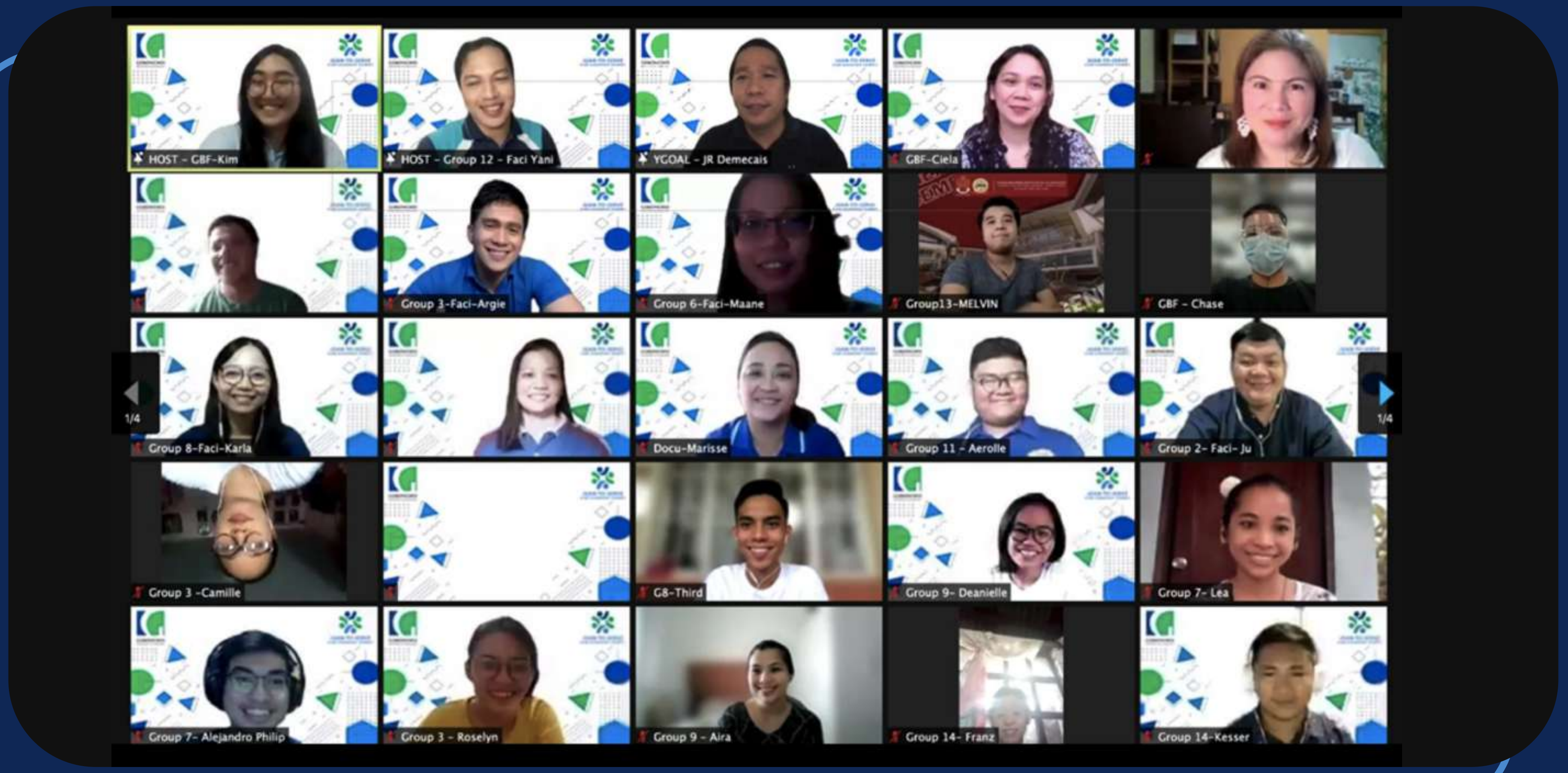
- Total # of teachers who went through S4 Hana training: 25
- Total # of students who benefitted from the course: 273

GBF Technical Training Center

Despite the lockdowns due to the COVID-19 pandemic, GBF's Technical Training Center was able to take in 26 new scholars and graduated 35 in 2021. To continue providing its program, the school adapted a hybrid learning modality. While implementing strict safety protocols, TTC also conducted various Scholar Care activities including counseling, individual physical exercises, conversations with faculty and other online activities with parents and guardians. Academic recognition, Leadership & Character awards were also conducted for scholars. The school's accommodation of professional technical training was temporarily suspended and hopes to resume in 2022.

Scholar Development

To prepare our scholars to contribute to society through work and service to community, GBF laid out its scholar journey from recruitment, leadership development, upskilling to career preparation, employment and contributing their expertise as GBF alumni. Among the programs initiated were:



Juan to Serve

A servant leadership formation and volunteer program, Juan to Serve aims to build a community of servant leaders who have a strong sense of self and others, who are inspired by our shared value to give back or "pay it forward," and essentially create positive impact to their families, communities, and the country. The initial run of the program was participated in by 99 scholars through a five-week servant leadership journey that built their self-awareness, trust, vision and sense of community.

PWR Up

In 2021, GBF and Microsoft Philantrophies partnered on an upskilling program that aims to ensure that GBF scholars are equipped with 21st century skills and characteristics necessary for work. This year, 22 GBF scholars completed the 16-week Microsoft Power BI course. These participants gained basic knowledge and usage of Power BI and its applications across the following disciplines IT/computer science, science education, chemistry, engineering, accountancy, statistics, pharmacy, and architecture.

STEM Excellence Advocacy
GBF Young Scientist Award

GBF YSA is a full STEM college scholarship granted to the top winners of Philippine-based prestigious STEM competitions, whose main objectives are to promote greater interest in innovation and the sciences among young Filipino learners.

In 2021, GBF supported DepEd's National Science and Technology Fair by providing technology support as well as cash and in-kind prizes to the three winners of their video competition and partner schools. GBF also partnered with DOST-SEI on their 4th cycle of "imake.wemake: create. innovate. collaborate." competition and provided STEM-based college scholarships to three students from among the winning teams.

Juan Community for Education

By developing strong and sustainable STEM communities in areas where our business units serve, GBF contributes to building the nation, one community at a time. With the goal of helping improve learning outcomes of students, GBF discovered the following needs, opportunities and priorities:

- **Complete modules, books, printing equipment, devices, and internet access**
- **Reading and critical thinking skills, digital adeptness, and independent learning**
- **Someone at home to guide learning**
- **Expert and agile teachers**
- **Ways to assess learning**
- **Infrastructure and equipment**

Five pilot sites were identified where business units adopted six schools:

Simlong, Batangas City
JG Summit Olefins Corporation

Vista Alegre, Kabankalan, Negros Occidental
URC-SURE, SONEDCO

Mandalagan, Bacolod, Negros Occidental
Robinsons Land

Guilid, Ligao, Albay
Legazpi Savings Bank

Talaan, Sariaya, Quezon
URC-Flour

Juan Brigada Eskwela

As the first priority in responding to the needs of learners, GBF provided printing equipment and supplies for modules, as well as teacher and student school supplies to supplement schools' available resources to ensure learners' access to complete learning materials. In line with DepEd's Brigada Eskwela, GBF provided resources extending help beyond our pilot sites to serve 25 schools and benefiting 3,173 students and teachers.

Juan Kapatid Tutorial Program

In response to the second priority of helping learners become readers and critical thinkers together with receiving proper support from teachers and parents, the Juan Kapatid Tutorial Program was piloted in Simlong Elementary School in Batangas City in partnership with JG Summit Olefins Corporation, AHA Learning Center and Huawei. With the objective of closing the gap in literacy and numeracy as well as mobilizing teachers and parents to support learning, 65 learners from Grades 4 to 6 participated together with 65 parents. The pilot run is expected to be concluded by July 2022.

Interventions Provided in the Program
Academic and Social-Emotional Learning through Math and Reading Achiever's Track
Support System Skills Interventions through Teacher Training in Reading and Parents Suporta Eskwela Club

Impacts Targeted by the Program
Zero non-readers
At-level math proficiency
Higher confidence for independent learning

Juan Community for Resilience

Equally important to GBF's mission is to respond to the needs of our local communities to help them bounce back from crisis. Through Juan Community for Resilience, GBF provided support throughout the COVID-19 pandemic and conducted relief operations immediately after Typhoon Odette's devastation.

2021 Support throughout the COVID-19 Pandemic

Beneficiaries

40
LGU's & Communities served

20
Hospitals served

47
Schools supported

250
Families supported

Donations

56,000+
Vaccine Doses

872
Units of PPE's, Medicine, and Medical Supplies

583
Units of Swab Kits

₱1.7M
Worth of Printing Supplies and Equipment

100
Units of Communication Tools and Supplies

261
Units of Appliances with Ventilation Support

2021 Support for Typhoon Odette Relief Operations

With the onslaught of Typhoon Odette in mid-December 2021, GBF was able to respond to victims towards the end of the year and continued relief operations in 2022. Following are the number of relief packs distributed in December 2021:

8,717 Employees

provided with relief packs

2,970 Relief Packs

distributed to affected families in Visayas and Mindanao*

**with the support of Shang Properties Inc. and Kerry Group Philippines Foundation in collaboration with URC, Robinsons Bank, Robinsons Land Corporation, Cebu Pacific as well as SM Foundation through their logistics arm, 2GO*

TeachSTEM Community

Believing in the power of communities to grow and build STEM champions amongst educators, GBF strengthened its efforts on community building by providing social learning, capacity building and networking activities.

KaSaMa Teachers Community

GBF's second year in partnership with the University of the Philippines National Institute for Science and Mathematics Development (UP NISMED) for its KaSaMa (Ka-Science at Ka-Math) Teachers Community in 2021 showed the growing demand for quality content and training amongst K-12 teachers.

The online professional community saw significant increases in webinar viewership, member sign-ups and resource downloads from its website, www.kasamateachers.ph, a one-stop hub for communication, collaboration, and learning and development.

KaSaMa in 2021
By The Numbers

3,697
Total Resource Downloads

10,000
Total Webinar Views

32
Total Webinars Conducted

3,601
Member Sign-ups

Project Future

Developing an Educators Flagship Program

A major thrust of GBF for STEM educators is the establishment of an innovative, scalable and high-impact professional development program, dubbed as Project Future. GBF engaged IDEO, a global pioneer in design thinking, to conduct the process of designing the program's blueprint. Around 140 key stakeholders were interviewed to discover the pain points and opportunities, as well as to help design the prototypes of the program. The target is to finalize the concept design in the first quarter of 2022 and start development of the project in the same year.

57
Education and Industry Experts

52
Students, Teachers and Principals

10
Advisory Council

9
Educator Council

9
Partner Consortium

Endowments & Sponsorships

Ateneo Gokongwei Brothers School of Education and Learning Design (GBSEALD)

In line with its thrust of developing Centers of Excellence and Development, GBF continues to support tertiary education institutions to help elevate the quality of STEM education. Over the years, the foundation has provided endowments to the DLSU Gokongwei College of Engineering (2011) and the Ateneo John Gokongwei School of Management (2002).

2021 marked a significant milestone as GBF and the Ateneo de Manila University dedicated the Gokongwei Brothers School of Education and Learning Design (GBSEALD). With this, the Gokongwei Brothers Foundation Endowment for Educational Innovation was established. The endowment will be used for GBSEALD's three strategic goals:

GBSEALD Strategic Goals

1. **Capacity Building through high-quality teacher education degrees, training and leadership development especially in STEM, critical thinking, and Catholic Education**

2. **Knowledge Building through high-impact research to aid decisions in educational policy and learning and teaching**

3. **Network Building through strategic partnerships with other educational institutions, government agencies, and like-minded NGOs in promoting Philippine educational reform and improving STEM education**

The endowment will also establish the Lily Gokongwei Ngochua Leadership Academy that will implement effective and relevant leadership development programs for principals and other educational leaders, especially in public education.

2021 recorded 182 Master's degree program enrollees under academic programs such as MAs in Education, PhD in Education, EdD, and BS Learning Design. In terms of faculty and leadership development, 13 programs have been launched since June 2021 with 1,977 participants attending these efforts.

National Museum Partnership

GBF has also partnered with the National Museum for the establishment of the Elizabeth Yu-Gokongwei Ethnographic Stoneware Resource Center and Visible Storage which will include a 360-degree virtual reality tour of the collection. The expected completion of the project is slated 2022.

Outlook for 2022 and Beyond

For 2022 and beyond, GBF has set itself on a steadfast track in reaching its goal of taking part in the learning journey of 10,000 educators and 1,000,000 learners by 2025 while discovering more about the needs of its stakeholders and becoming more responsive with its program offerings.

2022 Plans and Targets

- 913 scholars in 2022: 613 learners, 300 educators, who will also be supported with the Juan-to-Serve leadership development and PWR Up upskilling programs as part of the Scholar Development Journey
- To continue efforts to build and strengthen STEM educator communities and to develop STEM champions, including the conduct of various webinars and online courses
- Push STEM Excellence advocacy with the use of advocacy marketing and technology as well as the provision of continued support to STEM competitions
- To continue Juan Community for Education, focusing on community mobilization and addressing learning and resource gaps through Juan Brigada Eskwela and Juan Kapatid Tutorial
- In July 2022, GBF will also be celebrating its 30th Anniversary with a series of activities that will culminate in June 2023
- GBF's Project Future for Educators Professional Development will start its set-up phase after completing its discovery and ideation journey that will determine the blueprint of the program
- Continuing relief and rehabilitation efforts for communities affected by Typhoon Odette in partnership with Shang Properties, Kerry Group Philippines Foundation

GBF will work more closely with partner universities to support relevant and productive use of Endowments while providing insights and advice on industry trends. New efforts such as the development of programs include the following:

- School of Lifelong Learning with the DLSU Gokongwei College of Engineering
- Curriculum review and revision for the Ateneo John Gokongwei School of Management
- With the newly established Gokongwei Brothers School of Education and Learning Design (GBSEALD) at the Ateneo de Manila University, preparations will be underway for the first faculty chair alongside the approval of PhD/EdD program offerings
- Under GBSEALD, the launch of the Lily Ngochua Leadership Academy is also expected with the commencement of its Whole Person Educational Leadership program offering.

Corporate Governance

JG Summit Holdings, Inc. ("JGS" or the "Company) upholds its commitment of doing business in accordance with long-held values and highest ethical standards, acting in good faith and for the best interests of all stakeholders. These values which extend to corporate governance have been the foundation for many years in guiding the Company in advocating and promoting the principles of integrity, fairness, transparency and accountability.

JGS continuously strives to strengthen and improve its governance practices within the framework of evolving laws, Exchange's recommended corporate governance principles and industry's best practices. This includes principles across different corporate governance subjects, namely: board's governance responsibilities, disclosure and transparency, internal control and risk management frameworks, cultivating a synergic relationship with shareholders, and duties to other stakeholders.

In addition to the Principles of Corporate Governance, JGS ensures continuous review of the numerous policies, guidelines and standards, such as the Code of Business Conduct, which all of the operating companies and employees are expected to follow. Compliance with the highest standards of corporate governance should translate to better value propositions for shareholders and customers, minimized risks, growth and sustainability. The economic value generated through a well-managed and governed enterprise not only benefits shareholders but also the local communities through the jobs created and contributions through its corporate social responsibilities (CSR) programs needed to sustain a healthy community.

Board Matters

The Board's Governance Responsibilities

The Board of Directors is primarily responsible for the governance of the Company and provides an independent check on management. JGS is headed by a competent, working board to foster the long-term success of the Company, and to sustain its competitiveness and profitability in a manner consistent with its objectives, goals, strategies and measures (OGSM) and the long-term best interests of shareholders and other stakeholders.

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 its standards for the Company, its Shareholders and other Stakeholders, the Board conducts itself with honesty and integrity in the performance of its duties and responsibilities.

The detailed roles, duties and responsibilities of the Board of Directors in compliance with relevant laws, rules and regulations are defined in the Company's Revised Corporate Governance Manual.

Revised Corporate Governance Manual

Balanced Board Composition and Diversity

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 Information Statement. Each Director provides a unique business perspective, experience and set of skills, all valuable to the Company. The Board plays a vital oversight role, which fosters shareholder value and affects stakeholder confidence, through discussions with senior leaders and external advisers covering a wide range of matters including strategy, financial performance, compliance, and policy.

In the implementation of the Board Diversity Policy in the Company, JGS does not discriminate by reason of gender, age, disability, ethnicity, nationality, political, religious, or cultural backgrounds on its directors or candidates for directors, officers and employees. The incumbent Board is diverse in terms of expertise, gender and professional experience and academic backgrounds. The annually elected Board of Directors is comprised majority of Non-Executive Directors other than the Company's President and CEO. The Board also has female Directors forming part of the Non-Executive Directors. 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.
In November 11, 2021, the Board of Directors approved the Amendment of the Article Sixth of the Articles of Incorporation of JGS in order to reduce the number of seats in the Board of Directors from eleven (11) to nine (9).

Information Statement

The Board Committees

To enable better and 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 set up for the purpose mainly (a) Audit Committee, (b) Corporate Governance Committee (c) Board Risk Oversight Committee (BROC) and (d) Related Party Transactions 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.

B. Corporate Governance Committee

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

C. Board Risk Oversight Committee

The Board Risk Oversight Committee (BROC) oversees the establishment of ERM frameworks that effectively identify, monitor, assess and manage key business risks and assess 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.

D. Related Party Transactions Committee

The Related Party Transactions Committee ensures that there is a group-wide policy and system governing 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.

At a meeting of the Board of Directors of JGS held on November 11, 2021, the Board approved the reconstitution of the board committees of JGS from four (4) board committees to two (2) major committees, its Chairman, and Members as follows:

Audit, Related Party Transactions, Risk Oversight Committee (AURROC)
Antonio L. Go Chairman (Independent Director)
Renato T. De Guzman Member (Independent Director)
Jose T. Pardo Member (Independent Director)
Artemio V. Panganiban Member (Independent Director)
James L. Go Advisory Member

Corporate Governance and Sustainability Committee (CGSC)
Antonio L. Go Chairman (Independent Director)
Renato T. De Guzman Member (Independent Director)
Jose T. Pardo Member (Independent Director)
Artemio V. Panganiban Member (Independent Director)
James L. Go Advisory Member

The AURROC and CGSC Charters can be accessed here: ***Board Committee Charter***

Board Independence

In the year 2021, the Board has four (4) Independent Directors out of eleven (11) Board seats that possess all the necessary qualifications and none of the disqualifications to hold the position. The Company reinforces proper mechanisms for disclosure, protection of the rights of shareholders, 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.

Lead Independent Director

The Company's Revised Corporate Governance Manual provides that the Board may consider designating a Lead Director among the Independent Directors if the Chairman of the Board is not an Independent Director and if the positions of the Chairman of the Board and CEO are held by one person.

On November 11, 2021, the appointment of a Lead Independent Director was endorsed to, and approved by, the Board of Directors. The Board appointed Independent Director (ID) Antonio L. Go as the Lead Independent Director to perform the following functions:

- **To serve as an intermediary between the Chairman and the other directors when necessary.**
- **To convene and chair meeting of the non-executive directors.**
- **To contribute to the performance evaluation of the Chairman, as required.**

The Chairman of the Board and the President and CEO

To further strengthen the Board's independence, the position of the Chairman of the Board is separated from the President and CEO. Each position has distinct and separate duties and responsibilities in accordance with the Company's amended By-Laws and Revised Corporate Governance Manual. The Chairman of the Board is James L. Go, while the President and CEO is Lance Y. Gokongwei.

The Chairman

The Chairman of the Board shall preside at all meetings of the Board of Directors and Shareholders. He shall also assist in ensuring compliance with and performance of the Corporate Governance policies and practices. He makes certain that the agenda focuses on strategic matters, guarantees that the Board receives accurate, timely, relevant, insightful, concise, and clear information to enable it to make sound decisions.

The President and CEO

The President and CEO oversees the operations of the Corporation and manages human and financial resources in accordance with the strategic plan. He also provides leadership for Management in determining, developing and implementing business strategies, plans and budgets to the extent approved by the Board. He shall provide the Board with a balanced and understandable account of the Company's performance, financial condition, results of operations and prospects on a regular basis.

The detailed duties and responsibilities of the Chairman and the President and CEO can be referenced in the Revised Corporate Governance Manual

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 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 last quarter of the preceding year, holds regular meetings in accordance with its By-Laws and convene 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.

Attendance of Directors in Board of Directors and Board Committee Meetings

Board of Directors Meetings

Directors	No. of Actual Meetings Held/Attended	Attendance Percentage
James L. Go	4/4	100%
Lance Y. Gokongwei	4/4	100%
Lily G. Ngochua	4/3*	75%
Patrick Henry C. Go	4/4	100%
Johnson Robert G. Go, Jr.	4/4	100%
Robina Gokongwei-Pe	4/4	100%

Board Committee Meetings

Directors	No. of Actual Meetings Held/Attended	Attendance Percentage
Cirilo P. Noel	4/2**	50%
Jose T. Pardo	4/4	100%
Renato T. De Guzman	4/4	100%
Antonio L. Go	4/4	100%
Artemio V. Panganiban	4/2***	50%
James L. Go	4/4	100%

**Ms. Lily G. Ngochua resigned as a Director on September 13, 2021*
***Mr. Cirilo P. Noel resigned as a Director on May 31, 2021*
****Mr. Artemio V. Panganiban attended Board of Directors meetings following his election on May 14, 2021*
****Mr. Panganiban has 100% attendance in the BOD meetings from the time of his appointment*

Board Committee Meetings

Audit Committee

Position	Directors	No. of Actual Meetings Held/Attended	Attendance Percentage
Chairman	Antonio L. Go	4/4	100%
Member	Renato T. De Guzman	4/4	100%
Member	Jose T. Pardo	4/4	100%
Member	Artemio V. Panganiban	4/2*	50%
Member	Cirilo P. Noel	4/2**	50%
Advisory Member	James L. Go	4/4	100%

Corporate Governance Committee

Position	Directors	No. of Actual Meetings Held/Attended	Attendance Percentage
Chairman	Jose T. Pardo	3/3	100%
Member	Renato T. De Guzman	3/3	100%
Member	Antonio L. Go	3/3	100%
Member	Artemio V. Panganiban	3/2*	67%

Board Risk Oversight Committee

Position	Directors	No. of Actual Meetings Held/Attended	Attendance Percentage
Chairman	Renato T. De Guzman	2/2	100%
Member	Jose T. Pardo	2/2	100%
Member	Antonio L. Go	2/2	100%
Member	Lance Y. Gokongwei	2/2	100%

Related Party Transactions Committee

Position	Directors	No. of Actual Meetings Held/Attended	Attendance Percentage
Chairman	Jose T. Pardo	2/2	100%
Member	Renato T. De Guzman	2/2	100%
Member	Cirilo P. Noel	2/1**	50%

**Mr. Artemio V. Panganiban attended Board Committee meetings after his election on May 14, 2021*
** Mr. Panganiban has 100% attendance in the Board Committee meetings from the time of his appointment*
***Mr. Cirilo P. Noel resigned as a Director on May 31, 2021*

The Corporate Secretary

The Corporate Secretary assists the Board and the Board Committees in the conduct of their meetings, including 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 agendas 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.

Maria Celia H. Fernandez-Estavillo, 50, is the Senior Vice President, General Counsel and Corporate Secretary of JGSHI. She is also the Corporate Secretary of Universal Robina Corporation and JG Summit Olefins Corporation and the Assistant Corporate Secretary of Gokongwei Brothers Foundation, Inc. She is a member of The British School Manila Board of Governors since 2020. Prior to joining JGS in March 2017, Atty. Fernandez-Estavillo was the head of the Legal and Regulatory Affairs Group, the Corporate Secretary and a 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 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 of Laws degree (Cum Laude). She completed her Master of Laws (LLM) in Corporate Law from New York University School of Law. She received the highest score in the Philippine Bar examinations of 1997.

The Chief Compliance Officer

The Chief Compliance Officer monitors, reviews, evaluates and ensures the compliance by 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.

Ms. Michele F. Abellanosa, 51, is the Vice President, Corporate Controllership and Chief Compliance Officer of JGSHI. She was appointed as the Chief Compliance Officer on May 14, 2021. She brings with her 24 years of experience in finance and is mainly responsible for the consolidated financial statements of the JG group of companies, as well as heading the Controllership of JGSHI and JG Summit Capital Services Corporation. Prior to joining JGSHI, she practiced public accounting with SGV & Co. She obtained her BS Accountancy degree, cum laude from the University of Santo Tomas and is a Certified Public Accountant.

Compliance Report

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.

Integrated Annual Corporate Governance Report (I-ACGR)

The Revised Corporate Governance Manual (RCGM) institutionalizes the principles of good corporate governance throughout the organization. It lays the foundation to the Company's compliance system and identifies the responsibilities of the Board of Directors and Management in relation to corporate governance. It also states the Company's policies on disclosure and transparency, and mandates the conduct of communication and training programs on corporate governance. The Manual further provides the rights of all shareholders and the protection of the interest of the minority shareholders.

The Company's RCGM, Board of Directors and different Board Committee Charters, corporate governance organizational structure are regularly reviewed to ensure compliance with regulatory issuances and to keep pace with the constant development of corporate governance best practices. Continuous improvement and monitoring of governance and management policies have been undertaken to ensure that the Corporation observes good governance. The Company also consistently strives to raise its financial reporting standards by adopting and implementing prescribed Philippine Financial Reporting Standards.

Revised Corporate Governance Manual

Corporate Governance Policies

To reinforce the governance framework, the Company put in place and adopted policies on Board Diversity, Board Nomination and Election, Succession Planning and Remuneration, Material Related Party Transactions, Insider Trading, Whistleblowing, Stakeholders Health, Safety and Welfare, Information Security, Data Privacy, Supplier Accreditation, Directors, Officers, Stockholders and Related Interests (DOSRI), Disclosure, among others.

The above-mentioned corporate governance documents and policies may be accessed in the Company's website, in the Governance section.

Corporate Governance Policies

Stakeholders Welfare, Transparency, and Anti-corruption

Duty to Shareholders

The Company is committed to ensuring fair and equitable treatment of all shareholders, including the minority, and the protection of their rights that include, right to vote on all matters that require their consent or approval, right to inspect corporate books and records, right to information, right to dividends and appraisal right.

JGS is transparent and fair in the conduct of its 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, which also complies with the Securities Regulation Code. The Shareholders are encouraged to personally attend such meetings. Shareholders 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.

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, Social and Governance (EESG) issues and concerns.

Customers' Welfare

The Company adopts customer relations policies and procedures to protect customer's welfare. This includes providing and making available the customer relations contact information 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 including but not limited to:

- Health, Safety and Welfare
- Training and Development
- Rewards, Compensation and Benefits

Performance-enhancing mechanismsfor employee participation

The Company complies with 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.

See Leadership and People Development

Anti-corruption programs and procedures

The ethical and behavioral standards that are expected of Directors, Officers and Employees are set out and embodied in the Company's Code of Conduct and Ethics, Anti-Corruption Programs, Company Policies and Offenses Subject to Disciplinary Action (OSDA), among others. The same are disseminated to all employees across the Company through training sessions to embed them in the Company culture. New employees are oriented regarding policies and procedures related to Business Conduct and Ethics. Further, 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 carries out its enforcement to allow employees and other stakeholders to freely communicate their concerns about illegal or unethical practices, without fear of retaliation and to have direct access to an independent member of the Board or a unit created to handle whistleblowing concerns. Any employee, business partner and other stakeholders may discuss or disclose in writing any concern on potential violation of the Code of Business Conduct with the Conflicts of Interest Committee (CICOM). Reports can be made in writing or by email using the following contact details:

Email: CICOM@jgsummit.com.ph
Mailing Address: CICOM JG Summit Holdings, Inc.
40/F Robinsons Equitable Tower ADB Avenue cor P. Poveda St.,
Ortigas Center, Pasig City Metro Manila, Philippines

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 of CICOM.

The Company also launched "i-Speak", an online whistleblowing portal available for access 24/7 by the public in the Company's website. Access to i-Speak is through this web link: **i-Speak Report**

The anti-corruption programs and procedures of the Company covers the following:

- Conflict of Interest
- Conduct of Business and Fair Dealings
- Receipt of Gifts from Third Parties
- Compliance with Laws and Regulations
- Respect for Trade Secrets/Use of Non-public Information
- Use of Company Funds, Assets and Information
- Employment and Labor Laws and Policies
- Disciplinary Action
- Whistleblowing
- Resolution of Conflicts

Enterprise Risk Management and Internal Controls

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 and 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 Board of Directors 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.

Effective July 1, 2021, the Board has appointed Mr. Brian M. Go as Chief Finance and Risk Officer (CFRO) of JGSHI. Under the controls function, the CFRO is the steward of risk management specifically those that have financial impact and affect company value.

Enterprise Risk Management (ERM)

The role of ERM is to oversee that a sound ERM framework is in place to 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.

Internal Controls

To further advocate the Company's commitment in the pursuit of good governance and achieving compliance with applicable laws and Company policies and procedures, the Company ensures to strengthen the Enterprise Governance, Risk Management and Compliance (GRC) Culture and maintain a strong system of internal controls focused on accountability and oversight of operations. With the leadership of the Company's Chief Finance and Risk Officer (CFRO), internal control is embedded in the operations of the company and in each Business Unit (BU) and Corporate Center Unit (CCU). To accomplish the established goals and objectives, the BUs and CCUs 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

Accountability and Audit

The Board ensures that its Shareholders are provided with a balanced and comprehensive 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 in the Company website including its submissions and disclosures to the SEC and PSE.

Effective July 1, 2021, the Board has appointed Ms. Rya Aissa Agustin as the new Chief Audit Executive (CAE) upon the recommendation of the Audit Committee.

Internal Audit

The Internal Audit Group is focused on adhering to their purpose, mission and vision to be the trusted advisors of the Conglomerate's Board and Management and be world-class internal audit professionals who deliver independent, objective, quality and agile audit services at benchmark value, enabled by innovative audit systems and technologies.

The scope of internal audit activities encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to the Audit Committee, management, and outside parties on the adequacy and effectiveness of governance, risk management, and control processes for JGS. The Internal audit assessments include evaluating whether:

- Risks relating to the achievement of JGSHI's strategic objectives are appropriately identified and managed.
- The actions of JGSHI officers, directors, employees, and contractors are in compliance with JGSHI's policies, procedures, and applicable laws, regulations, and governance standards.
- The results of operations or programs are consistent with established goals and objectives.
- Operations or programs are being carried out effectively and efficiently.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact JGSHI.
- Information and the means used to identify, measure, analyze, classify, and report such information are reliable and have integrity.
- Resources and assets are acquired economically, used efficiently, and protected adequately.

The Internal Audit Group provide the following services to the Company:

Assurance Services

Refers to the objective examination of evidence to provide an independent assessment of risk management, control or governance processes for the organization.

Consulting Services

Refers to the advisory or partnering activities, beyond JGSHI Internal Audit's assurance services, intended to directly aid line managers in meeting their goals. The nature and scope of the work to be performed under these engagements are agreed upon with the clients/proponents.

Investigative Services

Refers to an investigation which is a special purpose type of audit. Its primary purpose is to gather, develop, examine and/or evaluate evidence to determine if there has been an improper act committed by a person or entity and allegations of an improper act which carry with them the possibility of legal action, whether in the form of hearings, litigations, or criminal proceedings.

Other Matters

External Auditor and their fees

Name of Auditor	Audit and Audit-Related Fees	Year 2021
SyCip, Gorres, Velayo & Co.	Fees for services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagements	Php 4,200,000
	Total	Php 4,200,000

Dividends

The Board of Directors of JGS approved on May 13, 2021 the declaration of a regular cash dividend in the amount of Thirty Eight Centavos (P0.38) per common share from unrestricted retained earnings of JGS as of December 31, 2020 to all stockholders of record as of June 11, 2021 and paid on July 7, 2021.

Company Website

The Company updates the public with operating and financial results through timely disclosures filed with SEC and PSE. The company website is maintained to ensure investor-friendliness and the convenient access of information for all the shareholders and various stakeholders. The Company website contains comprehensive information about the Company's business portfolios, disclosures and reports, corporate governance reports, manual and policies, press releases and an archive thereof, vision, mission, core values, investor relations program, sustainability and corporate social responsibility activities, among others. The Company ensures that all information included in the Company website is accurate, relevant and up-to-date. These are available on the company's website: **www.jgsummit.com.ph**

Visit Company Website

Financial Statements

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INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
JG Summit Holdings, Inc.
43rd Floor, Robinsons-Equitable Tower
ADB Avenue corner Poveda Road, Pasig City

Opinion

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

In our opinion, the accompanying consolidated financial statements as at December 31, 2021 and 2020, and for each of the three years in the period ended December 31, 2021 are prepared in all material respects, in accordance with Philippine Financial Reporting Standards (PFRSs), as modified by the application of the financial reporting reliefs issued and approved by the Securities and Exchange Commission (SEC) as described in Note 2 to the consolidated financial statements.

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.

Emphasis of Matter

We draw attention to Note 2 to the consolidated financial statements which indicates that the consolidated financial statements have been prepared in accordance with PFRSs, as modified by the application of the financial reporting reliefs issued and approved by the SEC in response to the COVID-19 pandemic. The impact of the application of the financial reporting reliefs, which are applicable to the Group's Real Estate Segment, specifically under Robinsons Land Corporation, on the 2021 consolidated financial statements are discussed in detail in Note 2. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

Real Estate Revenue Recognition

The Group's revenue recognition process, policies and procedures are significant to our audit because these involve application of significant judgment and estimation in the following areas: (1) assessment of the probability that the Group will collect the consideration from the buyer; (2) application of the input method as the measure of progress of project completion in determining the revenue to be recognized; (3) determination of the actual costs incurred as cost of sales; and (4) recognition of cost to obtain a contract.

In the China operations of the Real Estate Segment, revenue is recognized at the end of the project when the contract has been substantially completed and there has been acceptance by the buyer of the real estate inventory sold. Significant judgment is required to determine that the project is completed or substantially completed.

In evaluating whether collectability of the amount of consideration is probable, the Group considers the significance of the buyer's initial payments (or buyer's equity) in relation to the total contract price. Collectability is also assessed by considering factors such as past history with the buyer, age and pricing of the property. Management regularly evaluates the historical sales cancellations and back-outs, after considering the impact of the COVID-19 pandemic, if such would continue to support the Group's current threshold of buyers' equity before commencing revenue recognition.

In determining the transaction price, the Group considers the selling price of the real estate property and other fees and charges collected from the buyers that are not held on behalf of other parties.

In measuring the progress of its performance obligation over time, the Group uses input method. Under this method, progress is measured based on actual costs incurred on materials, labor, and actual overhead relative to the total estimated development costs of the real estate project. The Group uses the cost accumulated by the accounting department to determine the actual costs incurred. The estimation of the total costs of the real estate project requires technical inputs by project engineers.

In determining the actual costs incurred to be recognized as cost of sales, the Group estimates costs incurred on materials, labor and overhead which have not yet been billed by the contractor.

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The Group identifies sales commission after contract inception as the cost of obtaining the contract. For contracts which qualified for revenue recognition, the Group capitalizes the total sales commission due to sales agent as cost to obtain contract and recognizes the related commission payable. The Group uses percentage-of-completion (POC) method in amortizing sales commission consistent with the Group's revenue recognition policy.

The Group's real estate revenue and costs include revenue and cost recognition from the Real Estate Segment operations in China. In recording its revenues, it uses Completed Contract Method (CCM) in accordance with PFRS 15. Under this method, all revenue and income associated with the sale of the real estate inventories are recognized only after the completion of the project.

The disclosures related to the real estate revenue are included in Notes 3 and 26 to the consolidated financial statements.

Audit Response

We obtained an understanding of the Group's revenue recognition process.

For the buyers' equity, we evaluated management's basis of the buyer's equity by comparing this to the historical analysis of sales cancellations and back-outs of buyers with accumulated payments above the collection threshold. We also considered the impact of the COVID-19 pandemic to the level of cancellations during the year. We traced the analysis to supporting documents such as deed of cancellation.

For the determination of the transaction price, we obtained an understanding of the nature of other fees charged to the buyers. For selected contracts, we agreed the amounts excluded from the transaction price against the expected amounts required to be remitted to the government based on existing tax rules and regulations (e.g., documentary stamp taxes, transfer taxes and real property taxes).

For the application of the input method in determining real estate revenue and for determining cost of sales, we obtained an understanding of the Group's processes for determining the POC, including the cost accumulation process, and for determining and updating of total estimated costs, and performed tests of the relevant controls on these processes. We assessed the competence and objectivity of the project engineers by reference to their qualifications, experience and reporting responsibilities. For selected projects, we traced costs accumulated, including those incurred but not yet billed costs, to the supporting documents such as purchase order, billings and invoices of contractors and other documents evidencing receipt of materials and services from suppliers and contractors. We visited selected project sites and made relevant inquiries, including inquiries on how the COVID-19 pandemic affected the POC during the period, with project engineers. We performed test computation of the POC calculation of management. For selected projects, we obtained the approved total estimated costs and any revisions thereto and the supporting details such as capital fulfillment plan, capital expenditure requests and related executive committee approvals. We likewise performed inquiries with the project engineers for the revisions.

For the recognition of cost to obtain a contract, we obtained an understanding of the sales commission process. For selected contracts, we agreed the basis for calculating the sales commission capitalized and portion recognized in profit or loss, particularly (a) the percentage of commission due against contracts with sales agents, (b) the total commissionable amount (i.e., net contract price) against the related contract to sell, and (c) the POC used in calculating the sales commission against the POC used in recognizing the related revenue from real estate sales.

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We sent instructions to our EY network firm in China (EY Hua Ming Chengdu Office) to review the audit procedures performed by the statutory auditors of the Real Estate Segment operations in China for the purpose of the Group's consolidated financial statements. These audit instructions cover the review of the statutory auditors' scope of work, risk assessment procedures, audit strategy and reporting responsibilities. We obtained information about the statutory auditors' key audit areas, planning and execution of audit procedures, significant areas of estimation and judgment, and results of their work for the year ended December 31, 2021. We also reviewed the working papers of the statutory auditors of the Real Estate Segment operations in China, focusing on the procedures performed on the real estate revenue recognition. Based on the reports obtained and reviewed, the statutory auditors in China performed tests of the relevant controls on revenue process, verified the revenue and costs recognized, obtained and assessed relevant licenses including communications to buyers that real estate inventories are ready for acceptance, obtained signed notice of acceptance or equivalent documentation from the buyers, obtained and evaluated accomplishment reports, and validated that the revenue and costs are recognized in the correct period.

Recoverability of Goodwill and Intangible 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 ₱22.2 billion. The Group's intangible assets with indefinite useful lives consist of trademarks and brands, and product formulation amounting to ₱1.4 billion and ₱0.4 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 COVID-19 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 intangible assets with indefinite useful lives are included in Notes 3, 18 and 19 to the consolidated financial statements.

Audit response

We involved our internal specialists in evaluating 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 the COVID-19 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.

Adequacy of Allowance for Credit Losses on Loans and Receivables from the Banking Segment

The Group's application of the expected credit loss (ECL) model in calculating the allowance for credit losses on loans and receivables of its banking business is significant to our audit as it involves the exercise of significant management judgment. Key areas of judgment include: segmenting the Group's credit risk exposures; determining the method to estimate ECL; defining default; identifying exposures with significant deterioration in credit quality, taking into account extension of payment terms and payment holidays provided as a result of the coronavirus pandemic; determining assumptions to be used in the ECL model such as the counterparty credit risk rating, the expected life of the financial asset, expected recoveries from defaulted accounts and impact of any financial support and credit enhancements extended by any party; and incorporating forward-looking information (called overlays), including the impact of the coronavirus pandemic, in calculating ECL.

Allowance for credit losses on loans and receivables as of December 31, 2021 for the Banking Segment amounted to ₱2.3 billion. Provision for credit losses of the Banking Segment in 2021 amounted to ₱1.3 billion.

The disclosures related to the allowance for credit losses on loans and receivables of the banking business are included in Notes 3 and 11 to the consolidated financial statements.

Audit response

We obtained an understanding of the board approved methodologies and models used for the Banking Segment's different credit exposures and assessed whether these considered the requirements of PFRS 9 to reflect an unbiased and probability-weighted outcome, and to consider time value of money and the best available forward-looking information.

We (a) assessed the segmentation of its credit risk exposures based on homogeneity of credit risk characteristics; (b) tested the definition of default and significant increase in credit risk criteria against historical analysis of accounts and credit risk management policies and practices in place, and management's assessment of the impact of the coronavirus pandemic on the counterparties; (c) tested the application of internal credit risk rating system, including the impact of the coronavirus pandemic on the borrowers, by reviewing the ratings of sample credit exposures; (d) assessed whether expected life is different from the contractual life by testing the maturity dates reflected in the records and considering management's assumptions regarding future collections, advances, extensions, renewals and modifications; (e) tested loss given default by inspecting historical recoveries and related costs, write-offs and collateral valuations; (f) tested exposure at default considering outstanding commitments and repayment scheme; (g) evaluated the forward-looking information used for overlay through corroboration of publicly available information and our understanding of the Banking Segment's lending portfolios and broader industry knowledge, including the impact of the coronavirus pandemic; and (h) tested the effective interest rate used in discounting the expected loss.

Further, we compared the data used in the ECL models from source system reports to the data warehouse and from the data warehouse to the loss allowance analysis and models and financial reporting systems. To the extent that the loss allowance analysis is based on credit exposures that have been disaggregated into subsets of debt financial assets with similar risk characteristics, we traced or re-performed the disaggregation from source systems to the loss allowance analysis. We also assessed the assumptions used where there are missing or insufficient data.

We recalculated impairment provisions on a sample basis. We reviewed the completeness of the disclosures made in the consolidated financial statements. We involved our internal specialists in the performance of the above procedures.

Accounting for Investment in an Associate

The Group has an investment in Manila Electric Company (Meralco) that is accounted for under the equity method. For the year ended December 31, 2021, the Group's share in the net income of Meralco amounted to ₱6.7 billion and accounts for 10.4% of the Group's consolidated gross income.

The Group's share in Meralco's net income is significantly affected by Meralco's revenues from the sale of electricity which arise from its service contracts with a large number of customers that are classified as either commercial, industrial or residential, located within Meralco's franchise area. This matter is significant to our audit because the revenue recognized depends on (a) the complete capture of electric consumption based on the meter readings over the franchise area taken on various dates; (b) the propriety of rates computed and applied across customer classes including the application of adjustments promulgated by the Energy Regulatory Commission (ERC); and (c) the reliability of the IT systems involved in processing the billing transactions.

In addition, Meralco is involved in certain proceedings and claims for which it has recognized provisions for probable costs and/or expenses, which may be incurred, and/or has disclosed relevant information about such contingencies. This matter is significant to our audit because the determination of whether any provision should be recognized and the estimation of the potential liability resulting from these assessments require significant judgment by management. The inherent uncertainty over the outcome of these matters is brought about by the differences in the interpretation and implementation of the relevant laws and regulations.

The disclosures in relation to investments in associates are included in Note 14 to the consolidated financial statements.

Audit response

We obtained an understanding and evaluated the design of, as well as tested the controls over, the customer master file maintenance, accumulation and processing of meter data, and interface of data from the billing system to the financial reporting system. In addition, we performed a test recalculation of the bill amounts using the ERC-approved rates, adjustments and formulae, as well as actual pass-through costs incurred, and compared them with the amounts reflected in the billing statements. We involved our internal specialist in understanding the IT processes and in understanding and testing the IT general controls over the IT systems supporting the revenue process.

We also examined the bases of management's assessment of the possible outcomes and the related estimates of the probable costs and/or expenses that are recognized and/or disclosed in the Group's financial statements and involved our internal specialist when necessary. We discussed with management the status of the claims and/or assessments and obtained correspondences with the relevant authorities and opinions from the internal and external legal counsels. We evaluated the position of the Group by considering the relevant laws, rulings and jurisprudence.

We obtained the financial information of Meralco for the year ended December 31, 2021 and recomputed the Group's share in net income and other comprehensive income for the year ended December 31, 2021.

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Impairment Testing of Property and Equipment and Right-of-use Assets

The Group tests for impairment its property and equipment and right-of-use assets where indicators of impairment exist. As of December 31, 2021, the Group has property and equipment and right-of-use assets relating to its airline business amounting to ₱74.3 billion and ₱30.3 billion, respectively. The disruption caused by the COVID-19 pandemic to the Group's airline operations, which reported significant net loss in 2021, is considered by management as an impairment indicator of property and equipment and right-of-use assets. Accordingly, management performed impairment tests to determine whether the carrying amounts of property and equipment and right-of-use assets have exceeded their recoverable amounts.

Management's impairment assessment process on property and equipment and right-of-use assets requires significant judgment and is based on assumptions, specifically discount rate and cashflow forecast, that are subject to higher level of estimation uncertainty especially given the current economic conditions as impacted by the COVID-19 pandemic.

We consider the impairment testing as a key audit matter given that the amounts of property and equipment and right-of-use assets are significant to the consolidated financial statements of the Group, the heightened level of estimation uncertainty on the future economic outlook and market forecast and the significant judgment involved.

The Group's disclosures in relation to property and equipment and right-of-use assets are included in Notes 3, 16 and 42 to the consolidated financial statements.

Audit response

With the involvement of our internal specialist, we evaluated the key assumptions, such as forecasted revenues, operating costs and discount rates, that were used to estimate the discounted cash flows of the CGU to which management attributes the property and equipment and right-of-use assets. We evaluated these key assumptions based on our understanding of the Group's business plans and by reference to historical information and relevant market data. In our sensitivity analyses, we considered past, current and anticipated changes in the business and economic environment. We tested the parameters used in the determination of the discount rate against market data.

Other Information

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

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

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

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

Management is responsible for the preparation of the consolidated financial statements in accordance with PFRSs, as modified by the application of the financial reporting reliefs issued and approved by the SEC as described in Note 2 to the consolidated financial statements, 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.

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- 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 accordance with PFRSs, as modified by the application of the financial reporting reliefs issued and approved by the SEC as described in Note 2 to the consolidated financial statements.

- 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.

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The engagement partner on the audit resulting in this independent auditor's report is Vicky Lee Salas.

SYCIP GORRES VELAYO & CO.

Vicky Lee Salas

Vicky Lee Salas
Partner
CPA Certificate No. 86838
Tax Identification No. 129-434-735
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 86838-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
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. 08-001998-053-2020, November 27, 2020, valid until November 26, 2023
PTR No. 8854312, January 3, 2022, Makati City

March 30, 2022

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
JG Summit Holdings, Inc.

Opinion

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

In our opinion, the accompanying consolidated financial statements as at December 31, 2021 and 2020, and for each of the three years in the period ended December 31, 2021 are prepared in all material respects, in accordance with Philippine Financial Reporting Standards (PFRSs), as modified by the application of the financial reporting reliefs issued and approved by the Securities and Exchange Commission (SEC) as described in Note 2 to the consolidated financial statements.

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.

Emphasis of Matter

We draw attention to Note 2 to the consolidated financial statements which indicates that the consolidated financial statements have been prepared in accordance with PFRSs, as modified by the application of the financial reporting reliefs issued and approved by the SEC in response to the COVID-19 pandemic. The impact of the application of the financial reporting reliefs, which are applicable to the Group's Real Estate Segment, specifically under Robinsons Land Corporation, on the 2021 consolidated financial statements are discussed in detail in Note 2. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

Real Estate Revenue Recognition

The Group's revenue recognition process, policies and procedures are significant to our audit because these involve application of significant judgment and estimation in the following areas: (1) assessment of the probability that the Group will collect the consideration from the buyer; (2) application of the input method as the measure of progress of project completion in determining the revenue to be recognized; (3) determination of the actual costs incurred as cost of sales; and (4) recognition of cost to obtain a contract.

In the China operations of the Real Estate Segment, revenue is recognized at the end of the project when the contract has been substantially completed and there has been acceptance by the buyer of the real estate inventory sold. Significant judgment is required to determine that the project is completed or substantially completed.

In evaluating whether collectability of the amount of consideration is probable, the Group considers the significance of the buyer's initial payments (or buyer's equity) in relation to the total contract price. Collectability is also assessed by considering factors such as past history with the buyer, age and pricing of the property. Management regularly evaluates the historical sales cancellations and back-outs, after considering the impact of the COVID-19 pandemic, if such would continue to support the Group's current threshold of buyers' equity before commencing revenue recognition.

In determining the transaction price, the Group considers the selling price of the real estate property and other fees and charges collected from the buyers that are not held on behalf of other parties.

In measuring the progress of its performance obligation over time, the Group uses input method. Under this method, progress is measured based on actual costs incurred on materials, labor, and actual overhead relative to the total estimated development costs of the real estate project. The Group uses the cost accumulated by the accounting department to determine the actual costs incurred. The estimation of the total costs of the real estate project requires technical inputs by project engineers.

In determining the actual costs incurred to be recognized as cost of sales, the Group estimates costs incurred on materials, labor and overhead which have not yet been billed by the contractor.

The Group identifies sales commission after contract inception as the cost of obtaining the contract. For contracts which qualified for revenue recognition, the Group capitalizes the total sales commission due to sales agent as cost to obtain contract and recognizes the related commission payable. The Group uses percentage-of-completion (POC) method in amortizing sales commission consistent with the Group's revenue recognition policy.

The Group's real estate revenue and costs include revenue and cost recognition from the Real Estate Segment operations in China. In recording its revenues, it uses Completed Contract Method (CCM) in accordance with PFRS 15. Under this method, all revenue and income associated with the sale of the real estate inventories are recognized only after the completion of the project.

The disclosures related to the real estate revenue are included in Notes 3 and 26 to the consolidated financial statements.

Audit Response

We obtained an understanding of the Group's revenue recognition process.

For the buyers' equity, we evaluated management's basis of the buyer's equity by comparing this to the historical analysis of sales cancellations and back-outs of buyers with accumulated payments above the collection threshold. We also considered the impact of the COVID-19 pandemic to the level of cancellations during the year. We traced the analysis to supporting documents such as deed of cancellation.

For the determination of the transaction price, we obtained an understanding of the nature of other fees charged to the buyers. For selected contracts, we agreed the amounts excluded from the transaction price against the expected amounts required to be remitted to the government based on existing tax rules and regulations (e.g., documentary stamp taxes, transfer taxes and real property taxes).

For the application of the input method in determining real estate revenue and for determining cost of sales, we obtained an understanding of the Group's processes for determining the POC, including the cost accumulation process, and for determining and updating of total estimated costs, and performed tests of the relevant controls on these processes. We assessed the competence and objectivity of the project engineers by reference to their qualifications, experience and reporting responsibilities. For selected projects, we traced costs accumulated, including those incurred but not yet billed costs, to the supporting documents such as purchase order, billings and invoices of contractors and other documents evidencing receipt of materials and services from suppliers and contractors. We visited selected project sites and made relevant inquiries, including inquiries on how the COVID-19 pandemic affected the POC during the period, with project engineers. We performed test computation of the POC calculation of management. For selected projects, we obtained the approved total estimated costs and any revisions thereto and the supporting details such as capital fulfillment plan, capital expenditure requests and related executive committee approvals. We likewise performed inquiries with the project engineers for the revisions.

For the recognition of cost to obtain a contract, we obtained an understanding of the sales commission process. For selected contracts, we agreed the basis for calculating the sales commission capitalized and portion recognized in profit or loss, particularly (a) the percentage of commission due against contracts with sales agents, (b) the total commissionable amount (i.e., net contract price) against the related contract to sell, and (c) the POC used in calculating the sales commission against the POC used in recognizing the related revenue from real estate sales

We sent instructions to our EY network firm in China (EY Hua Ming Chengdu Office) to review the audit procedures performed by the statutory auditors of the Real Estate Segment operations in China for the purpose of the Group's consolidated financial statements. These audit instructions cover the review of the statutory auditors' scope of work, risk assessment procedures, audit strategy and reporting responsibilities. We obtained information about the statutory auditors' key audit areas, planning and execution of audit procedures, significant areas of estimation and judgment, and results of their work for the year ended December 31, 2021. We also reviewed the working papers of the statutory auditors of the Real Estate Segment operations in China, focusing on the procedures performed on the real estate revenue recognition. Based on the reports obtained and reviewed, the statutory auditors in China performed tests of the relevant controls on revenue process, verified the revenue and costs recognized, obtained and assessed relevant licenses including communications to buyers that real estate inventories are ready for acceptance, obtained signed notice of acceptance or equivalent documentation from the buyers, obtained and evaluated accomplishment reports, and validated that the revenue and costs are recognized in the correct period.

Recoverability of Goodwill and Intangible 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 ₱22.2 billion. The Group's intangible assets with indefinite useful lives consist of trademarks and brands, and product formulation amounting to ₱1.4 billion and ₱0.4 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 COVID-19 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 intangible assets with indefinite useful lives are included in Notes 3, 18 and 19 to the consolidated financial statements.

Audit response

We involved our internal specialists in evaluating 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 the COVID-19 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.

Adequacy of Allowance for Credit Losses on Loans and Receivables from the Banking Segment

The Group's application of the expected credit loss (ECL) model in calculating the allowance for credit losses on loans and receivables of its banking business is significant to our audit as it involves the exercise of significant management judgment. Key areas of judgment include: segmenting the Group's credit risk exposures; determining the method to estimate ECL; defining default; identifying exposures with significant deterioration in credit quality, taking into account extension of payment terms and payment holidays provided as a result of the coronavirus pandemic; determining assumptions to be used in the ECL model such as the counterparty credit risk rating, the expected life of the financial asset, expected recoveries from defaulted accounts and impact of any financial support and credit enhancements extended by any party; and incorporating forward-looking information (called overlays), including the impact of the coronavirus pandemic, in calculating ECL.

Allowance for credit losses on loans and receivables as of December 31, 2021 for the Banking Segment amounted to ₱2.3 billion. Provision for credit losses of the Banking Segment in 2021 amounted to ₱1.3 billion.

The disclosures related to the allowance for credit losses on loans and receivables of the banking business are included in Notes 3 and 11 to the consolidated financial statements.

Audit response

We obtained an understanding of the board approved methodologies and models used for the Banking Segment's different credit exposures and assessed whether these considered the requirements of PFRS 9 to reflect an unbiased and probability-weighted outcome, and to consider time value of money and the best available forward-looking information.

We (a) assessed the segmentation of its credit risk exposures based on homogeneity of credit risk characteristics; (b) tested the definition of default and significant increase in credit risk criteria against historical analysis of accounts and credit risk management policies and practices in place, and management's assessment of the impact of the coronavirus pandemic on the counterparties; (c) tested the application of internal credit risk rating system, including the impact of the coronavirus pandemic on the borrowers, by reviewing the ratings of sample credit exposures; (d) assessed whether expected life is different from the contractual life by testing the maturity dates reflected in the records and considering management's assumptions regarding future collections, advances, extensions, renewals and modifications; (e) tested loss given default by inspecting historical recoveries and related costs, write-offs and collateral valuations; (f) tested exposure at default considering outstanding commitments and repayment scheme; (g) evaluated the forward-looking information used for overlay through corroboration of publicly available information and our understanding of the Banking Segment's lending portfolios and broader industry knowledge, including the impact of the coronavirus pandemic; and (h) tested the effective interest rate used in discounting the expected loss.

Further, we compared the data used in the ECL models from source system reports to the data warehouse and from the data warehouse to the loss allowance analysis and models and financial reporting systems. To the extent that the loss allowance analysis is based on credit exposures that have been disaggregated into subsets of debt financial assets with similar risk characteristics, we traced or re-performed the disaggregation from source systems to the loss allowance analysis. We also assessed the assumptions used where there are missing or insufficient data.

We recalculated impairment provisions on a sample basis. We reviewed the completeness of the disclosures made in the consolidated financial statements. We involved our internal specialists in the performance of the above procedures.

Accounting for Investment in an Associate

The Group has an investment in Manila Electric Company (Meralco) that is accounted for under the equity method. For the year ended December 31, 2021, the Group's share in the net income of Meralco amounted to ₱6.7 billion and accounts for 10.4% of the Group's consolidated gross income.

The Group's share in Meralco's net income is significantly affected by Meralco's revenues from the sale of electricity which arise from its service contracts with a large number of customers that are classified as either commercial, industrial or residential, located within Meralco's franchise area. This matter is significant to our audit because the revenue recognized depends on (a) the complete capture of electric consumption based on the meter readings over the franchise area taken on various dates; (b) the propriety of rates computed and applied across customer classes including the application of adjustments promulgated by the Energy Regulatory Commission (ERC); and (c) the reliability of the IT systems involved in processing the billing transactions.

In addition, Meralco is involved in certain proceedings and claims for which it has recognized provisions for probable costs and/or expenses, which may be incurred, and/or has disclosed relevant information about such contingencies. This matter is significant to our audit because the determination of whether any provision should be recognized and the estimation of the potential liability resulting from these assessments require significant judgment by management. The inherent uncertainty over the outcome of these matters is brought about by the differences in the interpretation and implementation of the relevant laws and regulations.

The disclosures in relation to investments in associates are included in Note 14 to the consolidated financial statements.

Audit response

We obtained an understanding and evaluated the design of, as well as tested the controls over, the customer master file maintenance, accumulation and processing of meter data, and interface of data from the billing system to the financial reporting system. In addition, we performed a test recalculation of the bill amounts using the ERC-approved rates, adjustments and formulae, as well as actual pass-through costs incurred, and compared them with the amounts reflected in the billing statements. We involved our internal specialist in understanding the IT processes and in understanding and testing the IT general controls over the IT systems supporting the revenue process.

We also examined the bases of management's assessment of the possible outcomes and the related estimates of the probable costs and/or expenses that are recognized and/or disclosed in the Group's financial statements and involved our internal specialist when necessary. We discussed with management the status of the claims and/or assessments and obtained correspondences with the relevant authorities and opinions from the internal and external legal counsels. We evaluated the position of the Group by considering the relevant laws, rulings and jurisprudence.

We obtained the financial information of Meralco for the year ended December 31, 2021 and recomputed the Group's share in net income and other comprehensive income for the year ended December 31, 2021.

Impairment Testing of Property and Equipment and Right-of-use Assets

The Group tests for impairment its property and equipment and right-of-use assets where indicators of impairment exist. As of December 31, 2021, the Group has property and equipment and right-of-use assets relating to its airline business amounting to ₱74.3 billion and ₱30.3 billion, respectively. The disruption caused by the COVID-19 pandemic to the Group's airline operations, which reported significant net loss in 2021, is considered by management as an impairment indicator of property and equipment and right-of-use assets. Accordingly, management performed impairment tests to determine whether the carrying amounts of property and equipment and right-of-use assets have exceeded their recoverable amounts.

Management's impairment assessment process on property and equipment and right-of-use assets requires significant judgment and is based on assumptions, specifically discount rate and cashflow forecast, that are subject to higher level of estimation uncertainty especially given the current economic conditions as impacted by the COVID-19 pandemic.

We consider the impairment testing as a key audit matter given that the amounts of property and equipment and right-of-use assets are significant to the consolidated financial statements of the Group, the heightened level of estimation uncertainty on the future economic outlook and market forecast and the significant judgment involved.

The Group's disclosures in relation to property and equipment and right-of-use assets are included in Notes 3, 16 and 42 to the consolidated financial statements.

Audit response

With the involvement of our internal specialist, we evaluated the key assumptions, such as forecasted revenues, operating costs and discount rates, that were used to estimate the discounted cash flows of the CGU to which management attributes the property and equipment and right-of-use assets. We evaluated these key assumptions based on our understanding of the Group's business plans and by reference to historical information and relevant market data. In our sensitivity analyses, we considered past, current and anticipated changes in the business and economic environment. We tested the parameters used in the determination of the discount rate against market data.

Other Information

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

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

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

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

Management is responsible for the preparation of the consolidated financial statements in accordance with PFRSs, as modified by the application of the financial reporting reliefs issued and approved by the SEC as described in Note 2 to the consolidated financial statements, 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 accordance with PFRSs, as modified by the application of the financial reporting reliefs issued and approved by the SEC as described in Note 2 to the consolidated financial statements.

- 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 Vicky Lee Salas.

SYCIP GORRES VELAYO & CO.

Vicky Lee Salas
Partner
CPA Certificate No. 86838
Tax Identification No. 129-434-735
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 86838-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
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. 08-001998-053-2020, November 27, 2020, valid until November 26, 2023
PTR No. 8854312, January 3, 2022, Makati City

March 30, 2022

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Building a better working world

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INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
JG Summit Holdings, Inc.
43rd Floor, Robinsons-Equitable Tower
ADB Avenue corner Poveda Road, Pasig City, Metro Manila

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of JG Summit Holdings, Inc. and its subsidiaries (the Group) as at December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021, included in this Form 17-A, and have issued our report thereon dated March 30, 2022. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, the financial information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole, are prepared in all material respects, in accordance with Philippine Financial Reporting Standards, as modified by the application of the financial reporting reliefs issued and approved by the Securities and Exchange Commission as described in Note 2 to the consolidated financial statements.

SYCIP GORRES VELAYO & CO.

Vicky Lee Salas
Partner
CPA Certificate No. 86838
Tax Identification No. 129-434-735
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 86838-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
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INDEPENDENT AUDITOR'S REPORT ON
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Stockholders and the Board of Directors
JG Summit Holdings, Inc.
43rd Floor, Robinsons-Equitable Tower
ADB Avenue corner Poveda Road, Pasig City, Metro Manila

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of JG Summit Holdings, Inc. and its subsidiaries (the Group) as at December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021, and have issued our report thereon dated March 30, 2022. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs), as modified by the application of the financial reporting reliefs issued and approved by the Securities and Exchange Commission (SEC) as described in Note 2 to the consolidated financial statements, and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the SEC, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRSs, as modified by the application of the financial reporting reliefs issued and approved by the SEC as described in Note 2 to the consolidated financial statements. The components of these financial soundness indicators have been traced to the Group's financial statements as at December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Vicky Lee Salas
Partner
CPA Certificate No. 86838
Tax Identification No. 129-434-735
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 86838-SEC (Group A)
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SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
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PTR No. 8854312, January 3, 2022, Makati City

March 30, 2022

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JG SUMMIT HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2021	2020
ASSETS		
Current Assets		
Cash and cash equivalents (Note 7)	**₱82,890,121,521**	₱81,491,412,768
Financial assets at fair value through profit or loss (Note 9)	**6,461,016,163**	5,565,016,984
Financial assets at fair value through other comprehensive income (Note 10)	**39,258,310,300**	31,894,154,102
Receivables (Note 11)	**72,223,652,647**	68,368,485,048
Inventories (Note 12)	**81,611,906,817**	75,777,125,084
Biological assets (Note 17)	**132,144,916**	99,919,468
Assets held for sale (Note 14)	**–**	11,101,305,051
Other current assets (Note 13)	**23,689,960,612**	26,991,150,439
Total Current Assets	**306,267,112,976**	301,288,568,944
Noncurrent Assets		
Financial assets at fair value through other comprehensive income (Note 10)	**44,506,905,999**	32,847,478,716
Receivables (Note 11)	**75,487,480,442**	66,846,238,081
Investment securities at amortized cost (Note 10)	**8,474,858,779**	8,049,365,423
Investments in associates and joint ventures (Note 14)	**146,034,119,456**	139,332,835,472
Property, plant and equipment (Note 16)	**249,548,670,957**	260,415,739,705
Investment properties (Note 15)	**117,761,485,499**	104,675,085,905
Right-of-use assets (Note 42)	**32,280,314,606**	23,048,735,045
Goodwill (Note 19)	**22,237,699,206**	32,160,471,793
Intangible assets (Note 18)	**4,352,695,726**	14,154,901,195
Biological assets (Note 17)	**166,105,594**	134,331,929
Other noncurrent assets (Note 20)	**15,627,551,560**	16,654,770,116
Total Noncurrent Assets	**716,477,887,824**	698,319,953,380
	₱1,022,745,000,800	₱999,608,522,324
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Notes 21 and 42)	**₱181,687,563,607**	₱172,620,587,036
Short-term debts (Note 23)	**65,995,583,482**	44,418,092,185
Current portion of long-term debts (Note 23)	**19,501,714,468**	34,413,387,739
Income tax payable	**333,400,913**	532,809,008
Other current liabilities (Note 22)	**32,691,500,170**	43,594,117,685
Total Current Liabilities	**300,209,762,640**	295,578,993,653
Noncurrent Liabilities		
Long-term debts - net of current portion (Note 23)	**200,830,478,415**	237,928,498,602
Bonds payable (Note 23)	**12,184,836,126**	–
Deferred tax liabilities (Note 38)	**4,548,347,515**	8,661,143,952
Other noncurrent liabilities (Note 24)	**61,340,593,544**	49,329,529,759
Total Noncurrent Liabilities	**278,904,255,600**	295,919,172,313
Total Liabilities	**579,114,018,240**	591,498,165,966

	December 31	
	2021	2020
Equity		
Equity attributable to equity holders of the Parent Company:		
Paid-up capital (Note 25)	**₱52,775,553,415**	₱52,832,571,475
Retained earnings (Note 25)	**246,190,700,415**	242,690,846,520
Equity reserve (Note 25)	**40,341,545,330**	30,870,428,825
Other comprehensive losses (Note 36)	**(3,998,907,945)**	(18,072,540,464)
	335,308,891,215	308,321,306,356
Non-controlling interests (Note 25)	**108,322,091,345**	99,789,050,002
Total Equity	**443,630,982,560**	408,110,356,358
	₱1,022,745,000,800	₱999,608,522,324

See accompanying Notes to Consolidated Financial Statements.

JG SUMMIT HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2021	2020 (As Restated - Notes 2 and 44)	2019 (As Restated - Notes 2 and 44)
REVENUE (Note 26)			
Sale of goods and services:			
Foods	**₱116,954,788,444**	₱113,161,785,302	₱114,403,217,219
Real estate and hotels	**35,561,985,340**	27,518,406,639	33,491,747,783
Air transportation	**15,740,756,855**	22,617,967,165	84,806,810,363
Petrochemicals	**40,323,467,713**	21,275,283,602	29,053,982,086
Banking	**9,285,942,362**	9,174,583,626	8,121,662,955
Equity in net earnings of associates and joint ventures (Note 14)	**9,685,312,139**	7,584,634,408	13,337,668,925
Dividend income (Note 28)	**2,139,858,648**	2,011,120,839	1,348,711,916
Supplementary businesses	**860,222,110**	907,768,085	749,175,892
	230,552,333,611	204,251,549,666	285,312,977,139
COST OF SALES AND SERVICES			
Cost of sales (Note 30)	**122,294,514,585**	100,432,212,372	109,754,474,094
Cost of services (Note 30)	**43,588,528,368**	39,532,427,637	70,085,768,333
	165,883,042,953	139,964,640,009	179,840,242,427
GROSS INCOME	**64,669,290,658**	64,286,909,657	105,472,734,712
NET OPERATING EXPENSES			
General and administrative expenses (Note 31)	**51,235,705,424**	52,947,982,752	53,703,458,101
Provision for (reversal of) impairment losses and others (Note 34)	**2,018,025,657**	1,420,479,998	(2,144,968,452)
	53,253,731,081	54,368,462,750	51,558,489,649
OPERATING INCOME	**11,415,559,577**	9,918,446,907	53,914,245,063
OTHER INCOME (LOSSES)			
Financing costs and other charges (Note 35)	**(9,111,084,606)**	(8,913,379,991)	(9,942,735,096)
Finance income (Note 27)	**1,094,584,901**	1,213,910,835	2,054,451,319
Foreign exchange gains (losses)	**(3,056,849,330)**	2,566,753,557	899,389,898
Market valuation gains (losses) on financial assets at fair value through profit or loss - net (Note 9)	**223,603,728**	(307,614,214)	703,885,932
Market valuation losses on derivative financial instruments - net (Note 8)	**(1,318,117,077)**	(2,025,330,184)	(63,352,472)
Others (Notes 21 and 29)	**568,113,153**	(470,478,828)	(54,316,681)
INCOME (LOSS) BEFORE INCOME TAX	**(184,189,654)**	1,982,308,082	47,511,567,963
PROVISION FOR INCOME TAX (Note 38)	**362,357,776**	2,705,574,458	5,210,568,871
NET INCOME (LOSS) FROM CONTINUING OPERATIONS	**(546,547,430)**	(723,266,376)	42,300,999,092
NET INCOME FROM DISCONTINUED OPERATIONS (Note 44)	**11,280,571,602**	1,120,472,735	364,512,757
NET INCOME	**10,734,024,172**	397,206,359	42,665,511,849
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX (Note 36)			
Items that may be reclassified subsequently to profit or loss:			
Cumulative translation adjustments	**1,652,006,232**	(1,910,864,049)	1,200,011,485
Net gains (losses) on financial assets at FVOCI (debt securities) (Note 10)	**(1,743,564,389)**	457,815,933	1,496,992,980
Net gains (losses) from cash flow hedges (Note 8)	**51,509,875**	(230,922,782)	175,171,778

(Forward)

	Years Ended December 31		
	2021	2020 (As Restated - Notes 2 and 44)	2019 (As Restated - Notes 2 and 44)
Share in the net unrealized gains (losses) on financial assets at FVOCI of associates (debt securities) (Note 14)	**₱77,748,060**	₱29,562,000	₱176,256,150
Items that will not be reclassified to profit or loss:			
Net gains (losses) on financial assets at FVOCI (equity securities) (Note 10)	**12,022,272,326**	8,599,375,242	(2,403,711,068)
Remeasurements of the net defined benefit liability (Note 37)	**679,789,817**	(65,080,677)	(588,565,201)
Share in the net unrealized gains (losses) on financial assets at FVOCI of associates (equity securities) (Note 14)	**(43,264,137)**	26,101,285	–
Share in remeasurements of the net defined benefit liability of associates (Note 14)	**1,918,720,561**	(1,083,403,985)	(1,170,380,505)
	14,615,218,345	5,822,582,967	(1,114,224,381)
TOTAL COMPREHENSIVE INCOME	**₱25,349,242,517**	₱6,219,789,326	₱41,551,287,468
NET INCOME (LOSS) ATTRIBUTABLE TO			
Equity holders of the Parent Company	**₱5,108,229,771**	(₱468,159,528)	₱31,285,246,332
Non-controlling interests (Note 25)	**5,625,794,401**	865,365,887	11,380,265,517
	₱10,734,024,172	₱397,206,359	₱42,665,511,849
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO			
Equity holders of the Parent Company	**₱19,124,074,421**	₱6,246,468,718	₱29,342,932,092
Non-controlling interests (Note 25)	**6,225,168,096**	(26,679,392)	12,208,355,376
	₱25,349,242,517	₱6,219,789,326	₱41,551,287,468
Earnings (Loss) Per Share Attributable to Equity Holders of the Parent Company (Note 39)			
Basic/diluted earnings (loss) per share	**₱0.68**	(₱0.06)	₱4.16

See accompanying Notes to Consolidated Financial Statements.

JG SUMMIT HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the Years Ended December 31, 2021, 2020 and 2019

	ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY															
	Paid-up Capital (Note 25)				Retained Earnings (Note 25)				Other Comprehensive Income (Note 36)							
	Capital Stock	Additional Paid-in Capital	Stock Dividend Distributable	Total Paid-up Capital	Unrestricted Retained Earnings	Restricted Retained Earnings	Total Retained Earnings	Equity Reserve (Note 25)	Cumulative Translation Adjustments (Note 25)	Net Unrealized Gains (Losses) on Financial Assets at FVOCI (Note 10)	Net Unrealized Losses on Cash Flow Hedge (Note 8)	Remeasurements of the Net Defined Benefit Liability (Note 37)	Total Other Comprehensive Income (Loss)	Total	NON-CONTROLLING INTERESTS (Note 25)	TOTAL EQUITY
Balance at January 1, 2021	**₱7,560,983,658**	**₱45,148,987,817**	**₱122,600,000**	**₱52,832,571,475**	**₱124,406,517,121**	**₱118,284,329,399**	**₱242,690,846,520**	**₱30,870,428,825**	**(₱924,884,392)**	**(₱14,794,597,877)**	**(₱23,730,026)**	**(₱2,329,328,169)**	**(₱18,072,540,464)**	**₱308,321,306,356**	**₱99,789,050,002**	**₱408,110,356,358**
Total comprehensive income	–	–	–	–	**5,108,229,771**	–	**5,108,229,771**	–	**877,705,266**	**10,755,237,381**	**23,730,026**	**2,359,171,977**	**14,015,844,650**	**19,124,074,421**	**6,225,168,096**	**25,349,242,517**
Cash dividends	–	–	–	–	**(2,873,173,790)**	–	**(2,873,173,790)**	–	–	–	–	–	–	**(2,873,173,790)**	**(4,420,473,375)**	**(7,293,647,165)**
Sale of equity interest in an associate	–	–			**(57,787,869)**	–	**(57,787,869)**	–	–	–	–	**57,787,869**	**57,787,869**	–	–	–
Sale of equity interest in a subsidiary (by a subsidiary)	–	–	–	–	–	–	–	**10,830,531,189**	–	–	–	–	–	**10,830,531,189**	**10,593,578,230**	**21,424,109,419**
Acquisition of non-controlling interest by a subsidiary	–	–	–	–	**(4,210,312)**	–	**(4,210,312)**	–	–	–	–	–	–	**(4,210,312)**	**(473,539,688)**	**(477,750,000)**
Issuance of shares by subsidiaries	–	–	–	–	–	–	–	**159,533,787**	–	–	–	–	–	**159,533,787**	**3,021,843,474**	**3,181,377,261**
Stock dividends	**2,000,000**	**120,600,000**	**(122,600,000)**	–	–	–	–	–	–	–	–	–	–	–	–	–
Increase in subsidiaries' treasury shares	–	**(700,245)**	–	**(700,245)**	–	–	–	**(185,652,747)**	–	–	–	–	–	**(186,352,992)**	**(673,255,042)**	**(859,608,034)**
Stock issue costs of subsidiaries	–	**(56,317,815)**	–	**(56,317,815)**	**(6,499,629)**	–	**(6,499,629)**	–	–	–	–	–	–	**(62,817,444)**	**(11,519,640)**	**(74,337,084)**
Sale of business by a subsidiary (Note 44)	–	–	–	–	**1,333,295,724**	–	**1,333,295,724**	**(1,333,295,724)**	–	–	–	–	–	–	**(6,244,876,706)**	**(6,244,876,706)**
Acquisition of new subsidiary by a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	–	–	**341,291,632**	**341,291,632**
Subsidiary's share-based payments (Note 45)	–	–	–	–	–	–	–	–	–	–	–	–	–	–	**174,824,362**	**174,824,362**
Balance at December 31, 2021	**₱7,562,983,658**	**₱45,212,569,757**	**₱–**	**₱52,775,553,415**	**₱127,906,371,016**	**₱118,284,329,399**	**₱246,190,700,415**	**₱40,341,545,330**	**(₱47,179,126)**	**(₱4,039,360,496)**	**₱–**	**₱87,631,677**	**(₱3,998,907,945)**	**₱335,308,891,215**	**₱108,322,091,345**	**₱443,630,982,560**
Balance at January 1, 2020	₱7,202,841,657	₱23,553,025,157	₱–	₱30,755,866,814	₱149,688,466,157	₱118,284,329,399	₱267,972,795,556	₱30,870,148,859	₱135,082,929	(₱23,832,621,540)	₱121,882,506	(₱1,211,512,605)	(₱24,787,168,710)	₱304,811,642,519	₱103,835,500,348	₱408,647,142,867
Total comprehensive income	–	–	–	–	(468,159,528)	–	(468,159,528)	–	(1,059,967,321)	9,038,023,663	(145,612,532)	(1,117,815,564)	6,714,628,246	6,246,468,718	(26,679,392)	6,219,789,326
Cash dividends	–	–	–	–	(2,737,084,847)	–	(2,737,084,847)	–	–	–	–	–	–	(2,737,084,847)	(4,494,502,566)	(7,231,587,413)
Stock dividends	358,142,001	21,595,962,660	122,600,000	22,076,704,661	(22,076,704,661)	–	(22,076,704,661)	–	–	–	–	–	–	–	–	–
Increase in subsidiary's treasury shares	–	–	–	–	–	–	–	279,966	–	–	–	–	–	279,966	(45,040,628)	(44,760,662)
Acquisition of non-controlling interest by a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	–	–	327,772,240	327,772,240
Issuance of shares by a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	–	–	192,000,000	192,000,000
Balance at December 31, 2020	₱7,560,983,658	₱45,148,987,817	₱122,600,000	₱52,832,571,475	₱124,406,517,121	₱118,284,329,399	₱242,690,846,520	₱30,870,428,825	(₱924,884,392)	(₱14,794,597,877)	(₱23,730,026)	(₱2,329,328,169)	(₱18,072,540,464)	₱308,321,306,356	₱99,789,050,002	₱408,110,356,358
Balance at January 1, 2019	₱7,202,841,657	₱23,553,025,157	₱–	₱30,755,866,814	₱121,568,271,238	₱117,784,329,399	₱239,352,600,637	₱29,573,169,046	(₱538,392,593)	(₱22,647,670,192)	₱2,541,653	₱338,666,662	(₱22,844,854,470)	₱276,836,782,027	₱91,055,029,938	₱367,891,811,965
Total comprehensive income	–	–	–	–	31,285,246,332	–	31,285,246,332	–	673,475,522	(1,184,951,348)	119,340,853	(1,550,179,267)	(1,942,314,240)	29,342,932,092	12,208,355,376	41,551,287,468
Reversal of appropriation of retained earnings	–	–	–	–	24,500,000,000	(24,500,000,000)	–	–	–	–	–	–	–	–	–	–
Appropriation of retained earnings	–	–	–	–	(25,000,000,000)	25,000,000,000	–	–	–	–	–	–	–	–	–	–
Cash dividends	–	–	–	–	(2,665,051,413)	–	(2,665,051,413)	–	–	–	–	–	–	(2,665,051,413)	(5,768,961,389)	(8,434,012,802)
Property dividends (subsidiary)	–	–	–	–	–	–	–	(18,260,801)	–	–	–	–	–	(18,260,801)	(20,477,594)	(38,738,395)
Increase in subsidiary's treasury shares	–	–	–	–	–	–	–	(16,132,408)	–	–	–	–	–	(16,132,408)	(104,451,717)	(120,584,125)
Incorporation of a subsidiary (by a subsidiary)	–	–	–	–	–	–	–	–	–	–	–	–	–	–	159,250,000	159,250,000
Sale of equity interest in a subsidiary (Note 44)	–	–	–	–	–	–	–	1,331,373,022	–	–	–	–	–	1,331,373,022	6,066,755,734	7,398,128,756
Issuance of shares by a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	–	–	240,000,000	240,000,000
Balance at December 31, 2019	₱7,202,841,657	₱23,553,025,157	₱–	₱30,755,866,814	₱149,688,466,157	₱118,284,329,399	₱267,972,795,556	₱30,870,148,859	₱135,082,929	(₱23,832,621,540)	₱121,882,506	(₱1,211,512,605)	(₱24,787,168,710)	₱304,811,642,519	₱103,835,500,348	₱408,647,142,867

See accompanying Notes to Consolidated Financial Statements.

JG SUMMIT HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2021	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax from continuing operations	**(₱184,189,654)**	₱ 1,982,308,082	₱ 47,511,567,963
Income before income tax from discontinued operations (Note 44)	**11,599,742,265**	1,278,949,112	526,258,396
Income before income tax	**11,415,552,611**	3,261,257,194	48,037,826,359
Adjustments for:			
Depreciation and amortization (Notes 15, 16, 18, 33, 42 and 44)	**30,332,169,190**	31,607,025,151	30,012,996,106
Interest expense (Notes 35 and 44)	**9,593,703,923**	9,498,175,745	10,735,461,364
Unrealized foreign exchange (gains) losses	**3,045,695,579**	(2,584,645,951)	(828,657,682)
Provision for (recovery from) impairment losses (Note 34)	**1,908,857,830**	1,420,479,998	(2,144,971,130)
Market valuation losses on derivative financial instruments - net (Note 8)	**1,318,117,077**	2,025,330,184	63,352,472
Gain on sale of financial assets at fair value through OCI (Notes 10 and 29)	**(348,808,663)**	(23,850,313)	(277,810,114)
Loss on extinguishment of debt (Note 23)	**77,337,557**	–	–
Loss (gain) arising from changes in fair value less estimated costs to sell of swine stocks (Note 17)	**(2,550,156)**	(37,039,948)	70,184,825
Market valuation losses (gains) on financial assets at fair value through profit or loss - net (Note 9)	**(223,603,728)**	307,614,214	(703,885,932)
Gain on disposal of asset held for sale (Note 14)	**(261,944,949)**	–	–
Finance income (Notes 27 and 44)	**(1,111,625,185)**	(1,232,992,615)	(2,096,212,143)
Loss (gain) on sale and retirement of property, plant and equipment (Note 16)	**(1,214,494,973)**	370,195,060	223,819,896
Inventory obsolescence and market decline (Note 34)	**109,167,827**	–	2,678
Dividend income (Note 28)	**(2,139,858,648)**	(2,011,120,839)	(1,348,711,916)
Equity in net earnings of associates and joint ventures (Note 14)	**(9,685,312,139)**	(7,616,221,319)	(13,357,511,170)
Gain on sale of business (Note 44)	**(10,100,438,582)**	–	–
Write-down of biological assets (Note 17)	**–**	550,573,074	238,990,324
Gain on sale of investment securities at amortized cost (Note 10)	**–**	(190,914,608)	(62,879,198)
Gain on remeasurement of investment in associate (Note 14)	**–**	(71,324,225)	–
Gain on sale and disposal of investments in associates and joint ventures (Note 14)	**–**	(34,465,240)	–
Gain on retirement and disposal of investment properties (Note 15)	**–**	–	(17,356,519)
Operating income before changes in working capital accounts	**32,711,964,571**	35,238,075,562	68,544,638,220
Changes in operating assets and liabilities:			
Decrease (increase) in			
Financial assets at fair value through profit or loss	**(672,395,451)**	(1,487,986,228)	(231,289,647)
Derivative assets	**–**	–	(49,787,891)
Receivables	**(14,962,575,864)**	(16,557,142,519)	(24,978,680,750)
Inventories	**(6,604,816,148)**	(6,606,036,520)	(4,573,432,766)
Biological assets	**(149,317,080)**	102,612,963	(266,553,047)
Other current assets	**2,581,704,792**	(3,622,276,914)	(6,011,704,518)
Increase (decrease) in			
Accounts payable and accrued expenses	**9,070,638,830**	15,087,004,249	12,832,086,217
Unearned revenue	**39,179,373**	(8,210,131,825)	771,081,559
Other current liabilities	**(10,083,078,905)**	13,334,767,937	909,221,590
Net cash generated from operations	**11,931,304,118**	27,278,886,705	46,945,578,967
Interest paid	**(10,070,737,832)**	(8,684,256,122)	(10,981,560,781)
Income taxes paid	**(3,978,870,270)**	(4,600,167,595)	(5,346,484,101)
Interest received	**1,125,220,015**	682,902,238	1,921,379,426
Net cash (used in) provided by operating activities	**(993,083,969)**	14,677,365,226	32,538,913,511

	Years Ended December 31		
	2020	2020	2019
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Financial assets at fair value through other comprehensive income (Note 10)	**(₱25,384,597,804)**	(₱29,694,236,608)	(₱28,047,982,472)
Property, plant and equipment (Note 16)	**(32,282,201,440)**	(27,046,779,261)	(62,087,888,513)
Investment properties (Note 15)	**(13,453,825,400)**	(10,302,106,286)	(10,060,530,771)
Investment securities at amortized cost	**(912,516,473)**	(860,922,314)	(196,260,131)
Intangible assets (Note 18)	**(301,587,921)**	(519,916,914)	(137,886,422)
Investments in associates and joint ventures (Note 14)	**(655,599,541)**	(412,556,393)	(1,544,789,775)
Subsidiaries, net of cash acquired (Notes 14 and 19)	**(22,565,594,339)**	(200,877,673)	–
Dividends received on investments in associates and joint ventures (Note 14)	**4,985,370,666**	7,227,674,931	6,866,259,987
Dividends received (Note 28)	**2,793,840,024**	2,011,120,839	1,348,711,916
Decrease (increase) in the amounts of other noncurrent assets	**3,893,982,808**	(3,259,614,783)	18,056,459,316
Refund of pre-delivery payments (Note 16)	**5,911,374,086**	1,231,661,595	–
Acquisition of equity interest in a subsidiary (by a subsidiary) (Note 2)	**(477,750,000)**	–	–
Proceeds from sale/maturity of:			
Financial assets at fair value through other comprehensive income (Note 10)	**17,489,322,420**	20,343,881,852	24,243,072,327
Business (Note 44)	**22,292,159,390**	–	–
Investment securities at amortized cost (Note 10)	**487,023,117**	4,359,732,740	1,498,635,579
Investment in associate and joint venture (Note 14)	–	373,377,600	–
Property, plant and equipment (Note 16)	**11,975,974,647**	7,382,224,579	4,453,351,444
Investment properties	**65,815,075**	–	50,004,269
Assets held for sale (Note 14)	**9,090,600,000**	–	–
Proceeds from sale of business without loss of control (Note 44)	–	–	7,204,512,000
Net cash used in investing activities	**(17,048,210,685)**	(29,367,336,096)	(38,354,331,246)
CASH FLOWS FROM FINANCING ACTIVITIES			
Availments of:			
Short-term debts (Note 47)	**108,323,336,278**	114,373,521,775	85,967,968,788
Long-term debts (Note 47)	**–**	66,185,040,215	47,449,632,216
Proceeds from issuance of bonds payable, net of bond issue cost (Note 23)	**11,782,473,335**	–	–
Dividends paid to non-controlling interests (Note 25)	**(4,420,473,375)**	(4,494,502,566)	(5,768,961,389)
Increase (decrease) in other noncurrent liabilities	**1,646,390,333**	(5,924,680,459)	5,114,680,765
Settlements of:			
Short-term debts (Note 47)	**(87,105,805,043)**	(118,820,360,881)	(67,145,701,321)
Long-term debts (Notes 23 and 47)	**(25,562,742,347)**	(10,489,146,497)	(35,529,183,139)
Principal portion of lease liabilities (Note 42)	**(7,160,310,932)**	(6,729,663,842)	(6,738,059,926)
Dividends paid on:			
Common shares (Note 25)	**(2,857,973,790)**	(2,721,884,847)	(2,650,251,413)
Preferred shares (Note 25)	**(15,200,000)**	(15,200,000)	(14,800,000)
Cash received from non-controlling interest for newly incorporated subsidiary (Note 25)	**–**	327,772,240	399,250,000
Purchase of treasury shares by subsidiaries	**(859,608,034)**	(44,760,662)	(120,584,125)
Net cash received from NCI for issuance of shares by a subsidiary (Note 25)	**3,150,653,253**	192,000,000	–
Net proceeds from sale of equity interest in a subsidiary	**22,519,263,729**	–	–
Net cash provided by financing activities	**19,440,003,407**	31,838,134,476	20,963,990,456
NET INCREASE IN CASH AND CASH EQUIVALENTS	**1,398,708,753**	17,148,163,606	15,148,572,721
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**81,491,412,768**	64,343,249,162	49,194,676,441
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 7)	**₱82,890,121,521**	₱81,491,412,768	₱64,343,249,162

See accompanying Notes to Consolidated Financial Statements.

JG SUMMIT HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

JG Summit Holdings, Inc. (the Parent Company) was incorporated in the Philippines on November 23, 1990 with a corporate term of 50 years from the date of incorporation. On May 8, 2014, the Board of Directors (BOD) of the Parent Company approved its amendment to Article Three of the Amended Articles of Incorporation to change the principal office address of the Parent Company from “Metro Manila, Philippines” to “43rd Floor, Robinsons-Equitable Tower, ADB Avenue corner Poveda Road, Pasig City” in accordance with Securities and Exchange Commission (SEC) Memorandum Circular No. 6, Series of 2014.

The Parent Company, a holding company, is the ultimate parent of the JG Summit Group (the Group). The Group has business interests in branded consumer foods, agro-industrial and commodity food products, real property development, hotels, banking and financial services, telecommunications, petrochemicals, air transportation and power distribution.

The Group conducts business throughout the Philippines, but primarily in and around Metro Manila where it is based. The Group also has branded food businesses in the People’s Republic of China, in the Association of Southeast Asian Nations region and interests in property development businesses in Singapore and People’s Republic of China.

The principal activities of the Group are further described in Note 6, *Segment Information*, to the consolidated financial statements.

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 (FVPL), financial assets at fair value through other comprehensive income (FVOCI), and derivative financial instruments that are measured at fair value, and certain biological assets and agricultural produce that are measured at fair value less estimated costs to sell.

The consolidated financial statements of the Group are presented in Philippine peso (₱), the functional currency of the Parent Company. All values are rounded to the nearest peso except when otherwise stated.

A summary of the functional currencies of certain foreign subsidiaries within the Group follows:

Subsidiaries	Country of Incorporation	Functional Currency
Parent Company		
JG Summit Cayman Limited	Cayman Islands	US Dollar
JG Summit Philippines, Ltd. and Subsidiaries		
JG Summit Philippines, Ltd.	-do-	-do-
JGSH Philippines, Limited	British Virgin Islands	-do-
Telegraph Development, Ltd.	-do-	-do-
Summit Top Investment, Ltd.	-do-	-do-
JG Digital Equity Ventures and a Subsidiary		
JG Digital Capital Pte. Ltd.	Singapore	Singapore Dollar

Subsidiaries	Country of Incorporation	Functional Currency
URC Group		
Universal Robina (Cayman), Limited	Cayman Islands	US Dollar
URC Philippines, Limited	British Virgin Islands	-do-
URC Asean Brands Co. Ltd.	-do-	-do-
Hong Kong China Foods Co. Ltd.	-do-	-do-
URC International Co., Ltd.	-do-	-do-
URC China Commercial Co. Ltd.	China	Chinese Renminbi
Xiamen Tongan Pacific Food Co., Ltd.	-do-	-do-
Shanghai Peggy Foods Co., Ltd.	-do-	-do-
Guangzhou Peggy Foods Co., Ltd.	-do-	-do-
Jiangsu Acesfood Industrial Co.	-do-	-do-
Shantou SEZ Shanfu Foods Co., Ltd.	-do-	-do-
Shantou Peggy Co., Ltd.	-do-	-do-
URC Hong Kong Company Limited	-do-	Hong Kong Dollar
URC (Thailand) Co., Ltd.	Thailand	Thai Baht
Siam Pattanasin Co., Ltd.	-do-	-do-
URC Foods (Singapore) Pte. Ltd.	Singapore	Singapore Dollar
Advanson International Pte. Ltd.	-do-	-do-
URC Equity Ventures Pte. Ltd.	-do-	-do-
PT URC Indonesia	Indonesia	Indonesian Rupiah
URC (Myanmar) Co. Ltd.	Myanmar	Myanmar Kyats
URC Vietnam Co., Ltd.	Vietnam	Vietnam Dong
URC Hanoi Company Limited	-do-	-do-
URC Central Co. Ltd.	-do-	-do-
Ricellent Sdn. Bhd.	Malaysia	Malaysian Ringgit
URC Snack Foods (Malaysia) Sdn. Bhd.	-do-	-do-
Crunchy Foods Sdn. Bhd. (Malaysia)	-do-	-do-
Munchy Foods Industries Sdn. Bhd.	-do-	-do-
Munchworld Marketing Sdn. Bhd.	-do-	-do-
RLC Group		
Robinsons (Cayman) Limited	Cayman Islands	US Dollar
RLC Resources Ltd	British Virgin Islands	-do-
Land Century Holdings, Ltd.	China	Hong Kong Dollar
World Century Enterprise Ltd.	-do-	-do-
First Capital Development, Ltd.	-do-	-do-
Chengdu Xin Yao Real Estate Development, Co. Ltd	-do-	Chinese Renminbi

Statement of Compliance

The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs), as modified by the application of the financial reporting reliefs issued and approved by the Securities and Exchange Commission (SEC) in response to the COVID-19 pandemic.

Deferral of the following provisions of Philippine Interpretations Committee (PIC) Q&A 2018-12, PFRS 15 Implementation Issues Affecting the Real Estate Industry

On December 15, 2020, the Philippine SEC issued SEC Memorandum Circular (MC) No. 34-2020 which further extended the deferral of the following provisions of PIC Q&A 2018-12 until December 31, 2023:

a. Exclusion of land in the determination of percentage of completion (POC) discussed in PIC Q&A No. 2018-12-E
b. Accounting for significant financing component discussed in PIC Q&A No. 2018-12-D
c. Implementation of International Financial Reporting Standards (IFRS) Interpretations Committee (IFRIC) Agenda Decision on Over Time Transfer of Constructed Goods (Philippine Accounting Standard (PAS) 23, *Borrowing Cost*) for Real Estate industry

The exclusion of land in the determination of POC and IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23, *Borrowing Cost)* for Real Estate industry as discussed in PIC Q&A No. 2018-12-E are not applicable to the Group's real estate operations in the Philippines.

The details and the impact of the adoption of the above financial reporting reliefs are discussed in the "Standards Issued But Not Yet Effective" section.

PFRSs include Philippine Financial Reporting Standards, Philippine Accounting Standards and Interpretations issued by the Philippine Interpretations Committee (PIC).

Basis of Consolidation

The consolidated financial statements include the financial statements of the Parent Company and the following wholly and majority-owned subsidiaries:

Subsidiaries	Country of Incorporation	Principal Place of Business	Effective Percentage of Ownership 2021	2020
Food				
Universal Robina Corporation (URC) and Subsidiaries	Philippines*	8th floor Tera Tower Bridgetowne E. Rodriguez Jr., Ave (C5 Road) Ugong Norte, Quezon City	**55.33**	55.25
CFC Corporation	-do-	-do-	**55.33**	55.25
Bio-Resource Power Generation Corporation	-do-	Manjuyod, Negros Oriental	**55.33**	55.25
Nissin-URC	-do-	CFC Bldg., E. Rodriguez Jr. Ave., Bagong Ilog, Pasig City	**28.22****	28.17**
URC Snack Ventures Inc. (formerly, Calbee-URC, Inc. (CURCI))	-do-	8th floor Tera Tower Bridgetowne E. Rodriguez Jr., Ave (C5 Road) Ugong Norte, Quezon City	**55.33**	55.25
URC Beverage Ventures Inc. (formerly, Hunt-URC (HURC))	-do-	-do-	**55.33**	55.25
URC Philippines, Limited (URCPL)	British Virgin Islands	Offshore Incorporations Limited, P.O. Box 957 Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	**55.33**	55.25
URC International Co. Ltd. (URCICL) and Subsidiaries	-do-	-do-	**55.33**	55.25
Universal Robina (Cayman), Ltd. (URCL)	Cayman Islands	Maples and Calder, P.O. Box 309, Ugland House, South Church Street, Grand Cayman, Cayman Islands, British West Indies	**55.33**	55.25
URC China Commercial Co., Ltd.	China	318 Shangcheng Road, Room 1417 Lian You Bldg., Pudong, Shanghai, China	**55.33**	55.25
Najalin Agri-Ventures, Inc. (NAVI) (Note 16)	Philippines	CAC Compound, La Carlota City, Negros Occidental	**53.02****	52.94**
Air Transportation				
CP Air Holdings, Inc. (CPAHI) and Subsidiaries	Philippines	2nd Floor, Doña Juanita Marquez Lim Building, Osmeña Boulevard, Cebu City	**100.00**	100.00
Cebu Air, Inc. (CAI) and Subsidiaries	-do-	-do-	**66.56**	67.80
CEBGO, Inc. (CEBGO)	-do-	AO-08-09 Mezzanine Level, Passenger Terminal Building, Clark International Airport, Clark Freeport Zone, Pampanga	**66.56**	67.80
Aviation Partnership (Philippines) Corp	-do-	3rd Floor Aviation Partnership Philippines Bldg. 8006 Domestic Road Pasay City	**100.00**	100.00
Real Estate and Hotels				
Robinsons Land Corporation (RLC) and Subsidiaries	Philippines	43rd Floor, Robinsons Equitable Tower, ADB Avenue, Ortigas Center, Pasig City	**61.19**	60.97
Robinson's Inn, Inc.	-do-	-do-	**61.19**	60.97
RL Commercial REIT, Inc. (RCR) (formerly Robinsons Realty and Management Corporation)	-do-	-do-	**38.85****	60.97
Robinsons (Cayman) Limited	Cayman Islands	Maples and Calder, P.O. Box 309, Ugland House, South Church Street, Grand Cayman, Cayman Islands	**61.19**	60.97
Robinsons Properties Marketing and Management Corporation	Philippines	43rd Floor, Robinsons Equitable Tower, ADB Avenue, Artigas Center, Pasig City	**61.19**	60.97
Manhattan Buildings and Management Corp	-do-	-do-	**61.19**	60.97
Altus Angeles, Inc.	-do-	McArthur Highway, Balisage, Angeles City, Pampanga	**31.20****	31.09**

(Forward)

Subsidiaries	Country of Incorporation	Principal Place of Business	Effective Percentage of Ownership 2021	2020
Go Hotels Davao, Inc.	-do-	Lanang, Davao City	**31.20****	31.09**
RLC Resources Ltd	British Virgin Islands	British Virgin Islands	**61.19**	60.97
Land Century Holdings, Ltd.	China	Hong Kong	**61.19**	60.97
World Century Enterprise Ltd.	-do-	Hong Kong	**61.19**	60.97
First Capital Development, Ltd	-do-	Hong Kong	**61.19**	60.97
Chengdu Xin Yao Real Estate Development Co. Ltd.	-do-	China	**61.19**	60.97
Bacoor R and F Land Corporation (BRFLC)	Philippines	Philippines	**42.83****	42.68
Bonifacio Property Ventures, Inc.	-do-	Philippines	**61.19**	60.97
Altus Mall Ventures, Inc.	-do-	Philippines	**61.19**	60.97
RLGB Land Corporation (RLGB)	-do-	Philippines	**61.19**	31.09**
Robinsons Logistix and Industrials, Inc. (RLII)	-do-	Philippines	**61.19**	–
RL Property Management, Inc. (RLPMI)	-do-	Philippines	**61.19**	–
RL Fund Management, Inc. (RLFMI)	-do-	Philippines	**61.19**	–
Malldash Corp.	-do-	Philippines	**61.19**	–
Altus Property Ventures, Inc. (APVI)	-do-	Brgy. 1 San Francisco, San Nicolas, Ilocos Norte	**61.19**	60.97
Petrochemicals				
JG Summit Petrochemical Corporation (JGSPC)	Philippines	Ground Floor, Cybergate Tower 1, EDSA corner, Pioneer Street, Mandaluyong City	**100.00**	100.00
Peak Fuel Corporation	-do-	10th Floor Robinsons Cybergate Gamma, Bldg., Topaz and Ruby Roads, Ortigas Center, Pasig City	**100.00**	100.00
JG Summit Olefins Corporation (JGSOC)	-do-	43rd Floor, Robinsons Equitable Tower, ADB Avenue, Ortigas Center, Pasig City	**100.00**	100.00
JGSOC Philippines Limited	British Virgin Islands	British Virgin Islands	**100.00**	100.00
Banking				
Robinsons Bank Corporation (RBC) and a Subsidiary	-do-	17th floor, Galleria Corporate Center EDSA corner Ortigas Avenue, Quezon City	**60.00**	60.00
Legazpi Savings Bank, Inc. (LSB)	-do-	Rizal Street, Barangay Sagpon, Albay, Legazpi City	**60.00**	60.00
Supplementary Businesses				
Data Analytics Ventures, Inc. (DAVI)	-do-	42nd Floor, Robinsons Equitable Tower, ADB Avenue corner Poveda Road, Ortigas Center, Pasig City	**45.20****	45.20**
JG Digital Equity Ventures, Inc. (JG DEV) and Subsidiary	-do-	29th Floor, Galleria Corporate Center, EDSA, Quezon City	**100.00**	100.00
JG Digital Capital Pte. Ltd. (JDCPL)	Singapore	168 Tagore Lane Singapore	**100.00**	100.00
JG Summit Capital Services Corp. (JGSCSC) and Subsidiaries	Philippines	40th Floor, Robinsons-Equitable Tower, ADB Avenue corner Poveda Road, Ortigas Center, Pasig City	**100.00**	100.00
JG Summit Capital Markets Corporation (JGSMC)	-do-	-do-	**100.00**	100.00
Summit Internet Investments, Inc.	-do-	-do-	**100.00**	100.00
JG Summit Cayman, Ltd. (JGSCL)	Cayman Islands	Maples and Calder, P.O. Box 309, Ugland House, South Church Street, Grand Cayman, Cayman Islands	**100.00**	100.00
JG Summit Philippines Ltd. (JGSPL) and Subsidiaries	-do-	-do-	**100.00**	100.00
JGSH Philippines, Limited	British Virgin Islands	Offshore Incorporations Limited, P.O. Box 957 Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	**100.00**	100.00
Telegraph Developments, Ltd.	-do-	-do-	**100.00**	100.00
Summit Top Investments, Ltd.	-do-	-do-	**100.00**	100.00
Unicon Insurance Brokers Corporation (UIBC)	Philippines	CFC Bldg., E. Rodriguez Avenue, Bagong Ilog, Pasig City	**100.00**	100.00

(Forward)

Subsidiaries	Country of Incorporation	Principal Place of Business	Effective Percentage of Ownership 2021	2020
JG Summit Infrastructure Holdings Corporation	-do-	43rd Floor Robinsons Equitable Tower, ADB avenue, Corner Poveda Road, Pasig City	**100.00**	100.00
Merbau Corporation	-do-	Ground floor Cybergate Tower 1 Edsa cor Pioneer St. Mandaluyong City	**100.00**	100.00
Batangas Agro-Industrial Development				
Corporation (BAID) and Subsidiaries	-do-	5th Floor Citibank Center, Makati	**100.00**	100.00
Fruits of the East, Inc.	-do-	Citibank Center, Paseo de Roxas, Makati	**100.00**	100.00
Hometel Integrated Management Corporation	-do-	-do-	**100.00**	100.00
King Leader Philippines, Inc.	-do-	5th Floor Citibank Center, Makati	**100.00**	100.00
Tropical Aqua Resources	-do-	-do-	**100.00**	100.00
United Philippines Oil Trading, Inc.	-do-	-do-	**100.00**	100.00
Samar Commodities Trading and Industrial Corporation	-do-	-do-	**100.00**	100.00

* *Certain subsidiaries are located in other countries, such as China, Malaysia, Singapore, Thailand, Vietnam, etc.*

** *These are majority-owned subsidiaries of the Parent Company's directly-owned subsidiaries.*

Investment in RLGB
On October 18, 2021, Gokongwei Brothers Foundation's (GBF's) 49% share subscription was rescinded and its invested capital was returned subsequently pursuant to the Rescission Agreement executed between RLGB and GBF. RLGB became a wholly-owned subsidiary of RLC.

Investment in RLII
On April 5, 2021, RLII was incorporated to engage in and carry on a business of logistics and to develop buildings, warehouses, industrial and logistics facilities, among others.

Investment in RLPMI
On April 12, 2021, RLPMI was incorporated primarily to engage in the business of providing services in relation to property management, lease management, marketing, project management, including tenant services, care and maintenance of physical structures, securing and administering routine management services, formulating and implementing leasing strategies, enforcing tenancy conditions, ensuing compliance with relevant government regulations with respect to the managed property, and formulating and implementing policies and programs in respects of building management, maintenance and improvement, initiating refurbishment and monitoring thereof, and such other duties and functions necessary and incidental to property management.

Investment in RLFMI
On May 28, 2021, RLFMI was incorporated to engage in the business of providing fund management services to real estate investment trust (REIT) companies, as provided under Republic Act No. 9856 (the Real Estate Investment Trust Act of 2009), including its implementing rules and regulations.

Incorporation of Malldash Corp
On July 26, 2021, Malldash Corp. was organized to engage in, develop, operate, and maintain the business of providing Information Technology (I.T.) solutions; to develop, operate, and maintain an electronic marketplace that will allow for business to business integration to consumer electronic commerce solutions; to provide solutions for merchant to consumer/user product delivery and/or fulfillment; to provide logistic services and digital services; and to do other things necessary or convenient for carrying out into effect the foregoing purpose.

RL Commercial REIT
On April 15, 2021, the BOD and stockholders of the RCR approved the amendments to the Articles of Incorporation (AOI) of Robinsons Realty and Management Corporation that resulted in: (a) change in corporate name to RL Commercial REIT, Inc.; (b) change in primary purpose to engage in the business of REIT; (c) increase in authorized capital stock from One Hundred Million Pesos (₱100,000,000), divided into One Hundred Million (100,000,000) common shares with par value of One Peso (₱1.00) per share, to Thirty-Nine Billion Seven Hundred Ninety-Five Million Nine Hundred Eighty-Eight Thousand Seven Hundred Thirty-Two (39,795,988,732) shares with par value of One Peso (₱1.00) per share.

Further, a Comprehensive Deed of Assignment was executed between RCR and RLC on April 15, 2021 for the assignment, transfer, and conveyance by RLC of several properties (the Assigned Properties) to RCR in the form of buildings and condominium units with an aggregate gross area of Three Hundred Sixty-Five Thousand Three Hundred Twenty-Nine and Eighty-One Hundredths (365,329.81) square meters and with a total value of Fifty-Nine Billion Forty-Six Million Pesos (₱59,046,000,000) in exchange for the issuance of Nine Billion Nine Hundred Twenty-Three Million Nine Hundred Ninety-Seven Thousand One Hundred Eighty-Three (9,923,997,183) shares of the Assigned Properties at One Peso (₱1.00) per share with an aggregate par value of Nine Billion Nine Hundred Twenty-Three Million Nine Hundred Ninety-Seven Thousand One Hundred Eighty-Three Pesos (₱9,923,997,183), with the remaining amount of Forty-Nine Billion One Hundred Twenty-Two Million Two Thousand Eight

Hundred Seventeen Pesos (₱49,122,002,817) being treated as additional paid-in capital without issuance of additional shares (the Property-for-Share Swap).

On August 2, 2021, the SEC approved the amendments to RCR's AOI and the Property-for-Share Swap. On September 14, 2021, RCR completed its initial public offering, and its common shares were listed and currently traded in the PSE as a REIT entity.

Merger of JGSPC with JGSOC
On December 18, 2020, the Board of Directors (BOD) of JGSPC approved a plan to merge JGSPC and JGSOC, a sister company incorporated in the Philippines and registered with the Philippine SEC, wherein JGSOC will be the surviving entity. On September 30, 2021, the merger of the said companies was approved by the Philippine SEC effective on January 1, 2022.

Transfer of direct control over APVI
On July 31, 2019, RLC declared its 93.89% stake in APVI as property dividends in favor of its registered shareholders. As a result, the Parent Company now has direct control over APVI. However, this has no impact in the consolidated financial statements.

Incorporation of DAVI
On December 4, 2018, the Group, through its majority-owned subsidiaries CAI and RLC and wholly-owned subsidiary JG DEV and in partnership with Robinsons Retail Holdings, Inc. (RRHI), launched DAVI, the conglomerate's data services firm.

On June 5, 2020, the Group made additional capital infusion to DAVI amounting to ₱288.0 million.

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 Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Where 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.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the Group.

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; and
- recognizes any surplus or deficit in profit or loss in the consolidated statement of comprehensive income.

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. Acquisition-related costs are recognized in profit or loss in the consolidated statement of comprehensive 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 PFRS. Changes in the fair value of contingent consideration classified as equity are not recognized.

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 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 when the Group attains control) and the resulting gain or loss, if any, is recognized in profit or loss in the consolidated statement of comprehensive 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 in the consolidated statement of comprehensive income, where such treatment would be appropriate if that interest were disposed of.

Goodwill

Goodwill arising on 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 profit or loss in the consolidated statement of comprehensive income as a bargain purchase gain.

Goodwill is not amortized, but is reviewed for impairment at least annually. Any impairment loss is recognized immediately in profit or loss in the consolidated statement of comprehensive income 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

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards and amendments effective as at January 1, 2021. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Unless otherwise indicated, adoption of these new standards did not have an impact on the consolidated financial statements of the Group.

- Amendments 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 Group adopted the amendment beginning April 1, 2021.

- 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 Group adopted the amendments beginning January 1, 2021.

- Adoption of PIC Q&A 2018-14 on Accounting for Cancellation of Real Estate Sales (as amended by PIC Q&A 2020-05)

  On June 27, 2018, PIC Q&A 2018-14 was issued providing guidance on accounting for cancellation of real estate sales. Under SEC MC No. 3-2019, the adoption of PIC Q&A No. 2018-14 was deferred until December 31, 2020. After the deferral period, real estate companies will adopt PIC Q&A No. 2018-14 and any subsequent amendments thereto retrospectively or as the SEC will later prescribe.

  On November 11, 2020, PIC Q&A 2020-05 was issued which supersedes PIC Q&A 2018-14. This PIC Q&A adds a new approach where the cancellation is accounted for as a modification of the contract (i.e., from non-cancellable to being cancellable). Under this approach, revenues and related costs previously recognized shall be reversed in the period of cancellation and the inventory shall be reinstated at cost. PIC Q&A 2020-05 will have to be applied prospectively from approval date of the Financial Reporting Standards Council which was on November 11, 2020.

  The adoption of this PIC Q&A did not impact the consolidated financial statements of the Group since it has previously adopted approach 3 in its accounting for sales cancellation which records the repossessed inventory at cost.

- Adoption of PIC Q&A 2018-12 on Accounting for Common Usage Service Area (CUSA)

  On February 14, 2018, the PIC issued PIC Q&A 2018-12 which provides guidance on some implementation issues of PFRS 15, *Revenue from Contracts with Customers*, affecting the real estate industry. This includes PIC Q&A No. 2018-12-H which discussed accounting for CUSA wherein it was concluded that real estate developers are generally acting as principal for CUSA. On October 25, 2018, the SEC decided to provide relief to the real estate industry by deferring the application of the provisions of the PIC Q&A 2018-12-H for a period of three years or until December 31, 2020. The deferral will only be applicable for real estate transactions.

The Group previously availed of the reliefs provided by the SEC and have accounted for the related revenue net of costs and expenses. As at January 1, 2021, the Group adopted PIC Q&A 2018-12-H retrospectively. The initial adoption has no impact on the Group's consolidated statement of financial position and consolidated statement of cash flows.

The impact of initial adoption in the consolidated statement of comprehensive income follows:

Consolidated statement of comprehensive income for the year ended December 31, 2020

	Amounts prepared under		
	PFRS 15	Previous PFRS	Increase
REVENUE			
Sale of goods and services			
Real estate and hotels	₱27,518,406,639	₱24,897,015,631	₱2,621,391,008
COST OF SALES AND SERVICES			
Cost of services	₱39,532,427,637	₱36,911,036,629	₱2,621,391,008

Consolidated statement of comprehensive income for the year ended December 31, 2019

	Amounts prepared under		
	PFRS 15	Previous PFRS	Increase
REVENUE			
Sale of goods and services			
Real estate and hotels	₱33,491,747,783	₱30,210,187,210	₱3,281,560,573
COST OF SALES AND SERVICES			
Cost of services	₱70,085,768,333	₱66,804,207,760	₱3,281,560,573

- Adoption of PIC Q&A 2018-12-E (as amended by PIC Q&A 2020-02) on Treatment of Uninstalled Materials in the Calculation of the POC

  PIC Q&A 2020-02 was issued by the PIC on October 29, 2020. The latter aims to provide conclusion on the treatment of materials delivered on site but not yet installed in measuring performance obligation in accordance with PFRS 15, *Revenue from Contracts with Customers*, in the Real Estate industry.

  The adoption of this PIC Q&A did not impact the consolidated financial statements of the Group since the prescribed accounting treatment for uninstalled materials is already taken into consideration in the Group's current POC computation using input method.

Significant Accounting Policies

Fair Value Measurement

For measurement and disclosure purposes, the Group determines the fair value of an asset or liability at initial measurement or at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- 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 by 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.

Foreign Currency Translation

The Group's consolidated financial statements are presented in Philippine peso, which is also the Parent Company's functional currency. 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 by the Group's entities in their respective functional currencies at the foreign exchange rates prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated using the closing foreign exchange rate prevailing at the reporting date. All differences are charged to profit or loss in the consolidated statement of comprehensive income. Tax charges and credits attributable to exchange differences on those borrowings are also dealt with in the statement of comprehensive income.

Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the dates of initial transactions. 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.

Group companies

As of reporting date, the assets and liabilities of foreign subsidiaries, with functional currencies other than the functional currency of the Parent Company, are translated into the presentation currency of the Group using the closing foreign exchange rate prevailing at the reporting date, and their respective income and expenses are translated at the monthly weighted average exchange rates for the year. The exchange differences arising on the translation are recognized in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation shall be recognized in profit or loss.

Cash and Cash Equivalents

Cash represents 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 the dates of placement, and that are subject to an insignificant risk of changes in value.

Financial Instruments – Classification and Measurement

Initial recognition and measurement of financial assets

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, FVOCI, and FVPL.

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 FVPL, 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.

Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or computed based on valuation technique whose variables include only data from observable markets, the Group recognizes the difference between the transaction price and the fair value (a 'Day 1' difference) in the statement of comprehensive income unless it qualifies for recognition as some other type of asset or liability. In cases where fair value is determined using data which are not observable from the market, the difference between the transaction price and the model value is only recognized in the statement of comprehensive income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the amount of 'Day 1' difference.

Contractual cash flows characteristics

If the financial asset is held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, the Group assesses whether the cash flows from the financial asset represent solely payments of principal and interest (SPPI) on the principal amount outstanding. Instruments that do not pass this test are automatically classified at fair value through profit or loss. In making this assessment, the Group determines whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes consideration only for the time value of money, credit risk and other basic lending risks and costs associated with holding the financial asset for a particular period of time.

Business model

The Group's business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Group's business model does not depend on management's intentions for an individual instrument, rather it refers to how it manages its financial assets in order to generate cash flows. The Group's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. Relevant factors considered by the Group in determining the business model for a group of financial assets include how the performance of the portfolio and the financial assets held within that portfolio are evaluated and reported to the Group's key management personnel, the risks that affect the performance of the portfolio (and the financial assets held within that portfolio) and how these risks are managed and how managers of the business are compensated.

Subsequent measurement of financial assets

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); and
- Financial assets at FVPL.

Investment securities at amortized cost
A debt financial asset is measured at amortized cost if (i) it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding. These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at amortized cost using the Effective Interest Rate (EIR) method, less any impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortization is included in 'Interest income' in the consolidated statement of comprehensive income and is calculated by applying the EIR to the gross carrying amount of the financial asset, except for (i) purchased or originated credit-impaired financial assets and (ii) financial assets that have subsequently become credit-impaired, where, in both cases, the EIR is applied to the amortized cost of the financial asset. Losses arising from impairment are recognized in 'Provision for impairment losses and others' in the consolidated statement of comprehensive income.

Financial assets at FVOCI
Financial assets at FVOCI include debt and equity securities. After initial measurement, investment securities at FVOCI are subsequently measured at fair value. The unrealized gains and losses arising from the fair valuation of financial assets at FVOCI are excluded, net of tax as applicable, from the reported earnings and are included in the statements of comprehensive income as 'Net gains (losses) on financial assets at FVOCI'.

Debt securities at FVOCI are those that meet both of the following conditions: (i) the asset is held within a business model whose objective is to hold the financial assets in order to both collect contractual cash flows and sell financial assets; and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the outstanding principal amount. The effective yield component of debt securities at FVOCI, as well as the impact of restatements on foreign currency-denominated debt securities at FVOCI, is reported in the consolidated statements of comprehensive income. Interest earned on holding debt securities at debt securities at FVOCI are reported as interest income using the EIR method. When the debt securities at FVOCI are disposed of, the cumulative gain or loss previously recognized in the consolidated statements of comprehensive income is recognized in profit or loss. The expected credit losses (ECL) arising from impairment of such investments are recognized in OCI with a corresponding charge to 'Provision for impairment losses and others' in the consolidated statements of comprehensive income.

Equity securities designated at FVOCI are those that the Group made an irrevocable election to present in OCI the subsequent changes in fair value. Dividends earned on holding equity securities at FVOCI are recognized in the consolidated statements of comprehensive income as 'Dividend income' when the right of the payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Gains and losses on disposal of these equity securities are never recycled to profit or loss, but the cumulative gain or loss previously recognized in the statements of comprehensive income is reclassified to 'Retained earnings' or any other appropriate equity account upon disposal. Equity securities at FVOCI are not subject to impairment assessment.

Financial assets at FVPL
Financial assets are measured at FVPL unless these are measured at amortized cost or at FVOCI. Included in this classification are equity and debt investments held for trading and debt instruments with contractual terms that do not represent solely payments of principal and interest. Financial assets

held at FVPL are initially recognized at fair value, with transaction costs recognized in the profit or loss in the statement of comprehensive income as incurred. Subsequently, they are measured at fair value and any gains or losses are recognized in the consolidated statement of comprehensive income.

Additionally, even if the asset meets the amortized cost or the FVOCI criteria, the Group may choose at initial recognition to designate the financial asset at FVPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency (an accounting mismatch) that would otherwise arise from measuring financial assets on a different basis.

Trading gains or losses are calculated based on the results arising from trading activities of the Group, including all gains and losses from changes in fair value for financial assets and financial liabilities at FVPL, and the gains or losses from disposal of debt instruments classified as FVOCI and investments securities at amortized cost.

Derecognition of financial assets
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the 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.

Modification of financial assets
The Group derecognizes a financial asset when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new asset, with the difference between its carrying amount and the fair value of the new asset recognized as a derecognition gain or loss in profit or loss, to the extent that an impairment loss has not already been recorded.

The Group considers both qualitative and quantitative factors in assessing whether a modification of financial asset is substantial or not. When assessing whether a modification is substantial, the Group considers the following factors, among others:

- Change in currency
- Introduction of an equity feature
- Change in counterparty
- If the modification results in the asset no longer considered SPPI

The Group also performs a quantitative assessment similar to that being performed for modification of financial liabilities. In performing the quantitative assessment, the Group considers the new terms of a financial asset to be substantially different if the present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10.00% different from the present value of the remaining cash flows of the original financial asset.

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the Group recalculates the gross carrying amount of the financial asset as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR (or credit-adjusted EIR for purchased or originated credit-impaired financial assets) and recognizes a modification gain or loss in the statement of income.

When the modification of a financial asset results in the derecognition of the existing financial asset and the subsequent recognition of a new financial asset, the modified asset is considered a 'new ' financial asset. Accordingly, the date of the modification shall be treated as the date of initial recognition of that financial asset when applying the impairment requirements to the modified financial asset. The newly recognized financial asset is classified as Stage 1 for ECL measurement purposes, unless the new financial asset is deemed to be originated as credit impaired (POCI).

Initial recognition and measurement of financial liabilities
Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL, derivatives designated as hedging instruments in an effective hedge, or other financial liabilities. 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 of financial liabilities
The measurement of financial liabilities depends on their classification, as described below:

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

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 statement of comprehensive income. Financial liabilities designated upon initial recognition at FVPL are designated at the initial date of recognition, and only if the criteria in PFRS 9 are satisfied. The Group has not designated any financial liability as at FVPL.

Other financial liabilities
This category pertains to the Group’s interest-bearing loans and borrowing and payables. After initial recognition, these other financial liabilities are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the consolidated statement of comprehensive income.

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

Exchange or modification of financial liabilities
The Group considers both qualitative and quantitative factors in assessing whether a modification of financial liabilities is substantial or not. The terms are considered substantially different if the present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10.00% different from the present value of the remaining cash flows of the original financial liability. However, under certain circumstances, modification or exchange of a financial liability may still be considered substantial, even where the present value of the cash flows under the new terms is less than 10.00% different from the present value of the remaining cash flows of the original financial liability. There may be situations where the modification of the financial liability is so fundamental that immediate derecognition of the original financial liability is appropriate (e.g., restructuring a financial liability to include an embedded equity component).

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the fair value of the new liability is recognized in profit or loss.

When the exchange or modification of the existing financial liability is not considered as substantial, the Group recalculates the gross carrying amount of the financial liability as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR and recognizes a modification gain or loss in profit or loss.

If modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment. If the modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the financial instrument and are amortized over the remaining term of the modified financial instrument.

Reclassifications of financial instruments
The Group reclassifies its financial assets when, and only when, there is a change in the business model for managing the financial assets. Reclassifications shall be applied prospectively by the Group and any previously recognized gains, losses or interest shall not be restated. The Group does not reclassify its financial liabilities.

Impairment of Financial Assets
The Group recognizes an allowance for ECL for all debt instruments not classified as FVPL. 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. ECL

allowances will be measured at amounts equal to either (i) 12-month ECL or (ii) lifetime ECL for those financial instruments which have experienced a significant increase in credit risk (SICR) since initial recognition (General Approach). 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.

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.

For non-credit-impaired financial instruments:
- Stage 1 is comprised of all financial instruments which have not experienced a SICR since initial recognition or is considered of low credit risk as of the reporting date. The Group recognizes a 12-month ECL for Stage 1 financial instruments. 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.
- Stage 2 is comprised of all financial instruments which have experienced a SICR since initial recognition. The Group recognizes a lifetime ECL for Stage 2 financial instruments. Lifetime ECL are credit losses that results from all possible default events over the expected life of a financial instrument.

For credit-impaired financial instruments:
- Stage 3 is comprised of all financial assets that have 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 loan or a portfolio of loans. The Group recognizes a lifetime ECL for Stage 3 financial instruments.

Definition of "default" and "restored"
The Group eventually classifies a financial instrument as in default when it is credit impaired, or becomes past due on its contractual payments for more than 90 days. As part of a qualitative assessment of whether a customer is in default, the Group considers a variety of instances that may indicate unlikeliness to pay. 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. When such events occur, the Group carefully considers whether the event should result in treating the customer as defaulted.

An instrument is considered to be no longer in default (i.e. restored) if there is sufficient evidence to support that full collection is probable and payments are received for at least six months.

Credit risk at initial recognition
The Group uses internal credit assessment and approvals at various levels to determine the credit risk of exposures at initial recognition. Assessment can be quantitative or qualitative and depends on the materiality of the facility or the complexity of the portfolio to be assessed.

Significant increase in credit risk
The assessment of whether there has been a SICR is based on an increase in the probability of a default occurring since initial recognition. The SICR criteria vary by portfolio and include quantitative changes in probabilities of default and qualitative factors, including a backstop based on delinquency. The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if,

based on the Group's internal credit assessment, the borrower or counterparty is determined to require close monitoring or with well-defined credit weaknesses. For exposures without internal credit grades, if contractual payments are more than a specified days past due threshold, the credit risk is deemed to have increased significantly since initial recognition. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a SICR since initial recognition, the Group shall revert to recognizing a 12-month ECL.

ECL parameters and methodologies
ECL is a function of the probability of default (PD), loss given default (LGD) and exposure at default (EAD), with the timing of the loss also considered, and is estimated by incorporating forward-looking economic information and through the use of experienced credit judgment.

The PD is an estimate of the likelihood of default over a 12-month horizon for Stage 1 or lifetime horizon for Stage 2. The PD for each individual instrument is modelled based on historic data and is estimated based on current market conditions and reasonable and supportable information about future economic conditions. The Group segmented its credit exposures based on homogenous risk characteristics and developed a corresponding PD methodology for each portfolio. The PD methodology for each relevant portfolio is determined based on the underlying nature or characteristic of the portfolio, behavior of the accounts and materiality of the segment as compared to the total portfolio.

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from any collateral. EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities.

Forward-looking information
The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. A broad range of forward-looking information are considered as economic inputs, such as GDP growth, exchange rate, interest rate, inflation rate and other economic indicators. The inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

The Group applied the general approach for customer receivables from its Banking Segment. For the trade receivables of other segments, the standard's simplified approach was applied where ECLs are calculated based on lifetime expected credit losses. Therefore, the Group does not track changes in credit risk of these receivables, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. For the Real estate and hotels segment's installment contract, the vintage analysis approach is used. This method accounts for expected losses by calculating the cumulative loss rates of a given loan pool. It derives the PD from the historical data of a homogenous portfolio that share the same origination period. The information on the number of defaults during fixed time intervals of the accounts is utilized to create the PD model. It allows the evaluation of the loan activity from its origination period until the end of the contract period. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For cash and cash equivalents, short-term investments and debt securities, 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 SICR since origination, the allowance will be based on the lifetime ECL. The Group uses the ratings from Standard and Poor's (S&P), Moody's and Fitch to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

Debt instruments measured at FVOCI
The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the consolidated statements of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets are measured at amortized cost is recognized in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognized in OCI is recycled to the profit and loss upon derecognition of the assets.

Write-off of Financial Assets
A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows (e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the Group has effectively exhausted all collection efforts).

Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability 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 of default, and event of solvency or bankruptcy of the Group and all of the counterparties.

Classification of Financial Instruments Between Debt and Equity
A financial instrument is classified as debt, if it provides for a contractual obligation to:
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or
- satisfy the obligation other than by exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

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

Inventories
Inventories, including work-in-process, are valued at the lower of cost and net realizable value (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. NRV for materials, spare parts and other supplies represents the related replacement costs. In determining the NRV, the Group deducts from cost 100.0% of the carrying value of slow-moving items and nonmoving items for more than one year.

When inventories are sold, the carrying amounts of those inventories are recognized under 'Cost of sales and services' in profit or loss in the period when the related revenue is recognized.

Some inventories may be allocated to other asset accounts, for example, inventory used as a component of a self-constructed property, plant or equipment. Inventories allocated to another asset in this way are recognized as an expense during the useful life of that asset.

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

Finished goods, work-in-process, raw materials and packaging materials
a. *Petrochemicals*
   Cost is determined using the moving average costing method. Cost of finished goods and work-in-process includes direct materials and labor and a proportion of manufacturing overhead costs based on actual goods processed and produced.

b. *Branded consumer foods, agro-industrial and commodity food products*
   Cost is determined using the weighted average method. Under the weighted average costing method, the cost of each item is determined from the weighted average of the cost of similar items at the beginning of a period and the cost of similar items purchased or produced during the period. Cost of finished goods and work-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.

Subdivision land and condominium and residential units for sale
Subdivision land, condominium and residential units for sale in the ordinary course of business are carried at the lower of cost and NRV. Cost includes land costs, costs incurred for development and improvement of the properties and borrowing costs on loans directly attributable to the projects which were capitalized during construction.

NRV is the estimated selling price in the ordinary course of business less cost of completion and estimated costs necessary to make the sale.

The cost of inventory recognized in the consolidated statement of comprehensive income is determined with reference to the specific costs incurred on the property sold and an allocation of any non-specific costs based on the relative size of the property sold.

Factory supplies and spare parts
Cost is determined using the weighted average method.

Investments in Associates and Joint Ventures
Associates pertain to all entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. In the consolidated financial statements, investment in associates is accounted for under the equity method of accounting.

The Group also has interests in joint ventures. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control.

The Group's investments in its associates and joint ventures are accounted for using the equity method of accounting. Under the equity method, the investments in associates and joint ventures are 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 associates and joint ventures. The consolidated statement of comprehensive income reflects the share of the results of operations of the associates and joint ventures. Where there has been a change recognized in the investees' other comprehensive income, the Group recognizes its share of any changes and discloses this, when applicable, in the other comprehensive income. Profits and losses arising from transactions between the Group and the associate are eliminated to the extent of the interest in the associates and joint ventures.

The Group's investments in certain associates and joint ventures include goodwill on acquisition, less any impairment in value. Goodwill relating to an associate or joint venture is included in the carrying amount of the investment and is not amortized.

Where necessary, adjustments are made to the financial statements of associates to bring the accounting policies used in line with those used by the Group.

Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

Investment Properties

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 impairment loss, if any. Land is carried at cost less impairment loss, if any. 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 the 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 the asset given up. Foreclosed properties are classified under investment properties upon: a) entry of judgment in case of judicial foreclosure; b) execution of the Sheriff's Certificate of Sale in case of extra-judicial foreclosure; or c) notarization of the Deed of Dacion in case of dation in payment (dacion en pago).

The Group's investment properties are depreciated using the straight-line method over their estimated useful lives (EUL) as follows:

Land improvements	5 to 10 years
Buildings and improvements	10 to 30 years

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 benefits from items of investment properties.

Investment properties are derecognized when either they have been disposed of or when the investment properties 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 profit or loss in the consolidated statement of comprehensive income in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner occupation or commencement of an operating lease to another party. Transfers

are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sale.

Transfers between investment property, owner-occupied property and inventories do not change the carrying amount of the property transferred and they do not change the cost of that property for measurement or disclosure purposes. If the property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under 'Property, plant and equipment' up to the date of change in use.

Construction in-progress is stated at cost. This includes cost of construction and other direct costs. Borrowing costs that are directly attributable to the construction of investment properties are capitalized during the construction period. Construction in-progress is not depreciated until such time as the relevant assets are completed and put into operational use.

Property, Plant and Equipment

Property, plant and equipment, except land which is stated at cost less any impairment in value, are carried at cost less accumulated depreciation, amortization and impairment loss, if any.

The initial cost of property, plant and equipment comprises its purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. 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 (ARO) relating to property, plant and equipment installed/constructed on leased properties or leased aircraft.

Subsequent replacement costs of parts of property, plant and equipment are capitalized when the recognition criteria are met. Significant refurbishments and improvements are capitalized when it can be clearly demonstrated that the expenditures have resulted in an increase in future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond the originally assessed standard of performance. Costs of repairs and maintenance are charged as expense when incurred.

Foreign exchange differentials arising from the acquisition of property, plant and equipment are charged against profit or loss in the consolidated statement of comprehensive income and are no longer capitalized.

Depreciation and amortization of property, plant and equipment commences once the property, plant and equipment are available for use, and are computed using the straight-line method over the EUL of the assets, regardless of utilization.

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

	EUL
Land and improvements	10 to 40 years
Buildings and improvements	10 to 30 years
Machinery and equipment	4 to 50 years
Leasehold improvements	15 years
Passenger aircraft	15 years
Other flight equipment	3 to 5 years
Transportation, furnishing and other equipment	3 to 5 years

Leasehold improvements are amortized over the shorter of their EULs or the corresponding lease terms.

The assets' residual values, useful lives and methods of depreciation and amortization are reviewed periodically 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 is stated at cost. This includes 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 is not depreciated until such time as the relevant assets are completed and put into operational use. Assets under construction are reclassified to a specific category of property, plant and equipment when the construction and other related activities necessary to prepare the properties for their intended use are completed and the properties are available for use.

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 of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the consolidated statement of comprehensive income, in the year the item is derecognized.

ARO
The Group is contractually required under various lease contracts to either restore certain leased aircraft to its original condition at its own cost or to bear a proportionate cost of restoration at the end of the contract period. The event that gives rise to the obligation is the actual flying hours, flying cycles or calendar months of the asset as used, as the usage determines the timing and nature of the overhaul and restoration work required or the amount to be contributed at the end of the lease term. For certain lease agreements, the Group provides for these costs over the terms of the leases through contribution to a maintenance reserve fund (MRF) which is recorded as outright expense. If the estimated cost of restoration is expected to exceed the cumulative MRF, an additional obligation is accounted on an accrual basis. Regular aircraft maintenance is accounted for as expense when incurred.

If there is a commitment related to maintenance of aircraft held under operating lease arrangements, a provision is made during the lease term for the lease return obligations specified within those lease agreements. The provision is made based on historical experience, manufacturers' advice and if relevant, contractual obligations, to determine the present value of the estimated future major airframe inspections cost and engine overhauls.

Advance payment for materials for the restoration of the aircraft is initially recorded under 'Advances to supplier' account in the consolidated statement of financial position. This is recouped when the expenses for restoration of aircraft have been incurred.

The Group regularly assesses the provision for ARO and adjusts the related liability.

Borrowing Costs
Interest and other finance costs incurred during the construction period on borrowings used to finance property development are capitalized to the appropriate asset accounts. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress, and expenditures and borrowing costs are being incurred. The capitalization of these borrowing costs ceases when substantially all the activities necessary to prepare the asset for sale or its intended use are complete. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded. Capitalized borrowing cost is based on the applicable weighted average borrowing rate for general borrowings. For specific borrowings, all borrowing costs are eligible for capitalization.

Borrowing costs which do not qualify for capitalization are expensed as incurred.

Interest expense on loans is recognized using the effective interest method over the term of the loans.

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 sold as fatteners)
	-	Fatteners/finishers (comes from weanlings unfit to become breeders; intended for the production of meat)
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 arising 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 in swine livestock is the suckling that transforms into weanling then into fatteners/finishers, while the agricultural produce in poultry livestock is the hatched chick and table eggs.

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.

Goodwill
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 business 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 loss. Goodwill is reviewed for impairment annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired (see 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.

<u>Bank Licenses</u>
Bank licenses arise from the acquisition of branches of a local bank by the Group and commercial bank license. The Group's bank licenses have indefinite useful lives and are subject to annual individual impairment testing.

<u>Intangible Assets</u>
Intangible assets (other than goodwill) acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the acquisition date. Following initial recognition, intangible assets are measured at cost less any accumulated amortization and impairment loss, if any.

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

The useful lives of intangible assets with finite lives are assessed at the individual asset level. Intangible assets with finite lives are amortized on a straight-line basis over their useful lives.

The period and the method of amortization of 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 are treated as changes in accounting estimates. The amortization expense on intangible assets with finite useful lives is recognized under 'Cost of sales and services' and 'General and administrative expenses' in profit or loss in the consolidated statement of comprehensive income in the expense category consistent with the function of the intangible asset. Intangible assets with finite lives are assessed for impairment, whenever there is an indication that the intangible assets may be impaired.

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 intangible asset with an indefinite useful life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If the indefinite useful life is no longer appropriate, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Costs incurred to acquire computer software (which are not an integral part of its related hardware) and costs to bring it to its intended use are capitalized as intangible assets. Costs directly associated with

the development of identifiable computer software that generate expected future benefits to the Group are also recognized as intangible assets. All other costs of developing and maintaining computer software programs are recognized as expense when incurred.

A 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 intangible asset and is recognized in profit or loss in the consolidated statement of comprehensive income when the asset is derecognized.

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

	Technology Licenses	Branch Licenses	Product Formulation and Brands	Software Costs	Customer Relationship	Trademarks
EUL	Finite (12 to 13.75 years)	Indefinite	Indefinite	Finite (5 years)	Finite (35 years)	Indefinite
Amortization method used	Amortized on a straight-line basis over the EUL of the license	No amortization	No amortization	Amortized on a straight-line basis over the EUL of the software cost	Straight line amortization	No amortization
Internally generated or acquired	Acquired	Acquired	Acquired	Acquired	Acquired	Acquired

<u>Impairment of Nonfinancial Assets</u>
This accounting policy applies primarily to the Group's 'Investments in associates and joint ventures', 'Investment properties', 'Property, plant and equipment', 'Biological assets at cost' , 'Intangible assets', 'Goodwill', "Right-of-Use assets" and 'Deferred subscriber acquisition and retention costs'.

Except for goodwill and intangible assets with indefinite 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 as part of the cash-generating unit to which it 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).

Impairment losses or reversal of impairment losses from continuing operations are recognized under 'Provision for (reversal of) impairment losses and others' in profit or loss in the statement of comprehensive income.

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

Property, plant and equipment, investment properties, right-of-use assets, intangible assets with definite useful lives and costs
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. 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, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss in the consolidated statement of comprehensive income. After such a reversal, the depreciation expense is 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
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.

The Group performs its impairment test of goodwill every annually.

Investments in associates and joint ventures
After application of the equity method, the Group determines whether it is necessary to recognize an additional impairment loss on the Group's investments in associates and joint ventures. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the amount under 'Impairment losses and others' in profit or loss.

Intangible assets with indefinite useful lives
Intangible assets with indefinite useful lives are tested for impairment annually as of year-end either individually or at the cash-generating unit level, as appropriate.

Equity
Common and preferred 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 represent the cumulative balance of periodic net income/loss, dividend distributions, prior period adjustments and effect of changes in accounting policy and capital adjustments.

Treasury Shares
Treasury shares are recorded at cost and are presented as a deduction from 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. No gain or loss is recognized in profit or on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Significant Accounting Policies Generally Applicable to Foods, Agro-Industrial and Commodities and Petrochemicals

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.

Sales of goods
Revenue from sale of goods and services is recognized at the point in time when control of the goods or services is transferred to the customer, generally on delivery of the goods. 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.

Sale of sugar
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 warehouse receipts, which represents ownership title over the molasses inventories.

Rendering of tolling services
Revenue derived from tolling activities is recognized as revenue at a point in time when the related services have been rendered.

Significant Accounting Policies Generally Applicable to Air Transportation

Revenue Recognition
Revenue from contracts with passengers and cargo customers, and any related revenue from services incidental to the transportation of passengers, is recognized when carriage is provided or when the passenger is lifted in exchange for an amount that reflects the consideration to which the Group expects to be entitled to.

The following specific recognition criteria must also be met before revenue is recognized:

Sale of air transportation services
Passenger ticket and cargo waybill sales are initially recorded as contract liabilities under 'Unearned transportation revenue' account in the consolidated statement of financial position until earned and recognized under 'Revenue' account in the consolidated statement of comprehensive income when carriage is provided or when the passenger is lifted or flown.

Flight and booking services
Revenue from services incidental to the transportation of passengers such as excess baggage, inflight sales and rebooking and website administration fees are initially recognized as contract liabilities under 'Unearned transportation revenue' account in the consolidated statement of financial position until the services are rendered.

Other ancillary revenue
Other revenue such as refund surcharges, service income and cancellation fees are recognized when the services are provided.

Liability under Lifestyle Rewards Program
The Group operates a lifestyle rewards program called 'Getgo'. A portion of passenger revenue attributable to the award of Getgo points, which is estimated based on expected utilization of these benefits, is deferred until utilized. The fair value of the consideration received in respect of the initial sale is allocated to the award credits based on its fair value. The deferred revenue is included under 'Other noncurrent liabilities' account in the consolidated statement of financial position. Any remaining unutilized benefits are recognized as revenue upon redemption or expiry.

Significant Accounting Policies Generally Applicable to Real Estate and Hotels

Revenue Recognition
Revenue from Contract with Customers
The Group primarily derives its real estate revenue from the sale of vertical and horizontal real estate projects. 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 generally concluded that it is the principal in its revenue arrangements, except for the provisioning of water, electricity, and common use service area in its mall retail spaces, wherein it is acting as agent.

The following specific recognition criteria must also be met before revenue is recognized:

Real estate sales – Philippines Operations – Performance obligation is satisfied over time
The Group derives its real estate revenue from sale of lots, house and lot and condominium units. Revenue from the sale of these real estate projects under pre-completion stage are recognized over time during the construction period (or POC) since based on the terms and conditions of its contract with the buyers, the Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

In measuring the progress of its performance obligation over time, the Group uses input method. Input methods recognize revenue on the basis of the entity's efforts or inputs to the satisfaction of a performance obligation. Progress is measured based on actual resources consumed such as materials, labor hours expended and actual overhead incurred relative to the total expected inputs to the satisfaction of that performance obligation, or the total estimated development costs of the real estate project. The Group uses the cost accumulated by the accounting department to determine the actual resources used. Input method excludes the effects of any inputs that do not depict the entity's performance in transferring control of goods or services to the customer.

Estimated development costs of the real estate project include costs of land, land development, building costs, professional fees, depreciation of equipment directly used in the construction, payments for permits and licenses. Revisions in estimated development costs brought about by increases in projected costs in excess of the original budgeted amounts, form part of total project costs on a prospective basis.

Any excess of collections over the total of recognized trade receivables and installment contract receivables is included as 'Contract liabilities' under 'Other current and noncurrent liabilities' in the consolidated statements of financial position.

The impact of the significant financing component on the transaction price has not been considered since the Group availed the relief granted by the SEC under Memorandum Circular Nos. 14-2018 as of

2018 for the implementation issues of PFRS 15 affecting the real estate industry. Under the SEC Memorandum Circular No. 34, the relief has been extended until December 31, 2023.

Real estate sales – Philippines Operations – Performance obligation is satisfied at a point in time
The Group also derives real estate revenue from sale of parcels of raw land. Revenue from the sale of these parcels of raw land are recognized at a point in time (i.e., upon transfer of control to the buyer) since based on the terms and conditions of its contract with the buyers, the Group's performance does not create an asset with an alternative use but the Group does not have an enforceable right to payment for performance completed to date. The Group is only entitled to payment upon delivery of the land to the buyer and if the contract is terminated, the Group has to return all payments made by the buyer.

Real estate sales – China Operations
Taking into account the contract terms per house purchase and sales contract, Chengdu Xin Yao's business practice and the legal and regulatory environment in China, most of the property sales contracts in China do not meet the criteria for recognizing revenue over time and therefore, revenue from property sales continues to be recognized at a point in time, while some property sales contracts meet the criteria for recognizing revenue over time as the properties have no alternative use to the Group due to contractual reasons and the Group has an enforceable right to payment from customer for performance completed to date. Under PFRS 15, revenue from property sales is generally recognized when the property is accepted by the customer, or deemed as accepted according to the contract, whichever is earlier, which is the point in time when the customer has the ability to direct the use of the property and obtain substantially all of the remaining benefits of the property.

Rental income
The Group leases its commercial and office real estate properties to others through operating leases. Rental income on leased properties is recognized on a straight-line basis over the lease term and may include contingent rents based on a certain percentage of the gross revenue of the tenants, as provided under the terms of the lease contract. Contingent rents are recognized as revenue in the period in which they are earned.

Amusement income
Revenue is recognized upon rendering of services or at a point in time.

Revenue from hotel operations
Revenue from hotel operations is recognized when services are rendered or at a point in time. Revenue from banquets and other special events are recognized when the events take place or at a point in time. Rental income on leased areas of the hotel is recognized on a straight-line basis over the lease term. Revenue from food and beverage are recognized when these are served. Other income from transport, laundry, valet and other related hotel services are recognized when services are rendered.

Interest income
Interest income is recognized as the interest accrues using the effective interest rate (EIR) method.

Other income
Other income is recognized when earned.

Costs Recognition
Cost of Real Estate Sales
The Group recognizes costs relating to satisfied performance obligations as these are incurred taking into consideration the contract fulfillment assets such as land and connection fees. These include costs of land, land development costs, building costs, professional fees, depreciation, permits and licenses and capitalized borrowing costs. These costs are allocated to the saleable area, with the portion

allocable to the sold area being recognized as costs of sales while the portion allocable to the unsold area being recognized as part of real estate inventories.

Contract costs include all direct materials and labor costs and those indirect costs related to contract performance. Expected losses on contracts are recognized immediately when it is probable that the total contract costs will exceed total contract revenue. Changes in contract performance, contract conditions and estimated profitability, including those arising from contract penalty provisions, and final contract settlements which may result in revisions to estimated costs and gross margins are recognized in the year in which the changes are determined.

Contract Liabilities
A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.

The contract liabilities also include payments received by the Group from the customers for which revenue recognition has not yet commenced.

Costs and General and Administrative Expense
Costs and expenses are recognized in the consolidated statement of comprehensive income when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably.

Costs and expenses are recognized in the consolidated statement of comprehensive income:
- On the basis of a direct association between the costs incurred and the earning of specific items of income;
- On the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association can only be broadly or indirectly determined; or
- Immediately when expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify or cease to qualify, for recognition in the consolidated statement of financial position as an asset.

Costs to obtain contract
The incremental costs of obtaining a contract with a customer are recognized as an asset if the Group expects to recover them. The Group has determined that commissions paid to brokers and marketing agents on the sale of pre-completed real estate units are deferred when recovery is reasonably expected and are charged to expense in the period in which the related revenue is recognized as earned. Commission expense is included in the “Real estate costs and expenses” account in the consolidated statement of income.

Costs incurred prior to obtaining contract with customer are not capitalized but are expensed as incurred.

Contract fulfillment assets
Contract fulfillment costs are divided into: (i) costs that give rise to an asset; and (ii) costs that are expensed as incurred. When determining the appropriate accounting treatment for such costs, the Group firstly considers any other applicable standards. If those standards preclude capitalization of a particular cost, then an asset is not recognized under PFRS 15.

If other standards are not applicable to contract fulfillment costs, the Group applies the following criteria which, if met, result in capitalization: (i) the costs directly relate to a contract or to a specifically identifiable anticipated contract; (ii) the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and (iii) the costs are expected to be recovered. The assessment of this criteria requires the application of judgement, in particular when considering if costs generate or enhance resources to be used to satisfy future performance obligations and whether costs are expected to be recoverable.

The Group’s contract fulfillment assets pertain to connection fees and land acquisition costs.

Amortization, de-recognition and impairment of capitalized costs to obtain a contract
The Group amortizes capitalized costs to obtain a contract to cost of sales over the expected construction period using POC following the pattern of real estate revenue recognition. The amortization is included within general and administrative expenses.

A capitalized cost to obtain a contract is derecognized either when it is disposed of or when no further economic benefits are expected to flow from its use or disposal.

At each reporting date, the Group determines whether there is an indication that cost to obtain a contract maybe impaired. If such indication exists, the Group makes an estimate by comparing the carrying amount of the assets to the remaining amount of consideration that the Group expects to receive less the costs that relate to providing services under the relevant contract. In determining the estimated amount of consideration, the Group uses the same principles as it does to determine the contract transaction price, except that any constraints used to reduce the transaction price will be removed for the impairment test.

Where the relevant costs or specific performance obligations are demonstrating marginal profitability or other indicators of impairment, judgement is required in ascertaining whether or not the future economic benefits from these contracts are sufficient to recover these assets. In performing this impairment assessment, management is required to make an assessment of the costs to complete the contract. The ability to accurately forecast such costs involves estimates around cost savings to be achieved over time, anticipated profitability of the contract, as well as future performance against any contract-specific performance indicators that could trigger variable consideration, or service credits. Where a contract is anticipated to make a loss, these judgements are also relevant in determining whether or not an onerous contract provision is required and how this is to be measured.

Significant Accounting Policies Generally Applicable to Banking

The following revenues which are generally applicable to the banking segment are outside of the scope of PFRS 15:

Interest income
For all financial instruments measured at amortized cost and interest-bearing financial instruments classified as financial assets at FVPL and financial assets at FVOCI, interest income is recorded at the EIR, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options), includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses.

The carrying amount of the financial asset or financial liability is adjusted if the Group revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original EIR and the change in carrying amount is recorded as 'Interest income'.

Under PFRS 9, when a financial asset becomes credit-impaired and is, therefore, regarded as Stage 3, the Group calculates interest income by applying the EIR to the net amortized cost of the financial asset. If the financial asset cures and is no longer credit-impaired, the Group reverts to calculating interest income on a gross basis. Under PAS 39, once the recorded value of a financial asset or group of similar financial assets carried at amortized cost has been reduced due to an impairment loss, interest income continues to be recognized using the original EIR applied to the new carrying amount.

Unearned discount is recognized as income over the terms of the receivables using the EIR method and is shown as a deduction from loans.

Service fees and commission income
The Group earns fees and commission income from the diverse range of services it provides to its customers. Fees earned for the provision of services over a period of time are accrued over that period. These fees include investment fund fees, custodian fees, fiduciary fees, portfolio fees, credit-related fees and other service and management fees. Fees on deposit-related accounts are recognized only upon collection or accrued when there is reasonable degree of certainty as to its collection.

Trading and securities gain (loss)
Trading and securities gain (loss) represents results arising from trading activities, including all gains losses from changes in the fair values of FVPL investments. It also includes gains and losses realized from sale of debt securities at FVOCI.

Gain from sale of properties, investments and other assets
Gain from sale of properties, investments and other assets is recognized upon completion of the earning process and the collectability of the sales price is reasonably assured.

Other Income of the Group (Outside of Scope of PFRS 15)

Rental income
The Group leases its commercial and office real estate properties to others through operating leases. Rental income on leased properties is recognized on a straight-line basis over the lease term and may include contingent rents based on a certain percentage of the gross revenue of the tenants, as provided under the terms of the lease contract. Contingent rents are recognized as revenue in the period in which they are earned.

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

<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 assessments 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 an interest expense under 'Financing costs and other charges' account in the consolidated statement of comprehensive

income. Where the Group expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is probable.

<u>Contingencies</u>
Contingent liabilities are not recognized in the consolidated financial statements but are disclosed in the notes to the consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable.

<u>Pension Costs</u>
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:
- 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 when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

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 profit or loss.

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 profit or loss 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.

<u>Income Taxes</u>
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 as of reporting date.

Deferred tax
Deferred tax is provided using the 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:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- 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 extent that it is no longer probable that sufficient future 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 assets and liabilities are measured at the tax rates that are 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 reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss in the consolidated statement of comprehensive income. 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 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.

<u>Leases</u>
Group as a lessee
The Group assesses whether a contract is, or contains a lease, at the inception of a contract. This assessment involves the exercise of judgment about whether it depends on a specified asset, whether the Group obtains substantially all the economic benefits from the use of the asset, whether the Group has the right to direct the use of the asset. The Group recognizes a right-of-use (ROU) asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases and leases of low-value 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.

The depreciation period for each class of ROU assets follow:

	Period
Land and improvements	2 to 50 years
Buildings and improvements	2 to 30 years
Passenger aircraft and other flight equipment	1.25 to 18 years
Transportation and other equipment	2 to 30 years

ROU assets are also subject to impairment.

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. The 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.

The current portion of lease liabilities is presented within the "Other current liabilities" account in the consolidated statement of financial position.

Short-term leases and leases of low-value assets
The Group applies the short-term lease recognition exemption to its short-term leases of other flight equipment, furniture and fixtures, and machineries (i.e., lease term of 12 months or less). It also applies the lease of low-value assets recognition exemption to leases of office spaces that are considered low-value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Sale and leaseback
When entering into a sale and leaseback transaction, the Group determines whether the transfer qualifies as a sale based on the requirements satisfying a performance obligation under PFRS 15. When the transfer of the asset is a sale, the Group measures the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the right of use retained by the Group. Gain or loss is recognized only at the amount that relates to the rights transferred to the buyer-lessor. When the transfer of the asset is not a sale under PFRS 15 requirements, the Group continues to recognize the asset in its consolidated statement of financial position and accounts for the proceeds from the sale and leaseback as a financial liability in accordance with PFRS 9.

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.

Joint Operation
A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. The Group recognize in relation to its interest in a joint operation its assets, including its share of any assets held jointly; liabilities, including its share of any liabilities incurred jointly; revenue from the sale of its share of the output arising from the joint operation; share of the revenue from the sale of the output by the joint operation; and expenses, including its share of any expenses incurred jointly.

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

Diluted EPS amounts are calculated by dividing the net income attributable to ordinary equity holders of the Parent Company (after deducting interest of the preferred shares, if any) by the weighted average number of common shares outstanding during the year plus the weighted average number of common shares that would be issued on the conversion of all the dilutive potential common shares into common shares.

Dividends on Common Shares
Dividends on common shares are recognized as a liability and deducted from equity when approved by the 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.

Segment Reporting
The Group's operating segments are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on operating segments is presented in Note 6 to the consolidated financial statements.

Subsequent Events
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 the 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.

- 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.

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.

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.

- Deferral of Certain Provisions of PIC Q&A 2018-12, PFRS 15 Implementation Issues Affecting the Real Estate Industry (as amended by PIC Q&As 2020-02 and 2020-04)

  On February 14, 2018, the PIC issued PIC Q&A 2018-12 which provides guidance on some PFRS 15 implementation issues affecting the real estate industry. On October 25, 2018 and February 8, 2019, the SEC issued SEC MC No. 14-2018 and SEC MC No. 3-2019, respectively, providing relief to the real estate industry by deferring the application of certain provisions of this PIC Q&A for a period of three years until December 31, 2020. On December 15, 2020, the Philippine SEC issued SEC MC No. 34-2020 which further extended the deferral of certain provisions of this PIC Q&A until December 31, 2023.

  The PIC Q&A provisions covered by the SEC deferral that the Group availed in 2021 follows:

	Deferral Period
Assessing if the transaction price includes a significant financing component as discussed in PIC Q&A 2018-12-D (as amended by PIC Q&A 2020-04)	Until December 31, 2023

  The SEC Memorandum Circulars also provided the mandatory disclosure requirements should an entity decide to avail of any relief. Disclosures should include:

  a. The accounting policies applied.
  b. Discussion of the deferral of the subject implementation issues in the PIC Q&A.
  c. Qualitative discussion of the impact on the financial statements had the concerned application guidelines in the PIC Q&A been adopted.
  d. Should any of the deferral options result into a change in accounting policy (e.g., when an entity excludes land and/or uninstalled materials in the POC calculation under the previous standard but opted to include such components under the relief provided by the circular), such accounting change will have to be accounted for under PAS 8, i.e., retrospectively, together with the corresponding required quantitative disclosures.

  After the deferral period, real estate companies would have to adopt PIC Q&A No. 2018-12 and any subsequent amendments thereto retrospectively or as the SEC will later prescribe.

The Group availed of the SEC relief on the accounting for significant financing component of PIC Q&A No. 2018-12. Had this provision been adopted, the Group assessed that the impact would have been as follows:

The mismatch between the POC of the real estate projects and right to an amount of consideration based on the schedule of payments provided for in the contract to sell might constitute a significant financing component. In case of the presence of significant financing component, the guidance should have been applied retrospectively and would have resulted in restatement of prior year financial statements. Adoption of this guidance would have impacted interest income, interest expense, revenue from real estate sales, installment contract receivables, provision for deferred income tax, deferred tax asset or liability for all years presented, and the opening balance of retained earnings. These would have impacted the cash flows from operations and cash flows from financing activities for all years presented. The Group is still in the process of assessing the impact of significant financing component as of December 31, 2021.

3. **Significant Accounting Judgments and Estimates**

The preparation of the consolidated financial statements in compliance with PFRSs, as modified by the application of the financial reporting reliefs issued and approved by the SEC in response to the COVID-19 pandemic, requires the Group to make judgments and estimates 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 and cost recognition on real estate sales*

Existence of a contract

The Group's primary document for a contract with a customer is a signed contract to sell. It has determined, however, that in cases wherein contract to sell are not signed by both parties, the combination of its other duly executed and signed documentation such as reservation agreement, official receipts, buyers' computation sheets and invoices, would contain all the criteria to qualify as contract with the customer under PFRS 15.

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 real estate property that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, an entity considers the significance of the customer's initial payments in relation to the total contract price. Collectability is also assessed by considering factors such as past history with the customer, age and pricing of the property. Management regularly evaluates the historical cancellations and back-outs if it would still support its current threshold of customers' equity before commencing revenue recognition.

Identifying performance obligation

In 2018, the Group entered into a contract to sell covering a land upon which, site preparation will be performed prior to turnover to the buyer. The Group concluded that the revenue and cost of real estate sales should be recorded upon completion of the site preparation activities as specifically stated in the contract to sell, which is at a point in time, since there is only one performance obligation (i.e., developed land) and the Group does not have a right to demand payment for work performed to date from the buyer. For the year ended December 31, 2021, the related revenue has been recognized as the performance obligations under the contract to sell has been performed.

Revenue recognition method and measure of progress

For the revenue from real estate sales in the Philippines, the Group concluded that revenue is to be recognized over time because: (a) the Group's performance does not create an asset with an alternative use and; (b) the Group has an enforceable right for performance completed to date. The promised property is specifically identified in the contract and the contractual restriction on the Group's ability to direct the promised property for another use is substantive. This is because the property promised to the customer is not interchangeable with other properties without breaching the contract and without incurring significant costs that otherwise would not have been incurred in relation to that contract. In addition, under the current legal framework, the customer is contractually obliged to make payments to the developer up to the performance completed to date. In addition, the Group requires a certain percentage of buyer's payments of total selling price (buyer's equity), to be collected as one of the criteria in order to initiate revenue recognition. Reaching this level of collection is an indication of buyer's continuing commitment and the probability that economic benefits will flow to the Group. The Group considers that the initial and continuing investments by the buyer of about 10.00% on projects that are under development and construction demonstrate the buyer's commitment to pay. For certain inventories that have been fully completed and ready for occupancy, outright investment of the buyer of about 5% demonstrates the buyer's commitment to pay.

The Group has determined that input method used in measuring the progress of the performance obligation faithfully depicts the Group's performance in transferring control of real estate development to the customers.

Principal versus agent considerations

The contract for the mall retail spaces and office spaces leased out by the Group to its tenants includes the right to charge for the electricity usage, water usage, air conditioning charges and common usage service area (CUSA) like maintenance, janitorial and security services.

For the electricity and water usage, the Group determined that it is acting as an agent because the promise of the Group to the tenants is to arrange for the electricity and water supply to be provided by a utility company. The utility and service companies, and not the Group, are primarily responsible for the provisioning of the utilities while the Group, administers the leased spaces and coordinates with the utility and service companies to ensure that tenants have access to these utilities.

For the provision of CUSA and air-conditioning of the buildings, the Group acts as a principal because it retains the right to direct the service provider of maintenance, janitorial and security to the leased premises, and air-conditioning, respectively. The right to the services mentioned never transfers to the tenant and the Group has the discretion to price the CUSA and air-conditioning charges.

Revenue and cost recognition
The Group's real estate sales is recognized overtime and the percentage-of-completion is determined using input method measured principally based on total actual cost of resources consumed such as materials, labor hours and actual overhead incurred over the total expected project development cost. Actual costs also include incurred costs but not yet billed which are estimated by the project engineers. Expected project development costs include costs of land, land development, building costs, professional fees, depreciation of equipment directly used in the construction, payments for permits and licenses. Revisions in estimated development costs brought about by increases in projected costs in excess of the original budgeted amounts, form part of total project costs on a prospective basis and is allocated between costs of sales and real estate inventories.

Real estate revenue and cost recognition from Chengdu Project
In July 2018, Chengdu Xin Yao Real Estate Development Co. Ltd. secured the license to sell the condominium units in Phase 1 of its residential development in Chengdu Xin Yao Ban Bian Jie. As of December 31, 2021, related revenue has been recognized.

Revenue from the sale of real estate units of Chengdu Xin Yao is accounted for under a completed contract method (i.e., at a point in time) in the consolidated financial statements. It is a recognition method that allows that revenue is recognized at the completion of the project. Under PFRS 15, revenue from property sales is generally recognized when the property is accepted by the customer, or deemed as accepted according to the contract, whichever is earlier, which is the point in time when the customer has the ability to direct the use of the property and obtain substantially all of the remaining benefits of the property.

b. *Definition of default and credit-impaired financial assets*
The Group defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria - for installment contract receivables, the customer receives a notice of cancellation and does not continue the payments.

Qualitative criteria - the customer meets 'unlikeliness to pay' criteria, which indicates the customer is in significant financial difficulty. These are instances where: Qualitative criteria - the customer meets 'unlikeliness to pay' criteria, which indicates the customer is in significant financial difficulty. These are instances where:

a. The customer is experiencing financial difficulty or is insolvent
b. The customer is in breach of financial covenant(s)
c. An active market for that financial assets has disappeared because of financial difficulties
d. Concessions have been granted by the Group, for economic or contractual reasons relating to the customer's financial difficulty
e. It is becoming probable that the customer will enter bankruptcy or other financial reorganization

The criteria above have been applied to the financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) throughout the Group's expected loss calculation.

c. *Revenue recognition on sale of goods from the food business*
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 entity 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 when services are already 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*
The Group applies both output sharing agreement and cane purchase agreement in relation to milling operation. 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.

d. *Classification of financial assets from the banking business*
<u>*Evaluation of business model in managing financial instruments*</u>
The Group manages its financial assets based on business models that maintain an adequate level of financial assets to match its expected cash outflows, largely arising from customers' withdrawals and continuing loan disbursements to borrowers, while maintaining a strategic portfolio of financial assets for investment and trading activities consistent with its risk appetite.

The Group developed business models which reflect how it manages its portfolio of financial instruments. The Group's business models need not be assessed at entity level or as a whole but applied at the level of a portfolio of financial instruments (i.e., group of financial instruments that are managed together by the Group) and not on an instrument-by-instrument basis (i.e., not based on intention or specific characteristics of individual financial instrument).

In determining the classification of a financial instrument under PFRS 9, the Group evaluates in which business model a financial instrument or a portfolio of financial instruments belong to taking into consideration the objectives of each business model established by the Group, various risks and key performance indicators being reviewed and monitored by responsible officers, as well as the manner of compensation for them.

The Bank's BOD approved its documentation of business models which contains broad categories of business models. The business model includes the Bank's lending activities as well as treasury business activities broken down into liquidity and investment portfolios.

In addition, PFRS 9 emphasizes that if more than an infrequent and more than an insignificant sale is made out of a portfolio of financial assets carried at amortized cost, an entity should assess whether and how such sales are consistent with the objective of collecting contractual cash flows. In making this judgment, the Group considers certain circumstances documented in its business model manual to assess that an increase in the frequency or value of sales of financial instruments in a particular period is not necessarily inconsistent with a held-to-collect business model if the Group can explain the reasons for those sales and why those sales do not reflect a change in the Group's objective for the business model.

e. *Classification of financial assets from the other businesses*
The Group classifies its financial assets depending on the business model for managing those financial assets and whether the contractual terms of the financial assets are SPPI on the principal amount outstanding.

The Group performs the business model assessment based on observable factors such as:
- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the Group's key management personnel
- Risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed
- Compensation of business units whether based on the fair value of those assets managed or on the contractual cash flows collected
- Expected frequency, value, and timing of sales

f. *Determination of fair values of financial instruments*
The Group carries certain financial assets and liabilities at fair value, which requires extensive use of accounting estimates and judgment. While significant components of fair value measurement were determined using verifiable objective evidence (i.e., foreign exchange rates, interest rates, volatility rates), the amount of changes in fair value would differ if the Group utilized different valuation methodologies and assumptions. Any change in fair value of these financial assets and liabilities would affect the consolidated statements of comprehensive income.

Where the fair values of certain financial assets and financial liabilities recorded in the consolidated statements of financial position cannot be derived from active markets, they are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimates are used in establishing fair values. The judgments include considerations of liquidity and model inputs such as correlation and volatility for longer dated derivatives. Refer to Note 5 for the fair value measurements of financial instruments.

g. *Determining whether it is reasonably certain that a renewal and termination option will be exercised - 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).

For most of its leases, the Group did not include the renewal or termination options in the lease term as the Group assesses that these options are not reasonably certain to be exercised. However, for some leases of parcels of land, the Group included the renewal period as part of the lease term due to significance of these assets to its operations. These leases have a short non-cancellable period (i.e., one year) and there will be a significant negative effect on the operations if a replacement is not readily available.

Refer to Note 42 for the disclosure on the Group's leases.

h. *Classification of leases - Group as lessor*
Operating lease commitments
The Group has entered into commercial, office and industrial property leases on its investment property portfolio. Based on the evaluation of the terms and conditions of the arrangements, the Group has determined that it retains all the significant risks and rewards of ownership of these properties and accounts for them as operating leases. In determining significant risks and benefits of ownership, the Group considered, among others, the significance of the lease term as compared with the EUL of the related asset.

A number of the Group's operating lease contracts are accounted for as noncancellable operating leases and the rest are cancellable. In determining whether a lease contract is cancellable or not, the Group considers, among others, the significance of the penalty, including the economic consequence to the lessee.

Finance lease commitments
The Group has entered into property leases on some of its real estate condominium unit property portfolio. The Group has determined based on evaluation of terms and conditions of the arrangements, particularly the bargain purchase option and minimum lease payments that the Group has transferred all the significant risks and rewards of ownership of these properties to the lessee and accounts for them as finance leases.

Refer to Note 42 for the disclosure on the Group's leases.

i. *Assessment on whether lease concessions granted constitute a lease modification*
In line with the rental relief framework implemented by the government to support businesses and the broader economy due to the impact of COVID-19, the Group waived its right to collect rent and other charges as part of various lease concessions it granted to lessees such as lease payment holidays or lease payment reductions.

The Group applies judgment when assessing whether the rent concessions granted is considered a lease modification under PFRS 16.

In making this judgment, the Group determines whether the rent concessions granted has changed the scope of the lease, or the consideration thereof, that was not part of the original terms and conditions of the lease. The Group assessed that the lease concessions it granted to lessees do not qualify as lease modifications since the terms and conditions under the corresponding lease contracts have not been modified by the waiver and therefore, is not a lease modification under PFRS 16.

The rent concessions granted by the Group for the years ended December 31, 2021 and 2020 amounted to ₱3.8 billion and ₱3.5 billion, respectively.

j. *Distinction between investment properties and owner-occupied properties*
The Group determines whether a property qualifies as an investment property. In making its judgment, the Group considers whether the property is not occupied substantially for use by, or in operations of the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation. Owner-occupied properties generate cash flows that are attributable not only to the property but also to the other assets used in the production or supply process.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions cannot be sold separately, the property is accounted for as an investment property, only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as an investment property. The Group considers each property separately in making its judgment.

k. *Consolidation of SPEs*
The Group periodically undertakes transactions that may involve obtaining the rights to variable returns from its involvement with the SPEs. These transactions include the purchase of aircraft and assumption of certain liabilities. In all such cases, management makes an assessment as to whether the Group has: (a) power over the SPEs; (b) the right over the returns of its SPEs; and (c) the ability to use power over the SPEs to affect the amount of the Group's return, and based on these assessments, the SPEs are consolidated as a subsidiary or associated company. In making these assessments, management considers the underlying economic substance of the transaction and not

only the contractual terms. The Group has assessed that it will benefit from the economic benefits of the SPEs' activities and it will affect the returns for the Group. The Group is directly exposed to the risks and returns from its involvement with the SPEs. Such rights and risks associated with the benefits and returns are indicators of control. Accordingly, the SPEs are consolidated.

Upon loss of control, the Group derecognizes the assets and liabilities of its SPEs and any surplus or deficit is recognized in profit or loss.

l. *Determination of functional currency*
PAS 21, *The Effects of Changes in Foreign Exchange Rates*, requires management to use its judgment to determine an entity's functional currency such that it most faithfully represents the economic effects of the underlying transactions, events and conditions that are relevant to the entity. In making this judgment, each entity in the Group considers the following:

a. the currency that mainly influences sales prices for financial instruments and services (this will often be the currency in which sales prices for its financial instruments and services are denominated and settled);
b. the currency in which funds from financing activities are generated; and
c. the currency in which receipts from operating activities are usually retained.

In the case of an intermediate holding company or finance subsidiary, the principal consideration of management is whether it is an extension of the Parent Company and performing the functions of the Parent Company - i.e., whether its role is simply to hold the investment in, or provide finance to, the foreign operation on behalf of the Parent Company or whether its functions are essentially an extension of a local operation (e.g., performing selling, payroll or similar activities for that operation) or indeed it is undertaking activities on its own account. In the former case, the functional currency of the entity is the same with that of the Parent Company; while in the latter case, the functional currency of the entity would be assessed separately.

m. *Significant influence over an associate with less than 20.0% ownership*
In determining whether the Group has significant influence over an investee requires significant judgment. Generally, a shareholding of 20.0% to 50.0% of the voting rights of an investee is presumed to give the Group a significant influence.

There are instances that an investor exercises significant influence even if its ownership is less than 20.0%. The Group applies significant judgment in assessing whether it holds significant influence over an investee and considers the following: (a) representation on the board of directors or equivalent governing body of the investee; (b) participation in policy-making processes, including participation in decisions about dividends or other distributions; (c) material transactions between the investor and the investee; (d) interchange of managerial personnel; or (e) provision of essential technical information.

n. *Determination of jet fuel/sing kero price risk components*
The Group has historically entered into fuel derivatives to provide extensive protection against the unexpected jet fuel prices movement due to various economic and political events happening across the world. Beginning September 1, 2019, the Group commenced the application of hedge accounting under PFRS 9 on fuel derivatives maturing in 2020 and beyond and has classified these as cash flow hedges. Along with the jet fuel price risk hedging, the Group also adopted risk component hedging strategy given the lack of liquidity in the jet fuel derivatives with long-term maturities across financial markets. Risk components of the jet fuel price are identified as the Brent crude oil and cracks. These components are determined to be separately identifiable and changes

in the fair value of the jet fuel attributable to changes in the Brent crude oil price can be measured reliably.

The existence of a separate market structure for the Brent crude oil and the crack which represents the refining component corroborates with the management's assertion that these two risk components are separately identifiable and corresponding prices can be reliably measured among others.

Estimates

The key assumptions concerning the future and other sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year are discussed below:

a. *Impairment of goodwill and intangible assets*

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 revenue growth rates and discount rates.

In the case of goodwill and intangible assets with indefinite lives, at a minimum, such assets are subject to an annual impairment test and more frequently whenever there is an indication that such asset may be impaired. This requires an estimation of the value-in-use of the cash-generating units to which the goodwill is allocated. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and to choose a suitable discount rate in order to calculate the present value of those cash flows.

As of December 31, 2021 and 2020, the balance of the Group's goodwill and intangible assets, net of accumulated depreciation, amortization and impairment loss, are disclosed in Notes 19 and 18, respectively.

b. *Expected credit losses on receivables*

For loans and receivables from the banking business, the Group reviews its financial assets and commitments at each reporting date to determine the amount of expected credit losses to be recognized in the balance sheet and any changes thereto in the statement of income. In particular, judgments and estimates by management are required in determining the following:

- whether a financial asset has had a significant increase in credit risk since initial recognition; whether default has taken place and what comprises a default;
- macro-economic factors that are relevant in measuring a financial asset's probability of
- default as well as the Group's forecast of these macro-economic factors;
- probability weights applied over a range of possible outcomes;
- sufficiency and appropriateness of data used and relationships assumed in building the

- components of the Group's expected credit loss models;
- measuring the exposure at default for unused commitments on which an expected credit loss
- should be recognized and the applicable loss rate

For installment contract receivables from the real estate business, the Group uses vintage analysis approach to calculate ECLs for installment contract receivables. The vintage analysis accounts for expected losses by calculating the cumulative loss rates of a given loan pool. It derives the probability of default from the historical data of a homogenous portfolio that share the same origination period. The information on the number of defaults during fixed time intervals of the accounts is utilized to create the PD model. It allows the evaluation of the loan activity from its origination period until the end of the contract period.

For other trade receivables, provision matrix was used to calculate ECLs. The provision rates are based on historical default rates days past due for groupings of various segments that have similar loss patterns. The provision matrix is initially based on the Group's historical observed default rates. The Group then calibrates the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions (i.e., gross domestic product and inflation rate) and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of the customer's actual default in the future.

Refer to Note 11 for the carrying amount of receivables subject to ECL and the related allowance for credit losses as of December 31, 2021 and 2020.

c. *Revenue and cost recognition from the real estate business*

The Group's revenue recognition policies require management to make use of estimates and assumptions that may affect the reported amounts of revenue and costs. The Group's revenue and cost from real estate where performance obligation is satisfied over time and recognized based on the POC is measured principally on the basis of the estimated completion by reference to the actual costs incurred to date over the estimated total costs of the project. For the years ended December 31, 2021, 2020 and 2019, the real estate sales recognized over time amounted to ₱5.2 billion, ₱11.7 billion and ₱8.7 billion, respectively, while the related cost of real estate sales amounted to ₱2.5 billion, ₱6.1 billion and ₱4.2 billion, respectively.

The Group also recognized revenue when control is passed on a certain point in time. The Group's revenue and cost of real estate sales were recognized upon transfer of control to the buyer. Real estate sales pertaining to this transaction amounted to ₱13.8 billion, ₱132.6 million and ₱320.9 million for the years ended December 31, 2021, 2020 and 2019, respectively. The related cost of sales amounted to ₱10.8 billion, ₱12.0 million and ₱85.0 million for the years ended December 31, 2021, 2020 and 2019, respectively.

d. *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. For lease contracts with indefinite term the Group estimates the length of the contract to be equal to the economic useful life of noncurrent assets located in the leased property and physically connected with it or determines the length of the contract to be equal to the average or typical market contract term of particular type of lease. The same economic useful life is applied to determine the depreciation rate of ROU assets.

Discount rate. The Group 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 the rate of interest rate swap 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.

As at December 31, 2021 and 2020, the carrying values of the Group's ROU assets and lease liabilities are disclosed in Note 42 to the consolidated financial statements.

e. *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. Cost information and current prices of comparable equipment are also utilized to determine the fair value of equipment.

The Group's acquisitions are discussed in Note 19 to the consolidated financial statements.

f. *Determination of NRV of inventories*

The Group, in determining the NRV, considers any adjustment necessary for obsolescence which is generally providing a 100.0% write down for nonmoving items for more than one year. The Group adjusts the cost of inventory to the recoverable value at a level considered adequate to reflect any market decline in the value of the recorded inventories. The Group reviews the classification of the inventories and generally provides adjustments for recoverable values of new, actively sold and slow-moving inventories by reference to prevailing values of the same inventories in the market.

The amount and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized. An increase in inventory obsolescence and market decline would increase recorded operating expenses and decrease current assets.

Inventory obsolescence and market decline included under 'Provision for impairment losses and others' in profit or loss in the consolidated statements of comprehensive income are disclosed in Notes 12 and 34 to the consolidated financial statements.

The carrying value of the Group's inventories, net of inventory obsolescence and market decline, is disclosed in Note 12 to the consolidated financial statements.

g. *Estimation of ARO*

The Group is contractually required under certain lease contracts to restore certain leased passenger aircraft to stipulated return condition or to bear a proportionate cost of restoration at the end of the contract period. The contractual obligation includes regular aircraft maintenance, overhaul and restoration of the leased aircraft to its original condition. Since the first operating lease entered by the Group in 2001, these costs are accrued based on an internal estimate which includes certain overhaul, restoration, and redelivery costs at the end of the operating aircraft lease. Regular aircraft maintenance is accounted for as expense when incurred, while overhaul and restoration are accounted on an accrual basis.

Assumptions and estimates used to compute ARO are reviewed and updated annually by the Group. As of December 31, 2021 and 2020, the cost of restoration is computed based on the Group's assessment on expected future aircraft utilization.

The amount and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized. The recognition of ARO would increase other noncurrent liabilities and repairs and maintenance expense.

The carrying values of the Group's ARO (included under 'Other noncurrent liabilities' in the consolidated statements of financial position) is disclosed in Note 24 to the consolidated financial statements.

h. *Estimation of useful lives of property, plant and equipment, investment properties, intangible assets with finite life and biological assets at cost*

The Group estimates the useful lives of its depreciable property, plant and equipment, investment properties, intangible assets with finite life and biological assets at cost based on the period over which the assets are expected to be available for use. The EUL of the said depreciable assets are reviewed at least annually and are updated, if expectations differ from previous estimates due to physical wear and tear and technical or commercial obsolescence on the use of these assets. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned above. A reduction in the EUL of the depreciable property, plant and equipment, investment properties and intangible assets would increase depreciation and amortization expense and decrease noncurrent assets.

The carrying balances of the Group's depreciable assets are disclosed in Notes 15, 16, 17 and 18 to the consolidated financial statements.

i. *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 37). 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.

As of December 31, 2021 and 2020, the balance of the Group's present value of defined benefit obligations and other employee benefits is shown in Note 37 to the consolidated financial statements.

j. *Assessment of impairment of nonfinancial assets excluding goodwill and intangible assets*
The Group assesses impairment on its nonfinancial assets (i.e., property, plant and equipment, investment properties, investments in associates and joint venture and biological assets carried at cost) 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; 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 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. In 2019, following the review of the Petrochemical business, the outlook for the industry and Petrochemical's operating plan, a reversal of impairment loss has been recognized to adjust the carrying value of certain buildings of the Group to their estimated recoverable values, which is the higher of fair value less to sell and value-in-use, but not exceeding the depreciated historical cost that would have been if the impairment had not been recognized.

Provision for (reversal of) impairment losses on nonfinancial assets recognized in 2021, 2020 and 2019 is disclosed in Note 34 to the consolidated financial statements.

As of December 31, 2021 and 2020, the balance of the Group's nonfinancial assets excluding goodwill and intangible assets, net of accumulated depreciation, amortization and impairment loss are shown in Notes 14, 15, and 16 to the consolidated financial statements.

k. *Recognition of deferred tax assets*
The Group reviews the carrying amounts of its deferred tax assets 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 assurance that the Group will generate sufficient taxable income to allow all or part of deferred tax assets to be utilized.

The Group has certain subsidiaries which enjoy the benefits of an income tax holiday (ITH). As such, no deferred tax assets were set up on certain gross deductible temporary differences that are expected to reverse or expire within the ITH period (see Note 38).

The Group's recognized and unrecognized deferred tax assets are disclosed in Note 38 to the consolidated financial statements.

4. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise cash and cash equivalents, investment securities at amortized cost, financial assets at FVPL, financial assets at FVOCI, financial liabilities at FVPL and interest-bearing loans and 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 receivables and payables which arise directly from its operations. Also, the Parent Company and certain subsidiaries are counterparties to derivative contracts, such as interest rate swaps, currency forwards, cross currency swaps, currency options and commodity swaps and options. These derivatives are entered into as a means of reducing or managing their respective foreign exchange and interest rate exposures.

The BOD of the Parent Company and its subsidiaries review and approve the policies for managing each of these risks which are summarized below, together with the related risk management structure.

Risk Management Structure
The BOD of the Parent Company is ultimately responsible for oversight of the Parent Company's risk management process which involves 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 risks and risk management performance, and identification of areas and opportunities for improvement in the risk management process.

The BOD has reconstituted its Audit Committee to integrate Audit, Related Party Transactions (RPT) and Risk Oversight Committee to spearhead the managing and monitoring of risks.

Audit, RPT and Risk Oversight Committee (AURROC)
The AURROC shall assist the Group's BOD in its fiduciary responsibility by providing oversight over the Group's financial reporting, Internal Control System, Internal and External Audit processes, and compliance with applicable laws and regulations. Furthermore, it is also the Committee's purpose to oversee the establishment of Enterprise Risk Management (ERM) framework that will effectively identify, monitor, assess and manage key business risks.

The Committee has the following functions:

a. monitor and evaluate the adequacy and effectiveness of the Parent Company's internal control system, integrity of financial reporting, and security of physical and information assets;
b. discuss with the External Auditor the nature, scope and expenses of the audit, and ensure the proper coordination and coverage of work;
c. review the reports submitted by the Internal and External Auditors and review and monitor Management's responsiveness to findings and recommendations;

d. review and approve the interim and Annual Financial Statements;
e. review and approve the Parent Company's transactions with related parties within the set materiality threshold;
f. evaluate the ERM Plan to ensure its continued relevance, comprehensiveness and effectiveness, as well as look for emerging risks;
g. review the Parent Company's risk appetite levels and risk tolerance limits based on changes and developments in the business, the regulatory framework, the external economic and business environment;
h. provide oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risk exposures of the Parent Company ; and
i. report to the BOD on a regular basis, or as deemed necessary, the Parent Company's risk, material risk exposures, the actions taken to reduce the risks.

Enterprise Risk Management
The role of ERM is to oversee that a sound ERM framework is in place to 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. A Chief Risk Officer or its equivalent position, is appointed by the BOD to oversee the entire ERM process and spearhead the development, implementation, maintenance and continuous improvement of ERM processes and documentation. The ERM Head reports functionally to the Committee and administratively to the CEO.

Enterprise Resource Management Framework
The ERM framework revolves around the following activities:

1. Risk Identification. It 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 which 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 which can 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, and Compliance Risk. For each risk category, a risk assessment scale is developed to provide objective definitions on what is considered insignificant, minor, moderate, major, or extreme impact to the business. 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, vulnerability, and contribution to the risk. Risk impact velocity and mitigation timeframe are also considered in prioritizing the organization's actions and urgency of response to risks.

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 Committee twice a year.

<u>Risk Management Policies</u>
The main risks arising from the use of financial instruments are credit risk, liquidity risk and market risk, such as foreign currency risk, commodity price 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 transacts only with recognized, 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. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

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. Likewise, other receivable balances are also being monitored and subjected to appropriate actions to manage credit risk.

With respect to credit risk arising from other financial assets of the Group, which comprise cash and cash equivalents, financial assets at FVPL, financial assets at FVOCI, investment securities at amortized cost and certain derivative investments, 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.

The Group has a counterparty credit risk management policy which allocates investment limits based on counterparty credit ratings and credit risk profile.

With respect to the Banking Segment, there are several credit risk mitigation practices in place, as follow:
- The Banking Segment offers a variety of loan products with substantial collateral values. The policy on collateral and other credit enhancements are discussed further below.
- Limits are set on the amount of credit risk that the Banking Segment is willing to take for customers and counterparties, and exposures are monitored against such credit limits.
- The Banking Segment also observes related regulatory limits such as the single borrower's limit (SBL) and directors, officers, stockholders and related interests (DOSRI) ceiling.
- To protect against settlement risk, the Banking Segment employs a delivery-versus-payment (DvP) settlement system, wherein payment is effected only when the corresponding asset has been delivered.
- There is an internal credit risk rating system (ICRRS) in place, providing a structured format for collating and analyzing borrower data to arrive at a summary indicator of credit risk.
- Past due and non-performing loan (NPL) ratios are also used to measure and monitor the quality of the loan portfolio.

a. Credit risk exposure

The Group's maximum exposure to on-balance sheet credit risk is equal to the carrying value of its financial assets except for the following accounts:

	2021			
	Carrying amount	**Fair Value of Collateral**	**Financial Effect of Collateral**	**Maximum Exposure to Credit Risk**
Interbank loans receivable	**₱14,881,826,705**	**₱117,595,804**	**₱117,595,804**	**₱14,764,230,901**
Loans and receivables:				
Trade receivables	**37,749,156,043**	**2,696,923,856**	**2,696,923,856**	**35,052,232,187**
Finance receivables:				
Commercial	**56,604,940,584**	**26,619,399,677**	**25,257,678,304**	**31,347,262,280**
Real estate	**28,954,272,875**	**12,285,410,220**	**11,706,069,921**	**17,248,202,954**
Consumption	**10,569,899,718**	**3,052,894,035**	**2,624,172,960**	**7,945,726,758**
Domestic bills purchased	**516,654,187**	**488,648,547**	**488,648,547**	**28,005,640**
Other receivables	**7,381,220,881**	**339,352,955**	**151,432,517**	**7,229,788,364**
Total credit risk exposure	**₱156,657,970,993**	**₱45,600,225,094**	**₱43,042,521,909**	**₱113,615,449,084**

	2020			
	Carrying amount	Fair Value of Collateral	Financial Effect of Collateral	Maximum Exposure to Credit Risk
Interbank loans receivable	₱4,495,757,260	₱4,356,755,246	₱4,356,755,246	₱139,002,014
Loans and receivables:				
Trade receivables	39,760,722,566	2,306,696,485	2,306,696,485	37,454,026,081
Finance receivables:				
Commercial	50,667,442,539	20,609,092,071	20,254,834,500	30,412,608,039
Real estate	23,692,882,440	25,812,580,155	19,131,128,527	4,561,753,913
Consumption	9,856,971,533	9,377,871,442	6,448,470,383	3,408,501,150
Domestic bills purchased	480,028,717	447,884,707	447,884,707	32,144,010
Other receivables	6,474,044,662	197,231,123	52,290,582	6,421,754,080
Total credit risk exposure	₱135,427,849,717	₱63,108,111,229	₱52,998,060,430	₱82,429,789,287

Collateral and other credit enhancements

The Group holds collateral in the form of real estate and chattel mortgages, government securities and standby letters of credit. The amount and type of collateral required depends on an assessment of credit risk. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are as follows:

- Mortgages over real estate and vehicle for consumer lending
- Chattels over inventory and receivable for commercial lending
- Government securities for interbank lending

It is the Group's policy to dispose of repossessed properties in an orderly fashion. In general, the proceeds are used to reduce or repay the outstanding claim, and are not occupied for business use.

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.

The Group's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. In order to avoid excessive concentrations of risks, identified concentrations of credit risks are controlled and managed accordingly.

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, is categorized by geographic location as follows:

	December 31, 2021					
	Philippines	**Asia (excluding Philippines)**	**United States**	**Europe**	**Others***	**Total**
Cash and cash equivalents**	**₱53,994,268,811**	**₱23,217,147,948**	**₱–**	**₱–**	**₱23,831,577**	**₱77,235,248,336**
Financial assets at FVPL:						
Held-for-trading:						
Debt securities:						
Government	**1,912,412**	**–**	**–**	**–**	**–**	**1,912,412**
Investment in convertible notes	**–**	**294,377,351**	**3,725,738,065**	**–**	**–**	**4,020,115,416**
	1,912,412	**294,377,351**	**3,725,738,065**	**–**	**–**	**4,022,027,828**
Financial assets at FVOCI						
Debt securities:						
Government	**15,227,318,059**	**318,204,527**	**–**	**–**	**167,856,751**	**15,713,379,337**
Private	**16,185,119,200**	**4,073,495,059**	**358,420,972**	**626,098,913**	**271,219,311**	**21,514,353,455**
	31,412,437,259	**4,391,699,586**	**358,420,972**	**626,098,913**	**439,076,062**	**37,227,732,792**
Investment securities at amortized cost:						
Debt securities:						
Government	**6,655,527,338**	**–**	**–**	**–**	**–**	**6,655,527,338**
Private	**1,819,331,441**	**–**	**–**	**–**	**–**	**1,819,331,441**
	8,474,858,779	**–**	**–**	**–**	**–**	**8,474,858,779**
Receivables:						
Finance receivables	**98,918,972,005**	**–**	**–**	**–**	**–**	**98,918,972,005**
Trade receivables	**34,289,164,169**	**3,953,609,254**	**–**	**47,041,346**	**43,533,969**	**38,333,348,738**
Due from related parties	**4,156,699,936**	**61,663,764**	**–**	**–**	**–**	**4,218,363,700**
Interest receivable	**1,645,383,807**	**68,440,837**	**369,445**	**2,011,338**	**419,674**	**1,716,625,101**
Other receivables***	**6,401,712,058**	**180,079,510**	**–**	**21,496,384**	**2,302,092**	**6,605,590,044**
	145,411,931,975	**4,263,793,365**	**369,445**	**70,549,068**	**46,255,735**	**149,792,899,588**
Refundable deposits****	**1,966,017,754**	**–**	**–**	**–**	**–**	**1,966,017,754**
Restricted cash****	**1,818,639,034**	**–**	**–**	**–**	**–**	**1,818,639,034**
	₱243,080,066,024	**₱32,167,018,250**	**₱4,084,528,482**	**₱696,647,981**	**₱509,163,374**	**₱280,537,424,111**

** Others include South American countries (i.e., Argentina and Mexico)*
*** Excludes cash on hand amounting to ₱5,654,873,185*
**** Excludes claims receivable of JGSPC and JGSOC amounting to ₱1,202,710,742*
***** Included under 'Other current' and 'Other noncurrent assets' in the consolidated statements of financial position*

	December 31, 2020					
	Philippines	Asia (excluding Philippines)	United States	Europe	Others*	Total
Cash and cash equivalents**	₱66,171,018,714	₱9,865,803,531	₱–	₱–	₱2,448,831,586	₱78,485,653,831
Financial assets at FVPL:						
Held-for-trading:						
Debt securities:						
Government	86,520,711	–	–	–	–	86,520,711
Investment in convertible notes	–	127,703,174	3,615,304,272	–	–	3,743,007,446
Derivative assets	–	–	–	–	556,022	556,022
	86,520,711	127,703,174	3,615,304,272	–	556,022	3,830,084,179
Financial assets at FVOCI						
Debt securities:						
Government	9,188,953,838	415,766,043	–	–	77,187,170	9,681,907,051
Private	15,327,767,754	4,291,238,360	341,227,427	911,334,464	453,646,675	21,325,214,680
	24,516,721,592	4,707,004,403	341,227,427	911,334,464	530,833,845	31,007,121,731
Investment securities at amortized cost:						
Debt securities:						
Government	6,251,706,056	–	–	–	–	6,251,706,056
Private	1,800,257,800	–	–	–	–	1,800,257,800
	8,051,963,856	–	–	–	–	8,051,963,856
Receivables:						
Finance receivables	86,382,308,879	–	–	–	–	86,382,308,879
Trade receivables	37,029,026,584	3,053,277,276	–	81,689,168	94,709,155	40,258,702,183
Due from related parties	2,483,583,930	68,826,811	–	–	–	2,552,410,741
Interest receivable	1,586,398,705	87,174,889	762,355	13,682,781	42,201,201	1,730,219,931
Other receivables***	6,559,957,496	40,443,883	–	–	–	6,600,401,379
	134,041,275,594	3,249,722,859	762,355	95,371,949	136,910,356	137,524,043,113
Refundable deposits****	856,057,644	–	–	–	–	856,057,644
Restricted cash****	5,019,269,617					5,019,269,617
	₱238,742,827,728	₱17,950,233,967	₱3,957,294,054	₱1,006,706,413	₱3,117,131,809	₱264,774,193,971

** Others include South American countries (i.e., Argentina and Mexico), New Zealand and Australia*
*** Excludes cash on hand amounting to ₱3,005,758,937*
**** Excludes claims receivable of JGSPC and JGSOC amounting to ₱304,301,630*
***** Included under 'Other current' and 'Other noncurrent assets' in the consolidated statements of financial position*

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	Real Estate, Renting and Related Business Activities	Wholesale and Retail Trade	Financial Intermediaries	Transportation, Storage and Communication	Agricultural, Hunting and Forestry	Electricity, Gas and Water	Construction	Government Institutions	Others*	Total
Cash and cash equivalents**	₱–	₱–	₱–	₱77,235,248,336	₱–	₱–	₱–	₱–	₱–	₱–	₱77,235,248,336
Financial assets at FVPL:											
Held-for-trading:											
Debt securities:											
Government	–	–	–	–	–	–	–	–	1,912,412	–	1,912,412
Investment in convertible notes	2,148,960,778	142,323,656	–	489,736,019	516,110,949	–	165,327,412	–	–	557,656,602	4,020,115,416
	2,148,960,778	142,323,656	–	489,736,019	516,110,949	–	165,327,412	–	1,912,412	557,656,602	4,022,027,828
Financial assets at FVOCI											
Debt securities:											
Government	–	–	–	137,105,712	–	–	–	–	15,090,212,355	486,061,270	15,713,379,337
Private	35,688,590	1,525,222,707	1,964,573,161	14,381,925,122	2,020,707,036	–	1,172,428,404	14,269,520	–	399,538,915	21,514,353,455
	35,688,590	1,525,222,707	1,964,573,161	14,519,030,834	2,020,707,036	–	1,172,428,404	14,269,520	15,090,212,355	885,600,185	37,227,732,792
Investment securities at amortized cost											
Debt securities:											
Government	–	–	–	–	–	–	–	–	6,655,527,338	–	6,655,527,338
Private	–	–	–	1,819,331,441	–	–	–	–	–	–	1,819,331,441
	–	–	–	1,819,331,441	–	–	–	–	6,655,527,338	–	8,474,858,779
Receivables:											
Finance receivables	13,368,817,009	35,414,782,558	12,298,694,601	2,469,746,231	8,157,656,053	632,579,289	5,867,157,713	3,217,567,419	–	17,491,971,132	98,918,972,005
Trade receivables	15,781,447,951	19,593,777,925	–	291,755,188	1,461,123,195	–	–	–	–	1,205,244,479	38,333,348,738
Due from related parties	52,682,966	2,894,605,655	4,137,721	23,384,792	60,690,275	–	–	–	–	1,182,862,291	4,218,363,700
Interest receivable	527,004	49,499,378	140,591,592	1,483,190,820	14,533,108	–	8,972,559	1,502,294	–	17,808,346	1,716,625,101
Other receivables***	1,875,438,234	1,002,757,918	16,409,156	1,086,696,666	19,556	–	–	–	–	2,624,268,514	6,605,590,044
	31,078,913,164	58,955,423,434	12,459,833,070	5,354,773,697	9,694,022,187	632,579,289	5,876,130,272	3,219,069,713	–	22,522,154,762	149,792,899,588
Refundable security deposits ****	–	71,920,404	–	–	–	–	–	–	–	1,894,097,350	1,966,017,754
Restricted cash****	–	378,034,904	–	–	1,440,604,130	–	–	–	–	–	1,818,639,034
	₱33,263,562,532	₱61,072,925,105	₱14,424,406,231	₱99,418,120,327	₱13,671,444,302	₱632,579,289	₱7,213,886,088	₱3,233,339,233	₱21,747,652,105	₱25,859,508,899	₱280,537,424,111

** Others include consumer, community, social and personal services, education, mining and quarrying, and health and social work sectors.*
*** Excludes cash on hand amounting to ₱5,654,873,185*
**** Excludes claims receivable of JGSPC and JGSOC amounting to ₱1,202,710,742*____________
***** Included under 'Other current' and 'Other noncurrent assets' in the consolidated statements of financial position*

	2020										
	Manufacturing	Real Estate, Renting and Related Business Activities	Wholesale and Retail Trade	Financial Intermediaries	Transportation, Storage and Communication	Agricultural, Hunting and Forestry	Electricity, Gas and Water	Construction	Government Institutions	Others*	Total
Cash and cash equivalents**	₱–	₱–	₱–	₱78,485,653,831	₱–	₱–	₱–	₱–	₱–	₱–	₱78,485,653,831
Financial assets at FVPL:											
Held-for-trading:											
Debt securities:											
Government	–	–	–	–	–	–	–	–	86,520,711	–	86,520,711
Investment in convertible notes	3,615,304,272	75,390,662	–	–	–	–	–	–	–	52,312,512	3,743,007,446
Derivative financial assets:		–	556,022	–	–	–	–	–	–	–	556,022
	3,615,304,272	75,390,662	556,022	–	–	–	–	–	86,520,711	52,312,512	3,830,084,179
Financial assets at FVOCI											
Debt securities:											
Government	–	–	–	133,849,706	–	–	–	–	9,055,104,132	492,953,213	9,681,907,051
Private	525,512,471	1,715,060,766	1,154,604,887	12,244,136,695	2,378,713,117	–	1,609,552,651	99,638,120	–	1,597,995,973	21,325,214,680
	525,512,471	1,715,060,766	1,154,604,887	12,377,986,401	2,378,713,117	–	1,609,552,651	99,638,120	9,055,104,132	2,090,949,186	31,007,121,731
Investment securities at amortized cost											
Debt securities:											
Government	–	–	–	–	–	–	–	–	6,251,706,056	–	6,251,706,056
Private	–	–	–	1,800,257,800	–	–	–	–	–	–	1,800,257,800
	–	–	–	1,800,257,800	–	–	–	–	6,251,706,056	–	8,051,963,856
Receivables:											
Finance receivables	7,421,032,602	26,955,339,711	9,505,695,108	4,731,217,800	3,184,693,822	6,988,120,232	6,911,769,831	3,093,265,976	63,721,392	17,527,452,405	86,382,308,879
Trade receivables	16,828,073,728	20,498,080,026	–	329,983,689	1,632,909,592	–	–	–	–	969,655,148	40,258,702,183
Due from related parties	214,744,158	–	–	28,728,789	–	–	–	–	–	2,308,937,794	2,552,410,741
Interest receivable	11,310,630	46,198,320	5,318,075	1,483,001,580	24,765,701	–	19,867,131	2,068,014	–	137,690,480	1,730,219,931
Other receivables***	1,343,724,555	962,457,538	16,409,156	457,027,257	19,556	–	–	–	–	3,820,763,317	6,600,401,379
	25,818,885,673	48,462,075,595	9,527,422,339	7,029,959,115	4,842,388,671	6,988,120,232	6,931,636,962	3,095,333,990	63,721,392	24,764,499,144	137,524,043,113
Refundable security deposits ****	–	67,694,161	–	–		–	–	–	–	788,363,483	856,057,644
Restricted cash****	–	4,006,791,007	–	–	1,012,478,610	–	–	–	–	–	5,019,269,617
	₱29,959,702,416	₱54,327,012,191	₱10,682,583,248	₱99,693,857,147	₱8,233,580,398	₱6,988,120,232	₱8,541,189,613	₱3,194,972,110	₱15,457,052,291	₱27,696,124,325	₱264,774,193,971

** Others include consumer, community, social and personal services, education, mining and quarrying, and health and social work sectors.*
*** Excludes cash on hand amounting to ₱3,005,758,937*
**** Excludes claims receivable of JGSPC and JGSOC amounting to ₱304,301,630*
***** Included under 'Other current' and 'Other noncurrent assets' in the consolidated statements of financial position*

c. Credit quality per class of financial assets

The table below shows the maximum exposure to credit risk for the Group's financial assets not measured at fair value by credit rating grades:

	2021 (in millions)				
	General Approach			Simplified	
	Stage 1	Stage 2	Stage 3	Approach	Total
Cash and cash equivalents					
Neither Past Due nor Individually Impaired					
High Grade	**₱41,505**	**₱–**	**₱–**	**₱–**	**₱41,505**
Standard	**35,730**	–	–	–	**35,730**
Financial Assets at FVPL					
Debt securities					
High Grade	**2**	–	–	–	**2**
Investment in convertible note					
Unrated	**4,020**	–	–	–	**4,020**
Financial Assets at FVOCI					
Neither Past Due nor Individually Impaired					
High Grade	**26,319**	–	–	–	**26,319**
Standard	**10,909**	–	–	–	**10,909**
Investment securities at Amortized Cost					
Neither Past Due nor Individually Impaired					
Standard	**8,475**	–	–	–	**8,475**
Receivables:					
Finance receivables					
Neither Past Due nor Individually Impaired					
High Grade	**16,890**	**2,273**	–	–	**19,163**
Standard	**19,034**	**10,304**	–	–	**29,338**
Substandard	**2,712**	**7,576**	–	–	**10,288**
Unrated	**33,462**	**145**	**3**	–	**33,610**
Past Due but not Individually Impaired		**2,033**	**2,214**	–	**4,247**
Individually Impaired			**2,273**	–	**2,273**
Trade receivables					
Neither Past Due nor Individually Impaired					
High Grade	–	–	–	**30,131**	**30,131**
Standard	–	–	–	**2,071**	**2,071**
Past Due but not Individually Impaired	–	–	–	**5,518**	**5,518**
Individually Impaired	–	–	–	**613**	**613**
Due from related parties					
Neither Past Due nor Individually Impaired					
High Grade	–	–	–	**4,202**	**4,202**
Standard	–	–	–	**16**	**16**
Interest receivable					
Neither Past Due nor Individually Impaired					
High Grade	**1,582**	–	–	–	**1,582**
Standard	**6**	–	–	–	**6**
Past Due but not Individually Impaired	**129**	–	–	–	**129**
Other receivables					
Neither Past Due nor Individually Impaired					
High Grade	**1,087**	–	–	–	**1,087**
Standard	**4,240**	–	–	–	**4,240**
Past Due but not Individually Impaired	**880**	–	–	–	**880**
Individually Impaired	–	–	**398**	–	**398**
Refundable deposits* **					
Neither Past Due nor Individually Impaired					
High Grade	**1,966**	–	–	–	**1,966**
Restricted cash* **					
Neither Past Due nor Individually Impaired					
High Grade	**1,819**	–	–	–	**1,819**
	₱210,767	**₱22,331**	**₱4,888**	**₱42,551**	**₱280,537**

** Excludes cash on hand amounting to ₱5,654,873,185*
*** Excludes claims receivable of JGSPC and JGSOC amounting to ₱1,202,710,742*
****Included under 'Other current' and 'Other noncurrent assets' in the consolidated statements of financial position*

	2020 (in millions)				
	General Approach			Simplified	
	Stage 1	Stage 2	Stage 3	Approach	Total
Cash and cash equivalents					
Neither Past Due nor Individually Impaired					
High Grade	₱49,631	₱–	₱–	₱–	₱49,631
Standard	28,855	–	–	–	28,855
Financial Assets at FVPL					
Debt securities					
High Grade	87	–	–	–	87
Investment in convertible note					
Unrated	3,743	–	–	–	3,743
Derivative assets					
High Grade	1	–	–	–	1
Financial Assets at FVOCI					
Neither Past Due nor Individually Impaired					
High Grade	19,103	–	–	–	19,103
Standard	11,904	–	–	–	11,904
Investment securities at Amortized Cost					
Neither Past Due nor Individually Impaired					
Standard	8,052	–	–	–	8,052
Receivables:					
Finance receivables					
Neither Past Due nor Individually Impaired					
High Grade	20,264	2,590	1	–	22,855
Standard	20,688	3,277	24	–	23,989
Substandard	2,222	1,837	–	–	4,059
Unrated	29,026	744	233	–	30,003
Past Due but not Individually Impaired	–	1,772	2,019	–	3,791
Individually Impaired	–	–	1,685	–	1,685
Trade receivables					
Neither Past Due nor Individually Impaired					
High Grade	–	–	–	35,296	35,296
Standard	–	–	–	682	682
Past Due but not Individually Impaired	–	–	–	3,783	3,783
Individually Impaired	–	–	–	498	498
Due from related parties					
Neither Past Due nor Individually Impaired					
High Grade	–	–	–	2,537	2,537
Standard	–	–	–	15	15
Interest receivable					
Neither Past Due nor Individually Impaired					
High Grade	1,555	–	–	–	1,555
Standard	4	–	–	–	4
Past Due but not Individually Impaired	171	–	–	–	171
Other receivables					
Neither Past Due nor Individually Impaired					
High Grade	1,468	–	–	–	1,468
Standard	3,828	–	–	–	3,828
Past Due but not Individually Impaired	873	–	–	–	873
Individually Impaired	330	11	90	–	431
Refundable deposits* **					
Neither Past Due nor Individually Impaired					
High Grade	856	–	–	–	856
Restricted cash* **					
Neither Past Due nor Individually Impaired					
High Grade	5,019	–	–	–	5,019
	₱207,680	₱10,231	₱4,052	₱42,811	₱264,774

** Excludes cash on hand amounting to ₱3,005,758,937*
*** Excludes claims receivable of JGSPC and JGSOC amounting to ₱304,301,630*
****Included under 'Other current' and 'Other noncurrent assets' in the consolidated statements of financial position*

Classification of Financial Assets by Class used by the Group except for the Banking Segment
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 10 banks in the Philippines in terms of resources and profitability.

Other high grade accounts are considered to be of high value since the counterparties have a 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.

Classification of Financial Assets by Class used by the Banking Segment
For loans and receivables from customers, the Banking Segment's internal credit risk rating (ICCR) system was approved in 2007 and further enhanced to reflect latest updates. Last enhancement was made in 2017 for the ICRRS covering corporate credit exposures as defined by BSP Circular 439, initially for those borrowers with asset size of more than ₱15.0 million. In compliance with BSP Circular 855, the Banking Segment also developed another ICRRS in 2016 for those borrowers with asset size of ₱15.0 million and below which was also enhanced in 2018.

The Banking Segment's internal credit risk rating is as follows:

Grades	Categories	Description
High grade		
Risk rating 1	Excellent	Lowest probability of default; exceptionally strong capacity for financial commitments; highly unlikely to be adversely affected by foreseeable events.
Risk rating 2	Super Prime	Very low probability of default; very strong capacity for payment of financial commitments; less vulnerable to foreseeable events.
Risk rating 3	Prime	Low probability of default; strong capacity for payment of financial commitments; may be more vulnerable to adverse business/economic conditions.
Risk rating 4	Very Good	Moderately low probability of default; more than adequate capacity for payment of financial commitments; but adverse business/economic conditions are more likely to impair this capacity.
Risk rating 5	Good	More pronounced probability of default; business or financial flexibility exists which supports the servicing of financial commitments; vulnerable to adverse business/economic changes.

Grades	Categories	Description
Standard		
Risk rating 6	Satisfactory	Material probability of default is present, but a margin of safety remains; financial commitments are currently being met although the capacity for continued payment is vulnerable to deterioration in the business/economic condition.
Risk rating 7	Average	Greater probability of default which is reflected in the volatility of earnings and overall performance; repayment source is presently adequate; however, prolonged unfavorable economic period would create deterioration beyond acceptable levels.
Risk rating 8	Fair	Sufficiently pronounced probability of default, although borrowers should still be able to withstand normal business cycles; any prolonged unfavorable economic/market conditions would create an immediate deterioration of cash flow beyond acceptable levels.
Sub-standard grade		
Risk rating 9	Marginal	Elevated level of probability of default, with limited margin; repayment source is adequate to marginal.
Risk rating 10	Watch list	Unfavorable industry or company specific risk factors represent a concern, financial strength may be marginal; will find it difficult to cope with significant downturn.
Risk rating 11	Special mention	Loans have potential weaknesses that deserve close attention; borrower has reached a point where there is a real risk that the borrower's ability to pay the interest and repay the principal timely could be jeopardized due to evidence of weakness in the borrower's financial condition.
Risk rating 12	Substandard	Substantial and unreasonable degree of risk to the institution because of unfavorable record or unsatisfactory characteristics; with well-defined weaknesses that jeopardize their liquidation e.g. negative cash flow, case of fraud.
Past due and impaired		
Risk rating 13	Doubtful	Weaknesses similar to "Substandard", but with added characteristics that make liquidation highly improbable.
Risk rating 14	Loss	Uncollectible or worthless.

The Banking Segment's internal credit risk rating system intends to provide a structure to define the corporate credit portfolio, and consists of an initial rating for the borrower risk later adjusted for the facility risk. Inputs include an assessment of management, credit experience, financial condition, industry outlook, documentation, security and term.

Below is the staging parameters adopted by the Banking Segment.

Staging Parameter	Stage	Description
Staging by Days Past Due		*Applicable to all loan products.*
	1	Accounts with 0 – 30 days past due (applicable for all loan products except for microfinancing loans wherein days past due for Stage 1 accounts is 0 – 6 days).
	2	Accounts with 31 – 90 days past due (applicable for all loan products except for microfinancing loans wherein days past due for Stage 2 accounts is 7 – 10 days).
	3	Accounts with days past due of 91 days and above (applicable for all loan products except for microfinancing loans wherein days past due for Stage 3 accounts is 11 days and above).
Staging by Status		*Applicable to all loan products except for Microfinance.*
	1	Accounts tagged as Current in its Status are classified under Stage 1.
	2	Accounts tagged as Past due performing in its Status are classified under Stage 2.
	3	Accounts tagged as ITL and NPL in its Status are classified under Stage 3.
Staging by Origination Rating vs Current Rating		*Applicable to Commercial Loans (Large Scale and Medium Scale) only*
	1	If no movement in the ratings from origination rating against the latest rating, the staging will be based on the current ICRRS rating. If the account's current rating is either Excellent, Super Prime, Prime, Very Good, Good, Satisfactory, Average, Fair, the account will be tagged under Stage 1.
	2	If the account's current rating/equivalent Risk Level deteriorates by 2 notches from its origination rating/equivalent Risk Level, the account is tagged under Stage 2. If no movement in the ratings from origination rating against the latest rating, the staging will be based on the latest ICRRS rating. If the account's latest Rating is either Marginal, Watchlist or Especially Mentioned, account will be tagged under Stage 2.
Staging by Maturity Date vs Cut-off Date		*Applicable to all loan products*
	1	If maturity date of the account is after the cut-off date of the ECL Calculation, and if the days leading up to the cut-off date from the maturity date is less than 30 days, the account is tagged under Stage 1 (For Microfinance loans, if maturity date of the account is after the cut-off

Staging Parameter	Stage	Description
		date of the ECL Calculation, and if the days leading up to the cut-off date from the maturity date is less than 10 days, the account is tagged under Stage 1).
	3	If maturity date of the account is prior to the cut-off date of the ECL Calculation, and if the days leading up to the cut-off date from the maturity date is more than 30 days, the account is tagged under Stage 3 (For Microfinance loans, if Maturity Date of the account is prior the cut-off date of the ECL Calculation, and if the days leading up to the cut-off date from the maturity date is more than 10 days, the account is tagged under Stage 3).

External ratings
In ensuring a quality investment portfolio, the Group monitors credit risk from investments using credit ratings based on Standard and Poor (S&P). Credit quality of due from BSP and other banks and interbank loans receivable are based on available accredited international and local credit raters using Fitch as standard of rating.

The Group assigns the following credit quality groupings based on ratings prior to PFRS 9 adoption as follows:

Credit Quality	Fitch	Moody's	S&P	Stage*
High Grade	AAA to A-	Aaa to A3	AAA to A-	1
Standard Grade	BBB+ to BB-	Baa1 to Ba3	BBB+ to BB-	1
Substandard Grade	B+ to C-	B1 to Ca	B+ to C	2
Past due and impaired	D	C	D	3

**Applicable to Banking Segment only.*

d. Aging analysis of receivables by class

The aging analysis of the Group's Past Due but Not Impaired receivables as of December 31, 2021 and 2020 follow:

	2021 *(in millions)*				
	Less than 30 Days	**30 to 60 Days**	**61 to 90 Days**	**Over 90 Days**	**Total**
Finance receivables	**₱223**	**₱1,451**	**₱617**	**₱1,956**	**₱4,247**
Trade receivables	**4,045**	**816**	**304**	**353**	**5,518**
Interest receivable	**2**	**33**	**18**	**76**	**129**
Others	**112**	**59**	**51**	**658**	**880**
	₱4,382	**₱2,359**	**₱990**	**₱3,043**	**₱10,774**

	2020 *(in millions)*				
	Less than 30 Days	30 to 60 Days	61 to 90 Days	Over 90 Days	Total
Finance receivables	₱2,429	₱303	₱223	₱836	₱3,791
Trade receivables	3,143	393	103	144	3,783
Interest receivable	63	20	17	71	171
Others	28	80	116	649	873
	₱5,663	₱796	₱459	₱1,700	₱8,618

Liquidity risk

Liquidity risk is the risk of not being able to meet funding obligations 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 market conditions. The Group maintains a level of cash and cash equivalents deemed sufficient to finance its operations. 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.

With respect to the Banking Segment, liquidity risk is considered in assets and liabilities management. The Banking Segment seeks to lengthen liability maturities, diversify existing fund sources, and continuously develop new instruments that cater to different segments of the market. The Assets and Liabilities Committee (ALCO) is composed of some members of the Senior Management including the Lending Groups and Treasury Group Heads. ALCO conducts weekly meetings. The Banking Segment also has specialized units that help monitor market and regulatory developments pertinent to interest rates and liquidity position, as well as prepare cash position reports as needed to measure the liquidity and reserves position of the Banking Segment.

The Banking Segment also keeps credit lines with financial institutions, as well as a pool of liquid or highly marketable securities. Reserves management is another specialized function within the Banking Segment, complying with BSP reserve requirements, which may be a buffer against unforeseen liquidity drains.

The liquidity or maturity gap report is another tool for measuring liquidity risk. Although available contractual maturity dates are generally used for putting instruments into time bands, expected liquidation periods, often based on historical data, are used if contractual maturity dates are unavailable. The liquidity gap per time band is computed by getting the difference between the inflows and outflows within the time band. A positive liquidity gap is an estimate of the Banking Segment's net excess funds for the time band. A negative liquidity gap is an estimate of a future funding requirement of the Banking Segment. Although such gaps are a normal part of the business, a significant negative amount may bring significant liquidity risk. To help control liquidity risk arising from negative liquidity gaps, maximum cumulative outflow (MCO) targets are set for time bands up to one year.

The tables below summarize the maturity profile of the Group's financial assets and liabilities based on the applicable undiscounted contractual payments as of December 31, 2021 and 2020:

			2021			
	On Demand	**Up to 3 Months**	**3 to 12 Months**	**1 to 5 Years**	**More Than 5 Years**	**Total**
Financial Assets						
Cash and cash equivalents*	**₱34,550,142,438**	**₱42,734,893,835**	**₱2,696,861**	**₱–**	**₱–**	**₱77,287,733,134**
Financial assets at FVPL:						
Held-for-trading:						
Debt securities:						
Government	–	**1,912,412**	–	–	–	**1,912,412**
Equity securities:						
Quoted	**667,582,694**	–	**1,771,405,641**	–	–	**2,438,988,335**
Investment in convertible note	–	–	–	**4,020,115,416**	–	**4,020,115,416**
	667,582,694	**1,912,412**	**1,771,405,641**	**4,020,115,416**	–	**6,461,016,163**
Financial assets at FVOCI:						
Debt securities:						
Private	–	**387,626,193**	**10,483,602,332**	**12,724,210,490**	–	**23,595,439,015**
Government	–	–	**623,166,981**	**15,580,809,224**	**2,588,849,663**	**18,792,825,868**
	–	**387,626,193**	**11,106,769,313**	**28,305,019,714**	**2,588,849,663**	**42,388,264,883**

(Forward)

			2021			
	On Demand	**Up to 3 Months**	**3 to 12 Months**	**1 to 5 Years**	**More Than 5 Years**	**Total**
Equity securities:						
Quoted	**₱–**	**₱–**	**₱210,408,089**	**₱44,506,905,999**	**₱–**	**₱44,717,314,088**
Unquoted	–	–	**1,820,169,420**	–	–	**1,820,169,420**
	–	–	**2,030,577,509**	**44,506,905,999**	–	**46,537,483,508**
	–	**387,626,193**	**13,137,346,822**	**72,811,925,713**	**2,588,849,663**	**88,925,748,391**
Investment securities at amortized cost:	–	**866,870,003**	**408,663,678**	**6,037,296,023**	**2,588,849,663**	**9,901,679,367**
Receivables:						
Trade receivables	**22,231,445,352**	**2,510,776,309**	**10,937,182,370**	**5,041,607,830**	**434,241,096**	**41,155,252,957**
Finance receivables	–	**18,976,782,055**	**15,771,670,242**	**30,422,554,266**	**39,704,405,565**	**104,875,412,128**
Due from related parties	**1,396,459,481**	–	–	**2,821,904,219**	–	**4,218,363,700**
Interest receivable	**13,371,070**	**1,441,325,054**	**261,928,977**	–	–	**1,716,625,101**
Other receivables	**3,347,365,533**	**1,242,285,055**	**2,015,939,456**	–		**6,605,590,044**
	26,988,641,436	**24,171,168,473**	**28,986,721,045**	**38,286,066,315**	**40,138,646,661**	**158,571,243,930**
Refundable security deposits***	**10,751,750**	**75,000**	**2,004,000**	**616,518,416**	**1,345,068,338**	**1,974,417,504**
Restricted cash***	**1,818,639,034**	–	–	–	–	**1,818,639,034**
	₱64,035,757,352	**₱68,162,545,916**	**₱44,308,838,047**	**₱121,771,921,883**	**₱46,661,414,325**	**₱344,940,477,523**

** Excludes cash on hand amounting to ₱5,654,873,185*
***Excludes claims receivable of JGSPC and JGSOC amounting to ₱₱1,202,710,742*
****Included under 'Other current' and 'Other noncurrent assets' in the consolidated statements of financial position.*

			2020			
	On Demand	Up to 3 Months	3 to 12 Months	1 to 5 Years	More Than 5 Years	Total
Financial Assets						
Cash and cash equivalents*	₱37,166,361,025	₱41,406,969,859	₱–	₱–	₱–	₱78,573,330,884
Financial assets at FVPL:						
Held-for-trading:						
Debt securities:						
Government	–	87,076,733	–	–	–	87,076,733
Equity securities:						
Quoted	639,008,134	–	1,095,924,671	–	–	1,734,932,805
Investment in convertible note	–	–	3,743,007,446	–	–	3,743,007,446
Derivative financial assets designated as accounting hedges	–	556,022	–	–	–	556,022
	639,008,134	87,632,755	4,838,932,117	–	–	5,565,573,006
Financial assets at FVOCI:						
Debt securities:						
Private	–	7,151,226,095	12,347,191,134	4,511,669,014	–	24,010,086,243
Government	–	–	626,802,919	1,282,139,746	10,384,000,000	12,292,942,665
	–	7,151,226,095	12,973,994,053	5,793,808,760	10,384,000,000	36,303,028,908
Equity securities:						
Quoted	–	–	225,509,061	32,847,478,716	–	33,072,987,777
Unquoted	–	–	661,523,310	–	–	661,523,310
	–	–	887,032,371	32,847,478,716	–	33,734,511,087
	–	7,151,226,095	13,861,026,424	38,641,287,476	10,384,000,000	70,037,539,995
Investment securities at amortized cost:	–	189,998,044	613,993,681	5,636,941,982	3,260,966,437	9,701,900,144
Receivables:						
Trade receivables	8,749,389,152	13,878,889,080	10,768,993,091	5,675,489,844	1,185,941,016	40,258,702,183
Finance receivables	187,479,392	16,548,718,259	10,164,332,652	20,575,320,247	38,906,458,329	86,382,308,879
Due from related parties	1,552,410,741	–	–	1,000,000,000	–	2,552,410,741
Interest receivable	15,613,421	1,456,596,411	258,010,099	–	–	1,730,219,931
Other receivables	2,937,523,557	2,312,923,575	1,349,954,246	–	–	6,600,401,378
	13,442,416,263	34,197,127,325	22,541,290,088	27,250,810,091	40,092,399,345	137,524,043,112
Refundable security deposits***	76,413,292	–	2,004,000	514,748,450	262,891,902	856,057,644
Restricted cash***	5,019,269,617	–	–	–	–	5,019,269,617
	₱56,343,468,331	₱83,032,954,078	₱41,857,246,310	₱72,043,787,999	₱54,000,257,684	₱307,277,714,402

** Excludes cash on hand amounting to ₱3,005,758,937*
***Excludes claims receivable of JGSPC and JGSOC amounting to ₱304,301,630*
****Included under 'Other current' and 'Other noncurrent assets' in the consolidated statements of financial position.*

	2021					
	On Demand	**Up to 3 Months**	**3 to 12 Months**	**1 to 5 Years**	**More Than 5 Years**	**Total**
Financial Liabilities						
Accounts payable and accrued expenses (including noncurrent portion booked under 'Other noncurrent liabilities' in the consolidated statement of financial position but excluding 'Deposit liabilities' and 'Due to related parties')	**₱28,064,156,617**	**₱14,670,378,634**	**₱14,145,083,925**	**₱5,472,698,006**	**₱631,686,333**	**₱62,984,003,515**
Short-term debt	**–**	**65,938,250,559**	**82,726,400**	**–**	**–**	**66,020,976,959**
Deposit liabilities (included under 'Accounts payable and accrued expenses' and 'Other noncurrent liabilities' in the consolidated statements of financial position)	**93,118,442,232**	**43,496,330,836**	**10,704,785,647**	**8,759,603,445**	**4,779,817**	**156,083,941,977**
Due to related parties (included under 'Accounts payable and accrued expense' in the consolidated statement of financial position)	**169,068,971**	**–**	**–**	**–**	**–**	**169,068,971**
Deposits from lessees (included under 'Other current liabilities' and 'Other noncurrent liabilities' in the consolidated statement of financial position)	**–**	**1,492,271,667**	**1,554,790,422**	**1,809,072,846**	**2,066,652,915**	**6,922,787,850**
Long-term debt (including current portion)	**–**	**14,129,463,966**	**13,416,794,650**	**165,041,979,015**	**54,367,879,981**	**246,956,117,612**
Lease liabilities (including current portion)	**–**	**1,759,287,037**	**4,202,203,160**	**19,737,865,664**	**16,460,709,877**	**42,160,065,738**
Bonds payable	**–**	**–**	**573,738,750**	**2,294,955,000**	**13,036,619,375**	**15,905,313,125**
Derivative liabilities	**–**	**1,730,960,768**	**1,366,788**	**–**	**–**	**1,732,327,556**
	₱121,351,667,820	**₱143,216,943,467**	**₱44,681,489,742**	**₱203,116,173,976**	**₱86,568,328,298**	**₱598,934,603,303**

	2020					
	On Demand	Up to 3 Months	3 to 12 Months	1 to 5 Years	More Than 5 Years	Total
Financial Liabilities						
Accounts payable and accrued expenses (including noncurrent portion booked under 'Other noncurrent liabilities' in the consolidated statement of financial position but excluding 'Deposit liabilities' and 'Due to related parties')	₱27,752,764,330	₱15,220,109,765	₱9,478,357,941	₱4,055,625,815	₱2,236,589,802	₱58,743,447,653
Short-term debt	–	44,472,288,532	–	–	–	44,472,288,532
Deposit liabilities (included under 'Accounts payable and accrued expenses' and 'Other noncurrent liabilities' in the consolidated statements of financial position)	95,635,547,107	47,905,917,842	8,214,052,168	10,315,999,044	955,474,565	163,026,990,726
Due to related parties (included under 'Accounts payable and accrued expense' in the consolidated statement of financial position)	143,059,245	–	–	–	–	143,059,245
Deposits from lessees (included under 'Other current liabilities' and 'Other noncurrent liabilities' in the consolidated statement of financial position)	–	1,428,487,668	1,556,490,880	1,749,043,359	1,546,956,716	6,280,978,623
Long-term debt (including current portion)	–	7,566,551,276	28,705,604,081	205,958,639,296	52,324,494,732	294,555,289,385
Lease liabilities (including current portion)	691,743,306	1,470,819,426	4,822,499,832	11,345,918,128	13,621,966,050	31,952,946,742
Derivative liabilities	–	–	245,940,423	–	–	245,940,423
	₱124,223,113,988	₱118,064,174,509	₱53,022,945,325	₱233,425,225,642	₱70,685,481,865	₱599,420,941,329

Market risk

Market risk is the risk of loss to future earnings, to fair value or future cash flows of a financial instrument as a result of changes in its price, in turn caused by changes in interest rates, foreign currency exchange rates, equity prices and other market factors.

The following discussion covers the market risks of the Group except for its Banking Segment:

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 makes use of derivative financial instruments, such as currency swaps, to hedge foreign currency exposure (Note 8).

The Group has transactional currency exposures. Such exposures arise from sales and purchases in currencies other than the entities' functional currency. As of December 31, 2021, 2020 and 2019,

approximately 26.0%, 21.0% and 27.4%, respectively, of the Group's total sales are denominated in currencies other than the functional currency. In addition, approximately 34.5% and 28.6% of total debt are denominated in US Dollar as of December 31, 2021 and 2020, respectively. The Group's capital expenditures are likewise substantially denominated in US Dollar.

The tables below summarize the Group's exposure to foreign currency risk as of December 31, 2021 and 2020:

	2021		
	US Dollar	**Other Currencies***	**Total**
Assets			
Cash and cash equivalents	**₱20,054,493,868**	**₱7,115,774,654**	**₱27,170,268,522**
Financial assets at FVPL	**4,496,931,846**	**1,232,610,032**	**5,729,541,878**
Financial assets at FVOCI	**10,908,513,721**	**996,129,033**	**11,904,642,754**
Receivables	**1,832,663,302**	**493,105,106**	**2,325,768,408**
Other current assets	**2,632,259,204**	**668,507**	**2,632,927,711**
	39,924,861,941	**9,838,287,332**	**49,763,149,273**
Liabilities			
Accounts payable and accrued expenses	**19,517,250,203**	**854,192,977**	**20,371,443,180**
Financial liabilities at FVPL	**1,730,960,768**	**–**	**1,730,960,768**
Short-term debt	**8,470,601,845**	**1,567,331,946**	**10,037,933,791**
Long-term debt (including current portion)	**82,010,153,555**	**6,681,792,918**	**88,691,946,473**
	111,728,966,371	**9,103,317,841**	**120,832,284,212**
Net Foreign Currency-Denominated Assets (Liabilities)	**(₱71,804,104,430)**	**(₱734,969,491)**	**(₱71,069,134,939)**

** Other currencies include Hongkong Dollar, Singapore Dollar, Chinese Yuan, Japanese Yen, Thai Baht, Malaysian ringgit, Korean won, New Taiwan dollar, Australian dollar and Euro*

	2020		
	US Dollar	Other Currencies*	Total
Assets			
Cash and cash equivalents	₱20,828,526,472	₱12,437,944,085	₱33,266,470,557
Financial assets at FVPL	4,280,667,629	1,434,105,577	5,714,773,206
Financial assets at FVOCI	11,903,833,912	–	11,903,833,912
Receivables	13,792,457,236	158,983,933	13,951,441,169
Other current assets	116,734,897	–	116,734,897
	50,922,220,146	14,031,033,595	64,953,253,741
Liabilities			
Accounts payable and accrued expenses	10,405,525,500	1,024,934,564	11,430,460,064
Financial liabilities at FVPL	769,321,983	320,238,126	1,089,560,109
Short-term debt	12,057,556,671	–	12,057,556,671
Long-term debt (including current portion)	84,002,606,117	7,727,531,814	91,730,137,931
	107,235,010,271	9,072,704,504	116,307,714,775
Net Foreign Currency-Denominated Assets (Liabilities)	(₱56,312,790,125)	₱4,958,329,091	(₱51,354,461,034)

** Other currencies include Hongkong Dollar, Singapore Dollar, Chinese Yuan, Japanese Yen, Thai Baht, Malaysian ringgit, Korean won, New Taiwan dollar, Australian dollar and Euro*

The exchange rates used to convert the Group's US dollar-denominated assets and liabilities into Philippine peso as of December 31, 2021 and 2020 follow:

	2021	2020
US dollar-Philippine peso exchange rate	**₱50.999 to US$1.00**	₱48.023 to US$1.00

The following table sets forth the impact of the range of reasonably possible changes in the US Dollar-Philippine peso exchange rate on the Group's income before income tax (due to the revaluation of monetary assets and liabilities) for the years ended December 31, 2021 and 2020:

Reasonably Possible Changes in Exchange rates	Change in Income Before Income Tax	
	2021	2020
₱2.0	**(₱2,815,902,446)**	(₱2,345,242,493)
(2.0)	**₱2,815,902,446**	₱2,345,242,493

Other than the potential impact on the Group's pre-tax income, the Group does not expect any other material effect on equity.

The Group does not expect the impact of the volatility on other currencies to be material.

Equity price risk
Equity price risk is the risk that the fair values of equities decrease as a result of changes in the levels of equity indices and the value of individual stocks.

In 2021 and 2020, changes in fair value of equity instruments held as financial assets at FVOCI due to a reasonably possible change in equity indices, with all other variables held constant, will increase equity by ₱398.3 million and ₱352.8 million if equity prices will increase by 1.5%. In 2021, 2020 and 2019, changes in fair value of equity instruments held as financial assets at FVPL due to a reasonably possible change in equity indices, with all other variables held constant, will increase profit by ₱6.5 million, ₱6.0 million and ₱6.1 million, respectively, if equity prices will increase by 1.5%. An equal change in the opposite direction would have decreased equity and profit by the same amount.

Interest rate risk
The Group's exposure to market risk for changes in interest rates relates primarily to the Parent Company's and its 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 Group makes use of derivative financial instruments, such as interest rate swaps, to hedge the variability in cash flows arising from fluctuation in benchmark interest rates.

The following tables show information about the Group’s long-term debt with floating interest rate presented by maturity profile:

	2021										
	<1 year	**>1-<2 years**	**>2-<3 years**	**>3-<4 years**	**>4-<5 years**	**>5 years**	**Total (In Original Currency)**	**Total (in Philippine Peso)**	**Debt Issuance Costs**	**Carrying Value (in Philippine Peso)**	**Fair Value**
Long-term debt											
Philippine peso											
Floating rate											
Commercial loans from banks											
Interest rate 5.0%-7.0% (PDST-R2 and BVAL)	₱–	₱1,279,551,165	₱5,403,111,290	₱4,374,354,865	₱3,303,561,565	₱1,929,657,318	₱16,290,236,203	₱16,290,236,203	₱–	₱16,290,236,203	₱16,420,341,225
Term loan											
Interest rate (Prevailing market rate + GRT)	375,000,000	10,156,250,000	–	–	–	–	10,531,250,000	10,000,000,000	23,042,456	9,976,957,544	10,178,850,753
Term loan											
Interest rate (BVAL + 0.5%)	308,070,515	5,159,718,900	–	–	–	–	5,467,789,415	5,000,000,000	11,654,003	4,988,345,997	4,963,016,616
Term Loan											
Interest rate (BVAL + 0.75%)	285,600,000	285,600,000	7,214,395,616	–	–	–	7,785,595,616	7,000,000,000	29,134,482	6,970,865,518	6,781,420,252
Term Loan											
Interest rate (BVAL + 0.75%)	546,811,200	547,013,392	14,783,894,073	–	–	–	15,877,718,665	14,508,000,000	-	14,508,000,000	15,621,252,000
Term Loan											
Interest rate (BVAL + 0.75%)	139,600,000	139,600,000	4,139,982,466	–	–	–	4,419,182,466	4,000,000,000	-	4,000,000,000	4,391,696,177
Foreign currencies:											
Floating rate											
US Dollar loans											
JPY Commercial loans											
Less than 1.0% (JPY LIBOR)	¥1,560,736,932	¥1,568,936,150	¥1,577,004,749	¥1,585,465,365	¥1,593,796,773	¥7,255,217,787	¥15,141,157,756	6,681,792,919	-	6,681,792,919	6,784,260,119
USD Commercial loans											
Interest rate 1.0%-8.0% (USD LIBOR)	US$ 35,948,795	US$ 33,247,555	US$ 33,513,360	US$ 34,542,373	US$ 95,175,603	US$ 168,119,676	US$ 400,547,362	20,427,514,938	-	20,427,514,938	22,178,011,872
								₱83,907,544,060	₱63,830,941	₱83,843,713,119	₱87,318,849,014

	2020										
	<1 year	>1-<2 years	>2-<3 years	>3-<4 years	>4-<5 years	>5 years	Total (In Original Currency)	Total (in Philippine Peso)	Debt Issuance Costs	Carrying Value (in Philippine Peso)	Fair Value
Long-term debt											
Philippine peso											
Floating rate											
Commercial loans from banks											
Interest rate 5.0%-7.0% (PDST-R2 and BVAL)	₱–	₱–	₱1,279,551,165	₱5,403,111,290	₱4,374,354,865	₱5,233,218,883	₱16,290,236,203	₱16,290,236,203	₱–	₱16,290,236,203	₱19,151,866,091
Term loan											
Interest rate (Prevailing market rate + GRT)	375,000,000	375,000,000	10,155,136,986	–	–	–	10,905,136,986	10,000,000,000	38,283,218	9,961,716,782	10,342,148,835
Term loan											
Interest rate (BVAL + 0.5%)	189,575,000	189,575,000	5,094,527,808	–	–	–	5,473,677,808	5,000,000,000	19,322,399	4,980,677,601	4,959,418,878
Term Loan											
Interest rate (BVAL + 0.75%)	285,600,000	285,600,000	285,600,000	7,190,400,000	–	–	8,047,200,000	7,000,000,000	39,323,497	6,960,676,503	6,901,859,603
Term Loan											
Interest rate (BVAL + 0.75%)	691,188,200	691,188,200	691,188,200	14,921,394,765	–	–	16,994,959,365	14,508,000,000	-	14,508,000,000	15,942,294,497
Term Loan											
Interest rate (BVAL + 0.75%)	122,800,000	120,396,334	120,467,944	4,120,867,729	–	–	4,484,532,007	4,000,000,000	-	4,000,000,000	4,491,126,624
Foreign currencies:											
Floating rate											
US Dollar loans											
JPY Commercial loans											
Less than 1.0% (JPY LIBOR)	¥1,552,581,304	¥1,560,736,932	¥1,568,936,150	¥1,577,004,749	¥1,585,465,365	¥8,849,014,560	¥16,693,739,060	7,727,531,810	-	7,727,531,810	7,834,358,952
USD Commercial loans											
Interest rate 3.0%-5.0% (USD LIBOR)	US$58,056,478	US$61,687,707	US$55,937,634	US$48,045,784	US$40,500,961	US$263,295,279	US$527,523,843	25,333,277,532	-	25,333,277,532	29,224,128,671
New Zealand Dollar loans											
Interest rate (NZ BKBM+1.10%)	NZ$5,622,167	NZ$5,606,806	NZ$400,560,722	-	-	-	NZ$411,789,695	13,625,258,770	126,604,870	13,498,653,900	13,568,528,873
Australian Dollar loans											
Interest rate (BBSY BID+1.25%)	AU$488,118,042	-	-	-	-	-	AU$488,118,042	17,888,983,093	50,085,857	17,838,897,236	17,931,239,219
								₱121,373,287,408	₱273,619,841	₱121,099,667,567	₱130,346,970,243

The following table sets forth the impact of the range of reasonably possible changes in the interest rates on the Group's income from floating debt obligations before income tax:

Reasonably Possible Changes in Interest Rates	Change in Income Before Income Tax 2021	2020
+150.0 basis points (bps)	**(₱1,886,020,992)**	(₱2,468,301,430)
-150.0 bps	**1,886,020,992**	2,468,301,430

Price interest rate risk
The Group is exposed to the risks of changes in the value/future cash flows of its financial instruments due to its market risk exposures. The Group's exposure to interest rate risk relates primarily to the Group's financial assets at FVPL and financial assets at FVOCI investments.

Except for RBC, which uses Earnings-at -Risk (EaR) as a tool for measuring and managing interest rate risk in the banking book, the table below shows the impact on income before income tax of the estimated future yield of the related market indices of the Group's FVPL and FVOCI investments using a sensitivity approach.

Reasonably Possible Changes in Interest Rates	Change in Income Before Income Tax 2021	2020
+150.0 basis points (bps)	**₱18,615,218**	₱92,136,733
-150.0 bps	**(17,687,428)**	(87,776,261)

Reasonably Possible Changes in Interest Rates	Change in Other Comprehensive Income 2021	2020
+150.0 basis points (bps)	**₱172,432,608**	₱149,003,990
-150.0 bps	**(172,432,608)**	(149,003,990)

Commodity price risk
The Group enters into commodity derivatives to hedge its exposure to jet fuel price risks arising from its forecasted fuel purchases. Commodity hedging allows stability in prices, thus, offsetting the risk of volatile market fluctuations. Depending on the economic hedge cover, the price changes on the commodity derivative positions are offset by higher or lower purchase costs on fuel. A change in price by US$10.0 per barrel of jet fuel affects the Group's fuel costs in pre-tax income by ₱576.2 million and ₱758.5 million for the years December 31, 2021 and 2020, respectively, in each of the covered periods, assuming no change in volume of fuel is consumed.

Derivative financial instruments which are part of hedging relationships do not expose the Group to market risk since changes in the fair value of the derivatives are offset by the changes in the fair value of the hedged items.

These hedging activities are in accordance with the risk management strategy and objectives outlined in the TRM policies and guidelines which have been approved by the Executive Committee on September 1, 2019.

Banking Segment's Market Risk
Market risk is defined as the possibility of loss due to adverse movements in market factors such as rates and prices. Market risk is present in both trading and non-trading activities. These are the risk to earnings or capital arising from changes in the value of traded portfolios of financial instruments. The risk arises from market-making, dealing and position-taking in quoted debt securities and foreign exchange.

RBC observes market risk limits, which are approved by the BOD and reviewed at least annually. Limits are set in such a way as to ensure that risks taken are based on RBC's existing capital adequacy framework, and corresponding monitoring reports are prepared regularly by an independent risk management unit.

When limits are breached, approval is sought from successive levels of authority depending on the amount of the excess. Limit breaches are periodically presented to the BOD.

Value-at-Risk (VaR) is computed to estimate potential losses arising from market movements. RBC calculates and monitors VaR and profit or loss on a daily basis.

VaR objectives and methodology
VaR is used by RBC to measure market risk exposure from its trading and investment activities. VaR is an estimate of the maximum decline in value on a given position over a specified holding period in a normal market environment, with a given probability of occurrence. RBC uses the historical simulation method in estimating VaR. The historical simulation method is a non-parametric approach to VaR calculation, in which asset returns are not subject to any functional distribution assumption. VaR is estimated directly from historical data without deriving parameters or making assumptions about the entire data distribution.

In employing the historical simulation method, RBC assumes a 500 historical data (approximately 2 years). The Parent Company updates its dataset on a daily basis per RBC's policy, VaR is based on a 1-day holding period and a confidence level of 99%.

VaR methodology limitations and assumptions
Discussed below are the limitations and assumptions applied by RBC on its VaR methodology:

a. VaR is a statistical estimate; thus, it does not give the precise amount of loss RBC may incur in the future;
b. VaR is not designed to give the probability of bank failure, but only attempts to quantify losses that may arise from a RBC's exposure to market risk;
c. Since VaR is computed from end-of-day positions and market factors, VaR does not capture intraday market risk.
d. VaR systems depend on historical data. It attempts to forecast likely future losses using past data. As such, this assumes that past relationships will continue to hold in the future. Therefore, market shifts (i.e., an unexpected collapse of the market) will not be captured and may inflict losses larger than VaR; and
e. The limitation relating to the pattern of historical returns being indicative of future returns is addressed by supplementing VaR with daily stress testing reported to the RMC, ALCO and the concerned risk-takers.

VaR back testing is the process by which financial institutions periodically compare ex-post profit or loss with the ex-ante VaR figures to gauge the robustness of the VaR model. RBC performs quarterly back testing.

RBC's VaR figures are as follows (in millions):

	2021			
	Average Daily	**Highest**	**Lowest**	**December 31**
Local interest rates	**(₱0.0470)**	**(₱1.3386)**	**(₱0.0006)**	**₱–**
Foreign interest rates	**($0.0011)**	**($0.0274)**	**($0.0004)**	**($0.0004)**

	2020			
	Average Daily	Highest	Lowest	December 31
Local interest rates	₱1.2249	₱12.5745	₱0.0103	₱0.9802
Foreign interest rates	$0.0041	$0.0294	$0.0004	$0.0047

Interest rate risk
Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments.

RBC's ALCO surveys the interest rate environment, adjusts the interest rates for RBC's loans and deposits, assesses investment opportunities and reviews the structure of assets and liabilities. RBC uses EaR as a tool for measuring and managing interest rate risk in the banking book.

EaR objectives and methodology
EaR is a statistical measure of the likely impact of changes in interest rates to the RBC's net interest income (NII). To do this, repricing gaps (difference between interest rate-sensitive assets and liabilities) are classified according to time to repricing and multiplied with applicable historical interest rate volatility, although available contractual repricing dates are generally used for putting instruments into time bands, contractual maturity dates (e.g., for fixed rate instruments) or expected liquidation periods often based on historical data are used alternatively. The repricing gap per time band is computed by getting the difference between the inflows and outflows within the time band. A positive repricing gap implies that RBC's net interest income could decline if interest rates decrease upon repricing. A negative repricing gap implies that RBC's net interest income could decline if interest rates increase upon repricing. Although such gaps are a normal part of the business, a significant change may bring significant interest rate risk.

To help control interest rate risk arising from repricing gaps, maximum repricing gap and EaR/NII targets are set for time bands up to one year. EaR is prepared and reported to the Risk Management Committee quarterly.

RBC's EaR figures are as follows (in PHP millions):

	2021			
	Average	**High**	**Low**	**December 31**
Instruments sensitive to local interest rates	**₱311.64**	**₱520.74**	**₱101.98**	**₱ 355.16**
Instruments sensitive to foreign interest rates	**$2.45**	**$2.09**	**$2.12**	**$ 2.99**

	2020			
	Average	High	Low	December 31
Instruments sensitive to local interest rates	₱292.75	₱450.47	₱197.00	₱450.47
Instruments sensitive to foreign interest rates	$1.32	$2.16	$0.17	$2.16

Foreign currency risk
Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The BOD has set limits on positions by currency. In accordance with the RBC's policy, positions are monitored on a daily basis and are used to ensure positions are maintained within established limits.

December 31, 2021		**Statement of Income**
+10.0% USD appreciation	**USD**	**₱33,990,798**
	Other Foreign Currencies*	**3,846,934**
-10.0% USD depreciation	**USD**	**(33,990,798)**
	Other Foreign Currencies*	**(3,846,934)**

December 31, 2020		Statement of Income
+10.0% USD appreciation	USD	₱33,301,868
	Other Foreign Currencies*	3,481,676
-10.0% USD depreciation	USD	(33,301,868)
	Other Foreign Currencies*	(3,481,676)

**Significant position held in EUR, GBP and AUD*

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 for finance receivables and installment contract receivables), accounts payable and accrued expenses and short-term debt
Carrying amounts approximate their fair values due to the relatively short-term maturities of these instruments.

Finance receivables
Fair values of loans are estimated using the discounted cash flow methodology, using RBC's current incremental lending rates for similar types of loans. Where the instruments are repriced on a quarterly basis or have a relatively short-term maturity, the carrying amounts approximate fair values.

Installment contract receivables
Fair values of installment contract receivables are based on the discounted value of future cash flows using the applicable rates for similar types of receivables. The discount rates used range from 1.9% to 4.4% in 2021 and from 1.9% to 2.7% in 2020.

Debt securities
Fair values of debt securities are generally based on quoted market prices. If the fair value of financial assets cannot be derived from active markets, these are determined using internal valuation techniques using generally accepted market valuation models using inputs from observable markets subject to a degree of judgment.

Quoted equity securities
Fair values are based on quoted prices published in markets.

Unquoted equity securities
Investment in unquoted equity security classified as FVOCI include interest in unlisted preference shares of stock of a fintech company. The adjusted net asset value approach was used in estimating the fair value of the equity security where assets and liabilities are restated to current fair values.

Due from and due to related parties
Carrying amounts of due from and due to related parties approximate their fair values because these are collectible/payable on demand, except for certain due from related parties amounting to ₱2.8 billion and ₱1.0 billion, as of December 31, 2021 and 2020, respectively, which will mature in April 2023 and 2022, respectively. Due from related parties are unsecured.

Noninterest-bearing refundable security deposits
The fair values are determined as the present value of estimated future cash flows using prevailing market rates.

Investment in convertible note
The fair value of the convertible notes are determined using HP Binomial Pyramid model and comparable companies' market data.

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.

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.

Derivative financial instruments
The fair values of the interest rate swaps and commodity swaps and options are determined based on the quotes obtained from counterparties. The fair values of forward exchange derivatives are calculated by reference to the prevailing interest differential and spot exchange rate as of valuation date, taking into account the remaining term-to-maturity of the forwards. The fair values of cross currency swaps are based on the discounted cash flow swap valuation model of a third-party provider.

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, including independent external appraisers, in 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.

Time deposits
Fair values are estimated using the discounted cash flow methodology using RBC's current incremental borrowing rates for similar borrowings with maturities consistent with those remaining for the liabilities being valued.

Long-term negotiable certificates of deposit (LTNCD)
Fair values of LTNCD are estimated using quoted market rates for the instrument.

Deposits from lessees
The fair value of customers' deposits is based on the discounted value of future cash flows using the applicable rates for similar types of loans and receivables as of reporting date. The discount rates used range from 1.9% to 4.4% in 2021 and from 1.9% to 2.7% in 2020.

Long-term debt
The fair value of long-term debt is based on the discounted value of future cash flows (interests and principal) using the applicable rates for similar types of loans. The discount rates used range from 1.9% to 4.7% in 2021 and from 1.9% to 2.7% in 2020.

Fair Value Hierarchy Assets and Liabilities
Assets and liabilities carried at fair value are those whose fair values are required to be disclosed.

(a) Level 1: quoted (unadjusted) prices in an active market for identical assets or liabilities;
(b) Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
(c) Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following table shows the Group's assets and liabilities carried at fair value:

	December 31, 2021				
	Carrying Value	**Level 1**	**Level 2**	**Level 3**	**Total Fair value**
Assets measured at fair value					
Financial assets at FVPL:					
Held-for-trading:					
Debt securities:					
Government	**₱1,912,412**	**₱–**	**₱1,912,412**	**₱–**	**₱1,912,412**
Equity securities:					
Quoted	**2,438,988,335**	**2,438,988,335**	**–**	**–**	**2,438,988,335**
Investment in convertible notes	**4,020,115,416**	**–**	**4,020,115,416**	**–**	**4,020,115,416**
	6,461,016,163	**2,438,988,335**	**4,022,027,828**	**–**	**6,461,016,163**
Financial assets at FVOCI					
Debt securities:					
Government	**15,713,379,337**	**3,216,384,440**	**12,496,994,897**	**–**	**15,713,379,337**
Private	**21,514,353,455**	**18,257,471,468**	**3,256,881,987**	**–**	**21,514,353,455**
	37,227,732,792	**21,473,855,908**	**15,753,876,884**	**–**	**37,227,732,792**
Equity securities:					
Quoted	**44,684,355,999**	**44,526,652,618**	**157,703,381**	**–**	**44,684,355,999**
Unquoted	**1,853,127,508**	**–**	**1,820,169,419**	**32,958,089**	**1,853,127,508**
	46,537,483,507	**44,526,652,618**	**1,977,872,800**	**32,958,089**	**46,537,483,507**
	83,765,216,299	**66,000,508,526**	**17,731,749,684**	**32,958,089**	**83,765,216,299**
Biological assets	**298,250,510**	**–**	**16,364,135**	**281,886,375**	**298,250,510**
	₱90,524,482,972	**₱68,439,496,861**	**₱21,770,141,647**	**₱314,844,464**	**₱90,524,482,972**
Assets for which fair values are disclosed					
Investment securities at amortized cost	**₱8,474,858,779**	**₱3,771,254,829**	**₱4,562,093,154**	**₱–**	**₱8,333,347,983**
Receivables:					
Trade receivables	**37,749,156,043**	**–**	**–**	**37,211,561,996**	**37,211,561,996**
Finance receivables	**96,645,767,364**	**–**	**–**	**98,130,783,298**	**98,130,783,298**
Other receivables	**7,381,220,881**	**–**	**–**	**7,376,540,165**	**7,376,540,165**
Refundable deposits	**1,966,017,754**	**–**	**–**	**1,881,639,976**	**1,881,639,976**
Investment properties	**117,761,485,499**	**–**	**–**	**346,331,112,789**	**346,331,112,789**
	₱269,978,506,320	**₱3,771,254,829**	**₱4,562,093,154**	**₱490,931,638,224**	**₱499,264,986,207**
Liabilities for which fair values are disclosed					
Deposit liabilities	**₱127,575,152,492**	**₱–**	**₱–**	**₱123,013,763,427**	**₱123,013,763,427**
Derivative liabilities	**1,732,327,557**	**–**	**1,732,327,557**	**–**	**1,732,327,557**
Deposits from lessees	**6,922,787,850**	**–**	**–**	**6,251,534,818**	**6,251,534,818**
Bonds payable	**12,184,836,126**	**–**	**–**	**12,184,836,126**	**12,184,836,126**
Long-term debt (including current portion)	**220,332,192,883**	**–**	**–**	**224,161,906,522**	**224,161,906,522**
	₱368,747,296,908	**₱–**	**₱1,732,327,557**	**₱365,612,040,893**	**₱367,344,368,450**

	December 31, 2020				
	Carrying Value	Level 1	Level 2	Level 3	Total Fair value
Assets measured at fair value					
Financial assets at FVPL:					
Held-for-trading:					
Debt securities:					
Government	₱86,520,711	₱86,520,711	₱–	₱–	₱86,520,711
Equity securities:					
Quoted	1,734,932,805	1,734,932,805	–	–	1,734,932,805
Investment in convertible notes	3,743,007,446	–	3,743,007,446	–	3,743,007,446
Derivative assets	556,022	–	556,022	–	556,022
	5,565,016,984	1,821,453,516	3,743,563,468	–	5,565,016,984
Financial assets at FVOCI					
Debt securities:					
Government	9,681,907,051	8,833,121,582	848,785,469	–	9,681,907,051
Private	21,325,214,680	19,616,749,471	1,708,465,209	–	21,325,214,680
	31,007,121,731	28,449,871,053	2,557,250,678	–	31,007,121,731
Equity securities:					
Quoted	33,072,987,777	32,997,587,777	75,400,000	–	33,072,987,777
Unquoted	661,523,310	–	661,523,310	–	661,523,310
	33,734,511,087	32,997,587,777	736,923,310	–	33,734,511,087
	64,741,632,818	61,447,458,830	3,294,173,988	–	64,741,632,818
Biological assets	234,251,397	–	8,146,945	226,104,452	234,251,397
	₱70,540,901,199	₱63,268,912,346	₱7,045,884,401	₱226,104,452	₱70,540,901,199
Assets for which fair values are disclosed					
Investment securities at amortized cost	₱8,049,365,423	₱3,315,813,283	₱4,734,104,150	₱–	₱8,049,917,433
Receivables:					
Trade receivables	39,760,722,566	–	–	37,745,119,499	37,745,119,499
Finance receivables	84,697,325,229	–	–	76,049,104,924	76,049,104,924
Other receivables	6,474,044,662	–	–	6,470,552,438	6,470,552,438
Refundable deposits	856,057,644	–	–	1,148,472,883	1,148,472,883
Investment properties	104,675,085,905	–	–	287,711,868,671	287,711,868,671
	₱244,512,601,429	₱3,315,813,283	₱4,734,104,150	₱409,125,118,415	₱417,175,035,848
Liabilities for which fair values are disclosed					
Deposit liabilities	₱122,324,413,205	₱–	₱–	₱122,808,748,920	₱122,808,748,920
Derivative liabilities	245,940,423	–	245,940,423	–	245,940,423
Deposits from lessees	6,280,367,371	–	–	5,916,713,775	5,916,713,775
Long-term debt (including current portion)	272,341,886,341	–	–	274,690,959,987	274,690,959,987
	₱401,192,607,340	₱–	₱245,940,423	₱403,416,422,682	₱403,662,363,105

In 2021 and 2020, there were no transfers between Level 1 and Level 2 fair value measurements. Non-financial asset determined under Level 3 includes investment properties. No transfers between any levels of the fair value hierarchy took place in the equivalent comparative period. There were also no changes in the purpose of any financial asset that subsequently resulted in a different classification of that asset.

Description of significant unobservable inputs to valuation:

Account	**Valuation Technique**	**Significant Unobservable Inputs**
Loans and receivables	Discounted cash flow method	4.0% - 42.0% discount rate
Biological assets	Adjusted commercial farmgate prices	Commercial farmgate prices
Investment properties	Market data approach and Cost approach	Price/cost per square meter, size, shape, location, time element, discount, replacement cost and depreciation for improvements
	Discounted cash flow method	Discount rate, capitalization rate, growth rate, occupancy rate
Refundable deposits	Discounted cash flow method	1.0% - 8.0% discount rate
Repossessed chattels	Market data approach	Price per unit, size, shape, location, time element and discount
Time deposits	Discounted cash flow method	0.3% - 3.9% discount rate
Long-term debt	Discounted cash flow method	1.9% - 2.7% discount rate

Significant increases (decreases) in reasonable profit margin applied would result in a significantly higher (lower) fair value of the biological assets, considering all other variables are held constant.

Significant Unobservable Inputs

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.
Discount	Generally, asking prices in ads posted for sale are negotiable. Discount is the amount the seller or developer is willing to deduct from the posted selling price if the transaction will be in cash or equivalent.
Risk premium	The return in excess of the risk-free rate of return that an investment is expected to yield.
Reasonable profit margin	Mark up of biological assets at different stages of development.
Adjusted commercial farmgate prices	Fair value based on commercial farmgate prices, adjusted by considering the age, breed and genetic merit

6. **Segment Information**

<u>Operating Segments</u>

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.

The industry segments where the Group operates are as follows:

- Foods, agro-industrial and commodities businesses - manufacturing of snack foods, granulated coffee and pre-mixed coffee, chocolates, candies, biscuits, instant noodles, ice cream and frozen novelties, pasta and tomato-based products and canned beans; raising of hog, chicken and manufacturing and distribution of animal feeds, corn products and vegetable oil and the synthesis of veterinary compound; and sugar milling and refining and flour milling.

- Air transportation - air transport services, both domestic and international, for passengers and cargoes.

- Real estate and hotels - ownership, development, leasing and management of shopping malls and retail developments; ownership and operation of prime hotels in major Philippine cities; development, sale and leasing of office condominium space in office buildings and mixed-use developments including high rise residential condominiums; and development of land into residential subdivisions and sale of subdivision lots and residential houses and the provision of customer financing for sales.

- Petrochemicals - manufacturer of polyethylene (PE), polypropylene (PP), polymer grade ethylene, polymer grade propylene, partially hydrogenated pyrolysis gasoline, pyrolysis fuel oil, aromatics, butadiene and liquefied petroleum gas (LPG).

- Banking - commercial banking operations, including deposit-taking, lending, foreign exchange dealing and fund transfers or remittance servicing.

- Other supplementary businesses - asset management, insurance brokering, foreign exchange and securities dealing. This also includes dividend income from PLDT and equity in net earnings of Meralco and GBPC.

No operating segments have been aggregated to form the above reportable operating business segments.

The Group does not have a single external major customer (which represents 10.0% of Group's revenues).

Management monitors the operating results of each segment. 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 the consolidated operating income (loss) except that intersegment revenues are eliminated only at the consolidation level. Group financing (including finance cost and other charges), finance income, market valuation gains(losses) on financial assets at FVPL and derivatives, foreign exchange gains (losses), other operating income, general and administrative expenses, impairment losses and others and income taxes are managed on a group basis and are not allocated to operating segments. Transfer pricing between operating segments are on arm's length basis in a manner similar to transactions with third parties.

The Executive Committee (Excom) is actively involved in planning, approving, reviewing, and assessing the performance of each of the Group's segments. The Excom oversees Group's decision making process. The Excom's functions are supported by the heads of each of the operating segments, which provide essential input and advice in the decision-making process. The Excom is the Group's chief operating decision maker.

The following tables present the financial information of each of the operating segments in accordance with PFRS except for 'Core earnings', EBIT' and EBITDA' as of and for the years ended December 31, 2021, 2020 and 2019. Core earnings pertain to income before income tax excluding market valuation gains (losses) on financial assets at FVPL, market valuation gains (losses) on derivative financial instruments and foreign exchange gains (losses).

The Group's operating segment information follows:

	December 31, 2021							
	Foods, Agro-Industrial and Commodities	Air Transportation	Real Estate and Hotels	Petrochemicals	Banking	Other Supplementary Businesses	Adjustments and Eliminations	TOTAL OPERATIONS
Revenue								
Sale of goods and services:								
External customers	₱116,954,788,444	₱15,740,756,855	₱35,561,985,340	₱40,323,467,713	₱9,285,942,362	₱860,222,110	₱–	₱218,727,162,824
Intersegment revenues	–	–	554,401,657	1,482,671,886	–	–	(2,037,073,543)	–
	116,954,788,444	15,740,756,855	36,116,386,997	41,806,139,599	9,285,942,362	860,222,110	(2,037,073,543)	218,727,162,824
Dividend income (Note 28)	32,302,870	–	–	–	13,038,094	2,094,517,684	–	2,139,858,648
Equity in net earnings of associates and joint ventures (Note 14)	(91,077,671)	(174,431,012)	3,104,377,547	–	–	6,669,090,395	177,352,880	9,685,312,139
Total revenue	116,896,013,643	15,566,325,843	39,220,764,544	41,806,139,599	9,298,980,456	9,623,830,189	(1,859,720,663)	230,552,333,611
Cost of sales and services (Note 30)	83,489,333,409	19,065,731,725	23,378,006,275	40,325,606,872	1,747,658,085	230,207,848	(2,353,501,261)	165,883,042,953
Gross income	₱33,406,680,234	(₱3,499,405,882)	₱15,842,758,269	₱1,480,532,727	₱7,551,322,371	₱9,393,622,341	₱493,780,598	64,669,290,658
General and administrative expenses (Note 31)								51,235,705,424
Provision for impairment losses and others (Note 34)								2,018,025,657
Operating income								11,415,559,577
Financing cost and other charges (Note 35)								(9,111,084,606)
Finance income (Note 27)								1,094,584,901
Other operating income (Note 29)								568,113,153
Core earnings								3,967,173,025
Market valuation losses on financial assets								(1,094,513,349)
Foreign exchange losses								(3,056,849,332)
Loss before income tax								(184,189,656)
Provision for income tax (Note 38)								362,357,776
Net loss from Continuing Operations								(546,547,432)
Net income from Discontinued Operations (Note 44)								11,280,571,602
Net income								₱10,734,024,170
Net income attributable to equity holders of the Parent Company	₱12,888,039,529	(₱17,150,436,805)	₱7,600,091,719	(₱2,139,245,570)	₱745,220,353	₱3,584,083,849	(₱419,523,304)	₱5,108,229,771
EBIT	₱12,716,395,019	(₱23,157,858,622)	₱9,713,808,554	(₱113,840,195)	₱1,519,297,734	₱11,021,798,590	(₱284,041,503)	₱11,415,559,577
Depreciation and amortization (Notes 15, 16, 18 and 33)	5,762,875,646	14,355,454,086	5,246,968,024	3,198,808,608	644,943,852	356,857,641	(435,409,768)	29,130,498,089
Impairment losses on property, plant and equipment	–	–	–	–	–	432,631,271	–	432,631,271
EBITDA	₱18,479,270,665	(₱8,802,404,536)	₱14,960,776,578	₱3,084,968,413	₱2,164,241,586	₱11,811,287,502	(₱719,451,271)	₱40,978,688,937
Other information								
Non-cash expenses other than depreciation and amortization (Note 34):								
Impairment losses on receivables (Note 11)	₱30,419,962	₱104,625,855	₱–	₱–	₱1,304,169,768	₱–	₱–	₱1,439,215,585
Inventories	109,167,827	–	–	–	–	–	–	109,167,827
Property, plant and equipment	–	–	–	–	–	432,631,271	–	432,631,271
Other assets	–	36,915,814	–	–	95,160	–	–	37,010,974
	₱139,587,789	₱141,541,669	₱–	₱–	₱1,304,264,928	₱432,631,271	₱–	₱2,018,025,657

	December 31, 2020							
	Foods, Agro-Industrial and Commodities	Air Transportation	Real Estate and Hotels	Petrochemicals	Banking	Other Supplementary Businesses	Adjustments and Eliminations	TOTAL OPERATIONS
Revenue								
Sale of goods and services:								
External customers	₱113,161,785,302	₱22,617,967,165	₱27,518,406,639	₱21,275,283,602	₱9,174,583,626	₱907,768,085	₱–	₱194,655,794,419
Intersegment revenues	–	–	352,791,286	746,044,686	–	–	(1,098,835,972)	–
	113,161,785,302	22,617,967,165	27,871,197,925	22,021,328,288	9,174,583,626	907,768,085	(1,098,835,972)	194,655,794,419
Dividend income (Note 28)	64,605,739	–	–	–	14,890,056	1,931,625,044	–	2,011,120,839
Equity in net earnings of associates and joint ventures (Note 14)	(61,973,951)	(316,115,081)	2,647,283,834	–	–	5,122,116,552	193,323,054	7,584,634,408
Total revenue	113,164,417,090	22,301,852,084	30,518,481,759	22,021,328,288	9,189,473,682	7,961,509,681	(905,512,918)	204,251,549,666
Cost of sales and services (Note 30)	78,573,438,418	21,277,642,920	15,943,948,736	22,693,576,725	2,255,332,241	189,672,908	(968,971,939)	139,964,640,009
Gross income	₱34,590,978,672	₱1,024,209,164	₱14,574,533,023	(₱672,248,437)	₱6,934,141,441	₱7,771,836,773	₱63,459,021	64,286,909,657
General and administrative expenses (Note 31)								52,947,982,752
Provision for (reversal of) impairment losses and others (Note 34)								1,420,479,998
Operating income								9,918,446,907
Financing cost and other charges (Note 35)								(8,913,379,991)
Finance income (Note 27)								1,213,910,835
Other operating income (Note 29)								(470,478,828)
Core earnings								1,748,498,923
Market valuation losses on financial assets								(2,332,944,398)
Foreign exchange gains								2,566,753,557
Income before income tax								1,982,308,082
Provision for income tax (Note 38)								2,705,574,458
Net loss from Continuing Operations								(723,266,376)
Net income from Discontinued Operations (Note 44)								1,120,472,735
Net income								₱397,206,359
Net income attributable to equity holders of the Parent Company	₱5,937,767,259	(₱15,091,628,081)	₱5,701,662,067	(₱1,978,617,551)	₱560,752,150	₱4,147,299,277	₱254,605,351	(₱468,159,528)
EBIT	₱13,896,446,993	(₱20,769,259,127)	₱8,493,865,051	(2,059,718,932)	₱905,208,132	₱9,451,904,790	₱–	₱9,918,446,907
Depreciation and amortization (Notes 15, 16, 18 and 33)	6,157,195,635	16,074,455,052	5,184,698,880	2,608,155,788	610,301,346	197,072,356	(432,614,388)	30,399,264,669
EBITDA	₱20,053,642,628	(₱4,694,804,075)	₱13,678,563,931	₱548,436,856	₱1,515,509,478	₱9,648,977,146	(₱432,614,388)	₱40,317,711,576
Other information								
Non-cash expenses other than depreciation and amortization (Note 34):								
Impairment losses on receivables (Note 11)	₱32,583,003	₱102,043,756	₱180,022,673	₱–	₱1,098,049,322	₱–	₱–	₱1,412,698,754
Other assets	–	–	–		4,005,198	3,776,046	–	7,781,244
	₱32,583,003	₱102,043,756	₱180,022,673	0	₱1,102,054,520	₱3,776,046	₱–	₱1,420,479,998

	December 31, 2019							
	Foods, Agro-Industrial and Commodities	Air Transportation	Real Estate and Hotels	Petrochemicals	Banking	Other Supplementary Businesses	Adjustments and Eliminations	TOTAL OPERATIONS
Revenue								
Sale of goods and services:								
External customers	₱114,403,217,219	₱84,806,810,363	₱33,491,747,783	₱29,053,982,086	₱8,121,662,955	₱749,175,892	₱–	₱270,626,596,298
Intersegment revenues	–	–	305,342,362	1,021,253,450	–	–	(1,326,595,812)	–
	114,403,217,219	84,806,810,363	33,797,090,145	30,075,235,536	8,121,662,955	749,175,892	(1,326,595,812)	270,626,596,298
Dividend income (Note 28)	16,151,435	–	–	–	10,178,075	1,323,581,816	(1,199,410)	1,348,711,916
Equity in net earnings of associates and joint ventures (Note 14)	(178,444,726)	66,959,384	6,105,626,129	–	–	7,291,201,995	52,326,143	13,337,668,925
Total revenue	114,240,923,928	84,873,769,747	39,902,716,274	30,075,235,536	8,131,841,030	9,363,959,703	(1,275,469,079)	285,312,977,139
Cost of sales and services (Note 30)	80,639,110,369	49,518,018,515	17,485,706,873	30,232,850,986	3,194,709,177	–	(1,230,153,493)	179,840,242,427
Gross income	₱33,601,813,559	₱35,355,751,232	₱22,417,009,401	(₱157,615,450)	₱4,937,131,853	₱9,363,959,703	(₱45,315,586)	105,472,734,712
General and administrative expenses (Note 31)								53,703,458,101
Provision for (reversal of) impairment losses and others (Note 34)								(2,144,968,452)
Operating income								53,914,245,063
Financing cost and other charges (Note 35)								(9,942,735,096)
Finance income (Note 27)								2,054,451,319
Other operating income (Note 29)								(54,316,681)
Core earnings								45,971,644,605
Market valuation gains on financial assets								640,533,460
Foreign exchange gains								899,389,898
Income before income tax								47,511,567,963
Provision for income tax (Note 38)								5,210,568,871
Net income from Continuing Operations								42,300,999,092
Net income from Discontinued Operations (Note 44)								364,512,757
Net income								₱42,665,511,849
Net income attributable to equity holders of the Parent Company	₱5,399,282,651	₱6,185,199,432	₱11,333,531,130	₱970,642,663	₱431,655,905	₱6,920,739,669	₱44,194,882	₱31,285,246,332
EBIT	₱12,743,109,451	₱12,621,017,504	₱12,282,895,865	₱910,182,517	₱781,026,480	₱14,576,013,246	₱–	₱53,914,245,063
Depreciation and amortization (Notes 15, 16, 18 and 33)	6,107,908,856	15,399,075,784	4,966,545,415	1,954,567,251	579,139,834	173,478,564	(369,867,669)	28,810,848,035
Reversal of impairment losses on property, plant and equipment	–	–	–	(2,274,795,253)	–	–	–	(2,274,795,253)
EBITDA	₱18,851,018,307	₱28,020,093,288	₱17,249,441,280	₱589,954,515	₱1,360,166,314	₱14,749,491,810	(₱369,867,669)	₱80,450,297,845
Other information								
Non-cash expenses other than depreciation and amortization (Note 34):								
Impairment losses on receivables (Note 11)	₱2,208,724	₱3,427	₱–	₱–	₱131,435,597	₱–	₱–	₱133,647,748
Inventory obsolescence and market decline (Note 12)	2,678	–	–	–	–	–	–	2,678
Property, plant and equipment (Note 16)	–	–	–	(2,274,795,253)	–	–	–	(2,274,795,253)
Impairment losses on other assets	–	–	–	–	(3,823,625)	–	–	(3,823,625)
	₱2,211,402	₱3,427	₱–	(₱2,274,795,253)	₱127,611,972	₱–	₱–	(₱2,144,968,452)

Other information on the Group's operating segments follow:

	December 31, 2021							
	Foods, Agro-Industrial and Commodities	**Air Transportation**	**Real Estate and Hotels**	**Petrochemicals**	**Banking**	**Other Supplementary Businesses**	**Adjustments and Eliminations**	**Consolidated**
Investments in associates and joint ventures (Note 14)	**₱55,228,221**	**₱143,169,241**	**₱60,625,797,118**	**₱–**	**₱–**	**₱85,149,045,162**	**₱60,879,714**	**₱146,034,119,456**
Segment assets	**₱152,820,591,289**	**₱137,410,223,820**	**₱228,081,491,760**	**₱164,145,750,794**	**₱179,660,289,603**	**₱309,478,815,107**	**(₱148,856,022,924)**	**₱1,022,741,139,449**
Short-term debt (Note 23)	**₱15,914,691,530**	**₱–**	**₱–**	**₱50,080,891,952**	**₱–**	**₱–**	**₱–**	**₱65,995,583,482**
Long-term debt (Note 23)	**₱–**	**₱58,139,935,742**	**₱47,042,864,144**	**₱30,000,000,000**	**₱–**	**₱97,334,229,123**	**₱–**	**₱232,517,029,009**
Segment liabilities	**₱43,052,857,454**	**₱138,076,956,315**	**₱97,599,974,998**	**₱112,640,010,246**	**₱161,332,655,675**	**₱113,029,076,421**	**(₱86,617,512,869)**	**₱579,114,018,240**
Capital expenditures (Notes 15 and 16)	**₱13,199,692,100**	**₱5,506,681,705**	**₱17,999,501,395**	**₱12,290,417,538**	**₱184,988,682**	**₱48,905,420**	**(₱3,494,160,000)**	**₱45,736,026,840**

	December 31, 2020							
	Foods, Agro-Industrial and Commodities	Air Transportation	Real Estate and Hotels	Petrochemicals	Banking	Other Supplementary Businesses	Adjustments and Eliminations	Consolidated
Investments in associates and joint ventures (Note 14)	₱386,494,519	₱354,516,067	₱58,399,603,679	₱–	₱–	₱80,318,664,883	(₱126,443,676)	₱139,332,835,472
Segment assets	₱176,194,930,275	₱128,584,821,478	₱215,210,687,766	₱134,022,507,590	₱151,215,387,210	₱299,035,519,441	(₱104,655,331,436)	₱999,608,522,324
Short-term debt (Note 23)	₱10,122,879,567	₱–	₱–	₱34,166,510,354	₱–	₱128,702,264	₱–	₱44,418,092,185
Long-term debt (Note 23)	₱31,337,551,136	₱53,239,934,436	₱53,603,778,783	₱30,000,000,000	₱–	₱104,160,621,986	₱–	₱272,341,886,341
Segment liabilities	₱78,410,768,338	₱107,377,637,489	₱112,492,656,131	₱79,965,944,455	₱132,889,772,851	₱ 118,687,894,638	(₱38,326,507,936)	₱591,498,165,966
Capital expenditures (Notes 15 and 16)	₱6,690,489,884	₱4,044,960,019	₱11,154,452,396	₱15,129,963,318	₱248,236,782	₱80,783,148	₱–	₱37,348,885,547

	December 31, 2019							
	Foods, Agro-Industrial and Commodities	Air Transportation	Real Estate and Hotels	Petrochemicals	Banking	Other Supplementary Businesses	Adjustments and Eliminations	Consolidated
Investments in associates and joint ventures (Note 14)	₱421,625,100	₱1,221,452,018	₱56,653,592,667	₱–	₱–	₱93,658,009,900	(₱263,107,097)	₱151,691,572,588
Segment assets	₱168,652,989,873	₱157,977,016,711	₱189,651,209,761	₱115,700,303,303	₱131,141,546,214	₱187,953,903,640	(₱22,767,450,825)	₱928,309,518,677
Short-term debt (Note 23)	₱12,595,841,120	₱–	₱8,491,700,000	₱21,524,562,580	₱–	₱11,435,306,304	₱–	₱54,047,410,004
Long-term debt (Note 23)	₱30,386,077,608	₱57,144,521,276	₱34,715,272,176	₱22,000,000,000	₱–	₱74,689,663,647	₱–	₱218,935,534,707
Segment liabilities	₱73,468,487,679	₱114,441,734,821	₱89,573,539,283	₱59,620,821,793	₱114,081,071,846	₱99,227,402,926	(₱30,750,682,538)	₱519,662,375,810
Capital expenditures (Notes 15 and 16)	₱8,988,692,239	₱25,570,098,817	₱11,500,261,557	₱25,199,924,879	₱222,320,890	₱667,120,902	₱–	₱72,148,419,284

Reconciliation of Income Before Income Tax to EBITDA and Core Earnings

	2021	2020	2019
Income (loss) before income tax	**(₱184,189,654)**	₱1,982,308,082	₱47,511,567,963
Finance income	**(1,094,584,901)**	(1,213,910,835)	(2,054,451,319)
Financing cost and other charges	**9,111,084,606**	8,913,379,991	9,942,735,096
Other operating income (losses)	**(568,113,153)**	470,478,828	54,316,681
Market valuation losses (gains) on financial assets at FVPL and derivative financial instruments	**1,094,513,349**	2,332,944,398	(640,533,460)
Foreign exchange (gains) losses	**3,056,849,330**	(2,566,753,557)	(899,389,898)
EBIT	**11,415,559,577**	9,918,446,907	53,914,245,063
Depreciation and amortization	**29,130,498,089**	30,399,264,669	28,810,848,035
Provision for (reversal of) impairment losses	**432,631,271**	–	(2,274,795,253)
EBITDA	**₱40,978,688,937**	₱40,317,711,576	₱80,450,297,845
Income (loss) before income tax	**(₱184,189,654)**	₱1,982,308,082	₱47,511,567,963
Market valuation losses (gains) on financial assets at FVPL and derivative financial instruments	**1,094,513,349**	2,332,944,398	(640,533,460)
Foreign exchange (gains) losses	**3,056,849,330**	(2,566,753,557)	(899,389,898)
Core earnings	**₱3,967,173,025**	₱1,748,498,923	₱45,971,644,605

The table below presents the consolidated statement of financial position of the Group broken down between industrial and banking components:

	December 31, 2021				December 31, 2020			
	Non-banks	**Banks**	**Elimination***	**Consolidated**	Non-banks	Banks	Elimination*	Consolidated
ASSETS								
Current Assets								
Cash and cash equivalents	**₱69,702,780,365**	**₱39,664,799,543**	**(₱26,477,458,387)**	**₱82,890,121,521**	₱56,087,730,858	₱31,630,913,339	(₱6,227,231,429)	₱81,491,412,768
Financial assets at fair value through profit and loss	**6,459,103,751**	**1,912,412**	–	**6,461,016,163**	5,477,940,251	87,076,733	–	5,565,016,984
Financial assets at fair value through other comprehensive income	**12,728,683,142**	**26,529,627,158**	–	**39,258,310,300**	12,578,348,139	19,315,805,963	–	31,894,154,102
Receivables - net	**40,949,990,701**	**31,273,661,946**	–	**72,223,652,647**	40,385,785,079	27,982,699,969	–	68,368,485,048
Inventories - net	**81,611,906,817**	–	–	**81,611,906,817**	75,777,125,084	–	–	75,777,125,084
Biological assets - net	**132,144,916**	–	–	**132,144,916**	99,919,468	–	–	99,919,468
Assets held for sale	–	–	–	–	11,101,305,051	–	–	11,101,305,051
Other current assets	**22,861,361,464**	**828,599,148**	–	**23,689,960,612**	26,365,792,030	625,358,409	–	26,991,150,439
Total current assets	**234,445,971,156**	**98,298,600,207**	**(26,477,458,387)**	**306,267,112,976**	227,873,945,960	79,641,854,413	(6,227,231,429)	301,288,568,944
Noncurrent Assets								
Financial assets at fair value through other comprehensive income	**44,506,905,999**	**–**	–	**44,506,905,999**	32,847,478,716	–	–	32,847,478,716
Receivables - noncurrent	**7,549,521,416**	**67,937,959,026**	–	**75,487,480,442**	7,861,430,860	58,984,807,221	–	66,846,238,081
Investments at amortized cost	**–**	**8,474,858,779**	–	**8,474,858,779**	–	8,049,365,423	–	8,049,365,423
Investments in associates and JVs - net	**145,822,109,563**	**212,009,893**	–	**146,034,119,456**	139,332,835,472	–	–	139,332,835,472
Investments properties - net	**116,975,431,334**	**786,054,165**	–	**117,761,485,499**	104,210,195,008	464,890,897	–	104,675,085,905
Property, plant and equipment - net	**249,045,908,180**	**502,762,777**	–	**249,548,670,957**	259,870,423,147	545,316,558	–	260,415,739,705
Right-of-use assets	**31,449,724,690**	**830,589,916**	–	**32,280,314,606**	22,236,389,037	812,346,008	–	23,048,735,045
Biological assets - bearer	**166,105,594**	**–**	–	**166,105,594**	134,331,929	–	–	134,331,929
Goodwill - net	**21,993,372,200**	**244,327,006**	–	**22,237,699,206**	31,916,144,787	244,327,006	–	32,160,471,793
Intangibles - net	**2,975,606,163**	**1,377,089,563**	–	**4,352,695,726**	12,841,509,107	1,313,392,088	–	14,154,901,195
Other noncurrent assets	**14,496,099,199**	**1,131,452,361**	–	**15,627,551,560**	15,495,682,520	1,159,087,596	–	16,654,770,116
Total Noncurrent Assets	**634,980,784,338**	**81,497,103,486**	–	**716,477,887,824**	626,746,420,583	71,573,532,797	–	698,319,953,380
	₱869,426,755,494	**₱179,795,703,693**	**(₱26,477,458,387)**	**₱1,022,745,000,800**	₱854,620,366,543	₱151,215,387,210	(₱6,227,231,429)	₱999,608,522,324

**Elimination of intercompany balances between banking and non-banking components*

	December 31, 2021				December 31, 2020			
	Non-banks	**Banks**	**Elimination***	**Consolidated**	Non-banks	Banks	Elimination*	Consolidated
LIABILITIES AND STOCKHOLDERS' EQUITY								
Current liabilities								
Accounts payable and								
accrued expenses	**₱59,613,317,305**	**₱148,551,704,689**	**(₱26,477,458,387)**	**₱181,687,563,607**	₱57,846,148,952	₱121,104,837,984	(₱6,227,231,429)	₱172,723,755,507
Short-term debt	**65,995,583,482**	**–**	**–**	**65,995,583,482**	44,418,092,185	–	–	44,418,092,185
Current portion of							–	
long-term debt	**19,501,714,468**	**–**	**–**	**19,501,714,468**	34,413,387,739	–		34,413,387,739
Derivative liabilities	**1,732,327,557**	**–**	**–**	**1,732,327,557**	245,940,423	–	–	245,940,423
Income tax payable	**332,634,821**	**766,092**	**–**	**333,400,913**	531,260,647	1,548,361	–	532,809,008
Other current liabilities	**30,958,781,863**	**390,750**	**–**	**30,959,172,613**	43,347,790,462	386,800	–	43,348,177,262
Total current liabilities	**178,134,359,496**	**148,552,861,531**	**(26,477,458,387)**	**300,209,762,640**	180,802,620,408	121,106,773,145	(6,227,231,429)	295,578,993,653
Noncurrent liabilities								
Long-term debt - net of								
current portion	**200,830,478,415**	**–**	**–**	**200,830,478,415**	237,928,498,602	–	–	237,928,498,602
Bonds payable	**12,184,836,126**	**–**	**–**	**12,184,836,126**	–	–	–	–
Deferred tax liabilities - net	**4,548,347,515**	**–**	**–**	**4,548,347,515**	8,661,143,952	–	–	8,661,143,952
Other noncurrent liabilities	**48,560,799,400**	**12,779,794,144**	**–**	**61,340,593,544**	37,546,530,053	11,782,999,706	–	49,329,529,759
Total noncurrent liabilities	**266,124,461,456**	**12,779,794,144**	**–**	**278,904,255,600**	284,136,172,607	11,782,999,706	–	295,919,172,313
Total Liabilities	**444,258,820,952**	**161,332,655,675**	**(26,477,458,387)**	**579,114,018,240**	464,835,624,544	132,889,772,851	(6,227,231,429)	591,498,165,966
Stockholders' equity	**324,095,994,827**	**11,212,896,388**	**–**	**335,308,891,215**	297,190,870,163	11,130,436,193	–	308,321,306,356
Minority interest in								
consolidated subsidiaries	**101,071,939,715**	**7,250,151,630**	**–**	**108,322,091,345**	92,593,871,836	7,195,178,166	–	99,789,050,002
	₱869,426,755,494	**₱179,795,703,693**	**(₱26,477,458,387)**	**₱1,022,745,000,800**	₱854,620,366,543	₱151,215,387,210	(₱6,227,231,429)	₱999,608,522,324

**Elimination of intercompany balances between banking and non-banking components*

Intersegment Revenues
Intersegment revenues are eliminated at the consolidation level.

Segment Results
Segment results pertain to the net income (loss) of each of the operating segments adjusted by the subsequent take up of significant transactions of operating segments with fiscal year-end and the capitalization of borrowing costs at the consolidated level for qualifying assets held by a certain subsidiary. The chief decision maker also uses the 'Core earnings', 'EBIT' and 'EBITDA' in measuring the performance of each of the Group's operating segments. The Group defines each of the operating segment's 'Core earnings' as the total of the 'Operating income', 'Finance income' and 'Other operating income' deducted by the 'Financing cost and other charges'. EBIT is equivalent to the Group's operating income while EBITDA is computed by adding back to the EBIT the depreciation and amortization expenses during the period. Depreciation and amortization include only the depreciation and amortization of plant and equipment, investment properties and intangible assets.

Depreciation and amortization
In 2021, 2020 and 2019, the amount of reported depreciation and amortization includes depreciation for investment properties and property, plant and equipment, and amortization of intangible assets.

Segment Assets
Segment assets are resources owned by each of the operating segments with the exclusion of intersegment balances, which are eliminated, and adjustment of significant transactions of operating segment with fiscal year-end.

Segment Liabilities
Segment liabilities are obligations incurred by each of the operating segments excluding intersegment balances which are eliminated. The Group also reports, separately, to the chief operating decision maker the breakdown of the short-term and long-term debt of each of the operating segments.

Capital Expenditures
The components of capital expenditures reported to the chief operating decision maker are the acquisitions of investment property and property, plant and equipment during the period, including those acquired through business combination.

Geographical Information
The Group operates in the Philippines, Thailand, Malaysia, Indonesia, China, Hong Kong, Singapore, Vietnam and Myanmar.

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:

	2021	2020	2019
Domestic	**₱170,594,134,890**	₱161,310,903,670	₱207,150,591,256
Foreign	**59,958,198,721**	42,940,645,996	78,162,385,883
	₱230,552,333,611	₱204,251,549,666	₱285,312,977,139

The Group has no significant customer which contributes 10.0% 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:

	2021	2020
Domestic	**₱488,529,018,937**	₱462,693,963,514
Foreign	**92,907,135,619**	122,662,724,858
	₱581,436,154,556	₱585,356,688,372

7. Cash and Cash Equivalents

This account consists of:

	2021	2020
Cash on hand	**₱5,654,873,185**	₱3,005,758,937
Cash in banks (Note 40)	**34,550,142,438**	38,893,100,714
Cash equivalents (Note 40)	**42,685,105,898**	39,592,553,117
	₱82,890,121,521	₱81,491,412,768

Cash in banks earns interest at the respective bank deposit rates. Cash equivalents represent money market placements made for varying periods depending on the immediate cash requirements of the Group, and earn annual interest ranging from 0.125% to 5.3%, from 1.0% to 3.5%, and from 0.05% to 7.5% in 2021, 2020 and 2019, respectively.

Interest earned on cash and cash equivalents amounted to ₱825 million, ₱976 million and ₱1.6 billion for the years ended December 31, 2021, 2020 and 2019, respectively (Note 27).

8. Derivative Financial Instruments

The tables below show the fair values of the Group's outstanding derivative financial instruments, reported as assets or liabilities, together with their notional amounts as of December 31, 2021 and 2020. The notional amount is the basis upon which changes in the value of derivatives are measured.

	December 31, 2021		
	Notional Amounts	**Derivative Assets** (Note 9)	**Derivative Liabilities** (Note 22)
Derivatives Not Designated as Accounting Hedges			
Derivatives at FVPL:			
Conversion option arising from convertible bonds (Note 23)	–	**₱–**	**₱1,730,960,769**
Derivatives at FVOCI:			
Addition from acquisition of subsidiaries (Note 19)	–	–	**1,366,788**
		₱–	**₱1,732,327,557**

	December 31, 2020			
	Notional Amounts (in Millions)		Derivative Assets	Derivative Liabilities
	Japanese Yen	Dollar	(Note 9)	(Note 22)
Derivatives Not Designated as Accounting Hedges				
Freestanding:				
Call option	–	–	₱–	₱169,449,156
Foreign currency swaps	JPY9.65	–	556,022	–
			₱556,022	₱169,449,156
Derivatives Designated as Accounting Hedges				
Zero cost collars*	–	US$7.46	₱–	₱32,214,937
Currency options	–	NZ$28.20	–	44,276,330
			₱–	₱76,491,267
Presented in the consolidated statements of financial position as:				
Current			₱556,022	₱245,940,423
Noncurrent			₱–	₱–

**Notional quantity amounted to 120,000 US barrels as of December 31, 2020*

Conversion Option Arising from Convertible Bonds

On May 10, 2021, CAI issued at face value US$250.0 million convertible bonds (CB) to the International Finance Corporation (IFC), IFC Emerging Asia Fund LP and Indigo Philippines LLC (collectively known as "the CB Holders") due on May 10, 2027 (Note 23). The bonds bear an interest rate of 4.5% payable semi-annually in arrears on May 10 and November 10 of each year.

The conversion option entitles the CB holders to convert its outstanding bonds for CAI's common shares at any time within the conversion period which shall begin 40 days after the issue date of the CB and shall end 20 business days before the maturity date. The conversion option is an embedded derivative that is required to be bifurcated.

As of December 31, 2021, the conversion option has a negative fair value of ₱1.7 billion. Net market valuation losses recognized by CAI in the 2021 consolidated statement of comprehensive income amounted to ₱1.3 billion.

Derivatives not designated as accounting hedges

The Group's derivatives not designated as accounting hedges include transactions to take positions for risk management purpose.

- Zero cost collars and commodity swap
  On March 16, 2020, CAI discontinued, for the first time, the application of hedge accounting on some of its fuel hedges following the suspension of flights in response to government-imposed enhanced community quarantine over the entire Luzon due to outbreak of COVID-19.

  Following the Philippine Government announcing the easing of community quarantine after March 31, 2020, CAI's commercial flights during the next six months were either suspended or significantly reduced leading to lower forecasted fuel and USD-denominated purchases. With the newly available information, management reassessed its hedging portfolio requiring discontinuation of hedge accounting for certain fuel and FX derivatives designated as cash flow hedges as corresponding hedged items were no longer highly probable and not expected to occur. Consequently, the related effective portion of the fair value losses recognized in OCI amounting to

₱2.2 billion were immediately recycled from equity to profit or loss for the year ended December 31, 2020.

As of December 31, 2021 and 2020, CAI has no outstanding fuel derivatives treated as economic hedges.

- Foreign currency forwards
  On March 16, 2020, CAI likewise discontinued, for the first time, the hedge accounting application on some FX forwards because of reduced forecasted fuel purchase following the suspension of flights in response to government-imposed enhanced community quarantine over the entire Luzon due to outbreak of COVID-19 and due to unforeseen drop in oil prices.

  Following the Philippine Government announcing the easing of community quarantine after March 31, 2020, CAI's commercial flights during the next six months were either suspended or significantly reduced leading to lower forecasted fuel and USD-denominated purchases. With the newly available information, Management reassessed its hedging portfolio requiring discontinuation of hedge accounting for certain fuel and FX derivatives designated as cash flow hedges as corresponding hedged items were no longer highly probable and not expected to occur. Consequently, the related effective portion of the fair value losses recognized in OCI amounting to ₱124.6 million were immediately recycled from equity to profit or loss for the year ended December 31, 2020.

  As of December 31, 2021 and 2020, CAI has no outstanding FX derivatives treated as economic hedges.

- Foreign currency swaps
  RBC entered into foreign currency swap transactions with positive fair values of nil and ₱0.6 million as of December 31, 2021 and 2020, respectively. In 2021, 2020 and 2019, RBC recognized net changes in fair value of derivatives amounting to nil, ₱17.0 million gain and ₱45.0 million gain, respectively.

- Call option
  As part of change in ownership of URC Oceania Group, Intersnack was also given an option to acquire an additional 9.0% equity share in UHC. The call option has a fair value of ₱169.4 million as of December 31, 2020. In October 2021, Intersnack exercised the call option to acquire an additional equity share in UHC (see Note 44).

Derivatives designated as accounting hedges

As part of its asset and liability management, the Group uses derivatives, particularly interest rate swaps and currency options, as cash flow hedges in order to reduce its exposure to market risks that is achieved by hedging portfolios of floating rate financial instruments.

The accounting treatment explained in Note 2 to the consolidated financial statements, *Hedge Accounting*, varies according to the nature of the hedged item and compliance with the hedge criteria. Hedges entered into by the Group which provide economic hedges but do not meet the hedge accounting criteria are included under derivatives not designated as accounting hedges.

- Currency options
  URC entered into currency options with a total notional amount of NZ$28.2 million and initial fair value of ₱7.5 million. URC recognized unrealized loss in other comprehensive income under 'Net gains (losses) from cash flow hedges' amounting to ₱19.1 million and ₱4.6 million for the years ended December 31, 2020 and 2019. URC made a settlement of ₱4.6 million in 2019 for the related

derivatives. URC's currency options have negative fair value of ₱44.3 million as of December 31, 2020. In October 2021, the option was transferred to Intersnack upon divestment (see Note 44).

- Zero cost collars and commodity swaps
  CAI enters into zero cost collars and commodity swaps derivative contracts to manage its exposure to fuel price fluctuations. The notional quantity is the amount of the derivatives' underlying asset or liability, reference rate or index and is the basis upon which changes in the value of derivatives are measured. These swaps and collars can be exercised at various calculation dates with specified quantities on each calculation date. Hedge accounting under PFRS 9 were applied on instruments with various maturity dates through 2020 until 2021 starting September 1, 2019.

  CAI has designated for hedge accounting derivatives with net liability position amounting to nil and ₱32.2 million as of December 31, 2021 and 2020, respectively.

- Foreign currency forwards
  CAI enters into foreign currency forwards to manage its exposures to foreign currency-denominated transactions given its global operations. These forwards have various maturity dates through 2020 where hedge accounting under PFRS 9 were also applied beginning September 1, 2019.

  As of December 31, 2021 and 2020, CAI has no outstanding FX derivatives designated for hedge accounting.

Fair Value Changes in Derivatives

Fair value changes of derivatives designated as accounting hedges

The net movements in fair value of the Group's derivative financial instruments designated as accounting hedges follow:

	2021	2020
Beginning balance	**(₱76,491,267)**	(₱126,312,502)
Net changes shown in other comprehensive income (Note 36):		
Net changes in fair value of derivatives taken to other comprehensive income	**51,509,875**	(230,922,782)
Fair value of settled instruments	**24,981,392**	280,744,017
	₱–	(₱76,491,267)

Net changes in fair value of derivatives taken to other comprehensive income are recorded under 'Net gains (losses) from cash flow hedges' in the consolidated statement of comprehensive income.

Fair value changes of derivatives not designated as accounting hedges

The net movements in fair value of the Group's derivative financial instruments not designated as accounting hedges follow:

	2021	2020
Balance at beginning of year:		
Derivative assets	**₱556,022**	₱992,618
Derivative liabilities	**169,449,156**	306,298,308
	(168,893,134)	(305,305,690)
Net losses from changes in fair value of derivatives taken to profit or loss	**–**	(2,008,251,915)
Fair value of acquired/settled instruments	**167,526,346**	2,144,664,471
	(₱1,366,788)	(₱168,893,134)
Balance at end of year:		
Derivative assets (Note 9)	**₱–**	₱556,022
Derivative liabilities (Note 8)	**1,366,788**	169,449,156

The net changes in fair value of derivatives taken to profit or loss are included under 'Market valuation gains (losses) on derivative financial instruments' in the consolidated statements of comprehensive income, except for the foreign currency swaps of RBC, where the net changes in fair value are taken to profit or loss under 'Trading and securities gains' (see Note 26).

Refer to Note 23 for the changes in fair value of derivative financial instruments at fair value through profit or loss.

9. Financial Assets at Fair Value through Profit or Loss

This account consists of the following:

	2021	2020
Debt securities:		
Government	**₱1,912,412**	₱86,520,711
Equity securities:		
Quoted	**2,438,988,335**	1,734,932,805
Investment in convertible notes	**4,020,115,416**	3,743,007,446
Derivatives (Note 8)	**–**	556,022
	₱6,461,016,163	₱5,565,016,984

Sea Limited

In 2019, the note from Sea Limited was converted into 1,834,188 ordinary shares which was then sold for a total price of US$43.7 million, resulting in realized market valuation gain of US$10.9 million (₱566.6 million).

Oriente

On December 14, 2018, JGDEV acquired 6,627,087 Series A-2 Preferred shares of Oriente Finance Group Limited (OFGL) and a convertible note with a face value of $1.975 million from ORT Philippines Holdings Pte Ltd. in exchange for all its shares, including deposit for future subscription, in Oriente Techsystem Philippines Corporation and Paloo Financing, Inc.

On December 5, 2019, the convertible note was converted to 819,541 Series B-1 preferred shares. As of December 31, 2021 and 2020, Series A-2 and Series B-1 preferred shares are classified under financial assets at FVOCI (see Note 10).

JUUL Labs, Inc
In August 2019, JGSPL invested in USD50.0 million Convertible Notes of JUUL Labs, Inc. ("JUUL Labs"). JUUL Labs is a private company based in California, USA, which is in the business of manufacturing and distributing e-cigarettes. In January 2020, JGSPL made additional investment amounting to USD25.0 million.

The Convertible Notes have the following features:
1. Repayable after 5 years;
2. 7.0% p.a. coupon accruing and compounding quarterly paid in kind thru increase in the outstanding principal ("Accreted principal");
3. Conversion into class of shares (or mix thereof) as specified in paragraph 1.12 of the Note Purchase Agreement;
4. Conversion can be:
   a. Automatic in the event of any of the following qualified financing events (e.g., qualified private financing, qualified IPO and qualified direct listing), with conversion price determined as the higher of the valuation floor and lower of valuation cap and discounted valuation in the financing event; or
   b. Optional (i) in the event of financing events whereby conditions for qualification were not met, and in that case the conversion price is determined using the basis in (a) above; (ii) upon JUUL Labs' direct listing or starting on the 24th month anniversary, and in such cases the conversion price is the valuation cap; and (iii) when exercised on maturity date and the conversion price is USD30.4 million; and
5. Early redemption at the option of JUUL Labs but subject to the consent of majority investors or one (1) owner provided the Issuer offered the same terms to other investors. The redemption price should not be less than the accreted principal as of the redemption date.

Snapcart Group (HK) Limited
On March 5, 2019, JGDEV entered into a Deed of Adherence with Snapcart Group (HK) Limited pursuant to the Convertible Loan Agreement entered into on February 20, 2019. The consideration is for a loan amount of $1.0 million at a rate of 3.0% interest per annum. The convertible loan was set to mature on December 20, 2019 but subsequently amended to extend maturity to March 31, 2020. The convertible note was classified under financial assets at FVPL.

On March 31, 2020, convertible loan from Snapcart Group (HK) Limited matured and was converted into 102,402 shares of Series B amounting to $1.03 million.

Zuzu Hospitality Solutions Pte. Ltd.
On September 10, 2019, JGDCPL entered into a Note Purchase Agreement with Zuzu Hospitality Solutions Pte. Ltd. (Zuzu Hospitality) to invest in a Convertible Note amounting to SGD1 million. Zuzu Hospitality is a private company incorporated and based in Singapore that offers outsourced revenue management to independent hotels. Zuzu Hospitality currently operates in Indonesia and Taiwan.

As of December 31, 2021, 2020 and 2019, unrealized loss on debt securities recognized amounted to ₱109.7 million, ₱25.3 million and ₱9.2 million, respectively.

As of December 31, 2021, 2020 and 2019, unrealized gain (loss) on equity securities recognized amounted to ₱333.3 million, (₱282.3 million) and ₱713.1 million, respectively.

In 2021, 2020 and 2019, the Group recognized net market valuation gains (losses) on financial assets at FVPL (excluding derivatives) amounting to ₱223.6 million, (₱307.6 million) and ₱703.9 million, respectively, included under 'Market valuation gains (losses) on financial assets at fair value through profit or loss' in the consolidated statements of comprehensive income.

Interest income on financial assets at FVPL consists of (see Note 27):

	2021	2020	2019
Debt securities:			
Government	**₱252,927,020**	₱7,424,489	₱13,181,655
Private	**–**	–	87,690,303
	₱252,927,020	₱7,424,489	₱100,871,958

10. Investment Securities

Financial Assets at Fair Value through Other Comprehensive Income

This account consists of investments in:

	2021	2020
Debt securities:		
Government	**₱15,713,379,337**	₱9,681,907,051
Private	**21,514,353,455**	21,325,214,680
	37,227,732,792	31,007,121,731
Equity securities:		
Quoted	**44,717,314,088**	33,072,987,777
Unquoted	**1,820,169,419**	661,523,310
	46,537,483,507	33,734,511,087
	₱83,765,216,299	₱64,741,632,818

Breakdown of financial assets at FVOCI as shown in the consolidated statements of financial position follows:

	2021	2020
Current portion	**₱39,258,310,300**	₱31,894,154,102
Noncurrent portion	**44,506,905,999**	32,847,478,716
	₱83,765,216,299	₱64,741,632,818

The Group classified its 24.3 million PLDT shares representing 11.3% ownership interest as financial assets at FVOCI, which have carrying values of ₱44.1 billion and ₱32.6 billion as of December 31, 2021 and 2020, respectively.

Interest income on debt financial assets at FVOCI follows (Note 27):

	2021	2020	2019
Debt securities:			
Private	**₱976,528,666**	₱888,193,462	₱664,109,167
Government	**221,851,580**	212,212,623	363,288,259
	₱1,198,380,246	₱1,100,406,085	₱1,027,397,426

The range of the Group's effective interest rates on government securities are as follows:

	2021	2020	2019
Peso-denominated securities	**2.63%-8.13%**	1.89%-5.09%	5.75%-8.00%
Foreign currency-denominated securities	**2.75%-6.75%**	2.86%-6.47%	4.75%-7.75%

The range of the Group's effective interest rates on the private bonds are as follows:

	2021	2020	2019
Peso-denominated securities	**3.63%-6.49%**	3.82%-6.49%	4.20%-6.49%
Foreign currency-denominated securities	**3.30%-7.25%**	3.90%-7.25%	4.38%-7.38%

The movements in net unrealized gains (losses) on financial assets at FVOCI follow:

		2021	
	Parent Company	**Non-controlling Interests**	**Total**
Balance at beginning of year	**(₱14,794,597,877)**	**₱324,400,037**	**(₱14,470,197,840)**
Net changes shown in other comprehensive income (Note 36):			
Fair value changes during the period on financial assets at FVOCI of the Parent Company and its subsidiaries	**10,729,323,198**	**(442,045,521)**	**10,287,277,677**
Realized gain on sale of financial assets at FVOCI (Note 29)	**(8,569,740)**	**–**	**(8,569,740)**
	(4,073,844,419)	**(117,645,484)**	**(4,191,489,903)**
Share in net changes in fair value of financial assets at FVOCI of an associate (Note 14)	**34,483,923**	**–**	**34,483,923**
Balance at end of year	**(₱4,039,360,496)**	**(₱117,645,484)**	**(₱4,157,005,980)**

		2020	
	Parent Company	Non-controlling Interests	Total
Balance at beginning of year	(₱23,832,621,540)	₱249,569,240	(₱23,583,052,300)
Net changes shown in other comprehensive income (Note 36):			
Fair value changes during the period on financial assets at FVOCI of the Parent Company and its subsidiaries	9,007,575,421	74,830,797	9,082,406,218
Realized gain on sale of financial assets at FVOCI (Note 29)	(23,850,313)	–	(23,850,313)
Provision for impairment loss	(1,364,730)	–	(1,364,730)
	(14,850,261,162)	324,400,037	(14,525,861,125)
Share in net changes in fair value of financial assets at FVOCI of an associate (Note 14)	55,663,285	–	55,663,285
Balance at end of year	(₱14,794,597,877)	₱324,400,037	(₱14,470,197,840)

		2019	
	Parent Company	Non-controlling Interests	Total
Balance at beginning of year	(₱22,647,670,192)	(₱204,920,170)	(₱22,852,590,362)
Net changes shown in other comprehensive income (Note 36):			
Fair value changes during the period on financial assets at FVOCI of the Parent Company and its subsidiaries	(1,081,326,798)	454,489,410	(626,837,388)
Realized gain on sale of financial assets at FVOCI (Note 29)	(277,810,114)	–	(277,810,114)
Provision for impairment loss	(2,070,586)	–	(2,070,586)
	(24,008,877,690)	249,569,240	(23,759,308,450)
Share in net changes in fair value of financial assets at FVOCI of an associate (Note 14)	176,256,150	–	176,256,150
Balance at end of year	(₱23,832,621,540)	₱249,569,240	(₱23,583,052,300)

Investment Securities at Amortized Cost

The investment securities at amortized cost of the Group consist of the following:

	2021	2020
Government securities	**₱6,655,527,338**	₱6,251,706,056
Private bonds	**1,820,142,305**	1,800,257,800
	8,475,669,643	8,051,963,856
Less allowance for impairment losses	**810,864**	2,598,433
	₱8,474,858,779	₱8,049,365,423

The effective interest rates for peso-denominated investment securities at amortized cost of the Group ranges from 3.25% to 8.13%, from 3.82% to 8.13% and from 3.25% to 8.13% in 2021, 2020 and 2019, respectively. The effective interest rates for foreign currency-denominated investment securities at amortized cost of the Group range from 2.75% to 7.25% in 2021, 2.62 to 5.31% in 2019 and 2.75% in 2019.

In 2020, the RBC disposed 'Investment Securities at Amortized Cost' with carrying value of ₱3.35 billion resulting in a gain on disposal amounting to ₱190.9 million. Prior to the disposal, RBC noted significant withdrawals from depositors because of the imposition of the community quarantine protocols. RBC anticipated further pressures to liquidity because of the implementation of the Republic Act No. 11468 or the "Bayanihan to Heal as One Act" which grants a moratorium on all loan payments falling due within the period of enhanced community quarantine for a minimum of thirty (30) days without incurring interests, penalties, fees, or other charges. The remaining HTC securities of RBC will remain to be under a HTC business model. Furthermore, LSB also disposed peso-currency denominated securities under the HTC portfolio with carrying value of ₱180.98 million, resulting in a gain on disposal amounting to ₱2.93 million in 2020. The sale was due to a change in intention to hold and collect principal and interest from the securities. The remaining HTC securities of RBC will remain to be under a HTC business model.

Interest income on investment securities at amortized cost amounted to ₱305.2 million, ₱356.6 million and ₱477.8 million in 2021, 2020 and 2019, respectively (see Note 27).

11. Receivables

This account consists of:

	2021	2020
Finance receivables	**₱98,918,972,005**	₱86,382,308,879
Trade receivables	**38,333,348,738**	40,258,702,183
Due from related parties (Note 40)	**4,218,363,700**	2,552,410,741
Interest receivable	**1,716,625,101**	1,730,219,931
Other receivables	**7,808,300,786**	6,904,703,009
	150,995,610,330	137,828,344,743
Less allowance for impairment losses	**3,284,477,241**	2,613,621,614
	₱147,711,133,089	₱135,214,723,129

Total receivables shown in the consolidated statements of financial position follow:

	2021	2020
Current portion	**₱72,223,652,647**	₱68,368,485,048
Noncurrent portion	**75,487,480,442**	66,846,238,081
	₱147,711,133,089	₱135,214,723,129

Noncurrent receivables consist of:

	2021	2020
Finance receivables	**₱67,937,959,026**	₱58,984,807,221
Trade receivables	**4,727,617,197**	6,861,430,860
Due from related parties	**2,821,904,219**	1,000,000,000
	₱75,487,480,442	₱66,846,238,081

Finance Receivables

Breakdown of finance receivables, which represent receivables from customers of RBC and its subsidiary, follows:

	2021	2020
Receivables from customers:		
Commercial	**₱57,879,055,931**	₱51,507,822,886
Real estate	**29,718,350,075**	24,157,056,273
Consumption	**11,098,264,008**	10,608,170,674
Domestic bills purchased	**516,654,187**	480,028,717
	99,212,324,201	86,753,078,550
Less unearned interest and discounts	**293,352,196**	370,769,671
	₱98,918,972,005	₱86,382,308,879

Interest income on finance receivables included under 'Banking revenue' in profit or loss in the consolidated statements of comprehensive income, consists of (see Notes 26 and 27):

	2021	2020	2019
Receivables from customers:			
Commercial	**₱3,192,316,847**	₱3,237,021,544	₱3,173,161,721
Consumption	**1,745,640,627**	2,004,957,885	1,806,095,578
Real estate	**1,882,384,449**	1,364,197,120	1,076,020,078
Domestic bills purchased	**113,598**	73,149	459,690
Others	**5,286,868**	4,399,035	6,703,541
	₱6,825,742,389	₱6,610,648,733	₱6,062,440,608

Others consist of sales contract receivables and lease receivables.

Restructured receivables which do not meet the BSP requirements to be treated as performing receivables shall be considered as nonperforming loans. Restructured receivables as of December 31, 2021 and 2020 amounted to ₱281.4 million and ₱61.1 million, respectively.

Trade Receivables

Included in trade receivables are installment contract receivables of the real estate segment of the Group amounting to ₱13.6 billion and ₱14.9 billion as of December 31, 2021 and 2020. These are collectible in monthly installments over a period of one year to ten years. These are carried at amortized cost, except for receivables from lease-to-own arrangements which are carried at fair value through OCI. The title of the real estate property, which is the subject of the installment contract receivable, passes to the buyer once the receivable is fully paid. Revenue from real estate and hotels includes interest income earnings from installment contract receivables amounting to ₱0.7 billion, ₱0.8 billion and ₱0.3 billion in 2021, 2020 and 2019, respectively, and is recorded under 'Sale of goods and service' on the consolidated statements of comprehensive income.

Other trade receivables are noninterest-bearing and generally have 30 to 90-day terms.

Others

Other receivables include claims receivables, advances to brokers and other non-trade receivables. As of December 31, 2021 and 2020 claims receivables amounted to ₱2.3 billion.

Allowance for Impairment Losses on Receivables

Changes in the allowance for impairment losses on receivables follow:

	2021			
	Trade Receivables	**Finance Receivables**	**Other Receivables**	**Total**
Balance at beginning, as adjusted	**₱497,979,617**	**₱1,684,983,650**	**₱430,658,347**	**₱2,613,621,614**
Provision for impairment losses (Note 34)	**135,045,012**	**1,277,021,353**	**27,149,220**	**1,439,215,585**
Write-offs, net of recoveries	**(13,884,633)**	**(695,712,201)**	**–**	**(709,596,834)**
Unrealized foreign exchange gains	**81,266**	**–**	**3,332,594**	**3,413,860**
Reclassification/Others	**(35,028,567)**	**6,911,839**	**(34,060,256)**	**(62,176,984)**
Balance at end of year	**₱584,192,695**	**₱2,273,204,641**	**₱427,079,905**	**₱3,284,477,241**

	2020			
	Trade Receivables	Finance Receivables	Other Receivables	Total
Balance at beginning, as adjusted	₱198,721,234	₱1,014,700,667	₱476,413,871	₱1,689,835,772
Provision for impairment losses (Note 34)	314,649,432	1,062,890,752	35,158,570	1,412,698,754
Written-off	(14,771,574)	(392,607,769)	(81,569,388)	(488,948,731)
Unrealized foreign exchange gains	(71,326)	–	(2,051,964)	(2,123,290)
Reclassification/Others	(548,149)	–	2,707,258	2,159,109
Balance at end of year	₱497,979,617	₱1,684,983,650	₱430,658,347	₱2,613,621,614

Provision for impairment losses on receivables for the years ended December 31, 2021, 2020 and 2019 amounted to ₱1.4 billion, ₱1.4 billion and ₱133.6 million, respectively.

Allowance for credit losses on other receivables includes credit losses on non-trade receivables, advances to officers and employees and other receivables. Allowance for credit losses on advances to officers and employees amounted to ₱19.6 million as of December 31, 2021 and 2020.

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to commercial loans follow:

	2021			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount as at January 1, 2021	**₱43,318,187,940**	**₱7,781,258,930**	**₱408,376,016**	**₱51,507,822,886**
New assets originated or purchased	**98,256,197,176**	**–**	**–**	**98,256,197,176**
Assets derecognized or repaid				
(excluding write offs)	**(88,574,404,176)**	**(3,165,703,874)**	**188,598,403**	**(91,551,509,647)**
Transfers to Stage 1	**39,677,046**	**(38,360,269)**	**(1,316,777)**	**–**
Transfers to Stage 2	**(15,805,664,806)**	**15,805,664,806**	**–**	**–**
Transfers to Stage 3	**(562,404,829)**	**(309,394)**	**562,714,223**	**–**
Amounts written off	**–**	**–**	**(333,454,484)**	**(333,454,484)**
	₱36,671,588,351	**₱20,382,550,199**	**₱824,917,381**	**₱57,879,055,931**
ECL allowance as at January 1, 2021	**₱231,853,564**	**₱314,078,570**	**₱249,436,018**	**₱795,368,152**
Provisions for (recovery of) credit losses*	**777,359,958**	**(156,392,671)**	**133,519,257**	**754,486,544**
Transfers to Stage 1	**11,591**	**(11,591)**	**–**	**–**
Transfers to Stage 2	**(332,622,762)**	**332,622,762**	**–**	**–**
Transfers to Stage 3	**(443,034,019)**	**(101,247)**	**443,135,266**	**–**
Amounts written off/reversals/others	**–**	**–**	**(281,548,128)**	**(281,548,128)**
	₱233,568,332	**₱490,195,823**	**₱544,542,413**	**₱1,268,306,568**

**The net effect on allowance of transfers between Stage 1 to 3 are reflected in provision for (recovery of) credit losses*

	2020			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at January 1, 2020	₱45,227,258,622	₱3,860,868,821	₱426,708,034	₱49,514,835,477
New assets originated or purchased	50,428,244,448	–	–	50,428,244,448
Assets derecognized or repaid				
(excluding write offs)	(47,012,473,601)	(1,203,710,763)	(20,295,308)	(48,236,479,672)
Transfers to Stage 1	2,624,185,861	(2,624,185,861)	–	–
Transfers to Stage 2	(7,767,057,149)	7,767,480,660	(423,511)	–
Transfers to Stage 3	(167,362,533)	(19,193,927)	186,556,460	–
Amounts written off	(14,607,708)	–	(184,169,659)	(198,777,367)
	₱43,318,187,940	₱7,781,258,930	₱408,376,016	₱51,507,822,886
ECL allowance as at January 1, 2020	₱147,083,052	₱73,137,283	₱196,172,277	₱416,392,612
Provisions for (recovery of) credit losses*	452,904,775	(70,836,854)	13,923,311	395,991,232
Transfers to Stage 1	2,415,898	(2,415,898)	–	–
Transfers to Stage 2	(317,630,379)	317,630,379	–	–
Transfers to Stage 3	(46,386,054)	(3,436,340)	49,822,394	–
Amounts written off/reversals/others	(6,533,728)	–	(10,481,964)	(17,015,692)
	₱231,853,564	₱314,078,570	₱249,436,018	₱795,368,152

**The net effect on allowance of transfers between Stage 1 to 3 are reflected in provision for (recovery of) credit losses*

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to real estate follow:

	2021			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount as at January 1, 2021	**₱21,044,591,782**	**₱1,756,970,164**	**₱1,355,494,327**	**₱24,157,056,273**
New assets originated or purchased	**10,755,288,309**	**–**	**–**	**10,755,288,309**
Assets derecognized or repaid				
(excluding write offs)	**(3,307,611,463)**	**(435,729,085)**	**(474,408,766)**	**(4,217,749,314)**
Transfers to Stage 1	**1,049,290,114**	**(868,697,195)**	**(180,592,919)**	**–**
Transfers to Stage 2	**(1,044,341,286)**	**1,080,464,630**	**(36,123,344)**	**–**
Transfers to Stage 3	**(843,001,362)**	**(209,013,377)**	**1,052,014,739**	**–**
Amounts written off	**(874,588,525)**	**(9,680,506)**	**(91,976,162)**	**(976,245,193)**
	₱26,779,627,569	**₱1,314,314,631**	**₱1,624,407,875**	**₱29,718,350,075**
ECL allowance as at January 1, 2021	**₱33,273,185**	**₱7,996,559**	**₱153,248,056**	**₱194,517,800**
Provisions for (recovery of) credit losses*	**172,153,934**	**23,069,432**	**(60,794,566)**	**134,428,800**
Transfers to Stage 1	**4,622,623**	**(3,890,182)**	**(732,441)**	**–**
Transfers to Stage 2	**(13,719,571)**	**14,274,019**	**(554,448)**	**–**
Transfers to Stage 3	**(97,242,050)**	**(23,867,324)**	**121,109,374**	**–**
Amounts written off/reversals/others	**–**	**–**	**(7,984,424)**	**(7,984,424)**
	₱99,088,121	**₱17,582,504**	**₱204,291,551**	**₱320,962,176**

**The net effect on allowance of transfers between Stage 1 to 3 are reflected in provision for (recovery of) credit losses*

	2020			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at January 1, 2020	₱18,037,358,388	₱1,035,203,454	₱255,873,169	₱19,328,435,011
New assets originated or purchased	6,990,949,236	–	–	6,990,949,236
Assets derecognized or repaid				
(excluding write offs)	(1,920,528,775)	(175,031,342)	(26,482,162)	(2,122,042,279)
Transfers to Stage 1	395,613,018	(382,623,933)	(12,989,085)	–
Transfers to Stage 2	(1,565,599,074)	1,578,168,014	(12,568,940)	–
Transfers to Stage 3	(881,913,959)	(285,875,230)	1,167,789,189	–
Amounts written off	(11,287,052)	(12,870,799)	(16,127,844)	(40,285,695)
	₱21,044,591,782	₱1,756,970,164	₱1,355,494,327	₱24,157,056,273
ECL allowance as at January 1, 2020	₱11,981,916	₱1,382,175	₱6,653,654	₱20,017,745
Provisions for (recovery of) credit losses*	127,577,169	32,421,611	16,511,828	176,510,608
Transfers to Stage 1	493,931	(488,257)	(5,674)	–
Transfers to Stage 2	(7,595,069)	7,645,728	(50,659)	–
Transfers to Stage 3	(98,661,356)	(32,042,438)	130,703,794	–
Amounts written off/reversals/others	(523,406)	(922,260)	(564,887)	(2,010,553)
	₱33,273,185	₱7,996,559	₱153,248,056	₱194,517,800

**The net effect on allowance of transfers between Stage 1 to 3 are reflected in provision for (recovery of) credit losses*

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to consumer loans follow:

	2021			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount as at				
January 1, 2021	**₱8,903,154,518**	**₱738,094,168**	**₱966,921,988**	**₱10,608,170,674**
New assets originated or purchased	**9,609,070,680**	**–**	**–**	**9,609,070,680**
Assets derecognized or repaid				
(excluding write offs)	**(7,847,911,762)**	**(477,968,459)**	**415,447,803**	**(7,910,432,418)**
Transfers to Stage 1	**125,900,115**	**(103,854,022)**	**(22,046,093)**	**–**
Transfers to Stage 2	**(572,818,462)**	**581,666,150**	**(8,847,688)**	**–**
Transfers to Stage 3	**(329,489,569)**	**(108,041,435)**	**437,531,004**	**–**
Amounts written off	**(165,094,679)**	**(4,808,305)**	**(1,038,641,944)**	**(1,208,544,928)**
	₱9,722,810,841	**₱625,088,097**	**₱750,365,070**	**₱11,098,264,008**

(Forward)

	2021			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
ECL allowance as at January 1, 2021	**₱118,912,861**	**₱52,892,814**	**₱523,292,023**	**₱695,097,698**
Provisions for (recovery of) credit losses*	**213,364,618**	**(5,631,594)**	**180,372,985**	**388,106,009**
Transfers to Stage 1	**1,695,364**	**(1,439,810)**	**(255,554)**	**−**
Transfers to Stage 2	**(53,119,473)**	**53,580,651**	**(461,178)**	**−**
Transfers to Stage 3	**(152,174,486)**	**(41,857,427)**	**194,031,913**	**−**
Amounts written off/reversals/others	**11,371,121**	**−**	**(410,638,931)**	**(399,267,810)**
	₱140,050,005	**₱57,544,634**	**₱486,341,258**	**₱683,935,897**

**The net effect on allowance of transfers between Stage 1 to 3 are reflected in provision for (recovery of) credit losses*

	2020			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at January 1, 2019	₱9,614,890,909	₱598,101,501	₱614,279,098	10,827,271,508
New assets originated or purchased	8,576,790,434	−	−	8,576,790,434
Assets derecognized or repaid (excluding write offs)	(7,472,730,546)	(227,678,134)	(59,027,655)	(7,759,436,335)
Transfers to Stage 1	61,224,550	(58,752,436)	(2,472,114)	−
Transfers to Stage 2	(690,964,174)	693,693,376	(2,729,202)	−
Transfers to Stage 3	(593,942,478)	(140,740,777)	734,683,255	−
Amounts written off	(592,114,177)	(126,529,362)	(317,811,394)	(1,036,454,933)
	₱8,903,154,518	₱738,094,168	₱966,921,988	₱10,608,170,674
ECL allowance as at January 1, 2019	₱97,478,442	₱7,575,959	₱473,235,909	₱578,290,310
Provisions for (recovery of) credit losses*	345,279,451	65,394,102	79,715,359	490,388,912
Transfers to Stage 1	1,026,939	(942,948)	(83,991)	−
Transfers to Stage 2	(50,146,488)	50,296,590	(150,102)	−
Transfers to Stage 3	(222,447,738)	(51,642,611)	274,090,349	−
Amounts written off/reversals/others	(52,277,745)	(17,788,278)	(303,515,501)	(373,581,524)
	₱118,912,861	₱52,892,814	₱523,292,023	₱695,097,698

**The net effect on allowance of transfers between Stage 1 to 3 are reflected in provision for (recovery of) credit losses*

On March 25, 2020, Republic Act No. 11469, otherwise known as the Bayanihan to Heal as One Act ("Bayanihan 1 Act") was enacted. Bayanihan 1 Act provides that all covered institutions shall implement a 30-day grace period for all loans with principal and/or interest and lease amortization falling due within the ECQ Period without incurring interest on interest, penalties, fees and other charges. Subsequently, on September 11, 2020, Republic Act No. 11494, otherwise known as the Bayanihan to Recover as One Act ("Bayanihan 2 Act"), was enacted. Under Bayanihan 2 Act, a one-time sixty (60)-day grace period is granted for the payment of all existing, current and outstanding loans falling due, or any part thereof, on or before December 31, 2020, without incurring interest on interests, penalties, fees, or other charges and thereby extending the maturity of the said loans. Furthermore, a minimum 30-day grace period shall also be granted by covered institutions to all payments due within the period of community quarantine on rent and utility-related expenditures without incurring penalties, interest and other charges.

In 2020, RBC, in addition to the reliefs provided under Bayanihan 1 Act and Bayanihan 2 Act, has offered financial reliefs to its borrowers/counterparties as a response to the effect of the COVID-19 pandemic. These relief measures included the following:

- Restructuring of existing receivables including extension of payment terms
- Relief for principal and interest repayments

Based on the Group's assessment, the modifications in the contractual cash flows as a result of the above reliefs are not substantial and therefore do not result in the derecognition of the affected financial assets. Total modification losses recognized in the statement of comprehensive income under miscellaneous expense amounted to ₱273.5 million (see Note 29). The effect of the modifications on the measurement of ECL is not significant to the Group.

12. Inventories

This account consists of inventories at cost held as follows:

	2021	2020
Subdivision land, condominium and residential units for sale	**₱37,679,441,733**	₱41,251,901,420
Raw materials	**17,729,203,316**	12,015,292,878
Spare parts, packaging materials and other supplies	**13,977,307,633**	12,519,994,035
Finished goods	**10,696,679,943**	8,389,220,485
Work-in-process	**1,529,274,192**	1,600,716,266
	₱81,611,906,817	₱75,777,125,084

Summary of the movements in real estate inventory follows:

	2021	2020
Balance at beginning of year	**₱41,251,901,420**	₱36,062,897,387
Construction and development costs incurred	**9,314,493,631**	9,171,932,407
Land acquisition	**339,455,204**	1,341,648,000
Costs of real estate sales (Note 30)	**(13,344,164,863)**	(6,161,235,541)
Transfers from investment properties, property and equipment and unrealized land cost (Notes 15 and 16)	**117,756,341**	836,659,167
Balance at end of year	**₱37,679,441,733**	₱41,251,901,420

Borrowing cost capitalized amounted to nil and ₱304.0 million in 2021 and 2020, respectively. The capitalization rate used to determine the amount of borrowing costs eligible for capitalization in 2021 and 2020 is nil and 4.54%, respectively. This amount was included in the construction and development costs incurred.

The amount of subdivision land, condominium and residential units for sale recognized as cost of real estate sales in the consolidated statements of comprehensive income amounted to ₱13.3 billion, ₱6.2 billion and ₱4.2 billion for the years ended December 31, 2021, 2020 and 2019, respectively.

No subdivision land, condominium and residential units for sale were pledged as security to liabilities as of December 31, 2021.

Under the terms of agreements covering liabilities under trust receipts amounting to ₱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 agreement with the banks (see Note 23). The Group is accountable to the banks for the value of the trusteed inventories or their sales proceeds.

The Group recognized impairment losses on its inventories included under 'Provision for (reversal of) impairment losses and others' amounting to ₱109.2 million, nil and ₱2,678 in 2021, 2020 and 2019, respectively (see Note 34).

On October 20, 2015, the Chinese government awarded the Contract for Assignment of the Rights to the Use of State-Owned Land (the Contract) to the Group. In May 2016, the Masterplan had been completed and was submitted for approval to the Chinese government in the same month. The Chinese government approved the Masterplan in the first quarter of 2017 and construction activities have commenced (recognized as land use right and development cost included in 'Subdivision land, condominium and residential units for sale').

Under the Contract, the Group is entitled to transfer, lease, mortgage all or part of the state-owned construction land use right to a third party. Upon receipt of the Certificate of State-owned Land Use Right Assignment, the land title will be subdivided into Individual Property Titles which will be issued to unit owners one year after completion of the development and turn-over of the units to the buyers. When all or part of the state-owned construction land use right is transferred, through sale of commercial units and high-rise condominium units to buyers, the rights and obligations specified in the Contract and in the land registration documents shall be transferred accordingly to the buyer. The use term will be the remaining years as of the date of transfer based on the original use term specified in the Contract.

When the use term under the Contract expires (residential: 70 years and commercial: 40 years) and the land user continues using the assigned land under the Contract, an application for renewal shall be submitted to the Chinese government not less than one (1) year prior to the expiration of the use term.

No subdivision land, condominium and residential units for sale were pledged as security to liabilities as of December 31, 2021 and 2020.

13. Other Current Assets

This account consists of:

	2021	2020
Input value-added tax (VAT)	**₱10,249,021,023**	₱11,432,179,257
Advances to suppliers	**5,191,796,358**	4,175,244,931
Prepaid expenses	**3,169,873,355**	3,275,215,633
Creditable withholding tax	**3,070,804,237**	2,693,702,525
Restricted cash	**1,818,639,034**	5,019,269,617
Advances to lot owners and joint operations	**25,734,743**	331,941,593
Utility deposits	**–**	8,719,131
Others	**164,091,862**	54,877,752
	₱23,689,960,612	₱26,991,150,439

Input VAT
Input tax pertains to VAT from purchases of goods and services, which will be claimed as credit against output tax liabilities in a manner prescribed by pertinent revenue regulations. The Group believes that the amount of input VAT is fully realizable in the future.

Restricted Cash
RLC has restricted cash that includes the deposits in local banks for the purchase of land and deposits of buyers of Chengdu Xin Yao which will mainly be used for construction of real estate inventories.

In 2020, CAI has restricted cash deposited with certain banks to secure standby letters of credit issued in favor of lessors.

Advances to Suppliers
Advances to suppliers include advance payments for the acquisition of raw materials, spare parts, packaging materials and other supplies. This also includes prepayments for the construction of residential projects.

Prepaid Expenses
This account consists of prepayments on rent, insurance, taxes, and office supplies.

Advances to Lot Owners and Joint Operations
Advances to lot owners consist of advance payments to land owners which will be applied against the acquisition cost of the real properties that will be acquired. The application is expected to be within twelve (12) months after the reporting date.

This also includes deposit to various joint operations partners representing share in an ongoing real estate development which will be liquidated at the end of the joint venture agreement. This deposit will be realized through RLC's share in the completed units or share in the sales proceeds of the units, depending on the agreement with the other party.

14. Investments in Associates and Joint Ventures

Details of this account follow:

	2021	2020
Acquisition cost:		
Balance at beginning of year	**₱107,272,930,100**	₱119,256,844,701
Additional investments	**655,599,541**	412,556,393
Reclassification to Investment in Subsidiary due to gain of control	**(275,293,071)**	–
Disposal of investment	**–**	(577,306,470)
Reclassification/transfer	**–**	(11,819,164,524)
Balance at end of year	**107,653,236,570**	107,272,930,100
Accumulated equity in net earnings:		
Balance at beginning of year	**33,854,782,744**	32,981,671,569
Equity in net earnings from continuing operations	**9,685,312,139**	7,584,634,408
Dividends received	**(4,985,370,666)**	(7,227,674,931)
Elimination of unrealized gains on downstream sales	**(404,888,166)**	(198,216,371)
Reclassification to Investment in Subsidiary due to gain of control	**(69,084,799)**	–
Equity in net earnings from discontinued operations	**–**	31,586,911
Reclassification/transfer	**–**	660,071,604
Accumulated equity in net losses (earnings) of disposed investment	**–**	22,709,554
Balance at end of year	**38,080,751,252**	33,854,782,744
Share in unrealized gain (loss) on financial assets at FVOCI of associates:		
Balance at beginning of year	**90,514,869**	34,851,584
Share in net changes in fair value of financial assets at FVOCI of associates	**34,483,923**	55,663,285
Balance at end of year	**124,998,792**	90,514,869

(Forward)

	2021	2020
Share in remeasurements of the net defined benefit liability of associates:		
Balance at beginning of year	**(₱1,610,065,526)**	(₱584,449,410)
Share in net changes in remeasurements of the net defined benefit liability of associates	**1,918,720,561**	(1,083,403,985)
Reclassification/transfer	**–**	57,787,869
	308,655,035	(1,610,065,526)
Cumulative translation adjustment	**200,844,018**	22,123,682
	146,368,485,667	139,630,285,869
Less allowance for impairment losses	**334,366,211**	297,450,397
	₱146,034,119,456	₱139,332,835,472

The composition of the carrying value of the Group's investments in associates and joint ventures and the related percentages of effective ownership interest are shown below:

	Effective Ownership		Carrying Value	
	2021	2020	**2021**	2020
			(In Million Pesos)	
Associates				
Domestic:				
Manila Electric Company (Meralco)	**29.56**	29.56	**₱83,185.1**	₱78,681.0
Oriental Petroleum and Mining Corporation (OPMC)	**19.40**	19.40	**776.6**	748.7
G2M Solutions Philippines Pte. Ltd (G2M)	**0.00**	0.00	**439.2**	381.1
Luzon International Premiere Airport Development Corp. (LIPAD)	**33.00**	33.00	**475.0**	358.4
Cebu Light Industrial Park, Inc. (CLIPI)	**20.00**	20.00	**58.7**	58.9
DHL Summit Solutions, Inc. (DSSI) formerly Summit Supply Chain Solutions, Inc.	**50.00**	50.00	**30.3**	1.2
Global Business Power Corporation (GBPC)*	—	30.00	–	–
GoTyme Bank Corporation	**24.24**	–	**354.7**	–
Foreign:				
Singapore Land Group Limited (formerly United Industrial Corp., Limited) (SLG)	**37.05**	37.05	**58,034.9**	56,026.9
Zyllem Pte. Ltd	**13.33**	13.33	**46.0**	54.9
Value Alliance Travel System Pte. Ltd. (formerly Air Block Box Asia Pacific Pte. Ltd.)	**10.18**	10.15	–	43.7
			143,400.5	136,354.8
Joint Ventures				
Domestic:				
RHK Land Corporation	**36.71**	36.58	**1,342.9**	1,341.6
Robinsons DoubleDragon Corporation	**40.21**	40.07	**672.6**	673.7
RLC DMCI Property Ventures, Inc	**30.59**	30.49	**375.4**	357.5
Philippine Academy for Aviation Training (PAAT)	**33.93**	33.82	**187.5**	218.8
1Aviation Groundhandling Services Corp.	**27.15**	27.05	–	–
Shang Robinsons Properties, Inc.	**30.49**	30.49	–	–
Vitasoy-URC, Inc (VURCI)	**27.67**	27.63	–	–
Danone Universal Robina Beverages, Inc. (DURBI)	**27.67**	27.63	–	–
Foreign:				
Proper Snack Foods Limited (PSFL)	**27.68**	27.68	–	341.1
Calbee – URC Malaysia Sdn. Bhd (CURM)	**27.63**	27.63	**55.2**	45.4
			2,633.6	2,978.1
			₱146,034.1	₱139,332.9

**Carrying value amounting to ₱11.1 billion as of December 31, 2020 has been reclassified to 'Assets held for sale'*

Material investees

Meralco

On June 14, 2017, the Parent Company acquired an additional 27,500,000 common shares of Meralco for a total cost of ₱6.9 billion. After this transaction, the total number of shares held by the Parent Company is 333,189,397 representing 29.56% of Meralco's total outstanding common shares.

OPMC

The Group accounts for its investment in OPMC as an associate although the Group holds less than 20.00% of the issued share capital, as the Group has the ability to exercise significant influence over the investment, due to the Group's voting power (both through its equity holding and its representation in key decision-making committees) and the nature of the commercial relationships with OPMC.

SLG

SLG, a company incorporated in Singapore, is engaged in residential property management. SLG follows the fair value model in measuring investment properties while the Group follows the cost model in measuring investment properties. The financial information of SLG below represents the adjusted amounts after reversal of the effect of revaluation and depreciation on the said assets.

GBPC

On December 23, 2020, the Parent Company entered into a share purchase agreement with Meralco PowerGen for the sale of 30% of the issued and outstanding shares of GBPC. The total consideration for the sale of the shares is around ₱11.4 billion which shall be paid in installments. The purchase price will be subject to adjustment based on the amount of dividends from GBPC that the Parent Company will be entitled to receive after the signing date. As of December 31, 2020, the carrying value is reclassified as 'Assets held for sale' in the consolidated statement of financial position.

The closing of the transaction was completed on March 31, 2021 with a consolidated net gain of ₱261.9 million. The Parent Company retained a beneficial interest over the carved-out land located in Iloilo, with an area of 286,771 sqm, on the sale of GBPC. As of December 31, 2021, the outstanding receivable related to the sale amounted ₱2.3 billion.

Fair value of investments in listed associates

As of December 31, 2021 and 2020, the Group's investments in the following listed investee companies have fair values of:

	Exchange Listed	2021	2020
Meralco	Philippine Stock Exchange	**₱98,357,509,994**	₱97,291,303,924
SLG	Singapore Exchange Limited	**52,144,810,151**	44,917,170,226
OPMC	Philippine Stock Exchange	**426,890,219**	474,708,952

As of December 31, 2021 and 2020, the breakdown of the total fair market value of the Group's investment in OPMC follows:

	2021	2020
Class A Common Stock	**₱99,115,847**	₱117,136,910
Class B Common Stock	**327,774,372**	357,572,042
	₱426,890,219	₱474,708,952

The fair value is based on the quoted price prevailing as of the reporting date.

Summarized below is the financial information of the significant associates of the Group:

- Summarized statements of financial position of the Group's significant associates as of December 31, 2021 and 2020:

	2021				2020			
	Meralco	**GBPC**	**SLG**	**OPMC**	Meralco	GBPC	SLG	OPMC
Current assets	**₱137,019,000,000**	**₱–**	**₱13,437,007,918**	**₱911,115,444**	₱128,382,000,000	₱18,645,218,822	₱14,009,378,256	₱878,847,676
Noncurrent assets	**346,463,000,000**	**–**	**333,353,169,780**	**3,867,790,558**	261,885,000,000	51,115,729,579	310,965,619,141	3,686,205,785
Current liabilities	**161,570,000,000**	**–**	**14,341,909,379**	**27,778,288**	142,600,000,000	15,351,679,468	21,097,792,531	21,275,297
Noncurrent liabilities	**216,469,000,000**	**–**	**20,952,007,383**	**105,519,920**	166,935,000,000	23,449,784,029	13,381,857,374	42,282,042
Equity	**₱105,443,000,000**	**₱–**	**₱311,496,260,936**	**₱4,645,607,794**	₱80,732,000,000	₱30,959,484,904	₱290,495,347,492	₱4,501,496,122
Group's carrying amount of the investment	**₱83,185,127,452**	**₱–**	**₱58,034,949,807**	**₱776,626,121**	₱78,680,964,375	₱11,101,305,051	₱56,026,898,785	₱748,668,457

As of December 31, 2021 and 2020, the Group's share in Meralco's net assets amounted to ₱31.2 billion and ₱23.9 billion, respectively. As of December 31, 2021 and 2020, the excess of the carrying value over the Group's share in Meralco's net assets is attributable to the notional goodwill and the difference between the fair value and carrying value of Meralco's net assets at the date of acquisition.

As of December 31, 2020, the Group's share in GBPC's net assets amounted to ₱9.3 billion. The excess of the Group's share in the carrying value of GBPC's net assets over the carrying value of the investment is attributable to the notional goodwill and the difference between the fair value and carrying value of GBPC's net assets at the date of acquisition.

As of December 31, 2021 and 2020, the Group's share in SLG's net assets amounted to ₱115.4 billion and 107.6 billion, respectively. The excess of the Group's share in the carrying value of SLG's net assets over the carrying value of the investment is attributable to the difference between the fair value and carrying value of SLG's net assets at the date of acquisition.

As of December 31, 2021 and 2020, the Group's share in OPMC's net assets amounted to ₱901.2 million and ₱873.3 million, respectively. The excess of the Group's share in the carrying value of OPMC's net assets over the carrying value of the investment is attributable to the difference between the fair value and carrying value of OPMC's net assets at the date of acquisition.

- Summarized statements of comprehensive income of the Group's significant associates for the period ended December 31, 2021, 2020 and 2019:

	2021				2020			
	Meralco	**GBPC**	**SLG**	**OPMC**	Meralco	GBPC	SLG	OPMC
Revenue	**₱318,547,000,000**	**₱–**	**₱22,258,422,308**	**₱269,030,748**	₱275,304,000,000	₱21,876,546,660	₱25,517,515,967	₱169,560,225
Expenses	**289,208,000,000**	**–**	**16,788,448,048**	**184,386,035**	254,313,000,000	15,538,527,602	16,677,920,134	134,808,203
Finance costs (income)	**(3,656,000,000)**	**–**	**(3,149,324,199)**	**24,704,295**	(1,424,000,000)	2,203,211,624	46,288,892	(79,762,983)
Profit before tax	**32,995,000,000**	**–**	**8,619,298,459**	**59,940,418**	22,415,000,000	4,134,807,434	8,793,306,941	114,515,005
Income tax expense	**8,912,000,000**	**–**	**1,382,194,643**	–	6,266,000,000	1,088,892,516	1,021,844,374	–
Profit for the year (continuing operations)	**₱24,083,000,000**	**₱–**	**₱7,237,103,816**	**₱59,940,418**	₱16,149,000,000	₱3,045,914,918	₱7,771,462,567	₱114,515,005
Other comprehensive income (loss) for the year	**6,987,000,000**	**–**	**–**	–	(4,299,000,000)	–	–	–
Total comprehensive income for the year (continuing operations)	**₱31,070,000,000**	**₱–**	**₱7,237,103,816**	**₱59,940,418**	₱11,850,000,000	₱3,045,914,918	₱7,771,462,567	₱114,515,005
Group's share of profit for the year	**₱6,730,478,760**	**₱–**	**₱2,681,346,964**	**₱13,430,956**	₱4,607,335,920	₱541,296,119	₱2,492,264,217	₱28,644,075

	2019			
	Meralco	GBPC	SLG	OPMC
Revenue	₱319,322,222,397	₱24,664,347,108	₱968,672,147	₱373,034,295
Expenses	289,069,727,910	17,390,229,780	467,453,130	299,805,689
Finance costs	(1,662,088,758)	2,264,670,273	2,930,980	–
Profit before tax	31,914,583,245	5,009,447,055	498,288,037	73,228,606
Income tax expense	8,543,046,152	1,102,612,239	41,642,037	–
Profit for the year (continuing operations)	₱23,371,537,093	₱3,906,834,816	₱456,646,000	₱73,228,606
Total comprehensive income for the year (continuing operations)	(2,995,676,854)	–	–	–
Total comprehensive income for the year (continuing operations)	₱20,375,860,239	₱3,906,834,816	₱456,646,000	₱73,228,606
Group's share of profit for the year	₱6,667,422,170	₱671,236,006	₱6,037,320,136	₱14,206,355

Individually immaterial investees

LIPAD

On February 18, 2019, the Parent Company invested in Luzon International Premiere Airport Development Corporation (LIPAD). The shares acquired represented 33% of LIPAD's total outstanding common shares. LIPAD is a corporation organized and incorporated in the Philippines to engage in the operation and maintenance of airports, whether operating as a domestic or international airport or both, including day-to-day administration, functioning, management, manning, upkeep, and repair of all facilities necessary for the use or required for the safe and proper operation of airports. In December 2020, the Parent Company made additional investment amounting to ₱115.5 million equivalent to 115.5 million shares. In September 2021, the Company made additional investment amounting to ₱132.0 million equivalent to 132.0 million shares.

CLIPI

As of December 31, 2020 and 2019, the Group has deposit for future stock subscription in CLIPI amounting to ₱10.0 million. These represents 20.0% of CLIPI's proposed increase in authorized capital stock.

G2M

On September 16, 2020, the Parent Company entered into an assignment of agreement with JG Digital Capital Pte. Ltd (JGDCPL) to assign all its rights and obligations in the investment.

In June 2021 and December 2020, JGDCPL invested in G2M's convertible note amounting to $0.7 million and $1.5 million, respectively.

As of December 31, 2021, the convertible note has been converted into 231,120 preferred shares of series A2 and 34,668 preferred shares of series B, equivalent to the Group's 14.17% ownership in G2M. The Group has one representation in the BOD of G2M.

PAAT

Investment in PAAT pertains to CAI's 60.00% investment in shares of the joint venture. However, the joint venture agreement between the CAI and CAE International Holdings Limited (CAE) states that CAI is entitled to 50.00% share on the net income/loss of PAAT. As such, the CAI recognizes equivalent 50.00% share in net income and net assets of the joint venture.

As of December 31, 2021 and 2020, CAI's investment in PAAT amounted to ₱187.4 million and ₱218.8 million, respectively.

DURBI

In 2018, URC made additional subscriptions to the unissued authorized capital stock of DURBI consisting of 5,000,000 common shares for a total cost of ₱82.5 million. The capital infusion was not presented as additional investment but was applied to the 2017 excess of the share in net loss over the investment.

In 2019, URC made additional subscriptions to the unissued authorized capital stock of DURBI consisting of 10,000,000 common shares for a total cost of ₱125.0 million. The capital infusion was not presented as additional investment but was applied to the 2017 excess of the share in net loss over the investment.

On April 19, 2021, URC made additional subscriptions to unissued authorized capital stock of DURBI consisting of 5,000,000 common shares for a total cost of ₱105.0 million.

PSFL

On June 30, 2017, Griffin's Food Limited (Griffin's) purchased 50.1% of the shares in Proper Snack Foods Ltd (a Nelson, New Zealand-based business with the 49.9% shareholder being an individual) for a total consideration of approximately NZ$8.0 million, or ₱282.1 million. PSFL manufactures and distributes crisps.

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 savory snack products. Total consideration amounted to MYR2.7 million (₱34.3 million).

Shang Robinsons Properties, Inc

On November 13, 2017, RLC's BOD approved the agreement with Shang Properties, Inc. (SPI) to form a joint venture corporation (JVC).

On May 23, 2018, Shang Robinsons Properties, Inc., the JVC, was incorporated. Both RLC and SPI each own 50% of the outstanding shares in the JVC. The office address of the JVC is at Lower Ground Floor, Cyber Sigma Building, Lawton Avenue, Fort Bonifacio Taguig.

RLC and SPI, through the JVC, shall build and develop a property situated at McKinley Parkway corner 5th Avenue and 21st Drive at Bonifacio Global City, Taguig, Metro Manila. The project is intended to be a mixed-use development and may include residential condominium units, serviced apartments and commercial retail outlets. The JVC also plans to pursue other development projects.

RHK Land Corporation

On February 5, 2018, RLC's BOD approved the agreement with Hong Kong Land Group (HKLG) represented by Hong Kong Land International Holdings, Ltd. and its subsidiary Ideal Realm Limited to form a joint venture corporation (JVC).

On June 14, 2018, RHK Land Corporation, the JVC, was incorporated. RLC and HKLG owns 60% and 40%, respectively, of the outstanding shares in the JVC. The principal office of the JVC is at 12F Robinsons Cyberscape Alpha, Sapphire and Garnet Roads, Ortigas Center, Pasig City.

RLC and HKLG, through the JVC, shall engage in the acquisition, development, sale and leasing of real property. The JVC shall initially undertake the purchase of a property situated in Block 4 of Bridgetowne East, Pasig City, develop the property into a residential enclave and likewise carry out the marketing and sales of the residential units. The JVC also plans to pursue other development projects.

On October 2018, RLC entered into a Shareholder Loan Agreement with the JVC. Repayment date falls on the fifth anniversary of the effective date.

Robinsons DoubleDragon Corporation (RDDC)

On December 26, 2019, Robinsons DoubleDragon Corp. (RDDC) was incorporated as the joint venture company (JVC) between RLC and DoubleDragon Corporation. The primary purpose is to engage in realty development.

RLC DMCI Property Ventures, Inc.

In October 2018, the Parent Company entered into a Joint Venture Agreement with DMCI Project Developers, Inc. (DMCI PDI) to develop, construct, manage, and sell a residential condominium situated in Las Piñas City. Both parties agreed to incorporate a joint venture corporation where each party will hold a 50% ownership.

On March 18, 2019, RLC DMCI Property Ventures, Inc. (RLC DMCI) was incorporated as the joint venture company (JVC) between RLC and DMCI PDI. The proposed project is intended to be a multi-tower residential condominium and may include commercial spaces.

DHL Summit Solutions, Inc. (DSSI)
On December 18, 2019, the Parent Company invested in DSSI. DSSI was incorporated on October 1, 2019 and shall engage in the business of providing domestic transportation, logistics, warehousing and distribution of cargoes, and other supply chain management activities. DSSI started commercial operations in July 2020.

Zyllem Pte. Ltd.
In August 2019, JGDCPL invested in 7,476,857 Series A+ shares of Zyllem Pte. Ltd. (Zyllem) at SGD0.1806 per share, or total subscription price of SGD1.35 million. Zyllem is a private company incorporated and based in Singapore that provides fast, cost-effective and reliable on-demand delivery service. Zyllem operates in certain cities in Southeast Asia. Post-subscription, JGDCPL holds 13.33% ownership interest in Zyllem. Also, under the Shareholders' Agreement, subject to JGDCPL holding less than 10.00% ownership interest, JGDCPL is entitled to appoint one (1) director. The investment in Zyllem is accounted for as investment in an associate since the Group has one representation on the BOD of Zyllem.

On November 13, 2020, JGDCPL invested in convertible note with face value of SGD0.3 million equivalent to ₱10.7 million.

Aviation Partnership (Philippines) Corporation (A-Plus) and SIA Engineering (Philippines) Corporation (SIAEP)
CAI's investment in APPC and SIAEP were established for the purpose of providing line, light and heavy maintenance services to foreign and local airlines, utilizing the facilities and services at airports in the country, as well as aircraft maintenance and repair organizations.

APPC was incorporated in the Philippines on May 24, 2005 and started commercial operations on July 1, 2005 while SIAEP was incorporated on July 27, 2008 and started commercial operations on August 17, 2009.

On October 26, 2020, CAI signed a Share Sale and Purchase Agreement (SPA) with SIA Engineering Company Limited (SIAEC) for the acquisition of SIAEC's entire 51% shareholding in A-Plus. The consideration paid was US$5,607,378 and consists of a one-time payment in cash. The consideration was arrived at after arm's length negotiations on a willing-buyer, willing-seller basis and took into account, inter alia, the net asset value and financial performance of A-Plus.

On November 3, 2020, CAI and SIAEC signed the Deed of Absolute Sale of Shares for this transaction making A-Plus a wholly owned subsidiary of CAI.

On October 26, 2020, CAI also entered into an SPA with SIAEC to divest CAI's 35% shareholding in SIAEP which resulted in a gain on disposal of ₱34.5 million. This divestment is in line with CAI's strategy to streamline its fleet management and rationalize its aircraft base maintenance, repair and overhaul offerings to optimize its operational efficiency and further strengthen its core competencies. The consideration received was US$7,740,000 via a one-time cash receipt. The consideration was arrived at after arm's length negotiations on a willing-buyer, willing-seller basis and took into account, inter alia, the net asset value and financial performance of SIAEP. On November 3, 2020, CAI and SIAEC signed the Deed of Absolute Sale of Shares for this transaction, thus, CAI no longer has any equity interest in SIAEP.

GoTyme Bank Corporation
On February 18, 2021, RBC entered into a joint venture agreement with RLC, Robinsons Retail Holdings, Inc (RRHI) and Tyme Global Limited (TGL) to establish a joint venture company (JVC) which will operate a digital bank in the Philippines and have its own banking license and independent governance structure, subject to the approval of the Bangko Sentral ng Pilipinas (BSP). The initial funding and capital structure required RBC, RLC and RRHI, named as the founding shareholders, to contribute a pro rata portion up to ₱1.25 billion. The shareholder percentage of the RBC, RLC, RRHI and TGL upon incorporation shall be 20.00%, 20.00%, 20.00% and 40.00%, respectively of the share capital and voting rights of the JVC.

On August 24, 2021 RBC's equity investment of ₱250.00 million representing 20% ownership of the digital bank which was named GoTyme Bank Corporation (GoTyme) was approved by the BSP. After securing Certificate of Authority to Register from the Monetary Board, the SEC approved the Certificate of Incorporation of GoTyme on December 28, 2021.

Aggregate information of associates and joint ventures that are not individually material follows:

	2021		2020	
	Associates	**Joint Venture**	Associates	Joint Venture
Group's share of:				
Profit (loss) for the year	**(₱71,897,453)**	**(₱142,020,053)**	₱38,771,914	₱92,425,640
Other comprehensive income for the year	**34,311,225**	**(829,958)**	–	–
Total comprehensive income for the year	**(₱37,586,228)**	**(₱142,850,011)**	₱38,771,914	₱92,425,640
Group's share of dividends for the year	**₱858,000**	**₱–**	₱1,000,000	₱–
Group's carrying amount of the investment	**₱1,591,340,544**	**₱2,446,075,532**	₱898,261,334	₱2,978,042,521

Investment in Subsidiaries
Financial information of subsidiaries that have material non-controlling interest is provided below:

- Portion of equity interest held by non-controlling interest

Name of Subsidiary	Country of Incorporation and Operation	**December 31, 2021**	December 31, 2020
Universal Robina Corporation (URC)	Philippines	**44.67**	44.75
Robinsons Land Corporation (RLC)	Philippines	**38.81**	39.03
Cebu Air, Inc. (CAI)	Philippines	**33.44**	32.20
Robinsons Bank Corporation (RBC)	Philippines	**40.00**	40.00

- Accumulated balances of material non-controlling interest:

Name of Subsidiary	**2021**	2020
URC	**₱49,223,254,071**	₱46,809,364,089
RLC	**53,256,706,275**	40,628,491,243
CAI	**3,547,418,178**	7,291,166,799
RBC	**7,385,219,207**	7,330,245,744

- Profit allocated to material non-controlling interest:

Name of Subsidiary	**2021**	2020
URC	**₱11,357,840,269**	₱5,686,835,451
RLC	**3,581,897,568**	2,049,886,134
CAI	**(8,224,937,882)**	(7,145,696,887)
RBC	**496,813,569**	373,834,767

The summarized financial information of subsidiaries with material non-controlling interest are provided below. This information is based on amounts before inter-company eliminations.

- Summarized statement of financial position as at December 31, 2021:

	URC	RLC	CAI	RBC
Current assets	**₱67,334,803,230**	**₱76,576,928,084**	**₱26,326,925,128**	**₱174,711,418,012**
Noncurrent assets	**85,322,016,682**	**151,373,010,938**	**111,926,836,197**	**5,084,285,681**
Current liabilities	**39,028,100,222**	**48,312,930,753**	**35,406,169,941**	**160,305,042,168**
Noncurrent liabilities	**3,860,985,858**	**49,287,044,246**	**92,237,846,171**	**1,027,613,507**

- Summarized statement of financial position as at December 31, 2020:

	URC	RLC	CAI	RBC
Current assets	₱65,562,838,524	₱78,953,290,052	₱12,138,683,588	₱146,676,027,057
Noncurrent assets	110,632,091,743	136,247,435,005	116,319,897,988	4,539,360,153
Current liabilities	53,667,829,890	52,974,616,397	33,790,839,089	131,975,249,476
Noncurrent liabilities	24,742,938,443	59,508,077,025	71,976,865,872	914,523,375

- Summarized statements of comprehensive income for 2021:

	URC	RLC	CAI	RBC
Revenue	**₱116,954,788,444**	**₱36,539,417,580**	**₱15,740,756,856**	**₱8,312,410,745**
Profit (loss) for the year from continuing operations	**12,965,308,196**	**8,500,642,323**	**(24,898,602,887)**	**1,216,105,043**
Total comprehensive income	**26,014,812,504**	**8,659,224,059**	**(24,723,489,005)**	**111,504,762**
Dividends paid to non-controlling interests	**3,688,507,837**	**731,965,538**	–	–

- Summarized statements of comprehensive income for 2020:

	URC	RLC	CAI	RBC
Revenue	₱133,140,081,384	₱25,404,826,534	₱22,617,967,165	₱8,401,849,879
Profit (loss) for the year from continuing operations	11,624,602,710	5,259,364,231	(22,236,441,976)	934,586,917
Total comprehensive income	9,882,497,384	4,923,206,500	(22,165,338,382)	1,265,139,991
Dividends paid to non-controlling interests	3,449,909,754	1,023,801,914	–	–

- Summarized statements of comprehensive income for 2019:

	URC	RLC	CAI	RBC
Revenue	₱134,174,527,579	₱30,583,835,565	₱84,806,810,363	₱8,121,662,955
Profit for the year from continuing operations	10,114,683,777	8,692,609,758	9,122,952,680	719,426,508
Total comprehensive income	11,004,041,325	8,763,698,639	9,125,843,406	1,712,920,576
Dividends paid to non-controlling interests	3,395,036,779	1,019,391,907	1,354,532,703	–

- Summarized statements of cash flows for 2021:

	URC	RLC	CAI	RBC
Operating	**₱13,466,484,460**	**₱13,092,058,668**	**(₱6,257,070,999)**	**₱24,145,654,169**
Investing	**(11,629,566,691)**	**(20,646,128,162)**	**10,428,221,098**	**(8,330,479,125)**
Financing	**(3,744,625,910)**	**12,199,584,494**	**9,056,691,866**	**(7,829,305,386)**
Effect of exchange rate changes	–	–	**590,110,620**	**49,786,866**
Net cash flows	**(₱1,907,708,141)**	**₱4,645,515,000**	**₱13,817,952,585**	**₱8,035,656,524**

- Summarized statements of cash flows for 2020:

	URC	RLC	CAI	RBC
Operating	₱18,936,381,384	₱12,676,825,680	(₱13,216,604,168)	₱14,241,687,736
Investing	(11,352,455,654	(12,303,802,822)	3,508,206,021	(722,941,692)
Financing	(9,202,794,126)	6,570,797,403	(3,940,966,965)	(2,306,284,717)
Effect of exchange rate changes	–	–	(221,963,106)	87,417,783
Net cash flows	₱9,733,587,258	₱6,943,820,261	(₱13,871,328,218)	₱11,299,879,110

- Summarized statements of cash flows for 2019:

	URC	RLC	CAI	RBC
Operating	₱15,610,917,681	₱18,130,230,953	₱29,244,053,595	(₱9,356,844,870)
Investing	(1,753,099,045)	(15,658,603,768)	(20,812,478,783)	1,867,570,934
Financing	(6,396,659,690)	2,044,970,511	(6,601,315,417)	4,164,929,253
Effect of exchange rate changes	–	–	(527,534,227)	9,141,111
Net cash flows	₱7,461,158,946	₱4,516,597,696	₱1,302,725,168	(₱3,315,203,572)

15. Investment Properties

Movements in this account follow:

	2021			
	Land and Land Improvements	**Buildings and Improvements**	**Construction In-Progress**	**Total**
Cost				
Balance at beginning of year	**₱33,952,364,096**	**₱98,612,692,755**	**₱12,871,420,252**	**₱145,436,477,103**
Additions	**1,063,610,548**	**2,036,027,808**	**10,354,187,044**	**13,453,825,400**
Disposals/transfers and other adjustments	**566,382,276**	**5,156,629,001**	**(1,527,652,552)**	**4,195,358,725**
Balance at end of year	**35,582,356,920**	**105,805,349,564**	**21,697,954,744**	**163,085,661,228**
Accumulated Depreciation and Amortization				
Balance at beginning of year	**212,441,497**	**40,522,223,759**	**–**	**40,734,665,256**
Depreciation and amortization	**27,011,136**	**4,493,388,468**	**–**	**4,520,399,604**
Disposals/transfers and other adjustments	**–**	**54,850,069**	**–**	**54,850,069**
Balance at end of year	**239,452,633**	**45,070,462,296**	**–**	**45,309,914,929**
Allowance for Impairment Losses				
Balance at beginning of year	**25,205,389**	**1,520,545**	**–**	**26,725,934**
Provision for impairment losses	**(6,535)**	**101,695**	**–**	**95,160**
Disposals/transfers and other adjustments	**(11,306,787)**	**(1,253,507)**	**–**	**(12,560,294)**
Balance at end of year	**13,892,067**	**368,733**	**–**	**14,260,800**
	₱35,329,012,220	**₱60,734,518,535**	**₱21,697,954,744**	**₱117,761,485,499**

	2020			
	Land and Land Improvements	Buildings and Improvements	Construction In-Progress	Total
Cost				
Balance at beginning of year	₱33,211,109,147	₱95,036,367,934	₱7,012,269,569	₱135,259,746,650
Additions	1,641,867,500	1,515,051,620	7,145,187,166	10,302,106,286
Disposals/transfers and other adjustments	(900,612,551)	2,061,273,201	(1,286,036,483)	(125,375,833)
Balance at end of year	33,952,364,096	98,612,692,755	12,871,420,252	145,436,477,103
Accumulated Depreciation and Amortization				
Balance at beginning of year	184,401,753	36,047,768,445	–	36,232,170,198
Depreciation and amortization	28,039,744	4,308,960,652	–	4,337,000,396
Disposals/transfers and other adjustments		165,494,670	–	165,494,670
Balance at end of year	212,441,497	40,522,223,767	–	40,734,665,264
Allowance for Impairment Losses				
Balance at beginning of year	25,930,193	1,400,223	–	27,330,416
Provision for impairment losses	8,679	144,448	–	153,127
Reversal of impairment losses	(733,483)	(24,126)	–	(757,609)
Balance at end of year	25,205,389	1,520,545	–	26,725,934
	₱33,714,717,210	₱58,088,948,443	₱12,871,420,252	₱104,675,085,905

Investment properties consist mainly of land held for appreciation, shopping malls or commercial centers, office buildings and warehouses that are held to earn rentals. Also included under this account are the properties acquired by the Group's banking segment through foreclosures. Most of the Group's properties are in prime locations across the Philippines.

Construction in progress amounting to ₱18.2 billion and ₱12.9 billion as of December 31, 2021 and 2020, respectively, represents the cost of ongoing construction and development of malls and office buildings for lease.

Borrowing costs capitalized amounted to ₱0.76 billion and ₱0.43 billion in 2021 and 2020, respectively. These amounts were included in the consolidated statements of cash flows under additions to investment properties. The capitalization rate used to determine the amount of borrowing costs eligible for capitalization in 2021 and 2020 were 4.59% and 4.54%, respectively.

Consolidated rent income from investment properties included under 'Real estate and hotels revenue' in the consolidated statements of comprehensive income amounted to ₱11.1 billion, ₱10.6 billion and ₱15.4 billion in 2021, 2020 and 2019, respectively.

Property operations and maintenance costs included under 'Cost of services' arising from investment properties amounted to ₱701.0 million, ₱492.0 million and ₱680.0 million for the years ended December 31, 2021, 2020 and 2019, respectively.

There are no investment properties as of December 31, 2021 and 2020 that are pledged as security to liabilities. The Group has no restrictions on the realizability of its investment properties.

The total contractual commitments arising from awarded contracts for the acquisition, development and construction of investment properties amounted to ₱17,428 million and ₱15,155 million, as of December 31, 2021 and 2020, respectively.

Gain on sale or retirement and disposal of investment properties amounted to nil, ₱17.4 million and nil for the years ended December 31, 2021, 2020 and 2019, respectively.

Depreciation and Amortization

The breakdown of consolidated depreciation and amortization on investment properties follows:

	2021	2020	2019
Depreciation and amortization expense included under:			
Cost of services (Note 33)	**₱4,472,397,346**	₱4,295,854,563	₱4,023,366,050
General and administrative expenses (Note 33)	**48,002,258**	41,145,833	33,902,383
	₱4,520,399,604	₱4,337,000,396	₱4,057,268,433

Collaterals

As of December 31, 2021 and 2020, the Group has no investment properties that are pledged as collateral.

16. Property, Plant and Equipment

The composition of and movements in this account follow:

	December 31, 2021							
	Land and Improvements	Buildings and Improvements	Machinery and Equipment	Transportation, Furnishing and Other Equipment	Passenger Aircraft and Other Flight Equipment	Construction In-progress	Equipment In-transit	Total
Cost								
Balance at beginning of year	₱9,566,537,042	₱34,651,992,151	₱141,559,147,857	₱14,395,796,182	₱103,594,306,722	₱87,232,626,516	₱4,915,650,424	₱395,916,056,894
Additions	2,882,381,568	3,065,547,359	8,733,705,508	1,110,703,361	543,936,245	15,644,048,812	301,878,587	32,282,201,440
Additions from acquisition of subsidiaries	157,270,576	685,144,291	2,847,961,888	169,491,000	–	8,978,069	–	3,868,845,824
Divestment of business	(1,617,151,577)	(4,099,446,242)	(10,457,586,250)	(734,302,119)	–	(3,296,678,447)	–	(20,205,164,635)
Transfers, disposals and other adjustments	(180,489,699)	(302,916,960)	28,241,229,151	(173,325,962)	(17,872,065,986)	(43,553,151,581)	7,132,671,610	(26,708,049,427)
Balance at end of year	10,808,547,910	34,000,320,599	170,924,458,154	14,768,362,462	86,266,176,981	56,035,823,369	12,350,200,621	385,153,890,096
Accumulated Depreciation and Amortization								
Balance at beginning of year	1,877,079,448	16,640,451,460	75,346,485,197	11,843,405,682	29,760,620,218	–	–	135,468,042,005
Depreciation and amortization	212,489,880	1,768,250,464	7,541,450,765	1,126,235,095	7,374,618,073	–	–	18,023,044,277
Additions from acquisition of subsidiaries	–	154,184,417	1,545,514,228	122,226,991	–	–	–	1,821,925,636
Divestment of business	(41,823,247)	(1,835,921,536)	(6,811,758,947)	(611,726,104)	–	–	–	(9,301,229,834)
Disposals, transfers and other adjustments	(27,171,327)	(158,288,313)	(1,082,340,135)	(128,740,591)	(9,474,929,034)	–	–	(10,871,469,400)
Balance at end of year	2,020,574,754	16,568,676,492	76,539,351,108	12,351,401,073	27,660,309,257	–	–	135,140,312,684
Allowance for Impairment Losses								
Balance at beginning of year	11,385,054	1,194,537	19,416,265	279,328	–	–	–	32,275,184
Provision for (reversal of) impairment losses (Note 34)	–	42,652,343	389,978,928	–	–	–	–	432,631,271
Balance at end of year	11,385,054	43,846,880	409,395,193	279,328	–	–	–	464,906,455
Net Book Value at End of Year	₱8,776,588,102	₱17,387,797,227	₱93,975,711,853	₱2,416,682,061	₱58,605,867,724	₱56,035,823,369	₱12,350,200,621	₱249,548,670,957

	December 31, 2020							
	Land and Improvements	Buildings and Improvements	Machinery and Equipment	Transportation, Furnishing and Other Equipment	Passenger Aircraft and Other Flight Equipment	Construction In-progress	Equipment In-transit	Total
Cost								
Balance at beginning of year	₱7,880,937,530	₱36,161,110,685	₱132,350,689,804	₱12,599,686,600	₱118,200,275,859	₱73,207,836,386	₱5,053,650,131	₱385,454,186,995
Additions	53,638,164	1,223,980,637	7,291,843,198	788,088,965	3,531,787,491	14,063,691,815	93,748,991	27,046,779,261
Acquisition of assets that qualified as a business	1,757,652,552	158,230,318	2,587,630,231	–	–	–	–	4,503,513,101
Transfers, disposals and other adjustments	(125,691,204)	(2,891,329,489)	(671,015,376)	1,008,020,617	(18,137,756,628)	(38,901,685)	(231,748,698)	(21,088,422,463)
Balance at end of year	9,566,537,042	34,651,992,151	141,559,147,857	14,395,796,182	103,594,306,722	87,232,626,516	4,915,650,424	395,916,056,894
Accumulated Depreciation and Amortization								
Balance at beginning of year	1,672,654,959	15,415,406,938	68,717,381,262	9,892,037,131	30,481,614,557	–	–	126,179,094,847
Depreciation and amortization	218,383,239	1,431,573,502	7,619,683,084	1,102,519,307	9,110,848,227	–	–	19,483,007,359
Disposals, transfers and other adjustments	(13,958,750)	(206,528,980)	(990,579,149)	848,849,244	(9,831,842,566)	–	–	(10,194,060,201)
Balance at end of year	1,877,079,448	16,640,451,460	75,346,485,197	11,843,405,682	29,760,620,218	–	–	135,468,042,005
Allowance for Impairment Losses								
Balance at beginning of year	11,385,054	1,194,537	19,416,265	279,328	–	–	–	32,275,184
Provision for (reversal of) impairment losses (Note 34)	–	–	–	–	–	–	–	–
Disposals, transfers and other adjustments	–	–	–	–	–	–	–	–
Balance at end of year	11,385,054	1,194,537	19,416,265	279,328	–	–	–	32,275,184
Net Book Value at End of Year	₱7,678,072,540	₱18,010,346,154	₱66,193,246,395	₱2,552,111,172	₱73,833,686,504	₱87,232,626,516	₱4,915,650,424	₱260,415,739,705

Acquisition of CACI Sugar Mill, Roxol Bioethanol Plant and NAVI Shares
URC 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 (Roxol) for the acquisition of sugar mill, bio-ethanol plant and shares held by RHI in NAVI.

On September 30, 2020, URC 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.

Sale of Tolong Millsite
In January 2021, URC 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 of ₱1.2 billion. Gain on disposal attributable to the sale amounted to ₱18.9 million, which was recognized under 'Other Operating Income (Expenses)' in the consolidated statement of comprehensive income (Note 29).

Reversal of impairment loss
In 2019, following the review of the Petrochemical business, the outlook for the industry and Petrochemical's operating plan, the Group recognized a reversal of impairment loss amounting to ₱2.3 billion. The expansion of its Naphtha Cracker Plant in 2020 generated economies of scale that decreased the Group's olefins costs, which led to higher polymer margins. In 2021, the Petrochemical's polymer plant with expanded polypropylene (PP) production capacity started commercial operations.

Construction in-progress
CAI
Construction in-progress represents the cost of aircraft and engine modifications in progress and buildings and improvements and other ground property under construction. Construction in-progress is not depreciated until such time when the relevant assets are completed and available for use. As of December 31, 2021 and 2020, the Group's pre-delivery payments capitalized as construction in-progress amounted to ₱14.7 billion and ₱16.3 billion, respectively.

URC
Construction-in-progress amounting to ₱7.6 billion and ₱10.7 billion as of December 31, 2021 and 2020, respectively, represents costs of ongoing expansion and constructions of plants.

JGSOC
Construction-in-progress amounting to ₱1.3 billion and ₱19.9 billion as of December 31, 2021 and 2020, respectively, represents the construction costs of the Naphtha Cracker Plant. The plant is intended for the production primarily of polymer grade ethylene, polymer grade propylene, partially hydrogenated pyrolysis gasoline and pyrolysis fuel oil.

JGSPC
Construction-in-progress amounting to ₱36.3 billion and ₱37.2 billion as of December 31, 2021 and 2020, respectively, represents the expansion and rehabilitation of polypropylene and polyethylene plant.

Depreciation and Amortization
The breakdown of consolidated depreciation and amortization on property, plant and equipment follows:

	2021	2020	2019
General and administrative expenses (Note 33)	**₱8,651,457,832**	₱10,224,596,609	₱10,267,006,135
Cost of sales (Note 33)	**7,822,566,296**	7,603,987,001	7,053,345,008
Cost of services (Note 33)	**723,784,809**	829,042,388	886,915,076
Discontinued operations (Note 44)	**825,235,340**	825,381,361	824,923,267
	₱18,023,044,277	₱19,483,007,359	₱19,032,189,486

Property, Plant and Equipment Pledged as Collateral
Passenger aircraft held as securing assets under various loans
CAI entered into various Export Credit Agency (ECA) loans and commercial loan facilities to finance the purchase of its aircraft and engines. As of December 31, 2021 and 2020, the Group's passenger aircraft and engines held as securing assets under various loans are as follows:

	2021	2020
	Commercial Loans	Commercial Loans
ATR 72-600	**12**	12
A321 CEO	**7**	7
A321 NEO	**6**	6
A320 CEO	**5**	17
A330 CEO	**2**	2
	32	44

Under the terms of the commercial loan facilities (Note 23), upon the event of default, the outstanding amount of loan (including accrued interest) will be payable by the SPEs. Under the terms of commercial loan facilities from local banks, upon event of default, the outstanding amount of loan will be payable, including interest accrued by CAI. Failure to pay the obligation will allow the respective lenders to foreclose the securing assets.

As of December 31, 2021 and 2020, the carrying amounts of the securing assets (included under the 'Property and equipment' account) amounted to ₱49.8 billion and ₱64.5 billion, respectively.

Forward Sale Agreement
On December 18, 2018, CAI signed a forward sale agreement with Sunrise Asset Management, a subsidiary of Allegiant Travel Company (collectively known as "Allegiant") covering three (3) A320 aircraft. The aircraft were delivered on various dates within 2019 and CAI recognized ₱352.1 million loss on sale in the consolidated statement of comprehensive income in 2019.

In 2019, CAI entered into an engine sale agreement with RRPF Engine Leasing Limited for two (2) Rolls–Royce Trent 772B engines, delivered in August and September, which resulted in a gain of ₱126.4 million.

In September and October 2020, CAI sold eight (8) CFM56 engines as part of a sale and leaseback transaction with SMBC Aero Engine Lease B.V. The lease portion is an arrangement of short- and long-term leases between 18 months to eight (8) years, respectively. The sale portion resulted in a gain of ₱152.9 million.

In November 2020, CAI sold five (5) A320 aircraft as part of a sale and leaseback transaction with EOS Aviation 6 (Ireland) Limited. The lease portion is an arrangement of leases ranging between three (3) to four (4) years. The sale portion resulted in a loss of ₱412.9 million.

In December 2021, CAI entered into a sale and leaseback agreement with Avolon Leasing Ireland 3 Limited, Vmo Aircraft Leasing 32 (Ireland) Limited and Vmo Aircraft Leasing 33 (Ireland) Limited for seven (7) A320 aircraft. The lease portion consists of leases between three (3) to five (5) years. The sale portion resulted in a gain of ₱1,388.7 million and is included "Gain (loss) on sale of aircraft" under 'Other Operating Income (Expenses)' in the consolidated statement of comprehensive income (Note 29).

Proceeds from sale of property and equipment for the years ended December 31, 2021 and 2020 amounted to ₱10,705.9 million and ₱7,336.3 million, respectively.

Operating Fleet

As of December 31, 2021 and 2020, the Group's operating fleet follow:

	2021	2020
Leased aircrafts: (Note 42)		
Airbus A320 CEO	**18**	22
Airbus A321 CEO	**7**	7
Airbus A330 CEO	**4**	6
Airbus A330 NEO	**2**	–
Airbus A321 NEO	**9**	7
Airbus A320 NEO	**6**	5
ATR 72-600	**2**	1
Owned aircrafts: (Note 23)		
ATR 72-600	**12**	12
ATR 72-500	**8**	8
Airbus A320 CEO	**4**	4
Airbus A330 CEO	**2**	2
	74	74

Included in construction in-progress is the cost of airframe and engine construction in-progress and buildings and improvements and other ground property under construction. Construction in-progress is not depreciated until such time when the relevant assets are completed and available for use. As of December 31, 2021 and 2020, CAI's capitalized pre-delivery payments as construction in-progress amounted to ₱14.7 billion and ₱16.3 billion, respectively. For the years ended December 31, 2021 and 2020, CAI received pre-delivery payment refunds for delivered aircrafts from Airbus which amounted to ₱5.9 billion and ₱1.2 billion, respectively.

As of December 31, 2021 and 2020, CAI has six (6) and fifteen (15) aircraft parked for storage at Asia Pacific Aircraft Storage in Alice Springs, Australia as part of its cost-cutting measures amid the COVID-19 pandemic.

Gain (loss) on sale or retirement of property, plant and equipment amounted to ₱2.2 billion, (₱3.7 billion) and (₱2.2 billion) in 2021, 2020 and 2019, respectively.

As of December 31, 2021 and 2020, the gross amount of fully depreciated property and equipment which are still in use by the Group amounted to ₱7.3 billion and ₱6.5 billion, respectively.

17. 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		
Commercial	**₱62,326,102**	₱74,123,306
Breeder	**74,194,347**	42,920,185
Poultry		
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
Balance 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)
Gains arising from changes in fair value less estimated costs to sell	**2,550,156**	37,039,948
	₱298,250,510	₱234,251,397

As of December 31, 2021 and 2020, the Group has about 11,469 and 21,142 heads of swine, respectively, and about 944,600 and 589,315 heads of poultry, respectively.

18. Intangible Assets

The composition and movements in this account follow:

	2021						
	Technology Licenses	Branch licenses and others	Software Costs	Trademarks and Brands	Product Formulation	Customer Relationship	Total
Cost							
Balance at beginning of year	₱552,331,752	₱1,766,632,510	₱1,676,561,508	₱9,564,461,252	₱425,000,000	₱2,201,281,165	₱16,186,268,187
Additions	–	552,372	290,075,607	10,959,942	–	–	301,587,921
Additions due to business combination	–	1,497,003		1,306,573,016	–	–	1,308,070,019
Disposals/reclassification/others	–	540,001	(57,178,788)	(9,286,328,918)	–	(2,201,281,165)	(11,544,248,870)
Balance at end of year	552,331,752	1,769,221,886	1,909,458,327	1,595,665,292	425,000,000	–	6,251,677,257
Accumulated Amortization and Impairment Losses							
Balance at beginning of year	552,331,752	–	881,720,305	201,524,581	–	395,790,354	2,031,366,992
Amortization	–	–	318,805,549	–	–	–	318,805,549
Disposals/reclassifications	–	–	(55,400,656)	–	–	(395,790,354)	(451,191,010)
Balance at end of year	552,331,752	–	1,145,125,198	201,524,581	–	–	1,898,981,531
Net Book Value at End of Year	₱–	₱1,769,221,886	₱764,333,129	₱1,394,140,711	₱425,000,000	₱–	₱4,352,695,726

	2020						
	Technology Licenses	Branch licenses and others	Software Costs	Trademarks and Brands	Product Formulation	Customer Relationship	Total
Cost							
Balance at beginning of year	₱552,331,752	₱1,765,822,935	₱1,151,330,104	₱9,564,461,252	₱425,000,000	₱2,201,281,165	₱15,660,227,208
Additions	–	809,575	519,107,339	–	–	–	519,916,914
Disposals/reclassification/others	–	–	6,124,065	–	–	–	6,124,065
Balance at end of year	552,331,752	1,766,632,510	1,676,561,508	9,564,461,252	425,000,000	2,201,281,165	16,186,268,187
Accumulated Amortization and Impairment Losses							
Balance at beginning of year	552,331,752	–	671,865,818	201,524,581	–	336,114,658	1,761,836,809
Amortization	–	–	190,672,483	–	–	69,251,299	259,923,782
Disposals/reclassifications	–	–	19,182,004	–	–	(9,575,603)	9,606,401
Balance at end of year	552,331,752	–	881,720,305	201,524,581	–	395,790,354	2,031,366,992
Net Book Value at End of Year	₱–	₱1,766,632,510	₱794,841,203	₱9,362,936,671	₱425,000,000	₱1,805,490,811	₱14,154,901,195

<u>Technology Licenses</u>
Technology licenses represent the cost of JGSPC's technology and licensing agreements which cover the construction, manufacture, use and sale of PE and PP lines. JGSPC's technology licenses were fully impaired in 2006.

<u>Branch Licenses and Others</u>
Branch licenses pertain to RBC which amounted to ₱0.8 billion in 2021 and 2020. Others include intangible assets which arose from the acquisition of Cebgo, Inc. These assets represent CAI's costs to establish brand and market opportunities under the strategic alliance with Cebgo, Inc. amounting to ₱852.2 million.

Branch licenses have been allocated to the branch banking group as the cash-generating units (CGU) for impairment testing.

The recoverable amount of the CGU has been determined based on value-in-use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. Key assumptions used in the value in use calculation are pre-tax discount rate and growth rate, which are at 12.08% and 5.06%, respectively in 2021, and 12.51% and 4.90%, respectively in 2020. Management believes that no reasonably possible change in any of the key assumptions used would cause the carrying value of the CGUs to exceed their recoverable amount.

<u>Trademarks, Product Formulation, Brands and Customer Relationships</u>
Trademarks and product formulation were acquired from General Milling Corporation in 2008. Total intangible assets acquired from the acquisition of CSPL and Griffin's in 2016 and 2014, respectively, 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 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 from 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 long-term 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 from 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.

19. Goodwill

Movements in the Group's goodwill account follow:

	2021	2020
Cost		
Balance at beginning	**₱32,431,403,675**	₱32,276,536,238
Acquisition of subsidiaries	**20,372,536,452**	–
Disposals	**(30,295,309,039)**	–
Additions due to business combination	**–**	154,867,437
Balance at end of year	**22,508,631,088**	32,431,403,675
Accumulated Impairment Losses		
Balance at beginning	**270,931,882**	270,931,882
Balance at end of year	**270,931,882**	270,931,882
Net Book Value at End of Year	**₱22,237,699,206**	₱32,160,471,793

The Group's goodwill pertains to: (a) the acquisition of LSB in December 2012, (b) the acquisition of Advanson in December 2007, (c) the acquisition of Acesfood in May 2007, (d) the excess of the acquisition cost over the fair values of the net assets acquired by Hongkong China Foods Co., Ltd. (HCFCL) and URC Asean Brands Co., Ltd. (UABCL) in 2000, (e) the acquisition of Southern Negros Development Corporation (SONEDCO) in 1998, (f) the acquisition of Cebgo, Inc. (formerly Tiger Airways Philippines (TAP)) and Griffin's Good Limited (Griffin's) in 2014, (g) acquisition of Balayan Sugar Mill and Consolidated Snacks Pty Ltd. (CSPL) in 2016 and (h) acquisition of Crunchy Foods Sdn. Bhd. in December 2021.

Goodwill is not amortized and is non-deductible for tax purposes.

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. (CFSD), a non-listed company based in Malaysia. CFSD 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 CFSD 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.

<u>Purchase Consideration</u>
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 CFSD.

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.

Net cash outflow on acquisition is as follows:

Cash consideration	₱24,586,990,326
Less: Cash acquired with the subsidiary	(1,733,890,589)
Less: Payable as of December 31, 2021	(287,505,398)
Net cash outflow	₱22,565,594,339

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.

Acquisition of Cebgo

Goodwill arising from the acquisition of Cebgo is attributable to the following:

Achievement of Economies of Scale

Using CAI's network of suppliers and other partners to improve cost and efficiency of Cebgo, thus, improving Cebgo's overall profit, given its existing market share.

Defensive Strategy

Acquiring a competitor enables CAI to manage overcapacity in certain geographical areas/markets.

CAI also identified intangible assets amounting to ₱852.7 million representing costs to establish brand and market opportunities under the strategic alliance with Tiger Airways Holding Limited.

Acquisition of A-Plus

On October 26, 2020, CEBGO signed an SPA with SIAEC for the acquisition of SIAEC's entire 51% shareholding in A-Plus. The consideration paid was US$5,607,378 and consists of a one-time payment in cash. The consideration was arrived at after arm's length negotiations on a willing-buyer, willing-seller basis and took into account, inter alia, the net asset value and financial performance of A-Plus.

On November 3, 2020, CEBGO and SIAEC signed the Deed of Absolute Sale of Shares for this transaction making A-Plus a wholly owned subsidiary of CEBGO.

The fair value of CEBGO's 49% interest in A-Plus immediately prior to acquisition amounted to ₱269.5 million. The Group recognized ₱71.3 million gain from re-measurement of its investment in A-Plus at fair value immediately prior to acquisition. This is included under 'Other Income' in the consolidated statements of comprehensive income.

The fair value of A-Plus' identifiable assets and liabilities as at the date of acquisition were:

	Fair value recognized on acquisition
Cash	₱69,622,242
Trade receivables	321,488,712
Property and equipment	117,370,579
Right-of-use asset	2,778,033
Other assets	130,563,165
Total assets	641,822,731
Trade payables	113,381,635
Retirement liability	107,441,205
Lease liability	2,902,849
Other liabilities	32,993,547
Total liabilities	256,719,236
Total identifiable net assets at fair value	385,103,495
Less: Fair value of previously held interest	269,471,017
Acquisition cost	270,499,915
	539,970,932
Goodwill from acquisition	₱154,867,437

Net cash outflow on acquisition is as follows:

Cash consideration	₱270,499,915
Less: Cash acquired with the subsidiary	69,622,242
Net cash outflow	₱200,877,673

20. Other Noncurrent Assets

This account consists of:

	2021	2020
Deferred tax assets (Note 38)	**₱5,142,289,083**	₱3,788,710,580
Advances to lot owners - net of current portion	**3,097,764,012**	3,745,307,951
Security and miscellaneous deposits	**2,336,294,366**	1,620,941,533
Advances to suppliers - net of current portion	**2,238,793,030**	4,591,539,488
Utility deposits	**702,432,276**	662,909,455
Others	**2,109,978,793**	2,245,361,109
	₱15,627,551,560	₱16,654,770,116

Advances to Suppliers
Advances to suppliers pertain to RLC's prepayments for the construction of investment properties and property and equipment.

As of December 31, 2021 and 2020, advances made for the purchase of various aircraft parts, service maintenance and restoration costs of the aircraft which are expected to be consumed beyond one year from the reporting date amounted to nil and ₱2.5 billion, respectively.

Advances to Lot Owners
Advances to lot owners consist of advance payments to land owners which will be applied against the acquisition cost of the real properties that will be acquired.

Security Deposits
Security deposits include deposits provided to lessors and maintenance providers for aircraft under operating lease.

Utility Deposits
Utility deposits that are refundable consist primarily of bill and meter deposits.

Others
As of December 31, 2021, others include refundable prepaid rent, deferred input VAT, and repossessed chattels amounting to ₱100.0 million, ₱727.8 million and ₱188.3 million, respectively.

As of December 31, 2020, others include deferred input VAT, prepaid rent, and repossessed chattels amounting to ₱768.6 million, ₱100.0 million and ₱233.0 million, respectively.

21. Accounts Payable and Accrued Expenses

This account consists of:

	2021	2020
Deposit liabilities	**₱115,822,971,855**	₱111,455,936,892
Trade payables	**32,369,730,765**	31,184,638,473
Accrued expenses	**17,514,281,161**	19,892,157,852
Travel fund payable (Note 24)	**2,802,831,614**	103,168,471
Bills payable	**2,618,523,803**	–
Airport and other related fees payable	**2,432,100,685**	2,284,416,132
Output VAT	**2,421,601,605**	2,166,425,938
Withholding taxes payable	**447,018,858**	436,729,895
Due to related parties (Note 40)	**169,068,971**	143,059,245
Refunds payable	**117,200,174**	1,430,451,596
Dividends payable	**20,060,887**	45,060,888
Other payables	**4,952,173,229**	3,478,541,654
	₱181,687,563,607	₱172,620,587,036

Deposit Liabilities
Deposit liabilities represent the savings, demand and time deposit liabilities of RBC and LSB, and bear annual fixed interest rates ranging from nil to 5.75% in 2021 and 2020.

As of December 31, 2021 and 2020, the liquidity and statutory reserves of RBC and LSB amounted to ₱14.8 billion and ₱10.5 billion, respectively.

Details of interest expense on deposit liabilities, which are included in the 'Cost of services' in profit or loss in the consolidated statements of comprehensive income follow (see Note 30):

	2021	2020	2019
Savings	**₱299,689,400**	₱632,859,634	₱1,717,487,944
Time	**450,844,106**	469,426,389	492,682,489
LTNCD	**270,337,898**	270,901,436	267,893,614
Demand	**4,613,048**	2,053,285	4,334,999
	₱1,025,484,452	₱1,375,240,744	₱2,482,399,046

Long-Term Negotiable Certificates of Deposit (LTNCD)
On May 4, 2017, the BSP approved RBC's issuance of the ₱3.00 billion LTNCD, with a right to increase the aggregate issue up to ₱5.0 billion in the event of over subscription. On June 16, 2017, RBC listed its LTNCD issuance amounting to ₱4.18 billion through the Philippine Dealing and Exchange Corporation. The minimum investment was ₱50,000 with increments of ₱10,000 thereafter. The peso-denominated issue will mature on December 16, 2022 with nominal interest rate of 4.125% and EIR of 4.29%, payable every quarter. On July 6, 2018, the Parent Company issued additional LTNCD amounting to ₱1.78 billion with nominal interest rate of 4.875% and EIR of 5.15% payable every quarter which will mature on January 6, 2024. The proceeds were used to diversify the Parent Company's maturity profile and funding sources and general corporate purposes.

The BSP approved the decrease in reserve requirements on non-FCDU deposit liabilities through the following circulars:

- Circular 1041 dated May 23, 2019 to 17.00% effective May 31, 2019; 16.50% effective June 28, 2019; 16.00% effective July 26, 2019 for the Parent Company and from 7.00% to 6.50% and 6.00% respectively for LSB.
- Circular 1056 dated October 3, 2019 to 15.00% for the Parent Company and 5.00% for LSB effective November 1, 2019.
- Circular No. 1063 to 14.00% for the Parent Company and 4.00% for LSB effective December 06, 2019.

On May 27, 2020, the BSP through Circular 1087 approved the *Alternative Compliance with the Reserve Requirements of Banks and Non-Bank Financial Institutions with Quasi-Banking Functions (NBQBs)* effective May 29, 2020, subject to certain requirements provided by the MORB, the following alternative compliance with the required reserves against deposit and deposit substitute liabilities shall be allowed:

- Peso-denominated loans that are granted to micro-, small-, and medium enterprises (“MSME”), banks and NBQBs that meet the definition of a small and medium enterprise;
- Peso-denominated loans that are granted to large enterprises, excluding banks and NBQBs that meet the definition of a large enterprise.

Trade Payables
Trade payables are noninterest-bearing and are normally settled on 30- to 60-day terms. Trade payables arise mostly from purchases of inventories, which include raw materials and indirect materials (i.e., packaging materials) and supplies, for use in manufacturing and other operations. Trade payables also include importation charges related to raw materials purchases, as well as occasional acquisitions of production equipment and spare parts. Obligations arising from purchase of inventories necessary for the daily operations and maintenance of aircraft which include aviation fuel, expendables and consumables, equipment and in-flight supplies, and unpaid billings from suppliers and contractors related to construction activities, are also charged to this account.

Accrued Expenses
This account consists of accruals for the following:

	2021	2020
Landing and take-off, navigational charges, and other aircraft-related expenses	**₱3,910,026,945**	₱2,814,477,238
Advertising and promotions	**2,954,904,893**	4,836,157,772
Accrued interest payable	**2,434,415,499**	2,913,215,469
Contracted services	**1,661,806,836**	1,615,783,498
Compensation and benefits	**1,570,168,856**	2,478,225,412
Rental expense	**1,516,565,560**	1,300,544,602
Taxes and licenses	**718,853,461**	666,260,868
Utilities	**601,055,288**	708,914,561
Freight and handling costs	**380,246,124**	480,495,182
Insurance	**126,575,637**	110,537,452
Royalties	**43,364,367**	39,350,901
Other accrued expenses	**1,596,297,695**	1,928,194,897
	₱17,514,281,161	₱19,892,157,852

Other accrued expenses include accruals for travel and transportation, commission, communication, repairs and maintenance, restructuring provision and other professional and legal fees.

In 2019, URC 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 17), property, plant and equipment (Note 16) 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 (loss)’ in the consolidated statement of income (see Note 29). As of December 31, 2021, ₱39.5 million remains of the accrual for employee redundancy costs.

Airport and Other Related Fees Payable
Airport and other related fees payable are amounts payable to the Philippine Tourism Authority and Air Transportation Office Mactan-Cebu International Airport and Manila International Airport Authority arising from aviation security, terminal fees and travel taxes.

Refunds Payable
In light of the significant increase in flight cancellations due to the COVID-19 outbreak and consequent grounding of the Group’s commercial operations, customers were given options for their cancelled flights, which included free rebooking, full cash refund or conversion to a full travel fund. Refunds payable pertain to cash due to be returned to customers.

Other Payables
As of December 31, 2021 and 2020, other payables consist of management bonus and other non-trade payables.

22. Other Current Liabilities

This account consists of:

	2021	2020
Contract liabilities (Note 24)	**₱16,314,489,808**	₱28,053,511,701
Current portion of lease liabilities (Note 42)	**5,716,633,360**	7,318,423,995
Unearned transportation revenue	**4,568,640,575**	3,671,467,766
Deposit from lessees (Notes 24 and 42)	**3,047,062,089**	2,984,978,548
Customer’s deposits	**803,990,010**	540,371,531
Advances from agents and others	**508,356,771**	779,423,721
Derivative liabilities (Note 8)	**1,732,327,557**	245,940,423
	₱32,691,500,170	₱43,594,117,685

Contract Liabilities
Contract liabilities (including noncurrent portion shown in Note 24) consist of collections from real estate customers which have not reached the equity threshold to qualify for revenue recognition and excess of collections over the goods and services transferred based on percentage of completion. The movement in the contract liability is mainly due to reservation of sales and advance payment of buyers less real estate sales recognized upon reaching the equity threshold from increase in percentage of completion. The contract liabilities account includes deposits from real estate buyers that have not met the revenue recognition threshold of 10.00% and these amounted to ₱913 million and ₱1.3 billion as of December 31, 2021 and 2020.

Unearned Transportation Revenue
Passenger ticket and cargo waybill sales are initially recorded under 'Unearned transportation revenue' in the consolidated statements of financial position, until these are recognized under 'Air transportation revenue' in profit or loss in the consolidated statements of comprehensive income, when the transportation service is rendered by the Group (or once tickets are flown).
In 2021, unearned transportation revenue consists of unearned passenger revenue and deferred ancillary revenue amounting to ₱4.1 billion and ₱0.5 billion, respectively. In 2020, unearned transportation revenue consists of unearned passenger revenue and deferred ancillary revenue amounting to ₱3.5 billion and ₱0.2 billion, respectively.

Advances from Agents and Others
Advances from agents and others represent cash bonds required from major sales and ticket offices or agents. This account also includes commitment fees received for the sale and purchase agreement of aircraft.

23. Short-term Debts, Long-term Debts and Bonds Payable

Short-term Debts
Short-term debts consist of:

	2021	2020
Subsidiaries:		
Foreign currencies - unsecured with interest rates ranging from 1.30% to 1.50% in 2021 and from 0.78% to 3.20% in 2020	**₱10,037,933,791**	₱8,924,046,867
Philippine Peso - with interest rates of 2.00% to 2.40% in 2021 and 2.80% to 4.00% in 2020	**55,957,649,691**	35,494,045,318
	₱65,995,583,482	₱44,418,092,185

As of December 31, 2021 and 2020, short-term debt of certain subsidiaries denominated in foreign currency and peso include trust receipts payable amounting to ₱37.9 billion and ₱23.5 billion, respectively. The trust receipts payable are secured by the trusteed inventories for the same amount (see Note 12).

In 2021, 2020 and 2019, the Group incurred interest expense on short-term notes amounting to ₱0.9 billion, ₱0.9 billion and ₱1.4 billion, respectively (see Note 35).

Long-term Debts
Long-term debts (net of debt issuance costs) consist of:

	Maturities	Interest Rates	**2021**	2020	Condition
Parent Company:					
Term Loans					
₱5.0 billion term loan	2022	4.65%	**₱4,997,159,539**	₱4,991,809,222	Unsecured
₱5.0 billion term loan	2024	4.93%	**4,840,000,588**	4,886,317,635	Unsecured
₱10.0 billion term loan	2023	Floating (2.4%)	**9,976,957,544**	9,961,716,782	Unsecured
₱5.0 billion term loan	2023	Floating (1.64842%)	**4,988,345,997**	4,980,677,601	Unsecured
₱5.0 billion term loan	2024	4.9010%	–	4,971,766,633	Unsecured
₱7.0 billion term loan	2024	Floating (1.89%)	**6,970,865,518**	6,960,676,503	Unsecured
₱4.0 billion term loan	2025	4.75%	**3,978,261,369**	3,972,701,331	Unsecured
Fixed Rate Retail Bonds:					
₱30.0 billion fixed rate retail bonds					
₱5.3 billion bonds	2021	5.24%	–	5,311,740,108	Unsecured
₱0.2 billion bonds	2024	5.30%	–	175,723,971	Unsecured
			35,751,590,555	46,213,129,786	
Subsidiaries:					
Foreign currencies:					
JGSPL					
US$750.0 million guaranteed notes	2023	4.375%	**31,117,589,393**	29,272,287,827	Guaranteed
US$600.0 million guaranteed notes	2030	4.125%	**30,465,049,175**	28,675,204,373	Guaranteed
CAI					
USD commercial loan from foreign banks	2030	1.00% to 8.00%; (US$ Libor)	**20,427,514,938**	25,333,277,532	Secured
JPY commercial loan	2029	Less than 1% JPY LIBOR	**6,681,792,919**	7,727,531,810	Secured
URC					
NZ$395.0 million term loan	2023	NZ 3.15% (BKBM+1.10%)	–	13,498,653,900	Guaranteed
AU$484.2 million term loan	2021	AU 3.04% (BBSY BID+1.25%)	–	17,838,897,236	Guaranteed
			88,691,946,425	122,345,852,678	
Philippine Peso:					
RLC					
₱12.7 billion loan facility	2023	3.683%	**12,679,687,112**	12,627,273,856	Unsecured
₱10.6 billion loan facility	2022	4.80%	**10,633,033,406**	10,616,830,211	Unsecured
₱7.0 billion loan facility	2024	4.75%	**6,567,681,317**	6,702,513,502	Unsecured
₱6.5 billion loan facility	2021	3.83%	–	6,496,248,135	Unsecured
₱6.0 billion loan facility	2025	4.75%	**5,967,920,565**	5,959,274,275	Unsecured
₱5.0 billion loan facility	2023	3.89%	**4,944,258,596**	4,950,688,567	Unsecured
₱4.5 billion loan facility	2027	4.95%	**4,467,081,905**	4,469,924,269	Unsecured
₱1.4 billion loan facility	2025	4.93%	**1,359,782,135**	1,358,436,534	Unsecured
₱0.4 billion loan facility	2025	3.8%	**423,419,108**	422,589,434	Unsecured
JGSPC					
₱14.5 billion term loan	2024	Floating (1.88% to 1.98%)	**14,508,000,000**	14,508,000,000	Unsecured
₱5.0 billion term loan	2024	5.00%	**5,000,000,000**	5,000,000,000	Unsecured
₱4.0 billion term loan	2025	4.72%	**4,000,000,000**	4,000,000,000	Unsecured
₱4.0 billion term loan	2025	Floating (2.65%)	**4,000,000,000**	4,000,000,000	Unsecured
JGSOC					
₱1.2 billion term loan	2024	6.64%	**1,210,000,000**	1,210,000,000	Unsecured
₱1.3 billion term loan	2024	6.62%	**1,282,000,000**	1,282,000,000	Unsecured
CAI					
Term loan	2023	4.80%	**2,555,555,556**	3,888,888,891	Unsecured
Commercial loans	Various dates through 2028	2%-5% (PH BVAL)	**16,290,236,203**	16,290,236,203	Secured
			95,888,655,903	103,782,903,877	
			220,332,192,883	272,341,886,341	
Less current portion			**19,501,714,468**	34,413,387,739	
			₱200,830,478,415	₱237,928,498,602	

The foreign exchange rate used to revalue the foreign currency borrowings was ₱50.999 to US$1 and ₱48.023 to US$1 as of December 31, 2021 and 2020, respectively.

Long-term debt to foreign banks is shown net of unamortized debt issuance costs totaling ₱186.0 million and ₱122.3 million as of December 31, 2021 and 2020, respectively. Unamortized debt issuance cost related to peso-denominated long-term debt amounted to ₱255.8 million and ₱393.4 million as of December 31, 2021 and 2020, respectively.

Repayments of the long-term debt (gross of debt issuance costs) follow:

	2021	2020
Due in:		
2022 and 2021	**₱19,501,714,468**	₱34,413,387,739
Thereafter	**200,830,478,415**	237,928,498,602
	₱220,332,192,883	₱272,341,886,341

The details of the Group's long-term debt follow:

Subsidiaries' Foreign Currency Loans

JGSPL 4.375% Senior Unsecured Notes Due 2023

On January 24, 2013, JGSHPL issued US$750.0 million, 4.375% senior unsecured notes due 2023. The notes are unconditionally and irrevocably guaranteed by the Parent Company. On July 21, 2020, JGSPL redeemed notes with a face value of $32.0 million for a total consideration of $34.0 million. The redemption resulted in a loss on bond reacquisition amounting ₱66.2 million (Note 29).

JGSPL 4.125% Senior Unsecured Notes Due 2030

On July 2020, JGSHPL issued US$600.0 million, 4.125% senior unsecured notes due 2030. The notes are unconditionally and irrevocably guaranteed by the Parent Company.

CAI USD Commercial Loans from Foreign Banks

From 2007 to 2019, CAI entered into commercial loan facilities to partially finance the purchase of 19 Airbus A320 aircraft, seven (7) Airbus A321 CEO aircraft, five (5) aircraft engines, and one (1) Airbus A321 NEO aircraft. The security trustees of these commercial loan facilities established SPEs, namely: PTALL, PTHALL, SAALL, SBALL, SCALL, SDALL, TOADAC and RALL, which purchased the aircraft from CAI pursuant to (a) five to ten-year finance lease arrangement for the Airbus A320, A321 CEO, and A321 NEO aircraft; and (b) six-year finance lease arrangement for the engines. CAI has the option to purchase the aircraft and the engines for a nominal amount at the end of such leases. The lease rentals made by CAI to these SPEs correspond to the loan payments made by the SPEs to the commercial facility lenders.

In 2018, CAI entered into four (4) Philippine peso commercial loan facilities and six (6) USD commercial loans. The proceeds of the loan were used to prepay the outstanding US dollar loan facilities for ten (10) Airbus A320 aircraft resulting to dissolution of PTHALL, SAALL and SBALL (Note 1). CAI also prepaid the loan facilities of the engines and entered into US dollar commercial loans to finance the acquisition of seven (7) Airbus A321 CEO aircraft.

In 2019, CAI entered into a US dollar commercial loan facility to finance the acquisition of one (1) Airbus A321NEO aircraft.

In 2020, CAI entered into a US dollar commercial loan facility to finance the acquisition of one (1) Airbus A321NEO aircraft.

As of December 31, 2021 and 2020, the terms of the remaining commercial loan facilities follow:

- Term of six to ten years starting from the delivery date of each aircraft.
- Combination of annuity style and equal principal repayments made on a semi-annual and quarterly basis.
- Mixed interest rates with fixed annual interest rates ranges from 3.00% to 5.00% and variable rates based on US dollar LIBOR plus margin.

- Upon default, the outstanding amount of loan plus accrued interest will be payable, and the lenders will foreclose on secured assets, namely the aircraft.

As of December 31, 2021 and 2020, the total outstanding balance of the US dollar commercial loans amounted to ₱20.4 billion (US$400.5 million) and ₱25.3 billion (US$527.5 million), respectively. Interest expense amounted to ₱0.6 billion, ₱0.8 billion and ₱1.3 billion in 2021, 2020 and 2019, respectively.

CAI JPY Commercial Loans

In 2019, CAI entered into a Japanese commercial loans covering four (4) Airbus A321NEO aircraft. The loan requires semi-annual installments with a maturity not longer than 14 years at a variable interest rate based on JPY LIBOR plus margin.

As of December 31, 2021 and 2020, the total outstanding balance of the Japanese yen commercial loans amounted to ₱6.7 billion (¥15.1 billion) and ₱7.7 billion (¥17.0 billion), respectively. Interest expense amounted to ₱18.4 million, ₱22.1 million and ₱174.1 million in 2021, 2020 and 2019, respectively.

URC NZ Finance Company Limited NZD395 Million Term Loan due 2023

In October 2021, the long-term debt was transferred to Intersnack Group upon divestment.

URC Australia Finance Company Limited Term Loan US$484.2 Million

In October 2021, the long-term debt was transferred to Intersnack Group upon divestment.

Parent Company's Philippine Peso Loans

Parent Company ₱30.0 Billion Fixed Rate Retail Bonds

On February 28, 2014, the Parent Company issued a ₱30.0 billion fixed rate retail bonds. The bond was issued in three series: (1) Five-year bond amounting to ₱24.5 billion fixed at 5.23% due 2019; (2) Seven-year bond amounting to ₱5.3 billion fixed at 5.24% due 2021; and (3) Ten-year bond amounting to ₱176.3 million fixed at 5.30% due 2024. Interest is calculated on a 30/360-day count basis and is payable semi-annually starting August 27, 2014 and the 27th day of February and August of each year thereafter. Net proceeds from the bond issuance were used to partially finance its acquisition of Meralco shares and for general corporate purposes. In February 2019, the Parent Company fully settled its five-year bond amounting to ₱24.5 billion. On January 18, 2021, the BOD of the Parent Company approved the exercise of the option for early redemption of the Parent Company's ₱176.3 million fixed rate 5.3% bonds due on 2024 at the early redemption price of ₱101.50. On March 2, 2021, the Parent Company exercised its option for early redemption and recognized loss on extinguishment of debt amounting to ₱3.2 million (Note 29).

Parent Company ₱5.0 Billion Term Loan with BPI due in July 2022

On July 6, 2017, the Company borrowed ₱5.0 billion under Term Loan Facility Agreement with BPI with a fixed rate at 4.65% per annum and shall be payable quarterly in arrears. Interest for 2021 and 2020 amounted to ₱232.5 million and ₱233.1 million, respectively.

Parent Company ₱5.0 Billion Term Loan with MBTC due in July 2024

On July 13, 2017, the Company borrowed ₱5.0 billion under Term Loan Facility Agreement with MBTC with a fixed rate at 4.93% per annum and shall be payable quarterly in arrears. In July 2021, 2020 and 2019, the Company partially prepaid the loan amounting to ₱50.0 million per annum. Interest for 2021 and 2020 amounted to ₱240.2 million and ₱243.3 million, respectively.

Parent Company ₱10.0 Billion Term Loan with BDO due in June 2023
On June 8, 2018, the Company borrowed ₱10.0 billion under Term Loan Facility Agreement with BDO. Interest for 2021 and 2020 amounted to ₱264.9 million and ₱435.1 million, respectively. The loan bears an interest based on the bank's 30-day prime rate.

Parent Company ₱5.0 Billion Term Loan with MBTC due in June 2023
On June 14, 2018, the Company borrowed ₱5.0 billion under Term Loan Facility Agreement with MBTC. Interest for 2021 and 2020 amounted to ₱84.0 million and ₱139.7 million, respectively. The loan obtained bears a market interest rate plus a certain spread, payable quarterly.

Parent Company ₱7.0 Billion Term Loan with BPI due in August 2024
On August 23, 2019, the Parent Company borrowed ₱7.0 billion under Term Loan Facility Agreement with BPI. Interest for 2021 and 2020 amounted to ₱157.8 million and ₱206.2 million, respectively. The loan obtained bears a market interest rate plus a certain spread, payable quarterly.

Parent Company ₱5.0 Billion Term Loan with PNB due in August 2024
On August 23, 2019, the Parent Company borrowed ₱5.0 billion under Term Loan Facility Agreement with PNB with a fixed rate at 4.901% per annum and shall be payable quarterly in arrears. Interest for 2021 and 2020 amounted to ₱157.8 million and ₱245.7 million, respectively. In August 2021, the Parent Company pre-terminated its term loan with PNB and recognized loss on extinguishment of debt amounting to ₱74.1 million (Note 29).

Parent Company ₱4.0 Billion Term Loan with BDO due in 2025
On June 26, 2020, the Parent Company borrowed ₱4.0 billion under Term Loan Facility Agreement with BDO with a fixed rate at 4.75% per annum and shall be payable quarterly in arrears. Interest for 2021 and 2020 amounted to ₱189.9 million and ₱95.8 million, respectively.

Subsidiaries' Philippine Peso Loans
RLC ₱10.6 Billion Term Loan due in February 2022
On February 23, 2015, RLC issued ₱10.6 billion bonds constituting direct, unconditional, unsubordinated, and unsecured obligation obligations of RLC and shall at all times rank pari-passu and without preference among themselves and among any present and future unsubordinated and unsecured obligations of RLC, except for any statutory preference or priority established under Philippine law. The net proceeds of the issue shall be used by RLC to refinance existing debt obligations and to partially fund investment capital expenditures.

Interest on the bonds shall be calculated on a 30/360-day count basis and shall be paid semi-annually in arrears on February 23 and August 23 of each year at which the bonds are outstanding. Interest rate is 4.80% per annum.

RLC ₱1.4 Billion Term Loan due in February 2025
On February 23, 2015, RLC issued ₱1.4 billion bonds constituting direct, unconditional, unsubordinated, and unsecured obligation obligations of RLC and shall at all times rank pari-passu and without preference among themselves and among any present and future unsubordinated and unsecured obligations of RLC, except for any statutory preference or priority established under Philippine law. The net proceeds of the issue shall be used by RLC to refinance existing debt obligations and to partially fund investment capital expenditures.

Interest on the bonds shall be calculated on a 30/360-day count basis and shall be paid semi-annually in arrears on February 23 and August 23 of each year at which the bonds are outstanding. Interest rate is 4.93% per annum.

RLC ₱6.5 Billion Term Loan due in July 2021
On July 8, 2016, RLC borrowed ₱6.5 billion under Term Loan Facility Agreements with BDO Unibank, Inc. The loan was released on July 8, 2016 amounting to ₱3.0 billion and on September 27, 2016 amounting to ₱3.5 billion with interest rate at 3.83% per annum and shall be payable quarterly, computed on the basis of a year of 365 calendar days for the actual number of days elapsed. The loan was settled in 2021.

RLC ₱5.0 Billion Term Loan due in August 2023
On August 10, 2016, RLC borrowed ₱5.0 billion under Term Loan Facility Agreements with Bank of the Philippine Islands. The ₱5.0 billion loan was released on August 10, 2016 with interest rate at 3.89% per annum and shall be payable quarterly, computed on the basis of a 360-day year and on the actual number of days elapsed.

RLC ₱7.0 Billion Term Loan due in March 2024
On March 15, 2017, RLC borrowed ₱7.0 billion million under Term Loan Facility Agreements with Metropolitan Bank & Trust Company. The loan was released on March 15, 2017 amounting to ₱7.0 billion with interest rate at 4.75% per annum and shall be payable quarterly, computed on the basis of a year of 365 calendar days for the actual number of days elapsed. Annual principal payment is two percent (2%) of the total loan amount or ₱140 million.

RLC ₱4.5 Billion Term Loan due February 2027
On February 10, 2017, RLC borrowed ₱4.5 billion under Term Loan Facility Agreements with Bank of the Philippine Islands. The loan was released on February 10, 2017 amounting to ₱4.5 billion with interest rate at 4.95% per annum and shall be payable quarterly, computed on the basis of a year of 365 calendar days for the actual number of days elapsed.

Partial payment for this loan amounting to ₱5.0 million was made on February 13, 2021 and 2020.

RLC ₱6.0 Billion Term Loan due June 2025
On June 30, 2020, RLC borrowed ₱6.0 billion under Term Loan Facility Agreements with BDO Unibank, Inc. The loan was released on June 30, 2020 which bears interest rate at 4.75% computed per annum and shall be payable quarterly, computed on the basis of a year of 365 calendar days for the actual number of days elapsed.

RLC Three-year "Series C Bonds" maturing on July 17, 2023 and Five-Year "Series D Bonds" maturing on July 17, 2025
On July 17, 2020, RLC issued its "Series C Bonds" amounting to ₱12,763.1 million and "Series D Bonds" amounting to ₱427.2 million constituting direct, unconditional, unsecured and unsubordinated peso-denominated obligations of RLC and shall at all times rank pari passu and ratably without any preference or priority amongst themselves and at least pari passu with all other present and future unsubordinated and unsecured obligations of RLC, other than obligations preferred by law. The net proceeds of the issue shall be used by the RLC to: (i) partially fund the capital expenditure budget of RLC for calendar years 2020 and 2021; (ii) repay short-term loans maturing in the second half of calendar year; and (iii) fund general corporate purposes including, but not limited to, working capital. The bonds have been rated PRS Aaa by Philippine Rating Services Corporation (PhilRatings).

Interest on the bonds shall be calculated on a 30/360-day count basis and shall be paid semi-annually in arrears on January 17 and July 17 of each year at which the bonds are outstanding.

CAI Philippine Peso Commercial Loans
From 2016 to 2017, CAI entered into Philippine peso commercial loan facilities to partially finance the acquisition of eight (8) ATR 72-600 and two (2) Airbus A330 aircraft.

In 2018, CAI entered into Philippine peso commercial loan facilities to partially finance the acquisition of four (4) ATR 72-600 aircraft and refinance four (4) Airbus A320 aircraft.

As of December 31, 2021 and 2020, the terms of the commercial loan facilities follow:

- Term of seven (7) to ten (10) years starting from the delivery dates of each aircraft.
- Twenty-eight (28) to forty (40) equal consecutive principal repayments made on a quarterly basis.
- Interests on loans are variable rates based on Philippines Bloomberg Valuation (PH BVAL).
- Upon default, the outstanding amount of loan plus accrued interest will be payable, and the lenders will foreclose on secured assets, namely the aircraft.

As of December 31, 2021 and 2020, the total outstanding Philippine Peso commercial loans amounted to ₱16.3 billion. Interest expense incurred from these loans amounted to ₱559.9 million, ₱627.7 million and ₱1.1 billion in 2021, 2020 and 2019, respectively.

The commercial loans are secured by the related aircraft. CAI is required to comply with affirmative and negative covenants until termination of loans. As of December 31, 2021 and 2020, the Group is not in breach of any loan covenants.

CAI Philippine Peso Term Loan
In 2020, CAI entered into an unsecured, Philippine peso-denominated loan amounting to ₱4.0 billion with Security Bank Corporation due in 2023. The loan was obtained to support the working capital requirements of CAI.

As of December 31, 2021 and 2020, the total outstanding Philippine Peso term loan amounted to ₱2.6 million and ₱3.9 billion, respectively. Interest expense incurred from this loan amounted to ₱156.3 million and ₱179.8 million in 2021 and 2020, respectively. CAI is required to maintain certain financial ratios until termination of loans. As of December 31, 2021, CAI obtained a waiver from the bank in relation to debt service coverage ratio requirement. Accordingly, the related loan is classified as non-current as at December 31, 2021. As of December 31, 2020, CAI is not in breach of any loan covenants.

JGSPC Philippine Peso Term Loan
These are clean loans obtained in 2019 and 2020 to finance the JGSPC's expansion projects and are payable in lump sum after five years.

JGSOC Philippine Peso Term Loan
These are clean loans obtained in 2019 to finance the JGSOC's expansion projects and are payable in lump sum after five years.

In 2021, 2020 and 2019, total interest expense on long-term debt amounted to ₱7.1 billion, ₱7.0 billion and ₱8.5 billion, respectively (see Note 35).

In 2021, 2020 and 2019, the Group recognized amortization of bond issue costs amounting to ₱95.9 million, ₱93.4 million and ₱80.7 million, respectively (see Note 35).

Debt Covenants
Certain loan agreements contain provisions which, among others, require the maintenance of specified financial ratios at certain levels and impose negative covenants which, among others, prohibit a merger or consolidation with other entities, dissolution, liquidation or winding-up, except with any of its subsidiaries; and prohibit the purchase or redemption of any issued shares or reduction of registered and paid-up capital or distribution of assets resulting in capital base impairment.

For the Parent Company's ₱9.0 Billion, ₱5.0 Billion, ₱10.0 Billion, ₱5.0 Billion, ₱5.0 Billion and ₱4.0 Billion Term Loan Facilities, the Group is required to maintain a financial ratio of Group's total borrowings to Group's shareholders' equity not exceeding 2.0:1.0.

For the Parent Company's ₱30.0 Billion Fixed Rate Retail Bonds, the Group is required to maintain the following financial ratios:
- the Group's current ratio of not less than 0.5:1.0;
- the Group's debt-to-equity ratio of not greater than 2.0:1.0

The commercial loans of CAI are secured by the related aircraft. The Group is required to comply with affirmative and negative covenants until termination of loans. As of December 31, 2021 and 2020, the Group is not in breach of any loan covenants.

For CAI's unsecured, Philippine peso-denominated short-term loan, CAI is required to maintain certain financial ratio until termination of loans. As of December 31, 2021, the Group is not in breach of any loan covenants.

For the RLC's ₱10.6 Billion bonds due in February 2022, ₱1.4 Billion bonds due in February 2025, ₱6.5 Billion Term Loan due in July 2021, ₱5.0 Billion Term Loan due in August 2023, ₱4.5 Billion Term Loan due in February 2027, ₱7.0 Billion Term Loan due in March 2024 and ₱6.0 Billion Term Loan due in June 2025. RLC is required to maintain a debt-to-equity ratio not exceeding 2:1 as referenced from its consolidated financial statement as of and for the year end December 31 and consolidated interim financial statements as of March 31. These loans were not guaranteed by the Parent Company. RLC has complied with the debt covenant as of December 31, 2021 and 2020.

For RLC's 3-year bonds, 5-year bonds and "Series C Bonds", RLC is required to maintain a debt-to-equity ratio not exceeding 2:1 as referenced from its consolidated financial statements as of its calendar year end December 31 and consolidated interim financial statements as at June 30. RLC has complied with the debt covenant as of December 31, 2021 and 2020.

For JGSPC's term loans, JGSPC is required to maintain a net debt-to-equity ratio of not more than 2.5:1.0, as measured at the end of each calendar year-end. JGSPC has complied with the debt covenant as of December 31, 2021 and 2020.

For JGSOC's term loans, JGSOC is required to maintain a net debt-to-equity ratio of not more than 2.5:1.0, as measured at the end of each calendar year-end. JGSOC has complied with the debt covenant as of December 31, 2021 and 2020.

In 2021, JGSPC secured the approval of its term loan creditors for its merger with JGSOC.

For JGSPL's US$750.0 million Senior Unsecured Notes due in 2023, the Parent Company as the guarantor shall procure:
- Consolidated Current Assets to Consolidated Current Liabilities is not at any time less than 0.5:1.0; and

- Consolidated Total Borrowings to Consolidated Stockholders' Equity does not at any time exceed 2:1.

For JGSPL's US$600.0 million loans due in 2030, the guarantor shall procure that the ratio of Consolidated Total Borrowings to Consolidated Shareholders' Equity does not at any time exceed 2:1.

For the NZ and AU Term 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, 2021 and 2020.

Bonds Payable

On May 10, 2021, CAI issued at face value US$250.0 million convertible bonds (CB) to the International Finance Corporation (IFC), IFC Emerging Asia Fund LP and Indigo Philippines LLC (collectively known as "the CB Holders") due on May 10, 2027. The bonds bear an interest rate of 4.5% payable semi-annually in arrears on May 10 and November 10 of each year.

The conversion option entitles the CB holders to convert its outstanding bonds for CAI's common shares at any time within the conversion period which shall begin 40 days after the issue date of the CB and shall end 20 business days before the maturity date. The price at which the common shares will be issued upon conversion will initially be at ₱38.00 per share, as translated to U.S. Dollars at the fixed exchange rate of USD$1.00 = ₱48.45 and subject to any adjustments from time to time in accordance with the adjustment provisions. No conversion options were exercised as of December 31, 2021.

The fair value at initial recognition and the carrying amounts of the financial liability component, calculated based on the fair value of the principal less any directly attributable transaction costs, at December 31, 2021 are presented below:

	In US Dollar	**In Philippine Peso**
Value of the bonds issued	**US$250,000,000**	**₱11,955,500,000**
Bond issue cost	**(3,571,242)**	**(173,026,665)**
Net proceeds	**246,428,758**	**₱11,782,473,335**
Less: Fair value of embedded derivative liability at initial recognition (Note 8)	**(8,632,924)**	**(412,843,691)**
Debt component of bonds	**237,795,834**	**11,369,629,644**
Unrealized foreign exchange loss	**–**	**759,069,399**
Bond amortization	**1,127,206**	**56,137,083**
Carrying value of bonds payable	**US$238,923,040**	**₱12,184,836,126**

The changes in fair value of embedded derivative on bonds payable in 2021 follows:

	In US Dollar	**In Philippine Peso**
Fair value at initial recognition	**US$8,632,924**	**₱412,843,691**
Market valuation losses	**25,308,149**	**1,318,117,078**
Carrying value of embedded derivative liability	**US$33,941,073**	**₱1,730,960,769**

In subsequent periods, the debt component of bonds will be carried at amortized cost using the EIR method. Interest expense recognized from the convertible bonds amounted to ₱415.7 million.

The conversion option, which represents the bifurcated amount from the fair value of the convertible bonds has an initial fair value of ₱412.8 million. The embedded derivative in the convertible bonds (hybrid instrument) is subsequently remeasured at fair value. Any gains or losses arising from changes in fair value are taken directly to profit or loss for the year.

The fair value of the convertible bond was determined using the Jarrow-Rudd model.

The inputs used for the calculation of fair value of convertible bonds as of specific valuation date are as follows:

	May 10, 2021	December 31, 2021
Stock price	₱38.00	₱42.15
Risk free rate	0.38%	1.29%
Conversion price	₱38.00	₱38.00
Expected option life	5.9 years	5.9 years
Volatility	45.36%	47.27%

24. **Other Noncurrent Liabilities**

This account consists of:

	2021	2020
Lease liabilities (Note 42)	**₱29,772,830,961**	₱17,845,927,374
Deposit liabilities - net of current portion	**11,752,180,637**	10,868,476,313
ARO	**7,084,719,291**	6,763,391,698
Deposit from lessees - net of current portion (Note 42)	**3,875,725,761**	3,295,388,823
Contract liabilities - net of current portion (Note 22)	**2,082,416,516**	905,153,868
Pension liabilities (Note 37)	**1,939,056,517**	2,848,108,836
Travel fund payable	**1,850,992,630**	3,535,932,241
Deferred revenue on rewards program	**655,367,983**	1,384,913,161
Others	**2,327,303,248**	1,882,237,445
	₱61,340,593,544	₱49,329,529,759

Deposit Liabilities

Deposit liabilities represent time deposit liabilities of RBC and LSB with maturities of beyond 12 months from reporting date.

ARO

CAI is contractually required under various lease contracts to restore certain leased aircraft to its original condition at its own cost or to bear a proportionate cost of restoration at the end of the contract period. These costs are accrued based on estimates made by CAI's engineers, which include estimates of future aircraft utilization and certain redelivery costs at the end of the lease period. (see Note 3).

URC also has obligations to restore the leased manufacturing sites, warehouses and offices 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.

The rollforward analysis of the Group's ARO follows:

	2021	2020
Balance at beginning of year	**₱6,763,391,698**	₱6,233,060,774
Provision for ARO	**3,566,104,161**	3,066,020,475
Applications	**(3,244,776,568)**	(2,535,689,551)
Balance at end of year	**₱7,084,719,291**	₱6,763,391,698

In 2021, 2020 and 2019, ARO expenses included as part of repairs and maintenance under 'Cost of sales' amounted to ₱3.6 billion, ₱3.1 billion and ₱2.0 billion, respectively (Note 30).

Travel Fund Payable
In light of the significant increase in flight cancellations due to the COVID-19 outbreak and consequent to the grounding of the Group's commercial operations, customers were given options for their cancelled flights which included, among others, conversion to a full travel fund which is a virtual wallet equivalent to the amount paid for an existing booking. A travel fund is valid for two years and can be used as payment for future bookings. In 2020, travel fund payable is presented under 'Other noncurrent liabilities' account in the consolidated statements of financial position based on management estimates, derived from the Group's experience and passengers' expected usage in light of the current travel restrictions. In 2019, travel fund payable is presented under "Accounts payable and other accrued liabilities" account in the consolidated statements of financial position as the validity of said fund was only for six (6) months.

Travel fund payable amounted to ₱4.7 billion and ₱3.5 billion as of December 31, 2021 and 2020, respectively.

Deposits from Lessees
Deposits from lessees (including the current portion shown in Note 22) represent cash received from tenants representing three to six months' rent which shall be refunded to tenants at the end of the lease term. These are initially recorded at fair value, which is obtained by discounting its future cash flows using the applicable rates of similar types of instruments. The accretion expense on these deposits recorded as part of cost of rental services on the discount amounted to ₱46.0 million, ₱82.0 million and ₱76.0 million in 2021, 2020 and 2019, respectively (Note 30).

The unearned rental income (included under 'Deposit from lessees') amounted to ₱722.0 million and ₱579.0 million as of December 31, 2021 and 2020, respectively. The rental income on amortization of unearned rental income amounted to ₱46.0 million, ₱80.0 million and ₱83.0 million in 2021, 2020 and 2019, respectively.

Deferred Revenue on Rewards Program
This account pertains to estimated liability under the Getgo lifestyle rewards program. Last July 26, 2021, the Group's Getgo program was replaced by Go Rewards. With this change, the remaining unredeemed ring-fenced points were all converted to Cebu Pacific Travel Fund, a virtual wallet that can be used as a form of payment for booking new flights and purchasing add-ons.

The rollforward analyses of deferred revenue follow:

	2021	2020
Balance at beginning of year	**₱1,384,913,161**	₱1,234,903,085
Add: Estimated liability on issued points	**332,507,812**	322,860,171
Subtotal	**1,717,420,973**	1,557,763,256
Less: Estimated liability on redeemed points	**1,062,052,990**	15,490,919
Estimated liability on expired points	**–**	157,359,176
Balance at end of year	**₱655,367,983**	₱1,384,913,161

Accrued Rent
Accrued rent expense represents the portion of the lease as a consequence of recognizing expense on a straight-line basis. These pertain to various lease of land entered by the Group where the malls are located.

Others
Others include retention payable and heavy maintenance visits.

Retention payable
The retention payable which represents amounts withheld from payments to contractors as guaranty for any claims against them. These are noninterest-bearing and will be remitted to contractors at the end of the contracted work.

Heavy maintenance visits
CAI is contractually required under various lease contracts to undertake the maintenance and overhaul of certain leased aircraft throughout the contract period. Major maintenance events are required to be performed on a regular basis based on historical or industry experience and manufacturer's advice. Estimated costs of major maintenance events are accrued and charged to profit or loss over the estimated period between overhauls as the leased aircraft is utilized.

25. **Equity**

Details of the Parent Company's authorized capital stock as of December 31, 2021 and 2020 follow:

	Par Value	Shares	Amount
Common shares	₱1.00	12,850,800,000	₱12,850,800,000
Preferred voting shares	0.01	204,000,000,000	2,040,000,000
		216,850,800,000	₱14,890,800,000

The paid-up capital of the Group consists of the following:

	2021	2020
Capital stock:		
Common shares - ₱1 par value	**₱7,520,983,658**	₱7,520,983,658
Preferred voting shares - ₱0.01 par value	**42,000,000**	40,000,000
	7,562,983,658	7,560,983,658
Additional paid-in capital	**45,212,569,757**	45,148,987,817
Stock dividend distributable on preferred shares	**–**	122,600,000
Total paid-up capital	**₱52,775,553,415**	₱52,832,571,475

Preferred Voting Shares

The preferred voting shares have, among others, the following rights, privileges and preferences:

a. Entitled to vote on all matters involving the affairs of the Parent Company requiring the approval of the stockholders. Each share shall have the same voting rights as a common share.
b. The shares shall be non-redeemable.
c. Entitled to dividends at the rate of 1/100 of common shares, such dividends shall be payable out of the surplus profits of the Parent Company so long as such shares are outstanding.
d. In the event of liquidation, dissolution, receivership or winding up of affairs of the Parent Company, holders shall be entitled to be paid in full at par, or ratably, in so far as the assets of the Parent Company will permit, for each share held before any distribution is made to holders of the common shares.

Record of Registration of Securities with the SEC

Summarized below is the Parent Company's track record of registration of securities under the Securities Regulation Code.

Date of offering	Type of offering	No. of shares offered	Par value	Offer price	Authorized number of shares	Issued and outstanding shares
June 30, 1993	Registration of authorized capital stock	–	₱1.00	₱–	12,850,800,000 common shares and 2,000,000,000 preferred non-voting shares	–
June 30, 1993	Initial public offering (IPO)	1,428,175,000 common shares	1.00	4.40	–	1,428,175,000 common shares
June 30, 1994	Conversion of convertible bonds into common shares	428,175,000 common shares	1.00	13.75	–	3,725,457 common shares
July 3, 1998	Stock rights offering (1:2)	2,060,921,728 common shares	1.00	2.00	–	2,060,921,728 common shares

The table below provides information regarding the number of stockholders of the Parent Company as of December 31, 2021, 2020 and 2019:

	2021	2020	2019
Common shares	**994**	1,003	1,002
Preferred voting shares	**1**	1	1

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 debt-to-capital ratio which is gross debt divided by total capital. The Group includes within gross debt all interest-bearing loans and borrowings and derivative liabilities, while capital represents total equity.

The Group's computation of debt-to-capital ratio follows:

	2021	2020
(a) Gross debt		
Short-term debts (Note 23)	**₱65,995,583,482**	₱44,418,092,185
Current portion of long-term debts (Note 23)	**19,501,714,468**	34,413,387,739
Long-term debts - net of current portion (Note 23)	**200,830,478,415**	237,928,498,602
Bonds payable (Note 23)	**12,184,836,126**	–
Derivative liabilities (Note 8)	**1,732,327,557**	245,940,423
	₱300,244,940,048	₱317,005,918,949
(b) Capital	**₱443,630,982,560**	₱408,110,356,358
(c) Debt-to-capital ratio (a/b)	**0.68:1**	0.78:1

The Group's policy is to ensure that the debt-to-capital ratio would not exceed the 2.0:1.0 level.

Regulatory Qualifying Capital

RBC

In 2013, the determination of the Parent Company's compliance with regulatory requirements and ratios is based on the amount of the Parent Company's 'unimpaired capital' (regulatory net worth) reported to the BSP, which is determined on the basis of regulatory policies. In addition, the risk-based capital ratio of a bank, expressed as a percentage of qualifying capital to risk-weighted assets, should not be less than 10.00% for both solo basis (head office and branches) and consolidated basis (parent company and subsidiaries engaged in financial allied undertakings). Qualifying capital and risk-weighted assets are computed based on BSP regulations.

The regulatory Gross Qualifying Capital of the Parent Company consists of Tier 1 (core) and Tier 2 (supplementary) capital. Tier 1 capital comprises share capital, retained earnings (including current year profit) and non-controlling interest less required deductions such as deferred tax and unsecured credit accommodations to DOSRI. Tier 2 capital includes unsecured subordinated note, revaluation reserves and general loan loss provision. Certain items are deducted from the regulatory Gross Qualifying Capital, such as but not limited to equity investments in unconsolidated subsidiary banks and other financial allied undertakings, but excluding investments in debt capital instruments of unconsolidated subsidiary banks (for solo basis) and equity investments in subsidiary non-financial allied undertakings.

Risk-weighted assets are determined by assigning defined risk weights to statement of financial position exposures and to the credit equivalent amounts of off-balance sheet exposures. Certain items are deducted from risk-weighted assets, such as the excess of general loan loss provision over the amount permitted to be included in Tier 2 capital. The risk weights vary from 0.00% to 150.00% depending on the type of exposure, with the risk weights of off-balance sheet exposures being subjected further to credit conversion factors.

Following is a summary of risk weights and selected exposure types:

Risk weight	Exposure/Asset type*
0%	Cash on hand; claims collateralized by securities issued by the non-government, BSP; loans covered by the Trade and Investment Development Corporation of the Philippines; real estate mortgages covered by the Home Guarantee Corporation
20%	COCI, claims guaranteed by Philippine incorporated banks/quasi-banks with the highest credit quality; claims guaranteed by foreign incorporated banks with the highest credit quality; loans to exporters to the extent guaranteed by Small Business Guarantee and Finance Corporation

Risk weight	Exposure/Asset type*
50%	Housing loans fully secured by first mortgage on residential property; Local Government Unit (LGU) bonds which are covered by Deed of Assignment of Internal Revenue allotment of the LGU and guaranteed by the LGU Guarantee Corporation
75%	Direct loans of defined Small Medium Enterprise and microfinance loans portfolio; nonperforming housing loans fully secured by first mortgage
100%	All other assets (e.g., real estate assets) excluding those deducted from capital (e.g., deferred tax)
150%	All NPLs (except nonperforming housing loans fully secured by first mortgage) and all nonperforming debt securities

** Not all inclusive*

With respect to off-balance sheet exposures, the exposure amount is multiplied by a credit conversion factor (CCF), ranging from 0.00% to 100.00%, to arrive at the credit equivalent amount, before the risk weight factor is multiplied to arrive at the risk-weighted exposure. Direct credit substitutes (e.g., guarantees) have a CCF of 100.00%, while items not involving credit risk has a CCF of 0.00%.

On January 15, 2013, the BSP issued Circular No. 781, *Basel III Implementing Guidelines on Minimum Capital Requirements*, which provides the implementing guidelines on the revised risk-based capital adequacy framework particularly on the minimum capital and disclosure requirements for universal banks and commercial banks, as well as their subsidiary banks and quasi-banks, in accordance with the Basel III standards. The circular is effective on January 1, 2014.

The Circular sets out a minimum Common Equity Tier 1 (CET1) ratio of 6.00% and Tier 1 capital ratio of 7.50%. It also introduces a capital conservation buffer of 2.50% comprised of CET1 capital. The BSP's existing requirement for Total CAR remains unchanged at 10.00% and these ratios shall be maintained at all times.

Further, existing capital instruments as of December 31, 2010 which do not meet the eligibility criteria for capital instruments under the revised capital framework shall no longer be recognized as capital upon the effectivity of Basel III. Capital instruments issued under BSP Circular Nos. 709 and 716 (the circulars amending the definition of qualifying capital particularly on Hybrid Tier 1 and Lower Tier 2 capitals), starting January 1, 2011 and before the effectivity of BSP Circular No. 781, shall be recognized as qualifying capital until December 31, 2016. In addition to changes in minimum capital requirements, this Circular also requires various regulatory adjustments in the calculation of qualifying capital.

On June 27, 2014, the BSP issued Circular No. 839, *REST Limit for Real Estate Exposures* which provides the implementing guidelines on the prudential REST limit for universal, commercial, and thrift banks on their aggregate real estate exposures. The Circular sets out a minimum REST limit of 6.00% CET1 capital ratio and 10.00% risk-based capital adequacy ratio, on a solo and consolidated basis, under a prescribed write-off rate of 25.00% on the Group's real estate exposure. These limits shall be complied with at all times.

On June 9, 2016, the BSP issued Circular No. 881, *Implementing Guidelines on the Basel III Leverage Ratio Framework*, which provides implementing guidelines for universal, commercial, and their subsidiary banks/quasi banks. The circular sets out a minimum leverage ratio of 5.00% on a solo and consolidated basis and shall be complied with at all times.

The CAR of RBC as reported to the BSP as of December 31, 2021 and 2020 follows:

	2021	2020
CET 1 Capital	**₱15,193**	₱15,470
Additional Tier 1 Capital	**–**	–
Tier 1 Capital	**15,193**	15,470
Tier 2 Capital	**805**	862
Total Qualifying Capital	**₱15,998**	₱16,332

	2021	2020
Credit Risk-weighted Assets (RWA)	**₱101,282**	₱86,169
Market RWA	**382**	416
Operational RWA	**9,600**	7,897
Total RWA	**₱111,264**	₱94,482
Common Equity Tier 1 Ratio 1	**13.65%**	16.37%
Additional Tier 1 Ratio	**0.00%**	0.00%
Tier 1 Capital Ratio	**13.65%**	16.37%
Tier 2 Capital Ratio	**0.73%**	0.92%
Risk-based CAR	**14.38%**	17.29%

As of December 31, 2021 and 2020, RBC was in compliance with the required CAR.

Retained Earnings

As of December 31, 2021 and 2020, the Group has a total retained earnings of ₱246.2 billion and ₱242.7 billion, respectively. Out of this, ₱118.3 billion were restricted as of December 31, 2021 and 2020. The determination of retained earnings available for dividend declaration is assessed at the Parent Company level.

The details of the Group's restricted retained earnings follow:

Parent Company

As of December 31, 2021, the ₱101.2 billion restricted retained earnings of the Parent Company are earmarked for the following: (a) settlement of a certain subsidiary's loan obligations guaranteed by the Parent Company (Note 23); (b) settlement of Parent Company loan obligations; (c) capital investment related to digital venture businesses; and (d) general corporate purposes.

The details of the loan obligations follow:

	Subsidiary	Amount	Settlement
Loan obligations:			
4.375% senior unsecured notes	JGSH Philippines, Limited	US$750.0 million	10 years maturing in 2023
4.125% senior unsecured notes	JGSH Philippines, Limited	US$600.0 million	10 years maturing in 2030
Term Loans	Parent Company	₱35.9 billion	Maturing in 2022 to 2024
Term Loans	JGSPC	₱27.5 billion	Maturing in 2024 and 2025
Term Loans	JGSOC	₱2.4 billion	Maturing in 2024

As part of its debt covenant, the Parent Company has to maintain certain financial ratios such as: (a) the Group's current ratio of not less than 1.0:1.0; and (b) the Group's debt-to-equity ratio of not greater than 2.0:1.0. A portion of the Parent Company's retained earnings is restricted to maintain these financial ratios.

A corresponding amount of appropriated retained earnings will be reversed to unappropriated retained earnings once the foregoing loan obligations are settled.

On December 18, 2019, the BOD approved the appropriation of retained earnings amounting to ₱25.0 billion and the reversal of the appropriation made in prior years amounting to ₱24.5 billion.

URC
On December 16, 2020, URC's 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.

RLC
On December 8, 2021, RLC's BOD approved the reversal of the retained earnings it appropriated in 2020 amounting to ₱26.0 billion as the related projects to which the retained earnings were earmarked were completed already. The amount was originally earmarked for the continuing capital expenditures of the Group for subdivision land, condominium and residential units for sale, investment properties and property and equipment.

On the same date, RLC's BOD also approved the appropriation of ₱25.5 billion, out of the unappropriated retained earnings, to support the capital expenditure requirements of RLC for various projects. These projects and acquisitions are expected to be completed in various dates from 2022 to 2027.

On December 10, 2020, RLC's BOD approved the reversal of the retained earnings it appropriated in 2019 amounting to ₱27.0 billion as the related projects to which the retained earnings were earmarked were completed already. The amount was originally earmarked for the continuing capital expenditures of the Group for subdivision land, condominium and residential units for sale, investment properties and property and equipment.

On the same date, RLC's BOD also approved the appropriation of ₱26.0 billion, out of the unappropriated retained earnings, to support the capital expenditure requirements of RLC for various projects. These projects and acquisitions are expected to be completed in various dates from 2021 to 2026.

On December 9, 2019, RLC's BOD approved the reversal of the retained earnings it appropriated in 2018 amounting to ₱27.0 billion as the related projects to which the retained earnings were earmarked were completed already. The amount was originally earmarked for the continuing capital expenditures of the Group for subdivision land, condominium and residential units for sale, investment properties and property and equipment.

On the same date, RLC's BOD also approved the appropriation of ₱27.0 billion, out of the unappropriated retained earnings, to support the capital expenditure requirements of RLC for various projects. These projects and acquisitions are expected to be completed in various dates from 2020 to 2024.

CAI
On September 7, 2020, December 4, 2019 and December 12, 2018, CAI's BOD appropriated ₱12.0 billion, ₱26.0 billion and ₱22.0 billion, respectively, from its unrestricted retained earnings for purposes of the Group's re-fleeting program. Appropriations as of December 31, 2020, 2019 and 2018 were reversed in the following year. The appropriated amount as of December 31, 2020 was used for the settlement of aircraft and engine lease commitments in 2021.

As of December 31, 2021, 2020 and 2019, CAI's appropriated retained earnings amounted to nil, ₱12.0 billion and ₱26.0 billion, respectively.

RBC
In compliance with existing BSP regulations, 10.00% of the net profits realized by RBC from its trust business is appropriated to surplus reserve. The yearly appropriation is required until the surplus reserve for trust business equals 20.00% of RBC's regulatory capital.

As of December 31, 2021, the RBC's BOD approved to appropriate reserves for trust reserves amounting to (₱15.5) million.

In 2021, RBC's BOD approved to reverse the appropriation of reserves for expected credit losses amounting to ₱15.61 million. In 2020, RBC's BOD approved to reverse the appropriation of reserves for expected credit losses amounting to ₱14.42 million. In 2019, RBC's BOD approved to appropriate reserves for expected credit losses amounting to ₱444.47 million, in compliance with the requirements of the BSP Circular No. 1011. Under this BSP Circular, RBC shall treat Stage 1 provisions for loan accounts as General Provisions (GP) while Stage 2 and 3 provisions shall be treated as Specific Provisions (SP). RBC shall set up GLLP equivalent to 1% of all outstanding Stage 1 on-balance sheet loan accounts, except for accounts considered as credit risk-free under existing regulations. In cases when the computed allowance for credit losses on Stage 1 accounts is less than the 1% required GP, the deficiency shall be recognized by appropriating the 'Retained Earnings' (RE) account. GP recognized in profit or loss as allowance for credit losses for Stage 1 accounts and the amount appropriated in surplus shall be considered as Tier 2 capital subject to the limit provided under the CAR framework.

Accumulated equity in net earnings of the subsidiaries and associates
A portion of the Group's retained earnings corresponding to the net earnings of the subsidiaries and accumulated equity in net earnings of the associates and joint ventures amounting to ₱99.0 billion, ₱102.6 billion and ₱113.8 billion as of December 31, 2021, 2020 and 2019, respectively, is not available for dividend declaration. The accumulated equity in net earnings becomes available for dividends upon receipt of cash dividends from the investees.

Cash Dividends
Parent Company
Details of the Parent Company's dividend declarations on its common stock follow:

	2021	2020	2019
Date of declaration	**May 13, 2021**	May 30, 2020	May 30, 2019
Dividend per share	**₱0.38**	₱0.38	₱0.37
Total dividends	**₱2.9 billion**	₱2.7 billion	₱2.7 billion
Date of record	**June 11, 2021**	June 11, 2020	June 20, 2019
Date of payment	**July 7, 2021**	July 8, 2020	July 16, 2019

Details of the Parent Company's dividend declarations on its preferred stock follow:

	2021	2020	2019
Date of declaration	**May 13, 2021**	May 30, 2020	May 30, 2019
Dividend per share	**₱0.0038**	₱0.0038	₱0.0037
Total dividends	**₱15.2 million**	₱15.2 million	₱14.8 million
Date of record	**June 11, 2021**	June 11, 2020	June 20, 2019
Date of payment	**July 7, 2021**	July 8, 2020	July 16, 2019

The following tables summarize the dividends declared by significant subsidiaries of the Parent Company:

URC
Details of URC's dividend declarations follow:

	2021	2020	2019
Date of declaration	**April 29, 2021**	March 10, 2020	February 28, 2019
Dividend per share - regular	**₱1.50**	₱1.50	₱1.50
Total dividends - regular	**₱3.3 billion**	₱3.3 billion	₱3.3 billion
Date of record	**May 20, 2021**	March 24, 2020	March 14, 2019
Date of payment	**June 15, 2021**	April 21, 2020	March 28, 2019
Dividend per share - special	**₱1.80**	₱1.65	₱1.65
Total dividends - special	**₱4.0 billion**	₱3.6 billion	₱3.6 billion
Date of record	**August 19, 2021**	June 1, 2020	July 1, 2019
Date of payment	**September 15, 2021**	June 26, 2020	July 26, 2019

RLC
Details of RLC's dividend declarations follow:

	2021	2020	2019
Date of declaration	**May 6, 2021**	May 13, 2020	May 29, 2019
Dividend per share	**₱0.25**	₱0.25	₱0.50
Total dividends	**₱1.3 billion**	₱1.3 billion	₱2.6 billion
Date of record	**May 26, 2021**	June 10, 2020	June 18, 2019
Date of payment	**June 21, 2021**	July 7, 2020	July 12, 2019
Dividend per share	**–**	₱0.25	–
Total dividends	**–**	₱1.3 billion	–
Date of record	**–**	October 1, 2020	–
Date of payment	**–**	October 27, 2020	–

CAI
Details of CAI's dividend declarations follow:

	2021	2020	2019
Date of declaration	**–**	–	May 20, 2019
Dividend per share - regular	**–**	–	₱2.00
Total dividends - regular	**–**	–	₱1,201.8 million
Dividend per share - special	**–**	–	₱5.00
Total dividends - special	**–**	–	₱3,004.6 million
Date of record	**–**	–	June 14, 2019
Date of payment	**–**	–	July 10, 2019

Stock Dividends
On August 14, 2020, the BOD approved the declaration of stock dividend as follows:

- A stock dividend equivalent to five percent (5%) of the total issued and outstanding shares of the Company or 358,142,083 common shares, to be issued and paid out of the unrestricted retained earnings of the Company as of December 31, 2019, to all stockholders holding common shares as of record date of October 30, 2020 and distributed on November 25, 2020.
- Any fractional shares resulting from the stock dividend declaration will be paid in cash.

On October 20, 2020, the stockholders representing 87.11% of the total outstanding capital stock of the Parent Company approved the declaration of the stock dividend.

Stock dividend distributable pertains to preferred voting shares to be issued to the preferred shareholders once the SEC approval has been obtained on the reclassification of preferred non-voting shares to preferred voting shares. On December 3, 2020, the Parent Company applied with the SEC for the reclassification of preferred non-voting shares to preferred voting shares. On June 29, 2021, the SEC approved the reclassification of the preferred non-voting shares to preferred voting shares.

Equity Reserve
In December 2019, Intersnack bought 40% of URC's equity interest in the Oceania business for a total consideration of ₱7.7 billion (see Note 44). 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 and call option issued to NCI amounting to ₱1.3 billion is presented under 'Equity reserve' in the consolidated statements of financial position. See Note 8 for disclosure on the call option.

In October 2021, URC sold its remaining 60.0% equity interest in Oceania business to Intersnack (see Note 44). As a result, the Group derecognized the assets and liabilities related to its Oceania business. 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 PFRS and definitions, recognition criteria and measurement concepts in the Framework.

On February 8, 2022, the Group requested for the 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 PFRS, and would allow for more understandable financial information for users. Accordingly, the Group reclassified Equity Reserve amounting to ₱1.3 billion to Retained Earnings.

On August 20, 2021, RLC sold its investment in RCR by way of public offering at a selling price of ₱6.45 per share, with a total selling price amounting to ₱22.6 billion, net of transaction costs amounting to ₱737.3 million. As a result of the sale, the equity interest of RLC over RCR changed from 100% to 63.49%. RLC assessed that the change in its ownership interest over RCR as a result of the public offering did not result in a loss of control. Thus, RLC accounted for the decrease in ownership interest in RCR as an equity transaction. No gain or loss was recognized upon consolidation, and the difference in the proceeds from sale of shares to public and the amount recorded as NCI amounting to ₱10.8 billion was recorded as 'Equity Reserve' in the consolidated statements of financial position.

On September 27, 2016, URC reissued 22.7 million common shares previously held as treasury shares by way of block sale at a selling price of ₱193.45 per share, with a total selling price amounting to ₱4.4 billion, net of transaction costs amounting to ₱27.2 million. As a result of the sale, the equity interest of the Parent Company over URC changed from 55.83% to 55.25%. The excess of the total consideration received over the carrying value of the interest transferred to the non-controlling interest is included under 'Equity reserve' in the consolidated statements of financial position.

In December 2014, URC entered into a share purchase agreement with Nissin to sell 14.0% of its equity interest in NURC. As a result of the sale, the equity interest of URC changed from 65.0% to 51.0%. The gain from the sale amounting to ₱239.8 million is included under 'Equity reserve' in the consolidated statements of financial position.

Non-controlling Interests
Below is the rollforward of non-controlling interests:

	2021	2020	2019
Beginning balance	**₱99,789,050,002**	₱103,835,500,348	₱91,055,029,938
Total comprehensive income:			
Net income attributable to non-controlling interests	**5,625,794,401**	865,365,887	11,380,265,517
Other comprehensive income attributable to non-controlling interests:			
Net unrealized gains (losses) on financial assets at FVOCI (Note 10)	**(442,045,521)**	74,830,797	454,489,410
Cumulative translation adjustments	**774,300,966**	(850,896,728)	526,535,963
Remeasurements due to defined benefit liability (Note 37)	**239,338,401**	(30,669,098)	(208,766,439)
Gain (loss) on cashflow hedge	**27,779,849**	(85,310,250)	55,830,925
	6,225,168,096	(26,679,392)	12,208,355,376
Sale of equity interest in a subsidiary (by a subsidiary)	**10,593,578,230**	–	6,066,755,734
Derecognition of non-controlling interest due to sale of business by a subsidiary	**(6,244,876,706)**	–	–
Cash dividends paid to non-controlling interests	**(4,420,473,375)**	(4,494,502,566)	(5,768,961,389)
Issuance of shares by subsidiaries	**3,021,843,474**	–	–
Decrease in subsidiaries' treasury shares	**(673,255,042)**	(45,040,628)	(104,451,717)
Acquisition of non-controlling interest by a subsidiary	**(473,539,688)**	327,772,240	–
Acquisition of new subsidiary by a subsidiary	**341,291,632**	–	–
Subsidiary's share-based payments	**174,824,362**	–	–
Stock issue costs of subsidiaries	**(11,519,640)**	–	–
Deposit for future subscription of shares by non-controlling interest in a subsidiary / Issuance of shares by subsidiaries	**–**	192,000,000	240,000,000
Incorporation of a subsidiary	**–**	–	159,250,000
Property dividends to non-controlling interest	**–**	–	(20,477,594)
	₱108,322,091,345	₱99,789,050,002	₱103,835,500,348

26. Revenue

Disaggregated revenue information
Set out below is the disaggregation of the Group's revenues from contracts with customers and revenues not covered under PFRS 15 for the years ended December 31, 2021, 2020 and 2019:

	December 31, 2021			
	Goods and services transferred at a point in time	**Services transferred over time**	**Revenues outside the scope of PFRS 15**	**Total**
Sale of goods and services:				
Foods	**₱116,954,788,444**	**₱–**	**₱–**	**₱116,954,788,444**
Real estate and hotels	**15,020,628,180**	**5,202,951,110**	**15,338,406,050**	**35,561,985,340**
Air transportation	**15,740,756,855**	**–**	**–**	**15,740,756,855**
Petrochemicals	**40,323,467,713**	**–**	**–**	**40,323,467,713**
Banking	**619,362,748**	**–**	**8,666,579,614**	**9,285,942,362**
Equity in net earnings of associates and joint ventures	**–**	**–**	**9,685,312,139**	**9,685,312,139**
Dividend income	**–**	**–**	**2,139,858,648**	**2,139,858,648**
Supplementary businesses	**734,074,617**	**–**	**126,147,493**	**860,222,110**
	₱189,393,078,557	**₱5,202,951,110**	**₱35,956,303,944**	**₱230,552,333,611**

	December 31, 2020			
	Goods and services transferred at a point in time	Services transferred over time	Revenues outside the scope of PFRS 15	Total
Sale of goods and services:				
Foods	₱113,161,785,302	₱–	₱–	₱113,161,785,302
Real estate and hotels	4,056,225,430	11,717,577,404	11,744,603,805	27,518,406,639
Air transportation	22,617,967,165	–	–	22,617,967,165
Petrochemicals	21,275,283,602	–	–	21,275,283,602
Banking	398,347,991	–	8,776,235,635	9,174,583,626
Equity in net earnings of associates and joint ventures	–	–	7,584,634,408	7,584,634,408
Dividend income	–	–	2,011,120,839	2,011,120,839
Supplementary businesses	807,717,391	–	100,050,694	907,768,085
	₱162,317,326,881	₱11,717,577,404	₱30,216,645,381	₱204,251,549,666

	December 31, 2019			
	Goods and services transferred at a point in time	Services transferred over time	Revenues outside the scope of PFRS 15	Total
Sale of goods and services:				
Foods	₱114,403,217,219	₱–	₱–	₱114,403,217,219
Air transportation	84,806,810,363	–	–	84,806,810,363
Petrochemicals	29,053,982,086	–	–	29,053,982,086
Real estate and hotels	8,186,926,449	8,708,003,578	16,596,817,756	33,491,747,783
Banking	462,302,868	–	7,659,360,087	8,121,662,955
Equity in net earnings of associates and joint ventures	–	–	13,337,668,925	13,337,668,925
Dividend income	–	–	1,348,711,916	1,348,711,916
Supplementary businesses	674,872,506	–	74,303,386	749,175,892
	₱237,588,111,491	₱8,708,003,578	₱39,016,862,070	₱285,312,977,139

Banking revenue consists of:

	2021	2020	2019
Interest income (Note 27)	**₱8,312,410,745**	₱7,837,009,759	₱7,198,761,011
Trading and securities gains (Notes 8 and 10)	**354,168,869**	939,225,876	460,599,076
Service fees and commission income	**619,362,748**	398,347,991	462,302,868
	₱9,285,942,362	₱9,174,583,626	₱8,121,662,955

27. Interest Income

This account consists of:

	2021	2020	2019
Interest income from:			
Finance receivables and sales contract receivable (Note 11)	**₱6,825,742,389**	₱6,610,648,733	₱6,062,440,608
Financial assets at FVOCI (Note 10)	**1,198,380,246**	1,100,406,085	1,027,397,426
Cash and cash equivalents (Note 7)	**824,745,280**	975,844,004	1,584,712,240
Investment securities at amortized cost (Note 10)	**305,200,711**	356,597,283	477,790,098
Financial assets at FVPL (Note 9)	**252,927,020**	7,424,489	100,871,958
	₱9,406,995,646	₱9,050,920,594	₱9,253,212,330

Interest income are included in the following accounts in the consolidated statements of comprehensive income as follows:

	2021	2020	2019
Banking revenue (Note 26)	**₱8,312,410,745**	₱7,837,009,759	₱7,198,761,011
Finance income	**1,094,584,901**	1,213,910,835	2,054,451,319
	₱9,406,995,646	₱9,050,920,594	₱9,253,212,330

28. **Dividend Income**

As a holding company, the Parent Company receives dividends from its strategic investments in companies that are neither consolidated nor equity-accounted in the group accounts. This account includes dividends received from PLDT amounting to ₱2.0 billion, ₱1.9 billion and ₱1.2 billion in 2021, 2020 and 2019, respectively. Investment in PLDT is presented under financial assets at FVOCI.

29. **Other Operating Income (Expenses)**

This account consists of:

	2021	2020	2019
Gain (loss) on sale of aircraft (Note 16)	**₱1,388,678,985**	(₱259,994,278)	(₱225,675,379)
Gain on sale of investments (Notes 14 and 19)	**186,838,760**	105,789,465	–
Gain on insurance claims	**138,049,029**	807,409,620	–
Loss on debt extinguishment (Note 23)	**(77,337,557)**	–	–
Realized gain on sale of financial assets at FVOCI (Note 10)	**8,569,740**	23,850,313	277,810,114
Loss on loan modification (Note 11)	–	(273,536,633)	–
Loss on bond reacquisition	–	(66,203,187)	–
Others (Notes 16 and 21)	**(1,076,685,804)**	(807,794,128)	(106,451,416)
	₱568,113,153	(₱470,478,828)	(₱54,316,681)

Gain on Insurance Claims

On various dates in 2021, CAI received ₱138.0 million pertaining to insurance proceeds claimed for several loss events involving three (3) ATRs, one (1) A320 and one (1) A330 which occurred in 2019 and 2018. In September 2020, CAI received ₱807.4 million pertaining to insurance proceeds claimed for damages sustained by an A320 aircraft during a runway excursion incident at Iloilo International Airport last October 2017.

Others also include restructuring provisions and gain (loss) on sale of PPE and investment properties.

30. **Cost of Sales and Services**

This account consists of:

	2021	2020	2019
Raw materials used	**₱91,897,856,192**	₱68,314,475,232	₱75,299,401,792
Direct labor	**4,996,839,027**	4,547,980,494	4,396,556,726
Overhead cost	**29,541,006,911**	25,494,699,198	30,862,616,812
Total manufacturing cost	**126,435,702,130**	98,357,154,924	110,558,575,330
Work-in-process	**71,442,072**	83,085,251	(507,109,584)
Cost of goods manufactured	**126,507,144,202**	98,440,240,175	110,051,465,746
Finished goods	**(4,212,629,617)**	1,991,972,197	(296,991,652)
Cost of sales	**122,294,514,585**	100,432,212,372	109,754,474,094
Cost of services	**43,588,528,368**	39,532,427,637	70,085,768,333
Cost of sales and services	**₱165,883,042,953**	₱139,964,640,009	₱179,840,242,427

Overhead cost consists of:

	2021	2020	2019
Utilities and fuel	**₱11,727,372,166**	₱8,422,811,089	₱13,164,435,761
Depreciation and amortization (Note 33)	**7,939,138,863**	7,856,207,886	7,052,897,232
Repairs and maintenance	**3,573,380,419**	3,292,972,892	3,421,410,408
Personnel (Note 32)	**3,124,138,323**	2,845,424,035	2,843,219,195
Taxes, licenses and fees	**1,342,235,898**	1,333,183,923	1,686,350,926
Security and other contracted services	**821,524,859**	757,673,080	782,251,382
Insurance	**407,607,641**	252,558,022	287,042,116
Handling and delivery charges	**178,340,860**	209,775,448	245,906,851
Rental (Note 42)	**153,760,529**	229,418,098	182,491,516
Research and development	**90,452,181**	44,386,508	87,191,359
Others	**183,055,172**	250,288,217	1,109,420,066
	₱29,541,006,911	₱25,494,699,198	₱30,862,616,812

Cost of services is composed of:

	2021	2020	2019
Real estate	**₱21,198,200,185**	₱14,503,445,997	₱15,304,923,805
Air transportation	**19,065,731,725**	21,277,642,920	49,518,018,515
Banking	**1,731,571,481**	2,236,992,833	3,173,237,752
Hotel operations	**1,374,542,038**	1,347,774,077	2,089,588,261
Information technology and services	**218,482,939**	166,571,810	–
	₱43,588,528,368	₱39,532,427,637	₱70,085,768,333

Further breakdown of the ‘Cost of services’ account showing the nature of expenses follow:

	2021	2020	2019
Cost of real estate sales (Note 12)	**₱13,344,164,863**	₱6,161,235,541	₱4,235,325,163
Maintenance costs	**9,091,596,203**	7,862,894,868	7,144,174,829
Depreciation and amortization (Note 33)	**5,382,528,800**	5,095,940,795	4,966,545,415
Fuel and oil	**5,074,851,774**	6,203,299,066	24,591,651,508
CUSA charges	**2,812,732,973**	2,701,520,778	4,392,230,935
Personnel (Note 32)	**1,900,427,478**	3,249,670,176	6,882,489,474
Interest expense (Note 21)	**1,475,559,673**	2,025,436,255	2,939,576,169
Ground handling charges	**1,379,329,615**	1,697,496,416	4,154,701,288
Property operations and maintenance costs	**937,258,013**	774,190,573	1,134,695,919
Landing and take-off	**929,313,991**	1,208,004,911	3,818,785,918
Reservation costs	**417,541,871**	565,824,225	2,034,317,306
Passenger liability insurance	**258,566,589**	280,305,266	258,740,461
Service charges and commission expense	**205,178,039**	166,465,129	233,661,583
Cost of food and beverage - hotel operations	**120,156,022**	116,701,743	380,535,302
Contracted services	**98,323,185**	594,014,144	710,939,896
Travel and transportation	**22,973,535**	105,804,270	274,231,103
Interrupted/delayed trips expense	**17,420,136**	69,683,311	268,974,040
Passenger food and supplies	**16,991,377**	52,677,817	259,298,060
Pilot and crew meals	**15,105,210**	26,036,915	87,997,971
Cost of information technology and services	**5,692,605**	22,618,207	–
Film rentals expense - amusement services	**1,595,616**	92,678,800	956,468,868
Customs, immigration and duties	**1,072,415**	5,320,113	3,086,774
Others	**80,148,385**	454,608,318	357,340,351
	₱43,588,528,368	₱39,532,427,637	₱70,085,768,333

31. General and Administrative Expenses

This account consists of:

	2021	2020	2019
Depreciation and amortization (Note 33)	**₱15,808,830,426**	₱17,447,115,988	₱16,791,405,387
Outside services	**9,636,011,301**	9,500,249,787	9,771,047,273
Personnel (Note 32)	**8,926,438,468**	8,289,965,982	8,269,971,885
Advertising and promotions	**7,834,795,087**	8,315,695,603	9,311,967,949
Taxes, licenses and fees	**1,895,626,155**	1,685,227,285	1,855,068,846
Repairs and maintenance	**1,441,107,589**	1,431,378,298	913,028,288
Rental (Note 42)	**906,678,363**	1,089,718,434	1,179,090,753
Insurance	**896,456,684**	836,034,078	683,959,468
Sales commission	**856,092,652**	980,840,207	1,030,540,317
Utilities and supplies	**491,785,658**	528,685,702	694,393,495
Aircraft and engine lease	**443,481,483**	284,665,157	313,939,968
Communication	**377,591,038**	387,198,426	362,078,041
Travel and transportation	**309,895,047**	476,632,036	1,013,855,725
Entertainment, amusement and recreation (Note 38)	**177,586,298**	171,877,896	206,723,604
Others	**1,233,329,175**	1,522,697,873	1,306,387,102
	₱51,235,705,424	₱52,947,982,752	₱53,703,458,101

Others
Other expenses include royalties, donation and contribution, and membership and subscription dues.

32. Personnel Expenses

This account consists of:

	2021	2020	2019
Salaries and wages	**₱9,927,408,934**	₱9,792,870,498	₱13,523,476,335
Other employee benefits	**3,375,047,305**	4,045,662,084	3,496,047,156
Pension expense	**648,548,030**	546,527,611	976,157,063
	₱13,951,004,269	₱14,385,060,193	₱17,995,680,554

The breakdown of personnel expenses follows:

	2021	2020	2019
General and administrative expenses (Note 31)	**₱8,926,438,468**	₱8,289,965,982	₱8,269,971,885
Cost of sales and services (Note 30)	**5,024,565,801**	6,095,094,211	9,725,708,669
	₱13,951,004,269	₱14,385,060,193	₱17,995,680,554

33. Depreciation and Amortization

The breakdown of depreciation and amortization on property, plant and equipment, investment properties, biological assets, intangible assets and ROU assets follows:

	2021	2020	2019
General and administrative expenses (Notes 15, 16, 18, and 31)	**₱15,808,830,426**	₱17,447,115,988	₱16,791,405,387
Cost of sales and services (Notes 15, 16 and 30)	**13,321,667,663**	12,952,148,681	12,019,442,647
Discontinued operations (Note 44)	**1,201,671,101**	1,207,760,482	1,202,148,072
	₱30,332,169,190	₱31,607,025,151	₱30,012,996,106

34. Provision for (Reversal of) Impairment Losses and Others

This account consists of:

	2021	2020	2019
Provision for (reversal of) impairment losses on:			
Receivables (Note 11)	**₱1,439,215,585**	₱1,412,698,754	₱133,647,748
Property, plant and equipment (Note 16)	**432,631,271**	–	(2,274,795,253)
Inventory obsolescence and market decline (Note 12)	**109,167,827**	–	2,678
Investment in associates and joint venture	**36,915,814**	3,776,046	–
Investment properties (Note 15)	**95,160**	153,127	(3,823,625)
Other noncurrent assets	**–**	3,852,071	–
	₱2,018,025,657	₱1,420,479,998	(₱2,144,968,452)

35. Financing Costs and Other Charges

This account consists of:

	2021	2020	2019
Interest expense	**₱8,853,447,467**	₱8,719,413,192	₱9,712,349,559
Bank charges and others	**257,637,139**	193,966,799	230,385,537
	₱9,111,084,606	₱8,913,379,991	₱9,942,735,096

Sources of financing costs and other charges follow:

	2021	2020	2019
Long-term debt (Note 23)	**₱7,066,408,213**	₱6,979,351,987	₱7,593,049,215
Short-term debt (Note 23)	**914,918,060**	929,212,603	1,371,340,594
Others	**350,464,627**	249,875,661	228,499,854
	8,331,790,900	8,158,440,251	9,192,889,663
Accretion of lease liabilities (Note 42)	**683,432,040**	661,523,564	669,186,785
Amortization of debt issuance costs (Note 23)	**95,861,666**	93,416,176	80,658,648
	₱9,111,084,606	₱8,913,379,991	₱9,942,735,096

36. Components of Other Comprehensive Income

Below is the composition of the Group's 'Other comprehensive income':

	2021		
	Parent Company	**Non-controlling Interests**	**Total**
Net gain (loss) on FVOCI investments:			
Net changes in fair value of FVOCI of Parent and its subsidiaries			
Net changes in fair value during the period (Note 10)	**₱10,729,323,198**	**(₱442,045,521)**	**₱10,287,277,677**
Reclassification adjustment included in profit or loss arising from disposal of FVOCI (Notes 10 and 29)	**(8,569,740)**	**–**	**(8,569,740)**
	10,720,753,458	**(442,045,521)**	**10,278,707,937**
Net changes in fair value of FVOCI of an associate (Note 14)	**34,483,923**	**–**	**34,483,923**
	10,755,237,381	**(442,045,521)**	**10,313,191,860**
Net changes in fair value of cash flow hedge (Note 8):			
Net changes in fair value of derivatives taken to OCI	**23,730,026**	**27,779,849**	**51,509,875**
	10,778,967,407	**(414,265,672)**	**10,364,701,735**
Cumulative translation adjustments	**877,705,266**	**774,300,966**	**1,652,006,232**
Remeasurements due to defined benefit liability (DBL), net of tax (Note 37)			
Remeasurements of net DBL of Parent and subsidiaries	**440,451,416**	**239,338,401**	**679,789,817**
Share in remeasurements of net DBL of associates	**1,918,720,561**	**–**	**1,918,720,561**
	₱14,015,844,650	**₱599,373,695**	**₱14,615,218,345**

	2020		
	Parent Company	Non-controlling Interests	Total
Net gain (loss) on FVOCI investments:			
Net changes in fair value of FVOCI of Parent and its subsidiaries			
Net changes in fair value during the period (Note 10)	₱9,006,210,691	₱74,830,797	₱9,081,041,488
Reclassification and adjustment included in profit or loss arising from disposal of FVOCI	(23,850,313)	–	(23,850,313)
	8,982,360,378	74,830,797	9,057,191,175
Net changes in fair value of FVOCI of an associate (Note 14)	55,663,285	–	55,663,285
	9,038,023,663	74,830,797	9,112,854,460
Net changes in fair value of cash flow hedge (Note 8):			
Net changes in fair value of derivatives taken to OCI	(145,612,532)	(85,310,250)	(230,922,782)
	8,892,411,131	(10,479,453)	8,881,931,678
Cumulative translation adjustments	(1,059,967,321)	(850,896,728)	(1,910,864,049)
Remeasurements due to defined benefit liability (DBL), net of tax (Note 37)			
Remeasurements of net DBL of Parent and subsidiaries	(34,411,579)	(30,669,098)	(65,080,677)
Share in remeasurements of net DBL of associates	(1,083,403,985)	–	(1,083,403,985)
	₱6,714,628,246	(₱892,045,279)	₱5,822,582,967

	2019		
	Parent Company	Non-controlling Interests	Total
Net gain (loss) on FVOCI investments:			
Net changes in fair value of FVOCI of Parent and its subsidiaries			
Net changes in fair value during the period (Note 10)	(₱1,083,397,384)	₱454,489,410	(₱628,907,974)
Reclassification adjustment included in profit or loss arising from disposal of FVOCI (Notes 10 and 29)	(277,810,114)	–	(277,810,114)
	(1,361,207,498)	454,489,410	(906,718,088)
Net changes in fair value of FVOCI of an associate (Note 14)	176,256,150	–	176,256,150
	(1,184,951,348)	454,489,410	(730,461,938)
Net changes in fair value of cash flow hedge (Note 8):			
Net changes in fair value of derivatives taken to OCI	119,340,853	55,830,925	175,171,778
	(1,065,610,495)	510,320,335	(555,290,160)
Cumulative translation adjustments	673,475,522	526,535,963	1,200,011,485
Remeasurements due to defined benefit liability (DBL), net of tax (Note 37)			
Remeasurements of net DBL of Parent and subsidiaries	(379,798,762)	(208,766,439)	(588,565,201)
Share in remeasurements of net DBL of associates	(1,170,380,505)	–	(1,170,380,505)
	(₱1,942,314,240)	₱828,089,859	(₱1,114,224,381)

The income tax effects relating to other comprehensive income are as follows:

	2021		
	Before tax	**Tax benefit**	**Net of tax**
Net gains on financial assets at FVOCI of Parent Company and its subsidiaries	**₱10,278,707,937**	**₱–**	**₱10,278,707,937**
Cumulative translation adjustments	**1,652,006,232**	**–**	**1,652,006,232**
Net movement in cash flow hedge	**58,436,209**	**(6,926,334)**	**51,509,875**
Remeasurements due to defined benefit liability	**906,386,423**	**(226,596,606)**	**679,789,817**
Remeasurements due to defined benefit liability of associates	**1,918,720,561**	**–**	**1,918,720,561**
Net changes in fair value of financial assets at FVOCI of an associate (Note 10)	**34,483,923**	–	**34,483,923**
	₱14,848,741,285	**(₱233,522,940)**	**₱14,615,218,345**

	2020		
	Before tax	Tax benefit	Net of tax
Net gains on financial assets at FVOCI of Parent Company and its subsidiaries	₱9,057,191,175	₱–	₱9,057,191,175
Cumulative translation adjustments	(1,910,864,049)	–	(1,910,864,049)
Net movement in cash flow hedge	(316,279,481)	85,356,699	(230,922,782)
Remeasurements due to defined benefit liability	(92,972,396)	27,891,719	(65,080,677)
Remeasurements due to defined benefit liability of associates	(1,083,403,985)	–	(1,083,403,985)
Net changes in fair value of financial assets at FVOCI of an associate (Note 10)	55,663,285	–	55,663,285
	₱5,709,334,549	₱113,248,418	₱5,822,582,967

	2019		
	Before tax	Tax benefit	Net of tax
Net gains on financial assets at FVOCI of Parent Company and its subsidiaries	(₱906,718,088)	₱–	(₱906,718,088)
Cumulative translation adjustments	1,200,011,485	–	1,200,011,485
Net movement in cash flow hedge	252,216,877	(77,045,099)	175,171,778
Remeasurements due to defined benefit liability	(840,807,430)	252,242,229	(588,565,201)
Remeasurements due to defined benefit liability of associates	(1,170,380,505)	–	(1,170,380,505)
Net changes in fair value of financial assets at FVOCI of an associate (Note 10)	176,256,150	–	176,256,150
	(₱1,289,421,511)	₱175,197,130	(₱1,114,224,381)

37. Employee Benefits

Pension Plans

The Group has funded, noncontributory, defined benefit pension plans covering substantially all of their regular employees, except for JGSPC that has an unfunded, noncontributory defined benefit pension plan.

The pension funds are being administered and managed through JG Summit Multi-Employer Retirement Plan (the "Plan"), with RBC as Trustee. The plans provide for retirement, separation, disability and death benefits to their members. The Group, however, reserves the right to discontinue, suspend or change the rates and amounts of their 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 Parent Company are represented in the Executive Retirement Committee. RBC manages the plan based on the mandate as defined in the trust agreement.

The amounts recognized as pension liabilities included under 'Other noncurrent liabilities' in the consolidated statements of financial position follow:

	2021	2020
Present value of defined benefit obligation	**₱5,278,882,823**	₱6,030,510,593
Fair value of plan assets	**3,339,826,306**	3,182,401,757
Pension liabilities (Note 24)	**₱1,939,056,517**	₱2,848,108,836

Changes in net defined benefit liability of funded funds in 2021 and 2020 follows:

	2021		
	Present value of defined benefit obligation	**Fair value of plan assets**	**Net defined benefit liability/(asset)**
Balance at beginning of year	**₱6,030,510,593**	**₱3,182,401,757**	**₱2,848,108,836**
Net benefit cost in consolidated statement of comprehensive income:			
Current service cost	**609,746,763**	**–**	**609,746,763**
Past service cost	**944,624**	**17,915**	**926,709**
Net interest cost	**223,703,329**	**125,847,480**	**97,855,849**
Subtotal	**834,394,716**	**125,865,395**	**708,529,321**
Benefits paid	**(478,842,336)**	**(222,758,733)**	**(256,083,603)**
Asset transfer	**24,117,102**	**–**	**24,117,102**
Settlement	**673,633**	**673,669**	**(36)**
Effect of curtailment	**(698,191)**	**–**	**(698,191)**
Remeasurements in other comprehensive income:			
Return on plan assets	**–**	**(126,818,583)**	**126,818,583**
Actuarial changes arising from experience adjustments	**108,258,731**	**–**	**108,258,731**
Actuarial changes arising from changes in financial assumptions	**(1,114,988,487)**	**–**	**(1,114,988,487)**
Actuarial changes arising from changes in financial/demographic assumptions	**(91,217,137)**	**–**	**(91,217,137)**
Subtotal	**(1,097,946,893)**	**(126,818,583)**	**(971,128,310)**
Contributions paid	**(33,325,801)**	**380,462,801**	**(413,788,602)**
Balance at end of year	**₱5,278,882,823**	**₱3,339,826,306**	**₱1,939,056,517**

	2020		
	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability/(asset)
Balance at beginning of year	₱5,764,503,153	₱3,070,592,549	₱2,693,910,604
Net benefit cost in consolidated statement of comprehensive income:			
Current service cost	531,972,178	–	531,972,178
Net interest cost	282,767,941	147,653,628	135,114,313
Subtotal	814,740,119	147,653,628	667,086,491
Benefits paid	(731,039,335)	(649,641,560)	(81,397,775)
Asset transfer	(3,921,483)	(49,808,587)	45,887,104
Settlement	(160,414,276)	–	(160,414,276)
Effect of asset ceiling	–	(673,669)	673,669
Assets and liabilities acquired	107,441,205	–	107,441,205
Remeasurements in other comprehensive income:			
Return on plan assets	–	110,751,278	(110,751,278)
Actuarial changes arising from experience adjustments	107,825,347	–	107,825,347
Actuarial changes arising from changes in financial assumptions	134,299,231	–	134,299,231
Actuarial changes arising from changes in financial/demographic assumptions	(38,731,553)	(330,649)	(38,400,904)
Subtotal	203,393,025	110,420,629	92,972,396
Contributions paid	35,808,185	553,858,767	(518,050,582)
Balance at end of year	₱6,030,510,593	₱3,182,401,757	₱2,848,108,836

The fair value of plan assets by each class as at the end of the reporting period are as follow:

	2021	2020
ASSETS		
Cash and cash equivalents	**₱20,579,475**	₱463,349,062
UITF investments	**2,235,777,725**	1,718,598,834
Debt instruments	**471,277,958**	487,765,111
Financial assets at FVOCI	**96,776,126**	62,134,847
Equity investments	**38,295,970**	5,358,224
Receivable	**317,959,187**	298,678,395
Accrued interest receivable	**4,230,545**	5,360,744
Prepayments and other assets	**50,358,443**	–
Land	**143,201,000**	143,201,000
	3,378,456,429	3,184,446,217
LIABILITIES		
Current liabilities	**38,630,123**	2,044,460
	₱3,339,826,306	₱3,182,401,757

The overall expected rates of return on assets are based on the market expectations prevailing as at the reporting date, applicable to the period over which the obligation is settled.

The average duration of the defined benefit obligation of the Group as of December 31, 2021 is 10.16 years.

The Group expects to contribute ₱659.8 million into the pension fund in 2022.

The assumptions used to determine the pension benefits of the Group follow:

	2021			
	Retirement Age	**Average Remaining Working Life (in years)**	**Salary Rate Increase**	**Discount Rate**
Parent Company	60.0	**20.4**	**4.00%**	**5.11%**
URC	60.0	**9.0**	**4.00% to 5.70%**	**5.09%**
RLC	60.0	**12.3 to 21.2**	**4.00% to 5.00%**	**3.17% to 5.19%**
CAI	60.0	**24.0 to 27.0**	**4.00% to 5.00%**	**4.94% to 5.18%**
RBC	60.0	**26.1**	**5.70%**	**5.01%**
JGSPC	60.0	**27.8**	**4.00%**	**5.13%**
JGSOC	60.0	**28.1**	**4.00%**	**5.13%**
Unicon	60.0	**26.1**	**8.00%**	**5.16%**
LSB	60.0	**26.1**	**5.70%**	**5.01%**
APVI	60.0	**37.0**	**5.00%**	**5.08%**

	2020			
	Retirement Age	Average Remaining Working Life (in years)	Salary Rate Increase	Discount Rate
Parent Company	60.0	18.0	5.70%	3.71%
URC	60.0	11.0 to 12.0	5.70%	3.95% to 3.97%
RLC	60.0	13.0	5.70%	3.17% to 4.13%
CAI	60.0	26.0 to 29.0	5.70%	3.67% to 3.82%
RBC	60.0	26.9	5.70%	3.64%
JGSPC	60.0	28.5	5.70%	4.00%
JGSOC	60.0	30.1	5.70%	4.05%
Unicon	60.0	28.8	5.70%	4.11%
LSB	60.0	28.6	5.70%	3.94%
APVI	60.0	25.5	5.70%	3.94%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the retirement benefit obligation as of December 31, 2021 and 2020, assuming if all other assumptions were held constant:

	2021									
	Parent Company	**URC**	**RLC**	**CAI**	**RBC**	**LSB**	**JGSPC**	**JGSOC**	**APVI**	**Unicon**
Discount rates										
+1.00%	**(₱2,909,332)**	**(₱230,507,684)**	**(₱51,236,348)**	**(₱65,037,541)**	**(₱24,104,214)**	**(₱4,554,963)**	**(₱26,814,338)**	**(₱3,093,406)**	**₱157,499**	**(₱353,298)**
(-1.00%)	**3,341,795**	**269,614,527**	**58,401,162**	**74,223,472**	**27,327,717**	**5,690,156**	**31,687,624**	**3,728,820**	**(137,031)**	**422,867**
Future salary increases										
+1.00%	**3,345,550**	**269,864,839**	**71,592,086**	**74,371,992**	**26,866,819**	**5,600,835**	**31,727,055**	**3,733,895**	**191,685**	**406,610**
(-1.00%)	**(2,964,909)**	**(234,831,852)**	**(63,219,388)**	**(66,320,878)**	**(24,171,317)**	**(4,574,445)**	**(27,321,879)**	**(3,151,647)**	**(165,932)**	**(347,732)**

	2020									
	Parent Company	URC	RLC	CAI	RBC	LSB	JGSPC	JGSOC	APVI	Unicon
Discount rates										
+1.00%	(₱5,524,152)	(₱321,131,539)	(₱64,775,773)	(₱100,268,628)	(₱24,002,387)	(₱2,751,976)	(₱36,006,377)	(₱3,868,874)	(₱165,932)	(₱736,452)
(-1.00%)	6,369,343	383,084,157	74,940,988	116,427,021	27,442,319	3,301,599	43,499,140	4,729,276	197,242	921,713
Future salary increases										
+1.00%	6,177,923	372,564,920	72,748,884	113,066,137	26,601,516	3,208,176	42,291,045	4,599,647	191,685	908,134
(-1.00%)	(5,475,430)	(319,214,903)	(64,255,469)	(99,484,873)	(23,774,691)	(2,733,704)	(35,786,963)	(3,847,112)	(164,825)	(740,337)

Shown below is the maturity analysis of the undiscounted benefit payments of the Group:

	2021	2020
Less than 1 year	**₱477,298,933**	₱361,936,916
More than 1 years to 5 years	**2,179,655,109**	1,833,401,659
More than 5 years to 10 years	**3,289,762,283**	3,297,814,449
More than 10 years to 15 years	**3,437,540,953**	3,508,858,238
More than 15 years to 20 years	**3,562,542,239**	3,732,002,614
More than 20 years	**8,410,847,173**	11,669,789,463

38. **Income Taxes**

Provision for income tax consists of:

	2021	2020	2019
Corporate	**₱3,439,788,369**	₱3,157,933,905	₱4,958,800,487
Final	**236,327,146**	230,915,233	249,294,831
Deferred	**(3,313,757,739)**	(683,274,680)	2,473,553
	₱362,357,776	₱2,705,574,458	₱5,210,568,871

The Group recognized benefit (provision) for income tax in 'Other comprehensive income' for other comprehensive income items amounting to ₱233.5 million, ₱113.2 million and ₱175.2 million in 2021, 2020 and 2019, respectively (see Note 36).

Republic Act (RA) No. 9337
Current tax regulations provide that the RCIT rate shall be 30.0% and interest expense allowed as a deductible expense is reduced by 33.0% of interest income subjected to final tax.

The NIRC of 1997 also provides for rules on the imposition of a 2.0% MCIT on the gross income as of the end of the taxable year beginning on the fourth taxable year immediately following the taxable year in which the Company commenced its business operations. Any excess MCIT over the RCIT can be carried forward on an annual basis and credited against the RCIT for the three immediately succeeding taxable years.

Starting July 1, 2008, the Optional Standard Deduction (OSD) equivalent to 40.0% of gross income may be claimed as an alternative deduction in computing for the RCIT.

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 on the Group:

- Effective July 1, 2020, RCIT rate is reduced from 30.00% to 25.00% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding ₱5.00 million and with total assets not exceeding ₱100.00 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 20.00%.
- MCIT rate reduced from 2.00% to 1.00% of gross income effective July 1, 2020 to June 30, 2023.
- Effective January 1, 2021, income tax rate for nonresident foreign corporation is reduced from 30.00% to 25.00%.
- Imposition of improperly accumulated earnings tax (IAET) is repealed.
- Foreign-sourced dividends received by domestic corporations are exempt from income tax subject to the following conditions:
  - The funds from such dividends actually received or remitted into the Philippines are reinvested in the business operations of the domestic corporation in the Philippines within the next taxable year from the time the foreign-sourced dividends were received;
  - Shall be limited to funding the working capital requirements, capital expenditures, dividend payments, investment in domestic subsidiaries, and infrastructure project; and
  - The domestic corporation holds directly at least 20.00% of the outstanding shares of the foreign corporation and has held the shareholdings for a minimum of 2 years at the time of the dividend distribution.
- Qualified domestic market enterprises shall be entitled to 4 to 7 years income tax holiday (ITH) to be followed by 5 years enhanced deductions (ED).
- For investments prior to effectivity of CREATE:
  - Registered business enterprises (RBEs) granted only an ITH – can continue with the availment of the ITH for the remaining period of the ITH.
  - RBEs granted an ITH followed 5.00% GIT or are currently enjoying 5.00% GIT – allowed to avail of the 5.00% GIT for 10 years.

Based on the provisions of Revenue Regulations No. 5-2021 dated April 8, 2021 issued by the BIR, the transitory RCIT and MCIT rates for taxable year 2020 are 27.50% and 1.50%, respectively. The reduced amounts were reflected in the Group's 2020 annual income tax returns filed in 2021. However, for financial reporting purposes, the changes were only recognized in the 2021 financial statements.

The deferred tax assets and liabilities as of December 31, 2020 were also remeasured using the lower RCIT rate of 25.00%. These reductions were recognized in the 2021 financial statements.

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 profit or loss in the consolidated statements of comprehensive income) amounting to ₱177.6 million, ₱171.9 million and ₱206.7 million in 2021, 2020 and 2019, respectively (see Note 31).

Compositions of the Group's net deferred tax assets (included in the 'Other noncurrent assets' in the consolidated statements of financial position) follow (see Note 20):

	2021	2020
Deferred tax assets on:		
Net operating loss carry-over	**₱3,077,280,351**	₱2,809,480,863
Asset retirement obligation	**1,771,179,823**	1,961,685,495
Lease liabilities	**1,117,250,769**	313,460,073
Allowance for impairment losses on receivables and property and equipment	**886,335,069**	843,141,095
Unrealized loss on net derivative liability	**432,740,192**	1,352,880
Unfunded pension liabilities	**413,976,301**	445,105,618
Unrealized forex loss	**276,335,620**	7,315,268
Foreign subsidiaries	**42,413,828**	39,938,807
MCIT carryforward	**20,978,020**	110,453,027
Others	**541,516,430**	693,100,590
Total	**8,580,006,403**	7,225,033,716
Deferred tax liabilities on:		
Double depreciation	**(2,564,476,957)**	(2,792,405,012)
Unrealized foreign exchange gain-net	**(247,812,111)**	(178,810,779)
Excess of fair value of assets acquired over cost	**(154,704,634)**	(185,645,561)
Others	**(470,723,618)**	(279,461,784)
	(3,437,717,320)	(3,436,323,136)
Net deferred tax asset	**₱5,142,289,083**	₱3,788,710,580

As of December 31, 2021, deferred tax asset under 'others' include provision for heavy maintenance visits and allowance for inventory write-downs amounting to ₱270.7 million and ₱82.7 million, respectively. As of December 31, 2020, deferred tax asset under 'others' include deferred revenue and allowance for inventory write-downs amounting to ₱318.6 million and ₱62.2 million, respectively.

Compositions of the Group's net deferred tax liabilities reported in the consolidated statements of financial position follow:

	2021	2020
Deferred tax assets on:		
Lease liabilities	**₱541,054,435**	₱751,679,456
Unfunded pension benefits	**194,392,963**	379,498,681
Accrued interest expense	**134,342,482**	151,140,202
Allowance for impairment losses on receivables and property, plant and equipment	**59,721,982**	68,309,782
MCIT carryforward	**11,297,825**	10,993,747
Others	**132,543,895**	270,929,467
Total	**1,073,353,582**	1,632,551,335

(Forward)

	2021	2020
Deferred tax liabilities on:		
Intangibles	**(₱322,593,771)**	(₱2,923,321,148)
Excess of real estate revenue based on percentage-of-completion over real estate revenue based on tax rules	**(1,904,785,955)**	**(2,830,010,603)**
Unamortized capitalized interest	**(1,345,941,427)**	(1,965,381,801)
Undistributed income of foreign subsidiaries	**(830,942,004)**	(816,683,569)
Accrued rent income	**(559,591,550)**	(691,079,887)
Accelerated depreciation	**(193,870,221)**	(366,814,562)
Right-of-use asset	**(299,702,648)**	(333,690,830)
Foreign subsidiaries	**–**	(198,507,581)
Others	**(164,273,521)**	(168,205,306)
	(5,621,701,097)	(10,293,695,287)
Net deferred tax liability	**(₱4,548,347,515)**	(₱8,661,143,952)

The following are the temporary differences on which the Group did not recognize deferred tax assets:

	2021	2020
NOLCO*	**₱37,676,251,559**	₱25,231,898,403
Allowance for credit and impairment losses	**310,427,433**	310,427,433
Net pension liability	**298,051,363**	331,542,806
Excess MCIT over RCIT	**28,779,264**	16,865,592
Allowance for inventory write-down	**18,707,758**	14,083,253
Unamortized contribution of past service costs	**3,984,944**	9,298,200
	₱38,336,202,321	₱25,914,115,687

**Attributable to the Parent Company, CAI, CEBGO, JGSPC, JGSCSC, JGSCMC and JGDEV.*

Under Section 11 of R. A. No. 7151 (CAI's Congressional Franchise) and under Section 15 of R. A. No. 9517 (Cebgo, Inc.'s Congressional Franchise), known as the "ipso facto clause" and the "equality clause", respectively, the CAI and Cebgo, Inc. are allowed to benefit from the tax privileges being enjoyed by competing airlines. CAI's and Cebgo, Inc.'s major competitor, by virtue of PD No. 1590, is enjoying tax exemptions which are likewise being claimed by the CAI and Cebgo, Inc., if applicable, including but not limited to the following:

a) To depreciate its assets to the extent of not more than twice as fast the normal rate of depreciation; and
b) To carry over as a deduction from taxable income any net loss (NOLCO) incurred in any year up to five years following the year of such loss.

Included in the Group's NOLCO and MCIT are CAI's and Cebgo, Inc.'s NOLCO and MCIT as follows:

CAI NOLCO

Year Incurred	Amount	Applied	Expired	Balance	Expiry Year
2021	₱18,403,734,817	₱–	₱–	₱18,403,734,817	2026
2020	21,026,735,635	–	–	21,026,735,635	2025

CEBGO NOLCO

Year Incurred	Amount	Applied	Expired	Balance	Expiry Year
2021	₱1,348,925,483	₱–	₱–	₱1,348,925,483	2026
2020	1,111,045,562	–	–	1,111,045,562	2025

A-PLUS NOLCO

Year Incurred	Amount	Applied	Expired	Balance	Expiry Year
2021	₱188,837,864	₱37,721,802	₱–	₱151,116,062	2026

Furthermore, details of CEBGO's remaining excess MCIT are as follows:

Year Incurred	Amount	Applied	Expired	Balance	Expiry Year
2018	₱3,184,853	₱–	(₱3,184,853)	₱–	2021

A-PLUS MCIT

Year Incurred	Amount	Applied	Expired	Balance	Expiry Year
2021	₱1,270,183	₱–	₱–	₱1,270,183	2024

CAI has outstanding registrations with the BOI as a new operator of air transport on a pioneer and non-pioneer status under the Omnibus Investments Code of 1987 (Executive Order 226). On all existing registrations, the Parent Company can avail of bonus years in certain specified cases but the aggregate ITH availments (basic and bonus years) shall not exceed eight years.

As of December 31, 2021 and 2020, CAI has complied with externally imposed capital requirements set by the BOI in order to avail of the ITH incentives for aircraft of registered activity.

In addition, pursuant to Section 4 (bbbb) of R.A. No. 11494 (Bayanihan to Recover as One Act) and as implemented under Revenue Regulations (RR) No. 25-2020, the NOLCO of a business or enterprise incurred for taxable years 2020 and 2021 can be carried over as deduction from gross income for the next five consecutive taxable years immediately following the year of such loss.

Details of the Parent Company's NOLCO follow:

Inception Year	Amount	Expired/Utilized	Balance	Expiry Year
2021	₱1,492,891,028	₱–	₱1,492,891,028	2026
2020	2,140,379,290	–	2,140,379,290	2025
2019	2,687,194,688	–	2,687,194,688	2022
2018	3,072,614,668	(3,072,614,668)	–	2021
	₱9,393,079,674	(₱3,072,614,668)	₱6,320,465,006	

Reconciliation between the Group's statutory income tax rate and the effective income tax rate follows:

	2021	2020	2019
Statutory income tax rate	**25.00%**	30.00%	30.00%
Tax effects of:			
Changes in unrecognized deferred tax assets	**48.33**	211.94	0.10
Net income of subsidiaries with different tax rates	**(33.27)**	(50.27)	(4.47)
Equity in net earnings of affiliates	**(21.21)**	(70.06)	(8.34)
Income subjected to BOI, PEZA and ITH	**(11.84)**	(14.49)	(5.57)
Income exempt from tax	**(6.51)**	(29.22)	(1.19)
Non-deductible items	**5.28**	14.89	0.78
Interest income subject to final tax	**(1.58)**	(14.06)	(1.08)
CREATE Act adjustment	**(4.47)**	–	–
Others	**6.24**	9.10	0.95
Effective income tax rate	**5.97%**	87.82%	11.18%

39. Earnings Per Share

Basic earnings per share is calculated by dividing the net income for the year attributable to equity holders of the Parent Company divided by the weighted average number of common shares outstanding during the year (adjusted for any stock dividends).

The following tables reflect the net income and share data used in the basic/dilutive EPS computations:

Earnings per share attributable to equity holders of the Parent Company

	2021	2020	2019
Income (loss) attributable to equity holders of the Parent Company	**₱5,108,229,771**	(₱468,159,528)	₱31,285,246,332
Less: Dividends on preferred shares (Note 25)	**15,200,000**	15,200,000	14,800,000
Income attributable to holders of common shares of the Parent Company	**₱5,093,029,771**	(₱483,359,528)	₱31,270,446,332
Weighted average number of common shares	**7,520,983,658**	7,520,983,658	7,520,983,658*
Basic/diluted earnings (loss) per share	**₱0.68**	(₱0.06)	₱4.16*

**Restated to show the effect of stock dividends distributed in 2020.*

There were no potential dilutive common shares in 2021, 2020 and 2019.

40. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions or if they are subjected to common control or common significant influence. Related parties may be individuals or corporate entities. Transactions between related parties are based on terms similar to those offered to non-related parties and are generally settled in cash. Due from and due to related parties are collectible/payable on demand, except for certain due from related parties amounting to ₱2.8 billion and ₱1.0 billion, as of December 31, 2021 and 2020, respectively, which will mature in April 2023 and 2022, respectively.

Intercompany transactions with subsidiaries are eliminated in the accompanying consolidated financial statements. In addition to the related party information disclosed elsewhere in the consolidated financial statements, the year-end balances in respect of related parties follow:

2021						
			Outstanding Balance			
Related Party	**Category/Transaction**	**Amount/Volume**	**Consolidated Statement of Financial Position**	**Consolidated Statement of Comprehensive Income**	**Terms**	**Conditions**
Subsidiaries:						
Due from related parties	Settlement of advances	**(₱534,978)**	**₱422,066,369**	**₱–**	On demand; Non-interest bearing	Unsecured; Not impaired
	Receivables	**(419,635,383)**	**742,048,665**	**–**	On demand; Non-interest bearing	Unsecured; Not impaired
	Notes receivable	**8,482,899,330**	**13,285,199,330**	**–**	Interest-bearing	Unsecured; Not impaired
	Other income: allocation of IT charges and CCU expenses	**610,424,198**	**–**	**610,424,198**	On demand; Non-interest bearing	Unsecured; Not impaired
	Rent income	**144,117,358**	**–**	**144,117,358**	On demand; Non-interest bearing	Unsecured; Not impaired
	Management fees	**54,600,000**	**–**	**54,600,000**		
	Receivable from customers - bills purchased	**(15,000,000)**	**–**	**–**	Non-interest bearing domestic bills purchased	Unsecured; Not impaired
Due to related parties	Availment of advances	**–**	**3,684,354,439**	**–**	On demand; Non-interest bearing	Unsecured
	Short-term debt	**(364,000,000)**	**774,000,000**	**–**	Interest-bearing	Unsecured
	Long-term debt	**–**	**2,447,667,500**	**–**	Interest-bearing	Secured
(Forward)						
Cash in bank	Deposits	**₱11,530,936,707**	**₱13,841,468,385**	**₱–**	On demand	Unsecured

2021						
			Outstanding Balance			
Related Party	**Category/Transaction**	**Amount/Volume**	**Consolidated Statement of Financial Position**	**Consolidated Statement of Comprehensive Income**	**Terms**	**Conditions**
Cash equivalents	Money market placements	**8,719,290,251**	**12,635,990,002**	−	2 to 41 days; Interest bearing with interest rate ranging from 1.50% to 2.04%	Unsecured; Not impaired
Dividends	Dividend receivable	−	**1,593,529,595**	−	On demand	Unsecured; Not impaired
	Dividend income	**4,809,321,356**	−	**4,809,321,356**		
Associates:						
Due from related parties	Advances (in accordance with joint venture agreement)	**1,821,904,219**	**2,821,904,219**	−	Interest-bearing at PDST R2 of applicable interest period	Unsecured; Not impaired
	Advances	**645,349**	**61,652,556**	−	On demand; Non-interest-bearing	Unsecured; Not impaired
	Loans	**1,397,524**	**95,531,040**	−	2% per annum	Unsecured; Not impaired
	Receivables	**(702,399)**	**159,299**	−	Non-interest bearing	Unsecured; Not impaired
	Sublease agreement	**26,346,473**	**40,225,307**	–	Payable monthly	Unsecured; Not impaired
	Dividend income	**4,739,273,350**	−	**4,739,273,350**		
	Rent income	**715,755**	−	**715,755**		
	Other income: allocation of CCU expenses	**96,814**	−	**96,814**		
	Utilities expense	**5,417,424**	−	**5,417,424**		
	Groundhandling and maintenance services	**55,011,098**	**536,305,908**	–	Non-interest bearing	Unsecured; Not impaired
Receivables	Uncollected balance on the proceeds from sale of GBPC	**2,272,650,000**	**2,272,650,000**	−	Interest-bearing	Unsecured; Not impaired

(Forward)

Other Related Parties:

2021						
			Outstanding Balance			
Related Party	**Category/Transaction**	**Amount/Volume**	**Consolidated Statement of Financial Position**	**Consolidated Statement of Comprehensive Income**	**Terms**	**Conditions**
Due from related parties	Settlement of advances	**(₱114,614,027)**	**₱549,084,500**	**₱–**	On demand; Non-interest bearing	Unsecured; Not impaired
	Rent receivables	**(120,299,358)**	**113,500,871**	**–**	On demand; Non-interest bearing	Unsecured; Not impaired
	Rent income	**1,796,147**	**–**	**1,796,147**		
	Other income: allocation of IT charges and CCU expenses	**150,066,582**	**–**	**150,066,582**	On demand; Non-interest bearing	Unsecured; Not impaired
Due to related parties	Settlement of advances	**26,009,726**	**169,068,971**	**–**	On demand; Non-interest bearing	Unsecured
Director's fees (included under 'Management and other professional fees' account)	Expenses	**8,125,000**	**–**	**8,125,000**		

2020						
			Outstanding Balance			
Related Party	Category/Transaction	Amount/Volume	Consolidated Statement of Financial Position	Consolidated Statement of Comprehensive Income	Terms	Conditions
Subsidiaries:						
Due from related parties	Availment of advances	(₱274,680,197)	₱422,601,347	₱–	On demand; Non-interest bearing	Unsecured; Not impaired
	Receivables	794,669,335	1,163,092,322	–	On demand; Non-interest bearing	Unsecured; Not impaired
	Notes receivable	4,802,300,000	4,802,300,000	–	Interest-bearing	Unsecured; Not impaired
	Other income: allocation of IT charges and CCU expenses	528,950,831	–	528,950,831	On demand; Non-interest bearing	Unsecured; Not impaired
	Rent income	140,331,700	–	140,331,700	On demand; Non-interest bearing	Unsecured; Not impaired
	Management fees	54,600,000	–	54,600,000		
(Forward)						
Due to related parties	Availment of advances	₱175,761,872	₱3,434,747,201	₱–	On demand; Non-interest bearing	Unsecured; Not impaired

2020						
			Outstanding Balance			
Related Party	Category/Transaction	Amount/Volume	Consolidated Statement of Financial Position	Consolidated Statement of Comprehensive Income	Terms	Conditions
	Short-term debt	1,138,000,000	1,138,000,000	–	Interest-bearing	Unsecured
	Long-term debt	2,447,667,500	2,447,667,500	–	Interest-bearing	Secured
Cash in bank	Deposits	(3,321,561)	2,310,531,678	–	On demand	Unsecured
Cash equivalents	Money market placements	1,662,376,994	3,916,699,751	–	2 to 41 days; Interest bearing with interest rate ranging from 1.50% to 2.04%	Unsecured; Not impaired
Dividends	Dividend receivable	70,000,000	1,663,529,595	–	On demand	Unsecured; Not impaired
	Dividend income	5,541,564,987	–	5,541,564,987		
Associates:						
Due from related parties	Advances (in accordance with joint venture agreement)	(330,000,000)	1,000,000,000	–	Interest-bearing at PDST R2 of applicable interest period	Unsecured; Not impaired
	Advances	59,645,928	61,007,207	–	On demand; Non-interest-bearing	Unsecured; Not impaired
	Loans	2,579,089	94,133,516	–	2% per annum	Unsecured; Not impaired
	Sublease agreement	13,878,834	13,878,834	–	Payable monthly	Unsecured; Not impaired
	Dividend income	6,457,898,481	–	6,457,898,481		
	Rent income	569,463	–	569,463		
	Other income: allocation of CCU expenses	5,953,449	–	5,953,449		
	Receivables	857,802	861,698	–		
	Utilities expense	4,828,388	–	4,828,388		
	Groundhandling and maintenance services	265,357,373	484,990,150	–	Non-interest bearing	Unsecured; Not impaired

(Forward)

Other Related Parties:

2020						
			Outstanding Balance			
Related Party	Category/Transaction	Amount/Volume	Consolidated Statement of Financial Position	Consolidated Statement of Comprehensive Income	Terms	Conditions
Due from related parties	Settlement of advances	(₱47,226,617)	₱663,698,527	₱–	On demand; Non-interest bearing	Unsecured; Not impaired
	Rent receivables	233,537,931	233,840,809	–	On demand; Non-interest bearing	Unsecured; Not impaired
	Rent income	1,822,826		1,822,826		
	Other income: allocation of IT charges and CCU expenses	162,660,861	–	162,660,861	On demand; Non-interest bearing	Unsecured; Not impaired
Due to related parties	Settlement of advances	28,223,835	143,059,245	–	On demand; Non-interest bearing	Unsecured; Not impaired
Director's fees (included under 'Management and other professional fees' account)	Expenses	7,275,000	–	7,275,000		

2019						
			Outstanding Balance			
Related Party	Category/Transaction	Amount/Volume	Consolidated Statement of Financial Position	Consolidated Statement of Comprehensive Income	Terms	Conditions
Subsidiaries:						
Due from related parties	Availment of advances	₱299,788,042	₱697,281,544	₱–	On demand; Non-interest bearing	Unsecured; Not impaired
	Rent receivables	(53,719,421)	15,717,251	–	On demand; Non-interest bearing	Unsecured; Not impaired
	Other receivables / other income: allocation of IT charges and CCU expenses	475,379,501	352,705,736	475,379,501	On demand; Non-interest-bearing	Unsecured; Not impaired
	Rent income	131,196,484	–	131,196,484	On demand; Non-interest bearing	Unsecured; Not impaired
	Management fees	54,600,000	–	54,600,000		

(Forward)

2019						
			Outstanding Balance			
Related Party	Category/Transaction	Amount/Volume	Consolidated Statement of Financial Position	Consolidated Statement of Comprehensive Income	Terms	Conditions
Due to related parties	Availment of advances	₱430,833,644	₱3,258,985,329	₱–	On demand; Non-interest bearing	Unsecured; Not impaired
Cash in bank	Deposits	965,371,235	2,313,853,239	–	On demand	Unsecured
Cash equivalents	Money market placements	(6,734,882,375)	2,254,322,757	–	2 to 41 days; Interest bearing with interest rate ranging from 1.50% to 2.04%	Unsecured; Not impaired
Dividends	Dividend receivable	(6,273,626)	1,593,529,595	–	On demand	Unsecured; Not impaired
	Dividend income	8,768,329,504	–	8,768,329,504		
Associates:						
Due from related parties	Advances (in accordance with joint venture agreement)	1,140,000,000	1,330,000,000	–	Interest-bearing at PDST R2 of applicable interest period	Unsecured; Not impaired
	Advances	605,931	1,361,279	–	On demand; Non-interest-bearing	Unsecured; Not impaired
	Loans	2,261,342	91,554,427	–	2% per annum	Unsecured; Not impaired
	Receivables	200,672	3,896	–	Non-interest-bearing	Unsecured; Not impaired
	Dividend income	6,119,759,438	–	6,119,759,438		
	Rent income	649,211	–	649,211		
	Other receivables / other income: allocation of CCU expenses	200,672	3,896	200,672		
	Utilities expense	7,077,657	–	7,077,657		
	Groundhandling and maintenance services	116,604,320	236,414,918	–	Non-interest-bearing	Unsecured; Not impaired

(Forward)

Other Related Parties:

2019						
			Outstanding Balance			
Related Party	Category/Transaction	Amount/Volume	Consolidated Statement of Financial Position	Consolidated Statement of Comprehensive Income	Terms	Conditions
Due from related parties	Settlement of advances	(₱30,931,424)	₱452,019,131	₱–	On demand; Non-interest bearing	Unsecured; Not impaired
	Rent receivables	(32,195,309)	302,878	–	On demand; Non-interest bearing	Unsecured; Not impaired
	Rent income	1,629,159	–	1,629,159		
	Other receivables / other income: allocation of IT charges and CCU expenses	118,661,846	177,152,243	118,661,846	On demand; Non-interest bearing	Unsecured; Not impaired
Due to related parties	Settlement of advances	(174,443,960)	114,835,410	–	On demand; Non-interest bearing	Unsecured; Not impaired
Director's fees (included under 'Management and other professional fees' account)	Expenses	8,750,000	–	8,750,000		

The Parent Company signed various financial guarantee agreements with third parties for the short-term and long-term loans availed by its subsidiaries as discussed in Note 23 to the consolidated financial statements. No fees are charged for these guarantee agreements. Being the centralized treasury department within the Group, the Parent Company usually receives advances from subsidiaries and in turn, makes advances to other subsidiaries. Total debt of subsidiaries guaranteed by the Parent Company in 2021 and 2020 amounted to ₱99.4 billion and ₱100.3 billion, respectively.

Interest earned by the Parent Company on transactions with related parties amounted to nil in 2021 and 2020. Interest expense incurred amounted to nil in 2021 and 2020. No provisions for bad debts are required for advances to receivables from related parties.

Most of the aforementioned intercompany transactions between the Parent Company and its subsidiaries are eliminated in the accompanying consolidated financial statements.

Transactions with the retirement plan

The retirement fund of the Parent Company's employees amounted to ₱2.8 million and ₱2.1 million as of December 31, 2021 and 2020, respectively. The fund is being managed by JG Summit Multi-Employer Retirement Plan (MERP), a corporation created for the purpose of managing the funds of the Group, with RBC as the trustee.

The retirement plan under the MERP 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 Parent Company are represented in the Executive Retirement Committee. RBC manages the plan based on the mandate as defined in the trust agreement.

Compensation of key management personnel

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.

The compensation of the Group's key management personnel by benefit type follows:

	2021	2020	2019
Short-term employee benefits	**₱2,635,628,290**	₱2,300,060,387	₱2,430,499,658
Post-employment benefits	**204,425,720**	390,399,715	256,845,114
	₱2,840,054,010	₱2,690,460,102	₱2,687,344,772

Approval requirements and limits on the amount and extent of related party transactions

Material related party transactions (MRPT) refers to any related party transactions, either individually, or in aggregate over a twelve (1)-month with the same related party, amounting to ten percent (10.00%) or higher of the Group's total consolidated assets based on its latest audited financial statements.

All individual MRPTs 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.

41. Registration with Government Authorities/Franchise

Certain operations of consolidated subsidiaries are registered with the BOI and PEZA as preferred pioneer and non-pioneer activities, and are granted various authorizations from certain government authorities. As registered enterprises, these consolidated subsidiaries are subject to certain requirements and are entitled to certain tax and non-tax incentives which are considered in the computation of the provision for income tax.

42. Leases

The Group's leases mostly pertain to land, office spaces, commercial and residential properties, passenger aircraft and flight equipment, transportation and equipment. Leases of land, office spaces, commercial and residential properties, and transportation and equipment generally have terms ranging from 2 to 50 years, while passenger aircraft and other equipment generally have terms between 1.25 and 18 years.

The Group also has certain leases of other flight equipment, furniture and fixtures and machineries with lease terms of 12 months or less, and leases of office spaces considered low-value. The Group applies the recognition exemptions for these type of leases.

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:

			2021		
	Land and Land Improvements	**Buildings and Improvements**	**Passenger Aircraft and Other Flight Equipment**	**Transportation And Other Equipment**	**Total**
Cost					
Balance at beginning of year	**₱2,709,453,221**	**₱4,497,568,982**	**₱29,429,312,731**	**₱83,722,189**	**₱36,720,057,123**
Additions	**145,959,974**	**463,836,049**	**19,890,217,463**	**29,420,344**	**20,529,433,830**
Divestment of business	**–**	**(4,221,784,563)**	**–**	**(83,904,349)**	**(4,305,688,912)**
Other adjustments	**(270,186,317)**	**(24,317,389)**	**(5,020,573,665)**	**2,753,273**	**(5,312,324,098)**
Balance at end of year	**2,585,226,878**	**715,303,079**	**44,298,956,529**	**31,991,457**	**47,631,477,943**
Accumulated Depreciation					
Balance at beginning of year	**749,254,336**	**1,098,876,202**	**11,759,544,111**	**63,647,429**	**13,671,322,078**
Depreciation	**61,271,390**	**570,335,110**	**6,666,577,250**	**21,314,041**	**7,319,497,791**
Divestment of business	**–**	**(983,187,524)**	**–**	**(55,523,230)**	**(1,038,710,754)**
Other adjustments	**(269,149,694)**	**113,777,064**	**(4,448,126,365)**	**2,553,217**	**(4,600,945,778)**
Balance at end of year	**541,376,032**	**799,800,852**	**13,977,994,996**	**31,991,457**	**15,351,163,337**
Net Book Value at End of Year	**₱2,043,850,846**	**(₱84,497,773)**	**₱30,320,961,533**	**₱–**	**₱32,280,314,606**

			2020		
	Land and Land Improvements	Buildings and Improvements	Passenger Aircraft and Other Flight Equipment	Transportation And Other Equipment	Total
Cost					
Balance at beginning of year	₱1,589,099,285	₱1,865,781,584	₱23,729,035,071	₱83,170,473	₱27,267,086,413
Additions	370,698	3,584,987,861	6,782,269,811	10,824,841	10,378,453,211
Other adjustments	1,119,983,238	(953,200,463)	(1,081,992,151)	(10,273,125)	(925,482,501)
Balance at end of year	2,709,453,221	4,497,568,982	29,429,312,731	83,722,189	36,720,057,123
Accumulated Depreciation					
Balance at beginning of year	226,049,122	552,237,299	5,917,994,261	39,384,433	6,735,665,115
Depreciation	165,755,683	471,948,572	6,748,780,244	33,443,004	7,419,927,503
Other adjustments	357,449,531	74,690,331	(907,230,394)	(9,180,008)	(484,270,540)
Balance at end of year	749,254,336	1,098,876,202	11,759,544,111	63,647,429	13,671,322,078
Net Book Value at End of Year	₱1,960,198,885	₱3,398,692,780	₱17,669,768,620	₱20,074,760	₱23,048,735,045

Lease Liabilities

The rollforward analysis of the Group's lease liabilities follows:

	2021	2020
As at January 1	**₱25,164,351,369**	₱21,104,154,649
Additions	**20,361,429,642**	10,370,358,389
Accretion from continued operations (Note 35)	**710,257,255**	689,535,436
Accretion from discontinued operations	**134,272,943**	169,124,714
Derecognition	**(4,138,618,730)**	–
Payments	**(7,160,310,932)**	(6,729,663,842)
Other adjustments	**418,082,774**	(439,157,977)
As at December 31	**₱35,489,464,321**	₱25,164,351,369

Total lease liabilities shown in the 2021 and 2020 consolidated statements of financial position included under 'Other current liabilities' and 'Other noncurrent liabilities' follow:

	2021	2020
Current portion (Note 22)	**₱5,716,633,360**	₱7,318,423,995
Noncurrent portion (Note 24)	**29,772,830,961**	17,845,927,374
	₱35,489,464,321	₱25,164,351,369

The maturity analysis of lease liabilities are disclosed in Note 4, *Financial Risk Management Objectives and Policies.*

Summarized below are the amounts recognized in the 2021 and 2020 consolidated statements of comprehensive income in relation to the Group's leases:

Revenue	**2021**	2020
Sale of goods and services - rental income and sublease income		
Foods	**₱58,792,660**	₱79,745,676
Real estate and hotels	**11,056,317,537**	10,617,088,269
Banking	**18,757,411**	17,912,729
	11,133,867,608	10,714,746,674
Cost of Sales and Services		
Cost of services - depreciation of ROU assets	**88,156,594**	103,290,125
Cost of services - accretion of lease liabilities	**26,825,215**	28,011,872
Rent expense - short term leases (Note 30)	**153,760,529**	229,418,098
	268,742,338	360,720,095
General and Administrative Expenses		
Depreciation of ROU assets	**6,922,096,888**	7,007,393,070
Rent expense - short term leases (Note 31)	**904,065,330**	1,086,555,957
Rent expense - leases of low-valued assets (Note 31)	**2,613,033**	3,162,477
	7,828,775,251	8,097,111,504
Other Income (Losses)		
Finance cost and other charges – accretion of lease liabilities (Note 35)	**(683,432,040)**	(661,523,564)
	₱2,352,917,979	₱1,595,391,511

URC

Operating Lease Commitments - Group as a Lessee

The URC Group leases land where certain of its facilities are located. The operating lease agreements are for periods ranging from one to five years from the date of the contracts and are renewable under certain terms and conditions. URC's rentals incurred on these leases (included under 'Selling and distribution costs' and 'General and administrative expenses' in the consolidated statements of comprehensive 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 lease payments under noncancellable operating leases of the URC Group follow:

	2021	2020	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
Five years or more	**2,110,381,626**	6,069,158,735	2,718,442,085
	₱4,025,589,799	₱9,860,500,848	₱5,658,413,406

Operating Lease Commitments - Group as a Lessor

The URC Group has entered into one-year renewable, noncancellable leases with various related parties covering certain land and buildings where office spaces are located.

Future minimum lease receivables under noncancellable operating leases of the URC Group that are due within one year amounted to ₱70.6 million, ₱72.1 million and ₱72.5 million in 2021, 2020 and 2019, respectively.

RLC

Group as a Lessee

The RLC Group has lease contracts for various parcels of land used in its operations. Leases of land generally have lease terms between 25 and 50 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets and some contracts require the Group to maintain certain financial ratios. There are several lease contracts that include extension and termination options and variable lease payments.

The RLC Group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised.

Future minimum lease payments under noncancellable operating leases of RLC's certain lessee subsidiaries follow:

	2021	2020
Within one year	**₱169,877,246**	₱138,995,906
After one year but not more than five years	**790,339,904**	630,780,039
Over five years	**5,980,159,045**	5,736,218,935
	₱6,940,376,195	₱6,505,994,880

Operating Lease Commitments - Group as a Lessor

The RLC Group has entered into commercial property leases on its investment property portfolio. These noncancellable leases have remaining lease terms of between one and ten years. All leases include a clause to enable upward revision of the rental charge on an annual basis based on prevailing market conditions. The lease contracts also provide for the percentage rent, which is a certain percentage of actual monthly sales or minimum monthly gross sales, whichever is higher. Total rent income (included under 'Real estate and hotels revenue' in profit or loss in the consolidated statements of comprehensive income) amounted to ₱11.1 billion, ₱10.6 billion and ₱15.4 billion in 2021, 2020 and 2019, respectively. Total percentage rent recognized as income amounted to ₱2.1 billion, ₱2.3 billion and ₱3.9 billion in 2021, 2020 and 2019, respectively.

Future minimum lease receivables under noncancellable operating leases of the RLC Group follow:

	2021	2020	2019
Within one year	**₱10,311,631,297**	₱14,080,096,258	₱14,346,692,713
After one year but not more than five years	**17,423,950,184**	15,320,496,749	17,739,106,757
Over five years	**1,669,171,798**	1,443,106,385	5,146,915,176
	₱29,404,753,279	₱30,843,699,392	₱37,232,714,646

Finance Lease Commitments - Group as a Lessor
RLC has significantly entered into residential property leases on its residential condominium unit's portfolio. These leases have lease period of five (5) to ten (10) years and the lessee is given the right to purchase the property anytime within the lease period that the lessee any arrears in rental payment, condominium dues and other charges.

Future minimum lease payments under finance lease with the present value of future minimum lease payment as of December 31, 2021 and 2020 follow:

	2021	
	Minimum Lease Payments	**Present Value of Minimum Lease Payments**
Within one year	**₱324,415,315**	**₱318,438,542**
After one year but not more than five years	**135,269,764**	**122,117,395**
Total minimum lease payments	**₱459,685,079**	**₱440,555,937**

	2020	
	Minimum Lease Payments	Present Value of Minimum Lease Payments
Within one year	₱656,523,582	₱644,097,650
After one year but not more than five years	275,049,758	256,955,688
Total minimum lease payments	₱931,573,340	₱901,053,338

JGSPC
Operating Lease Commitments - Company as a Lessee
In February 2013 and August 2015, JGSPC has entered into contracts of lease for its two (2) Cybergate office with a lease term of five (5) years. The former contract was extended December 31, 2019, while the latter was pre-terminated in January 2020 upon dismantling of leasehold improvements.

In April 2013, JGSPC entered into a lease agreement for shuttle buses that transports its employees from Balagtas to Batangas plant and vice versa which was renewed annually.

Rental expense charged to operations (included under 'Cost of sales and services' and 'General and administrative expenses' in profit or loss in the consolidated statements of comprehensive income) amounted to ₱71.3 million, ₱57.5 million and ₱61.7 million in 2021, 2020 and 2019, respectively.

Future minimum lease payments under the noncancellable lease of JGSPC's office space follow:

	2021	2020
Within one year	**₱31,097,336**	₱29,616,557
After one year but not more than five years	**53,528,452**	52,508,717
	₱84,625,788	₱82,125,274

Operating Lease Commitments - Group as a Lessor
In August 2009, JGSPC entered into contracts of lease for a parcel of land in Batangas with lease term of 10 years. JGSPC has determined that it retains all the significant risks and rewards of ownership of these properties and accounts for them as operating leases. The lease agreement was no longer renewed starting February 1, 2019.

Rental income amounted to ₱50,000, nil and ₱0.1 million for the years ended December 31, 2021, 2020 and 2019.

CAI
Operating Aircraft Lease Commitments - Group as a Lessee
CAI entered into operating lease agreements with certain leasing companies which cover the following aircraft:

A320 CEO aircraft
The following table summarizes the specific lease agreements on CAI's Airbus A320 CEO aircraft:

Date of Lease Agreement	**Lessors**	**No. of Units**	**Lease Expiry**
March 2008	Aircraft MSN 3762 LLC	1	January 2022
March 2008	Wells Fargo Trust Company, N.A.	1	October 2023
July 2018	JPA No. 117 Co. Ltd	1	September 2021
July 2018	JPA No. 118 Co. Ltd	1	December 2021
August 2018	JPA No. 119 Co. Ltd	1	June 2022
November 2020	EOS Aviation 6 (Ireland) Limited	3	April 2023 – March 2024
November 2020	EOS Aviation 9 (Ireland) Limited	2	April 2023 – July 2023
December 2021	Avolon Leasing Ireland 3 Limited	5	August 2025- September 2027
December 2021	Vmo Aircraft Leasing 32 and 33 (Ireland) Limited	2	July 2025- October 2026

From 2007 to 2008, CAI entered into operating lease agreements with Celestial Aviation Trading 17/19/23 Limited for five (5) Airbus A320 which were delivered on various dates from 2007 to 2011. The lease agreements were later on amended to effect the novation of lease rights from the original lessors to current lessors: Inishcrean Leasing Limited for (1) Airbus A320, GY Aviation Lease 0905 Co. Limited for two (2) Airbus A320, APTREE Aviation Trading 2 Co. Limited for one (1) Airbus A320, and Wells Fargo Trust Company, N.A. for one (1) Airbus A320.

In 2015 to 2016, CAI extended the lease agreement with Inishcrean for three years and with GY Aviation Lease 0905 Co. Limited for two (2) years.

In 2017, CAI entered into lease agreements with ILL for two (2) Airbus A320 and with JPA No. 78/79/80/81 Co., Ltd for four (4) Airbus A320.

In 2018, CAI separately extended the lease agreements with APTREE Aviation Trading 2 Co. Ltd for two (2) years, with Wells Fargo Trust Company, N.A for four (4) years, and with GY Aviation Lease 0905 Co. Limited for another two (2) years on one aircraft and three years on the other.

In July and August 2018, CAI entered into lease agreements with JPA No. 117/118/119 Co., Ltd for three (3) Airbus A320.

In May and August 2019, the lease agreements of the two aircraft under GY Aviation Lease 0905 Co. Limited were amended to effect the novation of lease rights to their current lessors, Aircraft MSN 3762 LLC and Lunar Aircraft Trading Company Limited.

In November 2020, CAI entered into a sale and leaseback agreement with EOS Aviation 6 (Ireland) Limited for five (5) Airbus A320. The lease portion consists of leases for three (3) to four (4) years.

In June 2021, the lease agreements of the two aircrafts under EOS Aviation 6 (Ireland) Limited were novated to the current lessors, EOS Aviation 9 (Ireland) Limited.

In December 2021, CAI entered into a sale and leaseback agreement with Avolon Leasing Ireland 3 Limited, Vmo Aircraft Leasing 32 (Ireland) Limited and Vmo Aircraft Leasing 33 (Ireland) Limited for seven (7) Airbus A320. The lease portion consists of leases between three (3) to five (5) years (see Note 12).

A320NEO aircraft
On July 26, 2018, CAI entered into 8-year lease agreements with Avolon Aerospace Leasing Limited for five (5) Airbus A320NEO for delivery on various dates within 2019.

The first four (4) Airbus A320NEO aircraft were delivered in June, July, September and October 2019 under Avolon Leasing Ireland 1 Limited as lessor. In November 2019, two (2) out of the four A320NEO aircraft were amended to effect the novation of lease rights to their current lessor, Orix Aviation Systems Limited.

In January 2020, the fifth Airbus A320NEO aircraft was delivered with Avolon Leasing Ireland 1 Limited as lessor. In August 2020, the fifth A320NEO aircraft was amended to effect the novation of lease rights to its current lessor, Avolon Aerospace AOE 184 Limited.

In November 2021, the sixth Airbus A320NEO aircraft was delivered with SMBC Aviation Capital Limited as lessor.

In December 2021, three (3) A320NEO aircraft were amended to effect the novation of lease rights to current lessor, SMBC Aviation Capital limited.

A321NEO aircraft
In November 2020, CAI entered into a 10-year lease agreement with Connolly Aviation Capital 5 Limited for one (1) A321NEO aircraft which was delivered on November 17, 2020.

In March 2021, CAI entered into a 10-year lease agreement with JSA Cayman Leasing, Ltd. for one (1) A321NEO aircraft which was delivered on March 31, 2021.

In May 2021, CAI entered into a 10-year lease agreement with SMBC Aviation Capital Limited for one (1) A321NEO aircraft which was delivered on May 17, 2021.

ATR 72-600 aircraft
On May 10, 2019, CAI entered into a 10-year lease agreement with an early termination option on the 8th year with AVAP AIRCRAFT TRADING III PTE. LTD. for one (1) ATR 72-600. The aircraft was delivered in May 2019.

On December 2021, CAI entered into a 10-year lease agreement with MSO 1628 Leasing Designated Activity Company for one (1) ATR-600 delivered on December 15, 2021.

A330 aircraft
The following table summarizes the specific lease agreements on CAI's Airbus A330CEO aircraft:

Date of Lease Agreement	Lessors	No. of Units	Lease Term
February 2012	CIT Aerospace International	1	
February 2012	Avolon Aerospace AOE 165 Limited	1	
July 2013	A330 MSN 1552 Limited and A330 MSN 1602 Limited	2	12 years with pre-termination option

In February 2012, CAI entered into operating lease agreements with Wells Fargo Bank Northwest, N.A. for the lease of four (4) Airbus A330-300 aircraft. The lease agreements were later on amended to effect the novation of lease rights from the original lessor to their current lessors: Wells Fargo Trust Company, N.A. (not in its individual capacity but solely as Owner Trustee), CIT Aerospace International, and Avolon Aerospace AOE 165 Limited.

In July 2013, CAI entered into aircraft operating lease agreements with Intrepid Aviation Management Ireland Limited for the lease of two (2) Airbus A330. The lease agreements have been amended to effect the novation of lease rights by the original lessor to current lessors, A330 MSN 1552 Limited and A330 MSN 1602 Limited.

The first two (2) Airbus A330 aircraft were delivered in June 2013 and September 2013. Three (3) Airbus A330 aircraft were delivered in February 2014, May 2014, and September 2014 and one (1) Airbus A330 aircraft was delivered in March 2015. As of December 31, 2021, the Group has four (4) Airbus A330 aircraft under operating lease.

A330NEO aircraft
In November and December 2021, the Group entered into 12-year leases with Avolon Leasing Ireland 3 Limited for two (2) A330Neo aircraft delivered in the same months.

Engine Lease Commitments

The following table summarizes the specific lease agreements on CAI's engines:

Date of Lease Agreement	Lessors	No. of Units	Lease Term
May 2019	RRPF Engine Leasing Limited	3	6 years with pre-termination option
September 2020	SMBC Aero Engine Lease B.V.	8	18 months – 8 years

In May 2019, CAI entered into operating lease agreements with RRPF Engine Leasing Limited for the lease of three (3) Trent 700 engines.

In September and October 2020, CAI entered into operating lease agreements as part of a sale and leaseback transaction with SMBC Aero Engine Lease B.V for eight (8) CFM56 engines. The leases have short and long-term lease arrangements between 18 months to eight (8) years, respectively. In December 2021, one (1) CFM56 engine was amended to effect the novation of lease rights to current lessor, SUNRISE NON-US PO 1 LTD.

As of December 31, 2021 and 2020, CAI has restricted cash deposited with certain banks to secure standby letters of credit issued in favor of lessors.

Future minimum lease payments under the above-indicated operating aircraft leases follow:

	2021		2020	
	Philippine peso equivalent	**US dollar**	Philippine peso equivalent	US dollar
Within one year	**₱5,933,673,803**	**US$116,348,826**	₱6,420,659,489	US$133,699,675
After one year but not more than five years	**18,012,393,320**	**353,191,108**	8,865,244,056	184,604,128
Over five years	**12,124,141,820**	**237,732,932**	2,594,548,640	54,027,209
	₱36,070,208,943	**US$707,272,866**	₱17,880,452,185	US$372,331,012

Lease expenses relating to aircraft leases (included in 'General and administrative expenses' in profit or loss in the consolidated statements of comprehensive income) amounted to ₱0.4 billion, ₱0.3 billion and ₱0.3 billion in 2021, 2020 and 2019, respectively (see Note 31).

Operating Non-Aircraft Lease Commitments - Group as a Lessee
CAI has entered into various lease agreements for its hangar, office spaces, ticketing stations and certain equipment. These leases have remaining lease terms ranging from one to ten years. Certain leases include a clause to enable upward revision of the annual rental charge ranging from 5.0% to 10.0%.

Future minimum lease payments under these noncancellable operating leases of CAI follow:

	2021	2020
Within one year	**₱217,233,256**	₱224,965,425
After one year but not more than five years	**920,545,458**	948,093,648
Over five years	**4,596,404,352**	4,644,065,119
	₱5,734,183,066	₱5,817,124,192

Lease expenses relating to both cancellable and non-cancellable non-aircraft leases (allocated under different expense accounts in the consolidated statements of comprehensive income) amounted to ₱352.9 million, ₱412.2 million and ₱702.1 million in 2021, 2020 and 2019, respectively.

RBC and LSB
Operating Lease Commitments - Group as a Lessee
RBC leases its head office and branch premises for periods ranging from one (1) to ten (10) years, renewable upon mutual agreement of both parties. LSB also leases the premises occupied by its head offices and most of its branches for periods ranging from five (5) to fifteen (15) years, renewable upon mutual agreement of both parties. Various lease contracts of the Group include escalation clauses, most of which bear annual rent increase ranging from 5.00% to 10.00%.

Rent expense recognized by RBC and LSB (included under 'General and administrative expenses' in profit or loss in the consolidated statements of comprehensive income) amounted to ₱157.0 million, ₱124.0 million and ₱110.0 million in 2021, 2020 and 2019, respectively.

Future minimum lease payments under these noncancellable operating leases of RBC and LSB follow:

	2021	2020
Within one year	**₱322,115,526**	₱336,702,857
After one year but not more than five years	**635,761,285**	644,448,747
Over five years	**4,892,692**	12,699,566
	₱962,769,503	₱993,851,170

43. Other Commitments and Contingent Liabilities

Parent Company

- *JGSOC Loan Accommodation from Private Bank*
  On June 9, 2020, the BOD of the Parent Company approved and authorized the Parent Company to guarantee the loan/credit accommodation of JGSOC from MBTC in the amount of ₱9.2 billion.

- *JGSPC Loan Accommodation from Private Bank*
  On February 8, 2018, the BOD of the Parent Company approved and authorized the Parent Company to guarantee the loan/credit accommodation of JGSPC from BDO in the aggregate principal amount of ₱15.0 billion including any extension, renewal or modification of such loan or credit accommodation.

  On March 2, 2020, the BOD of the Parent Company approved and authorized the Parent Company to guarantee the loan/credit accommodation of JGSPC from BDO in the amount of ₱4.0 billion.

  On June 9, 2020, the BOD of the Parent Company approved and authorized the Parent Company to guarantee the loan/credit accommodation of JGSPC from MBTC in the amount of ₱3.75 billion.

- *JGSPC/JGSOC Loan Accommodation from Private Bank*
  On December 7, 2021, the BOD of the Parent Company approved and authorized the Parent Company to guarantee the loan/credit accommodation of JGSOC from BPI whether incurred on its own or as a result of the merger between JGSOC and JGSPC, with JGSOC as the surviving corporation, in the aggregate principal amount of ₱21.0 billion including any extension, renewal or modification of such loan/credit accommodation.

- *JGSPL 4.375% Senior Unsecured Notes Due 2023 and 4.125% Senior Unsecured Notes Due 2030*
  On January 24, 2013, JGSH Philippines, Limited issued US$750.0 million, 4.4% senior unsecured notes due 2023. The notes are unconditionally and irrevocably guaranteed by the Parent Company.

  On June 26, 2020, the BOD of the Parent Company approved to guarantee the obligations of JGSH Philippines, Limited for the issuance of US$ fixed rate notes amounting to US$600.0 million.

  These notes require the Group not to exceed the 2.0:1.0 financial ratio requirement on its consolidated total borrowing to consolidated total equity ratio and not to fall below 0.5:1.0 financial ratio requirement on its consolidated current assets to consolidated current liabilities ratio.

CAI

Capital Expenditure Commitments

CAI's capital expenditure commitments relate principally to the acquisition of aircraft fleet, aggregating to ₱183.8 billion and ₱154.1 billion as of December 31, 2021 and 2020, respectively, which are payable over the following periods:

	December 31, 2021		December 31, 2020	
	US Dollar	**Philippine Peso Equivalent**	US Dollar	Philippine Peso Equivalent
Within one year	**US$644,167,004**	**₱32,851,873,013**	US$659,224,287	₱31,657,927,948
After one year but not more than five years	**2,960,785,854**	**150,997,117,770**	2,550,481,846	122,481,789,707
	US$3,604,952,858	**₱183,848,990,783**	US$3,209,706,133	₱154,139,717,655

CAI is actively engaged in planning and executing various measures to mitigate the impact of COVID-19 pandemic on its business operations, including negotiations with key suppliers on its capital expenditure commitments.

Aircraft and Spare Engine Purchase Commitments

On October 20, 2015, CAI entered into a Sale and Purchase Contract with Avions Transport Regional G.I.E. to purchase 16 firm ATR 72-600 aircraft and up to ten additional option orders. These aircraft are scheduled for delivery from 2016 to 2022. Two (2) ATR 72-600 were delivered in 2016, six (6) in 2017, four (4) in 2018, and one (1) in 2019 totaling to 13 ATR 72-600 aircraft delivered as of December 31, 2019.

On June 6, 2017, CAI placed an order with Airbus S.A.S to purchase seven (7) new Airbus A321 CEO aircraft, all of which were delivered in 2018.

On June 14, 2018, CAI has entered into an Aircraft Conversion Services Agreement with IPR Conversions (Switzerland) Limited to convert two (2) ATR 72-500 aircraft from passenger to freighter. The first converted ATR 72-500 freighter aircraft was delivered in August 2019 while the second will be delivered within 2020.

On July 26, 2018, CAI entered into operating lease agreements with Avolon Aerospace Leasing Limited for five (5) Airbus A320NEO aircraft, four of which were delivered on various dates within 2019.

On October 31, 2019, CAI placed an order with Airbus S.A.S to purchase sixteen (16) Airbus A330 NEO aircraft. Consequently, on November 29, 2019, the Parent Company entered into agreements with Rolls-Royce PLC for the purchase of spare Trent 7000 engines and for the provision of TotalCare life services and other services required in connection with the sixteen (16) A330NEO aircraft.

On December 19, 2019, CAI placed an additional order with Airbus S.A.S for fifteen (15) A320NEO family aircraft which includes up to ten (10) A321XLR.

As of December 31, 2021, CAI is set to take delivery of fourteen (14) A330 NEO aircraft, twelve (12) A321 NEO aircraft, fifteen (15) A320 NEO aircraft, ten (10) A321XLR aircraft and two (2) ATR 72-600 aircraft until 2027.

The above-indicated commitments relate to CAI's re-fleeting and expansion programs. These agreements remained in effect as of December 31, 2021.

Service Maintenance Commitments

On June 21, 2012, CAI has entered into a 10-year charge per aircraft landing (CPAL) agreement with Messier-Bulgatti-Dowty (Safran Group) to purchase wheels and brakes for its fleet of Airbus A319 and A320 aircraft. The contract covers the current fleet, as well as future aircraft to be acquired.

On June 22, 2012, CAI has entered into service contract with Rolls-Royce Total Care Services Limited (Rolls-Royce) for service support for the engines of the A330 aircraft. Rolls-Royce will provide long-term Total Care service support for the Trent 700 engines on up to eight A330 aircraft. Contract term shall be from delivery of the first A330 until the redelivery of the last A330.

On March 28, 2017, the CAI entered into a maintenance service contract with Societe Air France for the lease, repair and overhaul services of parts and components of its A319, A320 and A321 aircraft. These services include provision of access to inventories under lease basis, access to pooled components on a flat rate basis and repairs of aircraft parts and components.

URC

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 statement 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.

Off-Balance Sheet Items

In the normal course of RBC and LSB's operations, there are various outstanding contingent liabilities and bank guarantees which are not reflected in the accompanying consolidated financial statements. The subsidiary bank does not anticipate material unreserved losses as a result of these transactions.

Following is a summary of RBC and LSB's commitments and contingent liabilities at their equivalent peso contractual amounts:

	2021	2020
Trust and investment group accounts	**₱35,673,879,283**	₱26,192,113,492
Spot exchange - foreign currency	**537,380,930**	2,083,121,571
Committed credit lines	**7,659,531,656**	6,945,067,250
Guarantees issued	**1,850,923,767**	1,839,592,801
Inward bills for collection	**2,271,244,978**	1,450,730,126
Outward bills for collection	**124,641,556**	161,088,252
Letters of credit	**667,045,172**	343,954,891
Contingent - foreign currency swap	**–**	1,092,920,578
Late deposit/payment received	**20,604,807**	61,959,354
Items held for safekeeping	**188,923**	77,158
Other contingent account	**184,260**	184,784

Contingencies
The Group has various contingent liabilities arising in the ordinary conduct of business from legal proceedings which are either pending decision by the courts, under arbitration or being contested, the outcomes of which are not presently determinable. In the opinion of management and its legal counsels, 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 ground that it can be expected to prejudice the outcome of these lawsuits, claims, arbitration and assessments.

44. Discontinued Operations and Disposal of Businesses

Sale of Oceania business
In July 2019, Intersnack agreed to buy 40% of Oceania business 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 ₱1.3 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 ₱24.03 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 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)
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 sale of 60% equity interest	**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 business activities for the ten months ended October 31, 2021 follow:

	2021
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.

45. Share-based Payments

On March 29, 2021, the BOD of CAI approved its Long-Term Incentive Plan (LTIP). The LTIP involves the grant of any one or a combination of Restricted Stock Units and Stock Options to eligible persons.

Upon issuance by the Securities and Exchange Commission of a Confirmation of Exempt Transaction on November 26, 2021, the Philippine Stock Exchange approved the application of CAI to list additional 11,165,846 common shares, consisting of 5,582,923 common shares for Restricted Stock Units and 5,582,923 common shares for Stock Options and with a par value of ₱1.00 per share, to cover CAI's LTIP last December 2, 2021.

Restricted Stock Units (RSU)

On November 26, 2021, 4,710,000 RSUs were granted to 82 eligible persons with 3 years vesting period. These will vest in three (3) tranches; 20%, 30% and 50% at the end of 2021, 2022, 2023, respectively except for three (3) grantees which will vest in full at the end of 2021. Vesting is conditional on the eligible person's employment and achievement of a minimum individual performance rating of "Meets Expectations" within the vesting period. The fair value of each share is ₱48.40 which is the stock price at grant date. The Group does not pay cash as a form of settlement.

On December 31, 2021, 1,094,000 RSUs have vested. The shares were subsequently listed with the Philippine Stock Exchange on January 21, 2022.

Stock Options

On November 26, 2021, 5,205,000 stock options were granted to 16 eligible persons with three (3) years vesting period which can be exercised at a strike price of ₱48.575 once vested. These will vest in three (3) tranches; 20%, 30% and 50% at the end of 2021, 2022 and 2023, respectively except for two (2) grantees which will vest in full at the end of 2021. Vesting is conditional on the eligible person's employment and achievement of a minimum individual performance rating of "Meets Expectations" within the vesting period. These options will expire on December 31, 2027. The Group does not pay cash as a form of settlement.

On December 31, 2021, 1,265,000 stock options have vested. No options were exercised, forfeited or expired during the year. Thus, as of December 31, 2021, the 1,265,000 vested stock options remain to be outstanding and exercisable.

The fair value of each option at grant date is ₱21.79 which was determined using the Cox-Ross-Rubinstein Binomial Option Pricing Method. The inputs in the valuation of the stock option are as follows:

Stock price at grant date	₱48.40
Exercise price	₱48.575
Expected volatility	47.24%
Option life	6.10 years
Dividend yield	2.93%
Risk-free interest rate	4.53%

The option life is the period between the November 26, 2021 grant date to December 31, 2027 expiry date. The expected volatility was based on the historical daily stock prices for the past five years. Daily stock price data used did not include non-trading days. Standard deviation was used to measure volatility which is a measure of risk associated with the degree of fluctuations in stock price over a period of time.

46. Subsequent Events

Continuing COVID-19 pandemic

Real Estate

Following the outbreak of the coronavirus disease that started in Wuhan, Hubei, China, on January 30, 2020, the World Health Organization declared the 2019 coronavirus disease ("COVID-19") outbreak a Public Health Emergency of International Concern, and subsequently, with the continued increase in the number of confirmed cases throughout the world, a pandemic on March 11, 2020.

In response to the pandemic, the Philippine government took actions and implemented quarantine measures at varying degrees starting March 16, 2020 which mandated the temporary closure and/or reduction in operating capacity of non-essential shops and businesses, prohibited mass gatherings and all means of public transportation, and restricted traveling through air, sea and land in and out of country, except by diplomats and uniformed workers (carrying medical supplies), among others. These measures have disrupted supply chains, business operations, and workplace structures, forcing a shift in priorities and short-term strategies.

With public health and safety in mind and in full cooperation with the government, the Group's malls and offices remained open to support establishments offering essential services, such as groceries, pharmacies, banks, and IT-Business Process Management (IT-BPM) firms; while the Group's residential teams worked relentlessly to ensure safety and security across condominium properties. Likewise, the Group's hotels served as temporary homes for returning Overseas Filipino Workers (OFWs) and guests under quarantine; while industrial facilities continued to operate under business-as-usual conditions.

The Group also institutionalized heightened cleanliness standards and invested in contactless technologies to minimize health and safety risks. While the ensuring business continuity, employee welfare and protection remained of utmost priority with the adoption of remote work arrangements and a digital workplace.

Furthermore, the Group has rolled out innovative solutions in response to the changed business landscape.

The Group is cognizant of COVID-19's potential material impact on its financial performance, the execution of its plans and strategies, and its customers and employees should the situation persist in the longer-term. Nevertheless, the Group expects to regain its significant foothold in the market it operates in as movement restrictions ease and as consumer sentiment recovers. Furthermore, despite unprecedented headwinds, the Group's financial position remains stable and strong on the back of its well-balanced and diversified business portfolio.

As of reporting date, hotels remained opened, commercial centers operate at adjusted operating hours and construction works on projects have resumed following safety protocols in accordance with the guidelines issued by regulatory agencies.

Air transportation
On April 28, 2021, the Philippine Government extended the MECQ until May 14, 2021. On May 13, 2021, the Office of the President announced that Metro Manila and 4 adjacent provinces will shift to general community quarantine (GCQ) with heightened restrictions until May 31, 2021 and then eventually extended until June 15, 2021. On June 29, 2021, the President of the Philippines approved the recommendation of the Inter-Agency Task Force on emerging Infectious Diseases (IATF) to extend the general community quarantine in "NCR Plus" until July 15, 2021 and subsequently extended until July 31, 2021. NCR stayed under GCQ until August 5, 2021. Beginning August 6, 2021, the classification of the NCR was escalated to Enhanced Community Quarantine until August 20, 2021. The IATF decided to ease the strict lockdown in NCR beginning August 21, lowering the status in both areas to a modified enhanced community quarantine (MECQ) until September 7, 2021. The risk level classification of NCR as MECQ was maintained until September 15, 2021.

IATF imposed new classification framework which focuses on the imposition of granular lockdown measures. Community quarantines were reduced to either ECQ or GCQ with the latter having an Alert Level System (Alert level 1 to 4) with each Alert Level limiting restrictions to identified risk activities. The pilot area for this policy shall be the NCR which started from September 16, 2021 until

September 30, 2021 wherein NCR was placed under the GCQ Alert Level 4 which was subsequently extended until October 15, 2021. IATF placed NCR under Alert Level 3 starting October 16, 2021 until November 4, 2021. IATF placed NCR under Alert Level 2 starting November 5, 2021 until January 2, 2022. Furthermore, Alert Level classification of NCR was escalated to Alert Level 3 starting January 3, 2022 until January 15, 2022 and subsequently extended until January 31, 2022. Subsequently, NCR was placed to Alert Level 2 starting February 1, 2022 until February 28, 2022. On February 27, 2022, IATF placed NCR under Alert level 1 starting March 1, 2022. These measures have caused disruptions to the businesses and economic activities, and its impact on businesses continue to evolve.

Likewise, government authorities in other countries where the Group operates certain flights, continued to adopt measures, including lockdowns, to control the continuing spread of the virus and mitigate the impact of the outbreak.

The scale and duration of these developments remain uncertain as at the report date. The COVID-19 pandemic could have a material impact on the Group's financial results for the rest of 2022 and even periods thereafter. Considering the evolving nature of the pandemic, the Group will continue to monitor the situation.

47. Supplemental Disclosures to Cash Flow Statements

Changes in liabilities arising from financing activities in 2021 and 2020 follow:

	January 1, 2021	**Cash Flows**	**Foreign Exchange Movement**	**Currency Translation Adjustment**	**Others***	**December 31, 2021**
Short-term debts	**₱44,418,092,185**	**₱21,217,531,235**	**₱418,719,374**	**(₱58,759,312)**	**₱–**	**₱65,995,583,482**
Long-term debts	**272,341,886,341**	**(25,562,742,347)**	**4,675,660,724**	**1,533,234,208**	**(32,655,846,043)**	**220,332,192,883**
Bonds payable	**–**	**11,782,473,335**	**759,069,399**	**–**	**(356,706,608)**	**12,184,836,126**
	₱316,759,978,526	**₱7,437,262,223**	**₱5,853,449,497**	**₱1,474,474,896**	**(₱33,012,552,651)**	**₱298,512,612,491**

**Others consist of divestment of Oceania business and amortization of bond issue cost.*

	January 1, 2020	Cash Flows	Foreign Exchange Movement	Currency Translation Adjustment	Others*	December 31, 2020
Short-term debts	₱ 54,047,410,004	(₱4,446,839,106)	(₱277,486,729)	(₱4,904,991,984)	₱–	₱44,418,092,185
Long-term debts	218,935,534,707	55,695,893,718	(3,205,183,463)	853,097,627	62,543,752	272,341,886,341
	₱272,982,944,711	₱51,249,054,612	(₱3,482,670,192)	(₱4,051,894,357)	₱62,543,752	₱316,759,978,526

**Others consist of amortization of bond issue cost.*

The principal noncash activities of the Group include movements in the cumulative translation adjustment amounting to ₱1.7 billion, (₱1.9 billion) and ₱1.2 billion in 2021, 2020 and 2019, respectively.

48. Approval for the Release of the Consolidated Financial Statements

The accompanying consolidated financial statements of the Group were approved and authorized for issue by the BOD on March 30, 2022.

Corporate Directory

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Listed on the Philippine Stock Exchange, Inc.
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JG SUMMIT
HOLDINGS, INC.

JG Summit Holdings, Inc.

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