

# COVER SHEET

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SEC Registration Number

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(Company's Full Name)

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

**Atty. Maria Celia H. Fernandez-Estavillo**  
**Corporate Secretary**

(Contact Person)

**8633-7631 to 40**

(Company Telephone Number)

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*Month Day*  
(Fiscal Year)

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(Form Type)

**last Thursday of May**

*Month Day*  
(Annual Meeting)

## Definitive Information Statement

**Issuer of Securities under**  
**SEC-BED Order No. 512, Series of 1993; SEC-BED Order No. 623, Series of 1993;**  
**SEC-BED Order No. 693, Series of 1994; SEC-BED Order No. 966, Series of 1994; and**  
**SEC-CFD Order No. 080, Series of 1998**

(Secondary License Type, If Applicable)

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Dept. Requiring this Doc.

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Amended Articles Number/Section

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Total No. of Stockholders

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Total Amount of Borrowings

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Domestic

Foreign

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To be accomplished by SEC Personnel concerned

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File Number

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**JG SUMMIT HOLDINGS, INC.**

**CERTIFICATION**

I, Maria Celia H. Fernandez-Estavillo, Corporate Secretary of JG Summit Holdings, Inc. ("the Corporation") with SEC registration number 184044 and with principal office address at 43<sup>rd</sup> Floor, Robinsons Equitable Tower, ADB Avenue corner Poveda Street, Ortigas Center, Pasig City, Metro Manila, hereby state under oath that:


1. On behalf of the Corporation, I have caused this SEC Form 20-IS to be prepared;
2. I read and understood its contents which are true and correct of my own personal knowledge and/or based on true records;
3. The Corporation will comply with the requirements set forth in SEC Notice dated June 24, 2020 for a complete and official submission of reports and/or documents through electronic mail; and
4. I am fully aware that documents filed online which requires pre-evaluation and/or processing fee shall be considered complete and officially received only upon payment of a filing fee.

IN WITNESS WHEREOF, I have hereunto set my hand this 12 APR 2021 at **PASIG CITY**

  
**MARIA CELIA H. FERNANDEZ-ESTAVILLO**  
Corporate Secretary

SUBSCRIBED AND SWORN to before me this 12 APR 2021 day of \_\_\_\_\_, 2021 at **PASIG CITY**  
affiant exhibiting to me her SSS ID No. 33-1625577-9.

Doc No. 002 ;  
Page No. 2 ;  
Book No. 3 ;  
Series of 2021.

  
**ANDREIA B. BUETA-ACERO**  
Notary Public for Pasig, San Juan, and Pateros  
Notarial Commission No. 248 extended  
until June 30, 2021 pursuant to Bar Matter No. 3795  
40th Floor Robinsons Equitable Tower, ADB Ave.  
cor. Poveda Road, Ortigas Center, Pasig City 1605  
Roll of Attorneys No. 55199  
PTR No. 8540878/01-11-2021/Makati City  
IBP Receipt No. 144095/01-05-2021/Rizal Chapter



# JG SUMMIT HOLDINGS, INC.

43<sup>rd</sup> FLOOR ROBINSONS EQUITABLE TOWER ADB AVE. COR. POVEDA RD. ORTIGAS CENTER, PASIG CITY  
TEL. NO.: 633-7631 to 40, 240-8801 FAX NO.: 633-9207, 240-9106

## NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

**MAY 14, 2021**

Notice is hereby given that the Annual Meeting of the Stockholders of JG SUMMIT HOLDINGS, INC. will be held via video conferencing at <https://bit.ly/JGS2021ASM> on May 14, 2021 at 11:30 a.m. in accordance with the rules of the Securities and Exchange Commission.

The Agenda for the meeting is as follows:

1. Proof of notice of the meeting and existence of a quorum.
2. Reading and approval of the Minutes of the Annual Meeting of the Stockholders held on May 14, 2020.
3. Reading and approval of the Minutes of the Special Meeting of the Stockholders held on October 20, 2020.
4. Presentation of annual report and approval of the financial statements for the preceding year.
5. Election of Board of Directors.
6. Appointment of External Auditor.
7. Ratification of the acts of the Board of Directors and its committees, officers and management.
8. Consideration of such other matters as may properly come during the meeting.
9. Adjournment.

A brief explanation of each agenda item which requires stockholders' approval is provided herein. The Information Statement to be sent to the stockholders shall contain more detail on the rationale and explanation of each agenda item.

In light of current conditions and in support of the efforts to contain the outbreak of COVID-19, stockholders may only attend the meeting via remote communication. Stockholders intending to participate via remote communication must notify the Corporation by email to [corporatesecretary@jgsummit.ph](mailto:corporatesecretary@jgsummit.ph) on or before May 7, 2021.

Stockholders who wish to cast their votes may do so via the method provided for voting *in absentia*, or by accomplishing the proxy form to be sent together with the Information Statement. The procedures for attending the meeting via remote communication and for casting votes *in absentia* are explained further in the Information Statement.

Stockholders who wish to vote by proxy shall send the proxies via email to [corporatesecretary@jgsummit.ph](mailto:corporatesecretary@jgsummit.ph) or hard copies to The Office of the Corporate Secretary, 40<sup>th</sup> Floor, Robinsons Equitable Tower, ADB Avenue cor. Poveda Road, Ortigas Center, Pasig City.

Pursuant to Section 9, Article II of the Amended By-Laws of JG Summit Holdings, Inc., proxies must be received by the Corporate Secretary for inspection and recording not later than five (5) working days before the time set for the meeting, or not later than May 7, 2021. Validation of proxies shall be held on May 11, 2021.

Only stockholders of record as of April 5, 2021 shall be entitled to vote. **We are not soliciting proxies.**

By Authority of the Chairman

**MARIA CELIA H. FERNANDEZ-ESTAVILLO**  
Corporate Secretary



# JG SUMMIT HOLDINGS, INC.

43<sup>rd</sup> FLOOR ROBINSONS EQUITABLE TOWER ADB AVE. COR. POVEDA RD. ORTIGAS CENTER, PASIG CITY  
TEL. NO.: 633-7631 to 40, 240-8801 FAX NO.: 633-9207, 240-9106

## ANNUAL MEETING OF STOCKHOLDERS MAY 14, 2021

### EXPLANATION OF AGENDA ITEMS FOR STOCKHOLDERS' APPROVAL

The Corporation has established a designated website in order to facilitate the registration of and voting *in absentia* by stockholders at the annual meeting, as allowed under Sections 23 and 57 of the Revised Corporation Code. A stockholder or member who participates through remote communication or votes *in absentia* shall be deemed present for purposes of quorum.

The following is a summary of the guidelines for voting and participation in the meeting:

- (i) Stockholders may attend the meeting by viewing the livestream at this link: <https://bit.ly/JGS2021ASM>. The livestream shall be broadcast via Microsoft Teams. Please refer to Annex E of the Information Statement for the detailed guidelines for participation via remote communication.
- (ii) Questions and comments on the items in the Agenda may be sent to [corporatesecretary@jgsummit.ph](mailto:corporatesecretary@jgsummit.ph). Questions or comments received on or before May 7, 2021 may be responded to during the meeting. Any questions not answered during the meeting shall be answered via email.
- (iii) Each item in the agenda for approval of the stockholders will be shown on the screen during the livestreaming as the same is taken up at the meeting.
- (iv) Stockholders may cast their votes on any item in the agenda for approval via the following modes on or before May 7, 2021:
  - a. By sending their proxies appointing the Chairman of the meeting to the Corporate Secretary;
  - OR
  - b. By voting *in absentia*, subject to validation procedures. Please refer to Annex E of the Information Statement for the detailed procedure for registration and voting *in absentia*.
- (v) Stockholders may cast their votes on any item in the agenda for approval by sending their proxies appointing the Chairman of the meeting to the Corporate Secretary by email to [corporatesecretary@jgsummit.ph](mailto:corporatesecretary@jgsummit.ph) or hard copies to the Office of the Corporate Secretary, 40<sup>th</sup> Floor, Robinsons Equitable Tower, ADB Avenue cor. Poveda Road, Ortigas Center, Pasig City on or before May 7, 2021.
  - a. Stockholders holding shares through a broker may course their proxies through their respective brokers, which shall issue certification addressed to the Corporate Secretary and duly-signed by their authorized representative, stating the number of shares being voted and the voting instructions on the matters presented for approval.
  - b. Stockholders may also send their duly-executed proxies directly to the Corporate Secretary. The proxies shall be sent together with the following supporting documents:
    - i. Government-issued identification (ID) of the Stockholder;
    - ii. For Stockholders with joint accounts: The proxy form must be signed by all joint Stockholders. Alternatively, they may submit a scanned copy of an authorization letter signed by all Stockholders, identifying who among them is authorized to sign the proxy.



## JG SUMMIT HOLDINGS, INC.

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TEL. NO.: 633-7631 to 40, 240-8801 FAX NO.: 633-9207, 240-9106

- iii. If holding shares through a broker, the certification from the broker stating the name of the beneficial owner and the number of shares owned by such Stockholder.
- (vi) Stockholders intending to participate via remote communication who have not sent their proxies or voted *in absentia* must notify the Corporation by email to [corporatesecretary@jgsummit.ph](mailto:corporatesecretary@jgsummit.ph) on or before May 7, 2021 in order to be counted for quorum. The email shall contain the following:
  - a. If holding shares through a broker, certification from the broker stating the name of the beneficial owner and the number of shares owned by such Stockholder;
  - b. Government-issued identification (ID) of the shareholder.
- (vii) For purposes of quorum, the following stockholders shall be deemed present:
  - a. Those who sent in their proxies before the deadline;
  - b. Those who voted in absentia before the cut off time; and
  - c. Those who notified the Corporation before the deadline of their intention to participate via remote communication.
- (viii) The Office of the Corporate Secretary shall tabulate all votes received and an independent third party will validate the results. During the meeting, the Secretary shall report the votes received and inform the stockholders if the particular agenda item is carried or disapproved. The total number of votes cast for each item for approval under the agenda will be shown on the screen.

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### **Reading and approval of the Minutes of the Annual Meeting of the Stockholders held on May 14, 2020**

Copies of the minutes will be distributed to the stockholders before the meeting and will be presented to the stockholders for approval.

### **Reading and approval of the Minutes of the Special Meeting of the Stockholders held on October 20, 2020**

Copies of the minutes will be distributed to the stockholders before the meeting and will be presented to the stockholders for approval.

### **Presentation of annual report and approval of the financial statements for the preceding year**

The annual report and the financial statements for the preceding fiscal year will be presented to the stockholders for approval.

### **Election of Board of Directors**

After having undergone the nomination process as conducted by the Corporate Governance Committee, the nominees for election as members of the Board of Directors, including independent directors, will be presented to the stockholders. The profiles of the nominees shall be provided in the Information Statement to be sent to the Stockholders. The members of the Board of Directors of the Corporation shall be elected by plurality vote.



## **JG SUMMIT HOLDINGS, INC.**

43<sup>rd</sup> FLOOR ROBINSONS EQUITABLE TOWER ADB AVE. COR. POVEDA RD. ORTIGAS CENTER, PASIG CITY  
TEL. NO.: 633-7631 to 40, 240-8801 FAX NO.: 633-9207, 240-9106

### **Appointment of External Auditor**

The Corporation's external auditor is SyCip Gorres Velayo & Co. and will be nominated for reappointment for the current fiscal year.

### **Ratification of the acts of the Board of Directors and its committees, officers and management**

Ratification of the acts of the Board of Directors and its committees, officers and management of the Corporation since the last annual stockholders' meeting up to the current stockholders' meeting, as duly recorded in the corporate books and records of the Corporation, will be requested.

### **Consideration of such other matters as may properly come during the meeting**

The Chairman will open the floor for comments and questions by the stockholders. The Chairman will decide whether matters raised by the stockholders may be properly taken up in the meeting or in another proper forum.

**WE ARE NOT SOLICITING YOUR PROXY**

Stockholders who wish to cast their votes may do so via the method provided for voting in absentia, or by accomplishing the proxy form provided below. The detailed procedure for casting votes in absentia shall be sent securely to the stockholders.

Stockholders who wish to vote by proxy shall send the proxies via email to [corporatesecretary@jgsummit.ph](mailto:corporatesecretary@jgsummit.ph) or hard copies to the Office of the Corporate Secretary, 40F Robinsons Equitable Tower, ADB Avenue cor. Poveda Road, Ortigas Center, Pasig City not later than May 7, 2021.

**P R O X Y**

The undersigned stockholder of **JG SUMMIT HOLDINGS, INC.** (the “Corporation”), hereby appoints the Chairman of the meeting, as attorney-in-fact and proxy, to represent and vote all shares registered in his/her/its name at the Annual Meeting of the Stockholders of the Corporation to be held on **May 14, 2021** and adjournments and postponements thereof, for the purpose of acting on the following matters as fully to all intents and purposes as she/he/it might do if present and acting in person, and hereby ratifying and confirming all that the said attorney shall lawfully do or cause to be done by virtue of these presents:

1. Approval of the Minutes of the Annual Meeting of the Stockholders held on May 14, 2020.

Yes  No  Abstain

5. Appointment of SyCip Gorres Velayo & Co. as external auditor.

Yes  No  Abstain

2. Approval of the Minutes of the Special Meeting of the Stockholders held on October 20, 2020.

Yes  No  Abstain

6. Ratification of the acts of the Board of Directors and its committees, officers and management.

Yes  No  Abstain

3. Approval of the financial statements for the preceding year.

Yes  No  Abstain

7. At his/her discretion, the proxy named above is authorized to vote upon such other matters as may properly come during the meeting.

Yes  No  Abstain

4. Election of Board of Directors.

	Yes	No	Abstain
1. James L. Go	_____	_____	_____
2. Lance Y. Gokongwei	_____	_____	_____
3. Lily G. Ngochua	_____	_____	_____
4. Patrick Henry C. Go	_____	_____	_____
5. Johnson Robert G. Go, Jr.	_____	_____	_____
6. Robina Gokongwei-Pe	_____	_____	_____
7. Cirilo P. Noel	_____	_____	_____
<u>Independent Directors</u>			
8. Jose T. Pardo	_____	_____	_____
9. Renato T. De Guzman	_____	_____	_____
10. Antonio L. Go	_____	_____	_____
11. Artemio V. Panganiban	_____	_____	_____

\_\_\_\_\_  
PRINTED NAME OF STOCKHOLDER

\_\_\_\_\_  
SIGNATURE OF STOCKHOLDER /  
AUTHORIZED SIGNATORY

\_\_\_\_\_  
ADDRESS OF STOCKHOLDER

\_\_\_\_\_  
CONTACT TELEPHONE NUMBER

\_\_\_\_\_  
DATE

This proxy shall continue until such time as the same is withdrawn by me through notice in writing delivered to the Corporate Secretary at least three (3) working days before the scheduled meeting on **May 14, 2021**.

A PROXY SUBMITTED BY A CORPORATION SHOULD BE ACCOMPANIED BY A CORPORATE SECRETARY’S CERTIFICATE QUOTING THE BOARD RESOLUTION DESIGNATING A CORPORATE OFFICER TO EXECUTE THE PROXY. IN ADDITION TO THE ABOVE REQUIREMENT FOR CORPORATIONS, A PROXY FORM GIVEN BY A BROKER OR CUSTODIAN BANK IN RESPECT OF SHARES OF STOCK CARRIED BY SUCH BROKER OR CUSTODIAN BANK FOR THE ACCOUNT OF THE BENEFICIAL OWNER MUST BE ACCOMPANIED BY A CERTIFICATION UNDER OATH STATING THAT THE BROKER OR CUSTODIAN BANK HAS OBTAINED THE WRITTEN CONSENT OF THE ACCOUNT HOLDER.



# JG SUMMIT HOLDINGS, INC.

43<sup>rd</sup> FLOOR ROBINSONS EQUITABLE TOWER ADB AVE. COR. POVEDA RD. ORTIGAS CENTER, PASIG CITY  
TEL. NO.: 633-7631, 637-1670, 240-8801 FAX NO.: 633-9387 OR 633-9207

## CERTIFICATE


I, MARIA CELIA H. FERNANDEZ-ESTAVILLO, of legal age, Filipino, with office address at the 40<sup>th</sup> Floor, Robinsons Equitable Tower, ADB Avenue corner Poveda St., Ortigas Center, Pasig City, hereby certify that:

1. I am the duly elected and qualified Corporate Secretary of JG Summit Holdings, Inc. (the "Corporation") with principal office address at the 43<sup>rd</sup> Floor, Robinsons Equitable Tower, ADB Avenue corner Poveda Street, Ortigas Center, Pasig City, Metro Manila.
2. There are no directors, independent directors or officers of the Corporation who are currently appointed in any government agency or is an employee of any government agency.

  
**MARIA CELIA H. FERNANDEZ-ESTAVILLO**  
Corporate Secretary

SUBSCRIBED AND SWORN to before me this 23 MAR 2021 at PASIG CITY,  
affiant exhibiting to me her SSS ID with No. 33-1625577-9.

Doc No. 472 ;  
Page No. 94 ;  
Book No. 2 ;  
Series of 2021.

  
**ANDRE RIA B. BUZETA-ACERO**  
Notary Public for Pasig, San Juan, and Pateros  
Notarial Commission No. 248 extended  
until June 30, 2021 pursuant to Bar Matter No.3795  
40th Floor Robinsons Equitable Tower, ADB Ave.  
cor. Poveda Road, Ortigas Center, Pasig City 1605  
Roll of Attorneys No. 55199  
PTR No. 8540878/01-11-2021/Makati City  
IBP Receipt No. 144096/01-05-2021/Rizal Chapter



**JG SUMMIT HOLDINGS, INC. (“JGSHI”)**

**PROFILES OF THE NOMINEES FOR ELECTION TO THE BOARD OF DIRECTORS  
FOR THE YEAR 2021**

1. Name : James L. Go  
Age : 81  
Designation : Chairman

Business experience and education:

Mr. James L. Go is the Chairman of JGSHI and Cebu Air, Inc. He is the Chairman and Chief Executive Officer of Oriental Petroleum and Minerals Corporation. He is the Chairman Emeritus of Universal Robina Corporation, Robinsons Land Corporation, JG Summit Petrochemical Corporation and JG Summit Olefins Corporation. He is the Vice Chairman of Robinsons Retail Holdings, Inc. and a Director of Meralco Powergen Corporation. He is also the President and Trustee of the Gokongwei Brothers Foundation, Inc. He has been a director of the PLDT Inc. (PLDT) since November 3, 2011. He is a member of the Technology Strategy and Risk Committees and Advisor of the Audit Committee of the Board of Directors of PLDT. He was elected a director of Manila Electric Company on December 16, 2013. Mr. James L. Go received his Bachelor of Science Degree and Master of Science Degree in Chemical Engineering from Massachusetts Institute of Technology, USA.

2. Name : Lance Y. Gokongwei  
Age : 54  
Designation : President and Chief Executive Officer

Business experience and education:

Mr. Lance Y. Gokongwei is the President and Chief Executive Officer of JGSHI. He is the Chairman of Robinsons Retail Holdings, Inc., Universal Robina Corporation, Robinsons Land Corporation, Altus Property Ventures, Inc., JG Summit Petrochemical Corporation, JG Summit Olefins Corporation, and Robinsons Bank Corporation. He is also the President and Chief Executive Officer of Cebu Air, Inc. He is a director and Vice Chairman of Manila Electric Company and is a Director of Oriental Petroleum and Minerals Corporation, United Industrial Corporation Limited and Meralco Powergen Corporation. He is a member of the Board of Global Reporting Initiative. He is a trustee and Chairman of the Gokongwei Brothers Foundation, Inc. He received a Bachelor of Science degree in Finance and a Bachelor of Science degree in Applied Science from the University of Pennsylvania.

3. Name : Lily G. Ngochua  
Age : 89  
Designation : Director

Business experience and education:

Ms. Lily G. Ngochua has been a director of JGSHI since its formation in 1990. She is responsible for overseeing the Company’s hotel and agro-industrial business in Cebu. She also supervises the purchasing and treasury departments of the URC Biscuit and Noodle Plants in Cebu and handles the

treasury functions of the retail and mall business in Cebu. She received a Bachelor of Arts degree from Maryknoll College in Quezon City in 1957.

4. Name : Patrick Henry C. Go  
 Age : 50  
 Designation : Director

Business experience and education:

Mr. Patrick Henry C. Go has been a director of JGSHI since 2000. He is currently a director and Executive Vice President of Universal Robina Corporation and is the President and Chief Executive Officer of JG Summit Petrochemical Corporation and JG Summit Olefins Corporation. In addition, he is a director of Robinsons Land Corporation and Robinsons Bank Corporation and Meralco Powergen Corporation. He is a trustee and treasurer of the Gokongwei Brothers Foundation, Inc. He received a Bachelor of Science degree in Management from the Ateneo De Manila University and attended the General Management Program at Harvard Business School. Mr. Patrick Henry C. Go is a nephew of Mr. John L. Gokongwei, Jr.

5. Name : Johnson Robert G. Go, Jr.  
 Age : 55  
 Designation : Director

Business experience and education:

Mr. Johnson Robert G. Go, Jr. has been a director of JGSHI since August 18, 2005. He is currently a director of Universal Robina Corporation, Robinsons Land Corporation, Robinsons Bank Corporation and A. Soriano Corporation. He is also a trustee of the Gokongwei Brothers Foundation, Inc. He received a Bachelor of Arts degree in Interdisciplinary Studies (Liberal Arts) from the Ateneo de Manila University. He is a nephew of Mr. John L. Gokongwei, Jr.

6. Name : Robina Gokongwei Pe  
 Age : 59  
 Designation : Director

Business experience and education:

Ms. Robina Y. Gokongwei has been a director of JGSHI since April 15, 2009. She is the President and Chief Executive Officer of Robinsons Retail Holdings, Inc. (RRHI). Operating a diverse portfolio of brands, RRHI is one of the largest multi-format retailers in the country and is included in the Philippine Stock Exchange main index. She is also a director of Robinsons Land Corporation, Cebu Air, Inc., and Robinsons Bank Corporation. She is a trustee and the secretary of the Gokongwei Brothers Foundation, Inc. and a trustee of the Immaculate Concepcion Academy Scholarship Fund. She is also a member of the Xavier School Board of Trustees. She was formerly a member of the University of the Philippines Centennial Commission and was a former trustee of the Ramon Magsaysay Awards Foundation. She attended the University of the Philippines-Diliman from 1978 to 1981 and obtained a Bachelor of Arts degree (Journalism) from New York University in 1984. She has two children, Justin, 25 and Joan, 15. She is married to Perry Pe, a lawyer.

7. Name : Cirilo P. Noel  
 Age : 63  
 Designation : Director

Business experience and education:

Mr. Cirilo (Vic) P. Noel has been a director of JGSHI since May 28, 2018. He is a lawyer and certified public accountant (CPA). He holds Chairman's position at Palm Concepcion Power Corporation (since June 2018) and Juxtapose Ergo Consultus, Inc. (since May 2019). He is also a member of the Board of Directors of PLC- Security Bank Corporation (since April 2018) and appointed Vice Chairman in April 2020. He is likewise a Board member of the following PLCs - Globe Telecom), Inc. (since April 2018), San Miguel Foods and Beverage), Inc. (since September 2018), and Robinsons Retail Holdings, Inc. (since August 2020). Vic also sits as a Board member of Transnational Diversified Corporation (since August 2020), Eton Properties, Inc. (since April 2019), Amber Kinetics Holdings Co. PTE Ltd. (since March 2018), LH Paragon Group, Golden ABC (since January 2018). He is a member of the Board of St. Luke's Medical Center-Global City (since August 2017). He is also a member of the Board of Trustees of St. Luke's Medical Center-Quezon City (since August 2017), St. Luke's Medical Center College of Medicine (since September 2018), and St. Luke's Medical Center Foundation, Inc. (from August 2018). He is also currently affiliated with the Makati Business Club, Harvard Law School Association of the Phils., and Harvard Club of the Philippines. Vic was a member of the Board of Directors of Philippine Airlines (from 2018 to 2019), PLC PAL Holdings, Inc. (from 2018 to 2019), Cal Comp Technology (Philippines) Inc. (from 2018 to 2020), and Transnational Diversified Group Inc (from August 2019 to August 2020). He held various positions in SGV & Co. Including Chairman (from 2010 to 2017), Managing Partner (from 2009 to 2016), Vice Chairman & Deputy Managing Director (from 2004 to 2009), Head of Tax Division (from 2001 to 2008), and Partner, Tax Services (from 1993 to 2017). He was also Ernst & Young (EY) ASEAN Tax Head and Far East Area Tax Leader (from 2004 to 2009). From 2004 to 2009, he was a Member of the E&Y Global Advisory Council and a Presiding Partner of the Asia Pacific Council. He graduated from the University of the East with a Bachelor of Science degree in Business Administration and obtained his Bachelor of Law degree from the Ateneo Law School. He has a Master of Law degree from the Harvard Law School and a Fellow of the Harvard International Tax Program. He attended the AIM Management Development Program.

8. Name : Jose T. Pardo  
 Age : 81  
 Designation : Independent Director

Business experience and education:

Mr. Jose T. Pardo, 81, has been an independent director of JGSHI since August 6, 2003. He is presently the Chairman of the Philippine Stock Exchange, Securities Clearing Corporation of the Philippines, Philippine Savings Bank, Bank of Commerce, and Philippine Seven Corporation. He is also a Director of the National Grid Corporation of the Philippines, Monte Oro Grid Resources Corporation, Del Monte Philippines, Inc., ZNN Radio Veritas, League One Finance and Leasing Corporation, Araneta Hotels, Inc. and Synergy Grid and Development Phils., Inc. He also held positions in Government as former Secretary of the Department of Finance and former Secretary of the Department of Trade and Industry. Mr. Pardo is Chairman of PCCI Council of Business Leaders and ECOP Council of Business Leaders. He obtained his Bachelor of Science degree in Commerce, Major in Accounting and his Master's Degree in Business Administration from the De La Salle

University in Manila. He has been conferred on February 10, 2018 an Honorary Doctorate in Finance by the De La Salle University in Manila.

Mr. Pardo's expertise and many years of experience have been invaluable to the management of JGSHI in steering the company to the heights it has achieved and will attain in the future. We note that while SEC Memorandum Circular (MC) No. 19, Series of 2016 limits the term of independent directors to nine (9) years reckoned from 2012, the affirmative vote of stockholders representing majority of the Corporation's total outstanding capital stock for the election of Mr. Pardo shall be deemed approval from the stockholders for Mr. Pardo to serve as independent director of JGSHI for the ensuing year, as required under the aforementioned SEC MC.

9. Name : Renato T. de Guzman  
 Age : 70  
 Designation : Independent Director

Business experience and education:

Mr. Renato T. de Guzman has been an independent director of JGSHI since April 28, 2015. He was appointed Chairman of the Board of Trustees of the Government Service Insurance System in July 2015 under the previous administration and served as such until December 2016. He is currently a Director of Maybank Philippines, Inc. since April 2016 and Maybank Singapore Limited as of July 1, 2019. He is the Chairman of Nueva Ecija Good Samaritan Health System, Inc. and Good Samaritan College. He was a Senior Adviser of the Bank of Singapore until September 2017, Chief Executive Officer of the Bank of Singapore (January 2010-January 2015), ING Asia Private Bank (May 2000-January 2010), Country Manager Philippines of ING Barings (1990-2000), and Deputy Branch Manager of BNP Philippines (1980-2000). He holds a Bachelor of Science in Management Engineering from the Ateneo de Manila University, Master's Degree in Business Administration with Distinction at the Katholieke Universiteit Leuven, Belgium and a Masters in Management from McGill University, Canada.

10. Name : Antonio L. Go  
 Age : 80  
 Designation : Independent Director

Business experience and education:

Mr. Antonio L. Go has been an independent director of JGSHI since May 28, 2018. He is a Director of Equitable Computer Services, Inc. and is the Chairman of Equicom Savings Bank, ALGO Leasing and Finance, Inc. and My Health Ventures Corporation. He is also the Vice Chairman of Maxicare Healthcare Corporation. He is also a Director of Medilink Network, Inc., Equicom Manila Holdings, Equicom Inc., Equitable Development Corporation, United Industrial Corporation Limited (Singapore), T32 Dental Centre (Singapore), Dental Implant and Maxillofacial Centre (Hong Kong), Oriental Petroleum and Minerals Inc., Pin-An Holdings, Inc., Equicom Information Technology, Robinsons Retail Holdings, Inc., Cebu Air, Inc., and Steel Asia Manufacturing Corporation. He is a Non-Executive Officer of Dito Telecommunity Corporation. He is also a Trustee of Go Kim Pah Foundation, Equitable Foundation, Inc., and Gokongwei Brothers Foundation, Inc. He graduated from Youngstown University, United States with a Bachelor Science Degree in Business Administration. He attended the International Advance Management program at the International Management

Institute, Geneva, Switzerland as well as the Financial Planning/Control program at the ABA National School of Bankcard Management, Northwestern University, United States.

11. Name : Artemio V. Panganiban  
Age : 84  
Designation : Independent Director

Chief Justice Artemio V. Panganiban, Jr. (Ret.), 84, is nominated as independent director of JGSHI. He previously served as an independent director of Robinsons Land Corporation. He is concurrently an adviser, consultant and/or independent director of several business, civic, non-government and religious groups. He also writes a regular column in the Philippine Daily Inquirer. He is a retired Chief Justice of the Philippines and was concurrently Chairperson of the Presidential Electoral Tribunal, the Judicial and Bar Council and the Philippine Judicial Academy. Prior to becoming Chief Justice, he was Justice of the Supreme Court of the Philippines (1995-2005), Chairperson of the Third Division of the Supreme Court (2004-2005), Chairperson of the House of Representatives Electoral Tribunal (2004-2005), Consultant of the Judicial and Bar Council (2004-2005) and Chairperson of eight Supreme Court Committees (1998-2005). He authored thirteen (13) books. Retired Chief Justice Panganiban obtained his Bachelor of Laws degree, cum laude, from the Far Eastern University and placed 6th in the 1960 bar examination. He was conferred the title Doctor of Laws (Honoris Causa) by the University of Iloilo in 1997, the Far Eastern University in 2002, the University of Cebu in 2006, the Angeles University in 2006, and the Bulacan State University in 2006.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

Information Statement Pursuant to Section 20  
of the Securities Regulation Code

1. Check the appropriate box:
- Preliminary Information Statement  
 Definitive Information Statement
2. Name of Registrant as specified in its charter : **JG SUMMIT HOLDINGS, INC.  
(the "Corporation")**
3. Province, country or other jurisdiction of incorporation or organization : **Metro Manila, Philippines**
4. SEC Identification Number : **SEC Registration No. 184044**
5. BIR Tax Identification Code : **TIN No. 000-775-860**
6. Address of principal office : **43<sup>rd</sup> Floor Robinsons Equitable Tower  
ADB Avenue corner Poveda Street  
Ortigas Center, Pasig City  
Metro Manila**
7. Registrant's telephone number, including area code : **(632) 8633-7631 to 40**
8. Date, time and place of the meeting of security holders : **May 14, 2021  
11:30 A.M.  
Via remote communication at  
<https://bit.ly/JGS2021ASM> in  
accordance with the rules of the  
Securities and Exchange Commission**
9. Approximate date on which copies of the Information Statement are first to be sent or given to security holders : **April 16, 2021**
10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):
- | Title of Each Class | Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding (as of March 31, 2021) |
|---------------------|--|
| <b>Common Stock</b> | <b>7,520,983,658</b>   |
11. Are any or all of registrant's securities listed on a Stock Exchange?  
Yes  No

The common shares of the Corporation are listed on the Philippine Stock Exchange.

## **A. GENERAL INFORMATION**

### **Item 1. Date, Time and Place of Meeting of Security Holders**

Date, Time, and Place of Meeting : **May 14, 2021  
11:30 A.M.  
Via remote communication at  
<https://bit.ly/JGS2021ASM> in  
accordance with the rules of the  
Securities and Exchange Commission**

Complete Mailing Address of Principal Office : **43<sup>rd</sup> Floor Robinsons Equitable Tower  
ADB Ave. corner P. Poveda  
Road, Ortigas Center  
Pasig City, Metro Manila**

Approximate date on which copies of the  
Information Statement are first to be sent or  
given to security holders : **April 16, 2021**

## **WE ARE NOT SOLICITING PROXIES.**

### **Item 2. Rights of Shareholders; Dissenters' Right of Appraisal**

The Corporation recognizes the right of all shareholders to be treated fairly and equally whether they are controlling, minority, local or foreign. The Corporation respects the rights of shareholders as provided under the Revised Corporation Code and other laws, and as stated in its Articles of Incorporation and By-laws.

Any stockholder of the Corporation may exercise his appraisal right against the proposed actions which qualify as instances giving rise to the exercise of such right pursuant to and subject to the compliance with the requirements and procedure set forth under Title X of the Revised Corporation Code of the Philippines.

There are no matters to be acted upon by the stockholders at the Annual Meeting of the stockholders to be held on May 14, 2021 which would require the exercise of the appraisal right.

### **Item 3. Interest of Certain Persons in or Opposition to Matters to be Acted Upon**

None of the following persons have any substantial interest, direct or indirect, in any matter to be acted upon other than election to office:

1. Directors or officers of the Corporation at any time since the beginning of the last fiscal year;
2. Nominees for election as directors of the Corporation;
3. Associate of any of the foregoing persons.

## **B. CONTROL AND COMPENSATION INFORMATION**

### **Item 4. Voting Securities and Principal Holders Thereof**

- (a) **Voting securities entitled to be voted at the meeting:**

The Corporation has 7,520,983,658 outstanding common shares as of March 31, 2021. Every stockholder shall be entitled to one vote for each share of stock held as of the established record date.

**(b) Record date:**

All stockholders of record as of April 5, 2021 are entitled to notice and to vote at the Corporation’s Annual Meeting of Stockholders.

Pursuant to Section 10, Article II of the By-Laws of the Corporation, the Board of Directors may fix in advance a date as the record date for any such determination of stockholders. For purposes of determining the stockholders entitled to notice of, or to vote or be voted at any meeting of stockholders or any adjournments thereof, or entitled to receive payment of any dividends or other distribution or allotment of any rights, or for the purpose of any other lawful action, or for making any other proper determination of stockholders, the Board of Directors may provide that the stock and transfer books be closed for a stated period, which shall not be more than sixty (60) days nor less than thirty (30) days before the date of such meeting. In lieu of closing the stock and transfer books, the Board of Directors may fix in advance a date as the record date for any such determination of stockholders. A determination of stockholders of record entitled to notice of or to vote or be voted at a meeting of stockholders shall apply to any adjournment of the meeting; *provided, however*, that the Board of Directors may fix a new record date for the adjourned meeting.

**(c) Election of Directors:**

Article II, Section 8 of the By-Laws provides that the directors of the Corporation shall be elected by plurality vote at the annual meeting of the stockholders for the year at which a quorum is present. At each election for directors, every stockholder shall have the right to vote, in person or by proxy, the number of shares owned by him for as many persons as there are directors to be elected, or to cumulate his votes by giving one candidate as many votes as the number of such directors multiplied by the number of his shares shall equal, or by distributing such votes as the same principle among any number of candidates.

The report attached to this SEC Form 20-IS is the management report to stockholders required under SRC Rule 20 to accompany the SEC Form 20-IS and is hereinafter referred to as the “Management Report”.

**(d) Security Ownership of Certain Record and Beneficial Owners and Management**

**1. Security Ownership of Certain Record and Beneficial Owners of more than 5% of the Corporation’s voting securities as of March 31, 2021**

Title of Class	Names and addresses of record owners and relationship with the Corporation	Names of beneficial owner and relationship with record owner	Citizenship	Number of shares held	% to Total Outstanding
Common	Gokongwei Brothers Foundation, Inc. 43/F Robinsons-Equitable Tower ADB Ave. cor. Poveda St. Ortigas Center, Pasig City (stockholder)	Same as record owner (See note 1)	Filipino	2,096,930,273	27.88%



Title of Class	Names and addresses of record owners and relationship with the Corporation	Names of beneficial owner and relationship with record owner	Citizenship	Number of shares held	% to Total Outstanding
Common	PCD Nominee Corporation (Filipino) 37/F Tower I, The Enterprise Center, 6766 Ayala Ave. cor. Paseo de Roxas, Makati City (stockholder)	PCD Participants and their clients (See note 2)	Filipino	1,846,177,857 (See note 3)	24.55%
Common	RSB-TIG No. 030-46-000001-9 17/F Galleria Corporate Center, EDSA cor. Ortigas Avenue, Quezon City (stockholder)	Trustee's designated officers (See note 4)	Filipino	1,084,985,186	14.43%
Common	PCD Nominee Corporation (Non-Filipino) 37/F Tower I, The Enterprise Center, 6766 Ayala Ave. cor. Paseo de Roxas, Makati City (stockholder)	PCD Participants and their clients (See note 2)	Non-Filipino	884,564,674 (See note 3)	11.76%

Notes:

1. Gokongwei Brothers Foundation, Inc. (the "Foundation") is a non-stock, non-profit corporation organized by the irrevocable donation by the incorporators, who are also Trustees of the Foundation, of shares of JG Summit Holdings, Inc. Under the Articles of Incorporation and By-Laws of the Foundation, except for salaries of employees and honoraria of consultants and similar expenses for actual services rendered to the Foundation or its projects, no part of the corpus or its income and increments shall benefit or be used for the private gain of any member, trustee, officer or any juridical or natural person whatsoever. The Chairman of the Board of Trustees shall exercise exclusive power and authority to represent and vote for any shares of stock owned by the Foundation in other corporate entities. The incumbent Chairman of the Board of Trustees of the Foundation is Mr. Lance Y. Gokongwei.

2. PCD Nominee Corporation is the registered owner of the shares in the books of the Corporation's transfer agent. PCD Nominee Corporation is a corporation wholly-owned by Philippine Depository and Trust Corporation, Inc. (formerly the Philippine Central Depository) ("PDTC"), whose sole purpose is to act as nominee and legal title holder of all shares of stock lodged in the PDTC. PDTC is a private corporation organized to establish a central depository in the Philippines and introduce scripless or book-entry trading in the Philippines. Under the current system of the PDTC, only participants (brokers and custodians) are recognized by PDTC as the beneficial owners of the lodged shares. Each beneficial owner of shares through his participant is the beneficial owner to the extent of the number of shares held by such participant in the records of the PCD Nominee.

3. Out of the PCD Nominee Corporation account, "Citibank N.B." and "Philippine Equity Partners, Inc." hold for various trust accounts the following shares of the Corporation as of March 31, 2021:

	<u>No. of shares</u>	<u>% to Outstanding</u>
Citibank N.A	1,064,860,279	14.16%
Philippine Equity Partners, Inc.	327,724,934	4.36%

Voting instructions may be provided by the beneficial owners of the shares.

4. Robinsons Bank – Trust & Investment Group (RSB-TIG) is the trustee of this trust account. The shares are voted by the trustee's designated officers.

## 2. Security Ownership of Management as of March 31, 2021

Title of Class	Names of beneficial owner	Position	Amount and nature of beneficial ownership	Citizenship	% to Total Outstanding
Named Executive Officers <sup>1</sup>					
Common	1. James L. Go	Director, Chairman	156,113,638 (D)	Filipino	2.08%
Common	2. Lance Y. Gokongwei	Director, President and Chief Executive Officer	568,930,503 (D)	Filipino	7.56%
Common	3. Patrick Henry C. Go	Director	98,175(D)	Filipino	*
Common	4. Robina Y. Gokongwei-Pe	Director	188,433,000 (D)	Filipino	2.51%
	Sub-Total		<u>913,575,316</u>		<u>12.15%</u>
Other Directors and Executive Officers					
Common	6. Lily G. Ngochua	Director	407,418 (D)	Filipino	*
Common	7. Johnson Robert G. Go, Jr.	Director	1(D)	Filipino	*
Common	8. Cirilo P. Noel	Director	1(D)	Filipino	*
Common	9. Jose T. Pardo	Director (Independent)	1(D)	Filipino	*
Common	10. Renato T. De Guzman	Director (Independent)	22,838 (D)	Filipino	*
Common	11. Antonio L. Go	Director (Independent)	1(D)	Filipino	*
Common	12. Lisa Y. Gokongwei-Cheng	Senior Vice President, Digital Transformation and Corporate Services	143,986,500(D)	Filipino	1.91%
Common	13. Maria Celia H. Fernandez-Estavillo	Senior Vice President, General Counsel and Corporate Secretary	5,250 (D)	Filipino	*
	Sub-Total		<u>144,422,010</u>		<u>1.92%</u>
	All directors and executive officers as a group unnamed		<u>1,057,997,326</u>		<u>14.07%</u>

Notes:

D – Direct

1. As defined under Part IV (B) (1) (b) of Annex “C” of SRC Rule 12, the “named executive officers” to be listed refer to the Chief Executive Officer and those that are the four (4) most highly compensated executive officers as of December 31, 2020.

\* less than 0.01%

## 3. Shares owned by foreigners

The total number of shares owned by foreigners as of March 31, 2021 is 1,166,191,309 common shares.

## 4. Voting Trust Holders of 5% or More as of March 31, 2021

There are no persons holding more than 5% of a class under a voting trust or similar agreement.

## 5. Changes in Control

There has been no change in the control of the Corporation since the beginning of its last fiscal year.

The information as of March 31, 2021 on the section “Security Ownership of Certain Record and Beneficial Owners and Management” are found in Item 11, pages 87 to 89 of the Management Report.

## Item 5. Directors and Executive Officers

### (a) Directors and Corporate Officers

Information required hereunder is incorporated by reference to the section entitled “Directors and Executive Officers of the Registrant” on Item 9, pages 78 to 85 of the Management Report.

**(b) Board Nomination and Election Policy**

The Corporate Governance Committee shall oversee the process for the nomination and election of the Board of Directors.

The Corporate Governance Committee shall pre-screen and shortlist all candidates nominated to become members of the Board of Directors in accordance with the list of qualifications and disqualifications as defined in the Corporation’s Revised Corporate Governance Manual with due consideration of the requirements of the Revised Corporation Code, the Securities Regulation Code (“SRC”), the Revised Code of Corporate Governance and relevant SEC Circulars such as the SEC Memorandum Circular No. 16, Series of 2002, the SEC Memorandum Circular No. 19, Series of 2016, as may be amended, relating to the Board of Directors.

The list of the nominees for directors as determined by the Corporate Governance Committee shall be final and no other nomination shall be entertained or allowed after the final list of nominees is prepared.

The members of the Corporate Governance Committee of the Corporation are the following:

1. Jose T. Pardo – Chairman (Independent Director)
2. Renato T. De Guzman – (Independent Director)
3. Antonio L. Go - (Independent Director)

The following individuals have been nominated for election as directors, including independent directors, at the Annual Meeting of Stockholders on May 14, 2021:

1. James L. Go
2. Lance Y. Gokongwei
3. Lily G. Ngochua
4. Patrick Henry C. Go
5. Robina Y. Gokongwei-Pe
6. Johnson Robert G. Go, Jr.
7. Cirilo P. Noel
8. Jose T. Pardo (Independent)
9. Renato T. De Guzman (Independent)
10. Antonio L. Go (Independent)
11. Artemio V. Panganiban, Jr. (Independent)

**(c) Independent Directors**

The Corporation has adopted the provisions of SRC Rule 38 on the nomination and election of independent directors and the Amended By-Laws of the Corporation substantially state the requirements on the nomination and election of independent directors set forth in SRC Rule 38.

Presented below is the Final List of Candidates for Independent Directors:

1. **Mr. Jose T. Pardo**, 81, has been an independent director of JGSHI since August 6, 2003. He is presently the Chairman of the Philippine Stock Exchange, Securities Clearing Corporation of the Philippines, Philippine Savings Bank, Bank of Commerce, and Philippine Seven Corporation. He is also a Director of the National Grid Corporation of the Philippines, Monte Oro Grid Resources

Corporation, Del Monte Philippines, Inc., ZNN Radio Veritas, League One Finance and Leasing Corporation, Araneta Hotels, Inc. and Synergy Grid and Development Phils., Inc. He also held positions in Government as former Secretary of the Department of Finance and former Secretary of the Department of Trade and Industry. Mr. Pardo is Chairman of PCCI Council of Business Leaders and ECOP Council of Business Leaders. He obtained his Bachelor of Science degree in Commerce, Major in Accounting and his Master's Degree in Business Administration from the De La Salle University in Manila. He has been conferred on February 10, 2018 an Honorary Doctorate in Finance by the De La Salle University in Manila.

Mr. Pardo's expertise and many years of experience have been invaluable to the management of JGSHI in steering the company to the heights it has achieved and will attain in the future. We note that while SEC Memorandum Circular (MC) No. 19, Series of 2016 limits the term of independent directors to nine (9) years reckoned from 2012, the affirmative vote of stockholders representing majority of the Corporation's total outstanding capital stock for the election of Mr. Pardo shall be deemed approval from the stockholders for Mr. Pardo to serve as independent director of JGSHI for the ensuing year, as required under the aforementioned SEC MC.

2. **Mr. Renato T. de Guzman**, 70, has been an independent director of JGSHI since April 28, 2015. He was appointed Chairman of the Board of Trustees of the Government Service Insurance System in July 2015 under the previous administration and served as such until December 2016. He is currently a Director of Maybank Philippines, Inc. since April 2016 and Maybank Singapore Limited as of July 1, 2019. He is the Chairman of Nueva Ecija Good Samaritan Health System, Inc. and Good Samaritan College. He was a Senior Adviser of the Bank of Singapore until September 2017, Chief Executive Officer of the Bank of Singapore (January 2010-January 2015), ING Asia Private Bank (May 2000-January 2010), Country Manager Philippines of ING Barings (1990-2000), and Deputy Branch Manager of BNP Philippines (1980-2000). He holds a Bachelor of Science in Management Engineering from the Ateneo de Manila University, Master's Degree in Business Administration with Distinction at the Katholieke Universiteit Leuven, Belgium and a Masters in Management from McGill University, Canada.
3. **Mr. Antonio L. Go**, 80, has been an independent director of JGSHI since May 28, 2018. He is a Director of Equitable Computer Services, Inc. and is the Chairman of Equicom Savings Bank, ALGO Leasing and Finance, Inc. and My Health Ventures Corporation. He is also the Vice Chairman of Maxicare Healthcare Corporation. He is also a Director of Medilink Network, Inc., Equicom Manila Holdings, Equicom Inc., Equitable Development Corporation, United Industrial Corporation Limited (Singapore), T32 Dental Centre (Singapore), Dental Implant and Maxillofacial Centre (Hong Kong), Oriental Petroleum and Minerals Inc., Pin-An Holdings, Inc., Equicom Information Technology, Robinsons Retail Holdings, Inc., Cebu Air, Inc., and Steel Asia Manufacturing Corporation. He is a Non-Executive Officer of Dito Telecommunity Corporation. He is also a Trustee of Go Kim Pah Foundation, Equitable Foundation, Inc., and Gokongwei Brothers Foundation, Inc. He graduated from Youngstown University, United States with a Bachelor Science Degree in Business Administration. He attended the International Advance Management program at the International Management Institute, Geneva, Switzerland as well as the Financial Planning/Control program at the ABA National School of Bankcard Management, Northwestern University, United States.
4. **Chief Justice Artemio V. Panganiban, Jr. (Ret.)**, 84, is nominated as independent director of JGSHI. He previously served as an independent director of Robinsons Land Corporation. He is concurrently an adviser, consultant and/or independent director of several business, civic, non-government and religious groups. He also writes a regular column in the Philippine Daily Inquirer. He is a retired Chief Justice of the Philippines and was concurrently Chairperson of the Presidential Electoral Tribunal, the Judicial and Bar Council and the Philippine Judicial Academy. Prior to becoming Chief Justice, he was Justice of the Supreme Court of the Philippines (1995-2005), Chairperson of the Third Division of the Supreme Court (2004-2005), Chairperson of the House of

Representatives Electoral Tribunal (2004-2005), Consultant of the Judicial and Bar Council (2004-2005) and Chairperson of eight Supreme Court Committees (1998-2005). He authored thirteen (13) books. Retired Chief Justice Panganiban obtained his Bachelor of Laws degree, cum laude, from the Far Eastern University and placed 6th in the 1960 bar examination. He was conferred the title Doctor of Laws (Honoris Causa) by the University of Iloilo in 1997, the Far Eastern University in 2002, the University of Cebu in 2006, the Angeles University in 2006, and the Bulacan State University in 2006.

In accordance with SEC Memorandum Circular No. 5, Series of 2017, the Certifications of Independent Directors executed by the aforementioned candidates for independent directors of the Corporation are attached hereto as Annex "A" (Jose T. Pardo), Annex "B" (Renato T. De Guzman), Annex "C" (Antonio L. Go), and Annex "D" (Artemio V. Panganiban, Jr.).

The nominees for Independent Directors were nominated by Mr. Lance Y. Gokongwei. None of the nominees for Independent Directors of the Corporation are related to Mr. Lance Y. Gokongwei.

**(d) Significant Employees**

There are no persons who are not executive officers of the Corporation who are expected by the Corporation to make a significant contribution to the business.

**(e) Family Relationships**

1. Mr. James L. Go is the uncle of Mr. Lance Y. Gokongwei.
2. Ms. Lily G. Ngochua is the sister of Mr. James L. Go.
3. Mr. Lance Y. Gokongwei is the nephew of Mr. James L. Go.
4. Ms. Robina Gokongwei Pe is the niece of Mr. James L. Go.
5. Mr. Patrick Henry C. Go is the nephew of Mr. James L. Go.
6. Mr. Johnson Robert G. Go, Jr. is the nephew of Mr. James L. Go.

**(f) Involvement in Certain Legal Proceedings of Directors and Executive Officers**

To the best of the Corporation's knowledge and belief and after due inquiry, and except as otherwise disclosed, none of the Corporation's directors, nominees for election as director or executive officer in the past five (5) years up to the date of this report:

1. have had any petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within a two year period of that time;
2. have been convicted by final judgment in a criminal proceeding, domestic or foreign, or have been subjected to a pending judicial proceeding of a criminal nature, domestic or foreign, excluding traffic violations and other minor offenses;
3. have been subjected to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting their involvement in any type of business, securities, commodities or banking activities; or
4. been found by a domestic or foreign court of competent jurisdiction (in a civil action), the Philippine Securities and Exchange Commission or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self regulatory organization, to

have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended, or vacated.

**(g) Trainings and Continuing Education Programs for the Directors and Key Officers**

The Corporation has organized several programs for the continuing education and training of its directors and key officers. For 2020, the focus of the programs was on the core values of the business of the JG Summit Group, in light of the situation brought about by the COVID-19 pandemic. The directors and key officers of the Corporation attended the following online seminars for at least four (4) hours of Corporate Governance Training<sup>1</sup>:

<b>Date</b>	<b>Topic</b>	<b>Attendees</b>
October 13, 2020 and December 17, 2020	Conversations on Entrepreneurial Mindset	Lance Y. Gokongwei Lily Ngochua Robina Gokongwei Pe Michael P. Liwanag Bach Johann M. Sebastian Nicasio Lim Maria Celia H. Fernandez-Estavillo Renato T. Salud Aldrich Javellana Francisco M. Del Mundo Alan D. Surposa Ian Pajantoy Carlos G. Santos Andre Ria B. Buzeta-Acero
October 30, 2020 and December 21, 2020	Conversations on Integrity	Lily Ngochua Robina Gokongwei Pe Renato de Guzman Antonio Go Michael P. Liwanag Nicasio Lim Maria Celia H. Fernandez-Estavillo Renato T. Salud Aldrich Javellana Lisa Y. Gokongwei-Cheng Ian Pajantoy Carlos G. Santos
November 6, 2020 and December 22, 2020	Conversations on Stewardship	Lance Y. Gokongwei Lily Ngochua Robina Gokongwei Pe Antonio Go Michael P. Liwanag Bach Johann M. Sebastian Nicasio Lim Maria Celia H. Fernandez-Estavillo Renato T. Salud Aldrich Javellana Lisa Y. Gokongwei-Cheng

<sup>1</sup> Awaiting approval of the application for accreditation filed with the SEC.

		Ian Pajantoy Alan D. Surposa  Carlos G. Santos Andre Ria B. Buzeta-Acero
December 28, 2020	Training Webinar on the Relevant Laws, Rules, Regulations, and the JG Group's Policies on Anti-Corruption, Anti-Bribery, and Conflicts of Interest	Lance Y. Gokongwei Patrick Henry C. Go Robina Gokongwei Pe Jose T. Pardo Johnson Robert G. Go, Jr. Michael P. Liwanag Nicasio L. Lim Maria Celia H. Fernandez-Estavillo Renato Salud Lisa Y. Gokongwei Carlos G. Santos Alan D. Surposa Ian Pajantoy Andre Ria B. Buzeta-Acero

Other directors<sup>2</sup> and officers of the Corporation, as may be applicable, had also separately attended at least four (4) hours of Corporate Governance trainings and seminars provided by other companies in which they hold office as directors, and/or by the SEC and the Philippine Stock Exchange.

#### **(h) Certain Relationships and Related Transactions**

##### **1. Related Party Transactions with Subsidiaries and Affiliates**

The Corporation and its subsidiaries and affiliates, in their regular conduct of business, have engaged in transactions with each other and with other affiliated companies, consisting principally of sales and purchases at market prices and advances made and obtained. (See Note 40 of the Consolidated Financial Statements as of and for the fiscal year ended December 31, 2020).

##### **2. Directors Disclosures on Self-Dealing and Related Party Transactions**

No transaction, without proper disclosure, was undertaken by the Corporation in which any director, executive officer, or any nominee for election as director was involved or had a direct or indirect material interest. None of the Corporation's directors have entered into self-dealing and related party transactions with or involving the Corporation in 2020.

Directors, officers, and employees of the Corporation are required to promptly disclose any business or family-related transactions with the Corporation to ensure that potential conflicts of interest are surfaced and brought to the attention of management.

<sup>2</sup> Mr. James L. Go has been granted permanent exemption from the Corporate Governance Training requirement as stated in the Letter dated November 12, 2015 from the SEC Corporate Governance and Finance Department.

**(h) Appraisals and Performance Report for the Board**

The attendance of the directors at the meetings of the Board of Directors since their election at the Annual Meeting of Stockholders in 2020 up to present is as follows:

<b>Directors</b>	<b>No. of Board Meetings Attended/Held</b>	<b>Attendance Percentage</b>
James L. Gokongwei	5/5	100%
Lance Y. Gokongwei	5/5	100%
Lily G. Ngochua	5/5	100%
Patrick Henry C. Go	5/5	100%
Robina Y. Gokongwei-Pe	5/5	100%
Johnson Robert G. Go, Jr.	5/5	100%
Cirilo P. Noel	5/5	100%
Jose T. Pardo	5/5	100%
Renato T. De Guzman	5/5	100%
Antonio L. Go	5/5	100%

The incumbent members of the Audit Committee of the Corporation and their attendance at meetings since their election at the Annual Meeting of Stockholders in 2020 up to present are as follows:

<b>Audit Committee Members</b>	<b>Position</b>	<b>No. of Board Meetings Attended/Held</b>	<b>Attendance Percentage</b>
Antonio L. Go	Chairman	4/4	100%
Cirilo P. Noel	Member	4/4	100%
Jose T. Pardo	Member	4/4	100%
Renato T. De Guzman	Member	4/4	100%
James L. Go	Advisory Member	4/4	100%

The incumbent members of the Board Risk Oversight Committee of the Corporation and their attendance at meetings since their election at the Annual Meeting of Stockholders in 2020 up to present are as follows:

<b>Board Risk Oversight Committee Members</b>	<b>Position</b>	<b>No. of Board Meetings Attended/Held</b>	<b>Attendance Percentage</b>
Renato T. De Guzman	Chairman	1/1	100%
Antonio L. Go	Member	1/1	100%
Jose T. Pardo	Member	1/1	100%
Lance Y. Gokongwei	Member	1/1	100%

The incumbent members of the Related Party Transactions Committee of the Corporation and their attendance at meetings since their election at the Annual Meeting of Stockholders in 2020 up to present are as follows:

<b>Board Risk Oversight Committee Members</b>	<b>Position</b>	<b>No. of Board Meetings</b>	<b>Attendance Percentage</b>
---	-----------------	------------------------------	------------------------------



		<b>Attended/Held</b>	
Jose T. Pardo	Chairman	1/1	100%
Renato T. De Guzman	Member	1/1	100%
Cirilo P. Noel	Member	1/1	100%

The incumbent members of the Corporate Governance Committee of the Corporation and their attendance at meetings since their election at the Annual Meeting of Stockholders in 2020 up to present are as follows:

<b>Corporate Governance Committee Members</b>	<b>Position</b>	<b>No. of Board Meetings Attended/Held</b>	<b>Attendance Percentage</b>
Jose T. Pardo	Chairman	1/1	100%
Renato T. De Guzman	Member	1/1	100%
Antonio L Go	Member	1/1	100%

The Board has established committees to assist in exercising its authority in monitoring the performance of the Corporation in accordance with its Revised Corporate Governance Manual, Code of Business Conduct, and related SEC Circulars.

The Corporate Governance Committee of the Corporation oversees the performance evaluation of the Board and its committees and management. Included in the Pursuant to its mandate under the Revised Corporate Governance Manual of the Corporation, the Corporate Governance Committee shall conduct an annual self-evaluation of its performance. Based on the results of the performance assessment, the Committee shall formulate and implement plans to improve its performance. These may include the identification of relevant training needs intended to keep the members up to date with corporate governance best practices, accounting and auditing standards, as well as specific areas of concern.

## **Item 6. Compensation of Directors and Executive Officers**

### **(a) Summary Compensation Table**

On April 5, 2021, the Board of Directors approved the estimated compensation for 2021 of the Corporation's Chief Executive Officer (CEO) and the four (4) most highly compensated executive officers. The following tables list the names of the Corporation's Chief Executive Officer ("CEO") and the four (4) most highly compensated executive officers and summarizes their aggregate compensation for the two most recent fiscal years and the ensuing year.

Name	Position	<b>Estimated - Fiscal Year 2021</b>			
		Salary	Bonus	Others <sup>1</sup>	Total
A. CEO and Four (4) most highly compensated executive officers		P130,481,395	P2,000,000	P925,000	P126,415,436
1. James L. Go	Director, Chairman				
2. Lance Y. Gokongwei	Director, President & Chief Executive Officer				
3. Patrick Henry C. Go	Director				
4. Robina Y. Gokongwei-Pe	Director				
B. All other officers and directors as a group unnamed		P289,728,703	P3,000,000	P1,800,000	P184,806,395

<sup>1</sup> Includes per diem of directors

Name	Position	Actual - Fiscal Year 2020			
		Salary	Bonus	Others <sup>1</sup>	Total
A. CEO and Four (4) most highly compensated executive officers		P125,515,436	P2,000,000	P900,000	P126,415,436
1. James L. Go	Director, Chairman				
2. Lance Y. Gokongwei	Director, President & Chief Executive Officer				
3. Patrick Henry C. Go	Director				
4. Robina Y. Gokongwei-Pe	Director				
B. All other officers and directors as a group unnamed		P180,256,395	P3,000,000	P1,550,000	P184,806,395

<sup>1</sup> Includes per diem of directors

Name	Position	Actual - Fiscal Year 2019			
		Salary	Bonus	Others <sup>1</sup>	Total
A. CEO and Four (4) most highly compensated executive officers		P136,120,869	P2,500,000	P1,150,000	P139,770,869
1. John Gokongwei, Jr.	Chairman Emeritus				
2. James L. Go	Director, Chairman				
3. Lance Y. Gokongwei	Director, President & Chief Executive Officer				
4. Patrick Henry C. Go	Director				
5. Robina Y. Gokongwei-Pe	Director				
B. All other officers and directors as a group unnamed		P229,178,295	P4,000,000	P1,800,000	P234,978,295

<sup>1</sup> Includes per diem of directors

## (b) Compensation of Directors

### 1. Standard Arrangements

The Corporation has established a policy for determining the remuneration of directors and officers that is consistent with the Corporation's culture and strategy as well as the business environment in which it operates, including disallowing any director to decide his remuneration. Other than payment of reasonable per diem, there are no standard arrangements pursuant to which directors of the Corporation are compensated, or are to be compensated, directly or indirectly, for any services provided as a director for the last completed fiscal year and the ensuing year.

In compliance with the requirements under Section 49 of the Revised Corporation Code in connection with the submission of a compensation report prepared in the form as the SEC may prescribe, the table below shows the compensation received by the directors of the Corporation for the year 2020, comprised of the retainer fees and the reasonable per diems for attending meetings, and which is incorporated in the above Summary Compensation Table:

Director	Retainer Fee	Per Diem		Total
		Board Meetings	Committee Meetings	
1. James L. Go	500,000.00	200,000.00	75,000.00	775,000.00
2. Lance Y. Gokongwei	500,000.00	200,000.00	-	700,000.00
3. Lily G. Ngochua	500,000.00	200,000.00	-	700,000.00
4. Patrick Henry C. Go	500,000.00	200,000.00	-	700,000.00
5. Johnson Robert G. Go, Jr.	500,000.00	200,000.00	-	700,000.00

6. Robina Y. Gokongwei-Pe	500,000.00	200,000.00	-	700,000.00
7. Cirilo P. Noel	500,000.00	200,000.00	75,000.00	775,000.00
8. Jose T. Pardo	500,000.00	200,000.00	75,000.00	775,000.00
9. Renato T. De Guzman	500,000.00	200,000.00	75,000.00	775,000.00
10. Antonio L. Go	500,000.00	200,000.00	75,000.00	775,000.00
<b>TOTAL</b>	<b>5,000,000.00</b>	<b>2,000,000.00</b>	<b>300,000.00</b>	<b>7,375,000.00</b>

## 2. Other Arrangements

There are no other arrangements pursuant to which any director of the Corporation was compensated, or is to be compensated, directly or indirectly, during the Corporation's last completed fiscal year, and the ensuing year, for any service provided as a director.

### (c) Employment Contracts and Termination of Employment and Change-in-Control Arrangements

There are no special employment contracts between the Corporation and the named executive officers.

There are no compensatory plan or arrangement with respect to a named executive officer.

### (d) Warrants and Options Outstanding

There are no outstanding warrants or options held by the Corporation's Chief Executive Officer, the named executive officers, and all officers and directors as a group.

## Item 7. Independent Public Accountants

The Corporation's independent public accountant is the accounting firm of SyCip Gorres Velayo & Co. (SGV & Co.). The same accounting firm will be nominated for reappointment for the current fiscal year at the annual meeting of stockholders. The representatives of the principal accountant have always been present at prior years' meetings and are expected to be present at the current year's annual meeting of stockholders. They may also make a statement and respond to appropriate questions with respect to matters for which their services were engaged.

The current handling partner of SGV & Co. has been engaged by the Corporation from calendar years 2013 to 2020 and is expected to be rotated every seven (7) years in accordance with SRC Rule 68, as amended.

### Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

The members of the Audit Committee of the Corporation are the following:

- 1) Antonio L. Go - Chairman (Independent Director)
- 2) Renato T. De Guzman – (Independent Director)
- 3) Jose T. Pardo - (Independent Director)
- 4) Cirilo P. Noel – (Non-Executive Director)
- 5) James L. Go – (Advisory Member)

The members of the Board Risk Oversight Committee of the Corporation are the following:

- 1) Renato T. De Guzman – Chairman (Independent Director)
- 2) Antonio L. Go - (Independent Director)
- 3) Jose T. Pardo – (Independent Director)
- 4) Lance Y. Gokongwei

The members of the Related Party Transaction Committee of the Corporation are the following:

- 1) Jose T. Pardo – Chairman (Independent Director)
- 2) Renato T. De Guzman – (Independent Director)
- 3) Cirilo P. Noel – (Non-Executive Director)

**Item 8. None**

## **C. ISSUANCE AND EXCHANGE OF SECURITIES**

**Items 9 - 14. None.**

## **D. OTHER MATTERS**

### **Item 15. Action with Respect to Reports**

The following are included in the agenda of the Annual Meeting of the Stockholders for approval of the stockholders:

1. Proof of notice of the meeting and existence of a quorum.
2. Reading and approval of the Minutes of the Annual Meeting of the Stockholders held on May 14, 2020.
3. Reading and approval of the Minutes of the Special Meeting of the Stockholders held on October 20, 2020.
4. Presentation of annual report and approval of the financial statements for the preceding year.
5. Election of Board of Directors.
6. Appointment of External Auditor.
7. Ratification of the acts of the Board of Directors and its committees, officers and management.
8. Consideration of such other matters as may properly come during the meeting.
9. Adjournment.

The matters approved and recorded in the Minutes of the Annual Meeting of the Stockholders last May 14, 2020 are as follows:

1. Proof of notice of the meeting and existence of a quorum.
2. Reading and approval of the Minutes of the Annual Meeting of the Stockholders held on May 30, 2019.
3. Presentation of annual report and approval of the financial statements for the preceding year.
4. Election of Board of Directors.
5. Appointment of External Auditor.
6. Ratification of the acts of the Board of Directors and its committees, officers and management.
7. Consideration of such other matters as may properly come during the meeting.
8. Adjournment

The Annual Meeting of the Stockholders was held on May 14, 2020 by remote communication and was attended by shareholders, the Board of Directors, and various officers of the Corporation. The shareholders were allowed to cast their votes by proxy or *in absentia* on each agenda item presented to them for approval, with the number of votes approving each agenda item indicated in their respective

sections in the Minutes. The shareholders were also given the opportunity to send in their questions, express opinions, and make suggestions on various issues related to the Corporation by electronic mail. The Corporation received questions and provided responses which are indicated in the section on “Consideration of Other Matters” in the Minutes. The Minutes of the Annual Meeting of the Stockholders held on May 14, 2020 may be viewed and/or downloaded at [https://www.jgsummit.com.ph/docs/2021/03/Minutes%20of%20the%20Annual%20Meeting%20of%20Stockholders\\_May%2014%2C%202020.pdf](https://www.jgsummit.com.ph/docs/2021/03/Minutes%20of%20the%20Annual%20Meeting%20of%20Stockholders_May%2014%2C%202020.pdf)

The same procedures were implemented for the Special Meeting of Stockholders of JGSHI held on October 20, 2020. The Minutes of the Special Meeting of the Stockholders held on October 20, 2020 may be viewed and/or downloaded at [https://www.jgsummit.com.ph/docs/2021/03/Minutes%20of%20the%20Special%20Meeting%20of%20Stockholders\\_October%2020%2C%202020.pdf](https://www.jgsummit.com.ph/docs/2021/03/Minutes%20of%20the%20Special%20Meeting%20of%20Stockholders_October%2020%2C%202020.pdf)

Brief descriptions of material matters approved by the Board of Directors and Management and disclosed to the SEC and PSE since the last annual meeting of the stockholders held on May 14, 2020 for ratification by the stockholders:

1. Declaration of a regular cash dividend in the amount of Thirty Eight Centavos (₱0.38) per common share to stockholders of record as of June 11, 2020 and paid on July 8, 2020.
2. Results of the Organizational Meeting of the Board of Directors.
3. Amendment to Article Seventh of the Articles of Incorporation in order to re-classify the preferred non-voting shares into preferred voting shares and modify the dividend feature of the preferred voting shares
4. Declaration of stock dividends of the Corporation equivalent to five per cent (5%) of the total issued and outstanding shares of the Corporation
5. Sale by the Corporation of 30% of the issued and outstanding shares of Global Business Power Corporation to Meralco PowerGen Corporation.
6. Early Redemption of the Corporation’s Ten-Year Bonds due 2024
7. Resetting of the annual meeting of the stockholders to May 14, 2021 and setting April 5, 2021 as the record date for said meeting.

**Items 16 - 18. None.**

**Item 19. Voting Procedures**

**(a) The vote required for approval or election:**

Pursuant to Section 6, Article II of the By-Laws of the Corporation, a majority of the subscribed capital, present in person or by proxy, shall be sufficient in a stockholders’ meeting to constitute a quorum for the election of directors and for the transaction of any business whatsoever, except in those cases where the Revised Corporation Code requires the affirmative vote of a greater proportion.

**(b) The method by which votes will be counted:**

Article VII of the By-Laws also provides that the By-Laws may be amended or repealed by stockholders owning or representing a majority of the outstanding capital stock and by a majority of the Board of Directors at any regular meeting, or at any special meeting called for the purpose, or the Board of Directors may, in any regular or special meeting thereof amend or repeal these By-Laws or adopt new By-Laws, provided, however, that this power delegated to the Board of Directors, to amend or repeal these By-Laws or adopt new By-Laws shall be considered as revoked whenever stockholders representing majority of the outstanding capital stock of the Corporation shall so vote at a regular or special meeting called for the purpose.

In accordance with Article II, Section 7 of the By-Laws, every stockholder shall be entitled to vote, in person or by proxy, for each share of stock held by him which has voting power upon the matter in questions. The votes for the election of directors, and except upon demand by any stockholder, the votes upon any question before the meeting, except with respect to procedural questions determined by the Chairman of the meeting, shall be by viva voce or show of hands.

Article II, Section 8 of the By-Laws also provides that the directors of the Corporation shall be elected by plurality vote at the annual meeting of the stockholders for that year at which a quorum is present. At each election for directors, every stockholder shall have the right to vote, in person or by proxy, the number of shares owned by him for as many persons as there are directors to be elected, or to cumulate his votes by giving one candidate as many votes as the number of such directors multiplied by the number of his shares shall equal, or by distributing such votes as the same principle among any number of candidates.

Sections 23 and 57 of the Revised Corporation Code provides that the Corporation may allow a stockholder to cast his vote in *absentia* via modes which the Corporation shall establish, taking into account the company's scale, number of shareholders or members, structure and other factors consistent with the basic right of corporate suffrage.

The Secretary shall record all the votes and proceedings of the stockholders and of the Directors in a book kept for that purpose.

#### **Item 20. Participation of Stockholders by Remote Communication**

In support of the efforts to contain the outbreak of COVID-19 and to ensure the safety and welfare of its stockholders, directors, officers, and employees, the Corporation will dispense with the physical attendance of stockholders at the meeting and will allow attendance only by remote communication. The livestream of the meeting shall be viewable at the following web address: <https://bit.ly/JGS2021ASM>.

In order for the Corporation to properly conduct validation procedures, stockholders who have not sent their proxies or voted in *absentia* who wish to participate via remote communication must notify the Corporation by email to [corporatesecretary@jgsummit.ph](mailto:corporatesecretary@jgsummit.ph) on or before May 7, 2021.

Please refer to Annex E for the detailed guidelines for participation via remote communication and the procedures for registration and casting votes in *absentia*.

#### **Restriction that Limits the Payment of Dividends on Common Shares**

None.

#### **Recent Sales of Unregistered or Exempt Securities, Including Recent Issuance of Securities Constituting an Exempt Transaction.**

Not Applicable. All shares of the Corporation are listed in the Philippine Stock Exchange.

**Additional information as of March 31, 2021 are as follows:**

**1. Market Price**

<u>Fiscal Year 2021</u>	<u>High</u>	<u>Low</u>
First Quarter (January to March 2021)	₱75.90	₱57.00

The market price of the Corporation's common equity as of March 31, 2021 is **₱59.75**.

**2. The number of shareholders of record as of March 31, 2021 was 999.**

Common shares outstanding as of March 31, 2021 were 7,520,983,658 shares with a par value of ₱1.00 per share.

**3. List of the Top 20 Stockholders of the Corporation as of March 31, 2021**

	Name of Stockholder	No. of Shares Held	Percent to Total Outstanding
1	GOKONGWEI BROTHERS FOUNDATION INC.	2,096,930,273	27.88
2	PCD NOMINEE CORPORATION - (FILIPINO)	1,846,177,857	24.55
3	RSB-TIG NO. 030-46-000001-9	1,084,985,186	14.43
4	PCD NOMINEE CORPORATION- (NON-FILIPINO)	884,564,674	11.76
5	LANCE YU GOKONGWEI	321,640,956	4.28
6	EGO INVESTMENTS HOLDINGS LIMITED	280,946,400	3.74
7	ROBINA GOKONGWEI PE	188,432,999	2.50
8	JAMES L. GO	156,113,638	2.08
9	GOSOTTO & CO., INC.	105,676,718	1.40
10	RBC-TIG ATF TA#030-172-530113	97,020,000	1.29
11	LISA YU GOKONGWEI	87,076,500	1.16
12	FAITH YU GOKONGWEI	63,966,000	0.85
13	LISA GOKONGWEI CHENG	56,910,000	0.76
14	FAITH GOKONGWEI LIM	37,905,000	0.50
14	HOPE GOKONGWEI TANG	37,905,000	0.50
15	NICRIS DEVELOPMENT CORPORATION	35,776,914	0.48
16	MICHAEL SEETEBENG	14,070,343	0.19
17	JOHN GOKONGWEI JR.	11,742,707	0.16
18	RICHARD YAP	8,998,880	0.12
19	OLYMPIA T. GOTAO	8,996,116	0.12
20	QUALITY INVESTMENTS & SECURITIES CORP.	8,794,498	0.12
	OTHER STOCKHOLDERS	86,352,999	1.15
	TOTAL OUTSTANDING	7,520,983,658	100.00

The full list of stockholders of the Corporation as of March 31, 2021 is attached herewith as Annex "F".

**Discussion on compliance with leading practices on corporate governance**

The Corporation adheres to the principles and practices of good corporate governance, as embodied in its Revised Corporate Governance Manual, Code of Business Conduct and related SEC Circulars.

On December 16, 2020, the Board of Directors approved the additional revisions made to the Revised Corporate Governance Manual of the Corporation in accordance with SEC Memorandum Circular No. 19, Series of 2016. The Revised Corporate Governance Manual was filed with the Securities and Exchange Commission on December 22, 2020. Continuous improvement and monitoring of governance and management policies have been undertaken to ensure that the Corporation observes good governance and management practices. This is to assure the shareholders that the Corporation conducts its business with the highest level of integrity, transparency and accountability.

SEC Memorandum Circular No. 15, Series of 2017 mandates all listed companies to submit an Integrated Annual Corporate Governance Report (“I-ACGR”) on May 30 of the following year for every year that the Corporation remains listed in the PSE.

PSE Memorandum Circular CN No. 2017-0079 provides that the I-ACGR effectively supersedes the SEC’s Annual Corporate Governance Report and the PSE’s Corporate Governance Disclosure Report.

The Corporation likewise consistently strives to raise its financial reporting standards by adopting and implementing prescribed Philippine Financial Reporting Standards.

**JG SUMMIT HOLDINGS, INC., AS REGISTRANT, WILL PROVIDE WITHOUT CHARGE, UPON WRITTEN REQUEST, A COPY OF THE REGISTRANT’S ANNUAL REPORT ON SEC FORM 17-A. SUCH WRITTEN REQUESTS SHOULD BE DIRECTED TO THE OFFICE OF THE CORPORATE SECRETARY, 40/F ROBINSONS EQUITABLE TOWER, ADB AVENUE CORNER POVEDA ST., ORTIGAS CENTER, PASIG CITY, METRO MANILA, PHILIPPINES.**



SIGNATURE PAGE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct in all material respects. This statement is signed in the City of Pasig on April 15, 2021.

**JG SUMMIT HOLDINGS, INC.**

A handwritten signature in black ink, appearing to be 'Lance Y. Gokongwei', written over a faint rectangular background.

**LANCE Y. GOKONGWEI**  
President and Chief Executive Officer

/mar

### CERTIFICATION OF INDEPENDENT DIRECTORS

I, **JOSE T. PARDO**, Filipino, of legal age and a resident of 704 Acacia St., Ayala Alabang Village, Muntinlupa City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of JG Summit Holdings, Inc. and have been its independent director since August 6, 2003.
2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

Company/ Organization	Position/ Relationship	Period of Service
Philippine Stock Exchange, Inc.	Chairman/Independent Director	2011 to present
Securities Clearing Corporation of the Philippines	Chairman/Independent Director	2011 to present
Philippine Savings Bank	Chairman/Independent Director	2003 to present
Philippine Seven Corporation	Chairman/Independent Director	2015 to present
Bank of Commerce	Chairman/Non-Executive Director	2011 to present
Del Monte Philippines, Inc.	Independent Director	2018 to present
Araneta Hotels, Inc.	Independent Director	2016 to present
League One Finance and Leasing Corporation	Independent Director	2016 to present
Synergy Grid and Development Phils., Inc. (non-operating)	Independent Director	2014 to present
Monte Oro Grid Resources Corporation (Holding Co.)	Non-Executive Director	2016 to present
National Grid Corporation of the Philippines	Non-Executive Director	2009 to present
ZNN Radio Veritas (non-profit)	Director	2006 to present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of JG Summit Holdings, Inc., as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.
4. I am related to the following director/officer/substantial shareholder of JG Summit Holdings, Inc. and its subsidiaries and affiliates other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code.

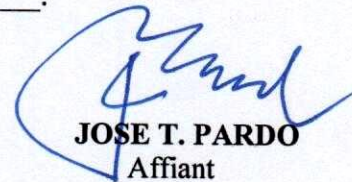
Name of director/officer/substantial shareholder	Company	Nature of relationship
N/A	N/A	N/A

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding:

Offense charged/investigated	Tribunal or agency involved	Status
N/A	N/A	N/A

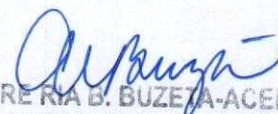
6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.
7. I shall inform the Corporate Secretary of JG Summit Holdings, Inc. of any changes in the abovementioned information within five days from its occurrence.

Done, this 18 MAR 2021, at PASIG CITY.

  
**JOSE T. PARDO**  
Affiant

SUBSCRIBED AND SWORN to before me this 18 MAR 2021 at PASIG CITY, affiant personally appeared before me and exhibited to me his Tax Identification Number 116-203-611.

Doc No. 464 ;  
Page No. 24 ;  
Book No. 2 ;  
Series of 2021.

  
**ANDREEA B. BUZEA-ACERO**  
Notary Public for Pasig, San Juan, and Pateros  
Notarial Commission No. 248 extended  
until June 30, 2021 pursuant to Bar Matter No.3795  
40th Floor Robinsons Equitable Tower, ADB Ave.  
cor. Poveda Road, Ortigas Center, Pasig City 1605  
Roll of Attorneys No. 55199  
PTR No. 8540878/01-11-2021/Makati City  
IBP Receipt No. 144096/01-05-2021/Rizal Chapter

### CERTIFICATION OF INDEPENDENT DIRECTORS

I, **RENATO T. DE GUZMAN**, Filipino, of legal age and a resident of Unit 16B/C Urdaneta Apartments, 6735 Ayala Avenue 1225, Makati City, after having been sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of JG Summit Holdings, Inc. and have been its independent director since April 28, 2015.
2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

Company/ Organization	Position/ Relationship	Period of Service
Maybank Philippines, Inc.	Independent Director	2016 to present
Investment & Capital Corporation of the Philippines	Independent Director	2016 to present
Nueva Ecija Good Samaritan Health System	Chairman	2016 to present
Good Samaritan College	Chairman	2019 to present
Maybank Singapore Limited	Independent Director	2019 to present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of JG Summit Holdings, Inc., as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.
4. I am related to the following director/officer/substantial shareholder of JG Summit Holdings, Inc. and its subsidiaries and affiliates other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code.

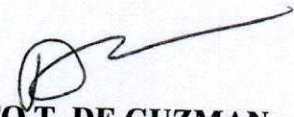
Name of director/officer/substantial shareholder	Company	Nature of relationship
N/A	N/A	N/A

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding:

Offense charged/investigated	Tribunal or agency involved	Status
N/A	N/A	N/A

6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.
7. I shall inform the Corporate Secretary of JG Summit Holdings, Inc. of any changes in the abovementioned information within five days from its occurrence.

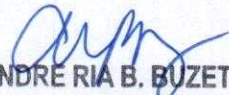
Done, this 23 MAR 2021, at PASIG CITY.



**RENATO T. DE GUZMAN**  
Affiant

SUBSCRIBED AND SWORN to before me this 23 MAR 2021 at PASIG CITY, affiant personally appeared before me and exhibited to me his Tax Identification Number 127-386-444.

Doc No. 438 ;  
Page No. 97 ;  
Book No. 2 ;  
Series of 2021.



**ANDRE RIA B. BUZETA-ACERO**  
Notary Public for Pasig, San Juan, and Pateros  
Notarial Commission No. 248 extended  
until June 30, 2021 pursuant to Bar Matter No.3795  
40th Floor Robinsons Equitable Tower, ADB Ave.  
cor. Poveda Road, Ortigas Center, Pasig City 1605  
Roll of Attorneys No 55199  
PTR No. 8540878/01-11-2021/Makati City  
IBP Receipt No. 144096/01-05-2021/Rizal Chapter

### CERTIFICATION OF INDEPENDENT DIRECTORS

I, **ANTONIO L. GO**, Filipino, of legal age and a resident of 51 Cambridge Circle, North Forbes Park, Makati City, after having been duly sworn in accordance with law do hereby declare that:

1. I am a nominee for independent director of JG Summit Holdings, Inc. and have been its independent director since May 23, 2018.
2. I am affiliated with the following companies or organizations:

Company/ Organization	Position/ Relationship	Period of Service
Equitable Computer Services, Inc.	Director	Present
Equicom Savings Bank	Chairman	Present
ALGO Leasing and Finance, Inc.	Chairman	Present
My Health Ventures Corporation	Chairman	Present
Maxicare Healthcare Corporation	Vice Chairman	Present
Medilink Network, Inc.	Director	Present
Equicom Manila Holdings, Inc.	Director	Present
Equicom Inc.	Director	Present
Equitable Development Corp.	Director	Present
United Industrial Corporation Limited (Singapore)	Independent Director	Present
T32 Dental Centre (Singapore)	Director	Present
Dental Implant and Maxillofacial Centre (Hongkong)	Director	Present
Oriental Petroleum and Minerals Corporation	Independent Director	Present
Pin-An Holdings, Inc.	Director	Present
Equicom Information Technology, Inc.	Director	Present
Cebu Air, Inc.	Independent Director	Present
Robinsons Retail Holdings, Inc.	Independent Director	Present
Steel Asia Manufacturing Corporation	Director	Present
Dito Telecommunity Corporation	Non-Executive Officer	Present
Go Kim Pah Foundation	Trustee	Present
Equitable Foundation, Inc.	Trustee	Present
Gokongwei Brothers Foundation, Inc.	Trustee	Present

3. I possess all the qualifications and none of the disqualifications to serve as an independent director of JG Summit Holdings, Inc., as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.
4. I am related to the following director/officer/substantial shareholder of JG Summit Holdings, Inc. and its subsidiaries and affiliates other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code.

Name of director/officer/substantial shareholder	Company	Nature of relationship
N/A	N/A	N/A

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding:

Offense charged/investigated	Tribunal or agency involved	Status
N/A	N/A	N/A


6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.
7. I shall inform the corporate secretary of JG Summit Holdings, Inc. of any changes in the abovementioned information within five days from its occurrence.

Done, this 18 MAR 2021, at PASIG CITY.

  
**ANTONIO L. GO**  
Affiant

SUBSCRIBED AND SWORN to before me this 18 MAR 2021 at PASIG CITY, affiant personally appeared before me and exhibited to me his Tax Identification Number 100-929-712.

Doc No. 465 ;  
Page No. 94 ;  
Book No. 2 ;  
Series of 2021.

  
**ANDREIA B. BUZETA-ACERO**  
Notary Public for Pasig, San Juan, and Pateros  
Notarial Commission No. 248 extended  
until June 30, 2021 pursuant to Bar Matter No. 3795  
40th Floor Robinsons Equitable Tower, ADB Ave.  
cor. Poveda Road, Ortigas Center, Pasig City 1605  
Roll of Attorneys No. 55199  
PTR No. 8540878/01-11-2021/Makati City  
IBP Receipt No. 144096/01-05-2021/Rizal Chapter

### CERTIFICATION OF INDEPENDENT DIRECTORS

I, **ARTEMIO V. PANGANIBAN**, Filipino, of legal age and a resident of 1203 Acacia St., Dasmariñas Village, Makati City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of JG Summit Holdings, Inc.
2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

Company/ Organization	Position/ Relationship	Period of Service
GMA Network, Inc.	Independent Director	2007 - present
First Philippine Holdings Corporation	Independent Director	2007 - present
Metro Pacific Investments Corporation	Independent Director	2007 - present
Manila Electric Company	Independent Director	2008 - present
Robinsons Land Corporation	Independent Director	2008 - present
GMA Holdings, Inc.	Independent Director	2009 - present
Petron Corporation	Independent Director	2010 - present
Asian Terminals, Inc.	Independent Director	2010 - present
PLDT, Inc.	Independent Director	2013 - present
Jollibee Foods Corporation	Non-executive Director	2012 - present
Metropolitan Bank and Trust Company	Senior Adviser	2007 - present
Double Dragon Properties Corporation	Adviser	2014 - present
Bank of the Philippine Islands	Member, Advisory Council	2016 - present
Merry Mart Consumer Corporation	Adviser	2020 - present
(For my full bio-data, log to my personal website: <a href="http://cjpanganiban.com">cjpanganiban.com</a> )		

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of JG Summit Holdings, Inc., as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.
4. I am related to the following director/ officer/ substantial shareholder of JG Summit Holdings, Inc. and its subsidiaries and affiliates other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code.

Name of director/ officer/ substantial shareholder	Company	Nature of relationship
N/A	N/A	N/A

5. To the best of my knowledge, I am not the subject of any criminal or administrative investigation or proceeding pending in court:



Name of director/ officer/ substantial shareholder	Company	Nature of relationship
N/A	N/A	N/A


- I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.
- I shall inform the Corporate Secretary of JG Summit Holdings, Inc. of any changes in the above-mentioned information within five days from its occurrence.

Done, this 31 MAR 2021, at PASIG CITY.

  
ARTEMIO V. PANGANIBAN  
Affiant

SUBSCRIBED AND SWORN to before me this 31 MAR 2021 at PASIG CITY, affiant personally appeared before me and exhibited to me his Tax Identification Number 106-197-693.

Doc No. 486 ;  
Page No. 89 ;  
Book No. 2 ;  
Series of 2021.

  
**ANDRE RIA B. BUZETA-ACERO**  
Notary Public for Pasig, San Juan, and Pateros  
Notarial Commission No. 248 extended  
until June 30, 2021 pursuant to Bar Matter No. 3795  
40th Floor Robinsons Equitable Tower, ADB Ave.  
cor. Poveda Road, Ortigas Center, Pasig City 1605  
Roll of Attorneys No. 55199  
PTR No. 8540878/01-11-2021/Makati City  
IBP Receipt No. 144096/01-05-2021/Rizal Chapter

## ANNEX E

### 2021 ANNUAL STOCKHOLDERS' MEETING OF JG SUMMIT HOLDINGS, INC.

#### REGISTRATION AND PROCEDURE FOR VOTING *IN ABSENTIA* AND PARTICIPATION VIA REMOTE COMMUNICATION

##### I. VOTING *IN ABSENTIA*

JG Summit Holdings, Inc. (the "Corporation") has established a designated website in order to facilitate the registration of and voting *in absentia* by stockholders at the annual meeting, as allowed under Sections 23 and 57 of the Revised Corporation Code.

1. Stockholders as of April 5, 2021 (the "Stockholder/s") may register by sending an email to [corporatesecretary@jgsummit.ph](mailto:corporatesecretary@jgsummit.ph) with the following documents:
  - a. For individual Stockholders:
    - i. Government-issued identification (ID) of the Stockholder;
    - ii. For Stockholders with joint accounts: A scanned copy of an authorization letter signed by all Stockholders, identifying who among them is authorized to cast the vote for the account.
    - iii. If holding shares through a broker, the certification from the broker stating the name of the beneficial owner and the number of shares owned by such Stockholder.
  - b. For corporate Stockholders:
    - i. Secretary's Certificate authorizing the designated representative to vote the shares owned by the corporate Stockholder;
    - ii. Government-issued identification (ID) of the designated representative.
    - iii. If holding shares through a broker, certification from the broker stating the name of the beneficial owner and the number of shares owned by such Stockholder.

Registration shall be open from April 15, 2021 to April 26, 2021.

2. Registration shall be validated by the Office of the Corporate Secretary in coordination with the Stock Transfer Agent of the Corporation. Once the Stockholder has been successfully validated, the Stockholder shall be officially registered for the annual meeting and a digital ballot shall be generated for the Stockholder which shall be sent to the email address used by the Stockholder for registration.
3. The registered Stockholder may then proceed to fill out the ballot with the votes. All items in the agenda for approval shall be shown one at a time and the registered Stockholder may vote Yes, No or Abstain. The vote is considered cast for all the registered Stockholder's shares.
4. Once voting on all the agenda items is finished, the registered Stockholder is encouraged to review the votes before submitting the ballot. The Stockholder can then proceed to submit the accomplished ballot by clicking the 'Submit' button. A summary of the votes cast shall be sent to the email address of the

LIST OF ALL STOCKHOLDERS  
As Of March 31, 2021

STOCKHOLDER'S NAME	OUTSTANDING & ISSUED SHARES (FULLY PAID)	OUTSTANDING & ISSUED SHARES (PARTIALLY PAID)	TOTAL HOLDINGS (SUBSCRIBED)	PERCENTAGE TO TOTAL
1 GOKONGWEI BROTHERS FOUNDATION INC.	2,096,930,273	0	2,096,930,273	27.881
2 PCD NOMINEE CORPORATION - (FILIPINO)	1,846,177,857	0	1,846,177,857	24.547
3 RSB-TIG NO. 030-46-000001-9	1,084,985,186	0	1,084,985,186	14.426
4 PCD NOMINEE CORPORATION- (NON-FILIPINO)	884,564,674	0	884,564,674	11.761
5 LANCE YU GOKONGWEI	321,640,956	0	321,640,956	4.277
6 EGO INVESTMENTS HOLDINGS LIMITED	280,946,400	0	280,946,400	3.736
7 ROBINA GOKONGWEI PE	188,432,999	0	188,432,999	2.505
8 JAMES L. GO	156,113,638	0	156,113,638	2.076
9 GOSOTTO & CO., INC.	105,676,718	0	105,676,718	1.405
10 RBC-TIG ATF TA#030-172-530113	97,020,000	0	97,020,000	1.290
11 LISA YU GOKONGWEI	87,076,500	0	87,076,500	1.158
12 FAITH YU GOKONGWEI	63,966,000	0	63,966,000	0.851
13 LISA GOKONGWEI CHENG	56,910,000	0	56,910,000	0.757
14 FAITH GOKONGWEI LIM	37,905,000	0	37,905,000	0.504
15 HOPE GOKONGWEI TANG	37,905,000	0	37,905,000	0.504
16 NICRIS DEVELOPMENT CORPORATION	35,776,914	0	35,776,914	0.476
17 MICHAEL SEETEBENG	14,070,343	0	14,070,343	0.187
18 JOHN GOKONGWEI JR.	11,742,707	0	11,742,707	0.156
19 RICHARD YAP	8,998,880	0	8,998,880	0.120
20 OLYMPIA T. GOTAO	8,996,116	0	8,996,116	0.120
21 QUALITY INVESTMENTS & SECURITIES CORP.	8,794,498	0	8,794,498	0.117
22 EMMA G. SEE	7,929,731	0	7,929,731	0.105
23 RAYMOND T. GOTAO	6,347,411	0	6,347,411	0.084
24 ROWENA G. ALANO	5,717,411	0	5,717,411	0.076
25 RUTH TIU GOTAO	5,717,411	0	5,717,411	0.076
26 MAXWELL G. AHYONG AND/OR CHRISTINE Y. AHYONG	4,410,000	0	4,410,000	0.059
27 MANUEL GO AHYONG, JR. AND/OR VIVIAN YU AHYONG	4,147,500	0	4,147,500	0.055
28 ESTRELLA GO CO &/OR NAPOLEON CO	4,057,638	0	4,057,638	0.054
29 MARITRESS G. AHYONG	3,570,000	0	3,570,000	0.047
30 JG SUMMIT CAPITAL SERVICES CORPORATION	3,320,625	0	3,320,625	0.044
31 MARCIA YU GOKONGWEI	3,046,000	0	3,046,000	0.041
32 ESPERANZA G. YU	3,007,638	0	3,007,638	0.040
33 ROSITA G. YU	2,879,503	0	2,879,503	0.038
34 LYNETTE GOTAO	2,625,000	0	2,625,000	0.035
35 MARIVIC A. SY AND/OR MARITRESS G. AHYONG	2,572,500	0	2,572,500	0.034
36 MARISSA A. YU AND/OR MARITRESS G. AHYONG	2,415,000	0	2,415,000	0.032
37 MARCIA YU GOKONGWEI	1,805,000	0	1,805,000	0.024
38 EVELYN CRISTINA A. CAM	1,575,000	0	1,575,000	0.021
39 YU KAN LIM	1,446,375	0	1,446,375	0.019
40 LYNETTE D. GOTAO ITF KRYSTELLE EZANDRA LAUREN GOTAO	1,050,000	0	1,050,000	0.014
41 JUANITA MARQUEZ LIM	1,049,653	0	1,049,653	0.014
42 MARITRESS G. AHYONG	842,479	0	842,479	0.011
43 PAUL GOTAO SEE	759,132	0	759,132	0.010
44 ANGELICA ESPERANZA G. YU &/OR ESPERANZA G. YU	630,000	0	630,000	0.008
45 SIMON S. GO	602,548	0	602,548	0.008
46 CELINA NGO CHUA	577,500	0	577,500	0.008
47 LANCE GOKONGWEI	536,981	0	536,981	0.007
48 ADELIN ROSIE G. YU OR JASON G. YU	457,695	0	457,695	0.006
49 ANTONIO ABRERA	443,520	0	443,520	0.006
50 CONCHITA G. KUA OR MICHELLE CHRISTINE G. KUA	420,000	0	420,000	0.006
51 PAUL GOTAO SEE	393,750	0	393,750	0.005
52 MAXWELL G. AHYONG	318,491	0	318,491	0.004
53 MANUEL AHYONG JR.	318,491	0	318,491	0.004
54 MARISSA AHYONG	317,985	0	317,985	0.004
55 MARIVIC G. AHYONG	317,985	0	317,985	0.004
56 ALBERTO G. MENDOZA &/OR JEANIE C. MENDOZA	303,187	0	303,187	0.004
57 ELIZABETH YU	273,000	0	273,000	0.004
58 MAXWELL G. AHYONG AND/OR CHRISTINE Y. AHYONG	262,500	0	262,500	0.003
59 WONG KING LUN	242,550	0	242,550	0.003
60 AIMEE RICA Y. LU	231,000	0	231,000	0.003
61 VICTOR GAN SY	231,000	0	231,000	0.003
62 ADELIN ROSIE G. YU	231,000	0	231,000	0.003
63 APRIL ROSE G. YU	231,000	0	231,000	0.003
64 JASON G. YU	231,000	0	231,000	0.003
65 CONCHITA G. KUA OR MARK CHRISTOPHER G. KUA	210,000	0	210,000	0.003
66 CONCHITA G. KUA OR MARVIN CHESTER G. KUA	210,000	0	210,000	0.003
67 CONCHITA G. KUA OR MICHAEL CHRISTIAN G. KUA	210,000	0	210,000	0.003
68 PAUL GOTAO SEE	210,000	0	210,000	0.003
69 SUNNY ROBERT G. YU &/OR ESPERANZA G. YU	210,000	0	210,000	0.003

70	CHRISTOPHER P. DE VENECIA	173,250	0	173,250	0.002
71	CITIBANK N.A MLA OBO A/C 141209350 (CITI10)	165,405	0	165,405	0.002
72	TONY WONG	155,925	0	155,925	0.002
73	DENNIS S. LIM	147,000	0	147,000	0.002
74	PETER LIM	147,000	0	147,000	0.002
75	ROY S. LIM	147,000	0	147,000	0.002
76	OLIVIA S. LIM	136,500	0	136,500	0.002
77	MARIANO K. TAN	132,825	0	132,825	0.002
78	JOHN T. LAO	126,000	0	126,000	0.002
79	EBC SECURITIES CORPORATION	124,740	0	124,740	0.002
80	PETRON CORPORATION	123,028	0	123,028	0.002
81	A & A SEC., INC.	120,750	0	120,750	0.002
82	MA. TERESA P. CRUZ	115,500	0	115,500	0.002
83	FELIPE P. CRUZ III	115,500	0	115,500	0.002
84	YU KAN LIM	115,500	0	115,500	0.002
85	SMS DEVELOPMENT CORP.	115,500	0	115,500	0.002
86	ANTHONY S. YU OR JASON G. YU	115,500	0	115,500	0.002
87	ATTICUS KING	101,640	0	101,640	0.001
88	AIMEE RICA Y. LU OR APRIL ROSE G. YU	100,000	0	100,000	0.001
89	MA KRISTINA CASIMIRA P. DE VENECIA	86,625	0	86,625	0.001
90	PATRICK HENRY C. GO	86,625	0	86,625	0.001
91	EDWIN LIM	75,075	0	75,075	0.001
92	BENJAMIN CHIOK LO	75,075	0	75,075	0.001
93	PHILIPPINE REMNANTS CO., INC.	73,920	0	73,920	0.001
94	PEDRO SEN OR FLORA SEN	73,500	0	73,500	0.001
95	PNOC COAL CORP. AS TRUSTEE OF MCC	71,610	0	71,610	0.001
96	ANNIE C. CHUA	69,300	0	69,300	0.001
97	BERCK Y. CHENG OR ALVIN Y. CHENG OR DIANA Y. CHENG OR CHERYL Y. CHENG	58,000	0	58,000	0.001
98	COPYER ENTERPRISES CORP.	57,750	0	57,750	0.001
99	LEE A. DEL PAN	57,750	0	57,750	0.001
100	GUAN PIAO ANG	55,650	0	55,650	0.001
101	OSCAR LEDESMA & CO., INC.	54,600	0	54,600	0.001
102	PACIFICO TACUB	52,815	0	52,815	0.001
103	SOPHIA LINDA ROCO-AVANCENA	49,499	0	49,499	0.001
104	SYLVESTER HUNG	46,200	0	46,200	0.001
105	MA. ASUNCION O. PADILLA	46,200	0	46,200	0.001
106	VIRGINIA D. SEANGIO	46,200	0	46,200	0.001
107	RODULFO SEVILLA	46,200	0	46,200	0.001
108	LEONARDO F. OSILLA	45,045	0	45,045	0.001
109	CITIBANK N.A MLA OBO A/C 6001310041 (CITI10)	44,929	0	44,929	0.001
110	Q CAPITAL, INC.	43,890	0	43,890	0.001
111	CHRISTINE MENDOZA &/OR ALBERTO MENDOZA	42,735	0	42,735	0.001
112	BPI TRUST ACCOUNT NO. 13300615	42,000	0	42,000	0.001
113	M E HOLDING CORPORATION	40,425	0	40,425	0.001
114	FRABELLE FISHING CORPORATION RETIREMENT PLAN	40,297	0	40,297	0.001
115	VICTOR J. DEL ROSARIO	39,270	0	39,270	0.001
116	VICKY L. CHAN	38,115	0	38,115	0.001
117	TING TING CHUA	36,960	0	36,960	0.000
118	VICA SERVICES AND MANAGEMENT CORPORATION	34,713	0	34,713	0.000
119	JOAQUIN YOKLIN GAW	34,650	0	34,650	0.000
120	NORA T. GO	34,650	0	34,650	0.000
121	JOSE JUDAN	34,650	0	34,650	0.000
122	WILLIAM WANG	34,650	0	34,650	0.000
123	FCX INTERNATIONAL INC.	28,875	0	28,875	0.000
124	WILSON D. GO	28,875	0	28,875	0.000
125	DAVID ONG	28,875	0	28,875	0.000
126	JOSE E. SALVADOR	28,875	0	28,875	0.000
127	WESTIN SECURITIES CORPORATION	24,150	0	24,150	0.000
128	JOSE F. BUENAVENTURA	23,100	0	23,100	0.000
129	ANDY CHUA &/OR GEMMA CHUA	23,100	0	23,100	0.000
130	MA. LOURDES C. FERNANDO	23,100	0	23,100	0.000
131	JOHN C. B. GO	23,100	0	23,100	0.000
132	THEODORE G. HUANG &/OR CORAZON B. HUANG	23,100	0	23,100	0.000
133	JOHNNY S. LIM	23,100	0	23,100	0.000
134	KUOK KHOON LOONG	23,100	0	23,100	0.000
135	NICANOR PADILLA &/OR GINA MAY ADEVA	23,100	0	23,100	0.000
136	CRISTINO L. PANLILIO	23,100	0	23,100	0.000
137	PETROFIELDS EXPL. & DEV. CO. INC.	23,100	0	23,100	0.000
138	ROBERT W. RAZON	23,100	0	23,100	0.000
139	EDDIE SY	23,100	0	23,100	0.000
140	PATRICK TONG	23,100	0	23,100	0.000
141	WILLIAM TAN UNTIONG	23,100	0	23,100	0.000
142	V. FRANCISCO VARUA &/OR VIKTOR VARUA	23,100	0	23,100	0.000
143	ERLINDA T. WEE	23,100	0	23,100	0.000
144	JENN WOEI SECURITIES, INC.	21,945	0	21,945	0.000
145	BRYANT O. NGO	21,000	0	21,000	0.000
146	MA. CONSUELO M. TIUTAN	21,000	0	21,000	0.000
147	BENGT ARNE TEODOR HEIDENBORG	20,475	0	20,475	0.000
148	R. COYIUTO SECURITIES, INC.	20,000	0	20,000	0.000
149	ARLENE RAVALO ULANDAY OR BETHEL ANN RAVALO OR ELIODORO J.	19,950	0	19,950	0.000
150	PHILLIP INOCENCIO	18,480	0	18,480	0.000

151	TIAN ZHANG	17,800	0	17,800	0.000
152	MANUEL A. DIZON &/OR REGINA DIZON	17,325	0	17,325	0.000
153	ZOSIMO V. MAGSINO	17,325	0	17,325	0.000
154	PECHATEN CORPORATION	17,325	0	17,325	0.000
155	MANUEL TAN & SUSAN TAN	17,325	0	17,325	0.000
156	ANGPING & ASSOCIATES SEC., INC	16,800	0	16,800	0.000
157	ROBERTO B. JAYME	15,750	0	15,750	0.000
158	CBNA MLA OBO AC 6011800001	14,081	0	14,081	0.000
159	FELIPE R. DIEGO	13,860	0	13,860	0.000
160	VENICIO MA. L. JALANDONI	13,860	0	13,860	0.000
161	JOHN C. JOVEN	13,860	0	13,860	0.000
162	THE ESTATE OF CATALINO MACARAIG JR.	13,860	0	13,860	0.000
163	OBED JOSE MENESES &/OR MA. THERESA V. MENESES	13,860	0	13,860	0.000
164	FELOMINA ONG	13,860	0	13,860	0.000
165	LEONARDO F. OSILLA &/OR CELEDONIA P. OSILLA	13,860	0	13,860	0.000
166	FREDERICK D. GO	13,332	0	13,332	0.000
167	PNB SECURITIES, INC.	12,810	0	12,810	0.000
168	VESTAS ASIA PACIFIC A/S	12,600	0	12,600	0.000
169	RESTITUTO C. BUENVIAJE &/OR DAVID I. BUENVIAJE	12,127	0	12,127	0.000
170	SALUD NARCISO ABEJO &/OR MARIAN A. KING	11,550	0	11,550	0.000
171	JOAN FEIR ACOT	11,550	0	11,550	0.000
172	GREGORIO AGUILA	11,550	0	11,550	0.000
173	MANUEL C. ALVAREZ	11,550	0	11,550	0.000
174	JOYCE ANG	11,550	0	11,550	0.000
175	MARINA ANG	11,550	0	11,550	0.000
176	ASIAN OCEANIC MERIT SEC., INC.FAO CHP979	11,550	0	11,550	0.000
177	LYNNE R. BAUTISTA	11,550	0	11,550	0.000
178	BENSON CHUA	11,550	0	11,550	0.000
179	LOLITA S. CHUA	11,550	0	11,550	0.000
180	OLIVIA G. CO	11,550	0	11,550	0.000
181	ROBIN CO	11,550	0	11,550	0.000
182	JOHN DASWANI	11,550	0	11,550	0.000
183	LEE ANTHONY DEL PAN	11,550	0	11,550	0.000
184	REYLITA DEL ROSARIO	11,550	0	11,550	0.000
185	FERDINAND FLORENDO &/OR REBECCA A. FLORENDO	11,550	0	11,550	0.000
186	GUILLERMO F. GILI JR.	11,550	0	11,550	0.000
187	PATRICK HENRY C. GO	11,550	0	11,550	0.000
188	JANE GOLLON	11,550	0	11,550	0.000
189	KEPPEL SEC. PHILS., INC. A/C NO.KPSI	11,550	0	11,550	0.000
190	RICARDO G. LAZATIN	11,550	0	11,550	0.000
191	M. E. HOLDING CORPORATION	11,550	0	11,550	0.000
192	JASMIN C. MATIAS	11,550	0	11,550	0.000
193	MERCURY GROUP OF COMPANIES	11,550	0	11,550	0.000
194	MOTORTRADE NATIONWIDE CORP.	11,550	0	11,550	0.000
195	DELFIN OCTAVIANO JR.	11,550	0	11,550	0.000
196	EDWARD L. PE	11,550	0	11,550	0.000
197	PERRY LIM PE	11,550	0	11,550	0.000
198	PROCURADOR GENERAL DE PADRES FRANCISCANO DE MANILA	11,550	0	11,550	0.000
199	ARTURO O. ROQUE	11,550	0	11,550	0.000
200	TERESITA C. SIY	11,550	0	11,550	0.000
201	RAMON CHUA SY	11,550	0	11,550	0.000
202	ROLANDO LIMAREZ TAN	11,550	0	11,550	0.000
203	WILLIAM TIAN BON Y. TAN	11,550	0	11,550	0.000
204	JOHN TY	11,550	0	11,550	0.000
205	KONG YAO UY	11,550	0	11,550	0.000
206	EMILY R. VARUA &/OR F. V. VARUA	11,550	0	11,550	0.000
207	MICHAEL V. YAP	11,550	0	11,550	0.000
208	VICTORIA YIU	11,550	0	11,550	0.000
209	BPI TRUST ACCOUNT NO. 10306116	10,500	0	10,500	0.000
210	YUAN ZHUANG CHUN	10,500	0	10,500	0.000
211	G. D. TAN & CO., INC.	10,500	0	10,500	0.000
212	HOME DEVELOPMENT MUTUAL FUND	10,500	0	10,500	0.000
213	EDUARDO N. JOSON	10,500	0	10,500	0.000
214	PCIB TA # 210-50559-7	10,500	0	10,500	0.000
215	AGAPITO B. TANJUAQUIO	10,500	0	10,500	0.000
216	UNIONBANK TRUST & INVESTMENT SERVICES GROUP ITF VARIOUS TAXABLE ACCO	10,500	0	10,500	0.000
217	GRACE UY LIM	10,500	0	10,500	0.000
218	GWENDOLYN FELICIANO &/OR DIANA ACOSTA	10,395	0	10,395	0.000
219	BETTY CHUA YU	10,395	0	10,395	0.000
220	SALVADOR CHUNG	9,240	0	9,240	0.000
221	BENEDICTO V. CONTRERAS	9,240	0	9,240	0.000
222	PATRICIA MATOTO	9,240	0	9,240	0.000
223	IGNACIO EARL ONG JR.	9,240	0	9,240	0.000
224	ANAME D. SAMONTE	9,240	0	9,240	0.000
225	UBP SECURITIES, INC.	9,240	0	9,240	0.000
226	JOE YAP &/OR CONCHITA YAP	9,240	0	9,240	0.000
227	FREDERICK DY GO	9,084	0	9,084	0.000
228	PROVINCIAL FORTUNE INSURANCE CORPORATION	8,610	0	8,610	0.000
229	CITIBANK N.A MLA OBO A/C 0141200188 (CITI10)	8,402	0	8,402	0.000
230	CITISECURITIES, INC.	8,400	0	8,400	0.000
231	MARGARITA MARIA HERRERA	8,085	0	8,085	0.000

232	MA. CARMEN LEE	8,085	0	8,085	0.000
233	ALFREDO V. RUFINO	8,085	0	8,085	0.000
234	MICHAEL R. SAN LUIS &/OR MALY SAN LUIS	8,085	0	8,085	0.000
235	SEC ACCOUNT FAO: VARIOUS CUSTOMERS OF GUOCO SECURITIES (PHILIPPINES),	8,085	0	8,085	0.000
236	JANNETTE VIRATA SEVILLA	8,085	0	8,085	0.000
237	CORAZON SON	8,085	0	8,085	0.000
238	G & L SECURITIES CO., INC.	7,875	0	7,875	0.000
239	ROLANDO M. CAUSING ITF RURAL BANK OF CADIZ	7,507	0	7,507	0.000
240	NESTOR I. TOLENTINO	7,507	0	7,507	0.000
241	YAO & ZIALCITA, INC.	7,350	0	7,350	0.000
242	CANAM CONSULTING (ASIA) LTD.	6,930	0	6,930	0.000
243	JUDITH M. CERVANTES	6,930	0	6,930	0.000
244	CARMEN I. DIOKNO	6,930	0	6,930	0.000
245	MARIA PAZ K. FABELLA	6,930	0	6,930	0.000
246	REYNALDO D. GAMBOA	6,930	0	6,930	0.000
247	TRINIDAD GONZALES	6,930	0	6,930	0.000
248	FELICIDAD P. ICASIANO	6,930	0	6,930	0.000
249	JANICE T. LIMKACO	6,930	0	6,930	0.000
250	METROPOLITAN MUSEUM OF MANILA	6,930	0	6,930	0.000
251	FRANCISCO K. ONG	6,930	0	6,930	0.000
252	MARGARET PUA	6,930	0	6,930	0.000
253	SWISS AMERICAN SEC INC NY FAO CREDIT SWISSE GENEVANO. 91900181	6,930	0	6,930	0.000
254	DELIA SEE SY	6,930	0	6,930	0.000
255	ANITA N. TY	6,930	0	6,930	0.000
256	ROMMEL S. LATINAZO	6,300	0	6,300	0.000
257	FRANCISCO UY	6,300	0	6,300	0.000
258	ELENA B. ALIKPALA	5,775	0	5,775	0.000
259	ALL ASIA CAPITAL FAO: BARTOLOME SAN DIEGO	5,775	0	5,775	0.000
260	GREGORIO ALVAREZ	5,775	0	5,775	0.000
261	MA. THERESA C. AQUILIZAN	5,775	0	5,775	0.000
262	MA. CARISSA I. ASPERILLA &/OR PATROCINIO I. ASPERILLA	5,775	0	5,775	0.000
263	JEFFREY V. BARREIRO &/OR JOSEPHINE GRACE M. BARREIRO	5,775	0	5,775	0.000
264	LETICIA BAYATING	5,775	0	5,775	0.000
265	JACOBO BELMONTE	5,775	0	5,775	0.000
266	SERAFIN L. BERNARDO IV	5,775	0	5,775	0.000
267	ROSITA CHU	5,775	0	5,775	0.000
268	FELY CHUA	5,775	0	5,775	0.000
269	PETER T. CHUA	5,775	0	5,775	0.000
270	DBS SECURITIES PHILS., INC.	5,775	0	5,775	0.000
271	ENRICO U. DEE	5,775	0	5,775	0.000
272	MANUEL DEL ROSARIO	5,775	0	5,775	0.000
273	WILMA ANITA O. ESPERANZA	5,775	0	5,775	0.000
274	MARIO ANTONIO ESTEVES	5,775	0	5,775	0.000
275	FLORENTINO S. FLOR	5,775	0	5,775	0.000
276	ADOLFO I. GABRIEL	5,775	0	5,775	0.000
277	MARIANO GO BIAO	5,775	0	5,775	0.000
278	EDGAR E. GOMEZ	5,775	0	5,775	0.000
279	GUILD SECURITIES, INC.	5,775	0	5,775	0.000
280	JOHNNY T. HERNANDEZ	5,775	0	5,775	0.000
281	EVELINA HERRERA	5,775	0	5,775	0.000
282	HYDEE MANAGEMENT & RES. CORP.	5,775	0	5,775	0.000
283	KERRY SEC. (PHILS.), INC. A/C BPI02	5,775	0	5,775	0.000
284	KERRY SEC. (PHILS.), INC. A/C LAI01	5,775	0	5,775	0.000
285	ANGELITO KHO	5,775	0	5,775	0.000
286	TOMMY KIN HING TIA	5,775	0	5,775	0.000
287	HELEN LIM	5,775	0	5,775	0.000
288	NELSON LIM &/OR JULIE O. LIM	5,775	0	5,775	0.000
289	MILAGROS G. MACALINTAL &/OR ROMULO B. MACALINTAL	5,775	0	5,775	0.000
290	FRANCISCO M. MASLOG	5,775	0	5,775	0.000
291	AURELIO MIRANDA	5,775	0	5,775	0.000
292	MICHAEL S. NOLLEDO &/OR MERCEDITA NOLLEDO	5,775	0	5,775	0.000
293	JOSE V. OCHOA	5,775	0	5,775	0.000
294	CLEMENTINA PABLO	5,775	0	5,775	0.000
295	PEARL PERALTA	5,775	0	5,775	0.000
296	MANUEL C. PHUA	5,775	0	5,775	0.000
297	MANUEL C. PLATA JR.	5,775	0	5,775	0.000
298	HONORIO REYES-LAO	5,775	0	5,775	0.000
299	MARCO ANTONIO RICO	5,775	0	5,775	0.000
300	TERESITA O. SALONGA	5,775	0	5,775	0.000
301	LAURA SAN LUIS	5,775	0	5,775	0.000
302	RAMON SANTIAGO &/OR MERCEDITA NOLLEDO	5,775	0	5,775	0.000
303	SOCORRO B. SANTOS	5,775	0	5,775	0.000
304	FELICITAS F. SIMEON	5,775	0	5,775	0.000
305	SOLIDBANK TRUST ACCOUNT C-20190	5,775	0	5,775	0.000
306	GERARD F. STA. MARIA	5,775	0	5,775	0.000
307	SUN HUNG KAI SEC. (PHILS) INC.A/C #DI026	5,775	0	5,775	0.000
308	ROBERT LI SY	5,775	0	5,775	0.000
309	BIDDY T. TAN	5,775	0	5,775	0.000
310	EDBERT GO TANTUCO	5,775	0	5,775	0.000
311	ANTHORY C. TE	5,775	0	5,775	0.000
312	RAFAEL EDMUNDO A. UNGSON	5,775	0	5,775	0.000

313	AURORA S. UY	5,775	0	5,775	0.000
314	MANUEL S. UY JR.	5,775	0	5,775	0.000
315	EMILY R. VARUA &/OR V. FRANCISCO VARUA	5,775	0	5,775	0.000
316	CATALINO YAP	5,775	0	5,775	0.000
317	KIAN CHAY CO	5,565	0	5,565	0.000
318	PCIB TA # 301-50446-4	5,386	0	5,386	0.000
319	GERARDO M. ALBERTO	5,250	0	5,250	0.000
320	CHANDRU BUDHRANI	5,250	0	5,250	0.000
321	ERLINDA G. CARANDANG	5,250	0	5,250	0.000
322	ANNIE CHUAN &/OR BENITO CHUAN	5,250	0	5,250	0.000
323	ARTURO GUANZON	5,250	0	5,250	0.000
324	HONGKONGBANK ON BEHALF OF MANILA A/C 050377/150	5,250	0	5,250	0.000
325	CHATLANI LACHMAN &/OR SHIELA CHATLANI	5,250	0	5,250	0.000
326	VINA LAO &/OR ANNIE CHUAN	5,250	0	5,250	0.000
327	DONNEL KELVIN TAN ONG	5,250	0	5,250	0.000
328	PCIB TA # 110-00424-2	5,250	0	5,250	0.000
329	PIERCE INTERLINK SEC., INC.	5,250	0	5,250	0.000
330	ROMMEL ANTHONY M. RAMIREZ &/OR LOURDES REYES RAMIREZ	5,250	0	5,250	0.000
331	MA. ROSARIO SANTOS	5,250	0	5,250	0.000
332	TOWER SECURITIES, INC.	5,250	0	5,250	0.000
333	UCPB TA #90-2165	5,250	0	5,250	0.000
334	LUZ AGREDA ACEVEDO	5,197	0	5,197	0.000
335	SANDRA EJERCITO	5,197	0	5,197	0.000
336	MODERN GLASS DISTRIBUTORS, INC	4,908	0	4,908	0.000
337	MERLO AGRICULTURAL CORPORATION	4,714	0	4,714	0.000
338	GLENDA CASTILLO	4,620	0	4,620	0.000
339	JUANITO CHAN	4,620	0	4,620	0.000
340	RONALD CO	4,620	0	4,620	0.000
341	SUSANA CO	4,620	0	4,620	0.000
342	SAMUEL G. DE GUZMAN &/OR MA. JOVITA U. DE GUZMAN	4,620	0	4,620	0.000
343	AMALIA G. EBRO	4,620	0	4,620	0.000
344	ESTELITA M. ENDOZO	4,620	0	4,620	0.000
345	MARIA THERESA P. GALLEGO	4,620	0	4,620	0.000
346	JANE KHO	4,620	0	4,620	0.000
347	CEASAR LANUZA &/OR MA. SOCORRO LANUZA	4,620	0	4,620	0.000
348	JOY BERNARDEZ LOCSIN	4,620	0	4,620	0.000
349	PATRICIA ELVIRA A. MANAHAN	4,620	0	4,620	0.000
350	STEPHANIE MERKT	4,620	0	4,620	0.000
351	EDNA B. MORTE	4,620	0	4,620	0.000
352	ALFREDO ONG	4,620	0	4,620	0.000
353	LUIS JOSE MARIA D. ONG	4,620	0	4,620	0.000
354	LYN ONG	4,620	0	4,620	0.000
355	MARIA OSTIL &/OR LEONARD TORIO	4,620	0	4,620	0.000
356	NICANOR PADILLA III	4,620	0	4,620	0.000
357	DANTE TONG	4,620	0	4,620	0.000
358	CONSUELO YSMAEL	4,620	0	4,620	0.000
359	FRANCISCO SUMULONG &/OR MILAGROS SUMULONG	4,579	0	4,579	0.000
360	MANUEL B. CAMACHO	4,200	0	4,200	0.000
361	MDR SECURITIES, INC.	4,200	0	4,200	0.000
362	RUSTICO NAZARENO JR.	4,095	0	4,095	0.000
363	VENERANDA HERRERA &/OR PATRICIA VICTORIA HERRERA	4,042	0	4,042	0.000
364	GUMERCINDO O. RAMIN	4,042	0	4,042	0.000
365	VIOLETA TIANGCO &/OR RAIZEL TIANGCO	4,042	0	4,042	0.000
366	VIRGINIA V. LORENZO	3,853	0	3,853	0.000
367	EDUARDO V. LORENZO	3,848	0	3,848	0.000
368	RENATO V. LORENZO	3,848	0	3,848	0.000
369	LUZ P. MANOSCA	3,675	0	3,675	0.000
370	ZORAIDA C. ARGUELLES	3,465	0	3,465	0.000
371	BARING SECURITIES (PHILS) INC.	3,465	0	3,465	0.000
372	JEANETTE B. BAUTISTA	3,465	0	3,465	0.000
373	LINDA CASES CHUA	3,465	0	3,465	0.000
374	MEI YONG CHUA	3,465	0	3,465	0.000
375	AIDA GARCIA DIAZ	3,465	0	3,465	0.000
376	GEORGE B. DITCHING &/OR CECILIA S.J. DITCHING	3,465	0	3,465	0.000
377	PABLO E. FRANCISCO	3,465	0	3,465	0.000
378	LEA C. GENUINO &/OR AMALIA G. EBRO	3,465	0	3,465	0.000
379	ANTONIO A. GO &/OR MA. CARIDAD VIADO-GO	3,465	0	3,465	0.000
380	ROLAND GUZMAN	3,465	0	3,465	0.000
381	AU KEN HOE	3,465	0	3,465	0.000
382	MARDONIO R. HONCULADA	3,465	0	3,465	0.000
383	SALLY L. KHO	3,465	0	3,465	0.000
384	NELSON LIM	3,465	0	3,465	0.000
385	LUCILLE N. LLANEZA	3,465	0	3,465	0.000
386	ELEANOR P. MACAPAGAL	3,465	0	3,465	0.000
387	VIRGILIO MALLARI	3,465	0	3,465	0.000
388	CRISTINA K. MANALANG	3,465	0	3,465	0.000
389	RAMONA K. MANALANG	3,465	0	3,465	0.000
390	RODRIGO P. MONTINOLA	3,465	0	3,465	0.000
391	ELENA S. PEREZ	3,465	0	3,465	0.000
392	PHIL. TRANSMARINE CARRIER INC.	3,465	0	3,465	0.000
393	RAFAEL PRATS JR.	3,465	0	3,465	0.000

394	MAYUMI QUINTOS	3,465	0	3,465	0.000
395	ROMMEL ANTHONY M. RAMIREZ	3,465	0	3,465	0.000
396	ANNABELLE P. SANTIAGO	3,465	0	3,465	0.000
397	ROSALINDA G. SANTOS	3,465	0	3,465	0.000
398	SOLIDBANK TRUST ACCOUNT P-11060	3,465	0	3,465	0.000
399	ROSALIE TOPACIO	3,465	0	3,465	0.000
400	ROSALIE V. TOPACIO	3,465	0	3,465	0.000
401	CATALINO YAP	3,465	0	3,465	0.000
402	PHIL. VETERANS BANK TRUST INVESTMENT DEPT. FAO SCHOLARSHIP PLAN PHILS.	3,433	0	3,433	0.000
403	ALPHA SECURITIES CORPORATION	3,360	0	3,360	0.000
404	LUIS D. BORJA	3,255	0	3,255	0.000
405	MARINO OLONDRIZ Y CIA	3,213	0	3,213	0.000
406	WILLIAM A. CO	3,150	0	3,150	0.000
407	ROBERT GAN	3,150	0	3,150	0.000
408	MABINI L. JUAN	3,150	0	3,150	0.000
409	RICHARD LIM &/OR NORMA LIM	3,150	0	3,150	0.000
410	DEOLITO DAJAY	2,920	0	2,920	0.000
411	CHRISTINNE MARIE AGUSTIN &/OR GERMELINA HERNANDEZ	2,887	0	2,887	0.000
412	LINA BRAZIL HOW &/OR JOHN HOW	2,887	0	2,887	0.000
413	PETER O. LOYOLA &/OR ELEONOR B. LOYOLA	2,887	0	2,887	0.000
414	ALFRED POTENCIANO &/OR LARRY POTENCIANO	2,887	0	2,887	0.000
415	RUBY PAZ S. REYES	2,887	0	2,887	0.000
416	ILDEFONSO SANTOS	2,887	0	2,887	0.000
417	BON CHANG UY	2,835	0	2,835	0.000
418	URBANCORP SECURITIES, INC.	2,656	0	2,656	0.000
419	FEBTC A/C # 203-00273	2,625	0	2,625	0.000
420	JILL M. SEVILLA	2,625	0	2,625	0.000
421	MARY JEAN TY	2,625	0	2,625	0.000
422	PATERNO M. ABELLERA	2,310	0	2,310	0.000
423	EFREN C. ABRIL	2,310	0	2,310	0.000
424	ELIZABETH B. ABUEL	2,310	0	2,310	0.000
425	JOSE M. ACUNA	2,310	0	2,310	0.000
426	LORETO ALZATE	2,310	0	2,310	0.000
427	ANNIE O. ANGKANG	2,310	0	2,310	0.000
428	ASIAN CAPITAL EQUITIES, INC.	2,310	0	2,310	0.000
429	LEONIDES ASUNCION &/OR LINA ASUNCION	2,310	0	2,310	0.000
430	FRANCIS ANDRE B. AZURIN	2,310	0	2,310	0.000
431	CECILIA C. A. BALGOS	2,310	0	2,310	0.000
432	ARSENIO BALISACAN	2,310	0	2,310	0.000
433	DANILO T. BOLOS	2,310	0	2,310	0.000
434	EDMUNDO P. BUNYI JR.	2,310	0	2,310	0.000
435	PURISIMO S. BUYCO	2,310	0	2,310	0.000
436	NOE L. CAAGUSAN	2,310	0	2,310	0.000
437	INOCENCIA CABALUNA &/OR FRANKLIN CABALUNA	2,310	0	2,310	0.000
438	ARTURO U. CALAGUAS	2,310	0	2,310	0.000
439	LETICIA Y. CALEJESAN	2,310	0	2,310	0.000
440	BETTY M. CANUTO	2,310	0	2,310	0.000
441	ILLUMINADA CATAP	2,310	0	2,310	0.000
442	CATHAY SECURITIES CO., INC. A/C #1573	2,310	0	2,310	0.000
443	CATHAY SECURITIES CO., INC. A/C #1579	2,310	0	2,310	0.000
444	MAGDALENA CHUA	2,310	0	2,310	0.000
445	VICTORIA T. CHUA	2,310	0	2,310	0.000
446	DOROTHY CO	2,310	0	2,310	0.000
447	GRACE S. CO	2,310	0	2,310	0.000
448	ROWENA CO	2,310	0	2,310	0.000
449	DOMINADOR DE LA CRUZ	2,310	0	2,310	0.000
450	CYNTHIA DEE	2,310	0	2,310	0.000
451	MADELYN T. DEL ROSARIO	2,310	0	2,310	0.000
452	REBECCA M. DELA CRUZ	2,310	0	2,310	0.000
453	MAY DONATO-TAN ITF GWENDOLYN DONATO-TAN	2,310	0	2,310	0.000
454	CONSUELO E. EDQUILANG	2,310	0	2,310	0.000
455	AMY D. EDULLANTES	2,310	0	2,310	0.000
456	RAY S. ENANO	2,310	0	2,310	0.000
457	PHILIP ERQUIAGA	2,310	0	2,310	0.000
458	MA. JULIET B. ETORMA HERRERA	2,310	0	2,310	0.000
459	FRANKLIN G. EUGENIO	2,310	0	2,310	0.000
460	LUZVIMINDA P. GALANG	2,310	0	2,310	0.000
461	DOMINADOR L. GAMBOA & RENELL G. CRESCINI & ALDRIN GELUZ	2,310	0	2,310	0.000
462	CHARLES T. GAN	2,310	0	2,310	0.000
463	MA. ROSARIO P. GARCIA	2,310	0	2,310	0.000
464	GENEVA T. GLORIA	2,310	0	2,310	0.000
465	WING CHUNG GO	2,310	0	2,310	0.000
466	FEDERICO GUANZON JR.	2,310	0	2,310	0.000
467	CONSORCIO C. HERNANDEZ	2,310	0	2,310	0.000
468	NEMENCIA Q. HOFILENA &/OR MARILYN Q. HOFILENA	2,310	0	2,310	0.000
469	DENNIS HUANG	2,310	0	2,310	0.000
470	ELIZABETH B. IGNACIO	2,310	0	2,310	0.000
471	VICENTE J. JAYME JR.	2,310	0	2,310	0.000
472	MANOLO JORGE	2,310	0	2,310	0.000
473	KEPPEL SEC. PHILS., INC. A/C NO.1012-C	2,310	0	2,310	0.000
474	KERRY SEC. (PHILS.), INC. A/C EE001	2,310	0	2,310	0.000



475	MA. REMEDIOS LAPUZ &/OR CONSTANTE LAPUZ	2,310	0	2,310	0.000
476	CECILIA LAQUIAN	2,310	0	2,310	0.000
477	FLORENTINO LAZARO	2,310	0	2,310	0.000
478	ANNABELLE LEE	2,310	0	2,310	0.000
479	ROBERT LEE &/OR CORA LEE	2,310	0	2,310	0.000
480	CRISTINA LEONG	2,310	0	2,310	0.000
481	ELIZABETH LEONG	2,310	0	2,310	0.000
482	JASON HOWING F. LEONG	2,310	0	2,310	0.000
483	AMADO P. LIM &/OR HEIDE N. DY	2,310	0	2,310	0.000
484	VICTOR Y. LIM JR.	2,310	0	2,310	0.000
485	MARIE CHRISTINE C. LITTON	2,310	0	2,310	0.000
486	CRISELDA LONTOK	2,310	0	2,310	0.000
487	DOMINGO ANGELO LOPEZ	2,310	0	2,310	0.000
488	MILAGROS E. LUKBAN	2,310	0	2,310	0.000
489	FILOMENO R. MAGBOJOS	2,310	0	2,310	0.000
490	CAMELA E. MALACAMAN	2,310	0	2,310	0.000
491	ENRIQUETA MANABAT	2,310	0	2,310	0.000
492	ANTONIO S. MANDRIQUE	2,310	0	2,310	0.000
493	DANILO-LUIS M. MARIANO	2,310	0	2,310	0.000
494	BENJAMIN H. MOMBAY &/OR ELYSIA DELA LLANA	2,310	0	2,310	0.000
495	MARILOU MORADA	2,310	0	2,310	0.000
496	ESTELITA NAVARRETE &/OR PONCIANO NAVARETTE	2,310	0	2,310	0.000
497	ANSON NGO	2,310	0	2,310	0.000
498	JOSENIA NOMENO	2,310	0	2,310	0.000
499	JUANITA M. NORA	2,310	0	2,310	0.000
500	THOMAS L. O	2,310	0	2,310	0.000
501	DULCE MARIA S. OLIVA	2,310	0	2,310	0.000
502	JERRY ONG	2,310	0	2,310	0.000
503	ROBERTO Y. ONG	2,310	0	2,310	0.000
504	RUSTOM PADILLA	2,310	0	2,310	0.000
505	ANTONIO PAGTALUNAN	2,310	0	2,310	0.000
506	BENJAMIN I. PENALOSA	2,310	0	2,310	0.000
507	TERESITA PINEDA &/OR ROMAN PINEDA	2,310	0	2,310	0.000
508	ENRIQUETA S. POLINTAN	2,310	0	2,310	0.000
509	ANDREW QUE	2,310	0	2,310	0.000
510	DIVINIA LOURDES REYES &/OR QUINCIANO REYES	2,310	0	2,310	0.000
511	MARY LOU RILLORAZA	2,310	0	2,310	0.000
512	IRENE VIOLA ROCES	2,310	0	2,310	0.000
513	LAYETTE ROSSELLO &/OR TERESA ROSSELLO	2,310	0	2,310	0.000
514	LILLI ANN ROWAN &/OR APRIL LARA ROWAN	2,310	0	2,310	0.000
515	BELINDA I. ROXAS	2,310	0	2,310	0.000
516	EDGARDO SALAZAR &/OR ERLINDA SALAZAR	2,310	0	2,310	0.000
517	CONSOLISA G. SANTILLAN	2,310	0	2,310	0.000
518	LIZA SANTOS	2,310	0	2,310	0.000
519	CORITO SEVILLA	2,310	0	2,310	0.000
520	WILFRED D. SON KENG PO	2,310	0	2,310	0.000
521	ABDON T. SOW	2,310	0	2,310	0.000
522	CATHERINE TAN	2,310	0	2,310	0.000
523	CONRADO Y. TAN	2,310	0	2,310	0.000
524	ELIZABETH H. TAN	2,310	0	2,310	0.000
525	KIM BOK TAN	2,310	0	2,310	0.000
526	SILVERIO BENNY J. TAN	2,310	0	2,310	0.000
527	HERMILAND B. TANHUECO	2,310	0	2,310	0.000
528	JAMES TE	2,310	0	2,310	0.000
529	ENRICO B. TENSUAN &/OR FELISA TENSUAN	2,310	0	2,310	0.000
530	EMILIA TI	2,310	0	2,310	0.000
531	MA. ROSALIA TONGSON &/OR ERNESTO T. TONGSON JR.	2,310	0	2,310	0.000
532	ANTONIO TORAYA	2,310	0	2,310	0.000
533	JULIANA SO TY	2,310	0	2,310	0.000
534	DELANO M. VALERA	2,310	0	2,310	0.000
535	MARILYN VALETE	2,310	0	2,310	0.000
536	MARIE N. VILLALON	2,310	0	2,310	0.000
537	MA. AMELITA C. VILLAROSA	2,310	0	2,310	0.000
538	BENITO G. YANG	2,310	0	2,310	0.000
539	RONALDO C. YAP	2,310	0	2,310	0.000
540	SUSAN TANCHAN YAP	2,310	0	2,310	0.000
541	JUANITO L. YEE	2,310	0	2,310	0.000
542	NGAN WAT YU	2,310	0	2,310	0.000
543	MA. TERESA SD. RIVERA	2,296	0	2,296	0.000
544	RICARDO C. CASTRO	2,100	0	2,100	0.000
545	CATHAY SECURITIES CO., INC. A/C #1313	2,100	0	2,100	0.000
546	ELIZABETH O. CHAN	2,100	0	2,100	0.000
547	FEBTC A/C # 201-00085	2,100	0	2,100	0.000
548	FRANCISCO ORTIGAS SEC., INC. A/C NO.6860	2,100	0	2,100	0.000
549	CECILIA C. NICOLAS	2,100	0	2,100	0.000
550	MANUEL OLIVAN	2,100	0	2,100	0.000
551	MANUEL L. OLIVAN	2,100	0	2,100	0.000
552	FLORENTINA L. PAGSANGHAN	2,100	0	2,100	0.000
553	MICHAEL ERIC A. PAZ	2,100	0	2,100	0.000
554	MARCIAL R. SANTA ANA &/OR ROSALINDA SANTA ANA	2,100	0	2,100	0.000
555	SEC ACCOUNT NO. 1 FAO: VARIOUS CUSTOMERS OF GUOCO SECURITIES (PHILIPPI	2,100	0	2,100	0.000

556	MA. CONSUELO M. TIUTAN	2,100	0	2,100	0.000
557	UCPB TA #93-3277	2,100	0	2,100	0.000
558	WONG SECURITIES CORPORATION	2,100	0	2,100	0.000
559	YAO & ZIALCITA, INC. A/C #3357	2,100	0	2,100	0.000
560	EDUARDO YAP JR.	2,100	0	2,100	0.000
561	LIBERTY M. TRADEL	2,011	0	2,011	0.000
562	CITICORP SECURITIES INT L (PHIL.), INC.(B134AC)	1,968	0	1,968	0.000
563	BIENVENIDO L. PEREZ &/OR PRESCILLA R. PEREZ	1,890	0	1,890	0.000
564	JOSE MANUEL DE JESUS &/OR MARIA ELENA DE JESUS	1,732	0	1,732	0.000
565	PRINCESITA DE LA CRUZ	1,732	0	1,732	0.000
566	CECILIA DEL CASTILLO	1,732	0	1,732	0.000
567	MILA V. DOMINGUEZ	1,732	0	1,732	0.000
568	SOCORRO JARAVATA	1,732	0	1,732	0.000
569	LIBERTY A. PANIS	1,732	0	1,732	0.000
570	AGERICO PARAS	1,732	0	1,732	0.000
571	RHONA PORDESIMO	1,732	0	1,732	0.000
572	MIGUEL S. TOMACRUZ	1,732	0	1,732	0.000
573	GINA MARIE UMALI	1,732	0	1,732	0.000
574	MA. ELENA R. VERSOZA	1,732	0	1,732	0.000
575	NELLY YANG	1,732	0	1,732	0.000
576	ADRIANO S. YU JR.	1,732	0	1,732	0.000
577	BENJAMIN CO CA & CO., INC.	1,680	0	1,680	0.000
578	ELIZABETH R. LEDESMA	1,680	0	1,680	0.000
579	BELLA WEE	1,617	0	1,617	0.000
580	CARLITO CUNANAN III	1,575	0	1,575	0.000
581	FIRST GUARANTEE LIFE ASSURANCE CO., INC.	1,575	0	1,575	0.000
582	MARIANO ANG	1,470	0	1,470	0.000
583	SOLIDBANK TRUST ACCOUNT C-20010	1,443	0	1,443	0.000
584	SEVERINO O. LARDIZABAL	1,312	0	1,312	0.000
585	JOSE PALMA	1,312	0	1,312	0.000
586	RUBEN M. SUMO OR EMELITA M. SUMO	1,312	0	1,312	0.000
587	ESPIRITA ACOSTA	1,155	0	1,155	0.000
588	RUTH W. AH HING	1,155	0	1,155	0.000
589	MARJORIE P. ALBARADO	1,155	0	1,155	0.000
590	MILAGROS ALORA	1,155	0	1,155	0.000
591	PETER PAUL C. ANG	1,155	0	1,155	0.000
592	LILIA G. APOLINAR	1,155	0	1,155	0.000
593	ADOLF ARAGON	1,155	0	1,155	0.000
594	JOAQUIN C. ARANETA	1,155	0	1,155	0.000
595	LILIAN AREVALO	1,155	0	1,155	0.000
596	ASIAN OCEANIC MERIT SEC., INC.FAO JM161	1,155	0	1,155	0.000
597	MELISSA F. BACANI	1,155	0	1,155	0.000
598	NATASHA C. BARON	1,155	0	1,155	0.000
599	MA. ELENA BATUNGBACAL	1,155	0	1,155	0.000
600	ERLINDA BELTRAN	1,155	0	1,155	0.000
601	ISIDRO BENITEZ &/OR TERESITA BENITEZ	1,155	0	1,155	0.000
602	ISAIAS A. BERNAL JR.	1,155	0	1,155	0.000
603	JAMES B. BERSAMIN	1,155	0	1,155	0.000
604	MARLINO CAGAS	1,155	0	1,155	0.000
605	MERCEDITAS CANLAS	1,155	0	1,155	0.000
606	AURORA G. CASAclang	1,155	0	1,155	0.000
607	MARIA ERMALINDA CASENAS	1,155	0	1,155	0.000
608	HUAN SHEK CHAN	1,155	0	1,155	0.000
609	JEHNNY D. CHING	1,155	0	1,155	0.000
610	GEORGE P. CO	1,155	0	1,155	0.000
611	REINA CO	1,155	0	1,155	0.000
612	EMMANUEL CONCEPCION	1,155	0	1,155	0.000
613	ALICIA K. CORTES	1,155	0	1,155	0.000
614	EDUARDO G. CRUZ	1,155	0	1,155	0.000
615	FROILAN S. CRUZ JR.	1,155	0	1,155	0.000
616	LILIA G. DAMASCO	1,155	0	1,155	0.000
617	MA. LUISA R. DATILES	1,155	0	1,155	0.000
618	MA. ROSARIO G. DAYAN	1,155	0	1,155	0.000
619	LUCENA K. DE GUZMAN &/OR JOHN K. DE GUZMAN	1,155	0	1,155	0.000
620	FRANCIA P. DE LA ROSA	1,155	0	1,155	0.000
621	LOURDES VICTORIA M. DE LEON	1,155	0	1,155	0.000
622	TANYA N. DEL CASTILLO	1,155	0	1,155	0.000
623	J. ANTONIO T. DELA PENA	1,155	0	1,155	0.000
624	JEFFREY T. DELA PENA	1,155	0	1,155	0.000
625	MA. CRISTINA T. DELA PENA	1,155	0	1,155	0.000
626	EDELWINA A. DELFINADO	1,155	0	1,155	0.000
627	SANSIN G. DIO	1,155	0	1,155	0.000
628	MAXIMA VICTORIA QUERO DIZON	1,155	0	1,155	0.000
629	DEE KO SAW DY	1,155	0	1,155	0.000
630	ARTHUR PO DYCHIAO	1,155	0	1,155	0.000
631	LAURES T. EMPIG	1,155	0	1,155	0.000
632	HERNANDO MICHAEL P. ESQUIVEL	1,155	0	1,155	0.000
633	REMEDIOS EVANGELISTA	1,155	0	1,155	0.000
634	CYNTHIA EVASCO	1,155	0	1,155	0.000
635	MA. ELENA FELICIANO &/OR ERIC NARCISO	1,155	0	1,155	0.000
636	JENNIFER FONG	1,155	0	1,155	0.000

637	ALBERT FRANCISCO	1,155	0	1,155	0.000
638	TEOFILO FRANCISCO &/OR OFELIA S.A. FRANCISCO	1,155	0	1,155	0.000
639	DENIVER M. GAN	1,155	0	1,155	0.000
640	MILLICENT GERVAICIO	1,155	0	1,155	0.000
641	MA. NATIVIDAD E. GICANO	1,155	0	1,155	0.000
642	CRISPIN V. GUTIERREZ	1,155	0	1,155	0.000
643	MARLENE C. HONG	1,155	0	1,155	0.000
644	REYNALDO INTAL	1,155	0	1,155	0.000
645	JULIE ARLENE B. JACOB	1,155	0	1,155	0.000
646	KEPPEL SEC. PHILS., INC. A/C NO.1386	1,155	0	1,155	0.000
647	KEPPEL SEC. PHILS., INC. A/C NO.1521	1,155	0	1,155	0.000
648	JOHN LAM	1,155	0	1,155	0.000
649	ANGELO LAQUINDANUM &/OR JANE YOUNG	1,155	0	1,155	0.000
650	MA. CONCEPCION F. LARA	1,155	0	1,155	0.000
651	MAY M. LEABRES	1,155	0	1,155	0.000
652	MAY LYNN YU LEE	1,155	0	1,155	0.000
653	PAULETTE LIU	1,155	0	1,155	0.000
654	MARLENE R. LOPEZ	1,155	0	1,155	0.000
655	PERCIE D. MANAGUELOD	1,155	0	1,155	0.000
656	CARLOS S. MANANSALA &/OR MA. LOUELLA Q. MANANSALA	1,155	0	1,155	0.000
657	ANGELINA N. MANAPAT	1,155	0	1,155	0.000
658	SERGIO MANGUBAT &/OR SOCORRO MANGUBAT	1,155	0	1,155	0.000
659	BETHEL P. MARANAN	1,155	0	1,155	0.000
660	CECILIA MEDINA	1,155	0	1,155	0.000
661	REGINA D. MERCADO	1,155	0	1,155	0.000
662	LUISA Y. MIRANDA	1,155	0	1,155	0.000
663	CAMILO MONTENEGRO OR LOURDES MONTENEGRO	1,155	0	1,155	0.000
664	CARMELITA NASSER	1,155	0	1,155	0.000
665	JOCELYN A. NG	1,155	0	1,155	0.000
666	ROBERTO P. OCAMPO	1,155	0	1,155	0.000
667	RENERO V. ORTEGA	1,155	0	1,155	0.000
668	MANUEL R. OUANO	1,155	0	1,155	0.000
669	FAUSTINO OVIEDO	1,155	0	1,155	0.000
670	MELISANDE M. PAGGABAO	1,155	0	1,155	0.000
671	VICENTE LIM PANG	1,155	0	1,155	0.000
672	LIGAYA PASIMIO	1,155	0	1,155	0.000
673	PETER PATERO &/OR REMEDIOS PATERO	1,155	0	1,155	0.000
674	SUSAN PENAFLO	1,155	0	1,155	0.000
675	TERESITA L. PINEDA	1,155	0	1,155	0.000
676	ROBERTO Y. PRUDENTE	1,155	0	1,155	0.000
677	MYRNA E. RECINTO	1,155	0	1,155	0.000
678	PEDRO REMOTO &/OR CONCEPCION REMOTO	1,155	0	1,155	0.000
679	LUISITO N. REYES	1,155	0	1,155	0.000
680	FLORENCIO S. RIVERA	1,155	0	1,155	0.000
681	PEDRO E. ROXAS	1,155	0	1,155	0.000
682	ROBEL I. ROXAS	1,155	0	1,155	0.000
683	ERIC RAGASA RUIZ	1,155	0	1,155	0.000
684	MYRNA F. RUZ	1,155	0	1,155	0.000
685	GINA ROSE M. SANCHEZ	1,155	0	1,155	0.000
686	AURORA E. SANTOS	1,155	0	1,155	0.000
687	HECTOR A. SANVICTORES	1,155	0	1,155	0.000
688	NORMA SIBAYAN	1,155	0	1,155	0.000
689	NARCISO LIZA SISTERS	1,155	0	1,155	0.000
690	ARIUS SOBREVINAS &/OR HOMER SOBREVINAS	1,155	0	1,155	0.000
691	ANABELLE ACUNA SORIA	1,155	0	1,155	0.000
692	JESUSITO H. SULIT	1,155	0	1,155	0.000
693	JOSE DOMINGO P. SWANN	1,155	0	1,155	0.000
694	CRISTOFORO J. SY	1,155	0	1,155	0.000
695	ILDEFONSA TABAC	1,155	0	1,155	0.000
696	NELIN B. TAMBIS	1,155	0	1,155	0.000
697	LORNA JOYCE TANG	1,155	0	1,155	0.000
698	TERENCIA TANQUINTIC	1,155	0	1,155	0.000
699	MARY ANGELA T. TICZON	1,155	0	1,155	0.000
700	CORNELIUS R. URBINO	1,155	0	1,155	0.000
701	CYMBELINA VALDEZ	1,155	0	1,155	0.000
702	EUFROCINA F. VEGA &/OR AURORA F. TOBIAS	1,155	0	1,155	0.000
703	CRISTINA VICTORIA P. VELASCO	1,155	0	1,155	0.000
704	JUANITO VILLANUEVA	1,155	0	1,155	0.000
705	JOEL YNSON	1,155	0	1,155	0.000
706	SONIA L. YOUNG	1,155	0	1,155	0.000
707	VIRGINITA YU	1,155	0	1,155	0.000
708	MA. TERESA S. ZALAMEA	1,155	0	1,155	0.000
709	EMMA G. SEE	1,057	0	1,057	0.000
710	ROBERTO R. ADECER	1,050	0	1,050	0.000
711	ELIZABETH V. AGREGADO	1,050	0	1,050	0.000
712	CAROL ALDOVER	1,050	0	1,050	0.000
713	RODERICK ALAIN ALVAREZ &/OR SANDRA LOURDES CADORNA	1,050	0	1,050	0.000
714	OFELIA R. BLANCO	1,050	0	1,050	0.000
715	BENJAMIN U. CASTRO OR ESTELA L. CASTRO	1,050	0	1,050	0.000
716	MARK CHAN	1,050	0	1,050	0.000
717	ERNESTO P. CRUZ &/OR TIRSO P. CRUZ	1,050	0	1,050	0.000

718	HOSSANA G. DE JESUS	1,050	0	1,050	0.000
719	EDUARDO S. DEGRACIA	1,050	0	1,050	0.000
720	DHARMALA SEC. (PHILS.), INC.	1,050	0	1,050	0.000
721	ANTHONY S. DIAMOS	1,050	0	1,050	0.000
722	LORD LUARDO ESPINA	1,050	0	1,050	0.000
723	CAROL R. FANGONIL	1,050	0	1,050	0.000
724	FREDERICK E. FERRARIS &/OR ESTER E. FERRARIS	1,050	0	1,050	0.000
725	ARISTEDES GALBO	1,050	0	1,050	0.000
726	AMARANTE GAMBOL	1,050	0	1,050	0.000
727	ROGELIO GANZON	1,050	0	1,050	0.000
728	GLOBAL PACIFIC CORP.	1,050	0	1,050	0.000
729	GLORIA GO	1,050	0	1,050	0.000
730	TERESITA C. GOMEZ	1,050	0	1,050	0.000
731	JORGE T. GONZALEZ	1,050	0	1,050	0.000
732	LOURDJEAN T. GONZALEZ	1,050	0	1,050	0.000
733	HAPI ILOILO CORPORATION	1,050	0	1,050	0.000
734	HK SECURITIES, INC. A/C NO. 1010771	1,050	0	1,050	0.000
735	MICHAEL TIMOTHY L. KAWPENG &/OR ANNE MARIE L. KAWPENG	1,050	0	1,050	0.000
736	ARLEEN PALMA GIL LEDESMA	1,050	0	1,050	0.000
737	ALAN HERRERA LIM	1,050	0	1,050	0.000
738	IRENE LIMHEYA &/OR ALBERT LIMHEYA	1,050	0	1,050	0.000
739	ALBERT DAVID LUGUE	1,050	0	1,050	0.000
740	CONCHITA ONGLINGKUAN	1,050	0	1,050	0.000
741	CORNELIO PERALTA	1,050	0	1,050	0.000
742	R & L INVESTMENTS, INC.	1,050	0	1,050	0.000
743	SEVERINO T. ROXAS-CHUA	1,050	0	1,050	0.000
744	JOSEPHINE S. SANARES	1,050	0	1,050	0.000
745	SIMEON SIH	1,050	0	1,050	0.000
746	HENRY L. TAN	1,050	0	1,050	0.000
747	ROSA TY	1,050	0	1,050	0.000
748	UCPB TA #93-2997	1,050	0	1,050	0.000
749	ROSALINA UY	1,050	0	1,050	0.000
750	CHARLES CHIU WEE	1,050	0	1,050	0.000
751	LOURDES WONG	1,050	0	1,050	0.000
752	WONG SECURITIES CORP.	1,050	0	1,050	0.000
753	JENNIFER YU	1,050	0	1,050	0.000
754	JUAN C. ZARATE	1,050	0	1,050	0.000
755	ZOSIMO DELA CALZADA	1,005	0	1,005	0.000
756	REGINA CAP. DEV. CORP. /000956	1,000	0	1,000	0.000
757	SCB OBO SSAL FUND NO AUS Q981	924	0	924	0.000
758	TORRANCE DEVELOPMENT CORP.	871	0	871	0.000
759	CHRISTOPHER B. ABIQG	840	0	840	0.000
760	CATHAY SECURITIES CO., INC. A/C #1622	840	0	840	0.000
761	CITYTRUST SECURITIES CORP. A/C #93-055	840	0	840	0.000
762	FEDERICO SARABIA	840	0	840	0.000
763	ANGELITA C. TUANO	808	0	808	0.000
764	ELINOR C. VISAYA	808	0	808	0.000
765	MA. LINDA S. TORIO ITF MARIE ABIGAIL S. PELAYO/ MIKHA	735	0	735	0.000
766	GUILD SECURITIES, INC.	682	0	682	0.000
767	PAREF-SOUTHTRIDGE SCHOOL, INC. NIGHT SCHOOL ENDOWMENT	681	0	681	0.000
768	BF CITYLAND CORPORATION	663	0	663	0.000
769	MA. CRISTINA L. BAUTISTA	630	0	630	0.000
770	RODNEY Y. BRIANGAS &/OR MARINA Y. BRINGAS	630	0	630	0.000
771	BOTSCHAFT CHENG	630	0	630	0.000
772	ELENA DEL ROSARIO &/OR JESUSA DEL ROSARIO	630	0	630	0.000
773	G & A REALTY CORPORATION	630	0	630	0.000
774	MILA C. GO	630	0	630	0.000
775	JONATHAN V. JIMENEZ	630	0	630	0.000
776	RICHARD W. POWELL	630	0	630	0.000
777	A. N. TY	630	0	630	0.000
778	AURORA DY	603	0	603	0.000
779	LEWIS CHO LEE	600	0	600	0.000
780	ORLINO I. ACHANZAR	577	0	577	0.000
781	ALDO F. ALMERA	577	0	577	0.000
782	ABRAHAM M. BARTOLOME	577	0	577	0.000
783	ALINE YEE BISNAR	577	0	577	0.000
784	MA. ROSARIO R. BONGCO	577	0	577	0.000
785	NANCY F. CHAN	577	0	577	0.000
786	CITYTRUST SECURITIES CORP. A/C #93-381	577	0	577	0.000
787	AUREA DR. CONDUCTO	577	0	577	0.000
788	MARIO CRUZ	577	0	577	0.000
789	BENITA D. DAZO	577	0	577	0.000
790	GLORIA DE GUZMAN	577	0	577	0.000
791	JUANITO F. DIAZ	577	0	577	0.000
792	SAMUEL K. DIGNADICE	577	0	577	0.000
793	CAESAR ALPUERTO DITAN	577	0	577	0.000
794	DIVERSIFIED SECURITIES, INC. (B145AC)	577	0	577	0.000
795	ELMER R. ENCARNACION	577	0	577	0.000
796	NELSON EPIFANIO	577	0	577	0.000
797	CECILIA C. GAHOL	577	0	577	0.000
798	MA. ERLINDA A. GUANZON	577	0	577	0.000

799	FEDERICO GUILLERMO	577	0	577	0.000
800	GLENDA GRACE V. GUINTO	577	0	577	0.000
801	BENJAMIN A. GUTIERREZ SR.	577	0	577	0.000
802	KERRY SEC. (PHILS.), INC. A/C RR006	577	0	577	0.000
803	LEONARDO LEONIO &/OR TERESITA LEONIO	577	0	577	0.000
804	RENE LIMCAUCO &/OR MELISSA LIMCAUCO	577	0	577	0.000
805	ERLINDA LOOD	577	0	577	0.000
806	ROLANDO MANTUA	577	0	577	0.000
807	ELVIRA S. MARTINEZ	577	0	577	0.000
808	JUANCHO NASSER	577	0	577	0.000
809	MA. RITA SOFIA C. RAAGAS	577	0	577	0.000
810	MA. BERNADETTE RATCLIFFE	577	0	577	0.000
811	RTG & COMPANY, INC. A/C # 1727	577	0	577	0.000
812	LYNETTE O. SANTAMARIA	577	0	577	0.000
813	ELENITA G. SANTOS	577	0	577	0.000
814	FRANCIS JAY SANTOS	577	0	577	0.000
815	WENCESLAO M. SANTOS JR.	577	0	577	0.000
816	MARVY SIMMONS	577	0	577	0.000
817	EMMANUEL SUAN	577	0	577	0.000
818	J. SERGIO E. TAN	577	0	577	0.000
819	JULIANA C. TAYAG	577	0	577	0.000
820	GRACIA CELESTINA M. TUVERA	577	0	577	0.000
821	ESTRELLA O. VILLEGAS	577	0	577	0.000
822	LITA C. VILLAMAYOR	570	0	570	0.000
823	LUTGARDA C. VILLAMAYOR	570	0	570	0.000
824	JAMES AARON L. ANDAL	525	0	525	0.000
825	BERNARDO M. BERIDA JR.	525	0	525	0.000
826	CATHAY SECURITIES CO., INC. A/C #1369	525	0	525	0.000
827	CITYTRUST SECURITIES CORP. A/C #94-A38	525	0	525	0.000
828	MARC LAWRENCE P. DEL ROSARIO	525	0	525	0.000
829	ROSITA DY BUNCIO &/OR JOCELYN DY BUNCIO	525	0	525	0.000
830	RODOLFO GO &/OR NORMA V. GO	525	0	525	0.000
831	MANUEL GO JR.	525	0	525	0.000
832	MA. ASUNCION L. GONZAGA	525	0	525	0.000
833	GUOCO SECURITIES (PHILS), INC.	525	0	525	0.000
834	RODOLFO HERRERA	525	0	525	0.000
835	SOLEDAD LIM	525	0	525	0.000
836	EDITA MACASPAC &/OR LOURDES MACASPAC	525	0	525	0.000
837	RAPHAEL T. MANALAYSAY	525	0	525	0.000
838	JAIME B. MENDOZA &/OR ELIZABETH DIANE MENDOZA	525	0	525	0.000
839	ARNALITO NAPALA	525	0	525	0.000
840	DIOMEDES BERSABAL OLANDRES	525	0	525	0.000
841	CELSO OPACO &/OR MARIAN OPACO	525	0	525	0.000
842	PHILAM SAVINGS BANK TBD 23-006	525	0	525	0.000
843	MA. VICTORIA SAN AGUSTIN	525	0	525	0.000
844	NELA Y. SEBASTIAN	525	0	525	0.000
845	RUDEGELIO TACORDA &/OR CONSOLACION TACORDA	525	0	525	0.000
846	KIM TIU TAN	525	0	525	0.000
847	ADELAIDA TIOTUYCO &/OR PATRICIA MARINELLA TIOTUYCO	525	0	525	0.000
848	HARRY UY	525	0	525	0.000
849	SILVINO RINOSA	504	0	504	0.000
850	SEE TEK BENG	473	0	473	0.000
851	CARMELA L. ACOSTA	462	0	462	0.000
852	JULIETA L. DE VERA	462	0	462	0.000
853	JUDY L. GARCENIEGO	462	0	462	0.000
854	JEAN L. GUMATAY	462	0	462	0.000
855	CARMINA C. LISING	462	0	462	0.000
856	RAMON Y. SY	462	0	462	0.000
857	MANUEL CONCEPCION	420	0	420	0.000
858	PABLO TITO A. DAVID JR.	420	0	420	0.000
859	CHARLES TIU GAN	420	0	420	0.000
860	DOMINADOR GENETA	420	0	420	0.000
861	JOB DIONISIO L. GUERRERO	420	0	420	0.000
862	DELY ICARD	420	0	420	0.000
863	LAGRIMAS R. NUQUI	420	0	420	0.000
864	ANNA MARIA M. PASCUAL-YLAGAN & DANILO F. CRUZ	420	0	420	0.000
865	EDUARDO M. SACRIS	420	0	420	0.000
866	MARGARITA A. SINGH	420	0	420	0.000
867	RICHARD SO &/OR OFELIA SHUBE	420	0	420	0.000
868	JOHNSON ROBERT L. GO	390	0	390	0.000
869	AILEEN THERESA J. RUIZ	385	0	385	0.000
870	RAIZEL GERALDINE J. RUIZ	385	0	385	0.000
871	CHRISTEL LEONILA J. RUIZ	384	0	384	0.000
872	WOLFF & CO., INC.	367	0	367	0.000
873	CONNELL SECURITIES, INC.	346	0	346	0.000
874	ZINA MARIE D. R. SALONGA	346	0	346	0.000
875	CLARISA R. DAYAN	315	0	315	0.000
876	RENE L. ELOMINA &/OR TERESA A. ELOMINA	315	0	315	0.000
877	SO KI LIN	315	0	315	0.000
878	GERARDO F. LITTON	315	0	315	0.000
879	PACITA LLORCA	315	0	315	0.000

880	WAY MAN PO	315	0	315	0.000
881	JUAN QUINTOS JR.	315	0	315	0.000
882	SHAREHOLDERS ASSOCIATION OF THE PHILIPPINES, INC.	315	0	315	0.000
883	SOLIDBANK TRUST ACCOUNT P-11290	315	0	315	0.000
884	JOSE SANCHEZ	275	0	275	0.000
885	PERFECTO L. NICOLAS	262	0	262	0.000
886	CRISTINA LEONG	231	0	231	0.000
887	EDUARDO R. GULLAS	219	0	219	0.000
888	MINERVA M. AGAS &/OR VOLTAIRE P. AGAS	210	0	210	0.000
889	GLORIA G. ANTONIO	210	0	210	0.000
890	CATHAY SECURITIES CO., INC. A/C #1811	210	0	210	0.000
891	FEB STOCK BROKERS, INC. A/C ONGJ002	210	0	210	0.000
892	FEB STOCK BROKERS, INC. A/C ROBL001	210	0	210	0.000
893	FEBTC A/C # 201-00013	210	0	210	0.000
894	SHIRLEY FLORENTINO &/OR EDGARDO NINO FLORENTINO JR.	210	0	210	0.000
895	GSIS FAO ROY D. TABANGAY	210	0	210	0.000
896	JOSE RENE ITURRALDE	210	0	210	0.000
897	FLORANTE LARAYA	210	0	210	0.000
898	ELVIRA LEDESMA	210	0	210	0.000
899	PAMELA BARBARA G. MARCELO	210	0	210	0.000
900	MARLENE V. OFRENEO &/OR NIMSON E. OFRENEO	210	0	210	0.000
901	RAFAEL OMENGAN	210	0	210	0.000
902	SOFIA ONG	210	0	210	0.000
903	JOSE A.V. OPULENCIA	210	0	210	0.000
904	NELLIE ORTEGA	210	0	210	0.000
905	FLORELIANO PARCO JR.	210	0	210	0.000
906	CARLOS RAMON M. PENAMANTE	210	0	210	0.000
907	EUSEBIO PO	210	0	210	0.000
908	MARIO R. POLICARPIO JR.	210	0	210	0.000
909	HERNANDO C. SAN PEDRO &/OR FROWELL I. MANANSALA	210	0	210	0.000
910	BELEN SIY	210	0	210	0.000
911	SUPREME STOCKBROKERS, INC.	210	0	210	0.000
912	LIBERATO TAYCO	210	0	210	0.000
913	EDUARDO M. TRINIDAD	210	0	210	0.000
914	JUAN C VILLALUZ &/OR AILEEN G. VILLALUZ &/OR ALEXANDER G. VILLALUZ	210	0	210	0.000
915	NORMAN YAM	210	0	210	0.000
916	CRISELDA N. RIVERA	165	0	165	0.000
917	ALFONSO V. BELTRAN	157	0	157	0.000
918	JESUS N. BORROMEO &/OR FLORINDA S. BORROMEO	157	0	157	0.000
919	DENNIS CESAR CERRER	157	0	157	0.000
920	LEONARDO JACINTO JR.	157	0	157	0.000
921	BABY SY	157	0	157	0.000
922	GEORGE D. TEMPLO	157	0	157	0.000
923	ANDREA RAYA TOLENTINO	157	0	157	0.000
924	ANABELLE LIM YAO	155	0	155	0.000
925	ANABELLE YAO LIM	155	0	155	0.000
926	EMMANUEL MALAGUENO	126	0	126	0.000
927	ELIAS B. DULALIA	115	0	115	0.000
928	RAFAEL B. ORTIGAS	115	0	115	0.000
929	TREVOR ERNEST THOMAS PRICE	115	0	115	0.000
930	HENRY M. ABCEDE	105	0	105	0.000
931	ANA MARIE G. ARENAS	105	0	105	0.000
932	REYNALDO ARTUGUE	105	0	105	0.000
933	RODORA V. BAUTISTA	105	0	105	0.000
934	LOURDES E. BORJA	105	0	105	0.000
935	CATHAY SECURITIES CO., INC. A/C #1812	105	0	105	0.000
936	DENZELL L. CHAM	105	0	105	0.000
937	JOHN CHUA &/OR CARMINIA CHUA	105	0	105	0.000
938	JOSE RICARDO Z. CORNISTA	105	0	105	0.000
939	RODOLFO L. CRUZ	105	0	105	0.000
940	MA. CONCEPCION A. DE GUZMAN	105	0	105	0.000
941	GLORIA DE LEON	105	0	105	0.000
942	MA. ASSUNTA DE RIVERA	105	0	105	0.000
943	ATANACIO C. DEGRACIA	105	0	105	0.000
944	ENRIQUE I. DY-LIACCO	105	0	105	0.000
945	EDUARDO ENRIQUEZ JR.	105	0	105	0.000
946	CONCEPCION B. EVIDENTE	105	0	105	0.000
947	MA. REMEDIOS D. FIDEL	105	0	105	0.000
948	JOSE J. LEONARDO	105	0	105	0.000
949	ARMAND LIM	105	0	105	0.000
950	MANUEL I. LLESOL	105	0	105	0.000
951	MILAGROS ONG MAGAT	105	0	105	0.000
952	SUSAN D. JOAQUIN MANALANG	105	0	105	0.000
953	ELIZABETH MERCADO	105	0	105	0.000
954	CYNTHIA L. MIRAFLOR	105	0	105	0.000
955	ROSARIO MIRAVITE	105	0	105	0.000
956	BELEN NARCISO	105	0	105	0.000
957	JENARA ROSANNA ONG	105	0	105	0.000
958	PACIFIC BASIN SECURITIES CO., INC.	105	0	105	0.000
959	DAVIDSON N. PARAGGUA	105	0	105	0.000
960	CYNTHIA PEREZ	105	0	105	0.000

961	RAFAEL A. POBLADOR	105	0	105	0.000
962	ROWENA Z. REYES	105	0	105	0.000
963	RICHMOND ROCKWELL &/OR ROSEMARIE ROCKWELL	105	0	105	0.000
964	SUSAN V. RODRIGUEZ	105	0	105	0.000
965	DIONISIA D. ROLA	105	0	105	0.000
966	ELMER ROMERO	105	0	105	0.000
967	IRMA A. SANCHEZ	105	0	105	0.000
968	JULIUS VICTOR EMMANUEL J SANVICTORES	105	0	105	0.000
969	RAYMUNDO S. SINGSON	105	0	105	0.000
970	RICHARD SO &/OR OFELIA SO	105	0	105	0.000
971	ROSALINDA SUN	105	0	105	0.000
972	FELIPE TABANDA &/OR ELENITA TABANDA	105	0	105	0.000
973	ROY D. TABANGAY	105	0	105	0.000
974	JEANETTE Y. UY	105	0	105	0.000
975	VICENTE GOQUIOLAY & CO., INC.	105	0	105	0.000
976	FRANK C. VILLANUEVA	105	0	105	0.000
977	WINTHROP WEE	105	0	105	0.000
978	ALBERT YU	105	0	105	0.000
979	NINA ROSARIO L. ROJAS	57	0	57	0.000
980	JULIETA A. GAUDINEZ	52	0	52	0.000
981	MICHELLE P. GEMPERLE	52	0	52	0.000
982	GLOBAL PACIFIC CORPORATION	52	0	52	0.000
983	JOSEFINA A. PADILLA	52	0	52	0.000
984	M.J. SORIANO TRADING, INC.	50	0	50	0.000
985	ISABEL L. OSMENA	50	0	50	0.000
986	CITIBANK N.A MLA OBO A/C 6001680371 (CITI10)	42	0	42	0.000
987	PDCP MANAGED ACCOUNTS	31	0	31	0.000
988	DOROTHY TANUNLIONG	27	0	27	0.000
989	VINCENT RICARDO CUEVAS	10	0	10	0.000
990	OWEN NATHANIEL S. AU ITF : LI MARCUS AU	6	0	6	0.000
991	CATHERINE JENNIFER MEDRANA CATIBOG	2	0	2	0.000
992	JOSELITO T. BAUTISTA	1	0	1	0.000
993	RENATO DE GUZMAN	1	0	1	0.000
994	ANTONIO L. GO	1	0	1	0.000
995	JOHNSON ROBERT G. GO, JR.	1	0	1	0.000
996	MIGUEL D. MARANA OR CENON BIENVENIDO D. MARANA	1	0	1	0.000
997	LILY G. NGOCHUA	1	0	1	0.000
998	CIRILO P. NOEL	1	0	1	0.000
999	JOSE TRINIDAD PARDO	1	0	1	0.000
GRAND TOTAL (999)		7,520,983,658	0	7,520,983,658	100.000

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registered Stockholder. Once the ballot has been submitted, votes may no longer be changed. Multiple submissions of the digital ballot under the same shareholder for the same shares shall be invalidated.

5. Voting in absentia shall be open from April 27, 2021, to May 6, 2020.
6. The Office of the Corporate Secretary shall tabulate all votes cast *in absentia* together with the votes cast by proxy, and an independent third party will validate the results.
7. Stockholders who register and vote on the website for voting *in absentia* are hereby deemed to have given their consent to the collection, use, storing, disclosure, transfer, sharing and general processing of their personal data by the Corporation and by any other relevant third party for the purpose of electronic voting *in absentia* for the Annual Stockholders' Meeting and for all other purposes for which the Stockholder can cast his/her/its vote as a stockholder of the Corporation.

## **II. PARTICIPATION VIA REMOTE COMMUNICATION**

1. Stockholders may attend the meeting on May 14, 2021 at 11:00 a.m. via the following livestreaming link: <https://bit.ly/JGS2021ASM>. The livestream shall be broadcast via Microsoft Teams, which may be accessed either on the web browser or on the Microsoft Teams app. Those who wish to view the livestream may sign in using any Microsoft account or may join the stream anonymously.
2. Stockholders who have not sent their proxies or registered and voted *in absentia* website ("Unregistered Stockholders") may still attend the meeting through the broadcast link. In order to be counted for the determination of quorum, Unregistered Stockholders are requested to notify the Corporation by e-mail to [corporatesecretary@jgsummit.ph](mailto:corporatesecretary@jgsummit.ph) on or before by May 6, 2021 of their intention to participate in the meeting by remote communication.

For validation purposes, the notification email from the Stockholder shall contain the following:

- a. Stockholders who have registered and voted in absentia before the cut off date;
  - b. Stockholders who have sent their proxies before the deadline;
  - c. Stockholders who have notified the Corporation of their intention to participate in the meeting by remote communication before the deadline.
3. Questions and comments on the items in the Agenda may be sent to [corporatesecretary@jgsummit.ph](mailto:corporatesecretary@jgsummit.ph). Questions or comments received on or before May 6, 2021 may be responded to during the meeting. Any questions not answered during the meeting shall be answered via email.



## **PART I - BUSINESS AND GENERAL INFORMATION**

### **Item 1. Description of Business**

#### **(A) Business Development**

JG Summit Holdings, Inc. (JG Summit / the Company / the Group), which is controlled by the Gokongwei Family, was incorporated in November 1990 as the holding company for a group of companies with substantial business interests in foods, agro-industrial and commodities, real estate and hotel, air transportation, banking and petrochemicals. The Company also has core investments in telecommunications and power generation and distribution.

The Company is one of the largest and most diversified conglomerates within the Philippines. The Company was listed on the PSE in 1993.

The Company and its subsidiaries (the Group), conduct businesses throughout the Philippines, but primarily in and around Metro Manila (where it is based) and in the regions of Luzon, Visayas and Mindanao.

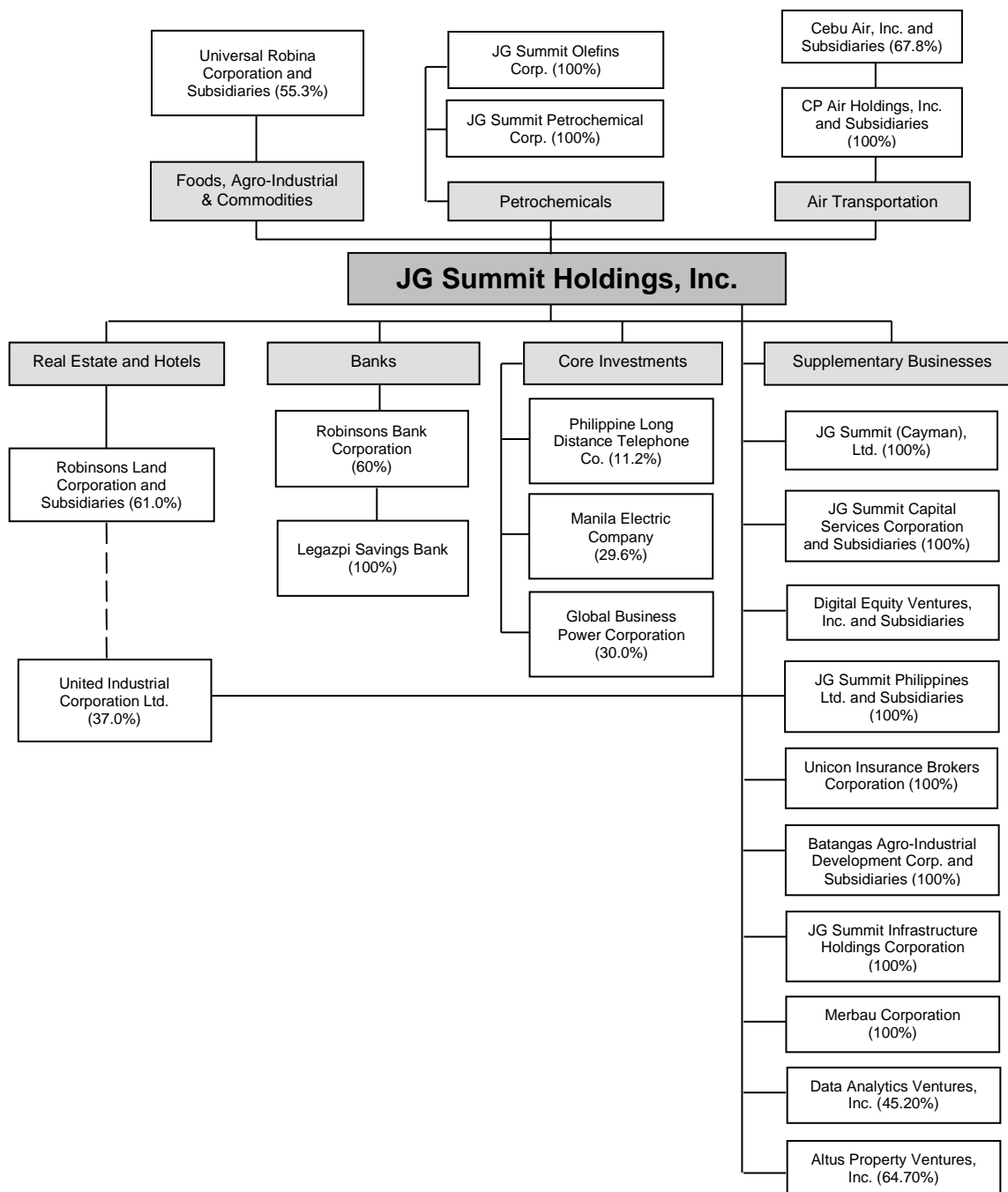
The Group also has a branded consumer foods business in the People's Republic of China (PRC), ASEAN and Oceania (New Zealand and Australia) regions, and a core investment in a property development company in Singapore.

The Company has not been into any bankruptcy, receivership or similar proceedings for the past two years.

The Gokongwei Family beneficially owns approximately 17.4% of the outstanding share capital of the Company. In addition, certain members of the Gokongwei Family are trustees of the Gokongwei Brothers Foundation, which holds interest in approximately 27.9% of the existing outstanding share capital of the Company.

**(B) Business of Issuer**

The industry segments where the Company and its subsidiaries and affiliates operate are summarized below:



The following table shows the breakdown of the Company's revenues and net profits from continuing operations by business areas (in millions except % amounts):

	REVENUES						Net Income attributable to Parent Co.					
	2020		2019		2018		2020		2019		2018	
	Peso	%	Peso	%	Peso	%	Peso	%	Peso	%	Peso	%
Food, Agro-Industrial and Commodity Food Products	133,174	60	134,032	44	127,670	44	5,938		5,399	17	5,086	27
Air Transportation	22,302	10	84,874	28	74,250	25	(15,091)		6,185	20	2,653	14
Petrochemicals	22,021	10	30,075	10	43,776	15	(1,979)		971	3	1,054	5
Real estate and hotels	27,897	13	36,690	12	32,758	11	5,701		11,334	36	8,249	43
Banks	9,190	4	8,132	3	6,144	2	561		432	2	191	1
Other Supplementary Businesses	8,012	4	9,364	3	8,827	3	4,198		6,902	22	2,358	12
Adjustments/eliminations	(956)	-	(1,344)	-	(1,509)	-	204		62	-	(405)	(2)
Total from Continuing Operations	221,640	100	301,823	100	291,916	100	(468)		31,285	100	19,186	100

Information as to domestic and foreign revenues, including foreign currency denominated revenues and dollar linked revenues, and their contributions to total revenues follow (in millions except % amounts):

	2020		2019		2018	
	Amount	%	Amount	%	Amount	%
Domestic	158,721	72	205,285	68	191,174	65
Foreign	62,919	28	96,538	32	100,742	35
	221,640	100	301,823	100	291,916	100

## **a) FOODS, AGRO-INDUSTRIAL AND COMMODITIES**

### ***Business Development***

The Company operates its food business through Universal Robina Corporation (URC), which is one of the largest branded food product companies in the Philippines, with the distinction of being called the country's first "Philippine Multinational." It has established a strong presence in ASEAN and has further expanded its reach to the Oceania region. URC was founded in 1954 when Mr. John Gokongwei, Jr. established Universal Corn Products, Inc., a cornstarch manufacturing plant in Pasig. URC is involved in a wide range of food-related businesses, including the manufacture and distribution of branded consumer foods, production of hogs and poultry, manufacture of animal feeds and veterinary products, flour milling, and sugar milling and refining. It has also ventured into the renewables business for sustainability through Distillery and Cogeneration divisions. In the Philippines, URC is a dominant player with leading market shares in snacks, candies and chocolates and is a significant player in biscuits. It is also the largest player in the Ready-to-Drink (RTD) tea market and cup noodles, and is a competitive 3rd player in coffee business. With seven mills operating as of December 31, 2020, URC Sugar division remains to be the largest producer in the country based on capacity aided by the purchase of Roxas Holdings, Inc.'s sugar mill, ethanol plant and other investment properties in La Carlota City, Negros Occidental. The acquisition will allow for operational synergies between La Carlota and URC's existing operations in Sugar and continue in the efforts to support the development of the sugar industry in the

Philippines. URC's financial condition remained solid in the said period despite the acquisition.

***Principal Products or Services***

URC operates its food business through operating divisions and wholly owned or majority-owned subsidiaries that are organized into three business segments: branded consumer foods, agro-industrial products and commodity food products.

Branded consumer foods (BCF) segment, including packaging division, is the URC's largest segment contributing about 77.8% of revenues for the year ended December 31, 2020. Established in the 1960s, URC's branded consumer foods segment manufactures and distributes a diverse mix of salty snacks, chocolates, candies, biscuits, packaged cakes, beverages and instant noodles. The manufacturing, distribution, sales, and marketing activities of BCF segment are carried out mainly through URC's branded consumer foods division consisting of snack foods, beverage, and noodles, although URC conducts some of its branded consumer foods operations through its majority-owned subsidiaries and joint venture companies. URC established URC BOPP Packaging and URC Flexible Packaging divisions to engage in the manufacture of bi-axially oriented polypropylene (BOPP) films for packaging companies and flexible packaging materials to cater various URC branded products. Both manufacturing facilities are located in Simlong, Batangas and are ISO 9001:2008 certified for Quality Management Systems.

Majority of URC's consumer foods business is conducted in the Philippines but has expanded more aggressively into other ASEAN markets, primarily through its wholly-owned subsidiary, URC International. In 2014, URC has expanded its reach to the Oceania region through the acquisition of Griffin's Foods Limited, a leading snacks player in New Zealand, which owns many established brands such as Griffin's, Cookie Bear, Eta, Huntley & Palmer's, and Nice & Natural. In 2016, URC acquired Consolidated Snacks Pty Ltd., which trades under Snacks Brand Australia (SBA), the second largest salty snacks player in Australia with a wide range of chips including the iconic brands like Kettle, Thins, CC's and Cheezels. The international operations contributed about 31% of URC's sale of goods and services for the year ended December 31, 2020.

URC's agro-industrial products segment operates four divisions: (1) Robina Farm-Hogs, (2) Robina Farm-Poultry, (3) the manufacturing and distribution of animal feeds (URC Feeds), and (4) the production and distribution of animal health products (URC Veterinary Drugs). This segment contributed approximately 8.9% of sale of goods and services in 2020.

URC's commodity food products segment operates three divisions: (1) sugar milling and refining through Sugar division, (2) flour milling and pasta manufacturing through Flour division, and (3) renewable energy development through Distillery and Cogeneration divisions. This segment contributed approximately 13.3% of sale of goods and services in 2020.

The percentage contribution to URC's sale of goods and services for each of the three years ended December 31, 2020, 2019 and 2018, by each of URC's principal business segments is as follows:

	For the years ended December 31		
	2020	2019	2018
Branded Consumer Foods Group	77.8%	78.9%	80.2%
Agro-Industrial Group	8.9%	9.8%	9.2%
Commodity Foods Group	13.3%	11.3%	10.6%
	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

The geographic percentage distribution of URC's revenues for three years ended December 31, 2020, 2019 and 2018 is as follows:

	For the years ended December 31		
	2020	2019	2018
Philippines	69.0%	68.6%	66.2%
International	31.0%	31.4%	33.8%
	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

### *Customers*

None of the URC's businesses is dependent upon a single customer or a few customers that a loss of anyone of them would have a material adverse effect on the Company. URC has no single customer that, based upon existing orders, will account for 20.0% or more of the URC's total sale of goods and services.

### *Distribution, Sales and Marketing*

URC has developed an effective nationwide distribution chain and sales network that it believes provide its competitive advantage. URC sells its branded food products primarily to supermarkets, as well as directly to top wholesalers, large convenience stores, large scale trading companies and regional distributors, which in turn sell its products to other small retailers and down line markets. URC's branded consumer food products are distributed to approximately 180,000 outlets in the Philippines and sold through various retailers and regional distributors. URC intends to expand its distribution network coverage in the Philippines by increasing the number of retail outlets that its sales force and distributors directly service.

The branded consumer food products are generally sold by URC from salesmen to wholesalers or supermarkets, and regional distributors to small retail outlets. 15 to 30-day credit terms are extended to wholesalers, supermarkets and regional distributors.

URC believes that its emphasis on marketing, product innovation and quality, and strong brand equity has played a key role in its success in achieving leading market shares in the different categories where it competes. In particular, URC launched "Jack 'n Jill" as a master umbrella brand for all its snack food products in order to enhance customer recognition. URC devotes significant expenditures to support advertising and branding to differentiate its products and further expand market share both in the Philippines and in its overseas markets, including funding for advertising campaigns such as television commercials and radio and print advertisements, as well as trade and consumer promotions.

For URC agro-industrial group (AIG), both piggery and poultry farms have been accredited as GAHP (Good Animal Husbandry Practice), 100% compliant to Good

Manufacturing Practices (GMP) and its meats and eggs have been certified as No Hormone, and Antibiotic residue free. This has allowed AIG to aggressively capture the quality conscious meat segment of the country as embodied by the Robina Farms brand with its key positioning of Robina raised, Family safe products. Similarly, the Feeds business headed by their brand champions such as Uno+, Supremo Gamefowl, and Top Breed Dog meals increased its distribution network supported by the Kabalikat Farm Program covering Hog and Gamefowl raisers.

### ***Competition***

The BCF business is highly competitive and competition varies by country and product category. URC believes that the principal competitive factors include price, taste, quality, convenience, brand recognition and awareness, advertising and marketing, availability of products and ability to get its product widely distributed. Generally, URC faces competition from both local and multinational companies in all of its markets. In the Philippines, major competitors in the market segments in which it competes include Liwayway Marketing Corporation, Republic Biscuit Corporation, Suncrest Foods Inc., Monde Nissin Corporation, Nestle Philippines Inc., and Mondelez Philippines, Inc. Internationally, major competitors include Procter & Gamble, Mars Inc., Lotte Group, Perfetti Van Melle Group, PT Mayora Indah Tbk, Tan Hiep Phat Beverage Group, Nestlé S.A., PepsiCo, Inc., and Mondelez International, Inc.

URC AIG has re-oriented its business model under three major business segments: Farms, Feeds, and Food Drug & Disinfectant (FDD). This re-orientation will allow URC AIG to pivot itself toward capturing the new opportunities brought about by the current changes in the agri sector as well as the new normal. The market for AIG is now more diverse, ranging from its original agri based categories such as feeds to its more consumer oriented categories such as processed meat under farms, and alcohol under the FDD business group. Consistent as before, the market is highly fragmented, competitive, consumer driven, and principally domestic. URC is focused and known as a 'Kabalikat' sharing best practices with partners and providing total solutions and protection to Filipino consumers nationwide.

URC's key competitive factors are brand equity, product quality, affordability, supply availability and reliability. Considering that the 3 major business segments Farms, Feeds, & FDD; are represented by core products directly and indirectly used by the common household, the said categories are subject to continuous changes particularly customer preferences and lifestyle. Key competitors include San Miguel Corporation, UNAHCO (Unilab group), Aboitiz Inc. and Bounty Farms.

### ***Enhancement and Development of New Products***

URC intends to continuously introduce innovative new products, product variants and line extensions in the snackfoods (snacks, biscuits, candies, chocolates and bakery), beverage, and grocery (instant noodles and tomato-based) products. This year alone, URC's Branded Consumer Foods Philippines has introduced 30 new products, which contributed 4.61% to its total sales.

URC supports the rapid growth of the business through line expansion, construction and acquisition of plants.

### ***Raw Materials***

A wide variety of raw materials are required in the manufacture of the URC's food products, including corn, wheat, flour, sugar, robusta coffee beans, palm oil and cocoa powder. Some of which are purchased domestically and some of which are imported.

URC also obtains a major portion of its raw materials from its commodity food products segments, such as flour and sugar, and flexible packaging materials from its packaging segment. A portion of flexible packaging material requirements is also purchased both locally and from abroad (Vietnam and Indonesia), while aseptic packaging is purchased entirely from China.

For its feeds segment, URC requires a variety of raw materials, including corn grains, soya beans and meals, feed-wheat grains, wheat bran, wheat pollard, soya seeds, rice bran, copra meal and fish meal. URC purchases corn locally from corn traders and imports feed-wheat from suppliers in North America, Australia, Europe and China. Likewise, soya seeds are imported by URC from the USA.

For its FDD segment, URC sources its major raw materials locally. The key ingredient in Alcohol is rectified spirit which is sourced internally from its distillery plant across the country. For its animal health products, URC requires a variety of antibiotics and vitamins, which it acquires from suppliers in Europe and Asia. URC maintains approximately two months physical inventory and one month in-transit inventory for its imported raw materials.

For its farm business, URC requires a variety of raw materials, primarily close-herd breeding stocks. For its poultry business, URC purchases the parent stock for its layer chicks from Dekalb from Europe and Hy-line from the USA. Robina Farms obtains all of the feeds it requires from its Feeds segment and substantially all of the minerals and antibiotics from its FDD segment as part of its vertical integration. URC purchases vaccines, medications and nutritional products from a variety of suppliers based on the values of their products.

URC obtains sugar cane from local farmers. Competition for sugar cane supply is very intense and is a critical success factor for its sugar business. Additional material requirements for the sugar cane milling process are either purchased locally or imported.

URC generally purchases wheat, the principal raw material for its flour milling and pasta business, from suppliers in the United States, Canada and Australia.

URC's policy is to maintain a number of suppliers for its raw and packaging materials to ensure a steady supply of quality materials at competitive prices. However, the prices paid for raw materials generally reflect external factors such as weather conditions, commodity market fluctuations, currency fluctuations and the effects of government agricultural programs. URC believes that alternative sources of supply of the raw materials that it uses are readily available. URC's policy is to maintain approximately 30 to 90 days of inventory.

#### ***Patents, Trademarks, Licenses, Franchises, Concessions or Labor Contract***

URC owns a substantial number of trademarks registered with the Bureau of Trademarks subject to the provisions of Republic Act (RA) 8293 also known as the Intellectual Property Code of the Philippines (IP Code) and recorded with the Intellectual Property Office of the Philippines (IPPHL). In addition, certain trademarks have been strategically registered in other countries in which it operates. These trademarks are important in the aggregate because brand name recognition is a key factor in the success of many of URC's product lines. Trademark registration is a means to protect these brand names from counterfeiting and infringement.

Trademarks registered under RA 166, also known as the Trademark Law, are registered for twenty (20) years. Upon renewal, these trademarks become subject to the IP Code having a registration period of ten (10) years and renewable thereafter. In general, trademarks in other countries have a ten-year registration which are renewable as well, allowing relatively a lifetime of territorial and limited trademark registration.

URC also uses brand names under licenses from third parties. These licensing arrangements are generally renewable based on mutual agreement. URC's licensed brands include Nissin Cup Noodles, Nissin Yakisoba Instant Noodles and Nissin Pasta Express, Vitasoy, Calbee and B'lue, among others.

Licensing Agreements are voluntarily registered with the Documentation, Information and Technology Transfer Bureau of the IPPHL.

### ***Regulatory Overview***

As manufacturer of consumer food and commodity food products, URC is required to guarantee that the products are pure and safe for human consumption, and that URC conforms to standards and quality measures prescribed by the Bureau of Food and Drugs (BFAD).

URC's sugar mills are licensed to operate by the Sugar Regulatory Administration (SRA) and renew its sugar milling licenses at the start of every crop year. URC is also registered with the Department of Energy as a manufacturer of bio-ethanol and as a renewable energy developer.

All of URC's livestock and feed products have been registered with and approved by the Bureau of Animal Industry, an agency of the Department of Agriculture which prescribes standards, conducts quality control test of feed samples, and provides technical assistance to farmers and feed millers.

Some of URC's projects, such as the sugar mill and refinery, bioethanol production, biomass power cogeneration and hog and poultry farm operations, are registered with the Board of Investments (BOI) which allows URC certain fiscal and non-fiscal incentives.

### ***Effects of Existing or Probable Governmental Regulations on the Business***

URC operates its businesses in a highly regulated environment. These businesses depend upon licenses issued by government authorities or agencies for their operations. The suspension or revocation of such licenses could materially and adversely affect the operation of these businesses.

### ***Research and Development***

URC develops new products and variants of existing product lines, researches new processes and tests new equipment on a regular basis in order to maintain and improve the quality of URC's food products. In Philippine operations alone, about ₱193 million was spent for research and development activities in 2020 and approximately ₱144 million ₱52 million in 2019 and 2018, respectively.

URC has research and development staff for its branded consumer foods and packaging divisions located in its research and development facility in Metro Manila and in each of its manufacturing facilities. In addition, URC hires experts from all over the world to assist its research and development staff. URC conducts extensive research and development for new products, line extensions for existing products and for improved production, quality control and packaging as well as customizing products to meet the



local needs and tastes in the international markets. URC's commodity foods segment also utilizes this research and development facility to improve their production and quality control. URC also strives to capitalize on its existing joint ventures to effect technology transfers.

URC has a dedicated research and development team for its agro-industrial business that continually explores advancements in feeds, breeding and farming technology. URC regularly conducts market research and farm-test for all of its products. As a policy, no commercial product is released if it was not tested and used in Robina Farms.

#### ***Transactions with Related Parties***

The largest shareholder, JG Summit Holdings, Inc., is one of the largest and most diversified conglomerates listed on the Philippine Stock Exchange. JG Summit provides URC with certain corporate center services including finance, strategy and development, government affairs, governance and management systems, internal audit, procurement, human resources, general counsel, information technology, digital transformation office, and advertising and public relations. JG Summit also provides URC with valuable market expertise in the Philippines as well as intra-group synergies.

#### ***Costs and Effects of Compliance with Environmental Laws***

The operations of URC are subject to various laws and regulations enacted for the protection of the environment, including Philippine Clean Water Act (R.A. No. 9275), Clean Air Act (R.A. No. 8749), Ecological Solid Waste Management Act (R.A. No. 9003), Toxic Substances and Hazardous and Nuclear Wastes Control Act (R.A. No. 6969), Pollution Control Law (R.A. No. 3931, as amended by P.D. 984), the Environmental Impact Statement System (P.D. 1586), Laguna Lake Development Authority (LLDA) Act of 1966 (R.A. No. 4850), Renewable Energy Act (R.A. No. 9513), Electric Power Industry Reform Act (R.A. No. 9136) and Environmental Compliance Certificates (ECCs) requirements of P.D. No. 1586, in accordance with DENR Administrative Order No. 2003-30. URC believes that it has complied with all applicable environmental laws and regulations, an example of which is the installation of wastewater treatment systems in its various facilities. Compliance with such laws does not have, and, in the URC's opinion, is not expected to have, a material effect upon URC's capital expenditures, earnings or competitive position. As of December 31, 2020, URC has invested about ₱361.0 million in wastewater treatment in its facilities in the Philippines.

### **b) REAL ESTATE AND HOTELS**

#### ***Business Development***

The Company operates its real estate business through Robinsons Land Corporation (RLC), which is one of the Philippines' leading real estate developers in terms of revenues, number of projects and total project size. It is engaged in the construction and operation of lifestyle commercial centers, offices, hotels, and warehouse facilities; and the development of mixed-use properties, residential buildings, as well as land and residential housing developments, including socialized housing projects located in key cities and other urban areas nationwide. RLC adopts a diversified business model, with both an 'investment' component, in which it develops, owns and operates commercial real estate projects (principally lifestyle commercial centers, office buildings, hotels and warehouse facilities); and a 'development' component, in which it develops real estate projects for sale (principally residential condominiums, service lots, house and lot packages and commercial lots).

RLC was incorporated on June 4, 1980 and its shares were offered to the public in an initial public offering and were subsequently listed in the Manila Stock Exchange and Makati Stock Exchange (predecessors of the Philippine Stock Exchange) on October 16, 1989.

On November 13, 2017, the BOD of RLC approved in principle the stock rights offering (SRO) of up to ₱20 billion composed of 1.1 billion common shares, with a par value of ₱1.00 per share, to all stockholders as of record date January 31, 2018. RLC intended to use the proceeds from the Offer to finance the acquisition of land located in various parts of the country for all its business segments.

RLC has obtained the approval of the BOD of the Philippine Stock Exchange, Inc. (PSE) for the listing and trading of the rights shares on January 10, 2018, while the PSE's confirmation of exempt transaction covering the offer was obtained on December 14, 2017. The following are the key dates of the SRO:

- Pricing date – January 24, 2018
- Ex-date – January 26, 2018
- Record date – January 31, 2018
- Offer period – February 2 to 8, 2018
- Listing date – February 15, 2018

RLC has successfully completed its ₱20 billion SRO of common shares following the close of the offer period on February 8, 2018. A total of 1.1 billion common shares from the SRO were issued at a price of ₱18.20 each. The listing of the shares occurred on February 15, 2018.

On July 31, 2019, the BOD of RLC approved the declaration of property dividend, of up to One Hundred Million (100,000,000) common shares of Altus Property Ventures, Inc. (APVI) (formerly Altus San Nicolas Corp.) in favor of the registered shareholders (the Receiving Shareholders) as of August 15, 2019. The SEC approved the property dividend declaration on November 15, 2019 and the Certificate Authorizing Registration was issued by the Bureau of Internal Revenue on December 6, 2019.

The Receiving Shareholders received a ratio of one (1) share of APVI for every fifty-one and 9384/10000 (51.9384) shares of RLC, net of applicable final withholding tax on December 20, 2019. No fractional shares were issued and no shareholder was entitled to any fractional shares.

RLC's remaining interest in APVI after the dividend distribution is 6.11%.

#### ***Principal Products or Services***

RLC has five business divisions: a) Commercial Centers, b) Residential, c) Office Buildings, d) Hotels and Resorts, and e) Industrial and Integrated Developments.

#### **a.) Commercial Centers Division**

RLC's Commercial Centers Division develops, leases and manages lifestyle centers throughout the Philippines. The Commercial Centers Division accounted for ₱5.96 billion or 23% of RLC's revenues and ₱4.11 billion or 30% of RLC's EBITDA in calendar year 2020 and ₱13.25 billion or 43% of RLC's revenues and ₱8.82 billion or 51% of RLC's EBITDA in calendar year 2019. As of December 31, 2020 and 2019, RLC's Commercial Centers Division had assets valued on a historical cost less depreciation basis at ₱77.61 billion and ₱73.47 billion, respectively.

RLC's Commercial Centers Division has felt the most impact of the pandemic on its operations especially on the first half of 2020. Rental concessions were provided to support the recovery of partner tenants affected by temporary mall closures and quarantine restrictions. In the second half of 2020, mall revenues started to rebound on the back of sustained improvements in operational gross leasable area, number of operational tenants and foot traffic. These performance indicators are expected to gradually rise over time as the government continues to ease quarantine restrictions.

During calendar year 2020, the Commercial Centers Division started expanding the front portion of its Dumaguete mall. The total mall count remains at 52, with nine (9) of the malls in Metro Manila and the rest in other urban areas throughout the Philippines. System-wide leased percentage posted at 93%. In addition, GFA slightly declined to approximately 3.0 million square meters due to the deconsolidation of APVI's assets from RLC following the property dividend distribution.

Aside from expanding mall footprint, several innovative services were rolled out in 2020 to facilitate worry-free shopping experiences. Robinsons Malls' 'Pickup Station', 'RDelivery', and 'RPersonal Shopper' offer safe and easy ways for customers to shop, while enabling partner tenants to expand consumer reach.

The Commercial Centers Division's main revenue stream is derived from the lease of commercial spaces. Revenues from the Commercial Centers Division, which represent recurring lease rentals, comprise significant part of RLC's revenues. Historically, revenues from lease rentals have been a steady source of operating cash flows for RLC. RLC expects that the revenues and operating cash flows generated by the commercial centers business shall continue to be a major driver for RLC's growth in the future.

As of calendar year 2020, RLC has two (2) new malls, two (2) expansions and one mall to reopen in the planning and development stage for completion in the next two (2) years. RLC's business plan for the Commercial Centers Division over the next five years, subject to market conditions, is to sustain its growth momentum via development of new shopping malls and expansion of existing ones.

#### **b.) Residential Division**

The Residential Division, which focuses on the construction and sale of residential condominium, subdivision projects and other real estate properties, is categorized into four brands. The different brands differ in terms of target market, location, type of development and price ranges to allow clear differentiation among markets. These four brands are.

- **Robinsons Luxuria** - builds its brand on providing a seamless pampered experience via its generous living spaces, distinctive style infrastructure, iconic locations and attention to service and detail. It provides uniquely luxurious living spaces through its projects located in iconic locations such as Cebu, Ortigas Center and Makati. As of December 31, 2020, there are nine (9) residential condominium buildings/towers under the Robinsons Luxuria portfolio, of which eight (8) have been completed and one (1) project is under construction.
- **Robinsons Residences** - offers the perfect urban home for professionals and urbanites, combining prime locations with contemporary designs, comfortably spacious units, stress-busting amenities and lifestyle perks and privileges. As of December 31, 2020, Robinsons Residences segment had a portfolio of thirty three (34) residential condominium buildings/towers, of which twenty-six (26) had been

completed and seven (8) projects are under various stages of development.

- **Robinsons Communities** - is the residential brand of RLC which caters to the needs of early nesters, young mobile achievers and families coming from the B to BB segment who wish to live independently and comfortably close to their workplace, schools and leisure centers. As of December 31, 2020, Robinsons Communities had completed twenty six (28) residential condominium buildings/towers and two (2) subdivision projects. It has seven (9) on-going projects in different stages that are scheduled for completion over the next five years. Robinsons Communities is currently focusing on the development of both mid-rise and high-rise residential condominium projects that primarily offer compact units. Its condominium projects are located in Metro Manila and Tagaytay City while the subdivisions are in Quezon City.
- **Robinsons Homes** - offers choice lots in master planned, gated subdivisions with option for house construction to satisfy every Filipino's dream of owning his own home. As of December 31, 2020, Robinsons Homes has thirty nine (39) projects in its portfolio. Ten (10) of these projects are on-going construction. Among the thirty nine (39) projects, twenty eight (29) have been substantially completed and sold.

### **c.) Office Buildings Division**

Office Buildings division develops office buildings for lease. RLC engages outside architects and engineers for the design of its office developments. Due to the sustained growth from the IT Business Process Management (IT-BPM) sector and increasing office space demands from other multinational and logistic companies, RLC has secured a number of major customers as long-term tenants in its office buildings. It also has continuously improved its developments including building features, office layouts and amenities. RLC is one of the leading providers of office spaces in the Philippines.

In its effort to be environmentally responsive, Robinsons Offices has built sustainable, green office buildings over the years. The projects are Leadership in Energy and Environmental Design (LEED) certified. The US Green Building Council registered LEED buildings are: Tera Tower (LEED Gold), Exxa Tower (LEED Silver), Zeta Tower (LEED Silver) and Giga Tower (LEED Gold).

In addition, Robinsons Offices has placed high emphasis on the health and well-being of its tenants. In this regard, it embarked on deploying technological innovations for its buildings such as metal detectors with thermal scanners and destination control elevators with turnstiles. These provide safe and easy access to premises within the building. Also, RLC installed microbial film on frequently touched surfaces to help prevent the spread of viruses.

In 2020, the Office Buildings Division completed two new offices namely Robinsons Luisita Office 3 (located within RLC's Robinsons Luisita Complex in Tarlac City) and Cybergate Delta 2 (located within the Robinsons Cyberpark Davao). The two new offices increased net leasable area by 4% to 613,000 square meters and brought the total count of office developments located in central business districts and in key cities across the country to twenty-five (25). System-wide leased rate rate as of December 31, 2020 is 91%.

Meanwhile, RLC continues to strengthen its portfolio of flexible workspace business, 'work.able'. work.able offers plug and play workspaces to clients who are looking for flexible office options such as private offices, venues for meetings and events and co-working spaces. In November 2020, RLC successfully completed its first two (2) build-to-suit work.able projects at Giga Tower and Cyber Sigma with sign-ups from two

multinational companies, capping the number of operational workable sites to five (5) as of December 31, 2020.

Also in 2020, the Office Buildings Division partially completed Cyber Omega which is located in Ortigas Center, Pasig City. Together with one (1) Metro Manila and three (3) provincial office structures, RLC is expected to complete Cyber Omega in 2021 which will boost the total leasable area by approximately 18%.

#### **d.) Hotels and Resorts Division**

RLC's Hotels and Resorts division has a diverse portfolio covering the following brand segments: upscale international deluxe hotels, mid-market boutique city hotels, essential service value hotels, and most recently, the luxury resort category. As of December 31, 2020, RLC operated twenty (20) hotels and resort for a total of 3,188 rooms in strategic metropolitan and urbanized locations consisting of eleven (11) Go Hotels, six (6) Summit Hotels and three (3) international deluxe brands.

In 2020, RLC operated a maximum of 13 of its 20 hotel properties in the midst of a global pandemic that crippled the hospitality and tourism industries. Occupancy rates in these operational hotels ranged from 20% to 96% as of December 31, 2020. Meanwhile, the completion of remaining rooms in Dusit Thani Mactan Cebu increased total room keys to approximately 3,188.

In response to the challenges brought about by quarantine measures, RLC repurposed its accommodation facilities and offered relevant solutions to customers. Summit Hotels and Resorts and Go Hotels launched 'Working-On-the-Go Private Offices' to offer affordable private office packages for the growing work-at-home population. Go Hotels also rolled out long-stay services under the 'Just-Got-Home' program, which primarily attracted urban professionals looking for a budget-friendly place that is in close proximity to their workplaces and other key establishments.

In preparation for the anticipated recovery of domestic tourism in the near-term, the Hotels and Resorts Division plans to increase hotel room count by 10% to over 3,400 operational rooms with the opening of Summit Naga, Summit GenSan, Go Hotels Naga and Go Hotels Tuguegarao. In 2022, RLC intends to launch Fili Urban Resort, the Philippines' first ever five-star homegrown hotel, and Westin Sonata, our fourth international hotel. These new properties will push total hotel room count up by 19% to over 4,100 rooms by the end of 2022.

#### **e.) Industrial and Integrated Developments Division**

RLC's Industrial and Integrated Developments Division focuses on mixed-used developments and masterplanned communities. These developments incorporate different property formats such as residences, work places, commercial centers, logistics facilities and other institutional developments into a single setting.

Despite the Covid-19 pandemic, IID carried on with the development of its destination estates namely Bridgetowne--the 30.6-hectare property that connects the cities of Pasig and Quezon, Sierra Valley--the 18-hectare property in Cainta and Taytay, Rizal, and Montclair – the 204-hectare property in Porac, Pampanga.

For Bridgetowne, sufficient progress for the completion of its phase 1 was accomplished in 2020 and it is expected to be completed by Q2 of 2021. Sierra Valley's interim retail component was completed in 2020 and 50% of which has been leased out by the end of the year. For Montclair, the early development of its new interchange connecting to

SCTEX was started in 2020. RLC expects to receive all necessary permits and approvals for the new interchange in 2021.

RLC will continue to make substantial progress in its landmark destination estates. To strengthen earnings, the division will likewise explore innovative real estate formats, new business ventures, and strategic partnerships for its mixed-use developments.

The percentage contribution to RLC’s revenues for the three years ended December 31, 2020, 2019 and 2018 by each of its business segment is as follows:

	For the years ended December 31		
	2020	2019	2018
Residential Buildings	48.0%	29.8%	29.4%
Commercial Centers	23.0%	43.3%	40.4%
Office Buildings	23.0%	17.4%	14.5%
Hotels	4.0%	8.0%	6.7%
IID	2.0%	1.5%	9.0%
	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

### ***Competition***

#### **Commercial Centers Division**

RLC has two major competitors in its Commercial Centers Division – SM Prime Holdings, Inc. (SMPHI) and Ayala Land, Inc. (ALI). Each of these companies has certain distinct advantages over RLC, including SMPHI’s considerably larger mall portfolio and ALI’s access to prime real estate in the heart of Metro Manila. There are a number of other players in the shopping mall business in the Philippines, but they are significantly smaller and, because of the high barriers to entry into the business (which include cost, branding, reputation, scale and access to prime real estate), RLC expects that it will continue to compete principally with these two major companies in this market sector for the foreseeable future. RLC has, however, recently seen an increase in the development of specialty malls by companies that are not traditional players in the industry, and it is unclear whether or how this trend might affect the competitive landscape. Shopping mall operators also face competition from specialty stores, general merchandise stores, discount stores, warehouse outlets, street markets and online stores.

RLC believes its strength is in its mixed-use, retail, commercial and residential developments. RLC operates on the basis of its flexibility in developing malls with different sizes depending on the retail appetite of the market per location. It is focused on balancing its core tenant mix and providing a more distinctive shopping mall experience to its loyal customers, as well as its ability to leverage the brand equity and drawing power of its affiliated companies in the retail trade business.

#### **Residential Division**

- **Robinsons Luxuria**

The Robinsons Luxuria brand continues to develop projects that cater to the high-end market. It strives to compete with developers who have already established their names in tapping this slice of the market. RLC aims to increase its share of this elite market segment and steer buyers of competitors such as Ayala Land Premier, Rockwell Land Corporation (ROCK), Century Properties Group, Inc. (CPGI) and Megaworld Corporation (MEG) to its developments.

- **Robinsons Residences**

RLC's competitors (Alveo Land, MEG, Filinvest Land, Inc. (FLI) and Ortigas & Co.) under this segment target the same market and offer similar products. There are also a number of players who try to compete in this segment of the market with one or two projects. Projects under Robinsons Residences remain among the top of mind developments as a result of growing experienced sales and distribution network and our convenient locations. Projects are located within Central Business Districts or RLC's mixed-use development.

- **Robinsons Communities**

RLC Robinsons Communities has numerous competitors in the middle income segment. This is in part a function of the fact that as compared to other business areas, RLC does not enjoy the same "early mover" advantage. Currently, Robinsons Communities' competitors include companies like Avida Land (AL), FLI, SMPHI and DMCI Homes. Based on public records and independent industry reports and its own market knowledge, RLC believes that it is among the top five middle-ranged condominium developers in the Philippines in terms of revenues from sales. RLC believes that it can successfully compete in this market segment on the basis of its brand name, technical expertise, financial standing and track record of successfully completed, quality projects.

- **Robinsons Homes**

Robinsons Homes stands in close competition with ALI, FLI and Vista Land Lifescapes, Inc. (VLL). It competes on the basis of location. It is a nationwide residential subdivision developer with projects in Laoag, Tarlac, Pampanga, Antipolo, Angono, Cavite, Batangas, Puerto Princesa, Bacolod, Cebu, Cagayan de Oro, Davao and General Santos. Robinsons Homes is committed to provide green communities with lifestyle amenities in response to changing needs of the market. RLC believes that its market specific branding, reliability to deliver and consistent quality products at an affordable price has contributed to its ability to generate sales and its overall success. In order to cater to varying market profiles, Robinsons Homes launched its five sub-brands namely: Forbes Estates for Premier development, Bloomfields for the high-end market, Brighton for mid-cost development, Springdale for the affordable market segment and Happy Homes for socialized housing.

### **Office Buildings Division**

RLC believes that competition for office space is principally on the basis of location, quality and reliability of the project's design and equipment, reputation of the developer, availability of space, and PEZA registration. The biggest competitors of RLC under this segment are ALI, Megaworld and SM. It competes in this market on the basis of the strategic locations of its buildings, including their proximity to the malls and residences as part of its mixed-use developments, and its accessibility to public transportation, building features as the office projects can accommodate all types of tenants including companies in the IT Business Process Management (IT-BPM) sector, corporate headquarters and traditional offices. RLC also believes that its established reputation of good quality, ease of doing business, and completing projects on time makes it one of the most preferred choices of the IT-BPM industry as well as local and multinational companies. RLC is committed in providing an excellent customer experience and satisfaction by developing office projects of high quality and reliability, meeting the evolving needs of its customers.

### **Hotels and Resorts Division**

RLC competes in different markets for its hotels and resorts segments. Across all of its hotel formats, its main competitors in terms of number of rooms are: Ayala Land, Alliance Global Group Inc., SM Hotels and Conventions Corporation, and Filinvest Land

Inc. Aside from these large hotel owners and developers, there is a growing number of small independent players and foreign entrants that increases the competitive landscape of hospitality in the country. The influx of foreign arrival and regional travellers in the Philippines stimulates growth and opportunities for many in the hospitality and tourism industry, and is likewise strongly supported by government incentive programs.

RLC believes in its market strength rooted from a deep understanding of the mass Filipino consumer. RLC continues to solidify its position and ability to serve travellers in multiple points of the Philippines through growing its hotel and resorts portfolio while enhancing its overall brand. With its longstanding expertise in developing and managing hotels and resorts, RLC is focused on scaling its business with improving standards leading up to world-class quality.

### **Industrial and Integrated Developments Division**

Though Industrial and Integrated Developments is a new Division under RLC, RLC is not a newcomer in integrated developments. RLC has developed four major mixed used developments in Metro Manila alone, namely, Robinsons Galleria, Robinsons Forum, Robinsons Manila, and Robinsons Magnolia. These projects are anchored by Robinsons Mall with components of Office and/or Residential and/or Hotel/Leisure. With the formation of the Industrial and Integrated Development Division, RLC can now focus on this new fast growing development format.

Despite the Covid-19 pandemic, major developers are still into integrated developments. Developers have been acquiring big parcels of land and incorporating different real estate components to attract investors and customers. The biggest competitors of RLC in integrated developments are Ayala Land, Inc., Megaworld Corp, Filinvest, Inc., Double Dragon Properties Corp., and SM Prime Holdings.

Even before the Covid-19 pandemic, demand for logistics facilities has been on the rise in the country and this demand further increased during the pandemic. Under its RLX Logistics Facilities brand, the Industrial and Integrated Developments Division develops excellent quality logistics facilities in industrial centers of growth around the Philippines. The biggest competitors of RLC in the development of logistics facilities are Ayala Land Logistics Holdings Corp. and Double Dragon Properties Corp.

IID will harness opportunities for synergies with RLC's other business units: Commercial, Residential, Hotel, and Office Division. RLC, having years of experience in these real estate components, will thus have a competitive advantage. With efficient master planning, innovative designs, and quality construction, RLC is committed to sustainable and future-proof communities.

### ***Raw Materials/Suppliers***

Construction and development of malls, high-rise office and condominium units as well as land and housing construction are awarded to various reputable construction firms subject to a bidding process and management's evaluation of the price and qualifications of and its relationship with the relevant contractor. Most of the materials used for the construction are provided by the contractors themselves in accordance with the underlying agreements, although sometimes RLC will undertake to procure the construction materials when it believes that it has an advantage in doing so. RLC typically will require the contractor to bid for a project on an itemized basis, including separating the costs for project materials that it intends to charge. If RLC believes that it is able to acquire any of these materials (such as cement or steel) at a more competitive



cost than is being quoted to it, it may remove these materials from the project bid and enter into a separate purchase order for the materials itself, to reduce project costs.

### ***Customers***

RLC has a broad base of customers, comprised of both local and foreign individuals, and institutional clients. RLC is not dependent on a single or a few customers, the loss or any of which would have a material adverse effect on the business taken as a whole.

### ***Related Party Transactions***

RLC leases significant portions of its commercial centers and office buildings to companies controlled by the Gokongwei Family, including Robinsons Department Store, Robinsons Supermarket and Handyman Do-It-Best. Other affiliates from whom RLC earns rental income include Top Shop, Robinsons Bank and Cebu Pacific. RLC's policy with respect to related party transactions is to ensure that these transactions are entered into on terms comparable to those available from unrelated third parties.

In addition, JG Summit also provides RLC with certain corporate services including debt management, corporate finance, corporate planning, procurement, human resources, controller and treasury services, legal and corporate communications.

### ***Regulatory and Environmental Matters***

#### **Shopping Malls**

Shopping mall centers are regulated by the local government unit of the city or municipality where the establishment is located. In line with this, mall operators must secure the required mayor's permit or municipal license before operating. In addition, no mall shall be made operational without complying first with the provisions of the fire code and other applicable local ordinances. Furthermore, shopping malls with food establishments must obtain a sanitary permit from the Department of Health. It is also compulsory for shopping malls discharging commercial waste water to apply for a waste water discharge permit from the DENR and to pay the fee incidental to the permit.

As a tourism-related establishment, shopping malls may obtain accreditation from the Department of Tourism. A shopping mall can only be accredited upon conformity with the minimum physical, staff and service requirements promulgated by the Department of Tourism.

#### **Residential Condominium and Housing and Land Projects**

Presidential Decree No. 957 (The Subdivision and Condominium Buyers' Protective Decree) as amended, is the principal statute which regulates the development and sale of real property as part of a condominium project or subdivision. The law covers subdivision projects and all areas included therein for residential, commercial, industrial and recreational purposes as well as condominium projects for residential or commercial purposes. It also sets out standards for lower density developments.

Republic Act No. 4726 (The Condominium Act), on the other hand, is the primary law governing condominiums. The law covers the legal definition of a condominium, the rights of a unit owner, and the rules governing transfers, conveyances and partitions in condominiums.

The Housing and Land Use Regulatory Board (HLURB) is the administrative agency of the Government which, together with local government units, enforces these laws and has jurisdiction to regulate the real estate trade and business. Subdivision or condominium units

may be sold or offered for sale only after a license to sell (LTS) has been issued by the HLURB. The LTS may be issued only against a performance bond posted to guarantee the completion of the construction of the subdivision or condominium project and compliance with applicable laws and regulations.

All subdivision and condominium plans are subject to approval by the relevant Local Government Unit (LGU) in which the project is situated and by the HLURB. The development of subdivision and condominium projects can commence only after the HLURB has issued a development permit.

Approval of such plans is conditional on, among other things, the developer's financial, technical and administrative capabilities. Alterations of approved plans which affect significant areas of the project, such as infrastructure and public facilities, also require the prior approval of the LGU and HLURB.

Owners of or dealers in real estate projects are required to obtain licenses to sell before making sales or other dispositions of lots or real estate projects. Republic Act No. 9646 (The Real Estate Service Act of the Philippines) provides that real estate consultants, appraisers, assessors and brokers must pass the requisite exams and be duly registered and licensed by the Professional Regulation Commission (PRC), while real estate salespersons, or those who act of a real estate broker to facilitate a real estate transaction, only need to be accredited by the PRC.

Project permits and the LTS may be suspended, cancelled or revoked by the HLURB by itself or upon a verified complaint from an interested party for reasons such as non-delivery of title to fully-paid buyers or deviation from approved plans. A license or permit to sell may only be suspended, cancelled or revoked after a notice to the developer has been served and all parties have been given an opportunity to be heard in compliance with the HLURB's rules of procedure and other applicable laws.

Residential subdivision developments must comply with applicable laws and standards regarding the suitability of the site, road access, necessary community facilities, open spaces, water supply, the sewage disposal system, electrical supply, lot sizes, the length of the housing blocks and house construction.

Under current regulations, a developer of a residential subdivision is required to reserve at least 30% of the gross land area of such subdivision for open space for common uses, which include roads and recreational facilities. A developer of a commercial subdivision is required to reserve at least 3.5% of the gross project area for parking and pedestrian malls, but the minimum parking area requirement may be further increased by ordinances promulgated by LGUs.

Republic Act (RA) No. 7279 (Urban Development and Housing Act of 1992), as amended by Republic Act No. 10884 requires developers of proposed subdivision projects to develop an area for socialized housing equivalent to at least 15% of the total subdivision area or total subdivision project cost and at least 5% of condominium area or project cost, at the option of the developer, in accordance with the standards set by the HLURB. Alternatively, the developer may opt to buy socialized housing bonds issued by various accredited government agencies or enter into joint venture arrangements with other developers engaged in socialized housing development. RLC has benefited from providing low-income housing or projects of such types which are financially assisted by the government. These policies and programs may be modified or discontinued in the future.

The Government may also adopt regulations which may have the effect of increasing the cost of doing business for real estate developers. Under R.A. No. 10884, income derived by domestic corporations from the development and sale of socialized housing is exempt from project related income taxes, capital gains tax on raw lands used for the project, value-added tax for the project contractor concerned, transfer tax for both raw completed projects, and donor's tax for lands certified by the LGUs to have been donated for socialized housing purposes. Under the current Investment Priorities Plan issued by the Board of Investments, mass housing projects including development and fabrication of housing components, are eligible for government incentives subject to certain policies and guidelines. In the future, since the sale of socialized housing units comprise a portion of homes sold by RLC, any changes in the tax treatment of income derived from the sale of socialized housing units may affect its effective rate of taxation.

### **Hotels**

The Philippine Department of Tourism promulgated the Hotel Code of 1987 (the "Hotel Code") in order to govern the business and operation of all hotels in the Philippines. Investors that wish to operate a hotel must first register and apply for a license with the local government of the city or municipality where the hotel is located. For purposes of registration and licensing, hotels are classified into four groups: De Luxe Class, First Class, Standard Class and Economy Class. The Hotel Code provides minimum standards for the establishment, operation and maintenance of hotels depending on the hotel's classification. The Philippine Department of Tourism is in the process of revising the current classification from Hotel Class System to Hotel Star Rating System.

A certificate of registration and license as a hotel will not be granted unless the relevant establishment has passed all the conditions of the Hotel Code, the Fire and Building Codes, Zoning Regulations and other municipal ordinances. Furthermore, hotels can only be opened for public patronage upon securing of a sanitary permit from the city or municipal health office having jurisdiction over the establishment. The Department of Tourism is the government agency which is tasked with the accreditation of hotels. The Department promulgates the minimum standards and procedures for hotel accreditation. While accreditation is non-compulsory, accredited hotels are given incentives by the Department of Tourism.

Since the onset of the COVID-19 pandemic in 2020, the Philippine hospitality industry has been subjected to various implementing rules and regulations set by the government's Inter-Agency Task Force (IATF) and Department of Tourism. These guidelines are regularly updated according to the requirements of community quarantine classifications intended to manage and curb the pandemic.

### **Zoning and Land Use**

Under the agrarian reform law currently in effect in the Philippines and the regulations issued thereunder by the Department of Agrarian Reform (DAR), land classified for agricultural purposes as of or after 15 June 1988, cannot be converted to non-agricultural use without the prior approval of DAR.

Land use may be also limited by zoning ordinances enacted by local government units. Once enacted, land use may be restricted in accordance with a comprehensive land use plan approved by the relevant local government unit. Lands may be classified under zoning ordinances as commercial, industrial, residential or agricultural. While a procedure for change of allowed land use is available, this process may be lengthy and cumbersome.

### **Special Economic Zone**

The Philippine Economic Zone Authority (PEZA) is a government corporation that operates, administers and manages designated special economic zones (Ecozones) around the country. PEZA registered enterprises locating in an Ecozone are entitled to fiscal and non-fiscal incentives such as income tax holidays and duty-free importation of equipment, machinery and raw materials. Information technology (IT) enterprises offering IT services (such as call centers and business process outsourcing using electronic commerce) are entitled to fiscal and non-fiscal incentives if they are PEZA-registered locators in a PEZA-registered IT Park, IT Building, or Ecozone. RLC actively seeks PEZA registration of its buildings, as this provides significant benefits to its tenants. As of 2020, a number of RLC malls and office buildings are PEZA-registered.

### **United Industrial Corporation Limited**

In May 1999, the Company, through a subsidiary, acquired a 23.0% stake in a Singapore listed company, United Industrial Corporation Limited (UIC) which is one of the largest property developers in Singapore owning various office buildings that are located in prime locations in Singapore and China. As of December 31, 2020, the Company's indirect interest in the shares of UIC increased to 37.0%.

## **c) AIR TRANSPORTATION**

### ***Business Development***

Cebu Air, Inc. (CEB) is an airline that operates under the trade name "Cebu Pacific Air" and is the leading low-cost carrier in the Philippines. It pioneered the "low fare, great value" strategy in the local aviation industry by providing scheduled air travel services targeted to passengers who are willing to forego extras for fares that are typically lower than those offered by traditional full-service airlines while offering reliable services and providing passengers with a fun travel experience.

CEB was incorporated on August 26, 1988 and was granted a 40-year legislative franchise to operate international and domestic air transport services in 1991. It commenced its scheduled passenger operations in 1996 with its first domestic flight from Manila to Cebu. In 1997, it was granted the status as an official Philippine carrier to operate international services by the Office of the President of the Philippines pursuant to Executive Order (E.O.) No. 219. International operations began in 2001 with flights from Manila to Hong Kong.

With the liberalization of the airline industry in 1995, JG Summit acquired 49.0% of CEB's outstanding capital stock to undertake domestic and international flights to and from major cities in the Philippines and around the world. In September 2001, the Company, through a subsidiary, acquired the remaining 51.0% of CEB's capital stock, thus making it a wholly owned subsidiary as of year-end 2001. In May 2006, CEB was acquired by CP Air Holdings Inc. (CP Air) through a deed of assignment by the Company, which resulted in the 100% ownership by CP Air of CEB. CP Air is a wholly owned subsidiary of the Company. On October 26, 2010, CEB's common stock was listed with the PSE. As of December 31, 2020, JG Summit has 67.9% effective ownership in CEB.

In 2005, CEB adopted the low-cost carrier (LCC) business model. The core element of the LCC strategy is to offer affordable air services to passengers. This is achieved by having: high-load, high-frequency flights; high aircraft utilization; a young and simple fleet composition; and low distribution costs.

CEB has twelve special purpose entities (SPE) that it controls, namely: Panatag Two Aircraft Leasing Limited (PTALL), Summit C Aircraft Leasing Limited (SCALL), Tikgi Aviation One Designated Activity Company (TOADAC), Summit D Aircraft Leasing Limited (SDALL), CAI Limited (CL), Sampaguita Leasing Co., Ltd. (SLCL), Dia Boracay Ltd. (DBL), Mactan Leasing Co., Ltd. (MLCL), Cebuano Leasing Co., Ltd. (CLCL), Dia El Nido Ltd. (DENL), Tarsier Leasing Co., Ltd. (TLCL), and RAMEN Aircraft Leasing Limited (RALL). Other than CAI Limited, these are SPEs in which CEB does not have equity interest, but have entered into finance lease arrangements with for funding of various aircraft deliveries.

On March 20, 2014, CEB acquired 100% ownership of Tiger Airways Philippines (TAP), including 40% stake in Roar Aviation II Pte. Ltd. (Roar II), a wholly owned subsidiary of Tiger Airways Holdings Limited (TAH). On April 27, 2015, with the approval of the Securities and Exchange Commission (SEC), TAP was rebranded and now operates as CEBGO, Inc.

On November 3, 2020, CEB signed a Deed of Absolute Sale of Shares with SIA Engineering Company Limited (SIAEC) for the acquisition of SIAEC's entire 51% shareholding in Aviation Partnership (Philippines) Corporation (A-plus) in addition to its existing 49% interest, making A-plus a wholly owned subsidiary of CEB.

CEB, its twelve SPEs, CEBGO, Inc. and A-plus are consolidated for financial reporting purposes.

On March 1, 2018, CEB incorporated 1Aviation Groundhandling Services Corporation (1Aviation), a wholly-owned subsidiary before the sale of 60% equity ownership to Philippine Airport Ground Support Solutions, Inc. (PAGSS) and Mr. Jefferson G. Cheng. The subsequent sale has resulted to a joint venture between the aforementioned parties.

In May 2017, CEB lost control over Ibon Leasing Limited (ILL) due to loss of power to influence the relevant activities of ILL as the result of sale of aircraft to third party. Accordingly, CEB derecognized its related assets and liabilities in its consolidated financial statements.

In April 2018, Cebu Aircraft Leasing Limited (CALL) and Sharp Aircraft Leasing Limited (SALL) were dissolved due to the sale of aircraft to third parties.

In October 2018, Panatag Three Aircraft Leasing Limited (PTHALL) was dissolved due to refinancing of the related loans.

In December 2018, Summit A Aircraft Leasing Limited (SAALL) and Summit B Aircraft Leasing Limited (SBALL) were dissolved due to refinancing of the related loans. Vector Aircraft Leasing Limited (VALL) was subsequently dissolved due to sale of three (3) A320 aircraft to third parties that have been leased back by CEB.

In June and August 2019, Boracay Leasing Limited (BLL) and Surigao Leasing Limited (SLL) were dissolved due to full payment of loans and transfer of ownership of related aircraft to CEB and CAI Limited. Panatag One Aircraft Leasing Limited (POALL) was also subsequently dissolved in December 2019 due to the sale of the related three (3) A320CEO aircraft to Allegiant Travel Company.

As of December 31, 2020, CEB operates an extensive route network serving 43 domestic routes and 9 international routes with a total of 577 scheduled weekly flights, as it gradually recommenced operations last June 3 on a General Community Quarantine (GCQ) to GCQ city basis in terms of scheduled services. CEB will continue to expand its operations as more local governments welcome flights into their cities. It operates from seven hubs, including the Ninoy Aquino International Airport (NAIA) Terminal 3 and Terminal 4 both located in Pasay City, Metro Manila; Mactan-Cebu International Airport located in Lapu-Lapu City, part of Metropolitan Cebu; Diosdado Macapagal International Airport (DMIA) located in Clark, Pampanga; Davao International Airport located in Davao City, Davao del Sur; Ilo-ilo International Airport located in Ilo-ilo City, regional center of the western Visayas region; and Kalibo International Airport in Kalibo, Aklan and Laguindingan Airport in Misamis Oriental.

As of December 31, 2020, CEB operates a fleet of 74 aircraft which comprises of twenty-six (26) Airbus A320 CEO, seven (7) Airbus A321 CEO, five (5) Airbus A320 NEO, seven (7) Airbus A321 NEO, eight (8) Airbus A330 CEO, eight (8) ATR 72-500, and thirteen (13) ATR 72-600 aircraft. It operates its Airbus aircraft on both domestic and international routes and operates the ATR 72-500 and ATR 72-600 aircraft on domestic routes, including destinations with runway limitations. The average aircraft age of the CEB's fleet is approximately 5.6 years as of December 31, 2020.

Aside from passenger service, the CEB also provides airport-to-airport cargo services on its domestic and international routes. In addition, it offers ancillary services such as cancellation and rebooking options, in-flight merchandising such as sale of duty-free products on international flights, baggage and travel-related products and services.

The percentage contributions to CEB's revenues of its principal business activities are as follows:

	For the years ended December 31		
	2020	2019	2018
Passenger Services	55.8%	72.7%	73.2%
Cargo Services	23.9%	6.8%	7.4%
Ancillary Services	20.3%	20.5%	19.4%
	<b>100.0%</b>	100.0%	100.0%

On May 16, 2016, CEB and other market champions in Asia Pacific, announced the formation of the world's first, pan-regional low-cost carrier alliance, the Value Alliance. CEB, together with Jeju Air (Korea), Nok Air (Thailand), Scoot (Singapore) and Tigerair Singapore will deliver greater value, connectivity and choice for travel throughout Southeast Asia and North Asia, as the airlines bring their extensive networks together.

On February 23, 2015 and May 12, 2016, CEB signed a forward sale agreement with a subsidiary of Allegiant Travel Company (collectively known as "Allegiant"), covering CEB's sale of ten (10) Airbus A319 aircraft. The aircraft were delivered to Allegiant on various dates in 2015 until 2018.

In May 2017 and November 2017, CEB entered into sale and operating leaseback transactions with Ibon Leasing Limited and JPA No. 78/79/80/81 Co., Ltd. which transferred economic ownership of two (2) and four (4) Airbus A320 aircraft, respectively. In July and August 2018, CEB entered into a sale and operating leaseback transaction with JPA No. 117/118/119 Co., Ltd. covering three (3) Airbus A320 aircraft.

On December 18, 2018, CEB signed another forward sale agreement with Allegiant covering three (3) A320 CEO aircraft. The aircraft were delivered to Allegiant on various dates within 2019.

There are no material reclassifications, merger, consolidation, or purchase or sale of a significant amount of assets not in the ordinary course of business that was made in the past three years. CEB has not been subjected to any bankruptcy, receivership or similar proceeding in the said period.

#### ***Distribution Methods of Products or Services***

CEB has three principal distribution channels: the internet; direct sales through booking sales offices, call centers and government/corporate client accounts; and third-party sales outlets.

##### Internet

In January 2006, CEB introduced its internet booking system. Through [www.cebupacificair.com](http://www.cebupacificair.com), passengers can book flights and purchase services online. The system also provides passengers with real time access to CEB's flight schedules and fare options. CEBGO, Inc.'s flights can be booked through the Cebu Pacific website and its other booking channels starting March 2014.

As part of the strategic alliance between CEB and TAH, the two carriers entered into an interline agreement with the first interline flights made available for sale in TAH's website starting July 2014. Interline services were made available in Cebu Pacific's website in September 2014. With this, guests of both airlines now have the ability to cross-book flights on a single itinerary and enjoy seamless connections with an easy one-stop ticketing for connecting flights and baggage check-in. In December 2014, CEB also launched its official mobile application which allows guests to book flights on-the-go through their mobile devices.

CEB's participation in the Value Alliance with other low-cost carriers in the region will increase its distribution reach by enabling its customers to view, select and book the best-available airfares on flights from any of the airlines in a single transaction, directly from each partner's website. This is made possible through the groundbreaking technology developed by Air Black Box (ABB). ABB allows guests to enjoy the full suite of ancillary choices they have come to appreciate from low cost carriers across all partner airline sectors in a single itinerary.

##### Booking Offices and Call Centers

As of December 31, 2020, CEB has a network of five booking offices located throughout the Philippines and four regional booking offices in Hong Kong, South Korea, Japan and China. It directly operates these booking offices which also handle customer service issues, such as customer requests for change of itinerary. It also uses a third-party call center outsourcing service to help accommodate heavy call traffic. Its employees who work as reservation agents are also trained to handle customer service inquiries and to convert inbound calls into sales. Purchases made through call centers can be settled through various modes, such as credit cards, payment centers and authorized agents.

##### Government/Corporate Client Accounts

As of December 31, 2020, CEB has government and corporate accounts for passenger sales. It provides these accounts with direct access to its reservation system and seat inventory as well as credit lines and certain incentives. Further, clients may choose to settle their accounts by post-transaction remittance or by using pre-enrolled credit cards.

### Third Party Sales Outlets

As of December 31, 2020, CEB has a network of distributors in the Philippines selling its domestic and international air services within an agreed territory or geographical coverage. Each distributor maintains and grows its own client base and can impose on its clients a service or transaction fee. Typically, a distributor's client base would include agents, travel agents or end customers. CEB also has a network of foreign general sales agents, wholesalers, and preferred sales agents who market, sell and distribute the CEB's air services in other countries.

### ***Customers***

CEB's business is not dependent upon a single customer or a few customers that a loss of anyone of which would have a material adverse effect on CEB.

### ***Competition***

The Philippine aviation authorities deregulated the airline industry in 1995 eliminating certain restrictions on domestic routes and frequencies which resulted in fewer regulatory barriers to entry into the Philippine domestic aviation market. On the international market, although the Philippines currently operates under a bilateral framework, whereby foreign carriers are granted landing rights in the Philippines on the basis of reciprocity as set forth in the relevant bilateral agreements between the Philippine government and foreign nations, in March 2011, the Philippine government issued E.O. 29 which authorizes the Civil Aeronautics Board (CAB) and the Philippine Air Panels to pursue more aggressively the international civil aviation liberalization policy to boost the country's competitiveness as a tourism destination and investment location.

Currently, CEB faces intense competition on both its domestic and international routes. The level and intensity of competition varies from route to route based on a number of factors. Principally, it competes with other airlines that service the routes it flies. However, on certain domestic routes, CEB also considers alternative modes of transportation, particularly sea and land transport, to be competitors for its services. Substitutes to its services also include video conferencing and other modes of communication.

CEB's major competitors in the Philippines are Philippine Airlines ("PAL"), a full-service Philippine flag carrier; PAL Express (formerly Airphil Express) a low-cost domestic operator and which code shares with PAL on certain domestic routes and leases certain aircraft from PAL; and Philippines Air Asia (a merger between former Air Asia Philippines and Zest Air). Most of the CEB's domestic and international destinations are also serviced by these airlines. CEB is the leading domestic airline in the Philippines by passengers carried, with a market share of 51%.

CEB is the leading regional low-cost airline offering services to more destinations and serving more routes with a higher frequency between the Philippines and other ASEAN countries than any other airline in the Philippines. CEB currently competes with the following LCC's and full-service airlines in its international operations: AirAsia, Jetstar Airways, PAL, Cathay Pacific, Singapore Airlines and Thai Airways, among others.

### ***Publicly-Announced New Product or Service***

CEB continues to analyze its route network. It can opt to increase frequencies on existing routes or add new routes/destinations. It can also opt to eliminate unprofitable routes and redeploy capacity.



CEB will have fifty (50) aircraft deliveries from 2021 to 2027. CEB has a firm order for sixteen (16) ATR 72-600 with options to acquire an additional ten (10) ATR 72-600. The new ATR 72-600 will be equipped with the high density Armonia cabin, the widest cabin in the turboprop market. It will be fitted with seventy-eight (78) slim-line seats and wider overhead bins with 30% more stowage space for greater comfort for passengers. Thirteen (13) out of the sixteen (16) ATR 72-600 aircraft were delivered as of December 31, 2020 while three (3) are scheduled for delivery from 2021 to 2022. CEB also has an existing order for thirty-two (32) Airbus A321 NEO (New Engine Option) aircraft with options for a further ten Airbus A321 NEO. Airbus A321 NEO will be the first of its type to operate in the Philippines, being a larger and longer-haul version of the familiar Airbus A320. These 236-seater aircraft will have a much longer range which will enable CEB to serve places the A320 cannot reach. Seven (7) out of 32 Airbus A321 NEO order were already delivered as of December 31, 2020. The rest will be delivered between 2020 and 2027.

In 2018, CEB received the seven (7) new A321 CEO aircraft it has ordered from Airbus S.A.S on June 7, 2017. In the same year, CEB has entered into lease agreements with Avolon Aerospace Leasing Limited for five (5) Airbus A320NEO, all of which have been delivered from 2019 to 2020. In October and December 2019, CEB has also placed new orders for sixteen (16) Airbus A330 NEO aircraft and sixteen (16) A320 NEO family aircraft which includes up to ten (10) A321XLR, for delivery from 2021 until 2026. These orders allow CEB to meet the increased capacity requirements.

CEB is also set to venture into the dedicated freighter market making it the only passenger airline in the Philippines with dedicated cargo planes. The first converted ATR 72-500 freighter aircraft was received in August 2019 while the second will be delivered by early 2021.

#### ***Raw Materials***

Fuel is a major cost component for airlines. CEB's fuel requirements are classified by location and sourced from various suppliers.

CEB's fuel suppliers at its international stations include PTT-Hongkong, PTT-Bangkok, Shell-Singapore, Shell-Narita, Shell-Dubai, SK Corp-Korea, Caltex-Australia and World Fuel-China among others. It also purchases fuel from local suppliers like Petron, Chevron Manila and Shell Manila. CEB purchases fuel stocks on a per parcel basis, in such quantities as are sufficient to meet its monthly operational requirements. Most of CEB's contracts with fuel suppliers are on a yearly basis and may be renewed for subsequent one-year periods.

#### ***Dependence on One or a Few Major Customers and Identify any such Major Customers***

CEB's business is not dependent upon a single customer or a few customers that a loss of anyone of which would have a material adverse effect on CEB.

#### ***Patents, Trademarks, Licenses, Franchises, Concessions and Royalty Agreements***

##### **Trademarks**

Trademark registrations with the Intellectual Property Office of the Philippines (IPOPhil) prior to the effective date of Republic Act (R.A) No. 8293, or the current Intellectual Property Code of the Philippines, are valid for twenty (20) years from the date of issue of the certificate of registration. Meanwhile, trademark registrations covered by R.A. No. 8293 are valid for ten (10) years from the date of the certificate of

registration. Regardless of whether the trademark registration is for twenty years or ten years, the same may be renewed for subsequent ten-year terms.

CEB holds the following valid and subsisting trademark registrations:

- CEBU PACIFIC, the Cebu Pacific feather-like device, CEBU PACIFIC AIR, CEBU PACIFIC AIR.COM;
- The CEB Mascot;
- Various trademarks for CEB Company's branding campaigns such as WHY EVERYONE FLIES, WHY EVERYJUAN FLIES, A NETWORK MADE WIDER WITH CEBU PACIFIC, SUPER SEAT FEST, TRAVEL SURE, and the logos used for such purposes;
- CEBGO and the Cebgo logo;
- A trademark for the strategic alliance entered into by CEB and TAH
- 1AV, 1AVIATION, and the 1AV logo with 1AV name and logo combined for its airport ground-handling services, needs, and other requirements.

On June 1, 2015, CEB rolled out its new logo which features shades of the Philippines' land, sea, sky and sun. This new branding also symbolizes the airline's growth and evolution from a low-cost pioneer to its larger operations today. The new logo and new branding have been registered as trademarks of CEB.

Meanwhile, CEB has twenty-six (26) trademarks registered with the Intellectual Property Office of China and three trademarks with the Intellectual Property Office of Singapore. On 24 October 2017, CEB registered four trademarks for CEBU PACIFIC'S wordmark, logo, and stylized wordmark under the Madrid - International Trademark System for Australia, Brunei, Japan, Cambodia, Korea, USA, and Vietnam valid for ten years from the date of the certificate of registration.

CEB has also incorporated the business names "Cebu Pacific" and "Cebu Pacific Air" with its Articles of Incorporation, as required by Memorandum Circular No. 21-2013 issued by the SEC. Registering a business name with the SEC precludes another entity engaged in the same or similar business from using the same business name as one that has been registered.

CEB, together with other airline members, also has trademarks registered for the Value Alliance logo in various jurisdictions.

On November 27, 2019, CEB filed twenty-eight (28) new applications for trademark registration with the IPOPhil for its branding campaigns, twenty-four (24) of which have already been granted on different dates in 2020. On December 11, 2019, CEB also filed four additional applications for trademark registration to further bolster its marketing strength, all of which have been granted in 2020.

#### Licenses / Permits

CEB operates its business in a highly regulated environment. CEB's business depends upon the permits and licenses issued by the government authorities or agencies for its operations which include the following:

- Legislative Franchise to Operate a Public Utility
- Certificate of Public Convenience and Necessity
- Letter of Authority
- Air Operator Certificate
- Certificate of Registration
- Certificate of Airworthiness

CEB also has to seek approval from the relevant airport authorities to secure airport slots for its operations.

#### Franchise

In 1991, pursuant to R.A. No. 7151, CEB was granted a franchise to operate air transportation services, both domestic and international. In accordance with the CEB's franchise, this extends up to year 2031:

- a) CEB is subject to franchise tax of five percent of the gross revenue derived from air transportation operations. For revenue earned from activities other than air transportation, CEB is subject to corporate income tax and to real property tax.
- b) In the event that any competing individual, partnership or corporation received and enjoyed tax privileges and other favorable terms which tended to place CEB at any disadvantage, then such privileges shall have been deemed by the fact itself of the CEB's tax privileges and shall operate equally in favor of CEB.

In December 2008, pursuant to R.A. No. 9517, CEBGO, Inc. (formerly TAP), CEB's wholly owned subsidiary, was granted a franchise to establish, operate and maintain domestic and international air transport services with Clark Field, Pampanga as its base. This franchise shall be for a term of twenty-five (25) years.

#### ***Government Approval of Principal Products or Services***

CEB operates its business in a highly regulated environment. CEB's business depends upon the permits and licenses issued by the government authorities or agencies for its operations which include the following:

- Legislative Franchise to Operate a Public Utility
- Certificate of Public Convenience and Necessity
- Letter of Authority
- Air Operator Certificate
- Certificate of Registration
- Certificate of Airworthiness

CEB also has to seek approval from the relevant airport authorities to secure airport slots for its operations.

As an airline operator, CEB recognizes the effect of the nature and extent of regulations on the results of its operations. Consequently, in conducting its businesses, CEB has secured or seeks to secure all relevant and applicable government approvals at both the national and local levels.

Basic permits and licenses required of airlines operating in the Philippines are set forth below:

#### Legislative Franchise to Operate a Public Utility

A public utility is an entity which renders services, including transportation services, to the general public for compensation. Its essential feature is that its service is not confined to privileged individuals but is open to the general public.

The 1987 Philippine constitution requires that a franchise, certificate, or any other form of authorization for the operation of a public utility may only be granted to Filipino citizens or to corporations or associations organized under Philippine laws whose capital is at least 60 per cent owned by Filipino citizens. Franchises are granted for a period not exceeding

50 years and always upon the condition that they be subject to amendment, alteration, or repeal by Congress when the common good requires.

#### Certificate of Public Convenience and Necessity

A CPCN is a permit issued by the Civil Aeronautics Board (CAB) authorizing a domestic person or entity, that is at least 60 per cent owned by Filipinos, to engage in international and/or domestic, scheduled and/or non-scheduled air transportation services. Once issued, the grantee must obtain approval for any proposed change in its routes and schedules, frequency of flights, type and class of service and equipment. It is also required to request approval of proposed tariffs, showing all rates, fares, charges and conditions of carriage and any change therein. Moreover, a grantee of a CPCN may operate even without a legislative franchise. A CPCN is renewable every 5 years.

#### Foreign Air Operator Permit

A Foreign Air Operator Permit is the approval granted by the national civil aviation authority to a foreign aircraft operator authorizing the operation of a foreign registered aircraft on flights into and out of the issuing country, which CEB needs in order to operate to foreign jurisdictions.

#### Air Operator Certificate (“AOC”)

The AOC is issued by the Civil Aviation Authority of the Philippines (CAAP) to enable the air carrier to operate in the Philippines, with a term of one year, pursuant to Administrative Order 121 s. 2001. Prior to issuance, the applicant must undergo a five-phase certification process by the CAAP, wherein the proposed plan/site, routes, key management personnel, and aircrafts will be evaluated.

#### Certificate of Registration

The CAAP requires that all aircraft to be used by a Philippine air carrier must be registered in the Philippines. This certificate of registration (C of R), which shall be carried aboard the aircraft for all operations, is secured from CAAP once the Philippine air carrier has submitted and met all the requirements for the registration. The said certificate has a validity of 1 year and renewed every year thereafter, and for as long as the aircraft is operated and/or owned by a Philippine air carrier.

#### Certificate of Airworthiness

Each aircraft must also be issued a certificate of airworthiness (C of A) by the CAAP before it can be used for operations in the Philippines. To obtain this, the applicant must submit and comply with the C of A requirements. Part of the requirements is also to secure customs clearance for the aircraft, and a radio license from the National Telecommunications Commission. This certificate is secured from CAAP once the evaluation of the submitted documents is completed and the aircraft has successfully passed the CAAP Inspector’s acceptance and conformity inspections. The said certificate has a validity of 1 year and renewable annually thereafter.

#### Aviation Insurance Coverage

As a mandatory requirement under the Philippine Civil Aviation Regulations, an operator of aircraft must have valid insurance covering aircraft hull, each person, freight and mail onboard aircraft and third party liability. Furthermore, under the same Philippine Civil Aviation Regulations, no person may operate a civil aircraft in general aviation operations unless it has within the aircraft documents evidencing, among others, aircraft insurance coverage.

Thus, certificates of insurance and reinsurance evidencing adequate aviation insurance coverage per aircraft must be issued (and placed within the aircraft) as required by the Philippine Civil Aviation Regulations. Likewise, certificates of insurance and reinsurance evidencing adequate aviation insurance coverage must be issued in various international destinations and/or routes where CEB flies as a requirement of the Civil Aviation Authority of the relevant jurisdiction where CEB flies to.

Adequate aviation insurance coverage is being secured by CEB for its fleet, with validity period of October 26 of the current year up to October 25 of the succeeding year, and is being renewed annually.

#### Fares

Under RA 776, the CAB is empowered to approve fares, rates and charges, conditions of carriage, schedules and schedule changes, charters and airline exchange rates. Pursuant to the liberalization policy, domestic airfares are deregulated for routes operated by more than one carrier. Price setting is left to the discretion of the airlines, along with the level of capacity they want to offer in the market. Any proposed fare must, however, be submitted to the CAB for formal confirmation. For routes serviced by a single operator, airfares are still regulated and subject to the approval of the CAB. For international fares, most of the country's air services agreements adopt a dual-approval concept, under which fares have to be approved by the aviation authorities of both countries.

#### Acquisition of Aircraft, Lease Agreements, and contract loan or financing

All aircraft purchases, as well as lease agreements entered into by air carriers, whether for equipment, facilities, aircraft or hangars, and any contract loan or financing secured by an air carrier in the amount of ₱500,000.00 or more must be approved by the CAB.

#### Maintenance

RA 776 and RA 9497 created the CAB and the CAAP, respectively, to supervise and oversee the safety and maintenance procedures of the airlines. The maintenance programme, and any changes thereto, must be approved by the CAAP. Operations specifications per aircraft model must also be approved by the CAAP.

### ***Effects of Existing or Probable Government Regulations on the Business***

#### Civil Aeronautics Administration and CAAP

Policy-making for the Philippine civil aviation industry started with R.A. No. 776, known as the Civil Aeronautics Act of the Philippines (the "Act"), passed in 1952. The Act established the policies and laws governing the economic and technical regulation of civil aeronautics in the country. It established the guidelines for the operation of two regulatory organizations, CAB for the regulation of the economic activities of airline industry participants and the Air Transportation Office, which was later transformed into the CAAP, created pursuant to R.A. No. 9497, otherwise known as the Civil Aviation Authority Act of 2008.

The CAB is authorized to regulate the economic aspects of air transportation, to issue general rules and regulations to carry out the provisions of R.A. No. 776, and to approve or disapprove the conditions of carriage or tariff which an airline desires to adopt. It has general supervision and regulation over air carriers, general sales agents, cargo sales agents, and airfreight forwarders, as well as their property, property rights, equipment, facilities and franchises.

The CAAP, a government agency under the supervision of the Department of Transportation and Communications for purposes of policy coordination, regulates the technical and operational aspects of air transportation in the Philippines, ensuring safe, economic and efficient air travel. In particular, it establishes the rules and regulations for the inspection and registration of all aircraft and facilities owned and operated in the Philippines, determine the charges and/or rates pertinent to the operation of public air utility facilities and services, and coordinates with the relevant government agencies in relation to airport security. Moreover, CAAP is likewise tasked to operate and maintain domestic airports, air navigation and other similar facilities in compliance with the International Civil Aviation Organization (ICAO), the specialized agency of the United Nations whose mandate is to ensure the safe, efficient and orderly evolution of international civil aviation.

CEB complies with and adheres to existing government regulations.

#### Aviation Safety Ranking and Regulations

In early January 2008, the Federal Aviation Administration (FAA) of the United States (U.S.) downgraded the aviation safety ranking of the Philippines to Category 2 from the previous Category 1 rating. The FAA assesses the civil aviation authorities of all countries with air carriers that operate to the U.S. to determine whether or not foreign civil aviation authorities are meeting the safety standards set by the ICAO. The lower Category 2 rating means a country either lacks laws or regulations necessary to oversee airlines in accordance with minimum international standards, or its civil aviation authority is deficient in one or more areas, such as technical expertise, trained personnel, record-keeping or inspection procedures. Further, it means Philippine carriers can continue flying to the U.S. but only under heightened FAA surveillance or limitations. In addition, the Philippines was included in the “Significant Safety Concerns” posting by the ICAO as a result of an unaddressed safety concern highlighted in the recent ICAO audit. As a result of this unaddressed safety concern, Air Safety Committee (ASC) of the European Union banned all Philippine commercial air carriers from operating flights to and from Europe. The ASC based its decision on the absence of sufficient oversight by the CAAP.

In February 2013, the ICAO has lifted the significant safety concerns on the ability of CAAP to meet global aviation standards. The ICAO SSC Validation Committee reviewed the corrective actions, evidence and documents submitted by the Philippines to address the concerns and determined that the corrective actions taken have successfully addressed and resolved the audit findings.

On April 10, 2014, the ASC of the European Union lifted its ban on Cebu Air, Inc. after its evaluation of the airline’s capacity and commitment to comply with relevant aviation safety regulations. On the same date, the US FAA also announced that the Philippines has complied with international safety standards set by the ICAO and has been granted a Category 1 rating. The upgrade to Category 1 status is based on a March 2014 FAA review of the CAAP. With this, Philippine air carriers can now add flights and services to the U.S.

In September and December 2014, CEB received CAAP’s approval for extended range operations in the form of a certification for Extended Diversion Time Operations (EDTO) of up to 90 and 120 minutes, respectively. EDTO refers to a set of rules introduced by the ICAO for airlines operating twin-engine aircraft on routes beyond 60 minutes flying time from the nearest airport. This certification allows CEB to serve new long haul markets and operate more direct routes between airports resulting to more fuel savings and reduced flight times.

In April 2018, CEB has fully complied with the IATA Operational Safety Audit (IOSA) and now joins a roster of 437 airlines that have met the highest standard for safety in the airline industry. IOSA is an internationally recognized and accepted evaluation system designed to assess the operational management and control systems of an airline. To secure the accreditation, CEB has invested in technology that would improve its capability to manage safety risks such as on-board Runway Overrun Prevention System (ROPS) cockpit technology for its Airbus fleet for purposes of monitoring runway conditions prior to landing, Area Navigation (RNAV) data for more accurate navigation and approaches to various airports and a Fatigue Risk Management System to ensure that pilots are at adequate levels of alertness.

These developments open the opportunity for CEB to establish new routes to other countries in the U.S. and Europe.

In December 2019, CEB officially joined the International Air Transportation Association (IATA) to gain access to expertise and learnings on best practices and innovations among global airlines, as well as help formulate policies on critical aviation issues. IATA, the trade association for the global airline industry, is comprised of over 290 member-airlines from 117 countries, representing 82% of global air traffic.

#### E.O. 28 and 29

In March 2011, the Philippine government issued E.O. 28 which provides for the reconstitution and reorganization of the existing Single Negotiating Panel into the Philippine Air Negotiating Panel (PANP) and Philippine Air Consultation Panel (PACP) (collectively, the Philippine Air Panels). The PANP shall be responsible for the initial negotiations leading to the conclusion of the relevant ASAs while the PACP shall be responsible for the succeeding negotiations of such ASAs or similar arrangements.

Also in March 2011, the Philippine government issued E.O. 29 which authorizes the CAB and the Philippine Air Panels to pursue more aggressively the international civil aviation liberalization policy to boost the country's competitiveness as a tourism destination and investment location. Among others, E.O. 29 provides the following:

- In the negotiation of the ASAs, the Philippine Air Panels may offer and promote third, fourth and fifth freedom rights to the country's airports other than the NAIA without restriction as to frequency, capacity and type of aircraft, and other arrangements that will serve the national interest as may be determined by the CAB; and
- Notwithstanding the provisions of the relevant ASAs, the CAB may grant any foreign air carriers increases in frequencies and/or capacities in the country's airports other than the NAIA, subject to conditions required by existing laws, rules and regulations. All grants of frequencies and/or capacities which shall be subject to the approval of the President shall operate as a waiver by the Philippines of the restrictions on frequencies and capacities under the relevant ASAs.

The issuance of the foregoing EOs may significantly increase competition.

#### ASEAN Open Skies Agreement

In February 2016, the Philippine government ratified the ASEAN Open Skies agreement which allows designated carriers of ASEAN countries to operate unlimited flights between capitals, leading to better connectivity and more competitive fares and services. Subject to regulatory approvals, this liberalized and equitable air services agreement

further allows carriers to upgrade its ASEAN flights to wide-bodied aircraft and increase capacity without the need for air talks thus allowing airlines to focus on expanding its operations, stimulating passenger traffic, and improving customer experience rather than spending valuable resources on negotiating for additional air rights.

#### Air Passenger Bill of Rights

The Air Passenger Bill of Rights (the “Bill”), which was formed under a joint administrative order of the Department of Transportation and Communications, the CAB and the Department of Trade and Industry, was signed and published by the Government on December 11, 2012 and came into effect on December 21, 2012. The Bill sets the guidelines on several airline practices such as overbooking, rebooking, ticket refunds, cancellations, delayed flights, lost luggage and misleading advertisement on fares.

#### R.A. No. 10378 - Common Carriers Tax Act

R.A. No. 10378, otherwise known as the Common Carriers Tax Act, was signed into law on March 7, 2013. This act recognizes the principle of reciprocity as basis for the grant of income tax exceptions to international carriers and rationalizes other taxes imposed thereon by amending sections 28(A)(3)(a), 109, 108 and 236 of the National Internal Revenue Code, as amended.

Among the relevant provisions of the act follows:

- a.) An international carrier doing business in the Philippines shall pay a tax of two and one-half percent (2 1/2%) on its Gross Philippine Billings, provided, that international carriers doing business in the Philippines may avail of a preferential rate or exemption from the tax herein imposed on their gross revenue derived from the carriage of persons and their excess baggage on the basis of an applicable tax treaty or international agreement to which the Philippines is a signatory or on the basis of reciprocity such that an international carrier, whose home country grants income tax exemption to Philippine carriers, shall likewise be exempt from the tax imposed under this provision;
- b.) International air carriers doing business in the Philippines on their gross receipts derived from transport of cargo from the Philippines to another country shall pay a tax of three percent (3%) of their quarterly gross receipts; and
- c.) VAT exemption on the transport of passengers by international carriers.

While the removal of CCT takes away the primary constraint on foreign carrier’s capacity growth and places the Philippines on an almost level playing field with that of other countries, this may still be a positive news for the industry as a whole, as it may drive tourism into the Philippines. With Cebu Pacific’s dominant network, CEB can benefit from the government’s utmost support for tourism.

#### ***Research and Development***

CEB incurred minimal amounts for research and development activities, which do not amount to a significant percentage of revenues.

#### ***Costs and Effects of Compliance with Environmental Laws***

The operations of CEB are subject to various laws enacted for the protection of the environment. CEB has complied with the following applicable environmental laws and regulations:

- Presidential Decree No. 1586 (Establishing an Environmental Impact Assessment System) which directs every person, partnership or corporation to obtain an



Environmental Compliance Certificate (ECC) before undertaking or operating a project declared as environmentally critical by the President of the Philippines. Petro-chemical industries, including refineries and fuel depots, are considered environmentally critical projects for which an ECC is required. CEB has obtained ECCs for the fuel depots it operates and maintains for the storage and distribution of aviation fuel for its aircraft.

- R.A. No. 8749 (The Implementing Rules and Regulations of the Philippine Clean Air Act of 1999) requires operators of aviation fuel storage tanks, which are considered as a possible source of air pollution, to obtain a Permit to Operate from the applicable regional office of the Environment Management Bureau (EMB). CEB's aviation fuel storage tanks are subject to and are compliant with this requirement.
- R.A. No. 9275 (Implementing Rules and Regulations of the Philippine Clean Water Act of 2004) requires owners or operators of facilities that discharge regulated effluents to secure from the Laguna Lake Development Authority (LLDA) (Luzon area) and/or the applicable regional office of the EMB (Visayas and Mindanao areas) a Discharge Permit, which is the legal authorization granted by the Department of Energy and Natural Resources for the discharge of waste water. CEB's operations generate waste water and effluents for the disposal of which a Discharge Permit was obtained from the LLDA and the EMB of Region 7 which enables it to discharge and dispose of liquid waste or water effluent generated in the course of its operations at specifically designated areas. CEB also contracted the services of government-licensed and accredited third parties to transport, handle and dispose its waste materials.

Compliance with the foregoing laws does not have a material effect to CEB's capital expenditures, earnings and competitive position.

On an annual basis, CEB spends approximately ₱28,000 in connection with its compliance with applicable environmental laws for the above.

#### **d) PETROCHEMICALS**

##### ***Business Development***

JG Summit Petrochemical Corporation (JGSPC) was incorporated in the Philippines on February 24, 1994 and is 100% owned by the Company.

Its primary purpose is to engage in, operate, conduct, maintain, manage and carry on the business of manufacturing, dealing and marketing of polyethylene (PE) and polypropylene (PP) and related petrochemical products or by-products, in all their forms, varieties and stages of production and preparation, or of any article or commodity consisting of, or partly consisting of petrochemicals. The plant is the Philippines' first integrated PE and PP complex and is located at Barangay Simlong, Batangas City.

Currently, JGSPC has an annual polymer production capacity of 320,000 metric tons (MT) for PE and 190,000 MT for PP.

##### ***Principal Products or Services***

JGSPC manufactures PE and PP. JGSPC's principal product lines include High Density Polyethylene (HDPE) grades for film, blow molding, monofilament, pipe and injection molding applications. Linear Low-Density Polyethylene (LLDPE) grades for film and injection molding applications and PP homopolymer grades for yarn, film, injection

molding and thermoforming applications and random copolymer PP grades for blow molding and injection molding applications.

The percentage contribution to JGSPC’s revenues for the three years ended December 31, 2020, 2019 and 2018 by each of its principal product categories is as follows:

	For the years ended December 31		
	2020	2019	2018
Polyethylene (PE)	58.1%	60.8%	57.9%
Polypropylene (PP)	41.9%	39.2%	42.1%
	<b>100.0%</b>	<b>100.0%</b>	100.0%

JGSPC products are sold under the EVALENE brand name, are compliant with FDA Philippines food-contact requirements and are also Halal certified. In addition, JGSPC ensures adherence to the highest standards for quality management, environmental performance, and occupational health and safety management with its ISO 9001:2015, ISO 14001:2015, and OHSAS 18001:2007 certifications.

***Distribution, Sales and Marketing***

JGSPC sells directly to small, medium and large plastic converters in the Philippines through its in-house sales group. Product distribution to the domestic market is handled directly by JGSPC in coordination with third party trucking services. JGSPC also sells PE and PP for export to international markets, either direct to resin end users or through reputable.

***Competition***

To be highly competitive, JGSPC is committed to produce consistently good quality products using world-class technology and by employing highly competent plastics processing personnel. Continuous research and development is conducted in-house by the Product Management Group, with the assistance of polymer technology licensors Univation and WR Grace.

JGSPC is the largest polymer resins producer and the only local manufacturer that can produce both PE and PP in an integrated complex. The two other companies that produce polyolefins produce either PE or PP only. These are NPC Alliance Corporation (NPCAC), whose production capacity is 250,000 MT per annum for PE, and Philippine Polypropylene Inc. (PPI), whose production capacity is 160,000 MT per annum for PP. Manufacturing sites of both competitors are located in Bataan province, north of Manila. The balance for the local polyolefins demand is supplied by imported material brought in either directly by local plastic products manufacturers or by international and local traders. Imported PE and PP resin goods are currently JGSPC’s primary competition.

JGSPC through its Marketing Department also is able to develop specialty PE and PP grades for specific niche markets, products for which may be difficult to source via the import market.

***Raw Materials/Suppliers***

The principal raw materials used by JGSPC in the production of its polyolefin products are polymer-grade propylene and ethylene, commonly known as olefins, which are mainly derived from naphtha produced in the oil refining process. Prior to the completion of JG Summit Olefins Corporation (JGSOC)’s Naphtha Cracker Plant, JGSPC purchased olefins from international sources through suppliers which include Japanese trading companies Marubeni and Mitsui & Co. Ltd.

Since November 2014, JGSOC now directly supplies JGSPC with previously imported raw materials ethylene and propylene. Per design, the olefins output capacity of JGSOC matches the feedstock volume requirements of JGSPC.

JGSOC will be the direct supplier of pyrolysis gasoline and mixed C4 upon commissioning of JGSPC's aromatics and butadiene plants.

### ***Customers***

JGSPC aims to supply the majority of manufacturers of plastic-based products in the Philippines. It also sells its products to internal parties which include the packaging division of URC, and to external parties comprised of more than 300 local manufacturers. Loss of any one customer would not have a materially adverse effect on JGSPC. JGSPC also exports PE and PP worldwide.

### ***Related Party Transactions***

JGSPC, in its regular conduct of business, has engaged in transactions with the Company and its affiliates. These transactions principally consist of sales, advances to and from these affiliated companies.

### ***Regulatory Overview***

The Philippine Government through the DTI's Board of Investments (BOI) implements policies which directly affect the various manufacturing industries including the petrochemical industry. Under the Philippine Investment Priorities Plan, the BOI has the power to grant fiscal incentives to manufacturers establishing new plants or undertaking rehabilitation or expansion programs. Through several dialogues held with the BOI, JGSPC has emphasized the importance of fully developing the petrochemical industry to help with the sustainable development of the Philippine economy. The BOI has granted JGSPC's capacity expansion project generous fiscal incentives such as income tax holiday (ITH) and duty-free importation of capital equipment, as well as tax credits on locally purchased equipment. JGSPC's ITH incentive on capacity expansion project ended on September 30, 2016.

### ***Costs and Effects of Compliance with Environmental Laws***

JGSPC takes pride in consistently undertaking projects to help preserve the environment. The safety of employees and the community is foremost and is never compromised. JGSPC complies with all applicable laws on the environment and is committed to be environmentally responsible by having an effective environmental management system based on the requirements of ISO 14001:2004 (EMS). Compliance with such laws has not had, and in JGSPC's opinion, is not expected to have a material effect upon JGSPC's capital expenditures, earnings or competitive position.

## **e) OLEFINS**

### ***Business Development***

JG Summit Olefins Corporation (JGSOC) was incorporated in the Philippines on April 22, 2008. JGSOC is wholly owned by the Company and is setup to operate the country's first Naphtha Cracker Plant.

The naphtha cracker is a back integration for the existing PE and PP plants of JGSPC. The cracking facility was constructed adjacent to the existing PE and PP plants of JGSPC. Commercial operations commenced on November 1, 2014.

### ***Principal Products or Services***

The technology selected for the naphtha cracking facility of JGSOC is licensed by CB&I Lummus (formerly ABB Lummus Global), an experienced licensor and worldwide supplier of ethylene technology with around 40% of worldwide capacity currently licensed. The cracker is the first of its kind in the Philippines.

The plant was initially built to produce 320,000 MT of polymer-grade ethylene and 190,000 MT of polymer-grade propylene.

After its expansion in 2020, the plant can now produce 480,000 MT of polymer-grade ethylene, 240,000 MT of polymer-grade propylene, 250,000 MT of pyrolysis gas and 180,000 MT of mixed C4 on a per annum basis.

### ***Customers***

JGSOC sells its primary products ethylene and propylene directly to JGSPC, while other products pyrolysis gasoline and mixed C4 are exported to international markets.

### ***Raw Materials/Suppliers***

The feedstock naphtha is purchased from international sources. JGSOC also imported LPG in November 2015 which was used as cracker feedstock simultaneous with naphtha in November and December 2015 productions. Importations of LPG and its use as cracker feedstock are performed when economically feasible.

### ***Registration with the Board of Investments (BOI)***

JGSOC is registered with the BOI under the Omnibus Investments Code of 1987 (E.O. 226) on December 15, 2010 as a new producer of ethylene, propylene, pyrolysis gasoline and other by-products produced by the Naphtha Cracker Project on a Pioneer status. Under its certificate of registration, JGSOC shall be entitled to certain tax and nontax incentives such as: (a) ITH for six (6) years from actual start of commercial operations; only income generated from the registered activity shall be entitled to ITH incentives; additional deduction from taxable income of fifty percent (50%) of wages corresponding to the increment of direct labor; (c) employment of foreign nationals; (d) tax credit for taxes and duties on raw materials and supplies and semi-manufactured products used on its export products and forming part thereof, among others; (e) simplification of customs procedures for the importation of equipment, spare parts, raw materials and supplies; (f) access to Customs Bonded Manufacturing Warehouse (CBMW); (g) exemption from wharfage dues, export taxes, duties, imposts and fees on export products; and (h) importation of consigned equipment.

### ***Expansion Projects***

Currently ongoing is JGSPC's expansion projects for the petrochemical complex, which shall increase existing capacities as well as provide for new production units, as follows:

- A new aromatics extraction unit using Sulzer GTC's GT-BTX® to produce 90,000 MTA of benzene, 50,000 MTA of toluene, 30,000 MTA of mixed xylenes, and 20,000 MTA of mixed aromatics;
- A new butadiene extraction unit using Lummus Technology's BASF Process to produce 70,000 MTA butadiene and 110,000 MTA raffinate-1;
- Increase in capacity for the existing PP plant to 300,000 MTA; and
- A new bimodal PE plant using Chevron Phillip's MarTECH™ loop slurry polymerization technology to produce additional 250,000 MTA.

JGSPC and JGSOC were in technical shutdown during the 4<sup>th</sup> quarter of 2019 for a complex-wide turnaround maintenance and project tie-ins. Integrated operations resumed in March 2020.

JGSPC's aromatics and butadiene extraction plants, and PP expansion plant are set for commissioning in April 2021, while the new bimodal PE plant is expected to be commissioned by first quarter of 2022.

The expansion project, with its additional volumes and new downstream value-added products, is a step towards product diversification of the Philippine petrochemical industry, and aims to strengthen further the industrial value chain for the various domestic manufacturing sectors.

## **f) BANKING SERVICES**

Robinsons Bank Corporation (RBC/the Bank), a commercial bank, is the surviving entity between the merger of Robinsons Savings Bank and Robinsons Bank Corporation (formerly known as The Royal Bank of Scotland (Phils.)) as approved by the Bangko Sentral ng Pilipinas (BSP) in December 2010 and by the SEC in May 2011. 60% of the common stocks are owned by JG Capital Services Corporation (JGCSC), a wholly-owned subsidiary of JG Summit, while Robinsons Holdings Inc. (RRHI) owns the remaining 40%.

Robinsons Savings Bank started its operations in November 1997, and was a wholly-owned subsidiary of JGSCS at that time. In the second quarter of 2010, JGCSC and RRHI then jointly acquired 100% of the shares of The Royal Bank of Scotland (Phils.).

RBC continues to look for attractive mergers and acquisitions to fast track its goal to become a significant player in the banking industry in the next five years. In December 2012, RBC acquired Legazpi Savings Bank (LSB), making it a wholly owned subsidiary of the Bank. With this venture, RBC intends to utilize the capacity and branch network of LSB as its vehicle to engage in countryside banking and microfinance lending.

On June 27, 2018, the Bank's Board of Directors approved the increase of the Bank's Authorized Capital Stock from ₱15.0 billion to ₱27.0 billion at ₱10.0 par value per share. The 25% of the net increase amounting to ₱3.0 billion was subscribed and paid in full by the major stockholders of the Bank namely JGCSC and RRHI who subscribed and paid the amount of ₱1.8 billion and ₱1.2 billion, respectively. The increase in Bank's Authorized Capital Stock was approved by the BSP on December 12, 2018 and by the SEC last March 18, 2019.

Based on the BSP data, as of September 30, 2020, of the forty-six (46) universal and commercial banks operating in the Philippines, the Bank ranked 18th in terms of Total Assets; 15th in terms of Total Loans (net); 18th in terms of Total Deposits; 16th in terms of Return on Equity (ROE); and 15th in terms of Total Capital.

### ***Principal Products or Services***

As of December 31, 2020, RBC's products and services are made available to its corporate, commercial and retail clients through multiple channels: 163 branch networks in 2020 (of which 149 belongs to the Bank; 14 are LSB branches); 10 Branch-Lites (5 Bank, 5 LSB); 354 ATMs (169 are onsite and 166 are offsite, 19 LSB); online banking (<https://www.robinsonsbank.com.ph>); and mobile banking which are made available to

and can be accessed by Android and iOS users. (include agency banking partners, i.e. Premiumbikes & GrowSari).

Having a proven track record in the banking industry and as JG Summit’s major financial service arm, RBC continuously strives to carry on its vision of leading the country to global-competitiveness through quality and innovative banking products and services. It provides a broad range of traditional banking services such as savings, current and time deposits, treasury and trust products, and foreign currency-denominated deposits. It also offers commercial loans, consumer loans such as housing, car and personal loans, motorcycle loans, micro financing, and other products or services such as cash management, trade financing and remittance, among others. In 2017, the Bank unleashed the power of 2 Gives through Robinsons Bank DOS Mastercard. The DOS card is the first and only credit card in the market that automatically splits all transactions into two monthly installments at 0%. The card is 3D Secure, providing the card holders protection from fraud and scheme.

RBC aims to be among the top big banks in the country and continues to be a strategic player in the industry. RBC prides itself with a business portfolio of market leaders, a solid financial position, and a formidable management team which steers the Bank ahead of changing times and through the challenges that come along with it. Thus, RBC is positioned not only to be more responsive in meeting the banking requirements of its retail customers and business partners, but also to fully serve the general banking public.

***Status of Publicly Announced New Products and Services***

Robinsons Bank introduced the following products and services in 2020:

<b>PRODUCTS AND SERVICES</b>	<b>DATE LAUNCHED</b>
<i>RBank Sign Up</i>	April 24, 2020
<i>QuickR</i>	May 29, 2020
<i>Sprout Solutions Partnership</i>	July 10, 2020
<i>SignUp Payroll</i>	July 23, 2020
<i>RRewards Savings Account</i>	September 3, 2020
<i>RBank Digital</i>	September 25, 2020
<i>Corporate ADA</i>	November 11, 2020

***Competition***

The Philippine banking industry is a mature market that has, in recent years, been subject to consolidation and liberalization, including liberalization of foreign ownership restrictions. As of December 31, 2020, there are 46 universal and commercial (local and foreign) banks in the Philippines, according to the BSP. The Bank faces significant levels of competition amid a number of these Philippine banks and the presence of branches of international banks. These include, but not limited to, banks with greater financial and capital resources, bigger market share, and larger brand recognition than the Bank.

Increased competition may arise from:

- other large Philippine banking and financial institutions with significant presence in Metro Manila and large country-wide branch networks;
- foreign banks, due to, among other things, relaxed foreign bank ownership standards permitting large foreign banks to expand their branch network through acquiring domestic banks;
- ability of the Bank’s competitors to establish new branches in Metro Manila due to the removal of the existing new branch license restriction scheme in 2014;

- domestic banks entering strategic alliances with foreign banks with significant financial and management resources;
- continued consolidation in the banking sector involving domestic and foreign banks, driven in part by the gradual removal of foreign ownership restrictions;
- the impact of financial technologies in developing and transforming banking products and services; and
- the entry of fintech companies offering financial services.

The Bank faces the challenges of such increased competition. In 2019, the Bank increased its equity by ₱3.0 billion to sustain the increasing size of its loan portfolio.

Per BSP data for the period 2015 to 3Q2020, the ranking of the Bank in the last five years shows the competitive strength of Robinsons Bank against its peers.

The table below summarizes the Bank's ranking in the last five years in terms of total assets and total loans (net):

Year	Total Assets	Ranking	Total Loans (Net)	Ranking
2016	75.9 billion	20 <sup>th</sup>	37.8 billion	21 <sup>st</sup>
2017	105.1 billion	19 <sup>th</sup>	58.6 billion	19 <sup>th</sup>
2018	121.4 billion	18 <sup>th</sup>	67.7 billion	17 <sup>th</sup>
2019	128.1 billion	18 <sup>th</sup>	79.7 billion	16 <sup>th</sup>
3Q2020	139.4 billion	18 <sup>th</sup>	92.9 billion	15 <sup>th</sup>

#### ***Trademarks and Licenses***

Except for software license agreements which it entered into in the ordinary course of business with some information technology companies, the Bank's business and operations are not dependent upon any patents, trademarks, copyrights, licenses, franchises, and royalty agreements.

In 2018 and 2019, the SEC approved the following business names and styles of the Bank, namely: RBank, RBC, Robinsons Bank, RobinsonsBank, Robinsons Bank Corp., RBank Corp., RBank Corporation, RobinsonsBankCorp., and Robinsons Commercial Bank.

As of December 31, 2020, the Bank was also able to cause the registration of the trade names of its new products before the IPPHL, namely:

Trade Name	Date of Registration	Term
"UNO"	November 30, 2017	Ten years (until November 30, 2027)
"DOS"	November 30, 2017	Ten years (until November 30, 2027)
"Direct2Bank"	September 28, 2018	Ten years (until September 28, 2028)
"Simple Savings"	November 22, 2018	Ten years (until November 22, 2028)
"Businesslinker"	November 1, 2018	Ten years (until November 1, 2028)

In 2019 and early 2020, the Bank filed for registration of the trade names of the following new products before the Intellectual Property Office (IPO). Processing of registration is still pending with the IPO.

Trade Name	Date of Filing
RBank	November 12, 2018
Go! Auto Loan Growing Opportunities	August 5, 2019
Go! Housing Loan Growing Opportunities	August 5, 2019
Go! Small Biz Loan Growing Opportunities	August 5, 2019

<b>Trade Name</b>	<b>Date of Filing</b>
Go! Consumer Loans Growing Opportunities	August 5, 2019
QuickR	March 10, 2020
QuickR Way to Pay	March 10, 2020
IPONsurance	March 10, 2020
RBankMo Malapit Sayo	June 25, 2020
RBank Sign Up	June 25, 2020
RBank Digital	June 25, 2020
MyWealth	July 19, 2020
RBank Remit	June 25, 2020
RRewards Savings	June 25, 2020
e-Ayuda	November 11, 2020
instaBalé	November 11, 2020

### ***Strong Investor Base***

RBC is part of the JG Summit Holdings conglomerate. It maintains good patronage of the concessionaires, contractors and suppliers of the JG Group of Companies; exhibiting strong deposit and loan acquisitions. The Bank being owned by JGSCS and RRHI, RBC is in the company of leading and established corporations in the country today.

### ***Regulatory Overview***

As a domestic commercial bank, the Bank is governed by the rules and regulations of the BSP and other government regulators. As such, the Bank ensures that its business operations comply with all applicable government laws, rules and regulations such as BSP mandate on financial inclusions, limits, circulars, Capital Adequacy Ratio, reserves, liquidity, AMLA, and other reportorial requirements.

### **g) CORE INVESTMENTS**

#### *PLDT, Inc. (PLDT)*

On March 29, 2011, the Company executed a sale and purchase agreement with PLDT under which PLDT has agreed to purchase all the rights, title and interest in the assets of Digitel. The acquisition was completed on October 26, 2011 following the issuance by the SEC of its confirmation of the valuation of the enterprise assets and the approval by National Telecommunications Commission of the transfer of 51.6% interest in Digitel. In November 2011, the Company subsequently sold 5.81 million and 4.56 million PLDT shares to an associate company of First Pacific Company Limited and NTT Docomo, Inc., respectively for approximately US\$600 million. The Company is represented in PLDT's board of directors with one board seat. The transaction triggered a mandatory tender offer for the acquisition of the remaining 48.5% of Digitel shares held by the public. PLDT launched a tender offer for such shares that ended January 16, 2012.

In December 2019, the Company acquired 7,046,979 American Depositary Receipts (ADRs) of PLDT amounting to ₱7.0 billion, which was then converted into common shares in January 2020 and resulted to the Company's additional 3.3% stake in PLDT. The Company has a total of 11.27% interest in PLDT after the transaction. PLDT is one of the largest and most diversified telecommunications provider in the Philippines, which provides a wide range of telecommunications services in the country through its extensive fibre optic backbone and wireless, fixed line, broadband and satellite networks. PLDT's business comprises three divisions: wireless, fixed line and BPO.

#### *Manila Electric Company (Meralco)*

On December 11, 2013, the Company completed the purchase of a 27.1% stake in Manila Electric Company (Meralco) for ₱71.9 billion, which was funded by a combination of



debt and equity capital. Meralco is the largest electricity distributor in the country, which provides electricity to over 5 million consumers in 34 cities and 77 municipalities. On June 14, 2017, the Company acquired additional 2.44% stake in Meralco for ₱6.9 billion, resulting in the increase in ownership interest in Meralco to 29.56%.

*Global Business Power Corporation (GBPC)*

On June 30, 2016, the Company completed the purchase of a 30.0% stake in GBPC for ₱11.82 billion. GBPC is one of the leading independent power producers in the Visayas region and Mindoro island with a combined gross maximum capacity of 704 MW comprising 696.5 MW of power supplied to the Visayas grid and 7.5 MW of power supplied within Mindoro island.

On December 23, 2020, the Company entered into a share purchase agreement with Meralco PowerGen for the sale of 30% of the issued and outstanding shares of GBPC for a total consideration of ₱12.0 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 Company will be entitled to receive after the signing date. The carrying value is reclassified as ‘Assets held for sale’ in the consolidated statement of financial position as of December 31, 2020.

*Luzon International Premiere Airport Development Corporation (LIPAD)*

On February 18, 2019, the Company invested in 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 Company made additional investment amounting to ₱115.5 million equivalent to 115.5 million shares.

**h) SUPPLEMENTARY BUSINESSES**

Part of the Group’s digital transformation was the establishment JG Digital Equity Ventures (JGDEV) and Data Analytics Ventures Inc. (DAVI) in 2018 and 2019, which currently trail blazing the Group’s next generation of digital business.

JGDEV, the Group’s venture capital arm, is investing its US\$50M fund in sustainable and scalable fintech start ups that would have impact in the Southeast Asian market and create value to the JG Summit’s ecosystem.

In 2020, JGDEV assessed well over 100 startups and made investments in:

- iPrice, a Malaysia-based e-commerce enabler with operations across Southeast Asia;
- Growsari, a B2B operator that helps sari-sari-stores digitally procure goods and transform them into community hubs that serve as payment centers and ecommerce drop-off points, among others;
- Zyllem, a virtual logistics platform that allows companies to have real-time visibility and optimization over their logistics network; and
- ZUZU, an all-in-one hotel operating system that provides a revenue management system and a distribution solution for independent hotel operators.

JGDEV was also admitted as a limited partner in Openspace Ventures Fund III, a fund that invests in early-stage tech companies in the region and managed by one of the most active investors in Southeast Asia.

DAVI, on the other hand, aims to unlock value from customer data across the JG Summit's ecosystem to uncover new insights and drive behavior through precision marketing, customer intelligence, performance dashboards and predictive analytics. It intends to manage the largest digital lifestyle rewards program anchoring on Robinsons Rewards and GetGo.

In 2020, it focused on ecommerce engagement making significant improvement to its Robinsons Rewards loyalty program, and ended the year with multiple online merchants that shoppers could engage with through their mobile phones, in the safety of their homes. It also enabled onboarding through a mobile app, with no physical card, bringing in a significant number of new members into the loyalty program.

It has also partnered with Facebook to launch a first in the world online to offline solution - Collaborative Ads for Store Sales (CASS) in 2020. Moreover, DAVI teamed up with NielsenIQ to provide customized product offers to Robinsons Rewards members through big data analytics.

The Group also has an interest in insurance brokering, securities investments, and business process outsourcing.

### **Competition**

Many of the Group's activities are carried on in highly competitive industries. Given the Group's diversity, the Group competes with different companies domestically and internationally, depending on the product, service or geographic area. While the Group is one of the largest conglomerates in the Philippines, its subsidiaries compete in different sectors against a number of companies with greater manufacturing, financial, research and development and market resources than the Group.

The following table sets out the Group's principal competitors in each of the principal industry segments in which it operates:

<b>Industry Segment</b>	<b>Principal Competitors</b>
Branded Consumer Foods, Agro-Industrial and Commodity Food Products	Liwayway Marketing Corporation, Republic Biscuit Corporation, Suncrest Foods Inc., Monde Nissin Corporation, Nestle Philippines Inc., and Mondelez Philippines, Inc., Procter & Gamble, Mars Inc., Lotte Group, Perfetti Van Melle Group, PT Mayora Indah Tbk, Tan Hiep Phat Beverage Group, Nestle S.A., PepsiCo, Inc., and Mondelez International, Inc., San Miguel Corporation, UNAHCO (Unilab Group), Aboitiz Inc., and Bounty Farms.
Real Estate and Hotels	SM Prime Holdings, Inc., Ayala Land, Inc., Ayala Land Premier Rockwell Land Corporation, Century Properties Group, Inc., Megaworld Corporation, Alveo Land, Filinvest Land, Inc., Ortigas & Co., Avida Land, DMCI Homes, Vista Land & Lifescapes, Inc., Alliance Global Group Inc., Double Dragon Properties Corp
Air Transportation	PAL, PAL Express, Philippines Air Asia for domestic flights; AirAsia, Jetstar Airways, PAL, Cathay Pacific, Singapore Airlines and Thai Airways, among others for International flights

<b>Industry Segment</b>	<b>Principal Competitors</b>
Banking and Financial Services	Bank of Commerce, Philippine Bank of Communications, and Maybank Philippines Incorporated
Petrochemicals	Imports

***Publicly-Announced New Product or Service***

Other than those discussed above under the air transportation and banking segments, the Group has no publicly-announced new product or service as of the date of the report.

***Patents, Trademarks, Licenses, Franchises Concessions, Royalty Agreements***

The Group owns a substantial number of trademarks registered with the Intellectual Property Office of the Philippines (IPPHL). Trademark registrations with the IPPHL prior to the effective date of Republic Act No. 8293, or the current Intellectual Property Code of the Philippines, are valid for 20 years from the date of issue of the certificate of registration. Meanwhile, trademark registrations covered by Republic Act No. 8293 are valid for ten years from the date of the certificate of registration. Regardless of whether the trademark registration is for 20 years or ten years, the same may be renewed for subsequent ten-year terms.

The Group also has various licenses and franchises issued by the government to enable them to operate its diverse businesses including food, real estate, banking and financial services, telecommunications, air transportation and power generation.

***Effect of Existing or Probable Governmental Regulations on the Business***

The Company operates the majority of its businesses, including food, real estate, banking and financial services, telecommunications, air transportation and power generation activities, in a highly regulated environment. Many of these businesses depend upon licenses or franchises issued by the government authorities or agencies for their operations. These businesses would be materially adversely affected by the suspension or revocation of these licenses or franchises, which in turn may have a material adverse effect upon the Company. In addition, the introduction or inconsistent application of, or changes in regulations may from time to time materially affect the Company's operations.

***Cost and Effects of Compliance with Environmental Laws***

The operations of the Company are subject to various laws enacted for the protection of the environment. The Company believes that it has complied with all applicable Philippine environmental laws and regulations, an example of which is the installation of waste and industrial water treatments in its various facilities. Compliance with such laws has not had, and in the Company's opinion, is not expected to have, a material effect upon the Company's capital expenditures, earnings or competitive position.

### ***Employees and Labor***

The number of full-time employees employed by the Company and its operating subsidiaries as of December 31, 2020 is shown in the following table:

Company	No. of Employees
Branded Consumer Foods, Agro-industrial and Commodities	14,259
Airlines	2,662
Property Development and Hotel Management	2,623
Finance	1,915
Petrochemicals	1,184
Supplementary Businesses	867
	23,510

The Company's management believes that good labor relations generally exist throughout the operating companies. For most of the operating companies, collective bargaining agreements exist between the relevant representative unions for the employees and the relevant operating companies. The collective bargaining agreements generally cover a five-year term with a right to renegotiate the economic terms of the agreement after three years, and contain provisions for annual salary increment, health and insurance benefits and closed-shop arrangements. The management believes that those collective bargaining agreements, which are soon to expire or which have expired, will, as a result of existing good labor relations, be successfully renewed or renegotiated.

### ***Risks***

The major business risks facing the Group are as follows:

*a. Competition*

Many of the Group's activities are in highly competitive industries. The Group faces competition in all segments of its businesses both in the Philippine market and in international markets. The Group's ability to compete effectively will require continuous efforts in sales and marketing of our existing products, development of new products and cost rationalization. There can be no assurance that the Group's sales volume and market share will not be adversely affected by negative consumer reaction to higher prices as a result of price reduction or promotional sales undertaken by its competitors.

*b. Financial Market*

The Group has a foreign exchange exposure primarily associated with fluctuations in the value of the Philippine Peso against the U.S. dollar and other foreign currencies. The Group's revenues are predominantly denominated in Pesos, while certain expenses, including fixed debt obligations, are denominated in foreign currencies. Prudent fund management is employed to minimize effects of fluctuations in interest and currency rates.

*c. Raw Materials*

The Group's production operations are dependent in obtaining adequate supply of raw materials on a timely basis. In addition, its profitability depends in part on the prices of raw materials since a portion of the Group's raw material requirements is imported including packaging materials. To mitigate these risks, alternative sources of raw materials are used in operations.

*d. Cost and Availability of Fuel*

The cost and availability of fuel are subject to many economic and political factors and events occurring throughout the world, the most important of which are not within the Group's control. Fuel prices have been subject to high volatility, fluctuating substantially over the past several years. Any increase in the cost of fuel or any decline in the availability of adequate supplies of fuel could have a material adverse effect on the Group's airline operations and profitability. The airline business implements various fuel management strategies to manage the risk of rising fuel prices including hedging.

*e. Key Executives*

The Company's key executives play an integral part in the latter's success. The experience, knowledge, business relationships and expertise of these executives could be difficult to replace and may result in a decrease in the Company's operating proficiency and financial performance should any of them decide to leave the Company.

*f. Philippine Regulations*

The Group operates a material part of its businesses in a highly regulated environment. Many of these businesses depend upon licenses and franchises issued by government authorities or agencies for their operation. These businesses would be materially adversely affected by the suspension or revocation of these licenses or franchises.

The Group is also subject to numerous environmental laws and regulations relating to the protection of the environment and human health and safety, among others. Many of these environmental laws and regulations are becoming increasingly stringent and compliance to such is becoming increasingly complex and costly.

***Working Capital***

The working capital requirement of each subsidiary varies depending on the industry it is engaged in and is financed by operations and short-term loans from banks.

**Item 2. Properties**

JG Summit and its Subsidiaries conduct businesses throughout the Philippines, but primarily in and around Metro Manila (where it is based) and in the regions of Visayas and Mindanao. Substantially, all facilities are owned by the Company and are in good condition.

URC operates the manufacturing/farm facilities located in the following:

<b>Location (Number of facilities)</b>	<b>Type of Facility</b>	<b>Owned/Rented</b>	<b>Condition</b>
Pasig City (4)	Branded consumer food plant, flour mills and feed mill	Owned	Good
Libis, Quezon City (1)	Branded consumer food plant	Owned	Good
Cabuyao, Laguna (1)	Branded consumer food plant	Owned	Good
Luisita, Tarlac (1)	Branded consumer food plant	Rented/Owned	Good
San Fernando, Pampanga (1)	Branded consumer food plant	Rented/Owned	Good
Dasmariñas, Cavite (2)	Branded consumer food plants	Owned	Good
Cagayan de Oro (1)	Branded consumer food plant	Owned	Good
San Pedro, Laguna (2)	Branded consumer food plants	Owned	Good
Calamba, Laguna (1)	Branded consumer food plant	Rented/Owned	Good

<b>Location (Number of facilities)</b>	<b>Type of Facility</b>	<b>Owned/Rented</b>	<b>Condition</b>
San Pablo, Laguna (1)	Branded consumer food plant	Owned	Good
Biñan, Laguna (1)	Branded consumer food plant	Owned	Good
Antipolo, Rizal (5)	Poultry and piggery farms, slaughterhouse and meat processing plant	Rented/Owned	Good
Naic, Cavite (1)	Poultry farm	Owned	Good
San Miguel, Bulacan (4)	Feed mill, poultry and piggery farms	Owned	Good
Bustos, Bulacan (1)	Piggery farm	Owned	Good
Novaliches, Quezon City (1)	Piggery farm	Owned	Good
Rosario, Batangas (1)	Piggery farm	Owned	Good
Davao City, Davao (1)	Flour mill	Owned	Good
Tabok City, Cebu (1)	Branded consumer food plant	Owned	Good
San Fernando, Cebu (1)	Branded consumer food plant	Owned	Good
Mandaue City, Cebu (1)	Feed mill	Owned	Good
Bais, Negros Oriental (1)	Distillery plant	Owned	Good
Manjuyod, Negros Oriental (1)	Sugar mill	Owned	Good
Piat, Cagayan (1)	Sugar mill	Owned	Good
Kabankalan, Negros Occidental (2)	Sugar mill and cogeneration plant	Owned	Good
San Enrique, Iloilo City (1)	Sugar mill	Owned	Good
Santa Catalina, Negros Oriental (1)	Sugar mill	Owned	Good
Balayan, Batangas (1)	Sugar mill	Owned	Good
La Carlota City, Negros Occidental (2)	Sugar mill and distillery plant	Owned	Good
Simlong, Batangas (3)	BOPP plant/Flexible packaging	Owned	Good
Samutsakhorn Industrial Estate, Samutsakhorn, Thailand (6)	Branded consumer food plants	Owned	Good
Pasir Gudang, Johor, Malaysia (1)	Branded consumer food plant	Owned	Good
Jiangsu, China (1)	Branded consumer food plant	Owned	Good
Guangdong, China (1)	Branded consumer food plant	Owned	Good
Industrial Town, Bekasi, Indonesia (2)	Branded consumer food plants	Owned	Good
VSIP, Binh Duong Province, Vietnam (3)	Branded consumer food plants	Owned	Good
Thach That District, Ha Noi, Vietnam (1)	Branded consumer food plant	Owned	Good
Mingaladon, Yangon, Myanmar (1)	Branded consumer food plant	Rented/Owned	Good
Papakura, Auckland, New Zealand (1)	Branded consumer food plant	Owned	Good
Wiri, Auckland, New Zealand (1)	Branded consumer food plant	Owned	Good
hfield, Sydney, New South Wales, Australia (1)	Branded consumer food plant	Rented	Good
ktown, Sydney, New South Wales, Australia (1)	Branded consumer food plant	Rented	Good
dale, Melbourne, Victoria, Australia (1)	Branded consumer food plant	Rented	Good
ard Hills, Sydney, New South Wales, Australia (1)	Warehouse	Rented/Owned	Good

URC intends to continuously expand the production and distribution of the branded consumer food products internationally through the addition of manufacturing facilities located in geographically desirable areas, especially in the ASEAN countries, the realignment of the production to take advantage of markets that are more efficient for production and sourcing of raw materials, and increased focus and support for exports to other markets from the manufacturing facilities. It also intends to enter into alliances with local raw material suppliers and distributors. Annual lease payments for rented properties amounted to ₱253.0 million in 2020.

RLC has invested in a number of properties located across the Philippines for existing and future development projects. All of these properties are fully owned by RLC and none of which are subject of any mortgage, lien or any form of encumbrance. RLC also enters into joint venture arrangements with land owners in order to optimize their capital resources. Not only does this encourage raw land development for future projects but it also provides them with exclusive development and marketing rights.

The following are locations of RLC's properties:

a) Land

<b>Location</b>	<b>Use</b>	<b>Status</b>
<b>Metro Manila</b>		
Manila	Mixed-use (mall/residential/hotel)	No encumbrances
Quezon City	Residential/Office Building/Mixed-use (mall/residential/hotel/office)	No encumbrances
Pasay City	Residential	No encumbrances
Mandaluyong City	Mixed-use (mall/hotel/residential)	No encumbrances
Makati City	Office Building/Residential	No encumbrances
Pasig City	Residential/Mall/Office Building/Mixed-use (mall/hotel/residential)	No encumbrances
Parañaque City	Residential	No encumbrances
Muntinlupa City	Residential	No encumbrances
Las Piñas City	Mall	No encumbrances
Taguig City	Residential	No encumbrances
Malabon City	Mall	No encumbrances
San Juan City	Residential/Hotel	No encumbrances
Metro Manila area	Land bank	No encumbrances
<b>Luzon</b>		
La Union	Residential	No encumbrances
Pangasinan	Mall	No encumbrances
Bulacan	Mall	No encumbrances
Nueva Ecija	Mall	No encumbrances
Pampanga	Mall	No encumbrances
Tarlac	Mall/Office Building	No encumbrances
Batangas	Mall/Residential	No encumbrances
Cavite	Mall/Residential/Mixed-use (mall/hotel/residential)	No encumbrances
Laguna	Mall	No encumbrances
Palawan	Mixed-use (mall/hotel/residential)	No encumbrances
Rizal	Residential/Mall	No encumbrances
Isabela	Mall	No encumbrances
Ilocos Norte	Mixed-use (mall/office)	No encumbrances
Camarines Sur	Mall/Office Building	No encumbrances
Cagayan	Mall	No encumbrances
Laguna	Mall	No encumbrances
Luzon area	Land bank	No encumbrances
<b>Visayas</b>		
Iloilo	Mall	No encumbrances
Negros Occidental	Mall/Hotel	No encumbrances
Cebu	Hotel/Residential/Mixed-use (mall/hotel/residential/office)	No encumbrances
Negros Oriental	Mixed-use (mall/hotel)	No encumbrances
Leyte	Mall/Mixed-use (mall/hotel)	No encumbrances
Capiz	Mall	No encumbrances
Antique	Mall	No encumbrances

Location	Use	Status
<b>Visayas</b>		
Visayas area	Land bank	No encumbrances
<b>Mindanao</b>		
Agusan Del Norte	Mixed-use (mall/hotel)	No encumbrances
Misamis Oriental	Residential	No encumbrances
Davao Del Sur	Mall/Hotel/Office Building	No encumbrances
South Cotabato	Mall/Residential	No encumbrances
Lanao Del Norte	Mixed-use (mall/hotel)	No encumbrances
Davao Del Norte	Mall	No encumbrances
Bukidnon	Mall	No encumbrances
Mindanao area	Land bank	No encumbrances

b) Building and Improvements

Location	Use	Status
<b>Metro Manila</b>		
Manila	Mixed-use (mall/residential/hotel)	No encumbrances
Quezon City	Residential/Office Building/Mixed-use (mall/residential/hotel/office)	No encumbrances
Pasay City	Residential	No encumbrances
Mandaluyong City	Mixed-use (mall/hotel/residential/office)	No encumbrances
Makati City	Office Building/Residential	No encumbrances
Pasig City	Residential/Mall/Office Building/Mixed-use (mall/hotel/residential)	No encumbrances
Paranaque City	Residential	No encumbrances
Muntinlupa City	Residential/Warehousing facility	No encumbrances
Las Pinas City	Mall	No encumbrances
Taguig City	Residential/Office Building	No encumbrances
Malabon City	Mall	No encumbrances
San Juan City	Residential/Hotel	No encumbrances
<b>Luzon</b>		
La Union	Residential	No encumbrances
Pangasinan	Mall	No encumbrances
Bulacan	Mall	No encumbrances
Nueva Ecija	Mall	No encumbrances
Pampanga	Mall	No encumbrances
Tarlac	Mall/Office Building	No encumbrances
La Union	Residential	No encumbrances
Pangasinan	Mall	No encumbrances
Bulacan	Mall	No encumbrances
Nueva Ecija	Mall	No encumbrances
Pampanga	Mall	No encumbrances
Tarlac	Mall/Office Building	No encumbrances
Batangas	Mall/Residential	No encumbrances
Cavite	Mall/Residential/Mixed-use (mall/hotel/residential)	No encumbrances
Laguna	Mall	No encumbrances
Palawan	Mixed-use (mall/hotel/residential)	No encumbrances
Rizal	Mall/Residential	No encumbrances
Isabela	Mall	No encumbrances
Ilocos Norte	Mixed-use (mall/office)	No encumbrances
Camarines Sur	Mall/Office Building	No encumbrances
Cagayan	Mall	No encumbrances
Laguna	Mall	No encumbrances



Location	Use	Status
<b>Visayas</b>		
Iloilo	Mall/Mixed-use (mall/hotel)	No encumbrances
Negros Occidental	Mall/Hotel	No encumbrances
Cebu	Hotel/Mixed-use (mall/hotel/residential/office)	No encumbrances
Negros Oriental	Mixed-use (mall/hotel)	No encumbrances
Leyte	Mall/Mixed-use (mall/hotel)	No encumbrances
Capiz	Mall	No encumbrances
Antique	Mall	No encumbrances
<b>Mindanao</b>		
Misamis Oriental	Mall/Residential	No encumbrances
Davao Del Sur	Mall/Hotel/Office Building	No encumbrances
South Cotabato	Mall/Residential	No encumbrances
Agusan Del Norte	Mixed-use (mall/hotel)	No encumbrances
Davao Del Norte	Mall	No encumbrances
Lanao Del Norte	Mixed-use (mall/hotel)	No encumbrances
Bukidnon	Mall	No encumbrances
<b>China</b>		
Chengdu	Residential	No encumbrances

RLC owns all the land properties upon which all of its existing commercial centers and offices are located except for the following: (i) Robinsons Place Iloilo, (ii) Robinsons Cagayan De Oro, (iii) Robinsons Cainta, (iv) Robinsons Pulilan, (v) Robinsons Place Jaro, (vi) Cyber Sigma, and (vii) Robinsons Place Tuguegarao. These seven land properties are leased at prevailing market rates. The leases for the Iloilo and Cagayan de Oro properties are for 50 years each and commenced in October 2001 and December 2002, respectively. The leases for the Cainta, Pulilan, Cyber Sigma and Tuguegarao properties are for 25 years each and commenced in December 2003, January 2008, August 2014 and January 2018, respectively. Renewal options for Cainta, Pulilan, Cyber Sigma and Tuguegarao are available to RLC with an Option to Purchase the property and its improvements for Cyber Sigma. The lease for the Jaro, Iloilo property is for 30 years and commenced in March 2015.

As of December 31, 2020, CEB does not own any land. CEB, however, owns an office building that serves as its corporate headquarters and training center, and the buildings on either side of the corporate headquarters that serves as additional offices and storage of some departments, office of 1Aviation, and office of A-Plus, all located at the Domestic Road, Barangay 191, Zone 20, Pasay City. The land on which said office buildings stand is leased from the Manila International Airport Authority (MIAA). CEB also leases its hangar, aircraft parking and other operational space from MIAA.

CEB owns the Philippine Academy for Aviation Training, Inc. (PAAT) building located in C.M. Recto, Clark Freeport Zone, Philippines. This is subleased to PAAT. The land on which this building stands is leased from the Clark Development Corporation.

As of December 31, 2020, CEB has 74 aircraft consisting of 27 aircraft financed under lease liabilities, 39 aircraft financed under debt arrangements (including finance leases), and 8 aircraft purchased off lease and unencumbered. Kindly refer to Notes 12, 18 and 31 of the Notes to consolidated financial statements for the detailed discussions on properties, leases, purchases and capital expenditure commitments.

RBC currently owns the following properties:

- A commercial condominium unit located at 17th Floor, Galleria Corporate Center, EDSA corner Ortigas Avenue, Quezon City;
- A parcel of land with an area of 314 square meters located at No. 1861 Evangelista Street, Bgy. Pio del Pilar, Makati City, with commercial building thereon;
- Legazpi branch located at Corner, Rizal and Mabini Sts., Dinagaan, Legazpi City 100 and 72; and
- Guinobatan branch located at Paulate St., Pobalcion, Guinobatan Albay 294.

There are no mortgages, liens, encumbrances or any limitations on the Bank's ownership of the foregoing properties, except that the property located at No. 1861 Evangelista Street, Brgy. Pio del Pilar, Makati City which was sold by the Bank to Robinsons Land Corporation is subject of a Contract to Sell, the consideration of which has not yet been fully paid. The Bank also leases spaces for its branches, branch-lite units, offices and facilities including parking spaces, warehouse and building space for data center.

JGSPC's PE and PP complex and JGSOC's naphtha cracker plant are both located in Barangay. Simlong, Batangas City.

### **Item 3. Legal Proceedings**

Certain consolidated subsidiaries are defendants to lawsuits or claims filed by third parties which have pending decisions by the courts or are under negotiation, the outcomes of which are not presently determinable. In the opinion of management, the eventual liability under these lawsuits or claims, if any, will not have a material effect on the Company's consolidated financial position. Refer to Note 43 of the Consolidated Financial Statements attached to this report for a detailed description.

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

The following matters were submitted by JG Summit to a vote of stockholders during the fourth (4<sup>th</sup>) quarter of the year covered by this report:

1. Amendment to Article Seventh of the Articles of Incorporation of JGS to re-classify the preferred non-voting shares into preferred voting shares and to modify the dividend feature of the preferred voting shares.
2. The declaration of a stock dividend for common shares as follows:
  - a. A stock dividend equivalent to five per cent (5%) of the total issued and outstanding shares of JGS or Three Hundred Fifty Eight Million One Hundred Forty Two Thousand and One (358,142,001) common shares, to be issued and paid for out of the unrestricted retained earnings of JGS as of December 31, 2019, to all stockholders holding common shares as of record date of October 30, 2020, to be distributed on November 25, 2020.
  - b. Any fractional shares resulting from the stock dividend declaration will be paid in cash.

3. The declaration of a stock dividend for preferred voting shares as follows:
  - a. Subject to approval by the Securities and Exchange Commission (SEC) of the amendment of Article Seventh of the Articles of Incorporation of JGS, a stock dividend equivalent to five percent (5%) of the total issued and outstanding shares or Two Hundred Million (200,000,000) preferred voting shares be issued and paid for out of the unrestricted retained earnings of JGS as of December 31, 2019 to all stockholders holding preferred voting shares.
  - b. The record date and payment date for the said stock dividend shall be determined upon approval by the SEC of the above-mentioned amendment of the Articles of Incorporation.
  - c. Any fractional shares resulting from the stock dividend declaration will be paid in cash.

## PART II - OPERATIONAL AND FINANCIAL INFORMATION

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

#### *Principal Market or Markets where the Registrant's Common Equity is Traded*

The common stock of the Company is listed on the Philippine Stock Exchange. Sales prices of the common stock follow:

	<u>High</u>	<u>Low</u>
<u>2020</u>		
First Quarter	₱78.10	₱41.29
Second Quarter	63.33	43.05
Third Quarter	66.38	56.48
Fourth Quarter	74.00	58.09
<u>2019</u>		
First Quarter	₱69.50	₱55.10
Second Quarter	67.40	56.50
Third Quarter	75.50	63.05
Fourth Quarter	81.90	69.00
<u>2018</u>		
First Quarter	₱81.00	₱62.00
Second Quarter	64.80	46.90
Third Quarter	60.30	49.50
Fourth Quarter	56.10	41.90

The stock price of the Company's shares as of March 30, 2021 is ₱60.85.

#### *Cash Dividends per Share*

On May 13, 2020, the Company declared a regular cash dividend of ₱0.38 per common share from the Unrestricted Retained Earnings as of December 31, 2019 to all stockholders of record as of June 11, 2020 and paid on July 8, 2020.

On May 30, 2019, the Company declared a regular cash dividend of ₱0.33 per common share and a special cash dividend of ₱0.04 per common share from the Unrestricted Retained Earnings as of December 31, 2018 to all stockholders of record as of June 20, 2019 and paid on July 16, 2019.

On May 28, 2018, the Company declared a regular cash dividend of ₱0.30 per common share from the Unrestricted Retained Earnings as of December 31, 2017 to all stockholders of record as of July 18, 2018 and paid on July 12, 2018.

### ***Stock Dividends Declared***

On August 14, 2020, the Company declared stock dividends equivalent to five per cent (5%) of the total issued and outstanding shares consisting of:

- a) Three Hundred Fifty Eight Million One Hundred Forty Two Thousand and One (358,142,001) common shares to be issued and paid for out of the unrestricted retained earnings as of December 31, 2019, to all stockholders holding common shares as of record date of October 30, 2020, to be distributed on November 25, 2020. Any fractional shares resulting from the stock dividend declaration will be paid in cash. The listing of the common shares to be issued as stock dividends (“Stock Dividend Common Shares”) shall be subject to the requirements of the Securities and Exchange Commission (“SEC”) and Philippine Stock Exchange (“PSE”); and
- b) Subject to approval by the SEC of the amendment of Article Seventh of the Articles of Incorporation of the Corporation, Two Hundred Million (200,000,000) Preferred Voting Shares to be issued and paid for out of the unrestricted retained earnings as of December 31, 2019 to all stockholders holding preferred voting shares. The record date and the payment date shall be determined upon approval by the SEC of the abovementioned amendment of the Articles of Incorporation. Any fractional shares resulting from the stock dividend declaration will be paid in cash.

No stock dividend was declared in 2019 and 2018.

### ***Restricted Retained Earnings***

The Parent Company’s BOD approved the appropriation of retained earnings totaling ₱101.2 billion. The ₱101.2 billion total appropriations of the Parent Company’s retained earnings are earmarked for the following: (a) settlement of certain subsidiary’s loan obligations guaranteed by the Parent Company (Note 23); (b) settlement of Parent Company loan obligations and retail bonds; (c) capital investment related to Digital venture businesses amounting to ₱2.5 billion; (d) capital investments related to the Clark International Airport expansion project amounting to ₱5.9 billion; (e) investments related to NAIA rehabilitation and expansion project; and (f) general corporate purposes.

### ***Recent Sales of Unregistered Securities***

Not Applicable. All shares of the Company are listed on the Philippine Stock Exchange.

The number of shareholders of record holding common shares as of December 31, 2020 was 1,003. Total common shares outstanding as of December 31, 2020 were 7,520,983,658 common shares with a par value of ₱1.00.

***Top 20 stockholders as of March 31, 2021***

<u>Name</u>	<u>No. of Common Shares Held</u>	<u>% to Total Outstanding</u>
1 GOKONGWEI BROTHERS FOUNDATION INC.	2,096,930,273	27.88
2 PCD NOMINEE CORPORATION - (FILIPINO)	1,846,177,857	24.55
3 RSB-TIG NO. 030-46-000001-9	1,084,985,186	14.43
4 PCD NOMINEE CORPORATION- (NON- FILIPINO)	884,564,674	11.76
5 LANCE YU GOKONGWEI	321,640,956	4.28
6 EGO INVESTMENTS HOLDINGS LIMITED	280,946,400	3.74
7 ROBINA GOKONGWEI PE	188,432,999	2.50
8 JAMES L. GO	156,113,638	2.08
9 GOSOTTO & CO., INC.	105,676,718	1.40
10 RBC-TIG ATF TA#030-172-530113	97,020,000	1.29
11 LISA YU GOKONGWEI	87,076,500	1.16
12 FAITH YU GOKONGWEI	63,966,000	0.85
13 LISA GOKONGWEI CHENG	56,910,000	0.76
14 FAITH GOKONGWEI LIM	37,905,000	0.50
14 HOPE GOKONGWEI TANG	37,905,000	0.50
15 NICRIS DEVELOPMENT CORPORATION	35,776,914	0.48
16 MICHAEL SEETEBENG	14,070,343	0.19
17 JOHN GOKONGWEI JR.	11,742,707	0.16
18 RICHARD YAP	8,998,880	0.12
19 OLYMPIA T. GOTAO	8,996,116	0.12
20 QUALITY INVESTMENTS & SECURITIES CORP.	8,794,498	0.12
OTHER STOCKHOLDERS	86,352,999	1.15
TOTAL OUSTANDING	<u>7,520,983,658</u>	<u>100.00</u>

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

The following discussion and analysis should be read in conjunction with the accompanying consolidated financial statements and notes thereto as of and for the years ended December 31, 2020, 2019 and 2018, which form part of this Report. The consolidated financial statements and notes thereto have been prepared in accordance with the Philippine Financial Reporting Standards (PFRS).

Management's Discussion of Results of Operations is presented in two parts: Consolidated Operations and Segment Operations.

**RESULTS OF OPERATIONS**

**2020 vs. 2019**

**I. Consolidated Operations**

**JG Summit's portfolio diversity cushions COVID's impact on FY20 core net income**

JG Summit Holdings, Inc., one of the largest and highly-diversified conglomerates in the Philippines, ended 2020 with core net income after taxes of ₱450 million given the resiliency of its portfolio and the group's agile response to the disruption caused by the COVID-19 pandemic.

The double-digit revenue growth in its banking and office segments, robust sales in food, and higher dividends from its telecommunications investment, tempered the negative impact of the pandemic to the Group's overall operating results. Its petrochemical unit saw lower sales volumes and selling prices on the back of weaker global industrial demand while its air transport business was severely impacted by flight restrictions particularly in the onset of the enhanced community quarantine (ECQ). Equity earnings from its core investments in Meralco (MER), Global Business Power Corporation (GBPC) and United Industrial Corporation (UIC) also declined year-on-year (YoY). Thus, JG Summit's consolidated revenues for the full year ending December 31, 2020 (FY20) amounted to ₱221.6 billion, 27% lower vs the same period last year (SPLY).

The strong margin expansion in its food and banking units also provided some buffer to offset profit declines in other businesses. Incorporating nonrecurring fuel hedging losses and a one-off impairment charge from MER led JG Summit to report a consolidated net loss of ₱468 million. *(Excluding Cebu Air, Inc., which operates in one the most affected industries globally, JG Summit's revenues, core net income after tax and net income would have only declined 8%, 21%, and 42%, to ₱199.0 billion, ₱15.3 billion and ₱14.6 billion, respectively in FY20.)*

Consolidated cost of sales and services in 2020 decreased by 20.5% from ₱189.8 billion last year to ₱150.9 billion this year consistent with the decline in revenue of core businesses. The Group's operating expenses increased by 5.1% resulting to a consolidated Operating Income or EBIT amounting to ₱12.1 billion in 2020 from ₱56.2 billion in 2019. EBITDA amounted to ₱43.7 billion versus ₱83.9 billion SPLY.

The Group's financing costs and other charges, net of interest income, decreased by 4.6% to ₱8.5 billion this year from last year's ₱8.9 billion primarily due to increase in capitalized borrowing costs of Petrochem, and to lower interest rates and level of the Group's short-term debts.

Market valuation losses on financial assets and derivative instruments amounted to ₱2.3 billion in 2020 from a market valuation gain of ₱640 million in 2019 attributable to the decline in market values of the Group's financial assets at FVTPL resulting from the impact of COVID-19 on capital markets, and the hedging loss incurred by Cebu Pacific due to the discontinuation of hedge accounting application on non-effective hedges in 2020.

The Group recognized a net foreign exchange gain of ₱2.6 billion in 2020 from ₱829 million foreign exchange loss in 2019 driven by the appreciation of Philippine peso vs U.S. dollar in respect to our dollar-denominated long-term debt.

Other income (expense) - net account, which represents miscellaneous income and expenses, amounted to a loss of ₱632 million in 2020 mainly due to CEB's loss on sale of aircraft and Robinsons Bank's loan modification losses this year.

## **II. Segment Operations**

**Foods** generated a consolidated sale of goods and services of ₱133.1 billion for the year ended December 31, 2020, a slight decline of 0.8% sales reduction over last year. Sale of goods and services performance by business segment follows:

- Sale of goods and services in URC's branded consumer foods segment (BCFG), excluding packaging division, decreased by ₱2.6 billion or 2.5% to ₱102.4 billion in 2020 from ₱105.0 billion registered in 2019. BCFG domestic operations posted a slight decrease in net sales from ₱61.5 billion in 2019 to ₱61.2 billion in 2020 due to decline of dependent out-of-home consumption categories such as RTD beverages and candies, partially offset by growth in snacks, noodles and other filler type categories.

BCF international operations reported a 5.4% decrease in net sales from ₱43.6 billion in 2019 to ₱41.2 billion in 2020, with significant impact from forex devaluations particularly in Oceania. In constant US dollar (US\$) terms, sales is flat as growth in Oceania was able to offset the slower recovery of other Asean markets. Vietnam sales declined by 13.4% mainly driven by slowdown in beverages as C2 sales was unable to fully recover despite resurgence in 2nd half and Rong Do remained challenged due to school closures. Thailand sales decreased by 3.2% due to soft domestic consumption. Oceania continued to generate positive performance with sales growth of 6.8% with products considered as pantry staples.

Sale of goods and services in URC's packaging division decreased by 15.5% to ₱1.1 billion in 2020 from ₱1.3 billion recorded in 2019 due to lower selling price and volume.

- Sale of goods and services in URC's agro-industrial group (AIG) amounted to ₱11.9 billion in 2020, a decline of 9.7% from ₱13.1 billion recorded in 2019. Feeds business decreased by 3.5% due to lower volumes and Farms business decreased by 24.2% due to lower volumes as a result of downsized operations.
- Sale of goods and services in URC's commodity foods group (CFG) amounted to ₱17.7 billion in 2020, a 21.1% increase from ₱14.6 billion reported in 2019. Sugar business grew by 33.5% due to higher volumes and renewables business grew by 29.8% driven by higher average selling price. The acquisition of Central Azucarera de La Carlota and Roxol Bioenergy Corporation contributed to the growth of Sugar and Renewables businesses. Flour business posted a 1.8% decrease due to lower volumes, partially offset by better average selling price.

URC's cost of sales consists primarily of raw and packaging materials costs, manufacturing costs and direct labor costs. Cost of sales decreased by ₱1.8 billion or 1.9% to ₱92.1 billion in 2020 from ₱93.9 billion recorded in 2019 due to lower input costs, packaging materials and forex impact.

URC's gross profit for 2020 amounted to ₱41.1 billion, higher by ₱746 million or 1.8% from ₱40.3 billion reported in 2019. Gross profit margin increased by 79 basis points from 30.04% in 2019 to 30.84% in 2020.

URC's selling and distribution costs, and general and administrative expenses consist primarily of compensation benefits, advertising and promotion costs, freight and other selling expenses, depreciation, repairs and maintenance expenses and other administrative expenses. Selling and distribution costs, and general and administrative expenses decreased by ₱290 million or 1.1% to ₱25.0 billion in 2020 from ₱25.3 billion registered in 2019. This decline resulted primarily from decreases in advertising and promotion costs, freight and other selling and travel and transportation, partially offset by increase in repairs and maintenance.

As a result of the above factors, operating income increased by ₱1.0 billion or 6.9% to ₱16.0 billion in 2020 from ₱15.0 billion reported in 2019.

URC's finance costs consist mainly of interest expense, which decreased by ₱229.0 million to ₱1.4 billion in 2020 from ₱1.7 billion recorded in 2019 due to lower interest rates and level of interest-bearing financial liabilities. This offset the increase in interest expense related to additional lease contracts qualifying under PFRS 16 this year.

URC's finance revenue consists of interest income from investments in financial instruments, money market placements, savings and dollar deposits and dividend income from investment in equity securities. Finance revenue increased by ₱15.0 million to ₱342.0 million in 2020 from ₱328.0 million in 2019 due to higher dividend income.

Equity in net losses of joint ventures decreased to ₱30.0 million in 2020 from ₱159.0 million in 2019 due to lower share in net losses from VURCI and DURBI.

Net foreign exchange loss decreased to ₱486.0 million in 2020 from the ₱558.0 million reported in 2019 due appreciation of Philippine peso against US dollar.

Market valuation gain (loss) on financial instruments at fair value through profit or loss increased to ₱136.0 million gain in 2020 from ₱5.0 million loss in 2019 due to increase in market values of equity investments and decrease in fair value of derivative liability.

Impairment losses increased to ₱33.0 million in 2020 from ₱2.0 million in 2019 due to higher impairment in receivables.

Other income (expenses) - net consists of gain (loss) on sale of fixed assets, amortization of bond issue costs, rental income, and miscellaneous income and expenses. Other expense - net amounted to ₱780.0 million in 2020 lower than the ₱1.05 billion reported in 2019 mainly due to lower restructuring costs this year.

URC recognized consolidated provision for income tax of ₱2.1 billion in 2020, a 19.6% increase from ₱1.8 billion in 2019 due to reversal of deferred tax assets on realized foreign exchange losses and realized restructuring costs.

URC's consolidated net income for 2020 amounted to ₱11.6 billion, higher by ₱1.5 billion or 14.9% from ₱10.1 billion in 2019 due to higher operating income, lower finance costs and lower net foreign exchange losses.

URC's core earnings before tax (operating profit after equity earnings, net finance costs and other expenses - net) in 2020 amounted to ₱14.7 billion, an increase of 10.7% from ₱13.3 billion recorded in 2019.

Net income attributable to equity holders of the parent increased by ₱975.0 million or 10.0% to ₱10.7 billion in 2020 from ₱9.8 billion in 2019 as a result of the factors discussed above.

URC reported an EBITDA (operating income plus depreciation and amortization) of ₱23.4 billion in 2020, 4.9% higher than ₱22.3 billion posted in 2019.

**Real estate and hotels** generated total gross revenues of ₱24.90 billion for calendar year 2020, a decrease of 17.6% from ₱30.21 billion total gross revenues for calendar year 2019. EBIT declined by 30.8% to ₱8.49 billion while EBITDA posted a decline of 20.7% to ₱13.68 billion. Net income stood at ₱5.26 billion, down by 39.5% compared to last year.

The Commercial Centers Division accounted for 23% of total company revenues to close at ₱5.96 billion in 2020, 55.0% lower versus previous year. Rental concessions were provided to



support the recovery of partner tenants affected by temporary mall closures and quarantine restrictions. To compensate, immediate actions were taken to rationalize operating expenses which helped EBITDA to decline at a slower pace than revenues by 53.4% to ₱4.11 billion. Meanwhile, additional depreciation from new malls that opened in 2019 dragged EBIT by 92.2% to ₱0.40 billion.

Office Buildings Division finished the year strong and contributed 23% to total company revenues. The success of leasing activities for new developments and rental escalations in existing office buildings grew revenues by 10.0% to ₱5.85 billion versus the same period last year. EBITDA accelerated 11.5% to ₱5.08 billion, while EBIT surged 12.2% to ₱4.18 billion.

In 2020, RLC adopted a new accounting treatment on revenue recognition for its Residential Division. Realized revenues were booked at 10% equity versus the previous threshold of 15% equity to be consistent with the practice of most property companies in the Philippines. As a result, realized revenues rose 32.8% to ₱12.13 billion, while EBITDA and EBIT surged 40.1% and 41.3% to ₱4.16 billion and ₱4.07 billion, respectively.

The Hotels and Resorts Division managed to post revenues of ₱1.08 billion or 4% of total RLC revenues as against last year's ₱2.43 billion. The 55.5% decrease in hotel revenues was due to the massive contraction in demand and limited operations as a result of the COVID-19 pandemic. EBITDA fell 78.2% to ₱0.15 billion on the back of fixed overhead cost; while additional depreciation from hotels opened in calendar year 2019 resulted to a negative EBIT of ₱0.26 billion.

The IID Division posted ₱0.39 billion of revenues, down by 14.0% from last year's ₱0.46 billion. Its industrial leasing business generated ₱0.26 billion revenues, up by 89.9% mainly from the additional revenues from its first Calamba warehouse. Meanwhile, developmental revenues dropped 58.7% drop to ₱0.13 billion in 2020 from ₱0.32 billion last year due to the high-base effect of the partial recognition in 2019 of the gain on sale of land to JV Company that was formed with DMCI. EBITDA and EBIT for calendar year 2020 ended at ₱0.24 billion and ₱0.19 billion, respectively.

Interest income was lower at ₱0.24 billion from ₱0.29 billion last year due to lower average balance of cash and cash equivalents during the calendar year 2020.

Cost of rental services was flat at ₱5.34 billion in calendar year 2020. On the other hand, cost of real estate sales went up by 45.5% to ₱6.16 billion from ₱4.24 billion last year due to increase in realized sales brought about by the change in full equity threshold from 15% to 10%. Cost of amusement services declined by 90.3% to ₱0.9 billion following the temporary suspension of cinema operations as a result of lockdown measures implemented starting March 2020 due to COVID-19 pandemic. Other expenses under Real Estate Operations decreased by 75.6% due to lower level of activities in 2020 as a result of the implementation of community quarantine.

Hotel expenses dropped 35.5% to ₱1.35 billion attributable to limited operations as a result of the movement and travel restrictions implemented.

General and administrative expenses declined by 12.4% to ₱3.59 billion owing to RLC's cost rationalization initiatives to temper the impact on RLC's bottom line of the significant drop in revenues.

Gain or loss from foreign exchange mainly pertains to foreign currency denominated transactions of RLC's foreign subsidiary. Gain on sale of property and equipment mainly pertains to sale of retired transportation equipment.



**Air transportation** generated gross revenues of ₱22.6 billion for the year ended December 31, 2020, 73.3% higher than the ₱84.8 billion revenues earned last year mainly attributed to the decrease in passenger revenues by ₱49.1 billion or 79.5% to ₱12.6 billion for the year ended December 31, 2020 from ₱61.7 billion posted in 2019. This was mainly attributable to the 77.6% decline in passenger volume from 22.5 million to 5.0 million driven by lesser number of flights by 70.9% coupled with a 10.5 ppts decrease in seat load factor from 86.4% to 75.9%. Lower average fares by 8.5% to ₱2,513 for the 12 months ended December 31, 2020 from ₱2,745 for the same period last year also contributed to the reduction of revenues. Cargo revenues also declined by ₱343.2 million or 6.0% to ₱5.402 billion for the year ended December 31, 2020 from ₱5.5 billion for the year ended December 31, 2019 mainly attributable to the decrease in volume transported in 2020 by 48.0% offset by a higher yield primarily from chartered cargo services. Ancillary revenues went down by ₱12.8 billion or 73.6% to ₱4.6 billion for the year ended December 31, 2020 from ₱17.4 billion reported in the same period last year primarily due to lesser passenger volume and flight activity during the period.

CEB incurred operating expenses of ₱43.4 billion for the year ended December 31, 2020, lower by 39.9% than the ₱72.2 billion operating expenses recorded for the year ended December 31, 2019. This was mostly driven by the suspension of the CEB's operations due to the COVID19 global pandemic since a material portion of its expenses are based on flights and flight hours. The strengthening of the Philippine peso against the U.S. dollar as referenced by the appreciation of the Philippine peso to an average of ₱49.61 per U.S. dollar for the year ended December 31, 2020 from an average of ₱51.79 per U.S. Dollar last year based on the Philippine Bloomberg Valuation (PH BVAL) weighted average rates as well as lower fuel prices also contributed to the decrease in operating expenses.

As a result, CEB finished with an operating loss of ₱20.8 billion for the year ended December 31, 2020, 264.6% lower than the ₱12.6 billion operating income earned last year.

Interest income decreased by ₱512.7 million or 76.5% to ₱157.9 million for the year ended December 31, 2020 from ₱670.6 million earned in the same period last year due to the lesser cash in bank and short term placements balance and lower interest rates year on year.

CEB incurred a hedging loss of ₱2.2 billion for the year ended December 31, 2020, a ₱2.1 billion drop from a hedging loss of ₱63.4 million for the same period last year mainly due to the discontinuation of hedge accounting application on non-effective hedges in 2020.

CEB had equity in net loss of joint venture of ₱316.1 million for the year ended December 31, 2020, ₱383.1 million lower than the ₱67.0 million equity in net income of joint venture earned in the same period last year. The decrease was caused by the net losses incurred by its joint ventures and associates in 2020.

Interest expense decreased by ₱856.4 million or 28.0% to ₱2.2 billion for the year ended December 31, 2020 from ₱3.1 billion registered in 2019 due to the return of four (4) Airbus A320 aircraft to its lessors during the year and the effect of appreciation of the Philippine Peso against the U.S. Dollar.

On November 3, 2020, CEB signed a Deed of Absolute Sale of its 35% shareholding in SIA Engineering (Philippines) Corporation (SIAEP) to SIAEC which resulted to a gain on disposal of ₱34.5 million. As of December 31, 2020, CEB no longer has any equity interest in SIAEP. On the same date, CEB acquired SIAEC's 51% interest in A-plus, making the latter a wholly-subsiary of CEB. The recognition of the investment in A-plus as a subsidiary resulted to a gain on remeasurement of ₱71.3 million on CEB's existing 49% shareholding.

As a result of the foregoing, net loss for the year ended December 31, 2020 amounted to ₱22.2 billion, a decrease of 343.8% from the ₱9.12 billion net income earned in 2019.

**Petrochemicals** (JGSPG - consist of JGSPC and JGSOC) ended 2020 with full year revenues of ₱21.3 billion, 27% lower vs SPLY. The global implementation of strict quarantines negatively affected both local demand and exports, which in turn led to lower petrochemical prices YoY. Nonetheless, demand started to recover in the second half of the year as domestic customers cautiously restarted operations and as more countries reopened from lockdowns. Despite local market contraction in 2020, JGSPG managed to increase its polymer volume sales by 14% YoY and gained market share as JGSPG capitalized on resilient demand for flexible, basic film and agricultural packaging requirements. Meanwhile, lower naphtha prices lifted margins and led JGSPG to report an EBITDA of ₱451 million in 2020. But higher depreciation resulted in a net loss of ₱2.0 billion.

JGSPG is nearing the final stages of its US\$1.1 billion expansion project with some of its key components coming online in the second quarter of 2021. This would improve overall profitability as the company captures more margins downstream.

**Banking services** generated banking revenue of ₱9.2 billion in 2020, a 13% increase from last year's ₱8.1 billion mainly driven by an 8% increase in loans, as well as the ₱939.0 million gain from trading activities. Despite booking ₱1.1 billion in provisions for bad loans, the strong topline growth and the 76-basis point net interest margin improvement led to a net income of ₱935.0 million, a 30% growth. The bank's non-performing loan ratio of 2.98% as of end-2020 remained lower than industry average amidst the risks posed by the pandemic. RBank also accelerated its digitalization and customer-centric initiatives including RBank Digital (RDX), the Bank's mobile app, QuickR, a cashless payment solution using a QR code, and RBankMo, banking agents that will provide basic financial services among others. Moreover, there has been exponential growth in its electronic funds' transfers via InstaPay and PESONet, in line with the increased adoption of e-payments and shift towards digital commerce caused by the pandemic.

**Equity in net earnings of associated companies and joint ventures** amounted to ₱7.6 billion for the year ended December 31, 2020, a 43% decrease from last year's ₱13.4 billion. The decline was mainly driven by the absence of the ₱3.0 billion gain from UIC's Marina Mandarin transaction in 2019 and JG Summit's ₱1.3 billion share in MER's impairment loss on its Pacific Light Power investment in 2020. MER and GBPC also reported lower electricity revenues. Meanwhile, the dividends we received from our investment in PLDT, Inc. rose by 51%.

## **2019 vs. 2018**

### **I. Consolidated Operations**

JG Summit Holdings, Inc. posted a consolidated net income from equity holders of the parent of ₱31.3 billion in 2019, a 63.1% increase from ₱19.19 billion in 2018. The increase is mainly driven by the income growth in the airline business coupled by the foreign exchange translation and market valuation gains and increase in equity in net earnings of associates particularly from United Industrial Corporation Limited (UIC). Consolidated core net income after taxes (excluding non-operating and nonrecurring items) amounted to ₱25.3 billion in 2019, a 12.9% increase from ₱22.4 billion in 2018. Consolidated EBITDA reached ₱83.9 billion, a 27.5% increase from last year's ₱65.8 billion, due to the impact of PFRS 16 on depreciation expense. Excluding PFRS 16 adjustments, EBITDA would have only increased by 17%.

Consolidated revenues grew 3.4% from ₱291.9 billion in 2018 to ₱301.8 billion in 2019 due to the performance of the following core subsidiaries:

- URC's total revenues increased by 5% from ₱127.8 billion in 2018 to ₱134.2 billion in 2019 driven by the 7.9% growth in branded consumer foods (BCF) domestic sales, 34.6% increase in feeds business, and 25.5% increase in flour sales.
- CEB's total revenues went up by 14.4% from ₱74.1 billion in 2018 to ₱84.8 billion in 2019 mainly due to the 10.8% growth in passenger volume and 2.6% increase in average fares. The 21.0% increase in ancillary revenues also contributed to the increase.
- RLC's total revenues increased by 2.5% from ₱29.5 billion in 2018 to ₱30.2 billion in 2019 due to growth in rental income and increase in hotel revenues.
- JG Petrochemicals Group revenues declined by 31.4% from ₱42.4 billion in 2018 to ₱29.1 billion in 2019 as a result of lower average selling prices and volumes.
- The banking revenue increased 32.4% from ₱6.1 billion in 2018 to ₱8.1 billion this year mainly due to higher interest income from finance receivables, commission income and trading gains for the year.

Revenues from our core investments increased by 28.9% from ₱11.4 billion in 2018 to ₱14.7 billion in 2019. Equity in net earnings of associates, primarily from our investments in UIC/Singapore Land, Meralco and GBPC, increased by 31.2% from ₱10.2 billion in 2018 to ₱13.4 billion in 2019. The significant increase came from the SG\$210.3 million one-off gain recognized by UIC on its acquisition of Marina Mandarin in the second quarter of 2019 which resulted to an additional ₱3.0 billion equity income take-up by the Group in UIC. Dividend income for the year also increased by 9.9% as the dividends received by the Group from PLDT increased 12.5% (₱64 per share in 2018 to ₱72 per share in 2019).

The Group's operating expenses increased by 5.2% from ₱53.1 billion last year to ₱55.8 billion this year. As a result, Consolidated Operating Income or EBIT amounted to ₱56.2 billion in 2019 from ₱45.3 billion in 2018.

The Group's financing costs and other charges, net of interest income, increased by 12.4% to ₱8.9 billion this year from last year's ₱7.9 billion due to higher level of financial debt of the Parent Company, airline, petrochemicals and real estate businesses, as well as the impact of PFRS 16 on interest expense. Excluding the PFRS 16 impact, financing costs and other charges, net of interest income, would have only increased by 3.4%.

Market valuation gains on financial assets amounted to ₱640.5 million in 2019 from a ₱1.0 billion market valuation losses in 2018 attributable to the increase in fair values and realized gains on investment securities as well as the lower mark-to-market valuation losses on fuel hedging transactions of the airline business.

The Group recognized a net foreign exchange gain of ₱828.7 million in 2019 from a net foreign exchange loss of ₱2.9 billion in 2018 due to appreciation of Philippine Peso against US Dollar in 2019 (₱52.6 as of December 31, 2018 to ₱50.6 as of December 31, 2019) as compared to the Philippine Peso depreciation in 2018 (₱49.9 as of December 31, 2017 to ₱52.6 as of December 31, 2018).

Other income (expense) - net account, which represents miscellaneous income and expenses, amounted to a loss of ₱764.7 million in 2019 mainly due to CEB's loss on sale of aircraft and URC's restructuring provisions this year.

## **II. Segment Operations**

**Foods** generated a consolidated sale of goods and services of ₱134.2 billion for the year ended December 31, 2019, a 5.0% sales growth over last year. Sale of goods and services performance by business segment follows:

- Sale of goods and services in URC's branded consumer foods segment (BCFG), excluding packaging division, increased 3.5%, to ₱104.6 billion in 2019 from ₱101.0 billion registered in 2018. BCFG domestic operations posted a 7.9% increase in net sales from ₱57.8 billion in 2018 to ₱62.4 billion in 2019, due to growth across different key categories supported by strong consumer demand and sales and distribution transformation, which brought a successful coffee turn-around, sustained growth performance in snacks and noodles, and recovery of RTD beverages.

BCFG international sales reported a ₱1.0 billion decrease to ₱42.2 billion in 2019 against ₱43.2 billion in 2018 driven by weaker performance in Thailand, offsetting the growth coming from Vietnam and Oceania, compounded by forex devaluations particularly in New Zealand and Australia. In constant US dollar (US\$) terms, sales improved by 1.8% to US\$816 million in 2019 from US\$801 million in 2018. Vietnam recovered with stronger growth of 8.9% driven by C2 with the significant contributions from new product launches, partly offset by decline in Rong Do. New Zealand sales slightly up by 1.0% due to slow domestic market while Australia grew by 4.0% driven by strong performance across the board. Thailand sales decreased by 5.6% driven by decline in biscuits and wafers while exports grew due to strong sales to Cambodia. Thailand's performance remains challenged as the economy continues to affect consumer sentiment.

Sale of goods and services in URC's packaging division decreased by 13.1% to ₱1.3 billion in 2019 from ₱1.5 billion recorded in 2018 due to lower selling price and volume.

- Sale of goods and services in URC's agro-industrial segment (AIG) amounted to ₱13.1 billion in 2019, a 12.4% increase from ₱11.7 billion recorded in 2018. Feeds business grew by 34.6% due to higher sales volume and improved selling prices across all feed categories while Farms business weakened by 18.8% due to lower volume in hogs despite increase in sales volume of poultry.
- Sale of goods and services in URC's commodity foods segment (CFG) amounted to ₱15.2 billion in 2019 or up by 11.9% from ₱13.5 billion reported in 2018. Sugar business grew by 8.0% brought by higher volumes in raw sugar despite lower volume in refined sugar and lower prices for both raw and refined sugar. Renewables slightly declined by 1.5% due to lower volume of molasses. Flour business also posted higher sales by 25.5% driven by higher volume.

URC's cost of sales consists primarily of raw and packaging materials costs, manufacturing costs and direct labor costs. Cost of sales increased by ₱3.5 billion, or 3.9%, to ₱93.9 billion in 2019 from ₱90.3 billion recorded in 2018 due to higher sales, partially offset by lower costs of commodities and other raw and packaging materials.

URC's gross profit for 2019 amounted to ₱40.3 billion, higher by ₱2.9 billion or 7.7% from ₱37.4 billion reported in 2018. Gross profit margin increased by 74 basis points from 29.3% in 2018 to 30.04% in 2019.

URC's selling and distribution costs, and general and administrative expenses consist primarily of compensation benefits, advertising and promotion costs, freight and other selling expenses,

depreciation, repairs and maintenance expenses and other administrative expenses. Selling and distribution costs, and general and administrative expenses increased by ₱1.2 billion or 5.2% to ₱25.3 billion in 2019 from ₱24.1 billion registered in 2018 primarily due to (1) 12.7% or ₱901 million increase in advertising and promotions to ₱8.0 billion in 2019 from ₱7.1 billion in 2018 due to higher consumer promotions and trade development activities to boost sales; (2) 22.5% or ₱185 million increase in depreciation and amortization expense to ₱1.0 billion in 2019 from ₱822 million in 2018 due to capital expenditures and impact of PFRS 16; and (3) 1.2% or ₱105 million increase in freight and other selling expense to ₱8.7 million in 2019 from ₱8.6 million in 2018 due to higher volume.

As a result, URC's operating income (EBIT) increased by ₱1.6 billion, or 12.2% to ₱15.0 billion in 2019 from ₱13.4 billion reported in 2018.

URC's finance costs slightly increased by ₱8 million to ₱1.7 billion in 2019 from ₱1.7 billion recorded in 2018 due to higher level of trust receipts payable and recognition of interest expense related to PFRS 16 this year, net of pre-termination of NZD denominated long-term debt last year.

URC's finance revenue consists of interest income from investments in financial instruments, money market placements, savings and dollar deposits and dividend income from investment in equity securities. Finance revenue decreased by ₱32 million to ₱328 million in 2019 from ₱359 million in 2018 due to lower level of financial assets during the year.

Equity in net losses of joint ventures increased to ₱159 million in 2019 from ₱132 million in 2018 due to recognition of net losses of DURBI this year.

Net foreign exchange loss amounted to ₱558 million in 2019 from the ₱175 million reported in 2018 due to the combined effects of appreciation of international subsidiaries' local currencies against US dollar, particularly Indonesian Rupiah, and appreciation of Philippine peso against US dollar.

Market valuation loss on financial instruments at fair value through profit or loss decreased to ₱5 million in 2019 from ₱35 million in 2018 due to lower decrease in market values of equity investments.

Impairment losses decreased to ₱2 million in 2019 from ₱45 million in 2018 due to lower impairment in receivables and last year's impairment of goodwill of Advanson.

Other income (expenses) - net consists of gain (loss) on sale of fixed assets, amortization of bond issue costs, rental income, and miscellaneous income and expenses. Other expense - net amounted to ₱1.0 billion in 2019 higher than the ₱146 million reported in 2018 mainly due to restructuring provisions this year.

URC recognized provision for income tax of ₱1.8 billion in 2019, a 14.4% decrease from ₱2.1 billion in 2018 due to recognition of deferred tax asset on unrealized forex loss and restructuring provisions.

URC's consolidated net income for 2019 amounted to ₱10.1 billion, higher by ₱652 million or 6.9% from ₱9.5 billion in 2018 due to higher operating income, reduced by higher net foreign exchange losses and recognition of restructuring provisions.

URC's core earnings before tax (operating profit after equity earnings, net finance costs and other expenses - net) in 2019 amounted to ₱13.3 billion, an increase of 12.6% from ₱11.8 billion recorded in 2018.

Net income attributable to equity holders of the parent increased by ₱568 million or 6.2% to ₱9.8 billion in 2019 from ₱9.2 billion in 2018 as a result of the factors discussed above.

URC reported an EBITDA (operating income plus depreciation and amortization) of ₱22.3 billion in 2019, 13.0% higher than ₱19.8 billion posted in 2018.

**Real estate and hotels** generated total gross revenues of ₱30.2 billion in 2019, an increase of 2.5% from ₱29.5 billion in 2018. EBIT grew 3.4% to ₱12.3 billion while EBITDA posted a 5.6% growth to ₱17.2 billion. Net income attributable to equity holders of the parent stood at ₱8.7 billion, up by 5.7% compared to last year.

The Commercial Centers Division accounted for ₱13.3 billion of the real estate revenues for the year versus ₱11.9 billion last year or an 11.0% increase. The increase in revenues was brought about by stable same mall rental revenue growth of existing malls, the full-year impact of new malls that opened in 2018, namely Robinsons Place Ormoc, Robinsons Place Pavia, Robinsons Place Tuguegarao and Robinsons Place Valencia, as well as the opening of Robinsons Galleria South and the expansion of Robinsons Magnolia in 2019. Cinema revenues also improved with the opening of new branches. The Division's EBIT and EBITDA grew by 21.8% and 15.1%, respectively.

Revenues of Office Buildings Division grew by 23.8% to ₱5.3 billion from ₱4.3 billion over the same period last year. Revenue growth was mainly attributable from a combination of rental escalation and higher renewal rates in existing offices, as well as contribution from the newly completed offices, namely Robinsons Cybergate Magnolia, Luisita 2, and Giga Tower in 2019. The Division's EBIT and EBITDA showed positive variances of 21.5% and 21.2%, respectively.

The Residential Division's realized revenues is at ₱9.1 billion this year versus ₱8.7 billion last year, an increase of 5.4%, due to higher level of buyers meeting the equity requirement in recognizing sales based on percentage of construction completion. EBIT and EBITDA increased by 32.8% and 32.3%, respectively.

The Hotels and Resorts Division registered gross revenues of ₱2.4 billion as against last year's ₱2.0 billion. The 22.7% increase in hotel revenues was due to higher occupancy rates of company-owned brands - Go Hotels and Summit Hotels, and increased system-wide average room rate. Hotels and Resorts Division's EBIT declined by 19.3% due to additional depreciation from the new hotels that were opened in 2019 namely Dusit Thani Mactan Cebu Resort and Summit Greenhills; while the decline in last year's EBITDA recovered with a 4.3% increase this year at ₱0.7 billion.

The IID Division accounted for ₱0.5 billion revenues, generated from lease of warehouse facilities and sale of commercial lots. Developmental revenues of IID registered an 87.4% drop to ₱0.3 billion in 2019 from ₱2.6 billion in 2018 following the partial recognition last year of the gain on sale of land to Shang Robinsons Properties, Inc. Revenues in 2019 mainly came from the gain on sale of land located in Las Pinas to Robinsons DMCI Properties Ventures, Inc., which yielded additional EBIT and EBITDA of ₱0.20 billion. Further gains will be realized from the selling of lots with joint ventures. EBIT and EBITDA for calendar year 2019 stood at ₱0.21 billion and ₱0.24 billion, respectively.

Interest income increased to ₱287.4 million from ₱157.0 million last year due to higher average balance of cash and cash equivalents during the calendar year 2019.



Cost of real estate sales went down by 14.1% to ₱4.2 billion from ₱4.9 billion last year due to recognition of sales from high-margin projects. Cost of rental services increased by 5.7% to ₱5.4 billion from ₱5.1 billion last year. The opening of new malls raised the level of depreciation expense of Commercial Centers Division by ₱196.6 million or 5.7%; while completion of new office buildings increased depreciation expense of the Office Buildings Division by ₱118.9 million or 17.1%. Furthermore, cinema expense rose by 5.6% or ₱50.5 million in line with the increase in cinema revenues.

Hotel expenses rose by 34.2% to ₱2.1 billion attributable to the increase in depreciation, salaries and wages, and contracted services, that were incurred prior the start of commercial operations of new and upcoming hotels.

Gain or loss from foreign exchange mainly pertains to foreign currency denominated transactions of RLC's foreign subsidiary. Gain on sale of property and equipment mainly pertains to sale of retired transportation equipment.

As a result of property dividend distribution, RLC lost control over Altus Property Ventures, Inc, (APVI). Loss on deconsolidation amounting to ₱12.3 million resulted from the derecognition of related assets and liabilities of APVI.

Interest expense increased by 25.9% to ₱1.1 billion from ₱0.8 billion last year due to the availment of additional short-term loans and recognition of interest on lease liabilities as a result of the Group's adoption of PFRS 16 in 2019.

**Air transportation** generated gross revenues of ₱84.8 billion for the year ended December 31, 2019, 14.4% higher than the ₱74.1 billion revenues earned last year mainly attributed to the increase in passenger revenues by ₱7.4 billion or 13.7% to ₱61.7 billion for the year ended December 31, 2019 from ₱54.3 billion posted in 2018. This was mainly attributable to the 10.8% growth in passenger volume to 22.5 million from 20.3 million last year as the Group increased capacity. The increase in average fares by 2.6% to ₱2,745 from ₱2,675 last year also contributed to the increase in revenues. Cargo revenues grew by ₱253.8 million or 4.6% to ₱5.7 billion for the year ended December 31, 2019 from ₱5.5 billion for the year ended December 31, 2018 following the increase in both yield and volume of cargo transported in 2019. Ancillary revenues went up by ₱3.0 billion or 21.0% to ₱17.4 billion for the year ended December 31, 2019 from ₱14.4 billion posted last year consequent to the 10.8% increase in passenger traffic and 9.2% increase in average ancillary revenue per passenger due to pricing adjustments and increased volume of certain ancillary products and services.

CEB incurred operating expenses of ₱72.2 billion for the year ended December 31, 2019 higher by 7.6% than the ₱67.1 billion operating expenses recorded for the year ended December 31, 2018. The increase was driven by its expanded operations, growth in seat capacity from the acquisition of new aircraft partially offset by the strengthening of the Philippine peso against the U.S. dollar as referenced by the appreciation of the Philippine peso to an average of ₱51.79 per U.S. dollar for the year ended December 31, 2019 from an average of ₱52.67 per U.S. Dollar last year based on the Philippine Bloomberg Valuation (PH BVAL) weighted average rates.

As a result, CEB finished with an operating income (EBIT) of ₱12.6 billion for the year ended December 31, 2019, 79.0% higher than the ₱7.0 billion operating income earned last year. EBITDAR amounted to ₱30.3 billion from ₱22.3 billion last year.

Interest income increased by ₱269.0 million or 67.0% to ₱670.6 million for the year ended December 31, 2019 from ₱401.6 million earned in the same period last year due to the increase in the balance of cash in bank and short-term placements year on year.

CEB incurred a hedging loss of ₱63.4 million for the year ended December 31, 2019, an improvement by ₱259.2 million from a hedging loss of ₱322.6 million in the same period last year as a result of higher mark-to-market valuation on fuel hedging positions in 2019. Net foreign exchange gains of ₱274.6 million for the year ended December 31, 2019 resulted from the strengthening of the Philippine Peso against the U.S. dollar.

Equity in net income of joint venture amounted to ₱67.0 million in 2019, ₱69.3 million lower than the ₱136.3 million in 2018. The decrease was attributable to lower net income of Aviation Partnership (Philippines) Corporation (A-plus) and SIA Engineering (Philippines) Corporation (SIAEP) in 2019 plus the net loss incurred by the Group's new venture, Digital Analytics Ventures, Inc. (DAVI).

Interest expense increased by ₱957.1 million or 45.5% to ₱3.1 billion for the year ended December 31, 2019 from ₱2.1 billion registered in 2018 brought about by the adoption of PFRS 16 and also due to the additional loans availed to finance the acquisition of the additional aircraft delivered in 2019.

In 2019, CEB sold and delivered three (3) Airbus A320 aircraft to a subsidiary of Allegiant Travel Company (Allegiant) which resulted to a loss of ₱352.1 million. CEB also sold and delivered two (2) Rolls - Royce Trent 772B engines to RRP Engine Leasing Limited which resulted to a gain of ₱126.4 million. In 2018, CEB entered into a Lease Amendment Agreement with JPA No. 117/118/119 Co., Ltd., which transferred economic ownership of three Airbus A320 aircraft to the counterparty and resulted in a gain of ₱110.2 million. CEB also sold and delivered one Airbus A319 aircraft to a subsidiary of Allegiant which resulted to a loss of ₱156.7 million.

As a result of the foregoing, net income for the year ended December 31, 2019 amounted to ₱9.1 billion, an increase of 132.6% from the ₱3.9 billion net income earned in 2018.

**Petrochemicals** (consist of JGSPC and JGSOC) combined gross revenues amounted to ₱29.1 billion in 2019, a decrease of 31.4% from last year's ₱42.4 billion, as a result of lower average selling prices and volumes, brought about by the global economic slowdown, as well as the planned facility shutdown in 4th quarter of 2019 for turnaround maintenance and project tie-ins. Costs and expenses also decreased by 25.5% from ₱42.2 billion in 2018 to ₱31.5 billion in 2019 due to lower naphtha cost. Petrochem recognized a reversal of impairment loss on its property and equipment this year amounting to ₱2.3 billion, which resulted to an EBIT of ₱859.0 million for the year ended December 31, 2019. Interest expense increased by 139.2% to ₱745.2 million in 2019 from ₱311.6 million in 2018 due to the ₱2.6 billion net increase in trust receipts and ₱3.1 billion availment of short-term loans. A net foreign exchange gain of ₱168.5 million was also recognized in 2019 from last year's gain of ₱16.9 million. All these factors contributed to the net income of ₱970.6 million in 2019 from ₱1.05 billion in 2018.

**Banking services** generated banking revenue of ₱8.1 billion in 2019, a 32.4% increase from last year's ₱6.1 billion mainly driven by higher interest income from finance receivables resulted from growth in loans portfolio. Higher commission income and trading gains for the year also contributed to the increase in revenues. Cost and expenses, including interest expense on deposits and bills payable, increased by 39.5% from ₱2.3 billion in 2019 to ₱3.2 billion in 2019 as the bank continued its expansion. As a result, net income for the year ended December 31, 2019 amounted to ₱719.4 million, 126.5% increase from last year's ₱317.7 million.

**Equity in net earnings of associated companies and joint ventures** amounted to ₱13.4 billion for the year ended December 31, 2019, a 31.2% increase from last year's ₱10.2 billion mainly driven by the 86.4% increase in equity earnings from UIC from ₱3.2 billion last year to

₱6.0 billion in 2019. UIC recorded net income from operations of S\$456.6 million in 2019, an 82.2% increase from last year's S\$250.6 million arising from the S\$210.3 million one-off gain on derecognition of an associated company booked by UIC in the second quarter of 2019. Since the Group's policy for the valuation of property, plant and equipment is the cost basis method, the equity income taken up by the Group represents the adjusted amounts after reversal of the effect in the income statement of the revaluation of the said assets.

## **2018 vs. 2017**

### **I. Consolidated Operations**

JG Summit Holdings, Inc.'s consolidated core net income after taxes (excluding non-operating and nonrecurring items) amounted to ₱22.40 billion in 2018, a 24.2% decline from ₱29.56 billion in 2017, mainly due to lower net income of our airline and petrochemical businesses which were significantly affected by the rise in fuel prices and input costs. The Group's consolidated net income from equity holders of the parent likewise declined 34.7% from ₱29.37 billion in 2017 to ₱19.19 billion in 2018 resulted from weaker Philippine Peso against the US dollar, higher financing costs and market valuation losses on our financial assets. Consolidated EBITDA reached ₱65.83 billion in 2018 from ₱70.67 billion in 2017.

Consolidated revenues grew 6.8% from ₱273.45 billion in 2017 to ₱291.92 billion in 2018 due to the performance of the following core subsidiaries:

- URC's total revenues increased by 2.2% from ₱125.01 billion in 2017 to ₱127.77 billion in 2018 driven by the 27.6% growth in feeds business and 14.8% total increase in sugar and renewables businesses.
- CEB's total revenues went up by 8.9% from ₱68.03 billion in 2017 to ₱74.11 billion in 2018 mainly due to 5.8% increase in average fares coupled by the 2.7% growth in passenger volume.
- JG Petrochemicals Group revenues increased by 2.3% from ₱41.41 billion in 2017 to ₱42.35 billion in 2018 driven by higher average selling price of polymers and cracker products, offset by lower sales volumes of polymers and pygas.
- RLC's total revenues increased by 31.3% from ₱22.45 billion in 2017 to ₱29.47 billion in 2018 due to growth in rental income and increase in realized revenues from residential division.
- The banking revenue increased 37.0% from ₱4.48 billion in 2017 to ₱6.13 billion this year mainly due to increase in interest income recognized from finance receivables.

Revenues from our core investments declined by 15.4% as the dividend income received by the Group decreased from ₱1.45 billion last year to ₱1.23 billion this year due to the lower dividends declared by PLDT (₱76 per share in 2017 to ₱64 per share in 2018). Equity in net earnings of associates, primarily from our investments in UIC/Singapore Land, Meralco and GBPC, increased by 2.8% from ₱9.91 billion in 2017 to ₱10.18 billion in 2018, mainly due to the Group's additional 2.4% stake in Meralco acquired in June 2017, partially offset by the decline in equity earnings from UIC.

Consolidated cost of sales and services in 2018 increased by 12.8% from ₱171.55 billion last year to ₱193.59 billion this year due to higher input costs of all core businesses.

The Group's operating expenses increased by 5.8% from ₱50.16 billion last year to ₱53.06 billion this year due to higher selling, general and administrative expenses, particularly from the airline

businesses.. As a result, Consolidated Operating Income or EBIT amounted to ₱45.26 billion in 2018 from ₱51.73 billion in 2017.

The Group's financing costs and other charges, net of interest income, increased by 19.7% to ₱7.89 billion this year from last year's ₱6.59 billion due to higher level of financial debt of the Parent Company and airline business, as well as net increase in trust receipts of the petrochemicals business.

Market valuation loss recognized from financial assets and derivative instruments amounted to ₱1.02 billion, a turnaround from a ₱541.18 million gain in 2017 primarily due to decline in market values of the Group's equity investments coupled by the mark-to-market valuation losses on fuel hedging transactions of the airline business.

The Group recognized a net foreign exchange loss of ₱2.85 billion in 2018 from only ₱902.72 million in 2017 due to the depreciation of Philippine Peso against the US Dollar from ₱49.93 as of December 31, 2017 to ₱52.58 as of December 31, 2018.

Other income (expense) - net account, which represents miscellaneous income and expenses, amounted to a loss of ₱459.47 million from ₱241.87 million gain last year mainly due to this year's net loss on sale of CEB's aircraft as compared to last year's net gain on sale of aircrafts.

## **II. Segment Operations**

**Foods** generated a consolidated sale of goods and services of ₱127.77 billion for the year ended December 31, 2018, a 2.2% growth over last year. Excluding PFRS 15 impact, net sales grew by 3.6%. Sale of goods and services performance by business segment follows: (1) URC's branded consumer foods (BCF) segment, excluding packaging division, slightly decreased 0.8%, to ₱101.01 billion in 2018 from ₱101.82 billion registered in 2017. BCF domestic operations' net sales declined from ₱58.95 billion in 2017 to ₱57.81 billion in 2018 due to lower volumes and unfavorable mix in the coffee category that slowed down the sustained growth performance in snacks and noodles, and recovery of RTD beverages. BCF international sales increased by 0.8% to ₱43.20 billion in 2018 against ₱42.87 billion in 2017 driven by continuous recovery in Vietnam and sustained momentum in Australia. Vietnam is still on track on its path to recovery as sales continue to grow from its drive to recover numeric distribution, as well as from additional sales from new products such as milk tea. Australia maintained its growth attributed to a very strong sales of both branded and private labels. (2) Agro-Industrial segment (AIG) amounted to ₱11.69 billion in 2018, a 15.7% increase from ₱10.11 billion recorded in 2017. Feeds business grew by 27.6% due to higher sales volume and improved selling prices across all feed categories. Farms business also grew by 2.2% due to favorable sales mix and better average selling prices of hogs, slightly offset by lower sales of poultry products due to decline in production of day-old pullets. (3) Sale of goods and services in commodity foods segment amounted to ₱13.54 billion in 2018, up by 14.7% from ₱11.80 billion reported in 2017. Sugar and renewables businesses grew by 15.8% and 12.3%, respectively, on the account of higher volume and selling prices of raw sugar and molasses. Flour business also posted higher sales by 14.5% due to higher volume.

URC's cost of sales consists primarily of raw and packaging materials costs, manufacturing costs and direct labor costs. Cost of sales increased by 5.4%, to ₱90.33 billion in 2018 from ₱85.69 billion recorded in 2017 due to higher sales and higher costs of commodities and other raw and packaging materials.

URC's gross profit for 2018 amounted to ₱37.44 billion from ₱39.31 billion reported in 2017. Gross profit margin decreased by 215 basis points from 31.4% in 2017 to 29.3% in 2018. URC's selling and distribution costs, and general and administrative expenses consist primarily of

compensation benefits, advertising and promotion costs, freight and other selling expenses, depreciation, repairs and maintenance expenses and other administrative expenses. Selling and distribution costs, and general and administrative expenses slightly declined by 1.3% to ₱24.06 billion in 2018 from ₱24.36 billion registered in 2017 primarily due to decline in freight and delivery costs as a result of distribution restructuring in Myanmar and Cambodia. As a result, URC's operating income (EBIT) decreased by 10.5% to ₱13.38 billion in 2018 from ₱14.95 billion reported in 2017.

URC's finance costs increased by 16.4%, to ₱1.66 billion in 2018 from ₱1.43 billion recorded in 2017 due to higher level of trust receipts payable and short-term debt, coupled with higher interest rates.

URC's finance revenue consists of interest income from investments in financial instruments, money market placements, savings and dollar deposits and dividend income from investment in equity securities. Finance revenue increased to ₱359.28 million in 2018 from ₱225.58 million in 2017 due to higher level of financial assets during the year.

Equity in net losses of joint ventures decreased to ₱132.41 million in 2018 from the ₱280.53 million in 2017 due to lower net losses of domestic joint ventures coupled with the higher net income of Proper Snacks in New Zealand.

Net foreign exchange loss amounted to ₱174.66 million in 2018 from ₱154.19 million gain reported in 2017 due to the combined effects of appreciation of international subsidiaries' local currencies against US dollar, particularly NZD, and depreciation of Philippine peso against US dollar.

Market valuation loss on financial instruments at fair value through profit or loss amounted to ₱35.42 million in 2018 from ₱71.02 million gain reported in 2017 due to decrease in market values of equity investments.

Impairment losses increased to ₱45.00 million in 2018 from ₱21.42 million in 2017 due to this year's impairment of goodwill of Advanson.

Other income (expenses) - net consists of gain (loss) on sale of fixed assets, amortization of bond issue costs, rental income, and miscellaneous income and expenses. Other expense-net amounted to ₱145.82 million in 2018 while other income - net of ₱276.74 million was reported in 2017 due to last year's higher gain on sale of fixed assets.

URC recognized provision for income tax of ₱2.08 billion in 2018, a 25.6% decrease from ₱2.80 billion in 2017 due to lower taxable income and recognition of lower deferred tax liabilities.

URC's core earnings before tax (operating profit after equity earnings, net finance costs and other expenses - net) for 2018 amounted to ₱11.80 billion, a decline of 13.6% from ₱13.66 billion recorded in 2017.

Net income attributable to equity holders of the parent decreased by 15.5% to ₱9.20 billion in 2018 from ₱10.89 billion in 2017 as a result of the factors discussed above.

URC reported an EBITDA (operating income plus depreciation and amortization) of ₱19.75 billion for 2018, 6.2% lower than the ₱21.06 billion posted in 2017.

**Real estate and hotels** generated total gross revenues of ₱29.47 billion in 2018, an increase of 31.3% from ₱22.45 billion in 2017. EBIT grew 38.8% to ₱11.88 billion while EBITDA posted a 30.9% growth to ₱16.34 billion. Net income attributable to equity holders of the parent stood at ₱8.22 billion, up by 39.7% compared to last year.

The Commercial Centers Division accounted for ₱11.94 billion of the real estate revenues for the year versus ₱10.79 billion last year or a 10.7% increase. Rental revenues increased due to strong same malls growth at 7%, contribution of four malls and two expansions opened in 2017 located in Naga, Iligan, North Tacloban, Antique and Butuan, and contribution of four new malls opened in 2018 namely Robinsons Place Ormoc, Robinsons Place Pavia, Robinsons Place Tuguegarao and Robinsons Place Valencia. Cinema revenues increased due to more blockbuster films released this year than last year and the operation of new cinemas in new malls. Apart from the mall openings, Commercial Centers launched Playlab in Robinsons Galleria Ortigas and Robinsons Galleria Cebu and Aqua Fun in Robinsons Pavia. Playlab and Aquafun are the country's first digital and water playgrounds located within the mall premises. The Division's EBIT and EBITDA grew by 6% and 9%, respectively.

Revenues of Office Buildings Division grew by 31.4% to ₱4.29 billion from ₱3.27 billion over the same period last year. Revenue growth was mainly attributable to growth in rental escalation and high renewal rates as well as contribution from the completed offices in 2017 and 2018 namely Cyber Sigma, Cybergate Delta, Cybergate Naga and Exxa Tower. The Division's EBIT and EBITDA showed positive variances of 33% and 28%, respectively.

The Residential Division realized revenues is at ₱8.69 billion this year versus ₱6.55 billion last year, an increase of 32.6%, due to higher level of buyers meeting the equity requirement in recognizing sales based on percentage of construction completion. Both EBIT and EBITDA increased by 21%.

The Hotels Division, a major contributor to RLC's recurring revenues, registered gross revenues of ₱1.98 billion as against last year's ₱1.89 billion. The 4.7% increase in hotel revenues principally came from the new hotels, Summit Hotel Tacloban and Go Hotels Iligan. The hotel average occupancy rate is 62% in 2018. Hotels Division EBIT and EBITDA declined by 22% and 7%, respectively, as the division continues to redevelop some of the existing hotels and a much accelerated pre-operating expenses on hotels to be opened in 2019 and higher overhead expense in the Head Office.

The IID division accounted for ₱2.64 billion revenues, with 95% attributed to the sale of the commercial lots and the remainder 5% is the revenue generated from the warehouse business. Further gains will be realized from the selling of lots with joint ventures.

Interest income increased to ₱196.29 million from ₱36.81 million last year due to higher average balance of cash and cash equivalents during the calendar year 2018.

Real estate costs went up by 30.6% to ₱12.11 billion from ₱9.28 billion last year. The higher level of realized sales of residential units brought cost of real estate sales to increase by ₱1.79 billion or 57%. The opening of new malls raised the level of depreciation expense of Commercial Centers Division by 13% while opening of new office buildings increased depreciation expense of the Office Buildings Division by 10%. Furthermore, cinema expense rose by 10% or ₱85.18 million as a result of increase in cinema revenues.

Hotel expenses rose by 15.3% to ₱1.56 billion due substantially to higher level of property and maintenance cost, depreciation, salaries and wages, contracted services, which were all due to

higher level of operations brought about by higher room revenues and pre-operating expenses on hotels to be opened in 2019.

General and administrative expenses went up by 20.1% to ₱4.00 billion due to higher commission, rent, advertising and promotions and salaries, among others.

Gain or loss from foreign exchange mainly pertains to foreign currency denominated transactions of RLC's foreign subsidiary.

**Air transportation** generated gross revenues of ₱74.11 billion for the year ended December 31, 2018, 8.9% higher than the ₱68.03 billion revenues earned last year mainly attributed to the increase in passenger revenues by 8.7% to ₱54.26 billion for the year ended December 31, 2018 from ₱49.93 billion posted in 2017. This increase was largely attributable to the 5.8% increase in average fares to ₱2,676 in 2018 from ₱2,529 in 2017. The growth in passenger volume by 2.7% to 20.3 million from 19.7 million last year also contributed to the increase in revenues. Cargo revenues grew 19.3% to ₱5.49 billion for the year ended December 31, 2018 from ₱4.60 billion in the same period last year following the increase in the cargo volume and yield in 2018. Ancillary revenues went up by 6.4% to ₱14.36 billion for the year ended December 31, 2018 from ₱13.49 billion posted last year consequent to the 2.7% increase in passenger traffic and 3.6% increase in ancillary revenue per passenger. This was driven by improved online bookings and pricing adjustments on certain ancillary products and services.

Operating expenses for the year ended December 31, 2018 increased by 15.8% to ₱67.06 billion from ₱57.90 billion last year mostly due to the rise in fuel prices in 2018 coupled with the weakening of the Philippine peso against the U.S. dollar. The average published fuel MOPS price increased from U.S. \$84.79 per barrel in 2018 from U.S. \$65.31 per barrel in 2017. As a result, CEB finished with an operating income (EBIT) of ₱7.05 billion in 2018, 30.4% lower than the ₱10.13 billion earned in 2017. EBITDAR amounted to ₱22.29 billion from ₱22.82 billion last year.

CEB recognized higher interest income by 119.5% from ₱182.95 million last year to ₱401.62 million this year due to the increase in the balance of cash in bank and short-term placements year on year and higher interest rates in short term placements.

CEB incurred a hedging loss of ₱322.58 million for the year ended December 31, 2018, an increase by ₱190.01 million from a hedging loss of ₱132.57 million incurred last year as a result of lower mark-to-market valuation on fuel hedging positions in 2018. Net foreign exchange losses of ₱1.63 billion for the year ended December 31, 2018 resulted from the weakening of the Philippine Peso against the U.S. dollar. CEB's major exposure to foreign exchange rate fluctuations is in respect to U.S. dollar denominated long-term debt incurred in connection with aircraft acquisitions.

Equity in net income of joint venture amounted to ₱136.26 million in 2018 attributable to the net income from current operations earned by the joint ventures in 2018.

Interest expense increased by 47.9% to ₱2.10 billion for the year ended December 31, 2018 from ₱1.42 billion in 2017 due to the additional loans availed to finance the acquisition of additional aircraft delivered in 2018.

In 2018, CEB entered into a Lease Amendment Agreement with JPA No. 117/118/119 Co., Ltd., which transferred economic ownership of three Airbus A320 aircraft to the counterparty and resulted in a gain of ₱110.19 million. CEB also sold and delivered one Airbus A319 aircraft to a subsidiary of Allegiant Travel Company (Allegiant) which resulted to a loss of ₱156.65 million.

In 2017, CEB sold and delivered three Airbus A319 aircraft to a subsidiary of Allegiant Travel Company (Allegiant) and entered into lease amendment agreements which transferred economic ownership of six Airbus A320 aircraft to the counterparty which resulted to a gain of ₱102.57 million.

As a result of the foregoing, net income for the year ended December 31, 2018 decreased by 50.4% to ₱3.92 billion from ₱7.91 billion last year.

**Petrochemicals** (consist of JGSPC and JGSOC) combined gross revenues reached ₱42.35 billion in 2018, a slight increase of 2.3% from last year's ₱41.41 billion as higher selling prices of most products were offset by lower volumes of polymers (from 503,572 MT in 2017 to 398,070 MT in 2018) and pygas (from 250,178 MT in 2017 to 218,484 MT in 2018).. Costs and expenses also increased by 17.1% from ₱36.08 billion in 2017 to ₱42.25 billion in 2018 due to higher naphtha cost. Interest expense increased by 84.5% to ₱311.61 million in 2018 from ₱109.51 million in 2017 due to the ₱18.60 billion net increase in trust receipts. A net foreign exchange gain of ₱16.88 million was also recognized in 2018 from last year's gain of ₱61.90 million. All these factors contributed to the net income of ₱1.05 billion in 2018 from ₱5.99 billion in 2017.

**Banking services**, generated banking revenue of ₱6.13 billion in 2018, a 37.0% increase from last year's ₱4.48 billion brought about by higher interest income from finance receivables. Costs and expenses also increased by 37.5% as the bank continued its expansion, including higher interest expense on deposits from ₱1.13 billion in 2017 to ₱2.19 billion in 2018. As a result, net income for the year ended December 31, 2018 amounted to ₱317.68 million, a 3.4% increase from last year's ₱307.21 million.

**Equity in net earnings of associate companies and joint ventures** amounted to ₱10.18 billion for the year ended December 31, 2018, a 2.8% increase from last year's ₱9.91 billion mainly attributable to the 17.6% increase in equity earnings from Meralco from ₱5.60 billion last year to ₱6.59 billion this year as a result of higher sales volume and the additional 2.4% equity share acquired in June 2017, partially offset by the decline in equity in net earnings from United Industrial Corporation, Limited (UIC). UICL recorded an 18.1% decline in its net income from operations from S\$305.98 million in 2017 to S\$250.62 million in 2018 due to lower sales of trading properties as UIC's development projects were completed and substantially sold in 2017. Since the Group's policy for the valuation of property, plant and equipment is the cost basis method, the equity income taken up by the Group represents the adjusted amounts after reversal of the effect in the income statement of the revaluation of the said assets.

## **FINANCIAL RESOURCES AND LIQUIDITY**

### **2020 vs 2019**

Cash and cash equivalents increased to ₱81.5 billion as of December 31, 2020, from ₱64.3 billion as of December 31, 2019. Cash provided by operating activities amounted to ₱15.8 billion. As of December 31, 2020, net cash used in investing activities amounted to ₱30.6 billion mainly for the Group's capital expenditure program. The Group's net cash provided by financing activities amounted to ₱31.9 billion mainly due to net availments for short-term and long-term debts. Our financial assets, including those held at fair value through profit and loss (FVTPL) (excluding derivative assets), fair value through other comprehensive income (FVOCI), and investment securities at amortized cost amounted to ₱78.4 billion, a 26.3% increase from ₱62.1 billion as of December 31, 2019 due to additional investments in private bonds and government securities.



Receivables, including noncurrent portion increased by 13.2% from ₱119.5 billion as of December 31, 2019 to ₱135.2 billion as of December 31, 2020 mainly due to the increase in finance receivables of the banking business and installment contract receivables of the real estate business.

Inventories increased 10.6% from ₱68.5 billion as of December 31, 2019 to ₱75.8 billion as of December 31, 2020 primarily due to higher level of capital expenditures for new and ongoing projects of the real estate business.

Biological assets, including noncurrent portion, decreased by 76% due to decline in hogs population and write-down from restructuring.

Other current assets increased by 16% from ₱23.2 billion as of December 31, 2019 to ₱27.0 billion as of December 31, 2020 mainly due to input VAT of the petrochemicals business and increase in cash under escrow of RLC and CEB.

Investment in associates and joint ventures decreased by 8.2% from ₱151.7 billion as of December 31, 2019 to ₱139.3 billion as of December 31, 2020, due to reclassification of our investment in GBPC as 'Asset held for sale' as of December 31, 2020.

Investment properties increased 5.73% from ₱99.0 billion as of December 31, 2019 to ₱104.7 billion as of December 31, 2020 primarily due to acquisition of several land properties both for residential and commercial development, and ongoing constructions of the real estate business during the year.

Right-of-Use Assets increased 12.3% from ₱20.5 million as of December 31, 2019 due to additional lease contract qualifying under PFRS 16.

Other noncurrent assets went up by 24.3% from ₱13.4 billion as of December 31, 2019 to ₱16.7 billion as of December 31, 2020 mainly due to higher level of the Group's deferred tax assets and RLC's advances to lot owners.

Consolidated total assets reached ₱999.6 billion as of end of December 2020.

Accounts payable and accrued expenses increased by 18.0% from ₱146.3 billion as of December 31, 2019 to ₱172.6 billion as of December 31, 2020 primarily due to higher level of deposit liabilities of the banking business.

Short term debt decreased 18.0% to ₱44.4 billion as of December 31, 2020 from ₱54.0 billion as of December 31, 2019 mainly due to settlements made by JG and RLC coming from the proceeds of bond issuances.

Income tax payable decreased 69.9% mainly due to the Group's lower income tax due, coupled with income tax payments made during the period.

Other current liabilities amounted to ₱43.6 billion as of December 31, 2020, a 20.5% increase from ₱36.2 billion as of December 31, 2019 primarily due to increase in RLC's deposits from real estate buyers, partially offset by CEB's lower unearned transportation revenue on forward bookings driven by weak travel demand brought about by the COVID-19 global pandemic.

Long-term debt, including current portion, increased 24.4% from ₱218.9 billion as of December 31, 2019 to ₱272.3 billion as of December 31, 2020 primarily as a result of the additional term loans availed by PET and bond issuances of RLC and the Parent Company during the period.

Other noncurrent liabilities decreased to ₱49.3 billion as of December 31, 2020 from ₱54.1 billion as of December 31, 2019 due to lower level of noncurrent deposit liabilities of the banking business partially offset by the increase in CEB's travel fund payable and the Group's lease liabilities.

Stockholders' equity, excluding minority interest, stood at ₱308.3 billion as of December 31, 2020 from ₱304.8 billion last year.

Book value per share amounted to ₱40.99 as of December 31, 2020 from ₱42.55 as of December 31, 2019.

### **2019 vs 2018**

Cash and cash equivalents increased to ₱64.3 billion as of December 31, 2019, from ₱49.2 billion as of December 31, 2018. Cash provided by operating activities amounted to ₱52.4 billion. As of December 31, 2019, net cash used in investing activities amounted to ₱58.2 billion mainly for the Group's capital expenditure program. The Group's net cash provided by financing activities amounted to ₱21.0 billion mainly due to net availments for short-term and long-term debts. Our financial assets, including those held at fair value through profit and loss (FVTPL) (excluding derivative assets), fair value through other comprehensive income (FVOCI), and investment securities at amortized cost amounted to ₱62.1 billion, a 4.1% increase from ₱59.6 billion as of December 31, 2018 due to higher market valuation during the year.

Receivables, including noncurrent portion increased by 16.1% from ₱93.5 billion as of December 31, 2018 to ₱108.6 billion as of December 31, 2019 mainly due to the increase in finance receivables of the banking business.

Inventories increased 7.9% from ₱63.5 billion as of December 31, 2018 to ₱68.5 billion as of December 31, 2019 primarily due to higher level of capital expenditures for new and ongoing projects of the real estate business.

Biological assets, including noncurrent portion, decreased by 13.6% due to decline in hogs population and write-down from restructuring

Other current assets decreased by 5.5% from ₱24.6 billion as of December 31, 2018 to ₱23.2 billion as of December 31, 2019 mainly due to decrease in cash under escrow which will mainly be used for the construction of real estate inventories.

Investment properties increased 5.5% from ₱93.8 billion as of December 31, 2018 to ₱99.0 billion as of December 31, 2019 primarily due to acquisition of several land properties both for residential and commercial development, and ongoing constructions of the real estate business during the year.

Property, plant and equipment increased 18.8% from ₱218.3 billion as of December 31, 2018 to ₱259.2 billion due to acquisition of five Airbus A321 NEO aircraft offset by the sale of three (3) Airbus A320 aircraft and two (2) Airbus A330 engine in 2019 by the airline business, as well as expansion projects of the petrochemicals business.

Right-of-Use Assets amounting to ₱20.5 billion was recognized as of December 31, 2019 as a result of the adoption of PFRS 16 in 2019.

Consolidated total assets reached ₱928.3 billion as of end of December 2019.

Accounts payable and accrued expenses increased by 10.3% from ₱132.7 billion as of December 31, 2018 to ₱146.3 billion as of December 31, 2019 primarily due to higher level of deposit liabilities and bills payable of the banking business.

Short term debt increased 52.4% to ₱54.0 billion as of December 31, 2019 from ₱35.5 billion as of December 31, 2018 due to additional loans of RLC, URC, Petrochem, and the Parent Company during the period.

Contract liabilities (current and noncurrent) recognized by the real estate business amounted to ₱17.1 billion as of December 31, 2019, a 12.0% increase from ₱15.3 billion as of December 31, 2018 mainly due to increase in reservation sales during the year. Contract liabilities 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.

Lease liabilities (current and noncurrent) amounting to ₱21.1 billion was recognized as of December 31, 2019 as a result of the adoption of PFRS 16 in 2019.

Deferred tax liabilities amounted to ₱8.3 billion as of December 31, 2019, a 5.6% increase from ₱7.9 billion as of December 31, 2018 due to higher deferred tax liabilities of the real estate business.

Other noncurrent liabilities increased to ₱35.8 billion as of December 31, 2019 from ₱32.8 billion as of December 31, 2018 due to higher deposit liabilities of the banking business, as well as higher pension liabilities of the Group.

Stockholders' equity, excluding minority interest, stood at ₱304.8 billion as of December 31, 2019 from ₱276.6 billion last year.

Book value per share amounted to ₱42.55 as of December 31, 2018 from ₱38.61 as of December 31, 2018.

### **2018 vs 2017**

Cash and cash equivalents decreased to ₱49.19 billion as of December 31, 2018, from ₱54.34 billion as of December 31, 2017. Cash provided by operating activities amounted to ₱56.64 billion. As of December 31, 2018, net cash used in investing activities amounted to ₱86.03 billion mainly for the Group's capital expenditure program. The Group's net cash provided by financing activities amounted to ₱24.25 billion mainly due to the Group's additional loan availments during the year, and the net proceeds from stock rights offering of RLC. Our financial assets, including those held at fair value through profit and loss (FVTPL) (excluding derivative assets), fair value through other comprehensive income (FVOCI), and investment securities at amortized cost amounted to ₱59.62 billion, a 2.2% decrease from ₱60.95 billion as of December 31, 2017 due to lower market valuation during the year.

Receivables, including noncurrent portion increased by 3.6% from ₱90.26 billion as of December 31, 2017 to ₱93.53 billion as of December 31, 2018 mainly due to the significant increase in finance receivables of the banking business.

Inventories increased 15.9% from ₱54.76 billion as of December 31, 2017 to ₱63.47 billion as of December 31, 2018 due to higher level of finished goods of the food and petrochemicals

businesses, as well as increase in subdivision land, condominium and residential units for sale of the real estate business.

Biological assets, including noncurrent portion, decreased by 34.0% due to decline in headcount and market prices of hogs.

Other current assets increased from ₱12.85 billion as of December 31, 2017 to ₱29.65 billion as of December 31, 2018 mainly coming from RLC's recognition of contract assets in accordance with PFRS 15 as well as deposits received from buyers of Cheng Du Xin Yao.

Investment properties increased 7.8% from ₱87.02 billion as of December 31, 2017 to ₱93.82 billion as of December 31, 2018 primarily due to acquisition of several land properties both for residential and commercial development, and ongoing constructions of the real estate business during the year.

Property, plant and equipment increased 20.2% from ₱181.66 billion as of December 31, 2017 to ₱218.27 billion due to the acquisition of four ATR 72-600 and seven Airbus A321 CEO aircraft, offset by the sale of one Airbus A319 of the airline business, as well as expansion projects of the petrochemicals business.

Other noncurrent assets went up by 81.7% from ₱10.87 billion as of December 31, 2017 to ₱19.74 billion as of December 31, 2018 due to the CEB's prepayments for Airbus A330 life limited engine parts, power by the hour charges and engine overhaul, and increase in RLC's advances to lot owners and advances to suppliers and contractors for ongoing projects

Consolidated total assets reached ₱819.29 billion as of end of December 2018.

Accounts payable and accrued expenses increased by 16.5% from ₱113.88 billion as of December 31, 2017 to ₱132.66 billion as of December 31, 2018 due to higher level of trade payables of the airline and food businesses, and deposit liabilities and bills payable of the banking business.

Short term debt decreased 22.7% to ₱34.45 billion as of December 31, 2018 from ₱45.88 billion as of December 31, 2017 due to full settlement of short-term loans of the Parent Company and RLC.

Derivative liabilities, including noncurrent portion, which amounted to ₱763.32 million as of December 31, 2018 pertain mainly to CEB's fuel derivative contracts.

Other current liabilities increased 104.4% to ₱27.98 billion as of December 31, 2018 due to the current portion of RLC's contract liabilities to real estate customers, and CEB's higher unearned transportation revenue on sale of passenger travel services.

Long-term debt, including current portion, increased 15.7% from ₱181.69 billion as of December 31, 2017 to ₱210.25 billion as of December 31, 2018 due to additional term loans availed by the Parent Company and CEB during the period.

Deferred tax liabilities amounted to ₱7.88 billion as of December 31, 2018, a 9.3% increase from ₱7.21 billion as of December 31, 2017 due to higher deferred tax liabilities of RLC.

Other noncurrent liabilities increased to ₱35.05 billion as of December 31, 2018 from ₱28.91 billion as of December 31, 2017 due to CEB's higher provision for asset retirement obligation, RLC's noncurrent contract liabilities to real estate customers, and RBC's higher deposit liabilities.

Stockholders' equity, excluding minority interest, stood at ₱276.59 billion as of December 31, 2018 from ₱267.84 billion last year.

Book value per share amounted to ₱38.61 as of December 31, 2018 from ₱37.13 (as restated) as of December 31, 2017.

## KEY FINANCIAL INDICATORS

The Company sets certain performance measures to gauge its operating performance periodically and to assess its overall state of corporate health. Listed below are the major performance measures, which the Company has identified as reliable performance indicators. Analyses are employed by comparisons and measurements on a consolidated basis based on the financial data as of and for the year ended December 31, 2020, 2019 and 2018.

<b>Key Financial Indicators</b>	<b>2020</b>	2019	2018
Revenues	₱221.64 billion	₱301.82 billion	₱291.92 billion
EBIT	₱12.10 billion	₱56.20 billion	₱45.26 billion
EBITDA	₱43.71 billion	₱83.94 billion	₱65.83 billion
Core net income after taxes	₱450 million	₱25.29 billion	₱22.40 billion
Net income attributable to equity holders of the Parent Company	(₱468 million)	₱31.29 billion	₱19.19 billion
Liquidity Ratio:			
Current ratio	1.02	0.96	0.93
Solvency ratios:			
Gearing ratio	0.78	0.67	0.67
Net debt to equity ratio	0.60	0.52	0.53
Asset-to-equity ratio	2.45	2.27	2.23
Interest rate coverage ratio	4.51	7.65	6.83
Profitability ratio:			
Operating margin	0.05	0.19	0.16
Book value per share	₱40.99	₱42.55	₱38.61

The manner in which the Company calculates the above key performance indicators is as follows:

<b>Key Financial Indicators</b>		
Revenues	=	Total of sales and services, income from banking business, dividend income and equity in net earnings
EBIT	=	Operating income
EBITDA	=	Operating income add back depreciation and amortization expense
Core net income after taxes	=	Net income attributable to equity holders of Parent Company as adjusted for the net effect of gains/losses on foreign exchange, market valuations and other nonrecurring items.
Current ratio	=	Total current assets over current liabilities
Gearing ratio	=	Total financial debt over total equity
Net debt to equity ratio	=	Total financial debt less cash including financial assets at FVTPL and FVOCI investments (excluding RBC cash, financial assets at FVTPL and FVOCI investments) over total equity
Asset-to-equity ratio	=	Total assets over total equity
Interest rate coverage ratio	=	EBITDA over interest expense
Operating Margin	=	Operating income over total revenue
Book value per share	=	Stockholders' equity (equity attributable to parent excluding preferred capital stock) over outstanding number of common shares

Current assets amounted to ₱301.3 billion while current liabilities reached ₱295.6 billion, for a current ratio of 1.02:1. Total financial debt amounted to ₱316.8 billion in 2020, higher than last year's ₱273.0 billion. The Company's indebtedness remains manageable with a gearing ratio of 0.78:1, well within the financial covenant of 2.0:1. Net debt stood at ₱246.2 billion, bringing our net debt to equity ratio to 0.60:1.

The Company, in the normal course of business, makes various commitments and has certain contingent liabilities that are not reflected in the accompanying consolidated financial statements. The commitments and contingent liabilities include various guarantees, commitments to extend credit, standby letters of credit for the purchase of equipment, tax assessments and bank guarantees through its subsidiary bank. The Company does not anticipate any material losses as a result of these transactions.

## **DISCLOSURE OF EFFECTS OF PESO DEPRECIATION AND OTHER CURRENT EVENTS**

Refer to Management Discussion and Analysis on pages 56-80 of this report and Note 4 to the Consolidated Financial Statements.

### **Item 7. Financial Statements**

The Consolidated Financial Statements and schedules listed in the accompanying Index to Consolidated Financial Statements and Supplementary Schedules (page 95) are filed as part of this report.

### **Item 8. Information on Independent Accountant and other Related Matters**

#### **A. External Audit Fees and Services**

##### **Audit and Audit - Related Fees**

The following table sets out the aggregate fees billed to the Company for each of the last three (3) years for professional services rendered by SyCip Gorres Velayo & Co.,

	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>Audit and Audit-Related Fees</b>			
Fees for services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagements	<b>₱3,790,000</b>	₱3,610,000	₱3,340,000
All Other Fees	<b>5,500,000</b>	None	4,000,000
<b>Total</b>	<b>₱9,290,000</b>	₱3,610,000	₱7,340,000

No other service was provided by external auditors to the Company for the calendar years 2020, 2019 and 2018.

### **The audit committee's approval policies and procedures for the services rendered by the external auditors**

The Corporate Governance Manual of the Company provides that the audit committee shall, among others:

1. Evaluate all significant issues reported by the external auditors relating to the adequacy, efficiency and effectiveness of policies, controls, processes and activities of the Company.
2. Ensure that other non-audit work provided by the external auditors is not in conflict with their functions as external auditors.
3. Ensure the compliance of the Company with acceptable auditing and accounting standards and regulations.

### **B. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure**

NONE.

## **PART III - CONTROL AND COMPENSATION INFORMATION**

### **Item 9. Directors and Executive Officers of the Registrant**

The names and ages of the directors, member of the advisory board and executive officers of the Company are as follows:

#### **1. Directors**

<b>Name</b>	<b>Age</b>	<b>Position</b>	<b>Citizenship</b>
James L. Go	81	Director, Chairman	Filipino
Lance Y. Gokongwei	54	Director, President and Chief Executive Officer	Filipino
Lily G. Ngochua	89	Director	Filipino
Patrick Henry C. Go	50	Director	Filipino
Johnson Robert G. Go, Jr.	55	Director	Filipino
Robina Y. Gokongwei-Pe	59	Director	Filipino
Cirilo P. Noel	63	Director	Filipino
Jose T. Pardo	81	Director (Independent)	Filipino
Renato T. De Guzman	70	Director (Independent)	Filipino
Antonio L. Go	80	Director (Independent)	Filipino

#### **2. Executive Officers**

<b>Name</b>	<b>Age</b>	<b>Position</b>	<b>Citizenship</b>
Michael P. Liwanag	47	Senior Vice President, Investor Relations and Chief of Staff	Filipino
Bach Johann M. Sebastian	59	Senior Vice President, Strategic Investment	Filipino
Nicasio L. Lim	64	Senior Vice President, Corporate Human Resources Group	Filipino

<b>Name</b>	<b>Age</b>	<b>Position</b>	<b>Citizenship</b>
Maria Celia H. Fernandez-Estavillo	49	Senior Vice President, General Counsel and Corporate Secretary	Filipino
Renato T. Salud	57	Senior Vice President, Corporate Affairs and Sustainability	Filipino
Aldrich T. Javellana	47	Senior Vice President and Treasurer	Filipino
Francisco M. Del Mundo	50	Senior Vice President, Chief Financial Officer and Compliance Officer	Filipino
Lisa Y. Gokongwei-Cheng	52	Senior Vice President, Digital Transformation and Corporate Services	Filipino
Alan D. Surposa	57	Senior Vice President and Chief Procurement Officer	Filipino
Carlos G. Santos	47	Vice President, Corporate Services and Chief Information Officer	Filipino
Andre Ria B. Buzeta-Acero	41	Assistant Corporate Secretary	Filipino
Ian Pajantoy	55	Data Protection Officer	Filipino

All of the above directors and officers have served their respective offices since May 13, 2020 except Ms. Acero who was appointed to her position on October 1, 2020.

Messrs. Jose T. Pardo, Renato T. De Guzman and Antonio L. Go are the independent directors of the Company as defined under SRC Rule 38.1.

The directors of the Company are elected at the annual stockholders' meeting to hold office until the next succeeding annual meeting and until their respective successors have been elected and qualified.

Officers and members of the advisory board are appointed or elected annually by the Board of Directors. Appointed or elected officers and advisory board members are to hold office until a successor shall have been elected, appointed or shall have qualified.

A brief description of the directors, advisory board members and executive officers' business experience and other directorships held in other reporting companies are provided as follows:

### **Directors**

1. **James L. Go**, 81 is the Chairman of JGSHI and Cebu Air, Inc. He is the Chairman and Chief Executive Officer of Oriental Petroleum and Minerals Corporation. He is the Chairman Emeritus of Universal Robina Corporation, Robinsons Land Corporation, JG Summit Petrochemical Corporation and JG Summit Olefins Corporation. He is the Vice Chairman of Robinsons Retail Holdings, Inc. and a Director of Meralco Powergen Corporation. He is also the President and Trustee of the Gokongwei Brothers Foundation, Inc. He has been a director of the PLDT Inc. (PLDT) since November 3, 2011. He is a member of the Technology Strategy and Risk Committees and Advisor of the Audit Committee of the Board of Directors of PLDT. He was elected a director of Manila Electric Company on December 16, 2013. Mr. James L. Go received his Bachelor of Science Degree and Master of Science Degree in Chemical Engineering from Massachusetts Institute of Technology, USA.
2. **Lance Y. Gokongwei**, 54, is the President and Chief Executive Officer of JGSHI. He is the Chairman of Robinsons Retail Holdings, Inc., Universal Robina Corporation, Robinsons Land Corporation, Altus Property Ventures, Inc., JG Summit Petrochemical Corporation, JG



Summit Olefins Corporation and Robinsons Bank Corporation. He is also the President and Chief Executive Officer of Cebu Air, Inc. He is a director and Vice Chairman of Manila Electric Company and is a Director of Oriental Petroleum and Minerals Corporation, United Industrial Corporation Limited and Meralco Powergen Corporation. He is a member of the Board of Global Reporting Initiative. He is a trustee and Chairman of the Gokongwei Brothers Foundation, Inc. He received a Bachelor of Science degree in Finance and a Bachelor of Science degree in Applied Science from the University of Pennsylvania.

3. **Lily G. Ngochua**, 89, has been a director of JGSHI since its formation in 1990. She is responsible for overseeing the Company's hotel and agro-industrial business in Cebu. She also supervises the purchasing and treasury departments of the URC Biscuit and Noodle Plants in Cebu and handles the treasury functions of the retail and mall business in Cebu. She received a Bachelor of Arts degree from Maryknoll College in Quezon City in 1957.
4. **Patrick Henry C. Go**, 50, has been a director of JGSHI since 2000. He is currently a director and Executive Vice President of Universal Robina Corporation and is the President and Chief Executive Officer of JG Summit Petrochemical Corporation and JG Summit Olefins Corporation. In addition, he is a director of Robinsons Land Corporation and Robinsons Bank Corporation and Meralco Powergen Corporation. He is a trustee and treasurer of the Gokongwei Brothers Foundation, Inc. He received a Bachelor of Science degree in Management from the Ateneo De Manila University and attended the General Management Program at Harvard Business School. Mr. Patrick Henry C. Go is a nephew of Mr. John L. Gokongwei, Jr.
5. **Johnson Robert G. Go, Jr.**, 55, has been a director of JGSHI since August 18, 2005. He is currently a director of Universal Robina Corporation, Robinsons Land Corporation, Robinsons Bank Corporation and A. Soriano Corporation. He is also a trustee of the Gokongwei Brothers Foundation, Inc. He received a Bachelor of Arts degree in Interdisciplinary Studies (Liberal Arts) from the Ateneo de Manila University. He is a nephew of Mr. John L. Gokongwei, Jr.
6. **Robina Y. Gokongwei**, 59, has been a director of JGSHI since April 15, 2009. She is the President and Chief Executive Officer of Robinsons Retail Holdings, Inc. (RRHI). Operating a diverse portfolio of brands, RRHI is one of the largest multi-format retailers in the country and is included in the Philippine Stock Exchange main index. She is also a director of Robinsons Land Corporation, Cebu Air, Inc., and Robinsons Bank Corporation. She is a trustee and the secretary of the Gokongwei Brothers Foundation, Inc. and a trustee of the Immaculate Concepcion Academy Scholarship Fund. She is also a member of the Xavier School Board of Trustees. She was formerly a member of the University of the Philippines Centennial Commission and was a former trustee of the Ramon Magsaysay Awards Foundation. She attended the University of the Philippines-Diliman from 1978 to 1981 and obtained a Bachelor of Arts degree (Journalism) from New York University in 1984. She has two children, Justin, 25 and Joan, 15. She is married to Perry Pe, a lawyer.
7. **Cirilo (Vic) P. Noel**, 63, has been a director of JGSHI since May 28, 2018. He is a lawyer and certified public accountant (CPA). He holds Chairman's position at Palm Concepcion Power Corporation (since June 2018) and Juxtapose Ergo Consultus, Inc. (since May 2019). He is also a member of the Board of Directors of PLC- Security Bank Corporation (since April 2018) and appointed Vice Chairman in April 2020. He is likewise a Board member of the following PLCs - Globe Telecom, Inc. (since April 2018), San Miguel Foods and Beverage, Inc. (since September 2018), and Robinsons Retail Holdings, Inc. (since August 2020). Vic also sits as a Board member of Transnational Diversified Corporation (since August 2020), Eton Properties, Inc. (since April 2019), Amber Kinetics Holdings Co. PTE

Ltd. (since March 2018), LH Paragon Group, Golden ABC (since January 2018). He is a member of the Board of St. Luke's Medical Center-Global City (since August 2017). He is also a member of the Board of Trustees of St. Luke's Medical Center-Quezon City (since August 2017), St. Luke's Medical Center College of Medicine (since September 2018), and St. Luke's Medical Center Foundation, Inc. (from August 2018). He is also currently affiliated with the Makati Business Club, Harvard Law School Association of the Phils., and Harvard Club of the Philippines. Vic was a member of the Board of Directors of Philippine Airlines (from 2018 to 2019), PLC PAL Holdings, Inc. (from 2018 to 2019), Cal Comp Technology (Philippines) Inc. (from 2018 to 2020), and Transnational Diversified Group Inc (from August 2019 to August 2020). He held various positions in SGV & Co. Including Chairman (from 2010 to 2017), Managing Partner (from 2009 to 2016), Vice Chairman & Deputy Managing Director (from 2004 to 2009), Head of Tax Division (from 2001 to 2008), and Partner, Tax Services (from 1993 to 2017). He was also Ernst & Young (EY) ASEAN Tax Head and Far East Area Tax Leader (from 2004 to 2009). From 2004 to 2009, he was a Member of the E&Y Global Advisory Council and a Presiding Partner of the Asia Pacific Council. He graduated from the University of the East with a Bachelor of Science degree in Business Administration and obtained his Bachelor of Law degree from the Ateneo Law School. He has a Master of Law degree from the Harvard Law School and a Fellow of the Harvard International Tax Program. He attended the AIM Management Development Program.

8. **Jose T. Pardo**, 81, has been an independent director of JGSHI since August 6, 2003. He is presently the Chairman of the Philippine Stock Exchange, Securities Clearing Corporation of the Philippines, Philippine Savings Bank, Bank of Commerce, and Philippine Seven Corporation. He is also a Director of the National Grid Corporation of the Philippines, Monte Oro Grid Resources Corporation, Del Monte Philippines, Inc., ZNN Radio Veritas, League One Finance and Leasing Corporation, Araneta Hotels, Inc. and Synergy Grid and Development Phils., Inc. He also held positions in Government as former Secretary of the Department of Finance and former Secretary of the Department of Trade and Industry. Mr. Pardo is Chairman of PCCI Council of Business Leaders and ECOP Council of Business Leaders. He obtained his Bachelor of Science degree in Commerce, Major in Accounting and his Master's Degree in Business Administration from the De La Salle University in Manila. He has been conferred on February 10, 2018 an Honorary Doctorate in Finance by the De La Salle University in Manila.

Mr. Pardo's expertise and many years of experience have been invaluable to the management of JGSHI in steering the company to the heights it has achieved and will attain in the future. We note that while SEC Memorandum Circular (MC) No. 19, Series of 2016 limits the term of independent directors to nine (9) years reckoned from 2012, the affirmative vote of stockholders representing majority of the Corporation's total outstanding capital stock for the election of Mr. Pardo shall be deemed approval from the stockholders for Mr. Pardo to serve as independent director of JGSHI for the ensuing year, as required under the aforementioned SEC MC.

9. **Mr. Renato T. de Guzman**, 70, has been an independent director of JGSHI since April 28, 2015. He was appointed Chairman of the Board of Trustees of the Government Service Insurance System in July 2015 under the previous administration and served as such until December 2016. He is currently a Director of Maybank Philippines, Inc. since April 2016 and Maybank Singapore Limited as of July 1, 2019. He is the Chairman of Nueva Ecija Good Samaritan Health System, Inc. and Good Samaritan College. He was a Senior Adviser of the Bank of Singapore until September 2017, Chief Executive Officer of the Bank of Singapore (January 2010-January 2015), ING Asia Private Bank (May 2000-January 2010), Country Manager Philippines of ING Barings (1990-2000), and Deputy Branch Manager of BNP

Philippines (1980-2000). He holds a Bachelor of Science in Management Engineering from the Ateneo de Manila University, Master's Degree in Business Administration with Distinction at the Katholieke Universiteit Leuven, Belgium and a Masters in Management from McGill University, Canada.

10. **Antonio L. Go**, 80, has been an independent director of JGSHI since May 28, 2018. He is a Director of Equitable Computer Services, Inc. and is the Chairman of Equicom Savings Bank, ALGO Leasing and Finance, Inc. and My Health Ventures Corporation. He is also the Vice Chairman of Maxicare Healthcare Corporation. He is also a Director of Medilink Network, Inc., Equicom Manila Holdings, Equicom Inc., Equitable Development Corporation, United Industrial Corporation Limited (Singapore), T32 Dental Centre (Singapore), Dental Implant and Maxillofacial Centre (Hong Kong), Oriental Petroleum and Minerals Inc., Pin-An Holdings, Inc., Equicom Information Technology, Robinsons Retail Holdings, Inc., Cebu Air, Inc., and Steel Asia Manufacturing Corporation. He is a Non-Executive Officer of Dito Telecommunity Corporation. He is also a Trustee of Go Kim Pah Foundation, Equitable Foundation, Inc., and Gokongwei Brothers Foundation, Inc. He graduated from Youngstown University, United States with a Bachelor Science Degree in Business Administration. He attended the International Advance Management program at the International Management Institute, Geneva, Switzerland as well as the Financial Planning/Control program at the ABA National School of Bankcard Management, Northwestern University, United States.

#### **Executive Officers**

1. **Mr. Michael P. Liwanag**, 47, is the Senior Vice President, Investor Relations and Chief of Staff to the CEO of JGSHI. He is also a Senior Vice President of Universal Robina Corporation (URC). Prior to his current role in JGSHI, he was the Vice President for Corporate Strategy and Development of URC until May 14, 2018. Before joining URC in 2001, he was exposed to different business functions such as Strategic Management, Mergers and Acquisitions, Program Management and Business Analytics in Digital Telecommunications Phils., Inc., Global Crossings and Philippine Global Communications, Inc. He studied Engineering at the University of the Philippines, is a Certified Management Accountant (ICMA Australia) and an alumni of the Harvard Business School (AMP).
2. **Bach Johann M. Sebastian**, 59, is the Senior Vice President, Strategic Investment of JGSHI. He had been a Senior Vice President and Chief Strategist of JGSHI until May 14, 2018. He is also a Senior Vice President of Universal Robina Corporation, Robinsons Land Corporation, Cebu Air, Inc. and Robinsons Retail Holdings, Inc. Prior to joining JGSHI in 2002, he was Senior Vice President and Chief Corporate Strategist at PSI Technologies and RFM Corporation. He was also Chief Economist, Director of Policy and Planning Group at the Department of Trade and Industry. He received a Bachelor of Arts degree in Economics from the University of the Philippines and his Master's in Business Management degree from the Asian Institute of Management.
3. **Nicasio L. Lim**, 64, is the Senior Vice President of the Corporate Human Resources Group of JGSHI. Nic is a Human Resource Executive with 43 years solid experience in Human Resources, 21 of those years in San Miguel Corporation (SMC), 5 in Kraft Foods International (KFI), and now 17 years with JG Summit Holdings, Inc. (JGSHI), one of the biggest and most diversified conglomerates in the country and the Pan-Asian / Oceania region. In JG Summit, he heads not only the overall HR function, but also Safety and Security and Third-Party Outsourcing. He partners with the Executive Committee and the Leadership Teams of the different Strategic Business Units on these areas. All HR Heads, Security and Safety Heads and Third-Party Managers in the Strategic Business Units functionally report to him. He was conferred the People Manager of the Year Award given by the People

Management Association of the Philippines (PMAP) in 2007. Through the years, he has coined several HR mantras that are circulating in HR circles. Some of these would be: “Behind every business issue is a people issue;” “Growing the business goes hand in hand with growing the people;” “HR is a vocation;” and “HR should be in the Boardroom.” Through these quotes, he clearly conveys the reverberating message that HR should be strategic partners of the business. He calls the work that he does a vocation and the biggest achievement that he considers in his 43 years of HR experience is mentoring a significant number of HR professionals. He is now on his third generation of mentees. All his students would describe him as unceasing, overly passionate, extremely results-oriented, incredibly fast and with a golden heart. He graduated with a Bachelor’s Degree on Business Administration at the De La Salle University and pursued advanced Human Resource Executive Program at the University of Michigan-USA. He is happily married to Benilda Lim and is the father of 3 children and a grandfather to 3 grandkids. Nic, in summary, has spent all his years of corporate life in pursuing his calling in his chosen vocation, which is, evolving the human resources function, and continuously raising its bar in both the domestic and foreign soil.

4. ***Maria Celia H. Fernandez-Estavillo***, 49, is the Senior Vice President and General Counsel of JGSHI since March 1, 2017. She was appointed as Corporate Secretary of JGSHI, Universal Robina Corporation and JG Summit Petrochemical Corporation on October 1, 2020. She was also appointed as Assistant Secretary of Gokongwei Brothers Foundation, Inc. on October 1, 2020. Prior to her appointment in JGSHI, Atty. Fernandez-Estavillo was the head of the Legal and Regulatory Affairs Group, Corporate Secretary and member of the Board of Directors of Rizal Commercial Banking Corporation. She was Assistant Vice President of Global Business Development of ABS-CBN. She also held positions in 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.
5. ***Renato T. Salud***, 57, is the Senior Vice President for Corporate Affairs and Sustainability of JGSHI. Prior to joining JGSHI in March 2016, he was the Corporate Relations Director, Asia for Diageo Asia Pacific based in Singapore. In this role, he had oversight on a number of Asian countries in the areas of regulation, communications and corporate social responsibility. He has extensive experience in working with governments in formulating best practice policy recommendations. He started his career as Legislative Liaison Officer for the Department of National Defense and speechwriter for Defense Secretary Fidel Ramos. In 1992, when Fidel Ramos became President of the Philippines, he continued to serve him at the Office of the Press Secretary until 1998. He moved into the private sector with Pfizer Philippines where he was Corporate Affairs Director for two years. From 2000 to 2006, he then joined Philip Morris, starting as Philip Morris Philippines Corporate Affairs Director before moving to Hong Kong to take on the role of Director for Communications for Asia Pacific. He later became Regional Corporate Affairs Director for Eastern Europe, Africa and Middle East based in Switzerland and by the time he left Philip Morris to join Diageo in 2006, he held the position of Regional Corporate Affairs Director for the European Union. He has degrees in business and law both from Ateneo de Manila University. He also obtained his Master’s Degree in Public Administration at Harvard’s John F. Kennedy School of Government.

6. **Aldrich T. Javellana**, 47, is the Senior Vice President and Treasurer of JGSHI. He was appointed Senior Vice President on October 2, 2017 and has been Vice President-Treasurer of JGSHI since January 2, 2012. Prior to joining JGSHI in 2003, he worked in Corporate Finance with CLSA Exchange Capital. He graduated from De La Salle University with a degree in BS Accountancy and is a Certified Public Accountant.
7. **Francisco M. Del Mundo**, 50, is the Senior Vice President, Chief Financial Officer (CFO) and Compliance Officer of JG Summit Holdings Inc. (JGSHI). He is also concurrently the CFO of Universal Robina Corporation (URC) and Aspen Business Solutions, Inc. (ABSI). In 2013, he joined JGSHI as Vice President for JG Summit and Affiliates Shared Services. He was appointed as CFO of URC International the same year, concurrent with his Shared Services role. He brings with him 27 years of experience in all aspects of the finance career. He has built his career from 17 years of rigorous training in Procter & Gamble (P&G) and 3 years in Coca-Cola prior to joining the JG Summit Group. He has worked in three different markets: Manila, Thailand and Singapore, and has held numerous CFO and Regional Finance Head positions, namely: CFO for ASEAN, Head of Accounting Shared Services for Central and Eastern Europe, Middle East and Africa, and Asia Hub Manager for Internal Controls for P&G. During his stint with Coca-Cola, he was the CFO for Coca-Cola Bottlers Philippines, Inc. and concurrently the CEO of Coca-Cola Bottlers Business Services, the company's global shared service handling Philippines, Singapore and Malaysia.
8. **Lisa Y. Gokongwei-Cheng**, 52, is the Senior Vice President, Digital Transformation and Corporate Services of JGSHI since 2020. She is the President and Director of Summit Media (2011 to present). She has held various senior positions and directorships in the group namely: Summit Internet Investments, Inc. (2000), Jobstreet Philippines (2000-2014), JE Holdings, Inc. (2002), Robinsons Retail Holdings, Inc. (2002 to present), I-tech Global Business Solutions, Inc. (2010-2020), Hongkong- China Foods Co. (2013), and as Vice-President and Director of Summit- App Addictive Philippines, Inc. (2000). She was also Vice President at Metromedia Times Corporation (1993 to 1997) and Digital Communications as Project Manager (1995 to 1999). She has a Bachelor of Arts degree from Ateneo de Manila University, and obtained her master's degree in Journalism at Columbia University in 1993.
9. **Alan D. Surposa**, 57, is the Senior Vice President and Chief Procurement Officer of JGSHI effective May 30, 2019. He is also the Senior Vice President of Procurement of JG Summit Petrochemicals Group. He is responsible for ensuring that procurement processes operate smoothly and consistently across the group in line with the set procurement policies of the organization. He will synergize procurement policies, procedures and strategies across the different businesses to create a unified procurement group that is efficient, competent and strategically aligned to deliver competitive advantage. In his expanded role, he also exercises strong functional oversight over heads/managers in the different countries whose work revolves around procurement to ensure consistent alignment and synergies across the region. He also handles the Corporate Import & Freight Department of JGSHI. He is a member and formerly a Director of The Purchasing Managers Association of the Philippines. He received his Bachelor of Science degree in Civil Engineering from the Cebu Institute of Technology in Cebu City.
10. **Carlos G. Santos**, 47, is the Vice President, Corporate Services and Chief Information Officer of JGSHI. He ran the over-all Shared Services Operations of JGSHI from July 1, 2020 to present. He was awarded by the International Data Corporation as the Philippines DX Leader on October 23, 2020 and was given by JGSHI the Pride in Performance Conglomerate Awards for outstanding work in People Capability in 2019 and Digital Transformation in 2020. He was the Chief Information Officer of Universal Robina Corporation (URC) from

July 2017 to June 2020. He was also the Chief Information Officer of Procter & Gamble from February 1999 to June 2017 and received an award of Asia P&G Best Corporate Trainer for multiple years. He graduated with a Bachelor's Degree of Science in Computer Science (Deans Lister) in De La Salle University College of Computer Studies (DLSU CCS). He also obtained his Masters in Information Technology with Distinction as the 1<sup>st</sup> ever graduate of the MS-IT Program in the Philippines in DLSU CCS.

11. **Andre Ria B. Buzeta-Acero**, 41, is the Assistant Corporate Secretary of JGSHI. She joined JGSHI in 2007 as part of the General Counsel Group. Prior to JGSHI, she was a Senior Associate in Castillo Laman Tan Pantaleon & Jose Law Offices. She obtained her Juris Doctor degree from the Ateneo de Manila School of Law in 2007 and was admitted to the Philippine Bar in 2008. She is currently the Corporate Secretary of the Ethanol Producers Association of the Philippines, JG Summit Infrastructure Holdings Corporation, and DHL Summit Solutions, Inc.
12. **Ian Pajantoy**, 55, is the Data Protection Officer of JGSHI since May 30, 2019. He was tapped as one of the Core Team of the BPO (Shared Services) arm of JGSHI in 2013. Prior to joining the Shared Services Group (now Aspen Business Solutions, Inc), he joined URC as Plant Administrative Services Manager on May 2, 1996. From year 2000 to 2013, Mr. Pajantoy handled different facets of Supply Chain Management (logistics, procurement, & governance). He graduated from Mapua Institute of Technology with a degree in Management and Industrial Engineering and then later on, Techno-MBA from the De La Salle University - Dasmarias City, Cavite.

#### **Significant Employee**

There are no persons who are not executive officers of the Company who are expected to make a significant contribution to the business.

#### **Involvement in Certain Legal Proceedings which occurred during the Past Five Years**

None.

#### **Family Relationships**

1. Mr. James L. Go is the uncle of Mr. Lance Y. Gokongwei
2. Ms. Lily G. Ngochua is the sister of Mr. James L. Go
3. Ms. Robina Y. Gokongwei-Pe is the niece of Mr. James L. Go and sister of Mr. Lance Y. Gokongwei
4. Mr. Patrick Henry C. Go is the nephew of Mr. James L. Go and cousin of Mr. Lance Y. Gokongwei
5. Mr. Johnson Robert G. Go, Jr. is the nephew of Mr. James L. Go and cousin of Mr. Lance Y. Gokongwei

## Item 10. Executive Compensation

The aggregate compensation of executive officers and directors of the Company for the last 2 years and projected for the ensuing year (2020) are as follows:

	PROJECTED 2021				ACTUAL	
	Salary	Bonus	Others	Total	2020	2019
CEO and Four (4) most highly compensated Executive officers	₱130,481,395	₱2,000,000	₱925,000	₱133,406,395	₱126,415,436	₱139,770,869
All directors and executive officers as a group unnamed	₱289,728,703	₱3,000,000	₱1,800,000	₱294,528,703	₱184,806,395	₱234,978,295

### Standard Arrangements

Other than payment of reasonable per diem, there are no standard arrangements pursuant to which directors of the Company are compensated, or are to be compensated, directly or indirectly, for any services rendered provided as a director for the last completed year and the ensuing year.

### Other Arrangements

There are no other arrangements pursuant to which any director of the Company was compensated, or is to be compensated, directly or indirectly, during the Company's last completed year, and the ensuing year, for any service provided as a director.

### Terms and Conditions of any Employment Contract or any Compensatory Plan or Arrangement between the Company and the Executive Officers.

None.

### Outstanding Warrants or Options Held by the Company's CEO, the Executive Officers and Directors.

None.

## Item 11. Security Ownership of Certain Record and Beneficial Owners and Management

As of March 31, 2021, the Company is not aware of anyone who beneficially owns in excess of 5% of the Company's common stock except as set forth in the table below.

### (1) Security Ownership of Certain Record and Beneficial Owners

Title of class	Names and addresses of record owners and relationship with the Corporation	Names of beneficial owner and relationship with record owner	Citizenship	No. of shares held	% to total outstanding
Common	Gokongwei Brothers Foundation, Inc. 43/F Robinsons-Equitable Tower ADB Ave. cor. Poveda St. Ortigas Center, Pasig City (stockholder)	Same as record owner (see note 1)	Filipino	2,096,930,273	27.88%
Common	PCD Nominee Corporation (Filipino) 37/F Tower I, The Enterprise Center, 6766 Ayala Ave. cor. Paseo de Roxas, Makati City (stockholder)	PCD Participants and their clients (see note 2)	Filipino	1,846,177,857 (See note 3)	24.55%
Common	PCD Nominee Corporation (Non-Filipino) 37/F Tower I, The Enterprise Center, 6766 Ayala Ave. Cor. Paseo de Roxas, Makati City (stockholder)	PCD Participants and their clients (see note 2)	Non-Filipino	884,564,674 (see note 3)	11.76%
Common	RSB-TIG No. 030-46-000001-9 17/F Galleria Corporate Center, EDSA cor. Ortigas Ave., Quezon City (stockholder)	Trustee's designated officers (see note 4)	Filipino	1,084,985,186	14.43%

#### Notes:

- Gokongwei Brothers Foundation, Inc. (the "Foundation") is a non-stock, non-profit corporation organized by the irrevocable donation by the incorporators, who are also Trustees of the Foundation, of shares of JG Summit Holdings, Inc. Under the Articles of Incorporation and By-Laws of the Foundation, except for salaries of employees and honoraria of consultants and similar expenses for actual services rendered to the Foundation or its projects, no part of the corpus or its income and increments shall benefit or be used for the private gain of any member, trustee, officer or any juridical or natural person whatsoever. The Chairman of the Board of Trustees shall exercise exclusive power and authority to represent and vote for any shares of stock owned by the Foundation in other corporate entities. The incumbent Chairman of the Board of Trustees of the Foundation is Mr. Lance Y. Gokongwei.
- PCD Nominee Corporation is the registered owner of the shares in the books of the Corporation's transfer agent. PCD Nominee Corporation is a corporation wholly-owned by Philippine Depository and Trust Corporation, Inc. (formerly the Philippine Central Depository) ("PDTC"), whose sole purpose is to act as nominee and legal title holder of all shares of stock lodged in the PDTC. PDTC is a private corporation organized to establish a central depository in the Philippines and introduce scripless or book-entry trading in the Philippines. Under the current system of the PDTC, only participants (brokers and custodians) are recognized by PDTC as the beneficial owners of the lodged shares. Each beneficial owner of shares through his participant is the beneficial owner to the extent of the number of shares held by such participant in the records of the PCD Nominee.
- Out of the PCD Nominee Corporation account, "Citibank N.A." and "Philippine Equity Partners, Inc." hold for various trust accounts the following shares of the Corporation as of March 31, 2021:

	<u>No. of shares</u>	<u>% to Outstanding</u>
Citibank N.A.	1,064,860,279	14.16%
Maybank ATR Kim Eng Securities, Inc.	327,724,934	4.36%

Voting instructions may be provided by the beneficial owners of the shares.

- Robinsons Bank - Trust & Investment Group (RSB-TIG) is the trustee of this trust account. The shares are voted by the trustee's designated officers.



## (2) Security Ownership of Management

Title of class	Names of beneficial owner	Position	Amount and nature of beneficial ownership	Citizenship	% to total outstanding
<i>A. Named Executive Officers<sup>1</sup></i>					
Common	1. James L. Go	Chairman	156,113,638(D)	Filipino	2.08%
Common	2. Lance Y. Gokongwei	Director, President and Chief Executive Officer	568,930,503(D)	Filipino	7.56%
Common	3. Patrick Henry C. Go	Director	98,175(D)	Filipino	*
Common	4. Robina Y. Gokongwei-Pe	Director	188,433,000(D)	Filipino	2.51%
			<u>913,575,316</u>		<u>12.15%</u>
<i>B. Other Directors and Executive Officers</i>					
Common	6. Lily G. Ngochua	Director	407,418(D)	Filipino	*
Common	7. Johnson Robert G. Go, Jr.	Director	1(D)	Filipino	*
Common	8. Cirilo P. Noel	Director	1(D)	Filipino	*
Common	9. Jose T. Pardo	Director (Independent)	1(D)	Filipino	*
Common	10. Renato T. De Guzman	Director (Independent)	22,838(D)	Filipino	*
Common	11. Antonio L. Go	Director (Independent)	1(D)	Filipino	*
Common	12. Lisa Y. Gokongwei-Cheng	Senior Vice President, Digital Transformation and Corporate Services	143,986,500(D)	Filipino	1.91
Common	12. Maria Celia H. Fernandez-Estavillo	Senior Vice President and General Counsel	5,250(D)	Filipino	*
			<u>144,422,010</u>		<u>1.92%</u>
			<u>1,057,997,326</u>		<u>14.07%</u>

### Notes:

D - Direct

1. As defined under Part IV (B)(1)(b) of Annex "C" of SRC Rule 12, the "named executive officers" to be listed refer to the Chief Executive Officer and those that are the four (4) most highly compensated executive officers as of December 31, 2020.

\* less than 0.01%.

The other Executive Officers of the Company have no beneficial ownership over any shares of the Company as of March 31, 2020, namely:

1. Michael P. Liwanag - Senior Vice President
2. Bach Johann M. Sebastian - Senior Vice President
3. Nicasio L. Lim - Senior Vice President
4. Renato T. Salud - Senior Vice President
5. Aldrich T. Javellana - Senior Vice President and Treasurer
6. Francisco M. Del Mundo - Senior Vice President, Chief Financial Officer and Compliance Officer
7. Alan D. Surposa - Senior Vice President
8. Carlos G. Santos - Vice President
9. Ian Pajantoy - Data Protection Officer
10. Andre Ria B. Buzeta-Acero - Assistant Corporate Secretary

**(3) Voting Trust Holders of 5% or More**

As of March 31, 2021, there are no persons holding more than 5% of a class under a voting trust or similar agreement.

**(4) Changes in Control**

None

**Item 12. Certain Relationships and Related Transactions**

See Note 40 (Related Party Transactions Disclosures) of the Notes to Consolidated Financial Statements filed as part of this Form 17-A.

The Company and its subsidiaries and affiliates, in their regular conduct of business, have engaged in transactions with each other and with other affiliated companies, consisting principally of sales and purchases at market prices and advances made and obtained.

**PART IV - CORPORATE GOVERNANCE**

**Item 13. Corporate Governance**

The Group adheres to the principles and practices of good corporate governance, as embodied in its Corporate Governance Manual, Code of Ethics and related SEC Circulars. Continuous improvement and monitoring of governance and management policies have been undertaken to ensure that the Group observes good governance and management practices. This is to assure the shareholders that the Group conducts its business with the highest level of integrity, transparency and accountability.

The Group likewise consistently strives to raise its financial reporting standards by adopting and implementing prescribed Philippine Financial Reporting Standards (PFRSs).

**Item 14. Sustainability Report**

Please refer to the attached Sustainability Report.



# JG SUMMIT HOLDINGS, INC.

43<sup>rd</sup> FLOOR ROBINSONS EQUITABLE TOWER ASB AVE. COR. POVEDA RD. ORTIGAS CENTER, PASIG CITY  
TEL. NO.: 633-7631, 637-1670, 240-8801 FAX NO.: 633-9387 OR 633-9207

## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

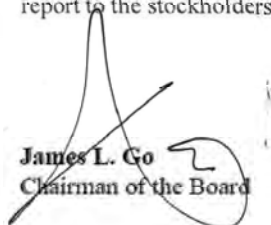
The management of JG Summit Holdings, Inc. and Subsidiaries (collectively referred to as the Group) is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2020, 2019 and 2018, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of 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.

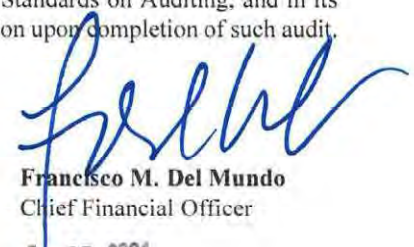
The Board of Directors (BOD) is responsible for overseeing the Group's financial reporting process.

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

SyCip Gorres Velayo & Co. (SGV), the independent auditors, appointed by the stockholders, has audited the consolidated financial statements of the Group in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

  
**James L. Go**  
Chairman of the Board

  
**Lance Y. Gokongwei**  
President & Chief Executive Officer


  
**Francisco M. Del Mundo**  
Chief Financial Officer

05 APR 2021

Subscribed and Sworn to before me in the City of **PASIG CITY** this April 5, 2021 affiants(s) exhibiting to me his Residence Certificates/Passport, as follows:

<u>Names</u>	<u>CTC No.</u>	<u>Date of Issue</u>	<u>Place of Issue</u>
James L. Go	6944416	02/09/2021	Pasig City
Lance Y. Gokongwei	6944415	02/09/2021	Pasig City
Francisco M. Del Mundo	Passport No. P9624564A		

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Book No. 2  
Page No. 105  
Series of 2021

  
**ANDRE RIA B. BUZETA-ACERO**  
Notary Public for Pasig, San Juan, and Pateros  
Notarial Commission No. 248 extended  
until June 30, 2021 pursuant to Bar Matter No.3795  
40th Floor Robinsons Equitable Tower, ADB Ave.  
cor. Poveda Road, Ortigas Center, Pasig City 1605  
Roll of Attorneys No. 55199  
PTR No. 8540878/01-11-2021/Makati City  
IBP Receipt No. 144096/01-05-2021/Rizal Chapter

## **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, 2020 and 2019, 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, 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2020 in accordance with Philippine Financial Reporting Standards (PFRSs).

### **Basis for Opinion**

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key Audit Matters**

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 entity will collect the consideration from the buyer; (2) determination of the transaction price; (3) application of the input method as the measure of progress in determining real estate revenue; (4) determination of the actual costs incurred as cost of sales; and (5) recognition of cost to obtain a contract.

In evaluating whether collectability of the amount of consideration is probable, the Group considers the significance of the buyer's initial payments in relation to the total contract price (or buyer's equity). 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 coronavirus pandemic, if it would still support its 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 disclosures related to the real estate revenue are included in Notes 2, 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 from buyers with accumulated payments above the collection threshold. We also considered the impact of the coronavirus pandemic to the level of cancellations during the year. We traced the analysis to supporting documents such as deed of cancellations.

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 contractors. We visited selected project sites and made relevant inquiries 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 (e.g., net contract price) against the related contract to sell, and, (c) the POC against the POC used in recognizing the related revenue from real estate sales.

### **Recoverability of Goodwill and Intangible Assets**

Under PFRSs, the Group is required to test annually the amount of goodwill and intangible assets with indefinite useful lives for impairment. As of December 31, 2020, the Group's goodwill attributable to the acquisition of Consolidated Snacks, Pty. Ltd., Griffin's Food Limited and other acquired entities amounted to ₱31.2 billion. The Group's intangible assets with indefinite useful lives consist of brands and trademarks and product formulation amounting to ₱9.4 billion and ₱0.4 billion, respectively. These items are significant to the consolidated financial statements. In addition, management's assessment process requires significant judgment and is based on assumptions which are subject to higher level of estimation uncertainty due to the current economic conditions which have been impacted by the coronavirus pandemic, specifically revenue growth rate, discount rate and terminal growth rate.

The Group's disclosures about goodwill and intangible assets are included in Notes 3 and 18, and 19 to the consolidated financial statements.

#### *Audit response*

We involved our internal specialists in evaluating the methodologies and the assumptions used. These assumptions include revenue growth rate, discount rate and terminal growth rate. We compared the key assumptions used, such as revenue growth and terminal growth rates against the historical performance of the cash generating unit (CGU), industry/market outlook and other relevant external data. We also assessed the reasonableness of the discount rate used by comparing these against entities with similar risk profiles and market information. In all cases as applicable, we considered the impact associated with the coronavirus pandemic. 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, 2020 for the Group amounted to €2.6 billion. Provision for credit losses of the Group in 2020 amounted to €1.1 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 Group'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 Group's 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 Group's 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 Group's 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) checked the forward-looking information used for overlay through corroboration of publicly available information and our understanding of the Group'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 checked the data used in the ECL models by reconciling data 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 and parent company financial statements. We involved our internal specialist 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, 2020, the Group's share in the net income of Meralco amounted to ₱4.6 billion and accounts for 6.5% 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. 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 including the reasonableness of the estimated billings during the community lockdown; (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 the Group 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, 2020 and recomputed the Group's share in total comprehensive income for the year ended December 31, 2020.

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

Under PFRSs, the Group tests for impairment its property and equipment and right-of-use assets where indicators of impairment exist. As of December 31, 2020, the Group has property and equipment and right-of-use assets relating to its airline business amounting to P91.3 billion and P17.7 billion, respectively. The disruption caused by the COVID-19 pandemic to the Group's airline operations, which reported a significant net loss in 2020, is considered by management as an indicator of impairment of property and equipment and right-of-use assets. Accordingly, management has 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 require significant judgment and is based on assumptions, specifically discount rate and cash flow projections, 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 associated with current market conditions and the significant judgment and estimation 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 cash generating units where 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. 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 property and equipment and right-of-use assets.



## **Other Information**

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2020 but does not include the consolidated financial statements and our 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, 2020 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 and fair presentation of the consolidated financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

## **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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



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

SYCIP GORRES VELAYO & CO.



Vicky Lee Salas

Partner

CPA Certificate No. 86838

SEC Accreditation No. 0115-AR-5 (Group A),

April 16, 2019, valid until April 15, 2022

Tax Identification No. 129-434-735

BIR Accreditation No. 08-001998-053-2020,

November 27, 2020, valid until November 26, 2023

PTR No. 8534310, January 4, 2021, Makati City

April 5, 2021



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

	December 31	
	2020	2019 (As Restated - see Note 2)
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 7)	P81,491,412,768	P64,343,249,162
Financial assets at fair value through profit or loss (Note 9)	5,565,016,984	4,384,644,970
Financial assets at fair value through other comprehensive income (Note 10)	31,894,154,102	22,259,890,046
Receivables (Note 11)	68,368,485,048	50,719,948,493
Inventories (Note 12)	75,777,125,084	68,513,876,509
Biological assets (Note 17)	99,919,468	733,435,525
Assets held for sale (Note 14)	11,101,305,051	-
Other current assets (Note 13)	26,991,150,439	23,200,634,578
<b>Total Current Assets</b>	<b>301,288,568,944</b>	<b>234,155,679,283</b>
<b>Noncurrent Assets</b>		
Financial assets at fair value through other comprehensive income (Note 10)	32,847,478,716	24,050,346,528
Receivables (Note 11)	66,846,238,081	68,756,683,183
Investment securities at amortized cost (Note 10)	8,049,365,423	11,357,261,241
Investments in associates and joint ventures (Note 14)	139,332,835,472	151,691,572,588
Property, plant and equipment (Note 16)	260,415,739,705	259,242,816,964
Investment properties (Note 15)	104,675,085,905	99,000,246,036
Right-of-use assets (Note 42)	23,048,735,045	20,531,421,297
Goodwill (Note 19)	32,160,471,793	32,005,604,356
Intangible assets (Note 18)	14,154,901,195	13,898,390,399
Biological assets (Note 17)	134,331,929	224,128,072
Other noncurrent assets (Note 20)	16,654,770,116	13,395,368,730
<b>Total Noncurrent Assets</b>	<b>698,319,953,380</b>	<b>694,153,839,394</b>
	<b>P999,608,522,324</b>	<b>P928,309,518,677</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses (Notes 21 and 42)	P172,620,587,036	P146,327,371,857
Short-term debts (Note 23)	44,418,092,185	54,047,410,004
Current portion of long-term debts (Note 23)	34,413,387,739	6,819,093,642
Income tax payable	532,809,008	1,771,270,985
Other current liabilities (Note 22)	43,594,117,685	36,173,794,887
<b>Total Current Liabilities</b>	<b>295,578,993,653</b>	<b>245,138,941,375</b>
<b>Noncurrent Liabilities</b>		
Long-term debts - net of current portion (Note 23)	237,928,498,602	212,116,441,065
Deferred tax liabilities (Note 38)	8,661,143,952	8,318,082,154
Other noncurrent liabilities (Note 24)	49,329,529,759	54,088,911,216
<b>Total Noncurrent Liabilities</b>	<b>295,919,172,313</b>	<b>274,523,434,435</b>
<b>Total Liabilities</b>	<b>591,498,165,966</b>	<b>519,662,375,810</b>

(Forward)



	<b>December 31</b>	
	<b>2020</b>	2019
<b>Equity</b>		
Equity attributable to equity holders of the Parent Company:		
Paid-up capital (Note 25)	<b>₱52,832,571,475</b>	₱30,755,866,814
Retained earnings (Note 25)	<b>242,690,846,520</b>	267,972,795,556
Equity reserve (Note 25)	<b>30,870,428,825</b>	30,870,148,859
Other comprehensive losses (Note 36)	<b>(18,072,540,464)</b>	(24,787,168,710)
	<b>308,321,306,356</b>	304,811,642,519
Non-controlling interests (Note 25)	<b>99,789,050,002</b>	103,835,500,348
Total Equity	<b>408,110,356,358</b>	408,647,142,867
	<b>₱999,608,522,324</b>	₱928,309,518,677

*See accompanying Notes to Consolidated Financial Statements.*



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

	Years Ended December 31		
	2020	2019	2018
<b>REVENUE</b> (Note 26)			
Sale of goods and services:			
Foods	<b>₱133,140,081,384</b>	₱134,174,527,579	₱127,769,949,329
Real estate and hotels	<b>24,897,015,631</b>	30,210,187,210	29,467,564,096
Air transportation	<b>22,617,967,165</b>	84,806,810,363	74,113,776,885
Petrochemicals	<b>21,275,283,602</b>	29,053,982,086	42,351,966,134
Banking	<b>9,174,583,626</b>	8,121,662,955	6,132,382,567
Equity in net earnings of associates and joint ventures (Note 14)	<b>7,616,221,319</b>	13,357,511,170	10,181,841,883
Dividend income (Note 28)	<b>2,011,120,839</b>	1,348,711,916	1,227,572,942
Supplementary businesses	<b>907,768,085</b>	749,175,892	670,963,828
	<b>221,640,041,651</b>	301,822,569,171	291,916,017,664
<b>COST OF SALES AND SERVICES</b>			
Cost of sales (Note 30)	<b>113,940,656,492</b>	122,977,293,487	129,734,114,999
Cost of services (Note 30)	<b>36,911,036,629</b>	66,804,207,760	63,858,758,345
	<b>150,851,693,121</b>	189,781,501,247	193,592,873,344
<b>GROSS INCOME</b>	<b>70,788,348,530</b>	112,041,067,924	98,323,144,320
<b>NET OPERATING EXPENSES</b>			
General and administrative expenses (Note 31)	<b>57,267,125,344</b>	57,983,100,861	52,912,530,779
Provision for (reversal of) impairment losses and others (Note 34)	<b>1,420,479,998</b>	(2,144,968,452)	145,801,581
	<b>58,687,605,342</b>	55,838,132,409	53,058,332,360
<b>OPERATING INCOME</b>	<b>12,100,743,188</b>	56,202,935,515	45,264,811,960
<b>OTHER INCOME (LOSSES)</b>			
Financing costs and other charges (Note 35)	<b>(9,692,142,544)</b>	(10,965,846,901)	(9,635,374,773)
Finance income (Note 27)	<b>1,232,992,615</b>	2,096,212,143	1,745,547,717
Foreign exchange gains (losses)	<b>2,584,645,951</b>	828,657,682	(2,854,338,888)
Market valuation gains (losses) on financial assets at fair value through profit or loss - net (Note 9)	<b>(307,614,214)</b>	703,885,932	(683,102,223)
Market valuation losses on derivative financial instruments - net (Note 8)	<b>(2,025,330,184)</b>	(63,352,472)	(336,784,218)
Others (Notes 21 and 29)	<b>(632,037,618)</b>	(764,665,540)	(459,468,426)
<b>INCOME BEFORE INCOME TAX</b>	<b>3,261,257,194</b>	48,037,826,359	33,041,291,149
<b>PROVISION FOR INCOME TAX</b> (Note 38)	<b>2,864,050,835</b>	5,372,314,510	5,143,793,706
<b>NET INCOME</b>	<b>397,206,359</b>	42,665,511,849	27,897,497,443
<b>OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX</b> (Note 36)			
Items that may be reclassified subsequently to profit or loss:			
Cumulative translation adjustments	<b>(1,910,864,049)</b>	1,200,011,485	1,486,465,748
Net gains (losses) on financial assets at FVOCI (debt securities) (Note 10)	<b>457,815,933</b>	1,496,992,980	(2,041,409,693)
Net gains (losses) from cash flow hedges (Note 8)	<b>(230,922,782)</b>	175,171,778	(3,336,553)
Share in the net unrealized gains (losses) on financial assets at FVOCI of associates (debt securities) (Note 14)	<b>29,562,000</b>	176,256,150	(137,490,800)

(Forward)



	<b>Years Ended December 31</b>		
	<b>2020</b>	2019	2018
<b>Items that will not be reclassified to profit or loss:</b>			
Net gains (losses) on financial assets at FVOCI (equity securities) (Note 10)	<b>₱8,599,375,242</b>	(₱2,403,711,068)	(₱5,897,064,704)
Remeasurements of the net defined benefit liability (Note 37)	<b>(65,080,677)</b>	(588,565,201)	312,977,712
Share in the net unrealized gains (losses) on financial assets at FVOCI of associates (equity securities) (Note 14)	<b>26,101,285</b>	-	(3,913,766)
Share in remeasurements of the net defined benefit liability of associates (Note 14)	<b>(1,083,403,985)</b>	(1,170,380,505)	387,758,074
	<b>5,822,582,967</b>	(1,114,224,381)	(5,896,013,982)
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>₱6,219,789,326</b>	₱41,551,287,468	₱22,001,483,461
<b>NET INCOME ATTRIBUTABLE TO</b>			
Equity holders of the Parent Company	<b>(₱468,159,528)</b>	₱31,285,246,332	₱19,186,040,273
Non-controlling interests (Note 25)	<b>865,365,887</b>	11,380,265,517	8,711,457,170
	<b>₱397,206,359</b>	₱42,665,511,849	₱27,897,497,443
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO</b>			
Equity holders of the Parent Company	<b>₱6,246,468,718</b>	₱29,342,932,092	₱12,843,653,219
Non-controlling interests (Note 25)	<b>(26,679,392)</b>	12,208,355,376	9,157,830,242
	<b>₱6,219,789,326</b>	₱41,551,287,468	₱22,001,483,461
<b>Earnings (Loss) Per Share Attributable to Equity Holders of the Parent Company (Note 39)</b>			
Basic/diluted earnings (loss) per share	<b>(₱0.06)</b>	₱4.16*	₱2.55*

\*Restated to show the effect of stock dividends distributed in 2020.

See accompanying Notes to Consolidated Financial Statements.







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

	Years Ended December 31		
	2020	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before income tax	<b>₱3,261,257,194</b>	₱48,037,826,359	₱33,041,291,149
Adjustments for:			
Depreciation and amortization (Notes 15, 16, 18, 33 and 42)	<b>31,607,025,151</b>	30,012,996,106	20,567,280,014
Interest expense (Note 35)	<b>9,498,175,745</b>	10,735,461,364	9,377,151,320
Equity in net earnings of associates and joint ventures (Note 14)	<b>(7,616,221,319)</b>	(13,357,511,170)	(10,181,841,883)
Unrealized foreign exchange (gains) losses	<b>(2,584,645,951)</b>	(828,657,682)	2,854,338,888
Dividend income (Note 28)	<b>(2,011,120,839)</b>	(1,348,711,916)	(1,227,572,942)
Market valuation losses on derivative financial instruments - net (Note 8)	<b>2,025,330,184</b>	63,352,472	336,784,218
Provision for (recovery from) impairment losses (Note 34)	<b>1,420,479,998</b>	(2,144,971,130)	137,853,532
Finance income (Note 27)	<b>(1,232,992,615)</b>	(2,096,212,143)	(1,745,547,717)
Write-down of biological assets (Note 17)	<b>550,573,074</b>	238,990,324	-
Loss (gain) on sale and retirement of property, plant and equipment (Note 16)	<b>370,195,060</b>	223,819,896	(37,107,773)
Market valuation losses (gains) on financial assets at fair value through profit or loss - net (Note 9)	<b>307,614,214</b>	(703,885,932)	683,102,223
Gain on sale of investment securities at amortized cost (Note 10)	<b>(190,914,608)</b>	(62,879,198)	-
Gain on remeasurement of investment in associate (Note 14)	<b>(71,324,225)</b>	-	-
Loss (gain) arising from changes in fair value less estimated costs to sell of swine stocks (Note 17)	<b>(37,039,948)</b>	70,184,825	467,471,975
Gain on sale and disposal of investments in associates and joint ventures (Note 14)	<b>(34,465,240)</b>	-	(297,544,736)
Gain on sale of financial assets at fair value through OCI (Notes 10 and 29)	<b>(23,850,313)</b>	(277,810,114)	(34,208,528)
Gain on retirement and disposal of investment properties (Note 15)	-	(17,356,519)	-
Inventory obsolescence and market decline (Note 34)	-	2,678	7,948,049
Operating income before changes in working capital accounts	<b>35,238,075,562</b>	68,544,638,220	53,949,397,789
Changes in operating assets and liabilities:			
Decrease (increase) in			
Financial assets at fair value through profit or loss	<b>(1,487,986,228)</b>	(231,289,647)	10,357,763,247
Derivative assets	-	(49,787,891)	712,613,827
Receivables	<b>(16,557,142,519)</b>	(24,978,680,750)	(13,423,728,260)
Inventories	<b>(6,606,036,520)</b>	(4,573,432,766)	(6,160,883,910)
Biological assets	<b>102,612,963</b>	(266,553,047)	(272,030)
Other current assets	<b>(3,622,276,914)</b>	(6,011,704,518)	(11,202,740,796)
Increase (decrease) in			
Accounts payable and accrued expenses	<b>16,215,497,373</b>	12,832,086,217	14,830,290,358
Unearned revenue	<b>(8,210,131,825)</b>	771,081,559	2,060,166,577
Other current liabilities	<b>13,334,767,937</b>	909,221,590	12,235,065,367
Net cash generated from operations	<b>28,407,379,829</b>	46,945,578,967	63,357,672,169
Interest paid	<b>(7,853,607,844)</b>	(10,266,404,487)	(9,179,922,623)
Income taxes paid	<b>(4,600,167,595)</b>	(5,346,484,101)	(5,282,816,210)
Interest received	<b>682,902,238</b>	1,921,379,426	1,622,433,282
Net cash provided by operating activities	<b>16,636,506,628</b>	33,254,069,805	50,517,366,618
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisitions of:			
Financial assets at fair value through other comprehensive income (Note 10)	<b>(29,694,236,608)</b>	(28,047,982,472)	(17,076,977,295)
Property, plant and equipment (Note 16)	<b>(27,046,779,261)</b>	(62,087,888,513)	(56,823,519,232)
Investment properties (Notes 15 and 46)	<b>(10,302,106,286)</b>	(10,060,530,771)	(11,500,194,701)
Investment securities at amortized cost	<b>(860,922,314)</b>	(196,260,131)	(796,741,357)
Intangible assets (Note 18)	<b>(519,916,914)</b>	(137,886,422)	(197,000,528)
Investments in associates and joint ventures (Note 14)	<b>(412,556,393)</b>	(1,544,789,775)	(3,273,567,354)
Subsidiaries, net of cash acquired (Notes 14 and 19)	<b>(200,877,673)</b>	-	(173,995,570)

(Forward)



	<b>Years Ended December 31</b>		
	<b>2020</b>	<b>2019</b>	<b>2018</b>
Dividends received on investments in associates and joint ventures (Note 14)	<b>₱7,227,674,931</b>	₱6,866,259,987	₱5,914,109,460
Dividends received (Note 28)	<b>2,011,120,839</b>	1,348,711,916	1,227,572,942
Decrease (increase) in the amounts of other noncurrent assets (Note 20)	<b>(3,259,614,783)</b>	18,056,459,316	(5,025,344,901)
Proceeds from sale/maturity of:			
Financial assets at fair value through other comprehensive income (Note 10)	<b>20,343,881,852</b>	24,243,072,327	2,808,442,571
Investment securities at amortized cost (Note 10)	<b>4,359,732,740</b>	1,498,635,579	171,000,000
Investment in associate and joint venture (Note 14)	<b>373,377,600</b>	-	-
Property, plant and equipment (Note 16)	<b>7,382,224,579</b>	4,453,351,444	4,783,915,239
Investment properties	-	50,004,269	-
Investment in a subsidiary	-	-	56,079,593
Proceeds from sale of business without loss of control (Note 44)	-	7,204,512,000	-
<b>Net cash used in investing activities</b>	<b>(30,598,997,691)</b>	<b>(38,354,331,246)</b>	<b>(79,906,221,133)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Availments of:			
Short-term debts (Note 46)	<b>114,373,521,775</b>	85,967,968,788	127,722,440,023
Long-term debts (Note 46)	<b>66,185,040,215</b>	47,449,632,216	62,986,402,288
Dividends paid to non-controlling interests (Note 25)	<b>(4,494,502,566)</b>	(5,768,961,389)	(5,068,481,993)
Increase (decrease) in other noncurrent liabilities (Note 24)	<b>(5,821,511,988)</b>	5,114,680,765	7,405,661,745
Settlements of:			
Short-term debts (Note 46)	<b>(118,820,360,881)</b>	(67,145,701,321)	(138,428,074,125)
Long-term debts (Notes 23 and 46)	<b>(10,489,146,497)</b>	(35,529,183,139)	(37,019,495,036)
Principal portion of lease liabilities (Note 42)	<b>(7,560,312,120)</b>	(7,453,216,220)	-
Dividends paid on:			
Common shares (Note 25)	<b>(2,721,884,847)</b>	(2,650,251,413)	(2,148,852,497)
Preferred shares (Note 25)	<b>(15,200,000)</b>	(14,800,000)	(12,000,000)
Cash received from non-controlling interest for newly incorporated subsidiary (Note 25)	<b>327,772,240</b>	399,250,000	120,000,000
Subsidiary's purchase of treasury shares	<b>(44,760,662)</b>	(120,584,125)	(256,217,393)
Cash received from non-controlling interest for issuance of shares by a subsidiary (Note 25)	<b>192,000,000</b>	-	1,200,000,000
Net proceeds from stock rights offering of a subsidiary	-	-	7,745,852,755
<b>Net cash provided by financing activities</b>	<b>31,110,654,669</b>	<b>20,248,834,162</b>	<b>24,247,235,767</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>17,148,163,606</b>	<b>15,148,572,721</b>	<b>(5,141,618,748)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>64,343,249,162</b>	<b>49,194,676,441</b>	<b>54,336,295,189</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 7)</b>	<b>₱81,491,412,768</b>	<b>₱64,343,249,162</b>	<b>₱49,194,676,441</b>

See accompanying Notes to Consolidated Financial Statements.



# JG SUMMIT HOLDINGS, INC. AND SUBSIDIARIES

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### 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, New Zealand and Australia 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.

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### 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
<b>Parent Company</b>		
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 subsidiary		
JG Digital Capital Pte. Ltd.	Singapore	Singapore Dollar

(Forward)



Subsidiaries	Country of Incorporation	Functional Currency
<b>URC Group</b>		
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 (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-
Acesfood Network Pte. Ltd.	-do-	-do-
Acesfood Holdings Pte. Ltd.	-do-	-do-
Acesfood Distributors Pte. Ltd.	-do-	-do-
PT URC Indonesia	Indonesia	Indonesian Rupiah
URC (Myanmar) Co. Ltd.	Myanmar	Myanmar Kyats
URC Hong Kong Company Limited	China	Hong Kong Dollar
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-
URC Oceania Company Ltd.	British Virgin Islands	US Dollar
Uni Snack Holding Company Ltd	Australia	Australian Dollar
Uni Snack Mid Company Ltd	-do-	-do-
URC New Zealand Holding Company Ltd.	New Zealand	New Zealand Dollar
URC New Zealand Finance Company Ltd.	-do-	-do-
Griffin's Foods Limited	-do-	-do-
Nice & Natural Limited	-do-	-do-
URC Australia Holding Company Ltd.	Australia	Australian Dollar
URC Australia Finance Company Ltd.	-do-	-do-
Consolidated Snacks Pty Ltd	-do-	-do-
Yarra Valley Group Holding Pty Ltd.	-do-	-do-
Snack Brands Australia Partnership	-do-	-do-
<b>RLC Group</b>		
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 (PFRS) which include the availment of the relief granted by the SEC under Memorandum Circular No. 4-2020 and Memorandum Circular Nos. 14-2018 and 3-2019 for the following implementation issues of PFRS 15 affecting the real estate industry:

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

- 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. Accounting for Common Usage Service Area (CUSA) Charges discussed in PIC Q&A No. 2018-12-H
- d. Implementation of International Financial Reporting Standards (IFRS) Interpretations Committee (IFRIC) Agenda Decision on Over Time Transfer of Constructed Goods (Philippine Accounting Standards 23, *Borrowing Cost*) for Real Estate industry

*Deferral of the adoption of PIC Q&A 2018-14: Accounting for Cancellation of Real Estate Sales (as amended by PIC Q&A 2020-05)*

The consolidated financial statements also include the availment of relief under SEC MC No. 4-2020 to defer the adoption of *IFRIC Agenda Decision on Over Time Transfers of Constructed Goods under PAS 23, Borrowing Cost* (the IFRIC Agenda Decision on Borrowing Cost) until December 31, 2020.

In December 2020, the SEC issued MC No. 34-2020, allowing the further deferral of the adoption of provisions (a) and (b) above of PIC Q&A 2018-12 and the IFRIC Agenda Decision on Borrowing Cost, for another other (three) 3 years or until December 31, 2023.



**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	
			2020	2019
<b>Food</b>				
Universal Robina Corporation (URC) and Subsidiaries	Philippines*	8 <sup>th</sup> floor Tera Tower Bridgetowne E. Rodriguez Jr., Ave (C5 Road) Ugong Norte, Quezon City	55.25	55.25
CFC Corporation	-do-	-do-	55.25	55.25
Bio-Resource Power Generation Corporation	-do-	Manjuyod, Negros Oriental	55.25	55.25
Nissin-URC	-do-	CFC Bldg., E. Rodriguez Jr. Ave., Bagong Ilog, Pasig City	28.17**	28.17**
URC Snack Ventures Inc. (formerly, Calbee-URC, Inc. (CURCI))	-do-	8 <sup>th</sup> floor Tera Tower Bridgetowne E. Rodriguez Jr., Ave (C5 Road) Ugong Norte, Quezon City	55.25	55.25
URC Beverage Ventures Inc. (formerly, Hunt-URC (HURC))	-do-	-do-	55.25	55.25
URC Philippines, Limited (URCPL)	British	Offshore Incorporations Limited, P.O. Box 957 Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	55.25	55.25
URC International Co. Ltd. (URCICL) and Subsidiaries	Virgin Islands	Virgin Islands	55.25	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	55.25	55.25
URC China Commercial Co., Ltd.	China	318 Shangcheng Road, Room 1417 Lian You Bldg., Pudong, Shanghai, China	55.25	55.25
Najalin Agri-Ventures, Inc. (NAVI) (Note 16)	Philippines	CAC Compound, La Carlota City, Negros Occidental	95.82	-
<b>Air Transportation</b>				
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-	67.80	67.64
CEBGO, Inc. (CEBGO)	-do-	AO-08-09 Mezzanine Level, Passenger Terminal Building, Clark International Airport, Clark Freeport Zone, Pampanga	67.80	67.64
Aviation Partnership (Philippines) Corp	-do-	3rd Floor Aviation Partnership Philippines Bldg. 8006 Domestic Road Pasay City	100.00	33.14
<b>Real Estate and Hotels</b>				
Robinsons Land Corporation (RLC) and Subsidiaries	Philippines	43rd Floor, Robinsons Equitable Tower, ADB Avenue, Ortigas Center, Pasig City	60.97	60.97
Robinson's Inn, Inc.	-do-	-do-	60.97	60.97
Robinsons Realty and Management Corporation	-do-	-do-	60.97	60.97
Robinsons (Cayman) Limited	Cayman Islands	Maples and Calder, P.O. Box 309, Ugland House, South Church Street, Grand Cayman, Cayman Islands	60.97	60.97
Robinsons Properties Marketing and Management Corporation	Philippines	43rd Floor, Robinsons Equitable Tower, ADB Avenue, Artigas Center, Pasig City	60.97	60.97
Manhattan Buildings and Management Corp	-do-	-do-	60.97	60.97
Altus Angeles, Inc.	-do-	McArthur Highway, Balisage, Angeles City, Pampanga	31.09**	31.09**

(Forward)



Subsidiaries	Country of Incorporation	Principal Place of Business	Effective Percentage of Ownership	
			2020	2019
Go Hotels Davao, Inc.	-do-	Lanang, Davao City	31.09**	31.09**
RLC Resources Ltd	British Virgin Islands	British Virgin Islands	60.97	60.97
Land Century Holdings, Ltd.	China	Hong Kong	60.97	60.97
World Century Enterprise Ltd.	-do-	Hong Kong	60.97	60.97
First Capital Development, Ltd	-do-	Hong Kong	60.97	60.97
Chengdu Xin Yao Real Estate Development Co. Ltd.	-do-	China	60.97	60.97
Bacoor R and F Land Corporation (BRFLC)	Philippines	Philippines	42.68	42.68
Bonifacio Property Ventures, Inc.	-do-	Philippines	60.97	60.97
Altus Mall Ventures, Inc.	-do-	Philippines	60.97	60.97
RLGB Land Corporation (RLGB)	-do-	Philippines	60.97	60.97
Altus Property Ventures, Inc. (formerly Altus San Nicolas Corporation) (APVI)	-do-	Brgy. 1 San Francisco, San Nicolas, Ilocos Norte	60.97	60.97
<b>Petrochemicals</b>				
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-	10 <sup>th</sup> Floor Robinsons Cybergate Gamma, Bldg., Topaz and Ruby Roads, Ortigas Center, Pasig City	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	--
<b>Banking</b>				
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
<b>Supplementary Businesses</b>				
Data Analytics Ventures, Inc. (DAVI)	-do-	42nd Floor, Robinsons Equitable Tower, ADB Avenue corner Poveda Road, Ortigas Center, Pasig City	45.17**	45.17**
JG Digital Equity Ventures, Inc. (formerly Express Holdings, Inc. or EHI) and Subsidiary (JG DEV)	-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	
			2020	2019
JG Summit Infrastructure Holdings Corporation	-do-	43 <sup>rd</sup> Floor Robinsons Equitable Tower, ADB avenue, Corner Poveda Road, Pasig City	<b>100.00</b>	100.00
Merbau Corporation	-do-	Ground floor Cybergate Tower 1 Edsa cor Pioneer St. Mandaluyong City	<b>100.00</b>	100.00
Batangas Agro-Industrial Development Corporation (BAID) and Subsidiaries	-do-	5th Floor Citibank Center, Makati	<b>100.00</b>	100.00
Fruits of the East, Inc.	-do-	Citibank Center, Paseo de Roxas, Makati	<b>100.00</b>	100.00
Hometel Integrated Management Corporation	-do-	-do-	<b>100.00</b>	100.00
King Leader Philippines, Inc.	-do-	5th Floor Citibank Center, Makati	<b>100.00</b>	100.00
Tropical Aqua Resources	-do-	-do-	<b>100.00</b>	100.00
United Philippines Oil Trading, Inc.	-do-	-do-	<b>100.00</b>	100.00
Samar Commodities Trading and Industrial Corporation	-do-	-do-	<b>100.00</b>	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.



*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, 2020. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

- Amendments to PFRS 3, *Definition of a Business*

The amendments to PFRS 3 clarify that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments may impact future periods should the Group enter into any business combinations.

- Amendments to PFRS 7, *Financial Instruments: Disclosures* and PFRS 9, *Financial Instruments, Interest Rate Benchmark Reform*

The amendments to PFRS 9 provide a number of reliefs, which apply to all hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.”

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

- Conceptual Framework for Financial Reporting issued on March 29, 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the standard-setters in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.



The revised Conceptual Framework includes new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

- Amendments to PFRS 16, *COVID-19-related Rent Concessions*

The amendments provide 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, 2021; 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 amendments are effective for annual reporting periods beginning on or after June 1, 2020. Early adoption is permitted. The adoption of these amendments does not have a significant impact on the Group's financial statements

## **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% 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% 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% 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 unlikelihood 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 dacion 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 synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Each unit or group of units to which the goodwill is allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on the Group's operating segments as determined in accordance with PFRS 8, *Operating Segments*.

Following initial recognition, goodwill is measured at cost, less any accumulated impairment 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.

#### Bank Licenses

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.

#### Intangible Assets

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

**Impairment of Nonfinancial Assets**

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 or 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 exclude 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.

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.

##### *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.

#### *Reclassifications*

In September 2019, the Philippine Interpretations Committee (PIC) issued a letter to the various organizations in the real estate industry to clarify certain issues in relation to the PFRS 15 Implementation Issues and other accounting issues affecting real estate industry. The letter includes the clarification on the conclusion of PIC Q&A 2018-12D Step 3 on the recording of contract asset for the difference between the consideration received from the customer and the transferred goods or services to a customer. In the letter, the PIC would allow for the meantime, the recording of the difference between the consideration received from the customer and the transferred goods or services to a customer as either a contract asset or unbilled receivable. If presented as contract asset, the disclosures required under PFRS 15 should be complied with. Otherwise, the disclosures required under PFRS 9 should be followed.

As a result, the Group elected to record in 2020 the difference between the consideration received from the customer and the transferred goods or services to a customer as installment contract receivables which differs from the 2019 presentation where the difference was recognized as a contract asset. Also, the 2019 excess of collections over receivables based on percentage of completion previously recognized as contract liabilities have been presented in the 2020 consolidated financial statements as customers' deposit.

Accordingly, the affected assets and liabilities accounts as of December 31, 2019 have been reclassified to conform with the 2020 presentation of accounts. Details follow:

	As previously reported December 31, 2019	Reclassification	As adjusted December 31, 2019
Current assets			
Receivables (Note 11)	P47,712,909,823	P3,007,038,670	P50,719,948,493
Contract assets	3,007,038,670	(3,007,038,670)	-
Noncurrent assets			
Noncurrent receivables (Note 11)	60,913,547,800	7,843,135,383	68,756,683,183
Noncurrent contract assets	7,843,135,383	(7,843,135,383)	-
Current liabilities			
Other current liabilities (Note 22)	21,989,131,302	14,184,663,585	36,173,794,887
Contract liabilities	14,184,663,585	(14,184,663,585)	-
Noncurrent liabilities			
Other noncurrent liabilities (Note 24)	51,130,429,050	2,958,482,166	54,088,911,216
Noncurrent contract liabilities	2,958,482,166	(2,958,482,166)	-
	<u>P209,739,337,779</u>	<u>P-</u>	<u>P209,739,337,779</u>

The reclassification did not impact the consolidated statement of comprehensive income and consolidated statement of cash flows for the year ended December 31, 2019.



### **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 collectibility 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.

#### Provisions

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.

#### Contingencies

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.

#### Pension Costs

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

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

Defined benefit costs comprise the following:

- 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.

### Income Taxes

#### *Current tax*

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted 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.

#### Leases – Group as a Lessee (Upon adoption of PFRS 16 beginning January 1, 2019)

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.





### Leases (Prior to adoption of PFRS 16)

The determination of whether an arrangement is, or contains a lease, is based on the substance of the arrangement at inception date, and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets, and the arrangement conveys a right to use the asset.

A reassessment is made after inception of the lease only if one of the following applies:

- a. there is a change in contractual terms, other than a renewal or extension of the arrangement;
- b. a renewal option is exercised or an extension granted, unless that term of the renewal or extension was initially included in the lease term;
- c. there is a change in the determination of whether fulfillment is dependent on a specified asset; or
- d. there is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios a, c or d above, and at the date of renewal or extension period for scenario b.

#### *Group as a lessee*

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments and is included in the consolidated statement of financial position under 'Property, plant and equipment' with the corresponding liability to the lessor included under 'Long-term debt'. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss in the consolidated statement of comprehensive income. Capitalized leased assets are depreciated over the shorter of the EUL of the assets or the respective lease terms, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense under 'Cost of sales and services' and 'General administrative expenses' in profit or loss in the consolidated statement of comprehensive income on a straight-line basis over the lease term.

A sale and leaseback transaction includes the sale of an asset and the leasing back of the same asset. If the leaseback is classified as an operating lease, then, any gain is recognized immediately in the profit or loss if the sale and leaseback terms are demonstrably at fair value. Otherwise, the sale and leaseback are accounted for as follows:

- If the sale price is below the fair value, then, the gain or loss is recognized immediately other than to the extent that a loss is compensated for by future rentals at below market price, then the loss is deferred and amortized over the period that the asset is expected to be used.
- If the sale price is above the fair value, then, any gain is deferred and amortized over the period that the asset is expected to be used.
- If the fair value of the asset is less than the carrying amount of the asset at the date of the transaction, then that difference is recognized immediately as a on the sale.



Applicable to both periods prior to and upon adoption of PFRS 16 beginning January 1, 2019

*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, 2021*

- Amendments to PFRS 9, 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 about the nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and
- Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition

The amendments are effective for annual reporting periods beginning on or after January 1, 2021 and apply retrospectively, however, the Group is not required to restate prior periods.

*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.



- 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.

- 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.



*Effective beginning on or after January 1, 2023*

- 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.

- 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

PFRS 17 is effective for reporting periods beginning on or after January 1, 2023, 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 International Accounting Standards Board (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.



- *Deferment of Implementation of IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (IAS 23, Borrowing Cost) for the Real Estate Industry*

In March 2019, IFRIC published an Agenda Decision on whether borrowing costs can be capitalized on real estate inventories that are under construction and for which the related revenue is/will be recognized over time under par. 35(c) of IFRS 15. IFRIC concluded that borrowing costs cannot be capitalized for such real estate inventories as they do not meet the definition of a qualifying asset under IAS 23 considering that these inventories are ready for their intended sale in their current condition.

The IFRIC agenda decision would change the Group's current practice of capitalizing borrowing costs on real estate projects with pre-selling activities.

On February 11, 2020, the Philippine SEC issued Memorandum Circular No. 4, Series of 2020, providing relief to the Real Estate Industry by deferring the mandatory implementation of the above IFRIC agenda decision until December 31, 2020. Effective January 1, 2021, the Real Estate Industry will adopt the IFRIC agenda decision and any subsequent amendments thereto retrospectively or as the SEC will later prescribe. A real estate company may opt not to avail of the deferral and instead comply in full with the requirements of the IFRIC agenda decision.

For real estate companies that avail of the deferral, the SEC requires disclosure in the Notes to the Financial Statements of the accounting policies applied, a discussion of the deferral of the subject implementation issues, and a qualitative discussion of the impact in the financial statements had the IFRIC agenda decision been adopted.

The Group opted to avail of the relief as provided by the SEC. Had the Group adopted the IFRIC agenda decision, borrowing costs capitalized to real estate inventories related to projects with pre-selling activities should have been expensed out in the period incurred.

This adjustment should have been applied retrospectively and would have resulted to restatement of prior year financial statements. A restatement would have impacted interest expense, cost of sales, provision for deferred income tax, real estate inventories, deferred tax liability and opening balance of retained earnings.

- *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 08, 2019, the Philippine Securities and Exchange Commission (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. A summary of the PIC Q&A provisions covered by the SEC deferral and the related deferral period follows:

	Deferral Period
a. 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
b. Treatment of land in the determination of the POC discussed in PIC Q&A 2018-12-E	Until December 31, 2023



	Deferral Period
c. Treatment of uninstalled materials in the determination of the POC discussed in PIC Q&A 2018-12-E (as amended by PIC Q&A 2020-02)	Until December 31, 2020
d. Accounting for CUSA Charges discussed in PIC Q&A No. 2018-12-H	Until December 31, 2020

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.

In November 2020, the PIC issued the following Q&As which provide additional guidance on the real estate industry issues covered by the above SEC deferrals:

- PIC Q&A 2020-04, which provides additional guidance on determining whether the transaction price includes a significant financing component
- PIC Q&A 2020-02, which provides additional guidance on determining which uninstalled materials should not be included in calculating the POC

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 has adopted PIC Q&A 2020-02 and has included the uninstalled customized materials in the measurement of progress. This is consistent with the Group's policy.

As the Group adopted PIC Q&A 2020-02 on uninstalled materials, the Group availed of the SEC reliefs to defer certain specific provisions of PIC Q&A No. 2018-12. Had these provisions been adopted, the Group assessed that the impact would have been as follows:

- a. 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. The Group believes that the mismatch for its contract to sell does not constitute a significant financing component based on the examples provided in the PIC letter dated November 11, 2020.
- b. The exclusion of land in the determination of POC would have reduced the POC of real estate projects. Adoption of this guidance would have reduced revenue from real estate sales, cost of sales and installment contract receivables; increased real estate inventories and would have impacted deferred tax asset or liability and provision for deferred income tax for all years presented, and the opening balance of retained earnings.



- c. Had the Group accounted for the revenue from air-conditioning services, CUSA and handling services as principal, this would have resulted in the gross presentation of the related revenue, costs and expenses. The Group opts to use alternative presentation of CUSA as other income as the gross amount of revenue and related costs and expenses are not individually material. There is no impact on opening retained earnings, income and expense and the related balance sheet accounts.

The above would have impacted the cash flows from operations and cash flows from financing activities for all years presented.

As prescribed by SEC MC No. 34-2020, for financial reporting periods beginning on or after January 1, 2021, the availment of the above deferral will impact the Group's financial reporting during the period of deferral as follows:

- a. The financial statements are not considered to be in accordance with PFRS and should specify in the "*Basis of Preparation of the Financial Statements*" section of the financial statements that the accounting framework is:

*PFRS, as modified by the application of the following financial reporting reliefs issued and approved by the Securities and Exchange Commission in response to the COVID-19 pandemic:*

- 1) *Treatment of land in the determination of the percentage-of-completion; and*
- 2) *Assessing if the transaction price includes a significant financing component (as amended by PIC Q&A 2020-04)*

- b. The Auditor's report will:

- i. reflect in the Opinion paragraph that the financial statements are prepared in accordance with the compliance framework described in the notes to the financial statements; and
- ii. include an Emphasis of Matter paragraph to draw attention to the basis of accounting that has been used in the preparation of the financial statements.

Upon full adoption of the above deferred guidance, the accounting policies will have to be applied using full retrospective approach following the guidance under PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*.

- Deferral of PIC Q&A 2018-14, *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 November 11, 2020.





The Group availed of the SEC relief to defer of adoption of this PIC Q&A until December 31, 2020. Currently, the Group records the repossessed inventory at cost. The Group has opted to implement approach 3 in its accounting for sales cancellation.

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### 3. Significant Accounting Judgments and Estimates

The preparation of the consolidated financial statements in compliance with PFRS 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 years ended December 31, 2020, 2019 and 2018, no revenue has been recognized as the performance obligations under the contract to sell are ongoing.



In 2018, the Group entered into a contract to sell covering raw land. The Group concluded that there is one performance obligation in this contract, the raw land. Revenue and cost of real estate sales should be recorded upon delivery of the raw land to the buyer which is at a point in time. For the years ended December 31, 2020, 2019 and 2018, no revenue has been recognized as the performance obligations under the contract to sell are ongoing.

#### 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% 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 and CUSA, 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 and to provide services such as maintenance, janitorial and security services. The utility and service companies, and not the real estate developer, are primary 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. The Group does not have the discretion on the pricing of the services provided since the price is based on the actual rate charged by the utility providers.

For the provision of air conditioning, the Group acts as a principal because it retains the right to direct the service provider of air conditioning to the leased premises. The right to the services mentioned never transfers to the tenant and the Group has the discretion on how to price the air conditioning charges. However, since the Group has availed of the relief to the real estate industry by deferring the application of accounting to CUSA charges discussed in PIC Q&A No. 2018-12-H, the Group retained its current assessment and accounting for 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 pre-selling in 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, 2020 and 2019, no revenue has been recognized and the deposits received from buyers amounted to P22.7 billion and P9.1 billion, respectively.

Revenue from the sale of real estate units of Chengdu Xin Yao will be accounted for under a full accrual method (i.e., at a point in time) in the Group's consolidated financial statements. Under paragraph 35(c) of PFRS 15, "*An entity shall consider the terms of the contract, as well as any laws that apply to the contract, when evaluating whether it has an enforceable right to payment for performance completed to date in accordance with paragraph 35 (c). The right to payment for performance completed to date does not need to be for a fixed amount. However, at all times throughout the duration of the contract, the entity must be entitled to an amount that at least compensates the entity for performance completed to date if the contract is terminated by the customer or another party for reasons other than the entity's failure to perform as promised.*" Based on management's assessment, throughout the duration of the contract term, Chengdu Xin Yao is entitled to an amount that does not compensate it for performance completed to date if the contract is terminated by the buyer or another party for reasons other than Chengdu Xin Yao's failure to perform as promised.

*b. 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.

*c. Classification of financial assets from the banking business*

*Evaluation of business model in managing financial instruments*

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.

*d. 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

*e. 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.

*f. Determining whether it is reasonably certain that a renewal and termination option will be exercised – Group as a lessee (Beginning January 1, 2019)*

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.

g. *Classification of leases*

Operating Lease

*Operating lease commitments - Group as lessee (Prior to January 1, 2019)*

The Group has entered into leases on premises it uses for its operations. The Group has determined, based on evaluation of the terms and conditions of the lease agreements that the significant risk and rewards of ownership to these properties did not transfer to the Group. In determining this, the Group considers the following:

- the lease does not transfer the ownership of the asset to the lessee by the end of the lease term; and
- the related lease term does not approximate the EUL of the assets being leased.

*Operating lease commitments - Group as lessor*

Based on the evaluation of the terms and conditions of the arrangements, the Group has determined that it retains all significant risks and rewards of ownership to these properties. In determining this, the Group considers, the following:

- the leases do not provide for an option to purchase or transfer ownership of the property at the end of the lease; and
- the related lease term does not approximate the EUL of the assets being leased.

Finance Lease

*Group as lessee (Prior to January 1, 2019)*

The Group has determined based on evaluation of terms and conditions of the lease arrangements (i.e., present value of minimum lease payments payable amounts to at least substantially all of the fair value of leased asset, lease term if for the major part of the economic useful life of the asset, and lessor's losses associated with the cancellation are borne by the lessee) that it has obtained all significant risks and rewards of ownership of the properties it leased on finance leases.

*Group as lessor*

The Group has determined based on evaluation of terms and conditions of the lease arrangements (i.e., present value of minimum lease payments receivable amounts to at least substantially all of the fair value of leased asset, lease term if for the major part of the economic useful life of the asset, and lessor's losses associated with the cancellation are borne by the lessee) that it has transferred all significant risks and rewards of ownership of the properties it leases out on finance leases.

Refer to Note 42 for the disclosure on the Group's leases.

h. *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 year ended December 31, 2020 amounted to ₱3.5 billion.

*i. 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.

*j. 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.



k. *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.

l. *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.

m. *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. Fuel derivatives that matured in 2019 were treated as economic 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 the 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, 2020 and 2019, the balance of the Group's goodwill and intangible assets, net of accumulated depreciation, amortization and impairment loss, follow:

	<b>2020</b>	2019
Goodwill (Note 19)	<b>₱32,160,471,793</b>	₱32,005,604,356
Intangible assets (Note 18)	<b>14,154,901,195</b>	13,898,390,399

*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 contracts receivables from the real estate business, the Group uses vintage analysis approach to calculate ECLs for installment contracts. 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, 2020 and 2019.

*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, 2020, 2019 and 2018, the real estate sales recognized over time amounted to ₱11.7 billion, ₱8.7 billion and ₱8.3 billion, respectively, while the related cost of real estate sales amounted to ₱6.1 billion, ₱4.2 billion and ₱4.5 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 ₱132.6 million, ₱320.9 million and ₱2.5 billion for the years ended December 31, 2020, 2019 and 2018, respectively. The related cost of sales amounted to ₱12.0 million, ₱85.0 million and ₱398.0 million for the years ended December 31, 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, 2020, the Group's ROU assets and lease liabilities amounted to ₱22.8 billion and ₱25.2 billion, respectively (see Note 42). As at December 31, 2019, the Group's ROU assets and lease liabilities amounted to ₱20.5 billion and ₱21.1 billion, respectively (see Note 42).

*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 44 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. Calculations of such costs includes assumptions and estimates in respect of the anticipated rate of aircraft utilization which includes flying hours and flying cycles and calendar months of the asset as used.

Assumptions and estimates used to compute ARO are reviewed and updated annually by the Group. As of December 31, 2020 and 2019, 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. *Determination of fair values less estimated costs to sell of biological assets*

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



The Group recognized gain (loss) arising from changes in the fair value of biological assets amounting to ₱37.0 million, (₱70.2 million) and (₱467.5 million) (included in 'Cost of sales and services' in profit or loss in the consolidated statements of comprehensive income) in 2020, 2019 and 2018, respectively (see Note 17).

The carrying value of the Group's biological assets carried at fair values less estimated costs to sell is disclosed in Note 17 to the consolidated financial statements.

*j. 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, 2020 and 2019, 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.

*k. 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 impairment losses on nonfinancial assets recognized in 2020, 2019 and 2018 is disclosed in Note 34 to the consolidated financial statements.

As of December 31, 2020 and 2019, 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.

*l. 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's recognized deferred tax assets are shown in Note 38.

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 total amount of temporary differences for which the Group did not recognize any deferred tax assets are shown in Note 38 to the consolidated financial statements.

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#### **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 and the respective BODs of each subsidiary are ultimately responsible for the oversight of the Group's risk management processes that involve identifying, measuring, analyzing, monitoring and controlling risks.

The risk management framework encompasses environmental scanning, the identification and assessment of business risks, development of risk management strategies, design and implementation of risk management capabilities and appropriate responses, monitoring risks and risk management



performance, and identification of areas and opportunities for improvement in the risk management process.

Each BOD has created the board-level Audit Committee (AC) to spearhead the managing and monitoring of risks.

#### *AC*

The AC shall assist the Group's BOD in its fiduciary responsibility for the over-all effectiveness of risk management systems and the internal audit functions of the Group. Furthermore, it is also the AC's purpose to lead in the general evaluation and to provide assistance in the continuous improvements of risk management, control and governance processes.

The AC also aims to ensure that:

- a. financial reports comply with established internal policies and procedures, pertinent accounting and audit standards and other regulatory requirements;
- b. risks are properly identified, evaluated and managed, specifically in the areas of managing credit, market, liquidity, operational, legal and other risks, and crisis management;
- c. audit activities of internal auditors are done based on plan, and deviations are explained through the performance of direct interface functions with the internal auditors; and
- d. the Group's BOD is properly assisted in the development of policies that would enhance the risk management and control systems.

#### *Corporate Governance and Management Systems (CGMS)*

The CGMS was created to be primarily responsible for the execution of the enterprise risk management framework. The CGMS's main concerns include:

- a. recommendation of risk policies, strategies, principles, framework and limits;
- b. management of fundamental risk issues and monitoring of relevant risk decisions;
- c. support to management in implementing the risk policies and strategies; and
- d. development of a risk awareness program.

#### *Corporate Governance Compliance Officer*

Compliance with the principles of good corporate governance is one of the objectives of the Group's BOD. To assist the Group's BOD in achieving this purpose, the Group's BOD has designated a Compliance Officer who shall be responsible for monitoring the actual compliance of the Group with the provisions and requirements of good corporate governance, identifying and monitoring control compliance risks, determining violations, and recommending penalties for such infringements for further review and approval of the Group's BOD, among others.

#### *Day-to-day risk management functions*

At the business unit or company level, the day-to-day risk management functions are handled by four different groups, namely:

1. Risk-taking Personnel. This group includes line personnel who initiate and are directly accountable for all risks taken.
2. Risk Control and Compliance. This group includes middle management personnel who perform the day-to-day compliance check to approved risk policies and risk mitigation decisions.
3. Support. This group includes back office personnel who support the line personnel.
4. Risk Management. This group pertains to the business unit's Management Committee which makes risk-mitigating decisions within the enterprise-wide risk management framework.



*Enterprise Resource Management (ERM) Framework*

The Parent Company's BOD is also responsible for establishing and maintaining a sound risk management framework and is accountable for risks taken by the Parent Company. The Parent Company's BOD also shares the responsibility with the CGMS in promoting the risk awareness program enterprise-wide.

The ERM framework revolves around the following eight interrelated risk management approaches:

1. **Internal Environmental Scanning.** It involves the review of the overall prevailing risk profile of the business unit to determine how risks are viewed and addressed by management. This is presented during the strategic planning, annual budgeting and mid-year performance reviews of the Group.
2. **Objective Setting.** The Group's BOD mandates the business unit's management to set the overall annual targets through strategic planning activities, in order to ensure that management has a process in place to set objectives which are aligned with the Group's goals.
3. **Event Identification.** It identifies both internal and external events affecting the Group's set targets, distinguishing between risks and opportunities.
4. **Risk Assessment.** The identified risks are analyzed relative to the probability and severity of potential loss which serves as a basis for determining how the risks should be managed. The risks are further assessed as to which risks are controllable and uncontrollable, risks that require management's attention, and risks which may materially weaken the Group's earnings and capital.
5. **Risk Response.** The Group's BOD, through the oversight role of the Enterprise Resource Management Group (ERMG), approves the business unit's responses to mitigate risks, either to avoid, self-insure, reduce, transfer or share risk.
6. **Control Activities.** Policies and procedures are established and approved by the Group's BOD and implemented to ensure that the risk responses are effectively carried out enterprise-wide.
7. **Information and Communication.** Relevant risk management information are identified, captured and communicated in form and substance that enable all personnel to perform their risk management roles.
8. **Monitoring.** The CGMS, Internal Audit Group, Compliance Office and Business Assessment Team constantly monitor the management of risks through risk limits, audit reviews, compliance checks, revalidation of risk strategies and performance reviews.

*Risk management support groups*

The Group's BOD created the following departments within the Group to support the risk management activities of the Parent Company and the other business units:

1. **Corporate Security and Safety Board (CSSB).** Under the supervision of CGMS, the CSSB administers enterprise-wide policies affecting physical security of assets exposed to various forms of risks.
2. **Corporate Supplier Accreditation Team (CORPSAT).** Under the supervision of CGMS, the CORPSAT administers enterprise-wide procurement policies to ensure availability of supplies and services of high quality and standards to all business units.





3. Corporate Management Services (CMS). The CMS is responsible for the formulation of enterprise-wide policies and procedures.
4. Corporate Strategy. The Corporate Strategy is responsible for the administration of strategic planning, budgeting and performance review processes of business units.

#### Risk Management Policies

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:

	2020			
	Carrying amount	Fair Value of Collateral	Financial Effect of Collateral	Maximum Exposure to Credit Risk
Interbank loans receivable	P4,495,757,260	P3,482,833,472	P3,482,833,472	P1,012,923,788
Loans and receivables:				
Finance receivables:				
Commercial	50,553,891,099	20,323,330,178	20,173,222,478	30,380,668,621
Real estate	23,784,586,061	14,977,290,926	13,158,698,385	10,625,887,676
Consumption	7,946,628,780	8,027,850,118	5,126,507,945	2,820,120,835
Domestic bills purchased	239,061,088	49,266,008	49,070,099	189,990,989
Other receivables	13,770,516,048	2,503,927,608	11,463,819,563	2,306,696,485
<b>Total credit risk exposure</b>	<b>P100,790,440,336</b>	<b>P49,364,498,310</b>	<b>P53,454,151,942</b>	<b>P47,336,288,394</b>

	2019			
	Carrying amount	Fair Value of Collateral	Financial Effect of Collateral	Maximum Exposure to Credit Risk
Interbank loans receivable	P2,408,705,460	P1,603,350,278	P1,603,350,278	P805,355,182
Loans and receivables:				
Finance receivables:				
Commercial	49,105,221,842	13,966,555,107	11,818,030,519	37,287,191,323
Real estate	19,067,998,568	14,588,487,309	10,314,921,736	8,753,076,832
Consumption	10,161,292,294	9,716,871,923	5,166,992,449	4,994,299,845
Other receivables	13,662,275,394	3,071,001,245	2,953,779,279	10,708,496,115
<b>Total credit risk exposure</b>	<b>P94,405,493,558</b>	<b>P42,946,265,862</b>	<b>P31,857,074,261</b>	<b>P62,548,419,297</b>

*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, 2020 and 2019, before taking into account any collateral held or other credit enhancements, is categorized by geographic location as follows:

	December 31, 2020					Total
	Philippines	Asia (excluding Philippines)	United States	Europe	Others*	
Cash and cash equivalents**	P66,171,018,714	P9,865,803,531	P-	P-	P2,448,831,586	P78,485,653,831
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
	P238,742,827,728	P17,950,233,967	P3,957,294,054	P1,006,706,413	P3,117,131,809	P264,774,193,971

\* Others include South American countries (i.e., Argentina and Mexico), New Zealand and Australia

\*\* Excludes cash on hand amounting to P3,005,758,937

\*\*\* Excludes claims receivable of JGSPC and JGSOC amounting to P304,301,630

\*\*\*\* Included under 'Other current' and 'Other noncurrent assets' in the consolidated statements of financial position

	December 31, 2019					Total
	Philippines	Asia (excluding Philippines)	United States	Europe	Others*	
Cash and cash equivalents**	P40,392,933,814	P18,612,975,697	P-	P-	P1,926,564,972	P60,932,474,483
Financial assets at FVPL:						
Held-for-trading:						
Debt securities:						
Government	3,943,264	-	-	-	-	3,943,264
Investment in convertible notes	-	135,257,546	2,525,914,569	-	-	2,661,172,115
Derivative assets	-	-	-	-	992,618	992,618
	3,943,264	135,257,546	2,525,914,569	-	992,618	2,666,107,997
Financial assets at FVOCI						
Debt securities:						
Government	8,557,069,472	533,085,422	-	-	302,652,089	9,392,806,983
Private	7,914,619,579	2,216,841,137	412,067,883	1,114,327,255	244,512,384	11,902,368,238
	16,471,689,051	2,749,926,559	412,067,883	1,114,327,255	547,164,473	21,295,175,221
Investment securities at amortized cost:						
Debt securities:						
Government	9,507,201,849	-	-	-	-	9,507,201,849
Private	1,850,398,340	-	-	-	-	1,850,398,340
	11,357,600,189	-	-	-	-	11,357,600,189

(Forward)



December 31, 2019

	Philippines	Asia (excluding Philippines)	United States	Europe	Others*	Total
<b>Receivables:</b>						
Finance receivables	₱79,837,553,053	₱-	₱-	₱-	₱-	₱79,837,553,053
Trade receivables	26,744,081,043	3,185,020,020	14,326,882	7,292,674	2,931,606,998	32,882,327,617
Due from related parties	1,930,866,127	616,848,658	-	-	-	2,547,714,785
Interest receivable	1,021,865,233	62,250,924	76,588,422	12,517,056	6,907,919	1,180,129,554
Other receivables***	4,171,397,322	100,203,277	-	100,475,902	80,896,862	4,452,973,363
	113,705,762,778	3,964,322,879	90,915,304	120,285,632	3,019,411,779	120,900,698,372
<b>Refundable security deposits****</b>	817,115,232	181,057,483	-	-	-	998,172,715
<b>Restricted cash****</b>	2,533,017,832	-	-	-	-	2,533,017,832
	₱185,282,062,160	₱25,643,540,164	₱3,028,897,756	₱1,234,612,887	₱5,494,133,842	₱220,683,246,809

\* Others include South American countries (i.e., Argentina and Mexico), New Zealand and Australia

\*\* Excludes cash on hand amounting to ₱3,410,774,679

\*\*\* Excludes claims receivable of JGSPC and JGSOC amounting to ₱265,769,076

\*\*\*\* 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, 2020 and 2019, before taking into account any collateral held or other credit enhancements.

	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**	P-	P-	P-	P78,485,653,831	P-	P-	P-	P-	P-	P-	P78,485,653,831
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
	P29,959,702,416	P54,327,012,191	P10,682,583,248	P99,693,857,147	P8,233,580,398	P6,988,120,232	P8,541,189,613	P3,194,972,110	P15,457,052,291	P27,696,124,325	P264,774,193,971

\* Others include consumer, community, social and personal services, education, mining and quarrying, and health and social work sectors.

\*\* Excludes cash on hand amounting to P3,005,758,937

\*\*\* Excludes claims receivable of JGSPC and JGSOC amounting to P304,301,630

\*\*\*\* Included under 'Other current' and 'Other noncurrent assets' in the consolidated statements of financial position



2019

	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**	P-	P-	P-	₱60,932,474,483	P-	P-	P-	P-	P-	P-	₱60,932,474,483
Financial assets at FVPL:											
Held-for-trading:											
Debt securities:											
Government	-	-	-	-	-	-	-	-	3,943,264	-	3,943,264
Investment in convertible notes	2,525,914,569	-	-	-	-	-	-	-	-	135,257,546	2,661,172,115
Derivative financial assets:	992,618	-	-	-	-	-	-	-	-	-	992,618
	2,526,907,187	-	-	-	-	-	-	-	3,943,264	135,257,546	2,666,107,997
Financial assets at FVOCI											
Debt securities:											
Government	-	-	-	135,954,975	-	-	-	-	8,421,114,497	835,737,511	9,392,806,983
Private	82,553,480	2,197,715,030	1,089,917,160	2,339,409,241	1,711,775,125	-	3,010,699,877	159,880,013	-	1,310,418,312	11,902,368,238
	82,553,480	2,197,715,030	1,089,917,160	2,475,364,216	1,711,775,125	-	3,010,699,877	159,880,013	8,421,114,497	2,146,155,823	21,295,175,221
Investment securities at amortized cost											
Debt securities:											
Government	-	-	-	-	-	-	-	-	9,507,201,849	-	9,507,201,849
Private	-	900,000,000	-	-	-	-	900,369,072	-	-	50,029,268	1,850,398,340
	-	900,000,000	-	-	-	-	900,369,072	-	9,507,201,849	50,029,268	11,357,600,189
Receivables:											
Finance receivables	6,042,470,393	23,581,999,040	11,915,966,452	3,367,657,345	5,708,836,368	745,140,759	9,286,645,005	2,032,813,147	49,185,312	17,106,839,232	79,837,553,053
Trade receivables	14,353,540,146	15,519,455,271	-	-	2,096,259,003	-	-	-	-	913,073,197	32,882,327,617
Due from related parties	122,951,766	1,352,507,422	69,694,182	477,236,444	18,499,416	-	-	-	-	506,825,555	2,547,714,785
Interest receivable	121,263,990	134,536,899	63,314,841	141,337,454	79,484,674	20,723,154	81,275,246	21,977,064	229,690,209	286,526,023	1,180,129,554
Other receivables***	1,552,915,535	796,124,107	-	1,110,366,899	274,299,627	-	6,445	112,212	2,673,497	716,475,041	4,452,973,363
	22,193,141,830	41,384,622,739	12,048,975,475	5,096,598,142	8,177,379,088	765,863,913	9,367,926,696	2,054,902,423	281,549,018	19,529,739,048	120,900,698,372
Refundable security deposits ****	-	815,111,232	-	-	181,057,483	-	-	-	-	2,004,000	998,172,715
Restricted cash*****	-	2,533,017,832	-	-	-	-	-	-	-	-	2,533,017,832
	₱24,802,602,497	₱47,830,466,833	₱13,138,892,635	₱68,504,436,841	₱10,070,211,696	₱765,863,913	₱13,278,995,645	₱2,214,782,436	₱18,213,808,628	₱21,863,185,685	₱220,683,246,809

\* Others include consumer, community, social and personal services, education, mining and quarrying, and health and social work sectors.

\*\* Excludes cash on hand amounting to ₱3,410,774,679

\*\*\* Excludes claims receivable of JGSPC and JGSOC amounting to ₱265,769,076

\*\*\*\* 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:

	2020 (in millions)				
	General Approach			Simplified Approach	Total
	Stage 1	Stage 2	Stage 3		
<b>Cash and cash equivalents</b>					
Neither Past Due nor Individually Impaired					
High Grade	₪49,631	₪-	₪-	₪-	₪49,631
Standard	28,855	-	-	-	28,855
<b>Financial Assets at FVPL</b>					
Debt securities					
High Grade	86	-	-	-	86
Investment in convertible note					
Unrated	3,743	-	-	-	3,743
Derivative assets					
High Grade	1	-	-	-	1
<b>Financial Assets at FVOCI</b>					
Neither Past Due nor Individually Impaired					
High Grade	19,103	-	-	-	19,103
Standard	11,904	-	-	-	11,904
<b>Investment securities at Amortized Cost</b>					
Neither Past Due nor Individually Impaired					
Standard	8,052	-	-	-	8,052
<b>Receivables:</b>					
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					
Individually Impaired	384	1,772	2,019	-	3,791
Trade receivables					
Neither Past Due nor Individually Impaired					
High Grade	-	-	-	27,006	27,006
Standard	-	-	-	10,536	10,536
Past Due but not Individually Impaired					
Individually Impaired	-	-	-	2,219	2,219
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	1,690	-	-	-	1,690
Standard	4	-	-	-	4
Past Due but not Individually Impaired	₪36	₪-	₪-	₪	₪36
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
<b>Refundable deposits***</b>					
Neither Past Due nor Individually Impaired					
High Grade	856	-	-	-	856
<b>Restricted cash***</b>					
Neither Past Due nor Individually Impaired					
High Grade	2,533	-	-	-	2,533
	<b>₪205,577</b>	<b>₪10,606</b>	<b>₪3,293</b>	<b>₪42,811</b>	<b>₪262,287</b>

\* 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



	2019 (in millions)				
	General Approach			Simplified Approach	Total
	Stage 1	Stage 2	Stage 3		
<b>Cash and cash equivalents</b>					
Neither Past Due nor Individually Impaired					
High Grade	₱43,844	₱-	₱-	₱-	₱43,844
Standard	17,088	-	-	-	17,088
<b>Financial Assets at FVPL</b>					
Debt securities					
High Grade	4	-	-	-	4
Investment in convertible note					
Unrated	2,661	-	-	-	2,661
Derivative assets					
High Grade	1	-	-	-	1
<b>Financial Assets at FVOCI</b>					
Neither Past Due nor Individually Impaired					
High Grade	7,530	-	-	-	7,530
Standard	13,765	-	-	-	13,765
<b>Investment securities at Amortized Cost</b>					
Neither Past Due nor Individually Impaired					
Standard	11,357	-	-	-	11,357
<b>Receivables:</b>					
Finance receivables					
Neither Past Due nor Individually Impaired					
High Grade	18,942	5	-	-	18,947
Standard	24,373	2,585	-	-	26,958
Substandard	4,086	1,254	1	-	5,341
Unrated	25,968	293	5	-	26,266
Past Due but not Individually Impaired	40	1,350	860	-	2,250
Individually Impaired	6	6	392	-	404
Trade receivables					
Neither Past Due nor Individually Impaired					
High Grade	-	-	-	28,290	28,290
Standard	-	-	-	377	377
Past Due but not Individually Impaired	-	-	-	4,016	4,016
Individually Impaired	-	-	-	199	199
Due from related parties					
Neither Past Due nor Individually Impaired					
High Grade	-	-	-	2,091	2,091
Standard	-	-	-	457	457
Interest receivable					
Neither Past Due nor Individually Impaired					
High Grade	194	-	-	229	423
Standard	393	28	-	-	421
Substandard	2	26	-	-	28
Unrated	78	1	26	-	105
Past Due but not Individually Impaired	78	39	66	1	184
Individually Impaired	-	-	19	-	19
Other receivables					
Neither Past Due nor Individually Impaired					
High Grade	305	-	-	1,574	1,879
Standard	4	-	-	810	814
Substandard	6	-	-	30	36
Unrated	16	2	3	-	21
Past Due but not Individually Impaired	827	2	17	488	1,334
Individually Impaired	15	-	43	311	369
<b>Refundable security deposits***</b>					
Neither Past Due nor Individually Impaired					
High Grade	934	-	-	-	934
Standard	64	-	-	-	64
<b>Restricted cash***</b>					
Neither Past Due nor Individually Impaired					
High Grade	2,553	-	-	-	2,553
	<b>₱175,134</b>	<b>₱5,591</b>	<b>₱1432</b>	<b>₱38,873</b>	<b>₱221,030</b>

\* Excludes cash on hand amounting to ₱3,410,774,679

\*\* Excludes claims receivable of JGSPC and JGSOC amounting to ₱265,769,076

\*\*\*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:

<b>Grades</b>	<b>Categories</b>	<b>Description</b>
High grade		
<i>Risk rating 1</i>	Excellent	Lowest probability of default; exceptionally strong capacity for financial commitments; highly unlikely to be adversely affected by foreseeable events.
<i>Risk rating 2</i>	Super Prime	Very low probability of default; very strong capacity for payment of financial commitments; less vulnerable to foreseeable events.
<i>Risk rating 3</i>	Prime	Low probability of default; strong capacity for payment of financial commitments; may be more vulnerable to adverse business/economic conditions.
<i>Risk rating 4</i>	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.
<i>Risk rating 5</i>	Good	More pronounced probability of default; business or financial flexibility exists which supports the servicing of financial commitments; vulnerable to adverse business/economic changes.



<b>Grades</b>	<b>Categories</b>	<b>Description</b>
<b>Standard</b>		
<i>Risk rating 6</i>	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.
<i>Risk rating 7</i>	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.
<i>Risk rating 8</i>	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.
<b>Sub-standard grade</b>		
<i>Risk rating 9</i>	Marginal	Elevated level of probability of default, with limited margin; repayment source is adequate to marginal.
<i>Risk rating 10</i>	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.
<i>Risk rating 11</i>	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.
<i>Risk rating 12</i>	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.
<b>Past due and impaired</b>		
<i>Risk rating 13</i>	Doubtful	Weaknesses similar to "Substandard", but with added characteristics that make liquidation highly improbable.
<i>Risk rating 14</i>	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.

<b>Staging Parameter</b>	<b>Stage</b>	<b>Description</b>
Staging by Days Past Due	1	<i>Applicable to all loan products.</i> 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		<i>Applicable to all loan products except for Microfinance.</i>
	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.
Staging by Origination Rating vs Current Rating		<i>Applicable to Commercial Loans (Large Scale and Medium Scale) only</i>
	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		<i>Applicable to all loan products</i>
	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



<u>Staging Parameter</u>	<u>Stage</u>	<u>Description</u>
		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:

<u>Credit Quality</u>	<u>Fitch</u>	<u>Moody's</u>	<u>S&amp;P</u>	<u>Stage*</u>
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, 2020 and 2019 follow:

	<u>2020 (in millions)</u>				<u>Total</u>
	<u>Less than 30 Days</u>	<u>30 to 60 Days</u>	<u>61 to 90 Days</u>	<u>Over 90 Days</u>	
Finance receivables	<b>₱2,429</b>	<b>₱303</b>	<b>₱223</b>	<b>₱836</b>	<b>₱3,791</b>
Trade receivables	<b>1,857</b>	<b>185</b>	<b>35</b>	<b>142</b>	<b>2,219</b>
Interest receivable	<b>5</b>	<b>1</b>	<b>1</b>	<b>29</b>	<b>36</b>
Others	<b>28</b>	<b>80</b>	<b>116</b>	<b>649</b>	<b>873</b>
	<b>₱4,319</b>	<b>₱ 569</b>	<b>₱375</b>	<b>₱1,656</b>	<b>₱6,919</b>

	<u>2019 (in millions)</u>				<u>Total</u>
	<u>Less than 30 Days</u>	<u>30 to 60 Days</u>	<u>61 to 90 Days</u>	<u>Over 90 Days</u>	
Finance receivables	₱34	₱937	₱414	₱865	₱2,250
Trade receivables	2,113	773	263	867	4,016
Interest receivable	65	35	16	68	184
Others	829	47	129	329	1,334
	₱3,041	₱1,792	₱822	₱2,129	₱7,784



*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, 2020 and 2019:

	2020					Total
	On Demand	Up to 3 Months	3 to 12 Months	1 to 5 Years	More Than 5 Years	
<b>Financial Assets</b>						
Cash and cash equivalents*	P37,166,361,025	P41,406,969,859	P-	P-	P-	P78,573,330,884
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

(Forward)



	2020					Total
	On Demand	Up to 3 Months	3 to 12 Months	1 to 5 Years	More Than 5 Years	
Equity securities:						
Quoted	P-	P-	P225,509,061	P32,847,478,716	P-	P33,072,987,777
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	2,552,410,741	-	-	-	-	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
	14,442,416,263	34,197,127,325	22,541,290,088	26,250,810,091	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
	P57,343,468,331	P83,032,954,078	P41,857,246,310	P71,043,787,999	P54,000,257,684	P307,277,714,402

\* Excludes cash on hand amounting to P3,005,758,937

\*\*Excludes claims receivable of JGSPC and JGSOC amounting to P304,301,630

\*\*\*Included under 'Other current' and 'Other noncurrent assets' in the consolidated statements of financial position.

	2019					Total
	On Demand	Up to 3 Months	3 to 12 Months	1 to 5 Years	More Than 5 Years	
<b>Financial Assets</b>						
Cash and cash equivalents*	P42,522,355,730	P21,820,893,432	P-	P-	P-	P64,343,249,162
Financial assets at FVPL:						
Held-for-trading:						
Debt securities:						
Government	-	3,943,264	-	-	-	3,943,264
Equity securities:						
Quoted	528,355,475	-	1,190,181,498	-	-	1,718,536,973
Investment in convertible note	45,460,289	-	2,615,711,826	-	-	2,661,172,115
Derivative financial assets designated as accounting hedges	-	992,618	-	-	-	992,618
	573,815,764	4,935,882	3,805,893,324	-	-	4,384,644,970
Financial assets at FVOCI:						
Debt securities:						
Private	-	6,675,856,535	6,632,403,950	141,485,426	-	13,449,745,911
Government	-	-	971,692,486	4,358,709,309	6,500,681,132	11,831,082,927
	-	6,675,856,535	7,604,096,436	4,500,194,735	6,500,681,132	25,280,828,838
Equity securities:						
Quoted	-	-	477,659,667	24,050,346,528	-	24,528,006,195
Unquoted	-	-	487,055,158	-	-	487,055,158
	-	-	964,714,825	24,050,346,528	-	25,015,061,353
	-	6,675,856,535	8,568,811,261	28,550,541,263	6,500,681,132	50,295,890,191
Investment securities at amortized cost:		232,049,978	445,235,627	7,451,852,090	6,271,641,421	14,400,779,116
Receivables:						
Trade receivables	2,656,578,478	26,100,054,631	568,719,166	1,228,589,330	2,268,385,448	32,822,327,053
Finance receivables	56,322,341	15,731,975,446	11,688,238,526	29,678,349,307	22,682,667,433	79,837,553,053
Due from related parties	2,547,714,785	-	-	-	-	2,547,714,785
Interest receivable	29,839,278	1,001,310,207	148,980,069	-	-	1,180,129,554
Other receivables**	718,832,255	3,616,614,779	117,526,329	-	-	4,452,973,363
	6,009,287,137	46,449,955,063	12,523,464,090	30,906,938,637	24,951,052,881	120,840,697,808
Refundable security deposits***	8,602,019	729,686	3,677,942	526,479,521	458,683,547	998,172,715
Restricted cash***	2,533,017,832	-	-	-	-	2,533,017,832
	P51,647,078,482	P75,184,420,576	P25,347,082,244	P67,435,811,511	P38,182,058,981	P257,796,451,794

\* Excludes cash on hand amounting to P3,410,774,679

\*\*Excludes claims receivable of JGSPC and JGSOC amounting to P265,769,076

\*\*\*Included under 'Other current' and 'Other noncurrent assets' in the consolidated statements of financial position.

	2020					Total
	On Demand	Up to 3 Months	3 to 12 Months	1 to 5 Years	More Than 5 Years	
<b>Financial Liabilities</b>						
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')	P 29,147,965,035	P 17,377,663,255	P 7,936,805,221	P 631,664,005	P 3,649,350,136	P58,743,447,652
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

(Forward)



	2020					Total
	On Demand	Up to 3 Months	3 to 12 Months	1 to 5 Years	More Than 5 Years	
Due to related parties (included under 'Accounts payable and accrued expense' and 'Other noncurrent liabilities' 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	209,318,827,685	52,324,494,732	297,915,477,774
Lease liabilities (including current portion)	-	2,162,562,732	4,822,499,832	11,345,918,128	13,621,966,050	31,952,946,742
Derivative liabilities	-	-	245,940,423	-	-	245,940,423
	<b>₱124,926,571,387</b>	<b>₱120,913,471,305</b>	<b>₱51,481,392,605</b>	<b>₱233,361,452,221</b>	<b>₱72,098,242,199</b>	<b>₱602,781,129,717</b>

	2019					Total
	On Demand	Up to 3 Months	3 to 12 Months	1 to 5 Years	More Than 5 Years	
<b>Financial Liabilities</b>						
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')	₱28,968,671,174	₱21,403,027,473	₱8,343,107,934	₱2,101,793,041	₱2,113,477,833	₱62,930,077,455
Short-term debt	-	45,096,301,236	9,035,787,121	-	-	54,132,088,357
Deposit liabilities (included under 'Accounts payable and accrued expenses' and 'Other noncurrent liabilities' in the consolidated statements of financial position)	36,147,499,220	42,169,130,854	6,161,174,852	22,143,516,512	3,006,821	106,624,328,259
Due to related parties (included under 'Accounts payable and accrued expense' and 'Other noncurrent liabilities' in the consolidated statement of financial position)	114,835,410	-	-	-	-	114,835,410
Deposits from lessees (included under 'Other current liabilities' and 'Other noncurrent liabilities' in the consolidated statement of financial position)	-	1,432,862,955	1,495,736,314	1,764,874,057	1,406,670,869	6,100,144,195
Long-term debt (including current portion)	-	1,970,653,285	4,778,823,378	179,026,630,295	54,956,806,354	240,732,913,312
Lease liabilities (including current portion)	-	1,384,646,021	4,784,042,167	7,600,538,187	9,257,140,388	23,026,366,763
Derivative liabilities	-	462,908	305,835,400	126,312,502	-	432,610,810
	<b>₱65,231,005,804</b>	<b>₱113,457,084,732</b>	<b>₱34,904,507,166</b>	<b>₱212,763,664,594</b>	<b>₱67,737,102,265</b>	<b>₱494,093,364,561</b>

### 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, 2020, 2019 and 2018, approximately 28.4%, 32.0% and 34.5%, respectively, of the Group's total sales are denominated in currencies other than the functional currency. In addition, approximately 28.5% and 30.8% of total debt are denominated in US Dollar as of December 31, 2020 and 2019, 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, 2020 and 2019:

	2020		Total
	US Dollar	Other Currencies*	
<b>Assets</b>			
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
<b>Liabilities</b>			
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
<b>Net Foreign Currency-Denominated Assets (Liabilities)</b>	<b>(₱56,312,790,125)</b>	<b>₱4,958,329,091</b>	<b>(₱51,354,461,034)</b>

\* Other currencies include Hongkong Dollar, Singapore Dollar, Chinese Yuan, Japanese Yen, Thai Baht, Malaysian ringgit, Korean won, New Taiwan dollar, Australian dollar and Euro

	2019		Total
	US Dollar	Other Currencies*	
<b>Assets</b>			
Cash and cash equivalents	₱7,542,120,251	₱7,981,872,497	₱15,523,992,748
Financial assets at FVPL	3,360,997,415	949,756,815	4,310,754,230
Financial assets at FVOCI	7,529,856,518	–	7,529,856,518
Receivables	7,358,744,421	627,967,213	7,986,711,634
Other current assets	181,057,483	–	181,057,483
	25,972,776,088	9,559,596,525	35,532,372,613
<b>Liabilities</b>			
Accounts payable and accrued expenses	11,232,068,685	1,472,923,402	12,704,992,087
Financial liabilities at FVPL	126,312,501	–	126,312,501
Short-term debt	9,822,359,631	–	9,822,359,631
Long-term debt (including current portion)	62,925,369,057	8,424,916,122	71,350,285,179
	84,106,109,874	9,897,839,524	94,003,949,398
<b>Net Foreign Currency-Denominated Assets (Liabilities)</b>	<b>(₱58,133,333,786)</b>	<b>(₱338,242,999)</b>	<b>(₱58,471,576,785)</b>

\* 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, 2020 and 2019 follow:

	2020	2019
US dollar-Philippine peso exchange rate	₱48.023 to US\$1.00	₱50.640 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, 2020 and 2019:

Reasonably Possible Changes in Exchange rates	Change in Income Before Income Tax	
	2020	2019
₱2.0	(₱2,345,242,493)	(₱2,296,171,967)
(2.0)	₱2,345,242,493	₱2,296,171,967





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 2020 and 2019, 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 ₱352.8 million and ₱244.2 million if equity prices will increase by 1.5%. In 2020, 2019 and 2018, 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 ₱6.0 million, ₱6.1 million and ₱8.3 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:

	2020						Total (In Original Currency)	Total (in Philippine Peso)	Debt Issuance Costs	Carrying Value (in Philippine Peso)	Fair Value
	<1 year	>1-<2 years	>2-<3 years	>3-<4 years	>4-<5 years	>5 years					
Long-term debt											
Philippine peso											
<i>Floating rate</i>											
Commercial loans from banks											
Interest rate 5.0%-7.0% (PDST-R2 and BVAL)	₱1,333,333,333	₱1,333,333,333	₱2,501,773,388	₱5,403,111,290	₱4,374,354,865	₱5,233,218,885	₱20,179,125,094	₱20,179,125,094	₱-	₱20,179,125,094	₱22,156,344,184
BDO 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
MBTC 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
BPI 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
BPI 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
BPI 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:											
<i>Floating rate</i>											
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
								<u>17,888,983,093</u>	<u>50,085,857</u>	<u>17,838,897,236</u>	<u>17,931,239,219</u>
								<u>₱125,262,176,299</u>	<u>₱273,619,841</u>	<u>₱124,988,556,458</u>	<u>₱133,351,448,336</u>



	2019						Total (In Original Currency)	Total (in Philippine Peso)	Debt Issuance Costs	Carrying Value (in Philippine Peso)	Fair Value
	<1 year	>1-<2 years	>2-<3 years	>3-<4 years	>4-<5 years	>5 years					
Long-term debt											
Philippine peso											
Floating rate											
Commercial loans from banks											
Interest rate 5.0%-7.0% (PDST-R2 and BVAL)	₱2,612,028,929	₱2,612,028,929	₱2,612,028,929	₱2,612,028,929	₱2,612,028,929	₱5,189,113,255	₱18,249,257,900	₱18,249,257,900	₱-	₱18,249,257,900	₱17,431,910,845
BDO Term loan											
Interest rate (Prevailing market rate + GRT)	376,027,397	375,000,000	375,000,000	10,155,136,986	-	-	11,281,164,383	10,000,000,000	53,102,517	9,946,897,483	10,587,401,374
MBTC Term loan											
Interest rate (BVAL + 0.5%)	190,094,384	189,575,000	189,575,000	5,094,527,808	-	-	5,663,772,192	5,000,000,000	26,674,921	4,973,325,079	5,367,527,315
BPI Term Loan											
Interest rate (BVAL + 0.75%)	286,382,466	285,600,000	285,600,000	285,600,000	7,190,400,000	-	8,333,582,466	7,000,000,000	49,117,085	6,950,882,915	7,043,524,084
BPI Term Loan											
Interest rate (BVAL + 0.75%)	656,550,402	691,188,200	691,188,200	691,188,200	14,921,394,765	-	17,651,509,767	14,508,000,000	-	14,508,000,000	17,213,688,871
Foreign currencies:											
Floating rate											
US Dollar loans											
JPY Commercial loans											
Less than 1.0% (JPY LIBOR)	¥1,506,555,004	¥1,552,581,304	¥1,560,736,932	¥1,568,936,150	¥1,577,004,749	¥10,434,479,925	¥18,200,294,064	8,424,916,122	-	8,424,916,122	9,713,858,495
USD Commercial loans											
Interest rate 3.0%-5.0% (USD LIBOR)	US\$70,618,924	US\$71,715,442	US\$82,704,501	US\$93,909,666	US\$73,530,123	US\$209,285,879	US\$601,764,535	30,470,347,254	-	30,470,347,254	28,906,899,365
New Zealand Dollar loans											
Interest rate (NZ BKBM+1.10%)	NZ\$9,505,456	NZ\$9,557,683	NZ\$9,531,569	NZ\$404,453,228	NZ\$-	NZ\$-	NZ\$433,047,936	13,462,223,310	165,466,470	13,296,756,840	13,488,831,019
Australian Dollar loans											
Interest rate (BBSY BID+1.25%)	AU\$8,987,286	AU\$490,891,198	AU\$-	AU\$-	AU\$-	AU\$-	AU\$499,878,484	17,200,057,755	110,736,987	17,089,320,768	17,077,499,232
								<u>₱124,314,802,341</u>	<u>₱405,097,980</u>	<u>₱123,909,704,361</u>	<u>₱126,831,140,600</u>



	2018						Total (In Original Currency)	Total (in Philippine Peso)	Debt Issuance Costs	Carrying Value (in Philippine Peso)	Fair Value
	<1 year	>1-<2 years	>2-<3 years	>3-<4 years	>4-<5 years	>5 years					
Long-term debt											
Philippine peso											
Floating rate											
Commercial loans from banks											
Interest rate 5.0%-7.0% (PDST-R2 and BVAL)	₱2,612,028,929	₱5,224,057,858	₱5,224,057,858	₱2,612,028,929	₱2,217,526,135	₱2,971,587,120	₱20,861,286,829	₱20,861,286,829	₱-	₱20,861,286,829	₱18,333,530,913
BDO Term loan											
Interest rate (Prevailing market rate + GRT)	375,000,000	376,027,397	375,000,000	375,000,000	10,155,136,986	-	11,656,164,383	11,656,164,383	67,253,782	9,932,746,218	9,510,777,881
MBTC Term loan											
Interest rate (BVAL + 0.5%)	189,575,000	190,094,384	189,575,000	189,575,000	5,094,527,808	-	5,853,347,192	5,853,347,192	33,742,915	4,966,257,085	4,798,824,663
Foreign currencies:											
Floating rate											
US Dollar loans											
ECA-backed loans											
Interest rate 3.0%-5.0% (USD LIBOR)	US\$9,819,016	US\$18,277,415	US\$18,945,211	US\$8,903,291	US\$-	US\$-	US\$55,944,933	2,941,584,577	-	2,941,584,577	2,986,387,732
Commercial loans											
Interest rate 3.0%-5.0% (USD LIBOR)	51,420,508	105,761,290	126,584,502	56,812,864	49,187,586	55,985,704	445,752,454	23,437,663,985	-	23,437,663,985	28,557,308,374
New Zealand Dollar loans											
Interest rate (NZ BKBM+1.10%)	NZ\$12,753,563	NZ\$12,580,750	NZ\$12,649,875	NZ\$12,615,313	NZ\$12,615,313	NZ\$394,896,312	NZ\$395,000,000	13,924,974,927	210,508,867	13,714,466,060	13,770,609,805
Australian Dollar loans											
Interest rate (BBSY BID+1.25%)	AU\$13,625,723	AU\$13,700,180	AU\$494,387,449	AU\$-	AU\$-	AU\$-	AU\$484,224,000	17,922,355,336	179,697,514	17,742,657,822	17,815,292,020
								<u>₱96,597,377,229</u>	<u>₱491,203,078</u>	<u>₱93,596,662,576</u>	<u>₱95,772,731,388</u>



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	
	2020	2019
+150.0 basis points (bps)	<b>(₱2,468,301,430)</b>	(₱2,568,951,727)
-150.0 bps	<b>2,468,301,430</b>	2,568,951,727

*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	
	2020	2019
+150.0 basis points (bps)	<b>₱92,136,733</b>	(₱89,708,389)
-150.0 bps	<b>(87,776,261)</b>	227,545,442

Reasonably Possible Changes in Interest Rates	Change in Other Comprehensive Income	
	2020	2019
+150.0 basis points (bps)	<b>₱149,003,990</b>	₱118,806,932
-150.0 bps	<b>(149,003,990)</b>	(118,806,932)

*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 ₱758.5 million and ₱2.6 billion for the years December 31, 2020 and 2019, 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) and updates its dataset on a daily basis. Per RBC's policy, VaR is based on a one-day holding period and a confidence level of 99.0%.

### *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):

	2020			
	Average Daily	Highest	Lowest	December 31
Local interest rates	<b>₱1.2249</b>	<b>₱12.5745</b>	<b>₱0.0103</b>	<b>₱0.9802</b>
Foreign interest rates	<b>\$0.0041</b>	<b>\$0.0294</b>	<b>\$0.0004</b>	<b>\$0.0047</b>

	2019			
	Average Daily	Highest	Lowest	December 31
Local interest rates	₱0.0092	₱1.8670	₱0.0382	–
Foreign interest rates	\$0.0005	\$0.0022	\$0.0001	\$0.0004

*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):

	2020			
	Average	High	Low	December 31
Instruments sensitive to local interest rates	<b>₱292.75</b>	<b>₱450.47</b>	<b>₱197.00</b>	<b>₱450.47</b>
Instruments sensitive to foreign interest rates	<b>\$1.32</b>	<b>\$2.16</b>	<b>\$0.17</b>	<b>\$2.16</b>

	2019			
	Average	High	Low	December 31
Instruments sensitive to local interest rates	₱292.65	₱361.38	₱195.18	₱302.75
Instruments sensitive to foreign interest rates	\$0.18	\$0.25	\$0.11	\$0.18



*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.

<b>December 31, 2020</b>		<b>Statement of Income</b>
+10.0% USD appreciation	USD	<b>₱33,301,868</b>
	<b>Other Foreign Currencies*</b>	<b>3,481,676</b>
-10.0% USD depreciation	USD	<b>(33,301,868)</b>
	<b>Other Foreign Currencies*</b>	<b>(3,481,676)</b>
 		 Statement of Income
<b>December 31, 2019</b>		
+10.0% USD appreciation	USD	₱64,889,289
	Other Foreign Currencies*	813,063
-10.0% USD depreciation	USD	(64,889,289)
	Other Foreign Currencies*	(813,063)

\*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 2.7% in 2020 and from 3.6% to 4.3% in 2019.

*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 which are collectible/payable on demand approximate their fair values. Due from related parties are unsecured and have no foreseeable terms of repayments.

*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 2.7% in 2020 and 3.6% to 4.3% in 2019.

*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 2.7% in 2020 and 2.0% to 6.0% in 2019.

*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, 2020				
	Carrying Value	Level 1	Level 2	Level 3	Total Fair value
<i>Assets measured at fair value</i>					
Financial assets at FVPL:					
Held-for-trading:					
Debt securities:					
Government	P86,520,711	P86,520,711	P-	P-	P86,520,711
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
	<b>5,565,016,984</b>	<b>1,821,453,516</b>	<b>3,743,563,468</b>	<b>-</b>	<b>5,565,016,984</b>
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
	<b>31,007,121,731</b>	<b>28,449,871,053</b>	<b>2,557,250,678</b>	<b>-</b>	<b>31,007,121,731</b>
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
	<b>33,734,511,087</b>	<b>32,997,587,777</b>	<b>736,923,310</b>	<b>-</b>	<b>33,734,511,087</b>
	<b>64,741,632,818</b>	<b>61,447,458,830</b>	<b>3,294,173,988</b>	<b>-</b>	<b>64,741,632,818</b>
Biological assets	234,251,397	-	8,146,945	226,104,452	234,251,397
	<b>P70,540,901,199</b>	<b>P63,268,912,346</b>	<b>P7,045,884,401</b>	<b>P226,104,452</b>	<b>P70,540,901,199</b>
<i>Assets for which fair values are disclosed</i>					
Investment securities at amortized cost	P8,049,365,423	P3,315,813,283	P4,734,104,150	P-	P8,049,917,433
Receivables:					
Trade receivables	39,760,722,565	-	-	37,745,119,499	37,745,119,499
Finance receivables	84,697,325,229	-	-	76,049,104,924	76,049,104,924
Other receivables	6,474,044,664	-	-	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
	<b>P244,512,601,430</b>	<b>P3,315,813,283</b>	<b>P4,734,104,150</b>	<b>P409,125,118,415</b>	<b>P417,175,035,848</b>
Deposit liabilities	P122,324,413,205	P-	P-	P122,808,748,920	P122,808,748,920
Derivative liabilities	245,940,423	-	32,214,937	213,725,486	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
	<b>P401,192,607,340</b>	<b>P-</b>	<b>P32,214,937</b>	<b>P403,630,148,168</b>	<b>P403,662,363,105</b>



	December 31, 2019				
	Carrying Value	Level 1	Level 2	Level 3	Total Fair value
<i>Assets measured at fair value</i>					
Financial assets at FVPL:					
Held-for-trading:					
Debt securities:					
Government	₱3,943,264	₱3,943,264	₱-	₱-	₱3,943,264
Equity securities:					
Quoted	1,718,536,973	1,718,536,973	-	-	1,718,536,973
Investment in convertible notes	2,661,172,115	-	2,661,172,115	-	2,661,172,115
Derivative assets	992,618	-	992,618	-	992,618
	4,384,644,970	1,722,480,237	2,662,164,733	-	4,384,644,970
Financial assets at FVOCI					
Debt securities:					
Government	9,392,806,983	9,392,806,983	-	-	9,392,806,983
Private	11,902,368,238	11,902,368,238	-	-	11,902,368,238
	21,295,175,221	21,295,175,221	-	-	21,295,175,221
Equity securities:					
Quoted	24,528,006,195	24,451,716,195	76,290,000	-	24,528,006,195
Unquoted	487,055,158	-	487,055,158	-	487,055,158
	25,015,061,353	24,451,716,195	563,345,158	-	25,015,061,353
	46,310,236,574	45,746,891,416	563,345,158	-	46,310,236,574
Biological assets	957,563,597	-	59,841,764	897,721,833	957,563,597
	₱51,652,445,141	₱47,469,371,653	₱3,285,351,655	₱897,721,833	₱51,652,445,141
<i>Assets for which fair values are disclosed</i>					
Investment securities at amortized cost	₱11,357,261,241	₱3,954,282,863	₱7,126,636,855	₱-	₱11,080,919,718
Receivables:					
Trade receivables	21,833,432,330	-	-	21,822,778,474	21,822,778,474
Finance receivables	78,822,852,386	-	-	68,103,804,141	68,103,804,141
Other receivables	4,006,361,653	-	-	4,037,334,437	4,037,334,437
Refundable deposits	998,172,715	-	-	989,252,873	989,252,873
Investment properties	99,000,246,036	-	-	248,990,916,682	248,990,916,682
	₱216,018,326,361	₱3,954,282,863	7,126,636,855	₱343,944,086,607	₱355,025,006,325
Deposit liabilities	₱103,995,566,150	₱-	₱-	₱104,726,603,234	₱104,726,603,234
Derivative liabilities	432,610,810	-	432,610,810	-	432,610,810
Deposits from lessees	6,100,144,195	-	-	5,535,394,216	5,535,394,216
Long-term debt (including current portion)	218,935,534,707	-	-	209,263,641,879	209,263,641,879
	₱329,463,855,862	₱-	₱432,610,810	₱319,525,639,329	₱319,958,250,139

In 2020 and 2019, 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% risk premium 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
Refundable deposits	Discounted cash flow method	Discount rate, capitalization rate, growth rate, occupancy rate
Repossessed chattels	Discounted cash flow method	0.3% - 11.5% risk premium rate
Time deposits	Market data approach	Price per unit, size, shape, location, time element and discount
Long-term debt	Discounted cash flow method	0.3% - 3.9% risk premium rate
	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

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**6. Segment Information**

Operating Segments

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) and polypropylene (PP), polymer grade ethylene, polymer grade propylene, partially hydrogenated pyrolysis gasoline and pyrolysis fuel oil.
- 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, 2020, 2019 and 2018. 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, 2020							
	Foods, Agro-Industrial and Commodities	Air Transportation	Real Estate and Hotels	Petrochemicals	Banking	Other Supplementary Businesses	Adjustments and Eliminations	TOTAL OPERATIONS
<b>Revenue</b>								
Sale of goods and services:								
External customers	₱133,140,081,384	₱22,617,967,165	₱24,897,015,631	₱21,275,283,602	₱9,174,583,626	₱907,768,085	₱-	₱212,012,699,493
Intersegment revenues	-	-	352,791,286	746,044,686	-	-	(1,098,835,972)	-
Dividend income (Note 28)	133,140,081,384	22,617,967,165	25,249,806,917	22,021,328,288	9,174,583,626	907,768,085	(1,098,835,972)	212,012,699,493
Equity in net earnings of associates and joint ventures (Note 14)	64,605,739	-	-	-	14,890,056	1,931,625,044	-	2,011,120,839
	(30,387,041)	(316,115,081)	2,647,283,834	-	-	5,172,348,019	143,091,588	7,616,221,319
<b>Total revenue</b>	<b>133,174,300,082</b>	<b>22,301,852,084</b>	<b>27,897,090,751</b>	<b>22,021,328,288</b>	<b>9,189,473,682</b>	<b>8,011,741,148</b>	<b>(955,744,384)</b>	<b>221,640,041,651</b>
Cost of sales and services (Note 30)	92,081,882,538	21,277,642,920	13,322,557,728	22,693,576,725	2,255,332,241	189,672,908	(968,971,939)	150,851,693,121
<b>Gross income</b>	<b>₱41,092,417,544</b>	<b>₱1,024,209,164</b>	<b>₱14,574,533,023</b>	<b>(₱672,248,437)</b>	<b>₱6,934,141,441</b>	<b>₱7,822,068,240</b>	<b>₱13,227,555</b>	<b>70,788,348,530</b>
General and administrative expenses (Note 31)								57,267,125,344
Provision for (reversal of) impairment losses and others (Note 34)								1,420,479,998
<b>Operating income</b>								<b>12,100,743,188</b>
Financing cost and other charges (Note 35)								(9,692,142,544)
Finance income (Note 27)								1,232,992,615
Other operating income (Note 29)								(632,037,618)
<b>Core earnings</b>								<b>3,009,555,641</b>
Market valuation gains (losses) on financial assets								(2,332,944,398)
Foreign exchange gains (losses)								2,584,645,951
<b>Income before income tax</b>								<b>3,261,257,194</b>
Provision for income tax (Note 38)								2,864,050,835
<b>Net income</b>								<b>₱397,206,359</b>
<b>Net income attributable to equity holders of the Parent Company</b>	<b>₱5,937,767,259</b>	<b>(₱15,091,628,081)</b>	<b>₱5,701,662,067</b>	<b>(₱1,978,617,551)</b>	<b>₱560,752,150</b>	<b>₱4,197,530,744</b>	<b>₱204,373,884</b>	<b>(₱468,159,528)</b>
<b>EBIT</b>	<b>₱16,047,156,363</b>	<b>(₱20,769,259,127)</b>	<b>₱8,493,865,051</b>	<b>(₱2,157,576,434)</b>	<b>₱905,208,132</b>	<b>₱9,581,349,203</b>	<b>₱-</b>	<b>₱12,100,743,188</b>
Depreciation and amortization (Notes 15, 16, 18 and 33)	7,364,956,118	16,074,455,052	5,184,698,880	2,608,155,788	610,301,346	197,072,356	(432,614,389)	31,607,025,151
<b>EBITDA</b>	<b>₱23,412,112,481</b>	<b>(₱4,694,804,075)</b>	<b>₱13,678,563,931</b>	<b>₱450,579,354</b>	<b>₱1,515,509,478</b>	<b>₱9,778,421,559</b>	<b>(₱432,614,389)</b>	<b>₱43,707,768,339</b>
<b>Other information</b>								
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
	<b>₱32,583,003</b>	<b>₱102,043,756</b>	<b>₱180,022,673</b>	<b>0</b>	<b>₱1,102,054,520</b>	<b>₱3,776,046</b>	<b>₱-</b>	<b>₱1,420,479,998</b>



December 31, 2019

	Foods, Agro-Industrial and Commodities	Air Transportation	Real Estate and Hotels	Petrochemicals	Banking	Other Supplementary Businesses	Adjustments and Eliminations	TOTAL OPERATIONS
<b>Revenue</b>								
Sale of goods and services:								
External customers	₱134,174,527,579	₱84,806,810,363	₱30,210,187,210	₱29,053,982,086	₱8,121,662,955	₱749,175,892	₱-	₱287,116,346,085
Intersegment revenues	-	-	373,648,355	1,021,253,450	-	-	(1,394,901,805)	-
Dividend income (Note 28)	134,174,527,579	84,806,810,363	30,583,835,565	30,075,235,536	8,121,662,955	749,175,892	(1,394,901,805)	287,116,346,085
Equity in net earnings of associates and joint ventures (Note 14)	16,151,435	-	-	-	10,178,075	1,323,581,816	(1,199,410)	1,348,711,916
<b>Total revenue</b>	<b>134,032,076,532</b>	<b>84,873,769,747</b>	<b>36,689,461,694</b>	<b>30,075,235,536</b>	<b>8,131,841,030</b>	<b>9,363,959,703</b>	<b>(1,343,775,071)</b>	<b>301,822,569,171</b>
Cost of sales and services (Note 30)	93,861,929,762	49,518,018,515	14,204,146,300	30,232,850,986	3,173,237,752	-	(1,208,682,068)	189,781,501,247
<b>Gross income</b>	<b>₱40,170,146,770</b>	<b>₱35,355,751,232</b>	<b>₱22,485,315,394</b>	<b>(₱157,615,450)</b>	<b>₱4,958,603,278</b>	<b>₱9,363,959,703</b>	<b>₱(135,093,003)</b>	<b>112,041,067,924</b>
General and administrative expenses (Note 31)								57,983,100,861
Provision for (reversal of) impairment losses and others (Note 34)								(2,144,968,452)
<b>Operating income</b>								<b>56,202,935,515</b>
Financing cost and other charges (Note 35)								(10,965,846,901)
Finance income (Note 27)								2,096,212,143
Other operating income (Note 29)								(764,665,540)
<b>Core earnings</b>								<b>46,568,635,217</b>
Market valuation gains (losses) on financial assets								640,533,460
Foreign exchange gains (losses)								828,657,682
<b>Income before income tax</b>								<b>48,037,826,359</b>
Provision for income tax (Note 38)								5,372,314,510
<b>Net income</b>								<b>₱42,665,511,849</b>
<b>Net income attributable to equity holders of the Parent Company</b>	<b>₱5,399,282,651</b>	<b>₱6,185,199,432</b>	<b>₱11,333,531,130</b>	<b>₱970,642,663</b>	<b>₱431,655,905</b>	<b>₱6,920,739,679</b>	<b>₱44,194,872</b>	<b>₱31,285,246,332</b>
<b>EBIT</b>	<b>₱15,011,957,658</b>	<b>₱12,621,017,504</b>	<b>₱12,282,895,865</b>	<b>₱858,955,829</b>	<b>₱781,026,480</b>	<b>₱14,647,082,179</b>	<b>₱-</b>	<b>₱56,202,935,515</b>
Depreciation and amortization (Notes 15, 16, 18 and 33)	7,310,056,927	15,399,075,784	4,966,545,415	1,954,567,251	579,139,834	173,478,564	(369,867,669)	30,012,996,106
Reversal of impairment losses on property, plant and equipment	-	-	-	(2,274,795,253)	-	-	-	(2,274,795,253)
<b>EBITDA</b>	<b>₱22,322,014,585</b>	<b>₱28,020,093,288</b>	<b>₱17,249,441,280</b>	<b>₱538,727,827</b>	<b>₱1,360,166,314</b>	<b>₱14,820,560,743</b>	<b>(₱369,867,669)</b>	<b>₱83,941,136,368</b>
<b>Other information</b>								
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	-	-	-	(2,274,795,253)	-	-	-	(2,274,795,253)
Impairment losses on other assets	-	-	-	-	(3,823,625)	-	-	(3,823,625)
	<b>₱2,211,402</b>	<b>₱3,427</b>	<b>₱-</b>	<b>(₱2,274,795,253)</b>	<b>₱127,611,972</b>	<b>₱-</b>	<b>₱-</b>	<b>(₱2,144,968,452)</b>



December 31, 2018

	Foods, Agro-Industrial and Commodities	Air Transportation	Real Estate and Hotels	Petrochemicals	Banking	Other Supplementary Businesses	Adjustments and Eliminations	TOTAL OPERATIONS
<b>Revenue</b>								
Sale of goods and services:								
External customers	₱127,769,949,329	₱74,113,776,885	₱29,467,564,096	₱42,351,966,134	₱6,132,382,567	₱670,963,828	₱-	₱280,506,602,839
Intersegment revenues	-	-	77,749,795	1,424,297,376	-	-	(1,502,047,171)	-
Dividend income (Note 28)	127,769,949,329	74,113,776,885	29,545,313,891	43,776,263,510	6,132,382,567	670,963,828	(1,502,047,171)	280,506,602,839
Equity in net earnings of associates and joint ventures (Note 14)	32,302,870	-	-	-	11,212,315	1,185,257,167	(1,199,410)	1,227,572,942
	(132,407,965)	136,264,174	3,213,224,264	-	-	6,970,712,104	(5,950,694)	10,181,841,883
<b>Total revenue</b>	127,669,844,234	74,250,041,059	32,758,538,155	43,776,263,510	6,143,594,882	8,826,933,099	(1,509,197,275)	291,916,017,664
Cost of sales and services (Note 30)	90,332,569,588	48,039,492,056	13,668,592,264	40,917,554,303	2,275,281,099	-	(1,640,615,966)	193,592,873,344
<b>Gross income</b>	₱37,337,274,646	₱26,210,549,003	₱19,089,945,891	₱2,858,709,207	₱3,868,313,783	₱8,826,933,099	₱131,418,691	98,323,144,320
General and administrative expenses (Note 31)								52,912,530,779
Provision for (reversal of) impairment losses and others (Note 34)								145,801,581
<b>Operating income</b>								45,264,811,960
Financing cost and other charges (Note 35)								(9,635,374,773)
Finance income (Note 27)								1,745,547,717
Other operating income (Note 29)								(459,468,426)
<b>Core earnings</b>								36,915,516,478
Market valuation gains (losses) on financial assets								(1,019,886,441)
Foreign exchange gains (losses)								(2,854,338,888)
<b>Income before income tax</b>								33,041,291,149
Provision for income tax (Note 38)								5,143,793,706
<b>Net income</b>								₱27,897,497,443
<b>Net income attributable to equity holders of the Parent Company</b>	₱5,085,554,061	₱2,653,143,265	₱8,248,872,579	₱1,054,195,029	₱190,609,473	₱2,358,536,287	(₱404,870,421)	₱19,186,040,273
<b>EBIT</b>	₱13,380,612,790	₱7,049,885,460	₱11,880,368,758	₱1,529,162,830	₱437,211,655	₱10,987,570,467	₱-	₱45,264,811,960
Depreciation and amortization (Notes 15, 16, 18 and 33)	6,369,775,844	7,479,321,315	4,456,732,645	1,848,781,422	318,332,674	94,336,114	-	20,567,280,014
<b>EBITDA</b>	₱19,750,388,634	₱14,529,206,775	₱16,337,101,403	₱3,377,944,252	₱755,544,329	₱11,081,906,581	₱-	₱65,832,091,974
<b>Other information</b>								
Non-cash expenses other than depreciation and amortization (Note 34):								
Impairment losses on receivables (Note 11)	₱17,774,108	₱-	₱-	₱-	₱99,575,581	₱-	₱-	₱117,349,689
Inventory obsolescence and market decline (Note 12)	7,948,049	-	-	-	-	-	-	7,948,049
Property, plant and equipment	1,699,792	-	-	-	-	-	-	1,699,792
Impairment losses on goodwill and other assets	17,579,587	-	-	-	1,224,464	-	-	18,804,051
	₱45,001,536	₱-	₱-	₱-	₱100,800,045	₱-	₱-	₱145,801,581





Other information on the Group's operating segments follow:

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)	P386,494,519	P354,516,067	P58,399,603,679	P-	P-	P80,318,664,883	(P126,443,676)	P139,332,835,472
Segment assets	P176,144,366,677	P128,636,426,252	P215,491,845,876	P134,035,514,013	P144,988,155,781	P305,273,746,704	(P104,961,532,979)	P999,608,522,324
Short-term debt (Note 23)	P10,122,879,567	P-	P-	P34,166,510,354	P-	P128,702,264	P-	P44,418,092,185
Long-term debt (Note 23)	P31,337,551,136	P53,239,934,436	P53,603,778,783	P30,000,000,000	P-	P104,160,621,986	P-	P272,341,886,341
Segment liabilities	P78,360,204,740	P107,429,300,736	P112,621,037,119	P79,935,613,266	P126,662,541,422	P124,925,942,551	(P38,436,473,868)	P591,498,165,966
Capital expenditures (Notes 15 and 16)	P6,690,489,884	P4,044,960,019	P11,154,452,396	P15,129,963,318	P248,236,782	P80,783,148	P-	P37,348,885,547

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)	P421,625,100	P1,221,452,018	P56,653,592,667	P-	P-	P93,658,009,900	(P263,107,097)	P151,691,572,588
Segment assets	P168,652,989,873	P157,977,016,711	P189,651,209,761	P115,700,303,303	P131,141,546,214	P187,953,903,640	(P22,767,450,825)	P928,309,518,677
Short-term debt (Note 23)	P12,595,841,120	P-	P8,491,700,000	P21,524,562,580	P-	P11,435,306,304	P-	P54,047,410,004
Long-term debt (Note 23)	P30,386,077,608	P57,144,521,276	P34,715,272,176	P22,000,000,000	P-	P74,689,663,647	P-	P218,935,534,707
Segment liabilities	P73,468,487,679	P114,441,734,821	P89,573,539,283	P59,620,821,793	P114,081,071,846	P99,227,402,926	(P30,750,682,538)	P519,662,375,810
Capital expenditures (Notes 15 and 16)	P8,988,692,239	P25,570,098,817	P11,500,261,557	P25,199,924,879	P222,320,890	P667,120,902	P-	P72,148,419,284

December 31, 2018

	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)	P520,917,510	P943,781,695	P50,364,656,041	P-	P-	P93,085,241,987	P-	P144,914,597,233
Segment assets	P151,935,713,410	P129,589,739,922	P174,158,160,285	P98,142,227,756	P121,509,063,300	P192,420,794,526	(P48,468,683,365)	P819,287,015,834
Short-term debt (Note 23)	P8,480,998,575	P-	P896,700,000	P-	P-	P5,062,308,755	P-	P14,440,007,330
Long-term debt (Note 23)	P31,457,123,882	P53,797,546,261	P36,488,539,001	P-	P-	P88,505,758,204	P-	P210,248,967,348
Segment liabilities	P67,942,234,140	P90,905,166,290	P80,238,443,780	P42,975,790,820	P106,163,467,794	P106,145,084,629	(P42,561,032,158)	P451,809,155,295
Capital expenditures (Notes 15 and 16)	P8,641,730,098	P26,030,449,395	P14,083,962,187	P19,870,115,618	P282,544,066	P37,112,569	(P622,200,000)	P68,323,713,933



Reconciliation of Income Before Income Tax to EBITDA and Core Earnings

	2020	2019	2018
Income before income tax	<b>₱3,261,257,194</b>	₱48,037,826,359	₱33,041,291,149
Finance income	<b>(1,232,992,615)</b>	(2,096,212,143)	(1,745,547,717)
Financing cost and other charges	<b>9,692,142,544</b>	10,965,846,901	9,635,374,773
Other operating income	<b>632,037,618</b>	764,665,540	459,468,426
Market valuation losses (gains) on financial assets at FVPL and derivative financial instruments	<b>2,332,944,398</b>	(640,533,460)	1,019,886,441
Foreign exchange (gains) losses	<b>(2,584,645,951)</b>	(828,657,682)	2,854,338,888
EBIT	<b>12,100,743,188</b>	56,202,935,515	45,264,811,960
Depreciation and amortization	<b>31,607,025,151</b>	30,012,996,106	20,567,280,014
Reversal of impairment losses	-	(2,274,795,253)	-
<b>EBITDA</b>	<b>₱43,707,768,339</b>	₱83,941,136,368	₱65,832,091,974
Income before income tax	<b>₱3,261,257,194</b>	₱48,037,826,359	₱33,041,291,149
Market valuation losses (gains) on financial assets at FVPL and derivative financial instruments	<b>2,332,944,398</b>	(640,533,460)	1,019,886,441
Foreign exchange (gains) losses	<b>(2,584,645,951)</b>	(828,657,682)	2,854,338,888
<b>Core earnings</b>	<b>₱3,009,555,641</b>	₱46,568,635,217	₱36,915,516,478



The table below presents the consolidated statement of financial position of the Group broken down between industrial and banking components:

	December 31, 2020			December 31, 2019		
	Non-banks*	Banks*	Consolidated	Non-banks*	Banks*	Consolidated
<b>ASSETS</b>						
<b>Current Assets</b>						
Cash and cash equivalents	<b>₱56,087,730,858</b>	<b>₱25,403,681,910</b>	<b>₱81,491,412,768</b>	₱48,573,642,579	₱15,769,606,583	₱64,343,249,162
Financial assets at fair value through profit and loss	<b>5,477,940,251</b>	<b>87,076,733</b>	<b>5,565,016,984</b>	4,380,701,706	3,943,264	4,384,644,970
Financial assets at fair value through other comprehensive income	<b>12,578,348,139</b>	<b>19,315,805,963</b>	<b>31,894,154,102</b>	8,286,428,203	13,973,461,843	22,259,890,046
Receivables - net	<b>40,385,785,079</b>	<b>27,982,699,969</b>	<b>68,368,485,048</b>	26,673,226,542	24,046,721,951	50,719,948,493
Inventories - net	<b>75,777,125,084</b>	–	<b>75,777,125,084</b>	68,513,876,509	–	68,513,876,509
Biological assets - net	<b>99,919,468</b>	–	<b>99,919,468</b>	733,435,525	–	733,435,525
Assets held for sale	<b>11,101,305,051</b>	–	<b>11,101,305,051</b>	–	–	–
Other current assets	<b>26,365,792,030</b>	<b>625,358,409</b>	<b>26,991,150,439</b>	23,074,666,097	125,968,481	23,200,634,578
<b>Total current assets</b>	<b>227,873,945,960</b>	<b>73,414,622,984</b>	<b>301,288,568,944</b>	180,235,977,161	53,919,702,122	234,155,679,283
<b>Noncurrent Assets</b>						
Financial assets at fair value through other comprehensive income	<b>32,847,478,716</b>	–	<b>32,847,478,716</b>	24,050,346,528	–	24,050,346,528
Receivables - noncurrent	<b>7,861,430,860</b>	<b>58,984,807,221</b>	<b>66,846,238,081</b>	11,520,497,445	57,236,185,738	68,756,683,183
Investments at amortized cost	–	<b>8,049,365,423</b>	<b>8,049,365,423</b>	–	11,357,261,241	11,357,261,241
Investments in associates and JVs - net	<b>139,332,835,472</b>	–	<b>139,332,835,472</b>	151,691,572,588	–	151,691,572,588
Investments properties - net	<b>104,210,195,008</b>	<b>464,890,897</b>	<b>104,675,085,905</b>	98,617,891,032	382,355,004	99,000,246,036
Property, plant and equipment - net	<b>259,870,423,147</b>	<b>545,316,558</b>	<b>260,415,739,705</b>	258,325,525,374	917,291,590	259,242,816,964
Right-of-use assets	<b>22,236,389,037</b>	<b>812,346,008</b>	<b>23,048,735,045</b>	20,140,084,838	391,336,459	20,531,421,297
Biological assets - bearer	<b>134,331,929</b>	–	<b>134,331,929</b>	224,128,072	–	224,128,072
Goodwill - net	<b>31,916,144,787</b>	<b>244,327,006</b>	<b>32,160,471,793</b>	31,761,277,350	244,327,006	32,005,604,356
Intangibles - net	<b>12,841,509,107</b>	<b>1,313,392,088</b>	<b>14,154,901,195</b>	12,598,588,522	1,299,801,877	13,898,390,399
Other noncurrent assets	<b>15,495,682,520</b>	<b>1,159,087,596</b>	<b>16,654,770,116</b>	12,570,259,549	825,109,181	13,395,368,730
<b>Total Noncurrent Assets</b>	<b>626,746,420,583</b>	<b>71,573,532,797</b>	<b>698,319,953,380</b>	621,500,171,298	72,653,668,096	694,153,839,394
	<b>₱854,620,366,543</b>	<b>₱144,988,155,781</b>	<b>₱999,608,522,324</b>	₱801,736,148,459	₱126,573,370,218	₱928,309,518,677

\*Balances are after elimination of intercompany balances between industrial and banking components



	December 31, 2020			December 31, 2019		
	Non-banks*	Banks*	Consolidated	Non-banks*	Banks*	Consolidated
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>						
<b>Current liabilities</b>						
Accounts payable and accrued expenses	₱57,742,980,481	₱114,877,606,555	₱172,620,587,036	₱59,307,013,927	₱87,020,357,930	₱146,327,371,857
Short-term debt	44,418,092,185	–	44,418,092,185	54,047,410,004	–	54,047,410,004
Current portion of long-term debt	34,413,387,739	–	34,413,387,739	6,819,093,642	–	6,819,093,642
Derivative liabilities	245,940,423	–	245,940,423	418,640,661	462,908	419,103,569
Income tax payable	531,260,647	1,548,361	532,809,008	1,768,570,932	2,700,053	1,771,270,985
Other current liabilities	43,347,790,462	386,800	43,348,177,262	35,754,281,218	410,100	35,754,691,318
<b>Total current liabilities</b>	<b>180,699,451,937</b>	<b>114,879,541,716</b>	<b>295,578,993,653</b>	<b>158,115,010,384</b>	<b>87,023,930,991</b>	<b>245,138,941,375</b>
<b>Noncurrent liabilities</b>						
Long-term debt - net of current portion	237,928,498,602	–	237,928,498,602	212,116,441,065	–	212,116,441,065
Deferred tax liabilities - net	8,661,143,952	–	8,661,143,952	8,318,082,154	–	8,318,082,154
Other noncurrent liabilities	37,546,530,053	11,782,999,706	49,329,529,759	31,599,946,357	22,488,964,859	54,088,911,216
<b>Total noncurrent liabilities</b>	<b>284,136,172,607</b>	<b>11,782,999,706</b>	<b>295,919,172,313</b>	<b>252,034,469,576</b>	<b>22,488,964,859</b>	<b>274,523,434,435</b>
<b>Total Liabilities</b>	<b>464,835,624,544</b>	<b>126,662,541,422</b>	<b>591,498,165,966</b>	<b>410,149,479,960</b>	<b>109,512,895,850</b>	<b>519,662,375,810</b>
<b>Stockholders' equity</b>	<b>297,190,870,163</b>	<b>11,130,436,193</b>	<b>308,321,306,356</b>	<b>294,575,357,898</b>	<b>10,236,284,621</b>	<b>304,811,642,519</b>
<b>Minority interest in consolidated subsidiaries</b>	<b>92,593,871,836</b>	<b>7,195,178,166</b>	<b>99,789,050,002</b>	<b>97,011,310,601</b>	<b>6,824,189,747</b>	<b>103,835,500,348</b>
	<b>₱854,620,366,543</b>	<b>₱144,988,155,781</b>	<b>₱999,608,522,324</b>	<b>₱801,736,148,459</b>	<b>₱126,573,370,218</b>	<b>₱928,309,518,677</b>

\*Balances are after elimination of intercompany balances between industrial and 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 2020, 2019 and 2018, 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, Myanmar, New Zealand and Australia.

The following table shows the distribution of the Group's consolidated revenues to external customers by geographical market, regardless of where the goods were produced:

	2020	2019	2018
Domestic	<b>₱158,721,099,465</b>	₱205,285,144,077	₱191,174,505,600
Foreign	<b>62,918,942,186</b>	96,537,425,094	100,741,512,064
	<b>₱221,640,041,651</b>	₱301,822,569,171	₱291,916,017,664

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:

	2020	2019
Domestic	P462,761,227,172	P466,917,956,819
Foreign	122,662,724,858	119,815,104,673
	<b>P585,423,952,030</b>	<b>P586,733,061,492</b>

## 7. Cash and Cash Equivalents

This account consists of:

	2020	2019
Cash on hand	P3,005,758,937	P3,410,774,679
Cash in banks (Note 40)	38,893,100,714	28,576,315,526
Cash equivalents (Note 40)	39,592,553,117	32,356,158,957
	<b>P81,491,412,768</b>	<b>P64,343,249,162</b>

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 1.0% to 3.5%, from 0.05% to 7.5% and from 0.01% to 6.5% in 2020, 2019 and 2018, 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, 2020 and 2019. The notional amount is the basis upon which changes in the value of derivatives are measured.

	December 31, 2020		
	Notional Amounts (in Millions)		Derivative
	Japanese Yen	Dollar	Assets Liabilities (Note 9) (Note 22)
<b>Derivatives Not Designated as</b>			
<b>Accounting Hedges</b>			
Freestanding:			
Call option			P- P169,449,156
Foreign currency swaps	JPY9.65		556,022 -
			<b>P556,022 P169,449,156</b>
<b>Derivatives Designated as Accounting</b>			
<b>Hedges</b>			
Zero cost collars*		US\$7.46	P- P32,214,937
Currency options		NZ\$28.20	44,276,330
			<b>P- P76,491,267</b>
<b>Presented in the consolidated</b>			
<b>statements of financial position as:</b>			
Current			P556,022 P245,940,423
Noncurrent			P- P-

\*Notional quantity amounted to 120,000 US barrels as of December 31, 2020



December 31, 2019				
Notional Amounts (in Millions)				
		United States	Derivative	Derivative
		Dollar	Assets	Liabilities
		Japanese Yen	(Note 9)	(Notes 22 and 24)
<b>Derivatives Not Designated as Accounting Hedges</b>				
Freestanding:				
Call option			P-	P305,835,400
Foreign currency swaps	JPY9.14		992,618	462,908
			<b>P992,618</b>	<b>P306,298,308</b>
<b>Derivatives Designated as Accounting Hedges</b>				
Zero cost collars and commodity swaps*		US\$165.0	P-	P126,312,502
			P-	P126,312,502
<b>Presented in the consolidated statements of financial position as:</b>				
Current			P992,618	P419,103,569
Noncurrent			P-	P13,507,241

\*Notional quantity amounted to 1,980,000 US barrels as of December 31, 2019

*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 P2.2 billion were immediately recycled from equity to profit or loss for the period.

As of December 31, 2020 and 2019, 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 new 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, 2020 and 2019, 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 ₱0.6 million and ₱0.5 million as of December 31, 2020 and 2019, respectively. In 2020, 2019 and 2018, RBC recognized net changes in fair value of derivatives amounting to ₱17.0 million gain, ₱45.0 million gain and ₱1.5 million loss, 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 ₱169.5 million and ₱305.8 million as of December 31, 2020 and 2019, respectively.

*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, ₱4.6 million and ₱3.3 million for the years ended December 31, 2020, 2019, and 2018. 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 and nil as of December 31, 2020 and 2019.
- **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 ₱32.2 million as of December 31, 2020 and net asset position of ₱47.9 million as of December 31, 2019.





- 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, 2019, CAI recognized net derivative liability amounting to ₱174.2 million (nil in 2020).

#### Hedge Effectiveness Results

The hedge is assessed to be effective as the critical terms of the hedging instrument match the terms of the hedged item.

#### 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:

	2020	2019
Beginning balance	(₱126,312,502)	₱6,389,048
Net changes shown in other comprehensive income (Note 36):		
Net changes in fair value of derivatives taken to other comprehensive income	(230,922,782)	175,171,778
Fair value of settled instruments	280,744,017	(307,873,328)
	<b>(₱76,491,267)</b>	<b>(₱126,312,502)</b>

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:

	2020	2019
Balance at beginning of year:		
Derivative assets	₱992,618	₱-
Derivative liabilities	306,298,308	763,322,060
	<b>(305,305,690)</b>	<b>(763,322,060)</b>
Net losses from changes in fair value of derivatives taken to profit or loss	(2,008,251,915)	(18,307,172)
Fair value of settled instruments	2,144,664,471	476,323,542
	<b>(₱168,893,134)</b>	<b>(₱305,305,690)</b>
Balance at end of year:		
Derivative assets (Note 9)	₱556,022	₱992,618
Derivative liabilities (Note 8)	169,449,156	306,298,308

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).



## 9. Financial Assets at Fair Value through Profit or Loss

This account consists of the following:

	2020	2019
Debt securities:		
Government	<b>₱86,520,711</b>	₱3,943,264
Equity securities:		
Quoted	<b>1,734,932,805</b>	1,718,536,973
Investment in convertible notes	<b>3,743,007,446</b>	2,661,172,115
Derivatives (Note 8)	<b>556,022</b>	992,618
	<b>₱5,565,016,984</b>	₱4,384,644,970

### *Sea Limited*

On April 13, 2017, JGSPL invested in a convertible note from Sea Limited in the amount of US\$25.0 million (or ₱1.3 billion). The Principal Amount excluding any accrued and unpaid interest may be converted into fully paid and non-assessable voting ordinary shares of Sea Limited.

In 2019, the note was converted into 1,834,188 ordinary shares of Sea Limited 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 entered into a Securities Exchange Agreement with ORT Philippines Holdings Pte. Ltd. (ORT Philippines), wherein JGDEV sold to the latter all its shares (including deposit for future subscription) in Oriente Techsystem Philippines Corporation (OETC) and Paloo Financing Inc. (Paloo). Also, ORT Philippines transferred to JGDEV 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. As of December 31, 2018, the convertible note of OFGL is classified under financial assets at fair value through profit or loss while the preferred shares are classified under financial assets at FVOCI. In 2018, the Group recorded gain from the disposal of its investment in OETC and Paloo amounting to ₱198.1 million.

On December 5, 2019, the convertible note with face value of \$1.975 million was converted to 819,641 Series B-1 preferred shares. As of December 31, 2019, 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 is 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, 2020, 2019 and 2018, unrealized loss on debt securities recognized amounted to P25.3 million, P9.2 million and P264.0 million, respectively.

As of December 31, 2020, 2019 and 2018, unrealized gain (loss) on equity securities recognized amounted to (P282.3 million), P713.1 million and (P419.1 million), respectively.

In 2020, 2019 and 2018, the Group recognized net market valuation gains (losses) on financial assets at FVPL (excluding derivatives) amounting to (P307.6 million), P703.9 million and (P683.1 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):

	2020	2019	2018
Debt securities:			
Government	<b>P7,424,489</b>	P13,181,655	P130,079,434
Private	-	87,690,303	474,106,446
	<b>P7,424,489</b>	P100,871,958	P604,185,880



## 10. Investment Securities

### Financial Assets at Fair Value through Other Comprehensive Income

This account consists of investments in:

	2020	2019
Debt securities:		
Government	<b>₱9,681,907,051</b>	₱9,392,806,983
Private	<b>21,325,214,680</b>	11,902,368,238
	<b>31,007,121,731</b>	21,295,175,221
Equity securities:		
Quoted	<b>33,072,987,777</b>	24,528,006,195
Unquoted	<b>661,523,310</b>	487,055,158
	<b>33,734,511,087</b>	25,015,061,353
	<b>₱64,741,632,818</b>	₱46,310,236,574

Breakdown of financial assets at FVOCI as shown in the consolidated statements of financial position follows:

	2020	2019
Current portion	<b>₱31,894,154,102</b>	₱22,259,890,046
Noncurrent portion	<b>32,847,478,716</b>	24,050,346,528
	<b>₱64,741,632,818</b>	₱46,310,236,574

The Group has classified its 17.3 million PLDT shares representing 8.0% ownership interest and the additional ownership interest equivalent to 3.23% through the acquisition of American Depositary Receipts (ADRs) in December 2019 as financial assets at FVOCI, which have carrying values of ₱32.8 billion and ₱24.1 billion as of December 31, 2020 and 2019, respectively. The ADRs were converted into 7.0 million PLDT common shares in January 2020.

Interest income on debt financial assets at FVOCI follows (Note 27):

	2020	2019	2018
Debt securities:			
Private	<b>₱888,193,462</b>	₱664,109,167	₱374,775,163
Government	<b>212,212,623</b>	363,288,259	448,401,992
	<b>₱1,100,406,085</b>	₱1,027,397,426	₱823,177,155

The range of the Group's effective interest rates on government securities are as follows:

	2020	2019	2018
Peso-denominated securities	<b>2.63%-8.13%</b>	5.75%-8.00%	3.62%-7.20%
Foreign currency-denominated securities	<b>2.75%-6.75%</b>	4.75%-7.75%	3.16%-6.47%



The range of the Group's effective interest rates on the private bonds are as follows:

	2020	2019	2018
Peso-denominated securities	<b>3.82%-6.49%</b>	4.20%-6.49%	4.20%-7.82%
Foreign currency-denominated securities	<b>3.90%-7.25%</b>	4.38%-7.38%	4.01%-6.02%

The movements in net unrealized gains (losses) on financial assets at FVOCI follow:

	2020		
	Parent Company	Non-controlling Interests	Total
Balance at beginning of year	(P23,832,621,540)	P249,569,240	(P23,583,052,300)
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	(P14,794,597,877)	P324,400,037	(P14,470,197,840)

	2019		
	Parent Company	Non-controlling Interests	Total
Balance at beginning of year	(P22,647,670,192)	(P204,920,170)	(P22,852,590,362)
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	(P23,832,621,540)	P249,569,240	(P23,583,052,300)

	2018		
	Parent Company	Non-controlling Interests	Total
Balance at January 1, 2018	(P14,954,413,164)	P181,701,765	(P14,772,711,399)
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	(7,517,643,934)	(386,621,935)	(7,904,265,869)
Realized gain on sale of financial assets at FVOCI (Note 29)	(34,208,528)	–	(34,208,528)
	(22,506,265,626)	(204,920,170)	(22,711,185,796)
Share in net changes in fair value of financial assets at FVOCI of an associate (Note 14)	(141,404,566)	–	(141,404,566)
Balance at end of year	(P22,647,670,192)	(P204,920,170)	(P22,852,590,362)



Investment Securities at Amortized Cost

The investment securities at amortized cost of the Group consist of the following:

	2020	2019
Government securities	<b>₱6,251,706,056</b>	₱9,507,201,849
Private bonds	<b>1,800,257,800</b>	1,850,398,340
	<b>8,051,963,856</b>	11,357,600,189
Less allowance for impairment losses	<b>2,598,433</b>	338,948
	<b>₱8,049,365,423</b>	₱11,357,261,241

The effective interest rates for peso-denominated investment securities at amortized cost of the Group ranges from 3.82% to 8.13%, from 3.25% to 8.13% and from 2.08% to 6.00% in 2020, 2019 and 2018, respectively. The effective interest rates for foreign currency-denominated investment securities at amortized cost of the Group is 2.75% in 2020 and 2019 and from 2.76% to 5.31% 2018.

In 2020, the Group disposed ‘Investment Securities at Amortized Cost’ with carrying value of ₱4.1 billion resulting in a gain on disposal amounting to ₱190.9 million. The sale was conducted in response to 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; as well as in anticipation of withdrawals from depositors to fund their expenses. Prior to the sale, the banking segment also noted significant withdrawals by its depositors causing its liquidity to decline. The remaining held-to-collect (HTC) securities of the Group will remain to be under a HTC business model.

Interest income on investment securities at amortized cost amounted to ₱356.6 million, ₱477.8 million and ₱364.3 million in 2020, 2019 and 2018, respectively (see Note 27).

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## 11. Receivables

This account consists of:

	2020	2019
Finance receivables	<b>₱86,382,308,879</b>	₱79,837,553,053
Trade receivables	<b>40,258,702,183</b>	32,882,327,617
Due from related parties (Note 40)	<b>2,552,410,741</b>	2,547,714,785
Interest receivable	<b>1,730,219,931</b>	1,180,129,554
Other receivables	<b>6,904,703,009</b>	4,718,742,439
	<b>137,828,344,743</b>	121,166,467,448
Less allowance for impairment losses	<b>2,613,621,614</b>	1,689,835,772
	<b>₱135,214,723,129</b>	₱119,476,631,676

Total receivables shown in the consolidated statements of financial position follow:

	2020	2019
Current portion	<b>₱68,368,485,048</b>	₱50,719,948,493
Noncurrent portion	<b>66,846,238,081</b>	68,756,683,183
	<b>₱135,214,723,129</b>	₱119,476,631,676



Noncurrent receivables consist of:

	2020	2019
Finance receivables	<b>₱58,984,807,221</b>	₱57,236,185,738
Trade receivables	<b>6,861,430,860</b>	10,190,497,445
Due from related parties	<b>1,000,000,000</b>	1,330,000,000
	<b>₱66,846,238,081</b>	₱68,756,683,183

#### Finance Receivables

Breakdown of finance receivables, which represent receivables from customers of RBC and its subsidiary, follows:

	2020	2019
Receivables from customers:		
Commercial	<b>₱51,507,822,886</b>	₱49,514,835,477
Real estate	<b>24,157,056,273</b>	19,328,435,011
Consumption	<b>10,608,170,674</b>	10,827,271,508
Domestic bills purchased	<b>480,028,717</b>	495,192,826
	<b>86,753,078,550</b>	80,165,734,822
Less unearned interest and discounts	<b>370,769,671</b>	328,181,769
	<b>₱86,382,308,879</b>	₱79,837,553,053

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):

	2020	2019	2018
Receivables from customers:			
Commercial	<b>₱3,237,021,544</b>	₱3,173,161,721	₱2,488,181,208
Consumption	<b>2,004,957,885</b>	1,806,095,578	1,334,075,467
Real estate	<b>1,364,197,120</b>	1,076,020,078	741,540,449
Domestic bills purchased	<b>73,149</b>	459,690	278,928
Others	<b>4,399,035</b>	6,703,541	6,224,286
	<b>₱6,610,648,733</b>	₱6,062,440,608	₱4,570,300,338

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, 2020 and 2019 amounted to ₱3.8 billion and ₱247.8 million, respectively.

#### Trade Receivables

Included in trade receivables are installment contract receivables of the real estate segment of the Group amounting to ₱11.5 billion and ₱1.3 billion as of December 31, 2020 and 2019. 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 ₱2.1 billion, ₱0.3 billion and ₱0.9 billion in 2020, 2019 and 2018, 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, 2020 and 2019 claims receivables amounted to ₱2.3 billion and ₱1.1 billion, respectively.

### Allowance for Impairment Losses on Receivables

Changes in the allowance for impairment losses on receivables follow:

	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
<b>Balance at end of year</b>	<b>₱497,979,617</b>	<b>₱1,684,983,650</b>	<b>₱430,658,347</b>	<b>₱2,613,621,614</b>

	2019			
	Trade Receivables	Finance Receivables	Other Receivables	Total
Balance at beginning, as adjusted	₱279,302,415	₱965,785,839	₱379,848,898	₱1,624,937,152
Provision for impairment losses (Note 34)	5,674	126,554,564	7,087,510	133,647,748
Written-off	-	-	(2,206,477)	(2,206,477)
Unrealized foreign exchange gains	(56,539)	-	(2,280,185)	(2,336,724)
Reclassification/Others	(80,530,316)	(77,639,736)	93,964,125	(64,205,927)
<b>Balance at end of year</b>	<b>₱198,721,234</b>	<b>₱1,014,700,667</b>	<b>₱476,413,871</b>	<b>₱1,689,835,772</b>

Provision for impairment losses on receivables for the years ended December 31, 2020, 2019 and 2018 amounted to ₱1.4 billion, ₱133.6 million and ₱117.3 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, 2020 and 2019.

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to commercial loans follow:

	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)
	<b>₱43,318,187,940</b>	<b>₱7,781,258,930</b>	<b>₱408,376,016</b>	<b>₱51,507,822,886</b>
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)
	<b>₱231,853,564</b>	<b>₱314,078,570</b>	<b>₱249,436,018</b>	<b>₱795,368,152</b>

\*The net effect on allowance of transfers between Stage 1 to 3 are reflected in provision for (recovery of) credit losses





	2019			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at January 1, 2019	₱41,921,932,935	₱ 2,192,660,381	₱408,537,691	₱44,523,131,007
New assets originated or purchased	46,602,442,842	–	–	46,602,442,842
Assets derecognized or repaid (excluding write offs)	(40,627,258,041)	(895,796,642)	(79,196,179)	(41,602,250,862)
Transfers to Stage 1	19,042,241	(18,262,028)	(780,213)	–
Transfers to Stage 2	(2,606,146,389)	2,606,146,389	–	–
Transfers to Stage 3	(82,754,966)	(23,879,279)	106,634,245	–
Amounts written off	–	–	(8,487,510)	(8,487,510)
	<b>₱45,227,258,622</b>	<b>₱3,860,868,821</b>	<b>₱426,708,034</b>	<b>₱49,514,835,477</b>
ECL allowance as at January 1, 2019	₱83,537,302	₱100,794,487	₱203,967,077	₱388,298,866
Provisions for (recovery of) credit losses*	129,961,685	(55,321,666)	(19,441,269)	55,198,750
Transfers to Stage 1	563,644	(555,842)	(7,802)	–
Transfers to Stage 2	(41,030,960)	41,030,960	–	–
Transfers to Stage 3	(25,948,619)	(12,810,656)	38,759,275	–
Amounts written off/reversals/others	–	–	(27,105,004)	(27,105,004)
	<b>₱147,083,052</b>	<b>₱73,137,283</b>	<b>₱196,172,277</b>	<b>₱416,392,612</b>

\*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:

	2020			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at January 1, 2019	<b>₱18,037,358,388</b>	<b>₱1,035,203,454</b>	<b>₱255,873,169</b>	<b>₱19,328,435,011</b>
New assets originated or purchased	<b>6,990,949,236</b>	–	–	<b>6,990,949,236</b>
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)
	<b>₱21,044,591,782</b>	<b>₱1,756,970,164</b>	<b>₱1,355,494,327</b>	<b>₱24,157,056,273</b>
ECL allowance as at January 1, 2019	<b>₱11,981,916</b>	<b>₱1,382,175</b>	<b>₱6,653,654</b>	<b>₱20,017,745</b>
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)
	<b>₱33,273,185</b>	<b>₱7,996,559</b>	<b>₱153,248,056</b>	<b>₱369,017,855</b>

\*The net effect on allowance of transfers between Stage 1 to 3 are reflected in provision for (recovery of) credit losses

	2019			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at January 1, 2019	₱13,768,377,307	₱506,920,608	₱100,992,043	₱14,376,289,958
New assets originated or purchased	6,914,015,679	–	–	6,914,015,679
Assets derecognized or repaid (excluding write offs)	(1,822,041,114)	(115,817,336)	(24,012,176)	(1,961,870,626)
Transfers to Stage 1	153,185,241	(145,123,078)	(8,062,163)	–
Transfers to Stage 2	(869,062,811)	870,508,779	(1,445,968)	–
Transfers to Stage 3	(107,115,914)	(81,285,519)	188,401,433	–
Amounts written off	–	–	–	–
	<b>₱18,037,358,388</b>	<b>₱1,035,203,454</b>	<b>₱255,873,169</b>	<b>₱19,328,435,011</b>

(Forward)



	2019			Total
	Stage 1	Stage 2	Stage 3	
ECL allowance as at January 1, 2019	₱3,192,152	₱77,690	₱21,255,559	₱24,525,401
Provisions for (recovery of) credit losses*	10,278,180	178,557	(15,024,227)	(4,567,490)
Transfers to Stage 1	65,712	(62,917)	(2,795)	–
Transfers to Stage 2	(1,258,639)	1,259,253	(614)	–
Transfers to Stage 3	(295,489)	(70,408)	365,897	–
Amounts written off/reversals/others	–	–	59,834	59,834
	<b>₱11,981,916</b>	<b>₱1,382,175</b>	<b>₱6,653,654</b>	<b>₱20,017,745</b>

\*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:

	2020			Total
	Stage 1	Stage 2	Stage 3	
Gross carrying amount as at				
January 1, 2019	<b>₱9,614,890,909</b>	<b>₱598,101,501</b>	<b>₱614,279,098</b>	<b>10,827,271,508</b>
New assets originated or purchased	<b>8,576,790,434</b>	–	–	<b>8,576,790,434</b>
Assets derecognized or repaid (excluding write offs)	<b>(7,472,730,546)</b>	<b>(227,678,134)</b>	<b>(59,027,655)</b>	<b>(7,759,436,335)</b>
Transfers to Stage 1	<b>61,224,550</b>	<b>(58,752,436)</b>	<b>(2,472,114)</b>	–
Transfers to Stage 2	<b>(690,964,174)</b>	<b>693,693,376</b>	<b>(2,729,202)</b>	–
Transfers to Stage 3	<b>(593,942,478)</b>	<b>(140,740,777)</b>	<b>734,683,255</b>	–
Amounts written off	<b>(592,114,177)</b>	<b>(126,529,362)</b>	<b>(317,811,394)</b>	<b>(1,036,454,933)</b>
	<b>₱8,903,154,518</b>	<b>₱738,094,168</b>	<b>₱966,921,988</b>	<b>₱10,608,170,674</b>
ECL allowance as at January 1, 2019	<b>₱97,478,442</b>	<b>₱7,575,959</b>	<b>₱473,235,909</b>	<b>₱578,290,310</b>
Provisions for (recovery of) credit losses*	<b>345,279,451</b>	<b>65,394,102</b>	<b>79,715,359</b>	<b>490,388,912</b>
Transfers to Stage 1	<b>1,026,939</b>	<b>(942,948)</b>	<b>(83,991)</b>	–
Transfers to Stage 2	<b>(50,146,488)</b>	<b>50,296,590</b>	<b>(150,102)</b>	–
Transfers to Stage 3	<b>(222,447,738)</b>	<b>(51,642,611)</b>	<b>274,090,349</b>	–
Amounts written off/reversals/others	<b>(52,277,745)</b>	<b>(17,788,278)</b>	<b>(303,515,501)</b>	<b>(373,581,524)</b>
	<b>₱118,912,861</b>	<b>₱52,892,814</b>	<b>₱523,292,023</b>	<b>₱695,097,698</b>

\*The net effect on allowance of transfers between Stage 1 to 3 are reflected in provision for (recovery of) credit losses

	2019			Total
	Stage 1	Stage 2	Stage 3	
Gross carrying amount as at				
January 1, 2019	<b>₱7,299,551,418</b>	<b>₱636,617,017</b>	<b>₱608,890,125</b>	<b>₱8,545,058,560</b>
New assets originated or purchased	<b>13,357,901,496</b>	–	–	<b>13,357,901,496</b>
Assets derecognized or repaid (excluding write offs)	<b>(10,233,327,334)</b>	<b>(502,348,180)</b>	<b>(256,909,581)</b>	<b>(10,992,585,095)</b>
Transfers to Stage 1	<b>37,818,753</b>	<b>(33,334,187)</b>	<b>(4,484,566)</b>	–
Transfers to Stage 2	<b>(555,784,021)</b>	<b>560,260,790</b>	<b>(4,476,769)</b>	–
Transfers to Stage 3	<b>(229,800,248)</b>	<b>(53,131,558)</b>	<b>282,931,806</b>	–
Amounts written off	<b>(61,469,155)</b>	<b>(9,962,381)</b>	<b>(11,671,917)</b>	<b>(83,103,453)</b>
	<b>₱9,614,890,909</b>	<b>₱598,101,501</b>	<b>₱614,279,098</b>	<b>₱10,827,271,508</b>
ECL allowance as at January 1, 2019	<b>₱94,119,655</b>	<b>₱29,016,475</b>	<b>₱429,825,442</b>	<b>₱552,961,572</b>
Provisions for (recovery of) credit losses*	<b>76,827,427</b>	<b>(6,429,006)</b>	<b>5,524,883</b>	<b>75,923,304</b>
Transfers to Stage 1	<b>714,750</b>	<b>(591,394)</b>	<b>(123,356)</b>	–
Transfers to Stage 2	<b>(6,887,238)</b>	<b>7,005,271</b>	<b>(118,033)</b>	–
Transfers to Stage 3	<b>(67,296,152)</b>	<b>(21,425,387)</b>	<b>88,721,539</b>	–
Amounts written off/reversals/others	–	–	<b>(50,594,566)</b>	<b>(50,594,566)</b>
	<b>₱97,478,442</b>	<b>₱7,575,959</b>	<b>₱473,235,909</b>	<b>₱578,290,310</b>

\*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 above modifications on the measurement of ECL is not significant to the Group.

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## 12. Inventories

This account consists of inventories at cost held as follows:

	2020	2019
Subdivision land, condominium and residential units for sale	<b>₱41,251,901,420</b>	₱36,062,897,387
Spare parts, packaging materials and other supplies	<b>12,518,601,770</b>	10,901,828,797
Raw materials	<b>12,015,292,878</b>	10,718,499,893
Finished goods	<b>8,389,220,485</b>	9,155,597,372
Work-in-process	<b>1,600,716,266</b>	1,667,556,834
By-products	<b>1,392,265</b>	7,496,226
	<b>₱75,777,125,084</b>	₱68,513,876,509

Summary of the movements in real estate inventory follows:

	2020	2019
Balance at beginning of year	<b>₱36,062,897,387</b>	₱31,464,454,298
Construction and development costs incurred	<b>9,171,932,407</b>	8,723,176,262
Costs of real estate sales (Note 30)	<b>(6,161,235,541)</b>	(4,235,325,163)
Transfers from investment properties, property and equipment and unrealized land cost (Notes 15 and 16)	<b>2,178,307,167</b>	110,591,990
Balance at end of year	<b>₱41,251,901,420</b>	₱36,062,897,387



Borrowing cost capitalized amounted to P304.0 million and P486.0 million in 2020 and 2019, respectively. The capitalization rate used to determine the amount of borrowing costs eligible for capitalization in 2020 and 2019 is 4.54% and 4.59%, 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 P6.2 billion, P4.2 billion and P4.9 billion for the years ended December 31, 2020, 2019 and 2018, respectively.

Under the terms of agreements covering liabilities under trust receipts amounting to P7.5 billion and P8.7 billion as of December 31, 2020 and 2019, 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 trustee 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 nil, P2,678 and P7.9 million in 2020, 2019 and 2018, 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.

The land use right (included in 'Subdivision land, condominium and residential units for sale') amounting to P10.2 billion as at December 31, 2018 is pledged as security to the Renminbi (RMB) 216 million (P1,651 million) loan from Agricultural Bank of China. The said loan was fully paid in December 2019. No subdivision land, condominium and residential units for sale were pledged as security to liabilities as of December 31, 2020.



### 13. Other Current Assets

This account consists of:

	2020	2019
Input value-added tax (VAT)	<b>₱11,432,179,257</b>	₱9,301,277,182
Restricted cash	<b>5,019,269,617</b>	2,533,017,832
Advances to suppliers (Note 2)	<b>4,175,244,931</b>	4,859,810,484
Prepaid expenses	<b>3,275,215,633</b>	2,542,682,724
Creditable withholding tax	<b>2,234,459,512</b>	1,785,546,288
Advances to lot owners and joint operations	<b>331,941,593</b>	2,142,570,836
Utility deposits	<b>8,719,131</b>	15,212,133
Others	<b>514,120,765</b>	20,517,099
	<b>₱26,991,150,439</b>	₱23,200,634,578

#### 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:

	2020	2019
Acquisition cost:		
Balance at beginning of year	<b>₱119,256,844,701</b>	₱117,629,554,926
Additional investments	<b>412,556,393</b>	1,544,789,775
Disposal of investment	<b>(577,306,470)</b>	-
Reclassification/ transfer	<b>(11,819,164,524)</b>	82,500,000
Balance at end of year	<b>107,272,930,100</b>	119,256,844,701
Accumulated equity in net earnings:		
Balance at beginning of year	<b>32,981,671,569</b>	26,863,845,970
Equity in net earnings	<b>7,616,221,319</b>	13,357,511,170
Dividends received	<b>(7,227,674,931)</b>	(6,866,259,987)
Reclassification / transfer	<b>660,071,604</b>	(147,578,714)
Elimination of unrealized gains on downstream sales	<b>(198,216,371)</b>	(225,846,870)
Accumulated equity in net losses (earnings) of disposed investment	<b>22,709,554</b>	-
Balance at end of year	<b>33,854,782,744</b>	32,981,671,569
Share in unrealized gain (loss) on financial assets at FVOCI of associates:		
Balance at beginning of year	<b>34,851,584</b>	(141,404,566)
Share in net changes in fair value of financial assets at FVOCI of associates	<b>55,663,285</b>	176,256,150
Balance at end of year	<b>90,514,869</b>	34,851,584
Share in remeasurements of the net defined benefit liability of associates:		
Balance at beginning of year	<b>(584,449,410)</b>	585,931,095
Share in net changes in remeasurements of the net defined benefit liability of associates	<b>(1,083,403,985)</b>	(1,170,380,505)
Reclassification / transfer	<b>57,787,869</b>	-
	<b>(1,610,065,526)</b>	(584,449,410)
Cumulative translation adjustment	<b>22,123,682</b>	300,104,541
	<b>139,630,285,869</b>	151,989,022,985
Less allowance for impairment losses	<b>297,450,397</b>	297,450,397
	<b>₱139,332,835,472</b>	₱151,691,572,588

Equity in net earnings amounting to ₱10.1 billion in 2017 excludes the excess of the share in net loss over the investment in a joint venture amounting to ₱147.6 million (presented in 'Other noncurrent liabilities). In 2019, this amount was reclassified to and recorded as part of the accumulated equity in net earnings of joint venture as a result of the additional investment during the year.



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	
	2020	2019	2020	2019
			(In Million Pesos)	
<b>Associates</b>				
Domestic:				
Manila Electric Company (Meralco)	29.56	29.56	₱78,681.0	₱80,372.8
Oriental Petroleum and Mining Corporation (OPMC)	19.40	19.40	748.7	758.3
G2M Solutions Philippines Pte. Ltd (G2M)	0.00	0.00	381.1	160.5
Luzon International Premiere Airport Development Corp. (LIPAD)	33.00	33.00	358.4	171.3
Cebu Light Industrial Park, Inc. (CLUPI)	20.00	20.00	58.9	59.1
DHL Summit Solutions, Inc. (DSSI) formerly Summit Supply Chain Solutions, Inc.	50.00	50.00	1.2	30.0
1 Aviation Groundhandling Services Corp.	27.05	27.05	–	30.7
Shang Robinsons Properties, Inc.	30.49	30.49	–	–
Global Business Power Corporation (GBPC)*	30.00	30.00	–	11,979.7
Foreign:				
United Industrial Corp., Limited (UICL)	37.05	37.05	56,026.9	54,303.4
Zyllem Pte. Ltd	13.33	13.33	54.9	50.8
Air Black Box (ABB)	10.15	10.15	43.7	43.7
			<b>136,354.8</b>	<b>147,960.3</b>
<b>Joint Ventures</b>				
Domestic:				
RHK Land Corporation	36.58	36.58	1,341.6	1,375.5
Robinsons DoubleDragon Corporation	40.07	40.07	673.7	613.3
RLC DMCI Property Ventures, Inc	30.49	30.49	357.5	361.3
Philippine Academy for Aviation Training (PAAT)	33.82	33.82	218.8	237.7
Vitasoy-URC, Inc (VURCI)	27.63	27.63	–	76.3
Danone Universal Robina Beverages, Inc. (DURBI)	27.63	27.63	–	–
MPIC-JGS Airport Holdings, Inc.	–	41.25	–	3.8
SIA Engineering (Philippines) Corp. (SIAEP)	–	23.67	–	470.6
Aviation Partnership (Philippines) Corp. (A-Plus)	–	33.14	–	247.5
Foreign:				
Proper Snack Foods Limited (PSFL)	27.68	27.68	341.1	312.8
Calbee – URC Malaysia Sdn. Bhd (CURM)	27.63	27.63	45.4	32.5
			<b>2,978.1</b>	<b>3,731.3</b>
			<b>₱139,332.9</b>	<b>₱151,691.6</b>

\*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.



*UICL*

UICL, a company incorporated in Singapore, is engaged in residential property management. UICL follows the fair value model in measuring investment properties while the Group follows the cost model in measuring investment properties. The financial information of UICL below represents the adjusted amounts after reversal of the effect of revaluation and depreciation on the said assets.

*GBPC*

On June 30, 2016, the Parent Company completed the acquisition of 577,206,289 shares of GBPC consisting of 423,284,613 shares from GT Capital Holdings, Inc. and 153,921,676 shares from Meralco PowerGen Corporation for a total cost of ₱11.8 billion. The acquisition represents 30.0% of GBPC's total outstanding common shares. GBPC is a company incorporated in the Philippines engaged in power generation.

In 2016, the Parent Company engaged the services of a third-party valuer to perform a purchase price allocation of the Parent Company's investment in GBPC among the identifiable assets and liabilities based on fair values. Based on the final purchase price allocation, the difference of ₱4.2 billion between the Parent Company's share in the carrying values of GBPC's specific identifiable assets and liabilities and total cost of the Parent Company's investment was allocated to the Parent Company's share in the difference between the fair value and carrying value of GBPC's specific and identifiable assets and liabilities as follows: ₱2.8 billion for intangible assets; ₱442.3 million for property, plant and equipment; ₱4.2 million for long term receivables; ₱333.3 million for long-term debt and the remaining balance of ₱1.3 billion for goodwill.

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 ₱12.0 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.

The closing of the transaction is expected to be completed in 2021 and subject to conditions precedent, including approval by the Philippine Competition Commission. 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.

*Fair value of investments in listed associates*

As of December 31, 2020 and 2019, the Group's investments in the following listed investee companies have fair values of:

	Exchange Listed	2020	2019
Meralco	Philippine Stock Exchange	<b>₱97,291,303,924</b>	₱105,621,038,849
UICL	Singapore Exchange Limited	<b>44,917,170,226</b>	57,839,671,246
OPMC	Philippine Stock Exchange	<b>474,708,952</b>	426,890,219

As of December 31, 2020 and 2019, the breakdown of the total fair market value of the Group's investment in OPMC follows:

	2020	2019
Class A Common Stock	<b>₱117,136,910</b>	₱99,115,847
Class B Common Stock	<b>357,572,042</b>	327,774,372
	<b>₱474,708,952</b>	₱426,890,219

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, 2020 and 2019:

	2020				2019			
	Meralco	GBPC	UICL	OPMC	Meralco	GBPC	UICL	OPMC
Current assets	<b>₱128,381,000,000</b>	<b>₱18,645,218,822</b>	<b>₱14,009,378,256</b>	<b>₱878,847,676</b>	₱117,689,831,692	₱20,184,035,973	₱16,201,055,165	₱1,052,518,706
Noncurrent assets	<b>261,885,000,000</b>	<b>51,115,729,579</b>	<b>310,965,619,141</b>	<b>3,686,205,785</b>	239,328,530,315	53,315,336,661	323,370,941,921	3,654,791,311
Current liabilities	<b>142,600,000,000</b>	<b>15,351,679,468</b>	<b>21,097,792,531</b>	<b>21,275,297</b>	127,562,136,965	11,410,541,046	25,530,846,420	83,985,743
Noncurrent liabilities	<b>166,935,000,000</b>	<b>23,449,784,029</b>	<b>13,381,857,374</b>	<b>42,282,042</b>	144,221,146,025	31,005,793,045	14,045,653,002	72,166,166
Equity	<b>₱80,731,000,000</b>	<b>₱30,959,484,904</b>	<b>₱290,495,347,492</b>	<b>₱4,501,496,122</b>	₱85,235,079,017	₱31,083,038,543	₱299,995,497,664	₱4,551,158,108
Group's carrying amount of the investment	<b>₱78,680,964,375</b>	<b>₱11,101,305,051</b>	<b>₱56,026,898,785</b>	<b>₱748,668,457</b>	₱79,941,986,898	₱12,126,046,658	₱48,981,302,371	₱791,595,964

As of December 31, 2020 and 2019, the Group's share in Meralco's net assets amounted to ₱23.9 billion and ₱25.2 billion, respectively. As of December 31, 2020 and 2019, 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 and 2019, the Group's share in GBPC's net assets amounted to ₱9.3 billion and ₱9.3 billion, respectively. 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, 2020 and 2019, the Group's share in UICL's net assets amounted to ₱107.6 billion and ₱111.1 billion, respectively. The excess of the Group's share in the carrying value of UICL's net assets over the carrying value of the investment is attributable to the difference between the fair value and carrying value of UICL's net assets at the date of acquisition.

As of December 31, 2020 and 2019, the Group's share in OPMC's net assets amounted to ₱873.3 million and ₱882.9 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, 2020, 2019 and 2018:

	2020				2019			
	Meralco	GBPC	UICL	OPMC	Meralco	GBPC	UICL	OPMC
Revenue	<b>₱275,304,000,000</b>	<b>₱21,876,546,660</b>	<b>₱25,517,515,967</b>	<b>₱ 169,560,225</b>	₱319,322,222,397	₱24,664,347,108	₱968,672,147	₱373,034,295
Expenses	<b>254,313,000,000</b>	<b>15,538,527,602</b>	<b>16,677,920,134</b>	<b>134,808,203</b>	289,069,727,910	17,390,229,780	467,453,130	299,805,689
Finance costs (income)	<b>(1,424,000,000)</b>	<b>2,203,211,624</b>	<b>46,288,892</b>	<b>(79,762,983)</b>	(1,662,088,758)	2,264,670,273	2,930,980	–
Profit before tax	<b>22,415,000,000</b>	<b>4,134,807,434</b>	<b>8,793,306,941</b>	<b>114,515,005</b>	31,914,583,245	5,009,447,055	498,288,037	73,228,606
Income tax expense	<b>6,266,000,000</b>	<b>1,088,892,516</b>	<b>1,021,844,374</b>	–	8,543,046,152	1,102,612,239	41,642,037	–
Profit for the year								
(continuing operations)	<b>₱16,149,000,000</b>	<b>₱3,045,914,918</b>	<b>₱7,771,462,567</b>	<b>₱114,515,005</b>	₱23,371,537,093	₱3,906,834,816	₱456,646,000	₱73,228,606
Other comprehensive income (loss) for the year	<b>(4,299,000,000)</b>	–	–	–	(2,995,676,854)	–	–	–
Total comprehensive income for the year								
(continuing operations)	<b>₱11,850,000,000</b>	<b>₱3,045,914,918</b>	<b>₱7,771,462,567</b>	<b>₱114,515,005</b>	₱20,375,860,239	₱3,906,834,816	₱456,646,000	₱73,228,606
Group's share of profit for the year	<b>₱4,607,335,920</b>	<b>₱541,296,119</b>	<b>₱2,492,264,217</b>	<b>₱28,644,075</b>	₱6,667,422,170	₱671,236,006	₱6,037,320,136	₱14,206,355

	2018			
	Meralco	GBPC	UICL	OPMC
Revenue	₱306,484,000,000	₱27,219,494,275	₱26,398,495,164	₱546,215,154
Expenses	276,737,000,000	20,342,220,593	16,158,971,353	390,232,352
Finance costs	(798,000,000)	2,239,282,564	9,696,634	–
Profit before tax	30,545,000,000	4,637,991,118	10,229,827,177	155,982,802
Income tax expense	7,443,000,000	1,120,985,283	1,486,108,349	35,520,914
Profit for the year (continuing operations)	<b>₱23,102,000,000</b>	<b>₱3,517,005,835</b>	<b>₱8,743,718,828</b>	<b>₱120,461,888</b>
Total comprehensive income for the year (continuing operations)	480,000,000	–	–	–
Total comprehensive income for the year (continuing operations)	<b>₱23,582,000,000</b>	<b>₱3,517,005,835</b>	<b>₱8,743,718,828</b>	<b>₱120,461,888</b>
Group's share of profit for the year	<b>₱6,588,285,540</b>	<b>₱621,783,963</b>	<b>₱3,239,372,942</b>	<b>₱22,017,011</b>



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.

*CLIFI*

As of December 31, 2020 and 2019, the Group has deposit for future stock subscription in CLIFI amounting to ₱10.0 million. These represents 20.0% of CLIFI's proposed increase in authorized capital stock.

*G2M*

On September 20, 2018, the Parent Company invested in G2M's convertible note amounting to \$5.9 million. The Parent Company paid \$2.97 million to G2M as first installment payment. On January 2020, the Parent Company paid \$2.97 million as second installment payment for its convertible note since certain conditions were met. The convertible note gives the Parent Company the right to convert to 14.90% of the outstanding stock of G2M. The Parent Company has one representation on the BOD of the 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.

On December 14, 2020, JGDCPL invested in G2M's convertible amounting to \$1.45 million which is equivalent to 23,112 shares in the company upon conversion.

*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, 2020 and 2019, CAI's investment in PAAT amounted to ₱218.8 million and ₱237.7 million, respectively.

*DURBI*

On May 23, 2014, URC entered into a joint venture agreement with Danone Asia Holdings Pte. Ltd., a corporation duly organized in the Republic of Singapore to form Danone Universal Robina Beverages, Inc. (DURBI), a corporation duly incorporated and organized in the Philippines to manufacture and distribute food products under the "B'lue" brand name, which is under exclusive license to DURBI in the Philippines.

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.

*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% 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.

Aggregate information of associates and joint ventures that are not individually material follows:

	2020		2019	
	Associates	Joint Venture	Associates	Joint Venture
Group's share of:				
Profit (loss) for the year	<b>P38,771,914</b>	<b>P92,425,640</b>	P36,240,500	(P68,913,997)
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	<b>P38,771,914</b>	<b>P92,425,640</b>	P36,240,500	(P68,913,997)
Group's share of dividends for the year	<b>P1,000,000</b>	<b>P-</b>	P2,000,000	P48,693,162
Group's carrying amount of the investment	<b>P898,261,334</b>	<b>P2,978,042,521</b>	P546,086,425	P3,731,311,972

#### 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, 2020	December 31, 2019
Universal Robina Corporation (URC)	Philippines	<b>44.75</b>	44.75
Robinsons Land Corporation (RLC)	Philippines	<b>39.03</b>	39.03
Cebu Air, Inc. (CAI)	Philippines	<b>32.20</b>	32.20
Robinsons Bank Corporation (RBC)	Philippines	<b>40.00</b>	40.00

- Accumulated balances of material non-controlling interest:

Name of Subsidiary	2020	2019
URC	<b>P46,809,364,089</b>	P44,697,172,077
RLC	<b>40,628,491,243</b>	39,413,894,384
CAI	<b>7,291,166,799</b>	14,471,966,173
RBC	<b>7,330,245,744</b>	6,689,122,170

- Profit allocated to material non-controlling interest:

Name of Subsidiary	2020	2019
URC	<b>P5,686,835,451</b>	P4,797,010,497
RLC	<b>2,049,886,134</b>	3,401,193,211
CAI	<b>(7,145,696,887)</b>	2,953,400,776
RBC	<b>373,834,767</b>	275,770,603



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, 2020:

	URC	RLC	CAI	RBC
Current assets	<b>₱65,562,838,524</b>	<b>₱78,953,290,052</b>	<b>₱12,138,683,588</b>	<b>₱146,676,027,057</b>
Noncurrent assets	<b>110,632,091,743</b>	<b>136,247,435,005</b>	<b>116,319,897,988</b>	<b>4,539,360,153</b>
Current liabilities	<b>53,667,829,890</b>	<b>52,974,616,397</b>	<b>33,790,839,089</b>	<b>131,975,249,476</b>
Noncurrent liabilities	<b>24,742,938,443</b>	<b>59,508,077,025</b>	<b>71,976,865,872</b>	<b>914,523,375</b>

- Summarized statement of financial position as at December 31, 2019:

	URC	RLC	CAI	RBC
Current assets	₱64,844,632,262	₱56,779,122,872	₱25,970,368,533	₱47,939,220,762
Noncurrent assets	103,808,357,611	132,872,086,889	131,762,204,029	83,201,717,832
Current liabilities	34,933,350,028	41,345,192,866	42,696,069,925	90,539,016,591
Noncurrent liabilities	38,535,137,651	48,228,346,417	70,135,526,977	23,541,447,635

- Summarized statements of comprehensive income for 2020:

	URC	RLC	CAI	RBC
Revenue	<b>₱133,140,081,384</b>	<b>₱25,404,826,534</b>	<b>₱22,617,967,165</b>	<b>₱8,401,849,879</b>
Profit (loss) for the year from continuing operations	<b>11,624,602,710</b>	<b>5,259,364,231</b>	<b>(22,236,441,976)</b>	<b>934,586,917</b>
Total comprehensive income	<b>9,882,497,384</b>	<b>4,923,206,500</b>	<b>(22,165,338,382)</b>	<b>1,265,139,991</b>
Dividends paid to non-controlling interests	<b>3,449,909,754</b>	<b>1,023,801,914</b>	-	-

- 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 comprehensive income for 2018:

	URC	RLC	CAI	RBC
Revenue	₱127,769,949,329	₱29,558,482,650	₱74,113,776,885	₱6,132,382,567
Profit for the year from continuing operations	9,462,786,222	8,223,964,585	3,922,744,538	317,113,802
Total comprehensive income	11,304,232,869	8,244,577,443	3,929,651,955	(635,921,001)
Dividends paid to non-controlling interests	3,445,317,586	729,728,560	893,435,847	-

- Summarized statements of cash flows for 2020:

	URC	RLC	CAI	RBC
Operating	<b>₱18,936,381,384</b>	<b>₱12,676,825,680</b>	<b>(₱13,216,604,168)</b>	<b>₱14,241,687,736</b>
Investing	<b>(11,352,455,654)</b>	<b>(12,303,802,822)</b>	<b>3,508,206,021</b>	<b>(722,941,692)</b>
Financing	<b>(9,202,794,126)</b>	<b>6,570,797,403</b>	<b>(3,940,966,965)</b>	<b>(2,306,284,717)</b>
Effect of exchange rate changes	-	-	<b>(221,963,106)</b>	<b>87,417,783</b>
Net cash flows	<b>₱9,733,587,258</b>	<b>₱6,943,820,261</b>	<b>(₱13,871,328,218)</b>	<b>₱11,299,879,110</b>



▪ 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)

▪ Summarized statements of cash flows for 2018:

	URC	RLC	CAI	RBC
Operating	₱14,657,595,147	₱13,290,007,948	₱15,287,432,831	(₱6,741,597,348)
Investing	(8,680,124,323)	(17,232,445,256)	(22,906,778,155)	(6,561,616,665)
Financing	(7,789,986,703)	4,410,823,612	8,459,574,791	12,193,415,048
Effect of exchange rate changes	–	–	438,876,572	(17,420,981)
Net cash flows	(₱1,812,515,879)	₱468,386,304	₱1,279,106,039	(₱1,127,219,946)

## 15. Investment Properties

Movements in this account follow:

	2020			
	Land and Land Improvements	Buildings and Improvements	Construction In-Progress	Total
<b>Cost</b>				
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
<b>Accumulated Depreciation and Amortization</b>				
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
<b>Allowance for Impairment Losses</b>				
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
	<b>₱33,714,717,210</b>	<b>₱58,088,948,443</b>	<b>₱12,871,420,252</b>	<b>₱104,675,085,905</b>

	2019			
	Land and Land Improvements	Buildings and Improvements	Construction In-Progress	Total
<b>Cost</b>				
Balance at beginning of year	₱32,721,622,396	₱87,262,961,198	₱6,314,587,588	₱126,299,171,182
Additions	950,264,717	2,754,948,866	6,355,317,188	10,060,530,771
Disposals/transfers and other adjustments	(460,777,966)	5,018,457,870	(5,657,635,207)	(1,099,955,303)
Balance at end of year	33,211,109,147	95,036,367,934	7,012,269,569	135,259,746,650
<b>Accumulated Depreciation and Amortization</b>				
Balance at beginning of year	₱158,981,682	₱32,288,559,129	₱–	₱32,447,540,811
Depreciation and amortization	26,209,217	4,031,059,216	–	4,057,268,433
Disposals/transfers and other adjustments	(789,146)	(271,849,900)	–	(272,639,046)
Balance at end of year	184,401,753	36,047,768,445	–	36,232,170,198
<b>Allowance for Impairment Losses</b>				
Balance at beginning of year	23,214,800	11,444,696	–	34,659,496
Reversal of impairment losses	(470,209)	(3,353,416)	–	(3,823,625)
Disposals/transfers/other adjustments	3,185,602	(6,691,057)	–	(3,505,455)
Balance at end of year	25,930,193	1,400,223	–	27,330,416
<b>Net Book Value at End of Year</b>	<b>₱33,000,777,201</b>	<b>₱58,987,199,266</b>	<b>₱7,012,269,569</b>	<b>₱99,000,246,036</b>





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 ₱12.9 billion and ₱5.7 billion as of December 31, 2020 and 2019, respectively, represents the cost of ongoing construction and development of malls and office buildings for lease.

Borrowing costs capitalized amounted to ₱0.35 billion and ₱0.32 billion in 2020 and 2019, 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 2020 and 2019 were 4.54% and 4.59%, respectively.

Consolidated rent income from investment properties included under 'Real estate and hotels revenue' in the consolidated statements of comprehensive income amounted to ₱10.6 billion, ₱15.4 billion and ₱13.5 billion in 2020, 2019 and 2018, respectively.

Property operations and maintenance costs included under 'Cost of services' arising from investment properties amounted to ₱492.0 million, ₱680.0 million and ₱791.0 million for the year ended December 31, 2020, 2019 and 2018, 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, 2020, 2019 and 2018, respectively.

#### Depreciation and Amortization

The breakdown of consolidated depreciation and amortization on investment properties follows:

	2020	2019	2018
Depreciation and amortization expense included under:			
Cost of services (Note 33)	<b>₱4,295,854,563</b>	₱4,023,366,050	₱3,699,469,319
General and administrative expenses (Note 33)	<b>41,145,833</b>	33,902,383	31,728,747
	<b>₱4,337,000,396</b>	₱4,057,268,433	₱3,731,198,066

#### Collaterals

As of December 31, 2020 and 2019, 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, 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
<b>Cost</b>								
Balance at beginning of year	P7,880,937,530	P36,161,110,685	P132,350,689,804	P12,599,686,600	P118,200,275,859	P73,207,836,386	P5,053,650,131	P385,454,186,995
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
<b>Accumulated Depreciation and Amortization</b>								
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
<b>Allowance for Impairment Losses</b>								
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
<b>Net Book Value at End of Year</b>	<b>P7,678,072,540</b>	<b>P18,010,346,154</b>	<b>P66,193,246,395</b>	<b>P2,552,111,172</b>	<b>P73,833,686,504</b>	<b>P87,232,626,516</b>	<b>P4,915,650,424</b>	<b>P260,415,739,705</b>



December 31, 2019

	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
<b>Cost</b>								
Balance at beginning of year	₱7,442,844,599	₱33,173,487,797	₱126,294,624,225	₱11,487,154,411	₱104,689,791,895	₱44,352,463,790	₱4,920,592,170	₱332,360,958,887
Additions	427,774,011	2,867,328,508	6,429,647,355	1,119,874,196	21,166,514,748	29,917,470,239	159,279,456	62,087,888,513
Additions from acquisition of subsidiaries	–	29,148,248	659,837,348	17,320,616	–	–	–	706,306,212
Transfers, disposals and other adjustments	10,318,920	91,146,132	(1,033,419,124)	(24,662,623)	(7,656,030,784)	(1,062,097,643)	(26,221,495)	(9,700,966,617)
Balance at end 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
<b>Accumulated Depreciation and Amortization</b>								
Balance at beginning of year	1,470,820,843	13,856,401,641	62,856,801,693	8,512,289,254	25,084,182,445	–	–	111,780,495,876
Depreciation and amortization	208,112,453	1,468,339,249	6,945,307,633	1,108,404,559	9,302,025,593	–	–	19,032,189,487
Additions from acquisition of subsidiaries	–	14,747,981	248,628,009	14,165,865	–	–	–	277,541,855
Disposals, transfers and other adjustments	(6,278,337)	75,918,067	(1,333,356,073)	257,177,453	(3,904,593,481)	–	–	(4,911,132,371)
Balance at end 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
<b>Allowance for Impairment Losses</b>								
Balance at beginning of year	7,742,527	551,043,201	1,747,742,728	279,328	–	–	–	2,306,807,784
Provision for (reversal of) impairment losses (Note 34)	–	(546,468,790)	(1,728,326,463)	–	–	–	–	(2,274,795,253)
Disposals, transfers and other adjustments	3,642,527	(3,379,874)	–	–	–	–	–	262,653
Balance at end of year	11,385,054	1,194,537	19,416,265	279,328	–	–	–	32,275,184
<b>Net Book Value at End of Year</b>	<b>₱6,196,897,517</b>	<b>₱20,744,509,210</b>	<b>₱63,613,892,277</b>	<b>₱2,707,370,141</b>	<b>₱87,718,661,302</b>	<b>₱73,207,836,386</b>	<b>₱5,053,650,131</b>	<b>₱259,242,816,964</b>



*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.

*Asset Purchase Agreement with Century Pacific Food, Inc (CNPF)*

In May 2017, CNPF entered into an asset purchase agreement with URC to purchase the machineries and equipment used in manufacturing the Hunt's branded products for a total consideration of ₱145.1 million, net of tax. The Group recognized gain on disposal amounting to ₱117.0 million, under 'Other income (losses)' in the consolidated statements of comprehensive income. The sale was completed on August 31, 2017.

CNPF also entered into a Compensation Agreement with URC to acquire the exclusive right to manufacture and sell Hunt's branded products amounting to ₱214.2 million. The Group recognized gain of the same amount under 'Other income (losses)' in the consolidated statements of comprehensive income.

In January 2017, URC executed a Memorandum of Agreement and Deed of Absolute Sale with a related party, selling its three parcels of land costing ₱1.0 million for a total consideration of ₱111.3 million. Gain on disposal attributable to sale amounted to ₱110.3 million, which was recognized under 'Other income (loss) - net' in the consolidated statements of comprehensive income.

*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 in 2019. The Group is currently expanding its Naphtha Cracker Plant capacity, which is expected to be completed in 2021. This expansion will generate economies of scale that will decrease the Group's olefins costs and lead to significantly higher polymer margins.

The recoverable amount of the CGU has been determined based on a value-in-use calculation using cash flow projections from financial budgets approved by senior management. The projected cash flows have been updated to reflect demand for JGSPC's products. The pre-tax discount rate applied to cash flow projections is 13.76% and cash flows beyond one-year period are extrapolated using a 3.77% growth rate, consistent with the long-term average growth rate for petrochemical industry.

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, 2020 and 2019, the Group's pre-delivery payments capitalized as construction in-progress amounted to ₱16.3 billion and ₱17.7 billion, respectively.



*URC*

Construction-in-progress amounting to ₱10.7 billion and ₱9.1 billion as of December 31, 2020 and 2019, respectively, represents costs of ongoing expansion and constructions of plants.

*JGSOC*

Construction-in-progress amounting to ₱19.9 billion and ₱16.9 billion as of December 31, 2020 and 2019, 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 ₱36.0 billion and ₱29.0 billion as of December 31, 2020 and 2019, 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:

	2020	2019	2018
General and administrative expenses (Note 33)	<b>₱10,238,796,893</b>	₱10,288,831,103	₱8,491,559,939
Cost of sales (Note 33)	<b>8,415,168,078</b>	7,856,443,308	7,266,240,029
Cost of services (Note 33)	<b>829,042,388</b>	886,915,076	757,263,326
	<b>₱19,483,007,359</b>	₱19,032,189,487	₱16,515,063,294

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, 2020 and 2019, the Group's passenger aircraft and engines held as securing assets under various loans are as follows:

	2020	2019
	Commercial Loans	Commercial Loans
A320 CEO	17	17
ATR 72-500	-	-
ATR 72-600	12	12
A321 CEO	7	7
A321 NEO	6	5
A330 CEO	2	2
	<b>44</b>	43

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, 2020 and 2019, the carrying amounts of the securing assets (included under the 'Property and equipment' account) amounted to ₱64.5 billion and ₱58.4 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 RRP 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, the Group 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, the Group 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 into a loss of ₱412.9 million.

Proceeds from sale of property and equipment for the year ended December 31, 2020 and 2019 amounted to ₱7,336.3 million and ₱4,406.6 million, respectively.

Sale and Operating Leaseback

In May and November 2017, the Group entered into a sale and operating leaseback transactions with Ibon Leasing Limited (ILL) and JPA No. 78/79/80/81 Co., Ltd. covering two and four Airbus A320, respectively. The sale of aircraft required the prepayment of outstanding balance of the loan facility attributed to the sold Airbus A320 aircraft. The total amount of loans and breakage costs paid amounted to ₱4,162.6 million and ₱12.32 million, respectively. The Group recognized gain on sale of aircraft amounting to ₱635.5 million from these transactions.

In July and August 2018, CAI entered into a sale and operating leaseback transaction with JPA No. 117/118/119 Co., Ltd. covering three (3) Airbus A320. CAI recognized gain on sale of aircraft amounting to ₱110.2 million from these transactions in 2018.

Operating Fleet

As of December 31, 2020 and 2019, the Group’s operating fleet follow:

	2020	2019
Leased aircrafts: (Note 42)		
Airbus A320 CEO	22	26
Airbus A321 CEO	7	7
Airbus A330 CEO	6	6
Airbus A321 NEO	7	5
Airbus A320 NEO	5	4
ATR 72-600	1	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
	<b>74</b>	<b>75</b>



In June 2020, the Group received one (1) A321 NEO aircraft.

Gain (loss) on sale or retirement of property, plant and equipment amounted to (P370.2 million), (P223.8 million) and P37.1 million in 2020, 2019 and 2018, respectively.

As of December 31, 2020 and 2019, the gross amount of fully depreciated property and equipment which are still in use by the Group amounted to P6.5 billion and P8.4 billion, respectively.

## 17. Biological Assets

Total biological assets shown in the consolidated statements of financial position follow:

	2020	2019
Current portion	<b>P99,919,468</b>	P733,435,525
Noncurrent portion	<b>134,331,929</b>	224,128,072
	<b>P234,251,397</b>	P957,563,597

These biological assets consist of:

	2020	2019
<b>Swine</b>		
Commercial	<b>P74,123,306</b>	P711,301,722
Breeder	<b>42,920,185</b>	136,695,328
<b>Poultry</b>		
Commercial	<b>25,796,162</b>	22,133,803
Breeder	<b>91,411,744</b>	87,432,744
	<b>P234,251,397</b>	P957,563,597

The rollforward analysis of this account follows:

	2020	2019
Balance at beginning of year	<b>P957,563,597</b>	P1,107,904,051
Additions	<b>1,756,709,312</b>	3,641,918,030
Disposals	<b>(1,966,488,386)</b>	(3,483,083,335)
Write-down	<b>(550,573,074)</b>	(238,990,324)
Gains (loss) arising from changes in fair value less estimated costs to sell	<b>37,039,948</b>	(70,184,825)
	<b>P234,251,397</b>	P957,563,597

As of December 31, 2020 and 2019, the Group has about 21,142 and 209,640 heads of swine, respectively, and about 623,821 and 529,971 heads of poultry, respectively.



## 18. Intangible Assets

The composition and movements in this account follow:

	2020						Total
	Technology Licenses	Branch licenses and others	Software Costs	Trademarks and Brands	Product Formulation	Customer Relationship	
<b>Cost</b>							
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
<b>Accumulated Amortization and Impairment Losses</b>							
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
<b>Net Book Value at End of Year</b>	<b>₱-</b>	<b>₱1,766,632,510</b>	<b>₱794,841,203</b>	<b>₱9,362,936,671</b>	<b>₱425,000,000</b>	<b>₱1,805,490,811</b>	<b>₱14,154,901,195</b>

	2019						Total
	Technology Licenses	Branch licenses and others	Software Costs	Trademarks and Brands	Product Formulation	Customer Relationship	
<b>Cost</b>							
Balance at beginning of year	₱552,331,752	₱1,765,776,346	₱1,022,979,831	₱9,564,461,252	₱425,000,000	₱2,201,281,165	₱15,531,830,346
Additions	-	46,589	137,839,833	-	-	-	137,886,422
Disposals/reclassification/others	-	-	(9,489,560)	-	-	-	(9,489,560)
Balance at end 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
<b>Accumulated Amortization and Impairment Losses</b>							
Balance at beginning of year	552,331,752	-	551,662,149	201,524,581	-	271,887,272	1,577,405,754
Amortization	-	-	149,310,482	-	-	73,357,370	222,667,852
Disposals/reclassifications	-	-	(29,106,813)	-	-	(9,129,984)	(38,236,797)
Balance at end of year	552,331,752	-	671,865,818	201,524,581	-	336,114,658	1,761,836,809
<b>Net Book Value at End of Year</b>	<b>₱-</b>	<b>₱1,765,822,935</b>	<b>₱479,464,286</b>	<b>₱9,362,936,671</b>	<b>₱425,000,000</b>	<b>₱1,865,166,507</b>	<b>₱13,898,390,399</b>

### Technology Licenses

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.

### Branch Licenses and Others

Branch licenses pertain to RBC which amounted to ₱0.9 billion in 2020 and 2019. 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 11.62% 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.

### Trademarks, Product Formulation, Brands and Customer Relationships

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, 2020 and 2019. In 2020, the recoverable amounts of goodwill and other intangible assets were determined based on value in use calculations. In 2019, recoverable amounts were determined based on value in use calculations for goodwill and other intangible assets allocated to UABCL and the Balayan Sugar Mill, and fair value less costs to sell (FVLCTS) for those allocated to CSPL and URC NZ HoldCo.

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 9.03% to 14.52% and from 8.30% to 10.50% for the years ended December 31, 2020 and 2019, 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 2.00% to 6.60% and 2.00% to 6.90% as of December 31, 2020 and 2019, 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.

FVLCTS of CSPL and URC NZ HoldCo were based on enterprise values that were derived from EBITDA multiples.

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.

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## 19. Goodwill

Movements in the Group's goodwill account follow:

	2020	2019
<b>Cost</b>		
Balance at beginning	<b>₱32,276,536,238</b>	₱32,276,536,238
Additions due to business combination	<b>154,867,437</b>	-
Balance at end of year	<b>32,431,403,675</b>	32,276,536,238
<b>Accumulated Impairment Losses</b>		
Balance at beginning	<b>270,931,882</b>	270,931,882
Impairment loss (Note 34)	-	-
Balance at end of year	<b>270,931,882</b>	270,931,882
<b>Net Book Value at End of Year</b>	<b>₱32,160,471,793</b>	₱32,005,604,356

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.



Goodwill is not amortized and is non-deductible for tax purposes.

*Acquisition of CSPL/Griffin's/UABCL/Balayan*

Goodwill arising from the acquisition of CSPL (amounting to ₱16.5 billion) and Griffin's (amounting ₱13.9 billion) is mainly attributable to synergies formed between URC and CSPL, and URC and Griffin's, respectively.

The Group performed its annual impairment test on its goodwill and other intangible assets with indefinite useful lives as of December 31, 2020 and 2019.

The recoverable amounts of goodwill and other intangible assets were determined based on value in use calculations for goodwill allocated to UABCL and the Balayan Sugar Mill, and fair value less costs to sell (FVLCTS) for goodwill allocated to CSPL and NZSFHL.

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 9.03% to 14.52% and 8.30% to 10.50% for the years ended December 31, 2020 and 2019, 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 2.00% to 6.60% and 2.00% to 6.90% as of December 31, 2020 and 2019, 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.

FVLCTS of CSPL and NZSFHL were based on enterprise values that were derived from EBITDA multiples. These enterprise values served as basis for the transaction price in the sale of 40% ownership interest in the Oceania business (Note 22).

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.

*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
<b>Total assets</b>	<b>641,822,731</b>
Trade payables	113,381,635
Retirement liability	107,441,205
Lease liability	2,902,849
Other liabilities	32,993,547
<b>Total liabilities</b>	<b>256,719,236</b>
<b>Total identifiable net assets at fair value</b>	<b>385,103,495</b>
Less: Fair value of previously held interest	269,471,017
Acquisition cost	270,499,915
	539,970,932
<b>Goodwill from acquisition</b>	<b>₱154,867,437</b>

Net cash outflow on acquisition is as follows:

Cash consideration	₱270,499,915
Less - cash acquired with the subsidiary <sup>(a)</sup>	69,622,242
<b>Net cash outflow</b>	<b>₱200,877,673</b>

<sup>(a)</sup>Cash acquired with the subsidiary is included in cash flows from investing activities.



## 20. Other Noncurrent Assets

This account consists of:

	2020	2019
Advances to suppliers - net of current portion	<b>₱4,591,539,488</b>	₱5,493,255,632
Deferred tax assets (Note 38)	<b>3,788,710,580</b>	2,462,525,846
Advances to lot owners - net of current portion	<b>3,745,307,951</b>	1,886,052,753
Security and miscellaneous deposits	<b>1,620,941,533</b>	1,058,800,372
Utility deposits	<b>662,909,455</b>	746,384,122
Others	<b>2,245,361,109</b>	1,748,350,005
	<b>₱16,654,770,116</b>	₱13,395,368,730

### Advances to Suppliers

Advances to suppliers pertain to RLC's advance payments to suppliers or contractors which will be applied against the final billing. As of December 31, 2020 and 2019, these advances amounted to ₱2.1 billion and ₱2.3 billion, respectively.

As of December 31, 2020 and 2019, 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 ₱2.5 billion and ₱3.2 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 consist primarily of bid bonds and meter deposits.

### Others

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.

As of December 31, 2019, others include deposits to various joint ventures, deferred input VAT, prepaid rent, and repossessed chattels amounting to ₱514.9 million, ₱161.3 million, ₱100.0 million and ₱54.7 million, respectively. The deposits to various joint venture partners represent RLC's 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 Group's share in the completed units or share in the sales proceeds of the units, depending on the agreement with the other party.



## 21. Accounts Payable and Accrued Expenses

This account consists of:

	2020	2019
Deposit liabilities	<b>₱111,455,936,892</b>	₱82,445,508,193
Trade payables	<b>31,184,638,473</b>	32,659,164,869
Accrued expenses	<b>19,892,157,852</b>	18,520,442,025
Airport and other related fees payable	<b>2,284,416,132</b>	4,366,214,762
Output VAT	<b>2,166,425,938</b>	1,627,770,511
Refunds payable	<b>1,430,451,596</b>	70,166,604
Withholding taxes payable	<b>436,729,895</b>	418,311,398
Due to related parties (Note 40)	<b>143,059,245</b>	114,835,410
Dividends payable	<b>45,060,888</b>	43,287,603
Bills payable	-	2,040,505,751
Other payables	<b>3,581,710,125</b>	4,021,164,731
	<b>₱172,620,587,036</b>	₱146,327,371,857

### Deposit Liabilities

Deposit liabilities represent the savings, demand and time deposit liabilities of RBC and LSB. Of the total deposit liabilities of the RBC and LSB as of December 31, 2020 and 2019, 58.62% and 58.11%, respectively, are subject to periodic interest repricing. Remaining deposit liabilities of the RBC and LBC bear annual fixed interest rates ranging from nil to 5.75% in 2020 and from nil to 6.75% in 2019.

As of December 31, 2020 and 2019, the liquidity and statutory reserves of RBC and LSB amounted to ₱10.5 billion and ₱11.9 billion.

Details of interest expense on deposit liabilities, which are included in the 'Cost of services - Banking' in profit or loss in the consolidated statements of comprehensive income follow (see Note 30):

	2020	2019	2018
Savings	<b>₱632,859,634</b>	₱1,717,487,944	₱1,519,637,039
Time	<b>469,426,389</b>	492,682,489	327,159,604
LTNCD	<b>270,901,436</b>	267,893,614	221,343,421
Demand	<b>2,053,285</b>	4,334,999	3,062,044
	<b>₱1,375,240,744</b>	₱2,482,399,046	₱2,071,202,108

### 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:

	2020	2019
Advertising and promotions	<b>₱4,836,157,772</b>	₱4,658,935,241
Accrued interest payable	<b>2,913,215,469</b>	2,099,295,845
Landing and take-off, navigational charges, and other aircraft-related expenses	<b>2,814,477,238</b>	2,751,297,389
Compensation and benefits	<b>2,478,225,412</b>	2,670,889,488
Contracted services	<b>1,615,783,498</b>	1,339,802,325
Rental expense	<b>1,300,544,602</b>	1,140,981,722
Utilities	<b>708,914,561</b>	442,654,022
Taxes and licenses	<b>666,260,868</b>	889,606,075
Freight and handling costs	<b>480,495,182</b>	331,755,430
Insurance	<b>110,537,452</b>	55,312,003
Royalties	<b>39,350,901</b>	24,542,020
Other accrued expenses	<b>1,928,194,897</b>	2,115,370,465
	<b>₱19,892,157,852</b>	₱18,520,442,025



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, 2020, ₱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, 2020 and 2019, other payables consist of management bonus and other non-trade payables.

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## 22. Other Current Liabilities

This account consists of:

	2020	2019
Deposit from real estate buyers	<b>₱28,053,511,701</b>	₱14,184,663,585
Current portion of lease liabilities (Note 42)	<b>7,318,423,995</b>	5,784,084,993
Unearned transportation revenue	<b>3,671,467,766</b>	11,881,599,591
Deposit from lessees (Notes 24 and 42)	<b>2,984,978,548</b>	2,962,971,768
Advances from agents and others	<b>779,423,721</b>	567,139,322
Customer's deposits	<b>540,371,531</b>	374,232,059
Derivative liabilities (Note 8)	<b>245,940,423</b>	419,103,569
	<b>₱43,594,117,685</b>	₱36,173,794,887

#### 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 2020, unearned transportation revenue consists of unearned passenger revenue and deferred ancillary revenue amounting to ₱3.5 billion and ₱0.2 billion, respectively. In 2019, unearned transportation revenue consists of unearned passenger revenue and deferred ancillary revenue amounting to ₱10.2 billion and ₱1.7 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 and Long-term Debts

#### Short-term Debts

Short-term debts consist of:

	2020	2019
Parent Company:		
Foreign currency - with interest rate of 2.4% in 2019	₱–	₱7,029,403,875
Philippine Peso - with interest rate of 4.7% in 2019	–	2,000,000,000
	–	9,029,403,875
Subsidiaries:		
Foreign currencies - unsecured with interest rates ranging from 0.78% to 3.2% in 2020 and 2.2% to 4.4% in 2019	8,924,046,867	9,822,359,631
Philippine Peso - with interest rates of 2.8% to 4% in 2020 and 4.7% to 4.9% in 2019	35,494,045,318	35,195,646,498
	<b>44,418,092,185</b>	45,018,006,129
	<b>₱44,418,092,185</b>	₱54,047,410,004

As of December 31, 2020 and 2019, short-term debt of certain subsidiaries denominated in foreign currency and peso include trust receipts payable amounting to ₱23.5 billion and ₱27.2 billion, respectively. The trust receipts payable are secured by the trustee inventories for the same amount (see Note 12).

In 2020, 2019 and 2018, the Group incurred interest expense on short-term notes amounting to ₱0.9 billion, ₱1.4 billion and ₱1.1 billion, respectively (see Note 35).

#### Long-term Debts

Long-term debts (net of debt issuance costs) consist of:

	Maturities	Interest Rates	2020	2019	Condition
Parent Company:					
Fixed Rate Retail Bonds:					
₱30.0 billion fixed rate retail bonds					
₱5.3 billion bonds	2021	5.24%	₱5,311,740,108	₱5,303,582,674	Unsecured
₱0.2 billion bonds	2024	5.30%	175,723,971	175,550,050	Unsecured
Term Loans					
₱5.0 billion term loan	2022	4.65%	4,991,809,222	4,986,692,756	Unsecured
₱5.0 billion term loan	2024	4.93%	4,886,317,635	4,932,841,317	Unsecured
₱10.0 billion term loan	2023	BDO's 30-day prime rate (3.4%)	9,961,716,782	9,946,897,483	Unsecured
₱5.0 billion term loan	2023	Floating (1.6188%)	4,980,677,601	4,973,325,079	Unsecured
₱5.0 billion term loan	2024	4.9010%	4,971,766,633	4,964,869,570	Unsecured

(Forward)





	Maturities	Interest Rates	2020	2019	Condition
₱7.0 billion term loan	2024	Floating (1.83%)	<b>₱6,960,676,503</b>	₱6,950,882,915	Unsecured
₱4.0 billion term loan	2025	4.75%	<b>3,972,701,331</b>	–	Unsecured
			<b>46,213,129,786</b>	42,234,641,844	
Subsidiaries:					
Foreign currencies:					
JGSPL					
US\$750.0 million guaranteed notes	2023	4.38%	<b>29,272,287,827</b>	32,455,021,803	Guaranteed
US\$600.0 million guaranteed notes	2030	4.125%	<b>28,675,204,373</b>	–	Guaranteed
CAI					
USD commercial loan from foreign banks	2025	3-5%; (US\$ Libor)	<b>25,333,277,532</b>	30,470,347,254	Secured
JPY commercial loan	2029	Less than 1% LIBOR	<b>7,727,531,810</b>	8,424,916,122	Secured
URC					
NZ\$395.0 million term loan	2023	NZ 3.15% (BKBM+1.10%)	<b>13,498,653,900</b>	13,296,756,840	Guaranteed
AUS\$484.2 million term loan	2021	AU 3.04% (BBSY BID+1.25%)	<b>17,838,897,236</b>	17,089,320,768	Guaranteed
			<b>122,345,852,678</b>	101,736,362,787	
Philippine Peso:					
RLC					
₱12.7 billion loan facility	2023	3.683%	<b>12,627,273,856</b>	–	Unsecured
₱10.6 billion loan facility	2022	4.80%	<b>10,616,830,211</b>	10,601,369,418	Unsecured
₱7.0 billion loan facility	2024	4.75%	<b>6,702,513,502</b>	6,837,575,949	Unsecured
₱6.5 billion loan facility	2021	3.83%	<b>6,496,248,135</b>	6,489,197,118	Unsecured
₱6.0 billion loan facility	2025	4.75%	<b>5,959,274,275</b>	–	Unsecured
₱5.0 billion loan facility	2023	3.89%	<b>4,950,688,567</b>	4,957,108,758	Unsecured
₱4.5 billion loan facility	2027	4.95%	<b>4,469,924,269</b>	4,472,866,455	Unsecured
₱1.4 billion loan facility	2025	4.93%	<b>1,358,436,534</b>	1,357,154,478	Unsecured
₱0.4 billion loan facility	2025	3.8%	<b>422,589,434</b>	–	Unsecured
JGSPC					
₱14.5 billion term loan	2024	Floating (1.83% to 1.92%)	<b>14,508,000,000</b>	14,508,000,000	Unsecured
₱5.0 billion term loan	2024	5.00%	<b>5,000,000,000</b>	5,000,000,000	Unsecured
₱4.0 billion term loan	2024	4.72%	<b>4,000,000,000</b>	–	Unsecured
₱4.0 billion term loan	2024	Floating (2.90%)	<b>4,000,000,000</b>	–	Unsecured
JGSOC					
₱1.2 billion term loan	2024	6.64%	<b>1,210,000,000</b>	1,210,000,000	Unsecured
₱1.3 billion term loan	2024	6.62%	<b>1,282,000,000</b>	1,282,000,000	Unsecured
CAI					
Commercial loans	2026	5%-7% (PDST-R2 and BVAL)	<b>20,179,125,094</b>	18,249,257,900	Guaranteed
			<b>103,782,903,877</b>	74,964,530,076	
			<b>272,341,886,341</b>	218,935,534,707	
Less current portion			<b>34,413,387,739</b>	6,819,093,642	
			<b>₱237,928,498,602</b>	₱212,116,441,065	

The foreign exchange rate used to revalue the foreign currency borrowings was ₱48.023 to US\$1 and ₱50.635 to US\$1 as of December 31, 2020 and 2019, respectively.

Long-term debt to foreign banks is shown net of unamortized debt issuance costs totaling ₱122.3 million and ₱101.7 million as of December 31, 2020 and 2019, respectively. Unamortized debt issuance cost related to peso-denominated long-term debt amounted to ₱393.4 million and ₱104.7 million as of December 31, 2020 and 2019, respectively.

Repayments of the long-term debt (gross of debt issuance costs) follow:

	2020	2019
Due in:		
2020	<b>₱34,413,387,739</b>	₱6,819,093,642
Thereafter	<b>237,928,498,602</b>	212,116,441,065
	<b>₱272,341,886,341</b>	₱218,935,534,707

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, JGSPL 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 – PTALL, PTHALL, SAALL, SBALL, SCALL, SDALL, TOADAC and RALL – which purchased the aircraft from the Parent Company 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, 2020 and 2019, 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, 2020 and 2019, the total outstanding balance of the US dollar commercial loans amounted to ₱25.3 billion (US\$527.5 million) and ₱30.5 billion (US\$601.8 million), respectively. Interest expense amounted to ₱0.8 billion, ₱1.3 billion and ₱1.1 billion in 2020, 2019 and 2018, 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, 2020 and 2019, the total outstanding balance of the Japanese yen commercial loans amounted to ₱7.7 billion (¥17.0 billion) and ₱8.4 billion (¥18.2 billion), respectively. Interest expense amounted to ₱22.1 million and ₱174.1 million in 2020 and 2019, respectively.

#### *CAI's ECA Loans*

From 2005 to 2012, CAI entered into ECA-backed loan facilities to partially finance the purchases of ten (10) Airbus A319 aircraft, seven (7) ATR 72-500 turboprop aircraft, and ten (10) Airbus A320 aircraft. The security trustee of these ECA loans established SPEs – CALL, BLL, SLL, SALL, VALL, and POALL - which purchased the aircraft from the supplier and leases such aircraft to the Parent Company pursuant to (a) ten-year finance lease arrangement for the ATR 72-500 turboprop aircraft and (b) twelve-year finance lease arrangement for the Airbus A319 and A320 aircraft, both with an option to purchase the aircraft 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 ECA-backed lenders.

In 2015 to 2017, CAI exercised the purchase option on ten Airbus A319 aircraft, which were then sold to a third party as part of a forward sale arrangement. The purchase required the prepayment of the balance of the loan facility attributed to the sold Airbus A319 aircraft.

In 2017, CAI prepaid the ECA Loans covering four (4) Airbus A320. In 2018, CAI exercised the option to purchase five (5) ATR 72-500 aircraft upon maturity and full payment of their corresponding loan facilities and prepaid the ECA loans covering three (3) Airbus A320 CEO.

The terms of the remaining ECA-backed facilities follow:

- Term of twelve (12) years starting from the delivery date of each Airbus A320 aircraft and ten (10) years for each ATR 72-500 turboprop aircraft.
- Combination of annuity style and equal principal repayments made on a semi-annual basis and a 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.
- Other than what is permitted by the transaction documents or the ECA administrative parties, the SPEs cannot create or allow to exist any other security interest.
- Upon default, the outstanding amount of loan plus accrued interest will be payable, and the ECA lenders will foreclose on secured assets, namely the aircraft.

In 2019, CAI exercised the option to purchase the remaining two (2) ATR 72-500 upon maturity and full payment of their corresponding loan facilities and prepaid the ECA loans covering three (3) more Airbus A320 CEO. The loan was paid in 2019.

Interest expense amounted to nil, ₱39.7 million and ₱176.4 million in 2020, 2019 and 2018, respectively.

#### *URC NZ Finance Company Limited NZD395 Million Term Loan due 2023*

On October 22, 2018, URC NZ FinCo entered into a term loan facility agreement guaranteed by the Parent Company payable in five years, amounting to NZ\$395.0 million (₱14.4 billion), with various banks for payment of the NZ\$420 million term loan due in 2019. The loan obtained bears a market interest rate plus a certain spread, payable quarterly, and maturing on October 22, 2023.



*URC Australia Finance Company Limited Term Loan US\$484.2 Million*

On September 30, 2016, URC AU FinCo entered into a secured syndicated term loan facility agreement payable in five (5) years, amounting to AU\$484.2 million (₱17.9 billion), with various banks for payment of acquisition costs and to refinance certain indebtedness of an acquired company, CSPL. The loan obtained bears a market rate plus a certain spread, payable quarterly, maturing on September 30, 2021. This long-term loan is guaranteed by URC Parent Company.

*RLC Five-year loan from Agricultural Bank of China (ABC) maturing in August 2022*

In 2017, Chengdu Xin Yao entered into a facility loan agreement with ABC amounting to RMB500.0 million. On August 22, 2017, RLC made a drawdown amount to ₱458.0 million or RMB60.0 million which is payable after a period of 5 years. Interest on the loan shall be based on the rates released by the People's Bank of China which is 4.75% per annum as of loan agreement date.

In 2018, Chengdu Xin Yao made an additional drawdown amounting to RMB156 million (₱1,193 million) which is payable on August 19, 2022.

In 2019, the Group pre-terminated and paid in full the total loan from this bank amounting to RMB216 million (₱1,651 million).

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.

*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.

*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 2020 and 2019, the Company partially prepaid the loan amounting to ₱50.0 million per annum.

*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 2020 and 2019 amounted to ₱435.1 million and ₱563.1 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 2020 and 2019 amounted to ₱139.7 million and ₱261.9 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 2020 and 2019 amounted to ₱206.2 million and ₱100.6 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 2020 and 2019 amounted to ₱245.7 million and ₱87.3 million, respectively.

*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 2020 amounted to ₱95.8 million.

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.



*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 million was made on February 13, 2019 and 2018.

*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, 2020 and 2019, the terms of the commercial loan facilities follow:

- Term of seven to ten years starting from the delivery dates of each aircraft.
- Twenty-eight to forty 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.

In 2020, CAI entered into an unsecured, Philippine peso-denominated short-term loan amounting to ₱4.0 billion. The loan was obtained to support the working capital requirements of CAI.

As of December 31, 2020 and 2019, the total outstanding Philippine Peso commercial loans amounted to ₱20.2 billion and ₱18.2 billion, respectively. Interest expense incurred from these loans amounted to ₱807.4 million, ₱1,129.4 million and ₱826.4 million in 2020, 2019 and 2018, respectively.

In 2020, 2019 and 2018, total interest expense on long-term debt amounted to ₱7.5 billion, ₱8.5 billion and ₱8.0 billion, respectively (see Note 35).

In 2020, 2019 and 2018, the Group recognized amortization of bond issue costs amounting to ₱93.4 million, ₱80.7 million and ₱105.2 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, 2020 and 2019, 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, 2020, 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, 2020 and 2019.

For the RLC's RMB60 million loan from Agricultural Bank of China (ABC) maturing in August 2022, Chengdu Xin Yao is required to maintain the following financial indicators: (a) actual revenue in its operating period which should not be lower than 20%; (b) debt-asset ratio should not equal or exceed 70%; (c) the borrower should not have a bad credit; and (d) borrower contingent liability ratio should not exceed 4%. Chengdu Xin Yao has complied with the debt covenant as of December 31, 2020 and 2019.

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, 2020.

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, 2020 and 2019.

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## 24. Other Noncurrent Liabilities

This account consists of:

	2020	2019
Lease liabilities (Note 42)	<b>₱17,845,927,374</b>	₱15,320,069,643
Deposit liabilities - net of current portion	<b>10,868,476,313</b>	21,550,057,957
ARO	<b>6,763,391,698</b>	6,233,060,774
Travel fund payable	<b>3,535,932,241</b>	-
Deposit from lessees - net of current portion (Note 42)	<b>3,295,388,823</b>	3,171,544,926
Pension liabilities (Note 37)	<b>2,848,108,836</b>	2,693,910,604
Deferred revenue on rewards program	<b>1,384,913,161</b>	1,234,903,085
Deposits from real estate buyers	<b>905,153,868</b>	2,958,482,166
Derivative liabilities (Note 8)	-	13,507,241
Others	<b>1,882,237,445</b>	913,374,820
	<b>₱49,329,529,759</b>	₱54,088,911,216





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:

	<b>2020</b>	2019
Balance at beginning of year	<b>₱6,233,060,774</b>	₱5,982,197,580
Provision for ARO	<b>3,066,020,475</b>	2,029,932,336
Applications	<b>(2,535,689,551)</b>	(1,779,069,142)
Balance at end of year	<b>₱6,763,391,698</b>	₱6,233,060,774

In 2020, 2019 and 2018, ARO expenses included as part of repairs and maintenance under 'Cost of sales' amounted to ₱3.1 billion, ₱2.0 billion and ₱2.2 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 ₱3.5 billion and ₱24.7 million as of December 31, 2020 and 2019, 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 ₱82.0 million, ₱76.0 million and ₱73.0 million in 2020, 2019 and 2018, respectively (Note 30).



The unearned rental income (included under ‘Deposit from lessees’) amounted to ₱579.0 million and ₱756.0 million as of December 31, 2020 and 2019, respectively. The rental income on amortization of unearned rental income amounted to ₱80.0 million, ₱83.0 million and ₱97.0 million in 2020, 2019 and 2018, respectively.

Deferred Revenue on Rewards Program

This account pertains to estimated liability under the Getgo lifestyle rewards program.

The rollforward analyses of deferred revenue follow:

	2020	2019
Balance at beginning of year	<b>₱1,234,903,085</b>	₱954,057,251
Add: Estimated liability on issued points	<b>322,860,171</b>	924,714,078
Subtotal	<b>1,557,763,256</b>	1,878,771,329
Less: Estimated liability on redeemed points	<b>15,490,919</b>	246,829,251
Estimated liability on expired points	<b>157,359,176</b>	397,038,993
Balance at end of year	<b>₱1,384,913,161</b>	₱1,234,903,085

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.

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**25. Equity**

Details of the Parent Company’s authorized capital stock as of December 31, 2020 and 2019 follow:

	Par Value	Shares	Amount
Common shares	₱1.00	12,850,800,000	₱12,850,800,000
Preferred voting shares	0.01	4,000,000,000	40,000,000
Preferred non-voting shares	1.00	2,000,000,000	2,000,000,000
		<b>18,850,800,000</b>	<b>₱14,890,800,000</b>



The paid-up capital of the Group consists of the following:

	2020	2019
Capital stock:		
Common shares - ₱1 par value	<b>₱7,520,983,658</b>	₱7,162,841,657
Preferred voting shares - ₱0.01 par value	<b>40,000,000</b>	40,000,000
	<b>7,560,983,658</b>	7,202,841,657
Additional paid-in capital	<b>45,148,987,817</b>	23,553,025,157
Stock dividend distributable on preferred shares	<b>122,600,000</b>	-
<b>Total paid-up capital</b>	<b>₱52,832,571,475</b>	<b>₱30,755,866,814</b>

#### 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.

#### Preferred Non-voting Shares

The preferences, privileges and voting powers of the preferred non-voting shares shall be as follows:

- a. May be issued by the BOD of the Parent Company for such amount (not less than par), in such series, and purpose or purposes as shall be determined by the BOD of the Parent Company.
- b. The shares shall be non-convertible, non-voting, cumulative and non-participating.
- c. May be redeemable at the option of the Parent Company at any time, upon payment of their aggregate par or issue value, plus all accrued and unpaid dividends, on such terms as the BOD of the Parent Company may determine at the time of issuance. Shares so redeemed may be reissued by the Parent Company upon such terms and conditions as the BOD of the Parent Company may determine.
- d. The holders of shares will have preference over holders of common stock in the payment of dividends and in the distribution of corporate assets in the event of dissolution, liquidation or winding up of the Parent Company, whether voluntary or involuntary. In such an event, the holders of the shares shall be paid in full or ratably, insofar as the assets of the Parent Company will permit, the par or issue value of each share held by them, as the BOD of the Parent Company may determine upon their issuance, plus unpaid cumulated dividends up to the current period, before any assets of the Parent Company shall be paid or distributed to the holders of the common shares.
- e. The holders of shares shall be entitled to the payment of current as well as any accrued or unpaid dividends on the shares before any dividends can be paid to the holders of common shares.
- f. The holders of shares shall not be entitled to any other or further dividends beyond that specifically payable on the preferred non-voting shares.
- g. The holders of shares shall not be entitled to vote (except in those cases specifically provided by law) or be voted for.
- h. The holders of shares shall have no pre-emptive rights, options or any other similar rights to subscribe or receive or purchase any or all issues or other disposition of common or other preferred shares of the Parent Company.
- i. The shares shall be entitled to receive dividends at a rate or rates to be determined by the Parent Company's BOD upon their issuance.



On December 3, 2020, the Parent Company applied with the SEC for the reclassification of preferred non-voting shares to preferred voting 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		– P1.00	P–	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, 2020, 2019 and 2018:

	2020	2019	2018
Common shares	1,003	1,002	1,017
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:

	2020	2019
(a) Gross debt		
Short-term debt (Note 23)	P44,418,092,185	P54,047,410,004
Current portion of long-term debt (Note 23)	34,413,387,739	6,819,093,642
Long-term debt, net of current portion (Note 23)	237,928,498,602	212,116,441,065
Derivative liabilities (Note 8)	245,940,423	432,610,810
	<b>P317,005,918,949</b>	<b>P273,415,555,521</b>
(b) Capital	<b>P408,110,356,358</b>	<b>P408,647,142,867</b>
(c) Debt-to-capital ratio (a/b)	<b>0.78:1</b>	<b>0.67:1</b>

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
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, 2020 and 2019 follows:

	2020	2019
CET 1 Capital	<b>₱15,470</b>	₱14,500
Additional Tier 1 Capital	-	-
Tier 1 capital	<b>15,470</b>	14,500
Tier 2 capital	<b>862</b>	803
Total qualifying capital	<b>₱16,332</b>	₱15,303
	2020	2019
Credit risk-weighted assets (RWA)	<b>₱86,169</b>	₱80,264
Market RWA	<b>416</b>	887
Operational RWA	<b>7,897</b>	6,477
Total RWA	<b>₱94,482</b>	₱87,628
Common Equity Tier 1 Ratio 1	<b>16.37%</b>	16.55%
Additional Tier 1 Ratio	<b>0.00%</b>	0.00%
Tier 1 capital ratio	<b>16.37%</b>	16.55%
Tier 2 capital ratio	<b>0.91%</b>	0.91%
Risk-based CAR	<b>17.28%</b>	17.46%



As of December 31, 2020 and 2019, RBC was in compliance with the required CAR.

#### Retained Earnings

As of December 31, 2020 and 2019, the Group has a total retained earnings of ₱242.7 billion and ₱268.0 billion, respectively. Out of this, ₱118.3 billion were restricted as of December 31, 2020 and 2019.

The details of the Group's restricted retained earnings follow:

#### *Parent Company*

As of December 31, 2020, 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 and retail bonds; (c) capital investment related to digital venture businesses; (d) capital investments related to the Clark International Airport expansion project; and (e) general corporate purposes.

The details of the loan obligations follow:

	<b>Subsidiary</b>	<b>Amount</b>	<b>Settlement</b>
<b>Loan obligations:</b>			
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	₱40.9 billion	Maturing in 2022 to 2024
Retail Bonds	Parent Company	₱5.5 billion	Maturing in 2021 and 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 18, 2018, URC's BOD approved the reversal of the appropriation of retained earnings in the aggregate amount of ₱2.5 billion, which was approved by the BOD in its resolutions adopted on September 27, 2016 and December 15, 2017.

#### *RLC*

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 million, 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 in 2020 up 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, 2019 and 2018 were reversed in the following year. The appropriated amount as of December 31, 2020 will be used for the settlement of aircraft and engine lease commitments in 2021.

As of December 31, 2020 and 2019, CAI has appropriated retained earnings totaling ₱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.

In 2020 and 2019, RBC's BOD approved to appropriate reserves for trust reserves amounting to ₱0.08 million and nil, respectively.

In 2020 and 2019, RBC's BOD approved to appropriate reserves for expected credit losses amounting to nil and ₱444.5 million, respectively, in compliance with the requirements of the BSP Circular No. 1011. Under this BSP Circular, the Bank 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). The Bank 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 'Surplus' 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 ₱102.56 billion, ₱113.8 billion and ₱95.9 billion as of December 31, 2020, 2019 and 2018, 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:

	2020	2019	2018
Date of declaration	<b>May 30, 2020</b>	May 30, 2019	May 28, 2018
Dividend per share	<b>₱0.38</b>	₱0.37	₱0.30
Total dividends	<b>₱2.7 billion</b>	₱2.7 billion	₱2.2 billion
Date of record	<b>June 11, 2020</b>	June 20, 2019	June 18, 2018
Date of payment	<b>July 8, 2020</b>	July 16, 2019	July 12, 2018





Details of the Parent Company's dividend declarations on its preferred stock follow:

	2020	2019	2018
Date of declaration	<b>May 30, 2020</b>	May 30, 2019	May 28, 2018
Dividend per share	<b>₱0.0038</b>	₱0.0037	₱0.0030
Total dividends	<b>₱15.2 million</b>	₱14.8 million	₱12.0 million
Date of record	<b>June 11, 2020</b>	June 20, 2019	June 18, 2018
Date of payment	<b>July 8, 2020</b>	July 16, 2019	July 12, 2018

The following tables summarize the dividends declared by significant subsidiaries of the Parent Company:

*URC*

Details of URC's dividend declarations follow:

	2020	2019	2018
Date of declaration	<b>March 10, 2020</b>	February 28, 2019	February 5, 2018
Dividend per share - regular	<b>₱1.50</b>	₱1.50	₱3.15
Total dividends - regular	<b>₱3.3 billion</b>	₱3.3 billion	₱6.9 billion
Date of record	<b>March 24, 2020</b>	March 14, 2019	February 26, 2018
Date of payment	<b>April 21, 2020</b>	March 28, 2019	March 22, 2018
Dividend per share - special	<b>₱1.65</b>	₱1.65	-
Total dividends - special	<b>₱3.6 billion</b>	₱3.6 billion	-
Date of record	<b>June 1, 2020</b>	July 1, 2019	-
Date of payment	<b>June 26, 2020</b>	July 26, 2019	-

*RLC*

Details of RLC's dividend declarations follow:

	2020	2019	2018
Date of declaration	<b>May 13, 2020</b>	May 29, 2019	April 6, 2018
Dividend per share	<b>₱0.25</b>	₱0.50	₱0.36
Total dividends	<b>₱1.3 billion</b>	₱2.6 billion	₱1.5 billion
Date of record	<b>June 10, 2020</b>	June 18, 2019	April 26, 2018
Date of payment	<b>July 7, 2020</b>	July 12, 2019	May 23, 2018
Dividend per share	<b>₱0.25</b>	-	-
Total dividends	<b>₱1.3 billion</b>	-	-
Date of record	<b>October 1, 2020</b>	-	-
Date of payment	<b>October 27, 2020</b>	-	-

*CAI*

Details of CAI's dividend declarations follow:

	2020	2019	2018
Date of declaration	-	May 20, 2019	May 19, 2018
Dividend per share - regular	-	₱2.00	₱2.88
Total dividends - regular	-	₱1,201.8 million	₱1,745.1 million
Dividend per share - special	-	₱5.00	₱1.62
Total dividends - special	-	₱3,004.6 million	₱981.6 million
Date of record	-	June 14, 2019	June 14, 2018
Date of payment	-	July 10, 2019	July 10, 2018



### 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.

### Equity Reserve

In July 2019, Intersnack, a European enterprise engaged in the savory snacks market with an extensive product portfolio, agreed to buy 40% of the Group's Oceania business (SBA and Griffin's) to leverage on the Group's and Intersnack's know-how from their respective markets (see Note 44). 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. Consideration for the transaction consisted of cash and Yarra Valley Group Holding Pty Ltd. (Yarra Valley) net assets amounting to US\$142.0 million (₱7.2 billion) and US\$10.1 (₱0.5 billion), respectively.

On December 23, 2019, the Australian Foreign Investment Review Board (FIRB) approved the transaction. Following the approval, the transaction was completed on December 23, 2019.

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.

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:

	2020	2019	2018
Beginning balance	<b>₱103,835,500,348</b>	₱90,891,989,709	₱77,927,468,808
Effect of adoption of new standard	-	163,040,229	-
Beginning balance after adoption of new standard	<b>103,835,500,348</b>	91,055,029,938	77,927,468,808
Total comprehensive income:			
Net income attributable to			
non-controlling interests	<b>865,365,887</b>	11,380,265,517	8,711,457,170
Other comprehensive income			
attributable to non-controlling			
interests:			
Net unrealized gains (losses) on			
financial assets at FVOCI			
(Note 10)	<b>74,830,797</b>	454,489,410	(386,621,935)
Cumulative translation adjustments	<b>(850,896,728)</b>	526,535,963	722,343,620
Remeasurements due to defined			
benefit liability (Note 37)	<b>(30,669,098)</b>	(208,766,439)	112,144,431
Gain (loss) on cashflow hedge	<b>(85,310,250)</b>	55,830,925	(1,493,044)
	<b>(26,679,392)</b>	12,208,355,376	9,157,830,242
Sale of equity interest in a subsidiary		6,066,755,734	-
Cash dividends paid to non-controlling interests	<b>(4,494,502,566)</b>	(5,768,961,389)	(5,068,481,993)
Acquisition of non-controlling interest by a			
subsidiary	<b>327,772,240</b>	-	120,000,000
Deposit for future subscription of shares by non-			
controlling interest in a subsidiary / Issuance			
of shares by subsidiaries	<b>192,000,000</b>	240,000,000	8,987,219,560
Decrease in subsidiaries' treasury shares	<b>(45,040,628)</b>	(104,451,717)	(231,921,908)
Incorporation of a subsidiary	-	159,250,000	-
Property dividends to non-controlling interest	-	(20,477,594)	-
Sale of investment in a subsidiary	-	-	(125,000)
	<b>₱99,789,050,002</b>	₱103,835,500,348	₱90,891,989,709

In 2018, deposit for future subscription of shares by non-controlling interest in a subsidiary amounting to ₱3.2 billion pertain to the additional investment by RRHI in RBC.

## 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 year ended December 31, 2020 and 2019:

	December 31, 2020			Total
	Goods and services transferred at a point in time	Services transferred over time	Revenues outside the scope of PFRS 15	
Sale of goods and services:				
Foods	<b>₱133,140,081,384</b>	₱-	₱-	<b>₱133,140,081,384</b>
Real estate and hotels	<b>1,434,834,422</b>	<b>11,717,577,404</b>	<b>11,744,603,805</b>	<b>24,897,015,631</b>
Air transportation	<b>22,617,967,165</b>	-	-	<b>22,617,967,165</b>
Petrochemicals	<b>21,275,283,602</b>	-	-	<b>21,275,283,602</b>
Banking	<b>398,347,991</b>	-	<b>8,776,235,635</b>	<b>9,174,583,626</b>
Equity in net earnings of associates and joint				
ventures	-	-	<b>7,616,221,319</b>	<b>7,616,221,319</b>
Dividend income	-	-	<b>2,011,120,839</b>	<b>2,011,120,839</b>
Supplementary businesses	<b>807,717,391</b>	-	<b>100,050,694</b>	<b>907,768,085</b>
	<b>₱179,674,231,955</b>	<b>₱11,717,577,404</b>	<b>₱30,248,232,292</b>	<b>₱221,640,041,651</b>



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	₱134,174,527,579	₱-	₱-	₱134,174,527,579
Air transportation	84,806,810,363	-	-	84,806,810,363
Petrochemicals	29,053,982,086	-	-	29,053,982,086
Real estate and hotels	4,905,365,876	8,708,003,578	16,596,817,756	30,210,187,210
Banking	462,302,868	-	7,659,360,087	8,121,662,955
Equity in net earnings of associates and joint ventures	-	-	13,357,511,170	13,357,511,170
Dividend income	-	-	1,348,711,916	1,348,711,916
Supplementary businesses	674,872,506	-	74,303,386	749,175,892
	<b>₱254,077,861,278</b>	<b>₱8,708,003,578</b>	<b>₱39,036,704,315</b>	<b>₱301,822,569,171</b>

December 31, 2018				
	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	₱127,769,949,329	₱-	₱-	₱127,769,949,329
Air transportation	74,113,776,885	-	-	74,113,776,885
Petrochemicals	42,351,966,134	-	-	42,351,966,134
Real estate and hotels	6,501,433,136	8,345,617,524	14,620,513,436	29,467,564,096
Banking	352,463,888	-	5,779,918,679	6,132,382,567
Equity in net earnings of associates and joint ventures	-	-	10,181,841,883	10,181,841,883
Dividend income	-	-	1,227,572,942	1,227,572,942
Supplementary businesses	596,660,442	-	74,303,386	670,963,828
	<b>₱251,686,249,814</b>	<b>₱8,345,617,524</b>	<b>₱31,884,150,326</b>	<b>₱291,916,017,664</b>

Banking revenue consists of:

	2020	2019	2018
Interest income (Note 27)	<b>₱7,837,009,759</b>	₱7,198,761,011	₱5,761,620,534
Trading and securities gains (Notes 8 and 10)	<b>939,225,876</b>	460,599,076	18,298,145
Service fees and commission income	<b>398,347,991</b>	462,302,868	352,463,888
	<b>₱9,174,583,626</b>	<b>₱8,121,662,955</b>	<b>₱6,132,382,567</b>

## 27. Interest Income

This account consists of:

	2020	2019	2018
Interest income from:			
Finance receivables and sales contract receivable (Note 11)	<b>₱6,610,648,733</b>	₱6,062,440,608	₱4,570,300,338
Financial assets at FVOCI (Note 10)	<b>1,100,406,085</b>	1,027,397,426	823,177,155
Cash and cash equivalents (Note 7)	<b>994,925,784</b>	1,626,473,064	1,145,187,459
Financial assets at FVPL (Note 9)	<b>7,424,489</b>	100,871,958	604,185,880
Investment securities at amortized cost (Note 10)	<b>356,597,283</b>	477,790,098	364,317,419
	<b>₱9,070,002,374</b>	<b>₱9,294,973,154</b>	<b>₱7,507,168,251</b>



Interest income are included in the following accounts in the consolidated statements of comprehensive income as follows:

	2020	2019	2018
Banking revenue (Note 26)	<b>₱7,837,009,759</b>	₱7,198,761,011	₱5,761,620,534
Finance income	<b>1,232,992,615</b>	2,096,212,143	1,745,547,717
	<b>₱9,070,002,374</b>	₱9,294,973,154	₱7,507,168,251

## 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 ₱1.9 billion, ₱1.2 billion and ₱1.1 billion in 2020, 2019 and 2018, respectively. Investment in PLDT is presented under financial assets at FVOCI.

## 29. Other Operating Income (Expenses)

This account consists of:

	2020	2019	2018
Loss on sale of aircraft (Note 16)	<b>(₱259,994,278)</b>	(₱225,675,379)	(₱46,466,570)
Gain on sale of investments (Notes 14 and 19)	<b>105,789,465</b>	-	198,141,335
Gain on insurance claims	<b>807,409,620</b>	-	22,985,311
Loss on loan modification (Note 11)	<b>(273,536,633)</b>	-	-
Loss on bond reacquisition	<b>(66,203,187)</b>	-	-
Realized gain on sale of financial assets at FVOCI (Note 10)	<b>23,850,313</b>	277,810,114	34,208,528
Others (Note 21)	<b>(969,352,918)</b>	(816,800,275)	(668,337,030)
	<b>(₱632,037,618)</b>	(₱764,665,540)	(₱459,468,426)

### Gain on insurance claims

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:

	2020	2019	2018
Raw materials used	<b>₱75,270,401,712</b>	₱82,191,336,067	₱91,888,688,733
Direct labor	<b>6,477,928,649</b>	6,420,796,194	6,306,013,840
Overhead cost	<b>31,370,904,468</b>	35,145,343,624	32,911,274,997
Total manufacturing cost	<b>113,119,234,829</b>	123,757,475,885	131,105,977,570
Work-in-process	<b>66,840,569</b>	(500,168,194)	(228,534,317)
Cost of goods manufactured	<b>113,186,075,398</b>	123,257,307,691	130,877,443,253
Finished goods	<b>754,581,094</b>	(280,014,204)	(1,143,328,254)
Cost of sales	<b>113,940,656,492</b>	122,977,293,487	129,734,114,999
Cost of services	<b>36,911,036,629</b>	66,804,207,760	63,858,758,345
Cost of sales and services	<b>₱150,851,693,121</b>	₱189,781,501,247	₱193,592,873,344



Overhead cost consists of:

	2020	2019	2018
Utilities and fuel	<b>₱10,888,557,913</b>	₱14,339,747,118	₱13,733,217,586
Depreciation and amortization (Note 33)	<b>8,933,008,716</b>	8,123,002,887	7,369,712,417
Personnel (Note 32)	<b>4,000,386,171</b>	3,956,487,889	3,664,721,272
Repairs and maintenance	<b>3,728,808,399</b>	3,901,050,472	3,562,033,341
Taxes, licenses and fees	<b>1,333,183,923</b>	1,686,350,926	2,329,379,936
Security and other contracted services	<b>802,483,539</b>	824,215,485	765,581,653
Insurance	<b>386,839,912</b>	370,434,877	324,898,144
Rental (Note 42)	<b>312,153,103</b>	239,047,138	462,677,724
Handling and delivery charges	<b>209,775,448</b>	245,906,851	183,736,214
Research and development	<b>44,386,508</b>	87,191,359	87,264,821
Others	<b>731,320,836</b>	1,371,908,622	428,051,889
	<b>₱31,370,904,468</b>	₱35,145,343,624	₱32,911,274,997

Cost of services is composed of:

	2020	2019	2018
Air transportation	<b>₱21,277,642,920</b>	₱49,518,018,515	₱48,039,492,056
Real estate	<b>11,882,054,989</b>	12,023,363,232	11,987,104,415
Banking	<b>2,236,992,833</b>	3,173,237,752	2,275,281,099
Hotel operations	<b>1,347,774,077</b>	2,089,588,261	1,556,880,775
Information technology and services	<b>166,571,810</b>	–	–
	<b>₱36,911,036,629</b>	₱66,804,207,760	₱63,858,758,345

Further breakdown of the ‘Cost of services’ account showing the nature of expenses follow:

	2020	2019	2018
Maintenance costs	<b>₱7,862,894,868</b>	₱7,144,174,829	₱7,341,707,601
Fuel and oil	<b>6,203,299,066</b>	24,591,651,508	25,431,126,363
Cost of real estate sales (Note 12)	<b>6,161,235,541</b>	4,235,325,163	4,931,427,825
Depreciation and amortization (Note 33)	<b>5,095,940,795</b>	4,966,545,415	4,456,732,645
Personnel (Note 32)	<b>3,249,670,176</b>	6,882,489,474	5,543,013,641
Interest expense (Note 21)	<b>2,025,436,255</b>	2,939,576,169	2,187,499,371
Ground handling charges	<b>1,697,496,416</b>	4,154,701,288	3,421,655,961
Landing and take-off	<b>1,208,004,911</b>	3,818,785,918	3,478,873,175
Property operations and maintenance costs	<b>774,190,573</b>	1,134,695,919	1,216,896,943
Contracted services	<b>594,014,144</b>	710,939,896	538,355,927
Reservation costs	<b>565,824,225</b>	2,034,317,306	2,038,933,190
Passenger liability insurance	<b>280,305,266</b>	258,740,461	222,425,888
Service charges and commission expense	<b>166,465,129</b>	233,661,583	87,781,728
Cost of food and beverage - hotel operations	<b>116,701,743</b>	380,535,302	320,069,980
Travel and transportation	<b>105,804,270</b>	274,231,103	190,332,038
Film rentals expense - amusement services	<b>92,678,800</b>	956,468,868	906,006,116
Interrupted/delayed trips expense	<b>69,683,311</b>	268,974,040	163,373,839
Passenger food and supplies	<b>52,677,817</b>	259,298,060	237,379,634
Pilot and crew meals	<b>26,036,915</b>	87,997,971	75,225,150
Cost of information technology and services	<b>22,618,207</b>	–	–
Customs, immigration and duties	<b>5,320,113</b>	3,086,774	18,629,660
Others	<b>534,738,088</b>	1,468,010,713	1,051,311,670
	<b>₱36,911,036,629</b>	₱66,804,207,760	₱63,858,758,345



### 31. General and Administrative Expenses

This account consists of:

	2020	2019	2018
Depreciation and amortization (Note 33)	<b>₱17,578,075,640</b>	₱16,923,447,804	₱8,740,834,952
Outside services	<b>10,989,524,250</b>	11,304,043,462	10,272,230,613
Personnel (Note 32)	<b>9,658,365,989</b>	9,575,892,135	8,763,739,655
Advertising and promotions	<b>8,865,127,097</b>	9,909,554,301	8,799,778,939
Taxes, licenses and fees	<b>1,710,766,576</b>	1,877,642,128	1,804,907,486
Repairs and maintenance	<b>1,437,274,834</b>	921,210,132	944,420,851
Rental (Note 42)	<b>1,097,326,348</b>	1,185,941,162	1,899,162,610
Sales commission	<b>980,840,207</b>	1,030,540,317	996,168,674
Insurance	<b>836,034,078</b>	683,959,468	576,395,623
Utilities and supplies	<b>530,423,936</b>	696,008,051	711,316,430
Travel and transportation	<b>481,428,611</b>	1,034,390,522	1,166,014,683
Communication	<b>422,878,471</b>	408,001,326	383,953,070
Aircraft and engine lease	<b>284,665,157</b>	313,939,968	5,650,909,510
Entertainment, amusement and recreation (Note 38)	<b>171,877,896</b>	206,723,604	195,801,882
Others	<b>2,222,516,254</b>	1,911,806,481	2,006,895,801
	<b>₱57,267,125,344</b>	₱57,983,100,861	₱52,912,530,779

#### Others

Other expenses include royalties, donation and contribution, and membership and subscription dues.

### 32. Personnel Expenses

This account consists of:

	2020	2019	2018
Salaries and wages	<b>₱12,316,232,641</b>	₱16,342,665,279	₱14,457,015,945
Other employee benefits	<b>4,003,638,374</b>	3,069,665,955	2,992,238,378
Pension expense	<b>588,551,321</b>	1,002,538,264	500,927,319
	<b>₱16,908,422,336</b>	₱20,414,869,498	₱17,950,181,642

The breakdown of personnel expenses follows:

	2020	2019	2018
General and administrative expenses (Note 31)	<b>₱9,658,365,989</b>	₱9,575,892,135	₱8,763,739,655
Cost of sales and services (Note 30)	<b>7,250,056,347</b>	10,838,977,363	9,207,734,913
	<b>₱16,908,422,336</b>	₱20,414,869,498	₱17,971,474,568

### 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:

	2020	2019	2018
General and administrative expenses (Notes 15, 16, 18, and 31)	<b>₱17,578,075,640</b>	₱16,923,447,804	₱8,740,834,952
Cost of sales and services (Notes 15, 16 and 30)	<b>14,028,949,511</b>	13,089,548,302	11,826,445,062
	<b>₱31,607,025,151</b>	₱30,012,996,106	₱20,567,280,014



### 34. Provision for (Reversal of) Impairment Losses and Others

This account consists of:

	2020	2019	2018
Provision for (reversal of) impairment losses on:			
Receivables (Note 11)	<b>₱1,412,698,754</b>	₱133,647,748	₱117,349,689
Investment in associates and joint venture	<b>3,776,046</b>	-	-
Property, plant and equipment (Note 16)	-	(2,274,795,253)	1,699,792
Investment properties (Note 15)	<b>153,127</b>	(3,823,625)	-
Inventory obsolescence and market decline (Note 12)	-	2,678	7,948,049
Goodwill	-	-	17,579,587
Other noncurrent assets	<b>3,852,071</b>	-	1,224,464
	<b>₱1,420,479,998</b>	(2,144,968,452)	₱145,801,581

### 35. Financing Costs and Other Charges

This account consists of:

	2020	2019	2018
Interest expense	<b>₱9,498,175,745</b>	₱10,735,461,364	₱9,377,151,320
Bank charges and others	<b>193,966,799</b>	230,385,537	258,223,453
	<b>₱9,692,142,544</b>	₱10,965,846,901	₱9,635,374,773

Sources of financing costs and other charges follow:

	2020	2019	2018
Long-term debt (Note 23)	<b>₱7,484,803,025</b>	₱8,459,424,425	₱8,027,885,938
Short-term debt (Note 23)	<b>929,212,603</b>	1,371,340,594	1,053,574,999
Others	<b>354,062,462</b>	339,266,940	448,717,516
	<b>8,768,078,090</b>	10,170,031,959	9,530,178,453
Accretion of lease liabilities (Note 42)	<b>830,648,278</b>	715,156,294	-
Amortization of debt issuance costs (Note 23)	<b>93,416,176</b>	80,658,648	105,196,320
	<b>₱9,692,142,544</b>	₱10,965,846,901	₱9,635,374,773

### 36. Components of Other Comprehensive Income

Below is the composition of the Group's 'Other comprehensive income':

	2020		Total
	Parent Company	Non-controlling Interests	
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)	<b>₱9,007,575,421</b>	<b>₱74,830,797</b>	<b>₱9,082,406,218</b>
Provision for impairment loss	<b>(1,364,730)</b>	-	<b>(1,364,730)</b>
(Forward)			





	2020		
	Parent Company	Non-controlling Interests	Total
Reclassification adjustment included in profit or loss arising from disposal of FVOCI (Notes 10 and 29)	(P23,850,313)	P-	(P23,850,313)
	<b>8,982,360,378</b>	<b>74,830,797</b>	<b>9,057,191,175</b>
Net changes in fair value of FVOCI of an associate (Note 14)	55,663,285	-	55,663,285
	<b>9,038,023,663</b>	<b>74,830,797</b>	<b>9,112,854,460</b>
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)
	<b>8,892,411,131</b>	<b>(10,479,453)</b>	<b>8,881,931,678</b>
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)
	<b>P6,714,628,246</b>	<b>(P892,045,279)</b>	<b>P5,822,582,967</b>
	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)	(P1,081,326,798)	P454,489,410	(P626,837,388)
Provision for impairment loss	(2,070,586)	-	(2,070,586)
Reclassification adjustment included in profit or loss arising from disposal of FVOCI (Notes 10 and 29)	(277,810,114)	-	(277,810,114)
	<b>(1,361,207,498)</b>	<b>454,489,410</b>	<b>(906,718,088)</b>
Net changes in fair value of FVOCI of an associate (Note 14)	176,256,150	-	176,256,150
	<b>(1,184,951,348)</b>	<b>454,489,410</b>	<b>(730,461,938)</b>
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
	<b>(1,065,610,495)</b>	<b>510,320,335</b>	<b>(555,290,160)</b>
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)
	<b>(P1,942,314,240)</b>	<b>P828,089,859</b>	<b>(P1,114,224,381)</b>



	2018		
	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)	(P7,517,643,934)	(P386,621,935)	(P7,904,265,869)
Reclassification adjustment included in profit or loss arising from disposal of FVOCI (Notes 10 and 29)	(34,208,528)	–	(34,208,528)
	(7,551,852,462)	(386,621,935)	(7,938,474,397)
Net changes in fair value of FVOCI of an associate (Note 14)	(141,404,566)	–	(141,404,566)
	(7,693,257,028)	(386,621,935)	(8,079,878,963)
Net changes in fair value of cash flow hedge (Note 8):			
Net changes in fair value of derivatives taken to OCI	(1,843,509)	(1,493,044)	(3,336,553)
	(7,695,100,537)	(388,114,979)	(8,083,215,516)
Cumulative translation adjustments	764,122,128	722,343,620	1,486,465,748
Remeasurements due to defined benefit liability, net of tax (Note 37)			
Remeasurements of net DBL of Parent and Subsidiaries	200,833,281	112,144,431	312,977,712
Share in remeasurements of net DBL of associates	387,758,074	–	387,758,074
	(P6,342,387,054)	P446,373,072	(P5,896,013,982)

The income tax effects relating to other comprehensive income are as follows:

	2020		
	Before tax	Tax benefit	Net of tax
Net gains on financial assets at FVOCI of Parent Company and its subsidiaries	<b>P9,057,191,175</b>	<b>P–</b>	<b>P9,057,191,175</b>
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)	<b>55,663,285</b>	–	<b>55,663,285</b>
	<b>P5,709,334,549</b>	<b>P113,248,418</b>	<b>P5,822,582,967</b>

	2019		
	Before tax	Tax benefit	Net of tax
Net gains on financial assets at FVOCI of Parent Company and its subsidiaries	(P906,718,088)	<b>P–</b>	(P906,718,088)
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
	(P1,289,421,511)	P175,197,130	(P1,114,224,381)



	2018		
	Before tax	Tax benefit	Net of tax
Net gains on financial assets at FVOCI of Parent Company and its subsidiaries	(P7,938,474,397)	P-	(P7,938,474,397)
Cumulative translation adjustments	1,486,465,748	-	1,486,465,748
Net movement in cash flow hedge	(3,336,553)	-	(3,336,553)
Remeasurements due to defined benefit liability	447,111,017	(134,133,305)	312,977,712
Remeasurements due to defined benefit liability of associates	387,758,074	-	387,758,074
Net changes in fair value of financial assets at FVOCI of an associate (Note 10)	(141,404,566)	-	(141,404,566)
	<b>(P5,761,880,677)</b>	<b>(P134,133,305)</b>	<b>(P5,896,013,982)</b>

### 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:

	2020	2019
Present value of defined benefit obligation	<b>P6,030,510,593</b>	P5,764,503,153
Fair value of plan assets	<b>3,182,401,757</b>	3,070,592,549
Pension liabilities (Note 24)	<b>P2,848,108,836</b>	P2,693,910,604

Changes in net defined benefit liability of funded funds in 2020 and 2019 follows:

	2020		
	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability/(asset)
Balance at beginning of year	<b>P5,764,503,153</b>	<b>P3,070,592,549</b>	<b>P2,693,910,604</b>
Net benefit cost in consolidated statement of comprehensive income:			
Current service cost	<b>531,972,178</b>	-	<b>531,972,178</b>
Net interest cost	<b>282,767,941</b>	<b>147,653,628</b>	<b>135,114,313</b>
Subtotal	<b>814,740,119</b>	<b>147,653,628</b>	<b>667,086,491</b>

(Forward)



	2020		
	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability/(asset)
Benefits paid	(P731,039,335)	(P649,641,560)	(P81,397,775)
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	<b>P6,030,510,593</b>	<b>P3,182,401,757</b>	<b>P2,848,108,836</b>

	2019		
	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability/(asset)
Balance at beginning of year	P4,078,579,993	P2,862,760,085	P1,215,819,908
Net benefit cost in consolidated statement of comprehensive income:			
Current service cost	467,118,530	-	467,118,530
Past service cost	442,007,229	-	442,007,229
Net interest cost	263,017,283	227,919,026	35,098,257
Subtotal	1,172,143,042	227,919,026	944,224,016
Benefits paid	(416,640,546)	(201,554,994)	(215,085,552)
Effect of curtailment	(79,901,033)	-	(79,901,033)
Settlement	171,303,188	-	171,303,188
Net liabilities acquired	834,866	-	834,866
Remeasurements in other comprehensive income:			
Return on plan assets	P-	(P2,293,138)	P2,293,138
Actuarial changes arising from experience adjustments	(190,860,255)	-	(190,860,255)
Actuarial changes arising from changes in financial assumptions	953,122,070	-	953,122,070
Actuarial changes arising from changes in financial/demographic assumptions	75,921,828	(330,649)	76,252,477
Subtotal	838,183,643	(2,623,787)	840,807,430
Contributions paid	-	184,092,219	(184,092,219)
Balance at end of year	<b>P5,764,503,153</b>	<b>P3,070,592,549</b>	<b>P2,693,910,604</b>



The fair value of plan assets by each class as at the end of the reporting period are as follow:

	2020	2019
<b>ASSETS</b>		
Cash and cash equivalents	<b>₱463,349,062</b>	₱500,081,016
UITF investments	<b>1,718,598,834</b>	1,440,269,798
Debt instruments	<b>487,765,111</b>	620,671,960
Financial assets at FVOCI	<b>62,134,847</b>	91,272,424
Equity investments	<b>5,358,224</b>	4,123,496
Receivable	<b>298,678,395</b>	308,086,366
Accrued interest receivable	<b>5,360,744</b>	5,264,063
Prepayments	-	840
Land	<b>143,201,000</b>	143,201,000
	<b>3,184,446,217</b>	3,112,970,963
<b>LIABILITIES</b>		
Current liabilities	<b>1,370,791</b>	93,174
	<b>3,183,075,426</b>	3,112,877,789
Expected withdrawals	-	(42,285,240)
	<b>₱3,183,075,426</b>	₱3,070,592,549

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, 2020 is 11.9 years.

The Group expects to contribute ₱561.0 million into the pension fund in 2021.

The assumptions used to determine the pension benefits of the Group follow:

	2020			
	Retirement Age	Average Remaining Working Life (in years)	Salary Rate Increase	Discount Rate
Parent Company	60	18.0	5.7%	3.71%
URC	60	11 to 12	5.7%	3.95% to 3.97
RLC	60	13	5.7%	3.17% to 4.13%
CAI	60	26.0-29.0	5.7%	3.67% - 3.82%
RBC	60	26.9	5.7%	3.64%
JGSPC	60	28.5	5.7%	4.00%
JGSOC	60	30.1	5.7%	4.05%
Unicon	60	28.8	5.7%	4.11%
LSB	60	28.6	5.7%	3.94%
APVI	60	25.5	5.7%	3.94%



2019				
	Retirement Age	Average Remaining Working Life (in years)	Salary Rate Increase	Discount Rate
Parent Company	60	15.25	5.7%	7.28%
URC	60	18.00	5.7%	4.88 to 4.90%
RLC	60	17.00	5.7%	4.52% to 5.16%
CAI	60	19.92	5.7%	4.98% to 5.02%
RBC	60	19.49	5.7%	4.95%
JGSPC	60	20.95	5.7%	4.98%
JGSOC	60	20.83	5.7%	5.00%
Unicon	60	18.10	5.7%	4.93%
LSB	60	21.31	5.7%	4.99%
APVI	60	20.29	5.7%	4.97%

2018				
	Retirement Age	Average Remaining Working Life (in years)	Salary Rate Increase	Discount Rate
Parent Company	60	16.9	5.7%	7.28%
URC	60	19.0	5.7%	7.31 to 7.40%
RLC	60	17.0	5.7%	7.22 to 7.47%
CAI	60	19.0	5.7%	7.35 to 7.36%
RBC	60	16.8	5.7%	7.30%
JGSPC	60	20.2	5.7%	7.36%
JGSOC	60	21.6	5.7%	7.39%
Unicon	60	18.9	5.7%	7.34%
Aspen	60	17.7	5.7%	7.31%
LSB	60	21.1	5.7%	7.36%

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, 2020 and 2019, assuming if all other assumptions were held constant:

2020										
	Parent Company	URC	RLC	CAI	RBC	LSB	JGSPC	JGSOC	APVI	Unicon
Discount rates										
+1.00%	(P5,524,152)	(P321,131,539)	(P64,775,773)	(P100,268,628)	(P24,002,387)	(P2,751,976)	(P36,006,377)	(P3,868,874)	(P165,932)	(P736,452)
(-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)

2019										
	Parent Company	URC	RLC	CAI	RBC	LSB	JGSPC	JGSOC	APVI	Unicon
Discount rates										
+1.00%	(P5,744,414)	(P239,979,798)	(P35,560,743)	(P159,377,261)	(P25,106,994)	(P1,981,501)	(P24,131,097)	(P2,165,036)	(P44,445)	(P540,534)
(-1.00%)	6,531,129	279,172,182	52,024,195	188,968,289	29,477,205	2,360,825	28,620,751	2,585,024	57,880	634,529
Future salary increases										
+1.00%	6,786,732	287,812,657	53,425,615	193,517,727	30,264,990	2,408,998	29,336,462	2,637,104	58,288	642,529
(-1.00%)	(6,070,382)	(251,957,048)	(37,518,849)	(166,195,906)	(26,240,307)	(2,057,784)	(25,172,552)	(2,247,431)	(45,431)	(557,351)



Shown below is the maturity analysis of the undiscounted benefit payments of the Group:

	2020	2019
Less than 1 year	<b>₱361,936,916</b>	₱405,181,601
More than 1 years to 5 years	<b>1,833,401,659</b>	1,945,532,928
More than 5 years to 10 years	<b>3,297,814,449</b>	3,422,549,970
More than 10 years to 15 years	<b>3,508,858,238</b>	4,699,771,058
More than 15 years to 20 years	<b>3,732,002,614</b>	4,892,836,370
More than 20 years	<b>11,669,789,463</b>	14,677,465,121

### 38. Income Taxes

Provision for income tax consists of:

	2020	2019	2018
Corporate	<b>₱3,130,790,385</b>	₱5,091,687,014	₱5,042,144,252
Final	<b>230,915,233</b>	249,294,831	207,933,998
Deferred	<b>(497,654,783)</b>	31,332,665	(106,284,544)
	<b>₱2,864,050,835</b>	₱5,372,314,510	₱5,143,793,706

The Group recognized benefit (provision) for income tax in 'Other comprehensive income' for other comprehensive income items amounting to ₱113.2 million, ₱175.2 million and (₱134.1 million) in 2020, 2019 and 2018, 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.

#### 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 ₱171.9 million, ₱206.7 million and ₱195.8 million in 2020, 2019 and 2018, 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):

	2020	2019
Deferred tax assets on:		
Net operating loss carry-over	<b>₱2,809,480,863</b>	₱647,926,081
Asset retirement obligation	<b>1,961,685,495</b>	1,782,720,435
Allowance for impairment losses on receivables and property and equipment	<b>843,141,095</b>	648,645,951
Unfunded pension liabilities	<b>445,105,618</b>	568,880,691
Lease liabilities	<b>313,460,073</b>	65,033,872
MCIT carryforward	<b>110,453,027</b>	30,936,462
Foreign subsidiaries	<b>39,938,807</b>	95,810,488
Unrealized forex loss	<b>7,315,268</b>	393,282,170
Unrealized loss on net derivative liability	<b>1,352,880</b>	37,893,750
Loss arising from changes in fair value less estimated point-of-sale costs of swine stocks	-	10,081,568
Others	<b>693,100,590</b>	491,187,356
<b>Total</b>	<b>7,225,033,716</b>	4,772,398,824
Deferred tax liabilities on:		
Double depreciation	<b>(2,792,405,012)</b>	(1,789,818,540)
Excess of fair value of assets acquired over cost	<b>(185,645,561)</b>	(185,645,561)
Unrealized foreign exchange gain-net	<b>(178,810,779)</b>	-
Branch licenses	-	(186,000,000)
Others	<b>(279,461,784)</b>	(148,408,877)
	<b>(3,436,323,136)</b>	(2,309,872,978)
<b>Net deferred tax asset</b>	<b>₱3,788,710,580</b>	₱2,462,525,846

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. As of December 31, 2019, deferred tax asset under 'others' include deferred revenue and allowance for inventory write-downs amounting to ₱370.5 million and ₱33.5 million, respectively.

Compositions of the Group's net deferred tax liabilities reported in the consolidated statements of financial position follow:

	2020	2019
Deferred tax assets on:		
Lease liabilities	<b>₱751,679,456</b>	₱633,871,992
Unfunded pension benefits	<b>379,498,681</b>	357,667,273
Accrued interest expense	<b>151,140,202</b>	126,766,378
Allowance for impairment losses on receivables and property, plant and equipment	<b>68,309,782</b>	14,302,980
MCIT carryforward	<b>10,993,747</b>	10,782,821
Others	<b>270,929,467</b>	360,494,894
<b>Total</b>	<b>1,632,551,335</b>	1,503,886,338

(Forward)





	2020	2019
Deferred tax liabilities on:		
Intangibles	<b>(P2,923,321,148)</b>	(P2,945,109,949)
Excess of real estate revenue based on percentage-of-completion over real estate revenue based on tax rules	<b>(2,830,010,603)</b>	(2,324,264,799)
Unamortized capitalized interest	<b>(1,965,381,801)</b>	(1,915,811,772)
Undistributed income of foreign subsidiaries	<b>(816,683,569)</b>	(759,708,553)
Accrued rent income	<b>(691,079,887)</b>	(580,166,328)
Accelerated depreciation	<b>(366,814,562)</b>	(483,787,981)
Right-of-use asset	<b>(333,690,830)</b>	(351,520,199)
Foreign subsidiaries	<b>(198,507,581)</b>	(322,597,396)
Others	<b>(168,205,306)</b>	(139,001,515)
	<b>(10,293,695,287)</b>	(9,821,968,492)
Net deferred tax liability	<b>(P8,661,143,952)</b>	(P8,318,082,154)

The following are the temporary differences on which the Group did not recognize deferred tax assets:

	2020	2019
NOLCO*	<b>P25,231,898,403</b>	P5,792,411,145
Allowance for credit and impairment losses	<b>310,427,433</b>	512,184,249
Net pension liability	<b>331,542,806</b>	205,673,061
Allowance for inventory write-down	<b>14,083,253</b>	170,883,405
Excess MCIT over RCIT	<b>16,865,592</b>	58,297,770
Unamortized contribution of past service costs	<b>9,298,200</b>	14,611,456
	<b>P25,914,115,687</b>	P6,754,061,086

\*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
2020	P21,026,735,635	P-	P-	P21,026,735,635	2025



CEBGO NOLCO

Year	Amount	Applied	Expired	Balance	Expiry Year
Incurred					
2020	₱1,111,045,562	₱-	₱-	₱1,111,045,562	2025

Furthermore, details of CEBGO's remaining excess MCIT are as follows:

Year	Amount	Applied	Expired	Balance	Expiry Year
Incurred					
2017	₱9,021,420	₱-	(₱9,021,420)	₱-	2020
2018	3,184,853	-	-	3,184,853	2021
	₱12,206,273	₱-	(₱9,021,420)	₱3,184,853	

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, 2020 and 2019, 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
2020	₱2,140,379,290	₱-	₱2,140,379,290	2025
2019	2,653,733,115	-	₱2,653,733,115	2022
2018	3,072,614,668	-	3,072,614,668	2021
	₱7,866,727,073	₱-	₱7,866,727,073	

Reconciliation between the Group's statutory income tax rate and the effective income tax rate follows:

	2020	2019	2018
Statutory income tax rate	27.50%	30.00%	30.00%
Tax effects of:			
Change in tax rate	2.50	-	-
Income exempt from tax	(29.22)	(1.19)	(2.08)
Equity in net earnings of affiliates	(70.06)	(8.34)	(9.24)
Net income of subsidiaries with different tax rates	(50.27)	(4.47)	(0.41)
Income subjected to BOI, PEZA and ITH	(14.49)	(5.57)	(7.93)
Changes in unrecognized deferred tax assets	211.94	0.10	2.43
Interest income subject to final tax	(14.06)	(1.08)	(0.65)
Non-deductible items	14.89	0.78	0.73
Taxable gain on sale to a subsidiary	0.00	0.00	0.96
Others	9.10	0.95	1.76
Effective income tax rate	87.82%	11.18%	15.57%



### 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*

	2020	2019	2018
Income (loss) attributable to equity holders of the Parent Company	<b>(P468,159,528)</b>	₱31,285,246,332	₱19,186,040,273
Less: Dividends on preferred shares (Note 25)	<b>15,200,000</b>	14,800,000	12,000,000
Income attributable to holders of common shares of the Parent Company	<b>(P483,359,528)</b>	₱31,270,446,332	₱19,174,040,273
Weighted average number of common shares	<b>7,520,983,658</b>	7,520,983,658*	7,520,983,658*
Basic/diluted earnings (loss) per share	<b>(P0.06)</b>	₱4.16*	₱2.55*

\*Restated to show the effect of stock dividends distributed in 2020.

There were no potential dilutive common shares in 2020, 2019 and 2018.



#### 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.

In addition to the related party information disclosed elsewhere in the consolidated financial statements, the year-end balances in respect of related parties follow:

Related Party	Category/Transaction	2020		Terms	Conditions	
		Amount/Volume	Outstanding Balance			
			Consolidated Statement of Financial Position			Consolidated Statement of Comprehensive Income
<b>Subsidiaries:</b>						
Due from related parties	Availment of advances	(P274,680,197)		P-	On demand; Non-interest bearing	Unsecured; Not impaired
	Receivables	794,669,335	P422,601,347	-	On demand; Non-interest bearing	Unsecured; Not impaired
	Receivable from customers – commercial loans	1,227,689,374	4,248,372,313	-	Interest ranging from 2.50% to 4.00%	Secured
	Receivable from customers - bills purchased	(24,728,364)	470,464,461	-	Non-interest bearing domestic bills purchased	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		
Due to related parties	Availment of advances	175,761,872	3,434,747,201	-	On demand; Non-interest bearing	Unsecured; Not impaired
	Deposit liabilities	2,938,618,133	39,387,824,093	-	Various terms and with annual interest rates ranging from nil to 2.55%	
	Short-term debt	4,802,300,000	4,802,300,000	-	Interest rate of 5.00% per annum	Unsecured; Not impaired
Cash in bank	Deposits	54,453,170	54,484,271	-	On demand	Unsecured
Cash equivalents	Money market placements	401,006,797	411,006,797	-	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		



		2020		Outstanding Balance		
Related Party	Category/Transaction	Amount/Volume	Consolidated Statement of Financial Position	Consolidated Statement of Comprehensive Income	Terms	Conditions
<b>Associate:</b>						
Due from related parties	Availment of advances	₱60,284,985	₱60,927,771	₱-	On demand; Non-interest bearing	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		
<b>Other Related Parties:</b>						
Due from related parties	Settlement of advances	(78,074,147)	371,944,857	-	On demand; Non-interest bearing	Unsecured; Not impaired
	Rent receivables	56,385,688	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
	Settlement of advances	823,213	1,874,427	-	On demand; Non-interest bearing	Unsecured; Not impaired
Due to related parties	Director's fees (included under 'Management and other professional fees' account)	7,275,000	-	7,275,000		



2019

Related Party	Category/Transaction	Amount/Volume	Outstanding Balance		Terms	Conditions
			Statement of Financial Position	Statement of Comprehensive Income		
<b>Subsidiaries:</b>						
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
	Receivable from customers – commercial loans	(848,280,812)	3,020,682,938	-	Interest ranging from 4.71% to 7.59%	Secured
	Receivable from customers - bills purchased	(308,995,424)	495,192,826	-	Non-interest bearing domestic bills purchased	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		
Due to related parties	Availment of advances	430,833,644	3,258,985,329	-	On demand; Non-interest bearing	Unsecured; Not impaired
	Deposit liabilities	14,014,806,786	36,449,205,960	-	Various terms and with annual interest rates ranging from nil to 2.55%	
Cash in bank	Deposits	(4,847,776)	31,101	-	On demand	Unsecured
Cash equivalents	Money market placements	(1,435,086,098)	10,000,000	-	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		
<b>Associate:</b>						
Due from related parties	Availment of advances	392,868	642,786	-	On demand; 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		



2019

Related Party	Category/Transaction	Amount/Volume	Outstanding Balance		Terms	Conditions
			Statement of Financial Position	Statement of Comprehensive Income		
<b>Other Related Parties:</b>						
Due from related parties	Settlement of advances	(P30,931,424)	P452,019,131	P-	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)	1,051,214	-	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		



2018

Related Party	Category/Transaction	Amount/Volume	Outstanding Balance		Terms	Conditions
			Statement of Financial Position	Statement of Comprehensive Income		
<b>Subsidiaries:</b>						
Due from related parties	Settlement of advances	(P847,983,679)	P397,493,502	P-	On demand; Non-interest bearing	Unsecured; Not impaired
	Rent receivable	(8,048,397)	69,436,672	-	On demand; Non-interest bearing	Unsecured; Not impaired
	Receivable from customers – commercial loans	(874,585,000)	3,868,963,750	-	Interest rate of 2.50%	Secured
	Receivable from customers - bills purchased	302,813,353	804,188,250	-	Non-interest bearing domestic bills purchased	Unsecured; Not impaired
	Rent income	127,110,159	-	127,110,159		
	Other income	439,642,623	-	439,642,623		
	Rent expense	46,165,790	-	46,165,790		
	Management fees	64,200,000	-	64,200,000		
Due to related parties	Settlement of advances	-	2,828,151,685	-	On demand; Non-interest bearing	Unsecured; Not impaired
	Deposit liabilities	1,357,093,379	22,434,399,17	-	Various terms and with annual interest rates ranging from nil to 2.55%	
Cash in bank	Deposits	607,508	4,878,877	-	On demand	Unsecured
Cash equivalents	Money market placements	1,282,658,628	1,445,086,098	-	2 to 41 days; Interest bearing with interest rate ranging from 1.50% to 2.04%	Unsecured
	Interest income	3,273,543	-	3,273,543	2 to 33 days; Interest bearing with interest rate ranging from 0.5% to 1.5%	
Dividends	Dividend receivable	1,023,646,756	1,599,803,221	-	On demand	Unsecured
	Dividend income	6,869,729,393	-	6,869,729,393		
<b>Associate:</b>						
Due from related parties	Settlement of advances	(110,518)	249,918	-	On demand; Non-interest bearing	Unsecured; Not impaired
	Dividend income	5,206,741,374	-	5,206,741,374		
	Rent income	618,297	-	618,297		
	Utilities expense	9,512,374	-	9,512,374		
(Forward)						





2018

Related Party	Category/Transaction	Amount/Volume	Outstanding Balance		Terms	Conditions
			Statement of Financial Position	Statement of Comprehensive Income		
Other Related Parties:						
Due from related parties	Settlement of advances	(P7,430,489)	P412,886,471	P-	On demand; Non-interest bearing	Unsecured; Not impaired
	Rent receivable	32,498,188	32,498,188	-	On demand; Non-interest bearing	Unsecured; Not impaired
	Other income	148,322,654	-	148,322,654		
	Rent income	128,661,739	-	128,661,739		
Due to related parties	Settlement of advances	-	1,217,665	-	On demand; Non-interest bearing	Unsecured; Not impaired
Director's fees (included under 'Management and other professional fees' account in the parent company statement of comprehensive income)	Expenses	8,500,000	-	8,500,000		



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.

Interest earned by the Parent Company on transactions with related parties amounted to nil in 2020 and 2019. Interest expense incurred amounted to nil in 2020 and 2019.

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 ₱2.1 million and ₱10.7 million as of December 31, 2020 and 2019, 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:

	2020	2019	2018
Short-term employee benefits	<b>₱2,300,060,387</b>	₱2,430,499,658	₱1,727,072,228
Post-employment benefits	<b>390,399,715</b>	256,845,114	222,481,457
	<b>₱2,690,460,102</b>	₱2,687,344,772	₱1,949,553,685

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%) 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 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, 2020 and 2019:

	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	P1,589,099,285	P1,865,781,584	P23,729,035,071	P83,170,473	P27,267,086,413
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	P1,960,198,885	P3,398,692,780	P17,669,768,620	P20,074,760	P23,048,735,045

	2019				
	Land and Land Improvements	Buildings and Improvements	Passenger Aircraft and Other Flight Equipment	Transportation And Other Equipment	Total
Cost					
Balance at beginning of year, as previously reported	P-	P-	P-	P-	P-
Effect of adoption of PFRS 16	1,587,751,749	676,983,333	16,426,809,577	60,347,705	18,751,892,364
Balance at beginning of year, as restated	1,587,751,749	676,983,333	16,426,809,577	60,347,705	18,751,892,364
Additions	-	1,296,873,096	7,302,225,494	30,581,128	8,629,679,718
Other adjustments	1,347,536	(108,074,845)	-	(7,758,361)	(114,485,670)
Balance at end of year	1,589,099,285	1,865,781,584	23,729,035,071	83,170,472	27,267,086,412

(Forward)



	2019					
	Land and Land Improvements	Buildings and Improvements	Passenger Aircraft and Other Flight Equipment	Transportation And Other Equipment		Total
Accumulated Depreciation						
Balance at beginning of year, as previously reported	P-	P-	P-	P-		P-
Effect of adoption of PFRS 16	152,552,800	-	-	-		152,552,800
Balance at beginning of year, as restated	152,552,800	-	-	-		152,552,800
Depreciation	73,455,818	556,228,966	5,917,994,261	45,472,937		6,593,151,982
Other adjustments	40,504	(3,991,667)	-	(6,088,504)		(10,039,667)
Balance at end of year	226,049,122	552,237,299	5,917,994,261	39,384,433		6,735,665,115
Net Book Value at End of Year	P1,363,050,163	P1,313,544,285	P17,811,040,810	P43,786,039		P20,531,421,297

### Lease Liabilities

The rollforward analysis of the Group's lease liabilities follows:

	2020	2019
As at January 1, as previously reported	<b>P21,104,154,649</b>	P-
Effect of adoption of PFRS 16	-	19,279,144,855
As at January 1, as restated	<b>21,104,154,649</b>	19,279,144,855
Additions	<b>10,370,358,389</b>	8,607,042,558
Accretion (Note 35)	<b>830,648,278</b>	715,156,294
Payments	<b>(7,560,312,120)</b>	(7,453,216,220)
Other adjustments	<b>419,502,173</b>	(43,972,838)
As at December 31	<b>P25,164,351,369</b>	P21,104,154,649

Total lease liabilities shown in the 2020 and 2019 consolidated statements of financial position included under 'Other current liabilities' and 'Other noncurrent liabilities' follow:

	2020	2019
Current portion (Note 22)	<b>P7,318,423,995</b>	P5,784,084,993
Noncurrent portion (Note 24)	<b>17,845,927,374</b>	15,320,069,656
	<b>P25,164,351,369</b>	P21,104,154,649

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 2020 and 2019 consolidated statements of comprehensive income in relation to the Group's leases:

Revenue	2020	2019
Sale of goods and services - rental income and sublease income		
Foods	<b>P79,745,676</b>	P117,385,869
Real estate and hotels	<b>10,617,088,269</b>	15,420,499,255
Banking	<b>17,912,729</b>	17,279,825
	<b>10,714,746,674</b>	15,555,164,949
<b>Cost of Sales and Services</b>		
Cost of services - depreciation of ROU assets	<b>380,840,008</b>	215,105,516
Rent expense - short term leases (Note 30)	<b>312,153,103</b>	239,047,138
	<b>692,993,111</b>	454,152,654

(Forward)



<b>Revenue</b>	<b>2020</b>	<b>2019</b>
<b>General and Administrative Expenses</b>		
Depreciation of ROU assets	<b>₱7,039,087,495</b>	₱6,378,046,466
Rent expense - short term leases (Note 31)	<b>1,094,163,871</b>	1,177,429,793
Rent expense - leases of low-valued assets (Note 31)	<b>3,162,477</b>	8,511,369
	<b>8,136,413,843</b>	7,563,987,628
<b>Other Income (Losses)</b>		
Foreign exchange gain	<b>11,679,790</b>	74,683,864
Finance cost and other charges – accretion of lease liabilities	<b>(830,648,278)</b>	(715,156,294)
	<b>₱1,066,371,232</b>	₱6,896,552,237

### 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 ₱652.0 million, ₱682.2 million and ₱937.6 million for the years ended December 31, 2020, 2019 and 2018, respectively.

Future minimum lease payments under noncancellable operating leases of the URC Group follow:

	<b>2020</b>	<b>2019</b>	<b>2018</b>
Within one year	<b>₱737,486,628</b>	₱764,674,589	₱752,048,217
After one year but not more than five years	<b>2,768,630,664</b>	2,280,129,598	1,362,757,872
Five years or more	<b>5,112,302,132</b>	5,857,143,316	464,770,770
	<b>₱8,618,419,424</b>	₱8,901,947,503	₱2,579,576,859

#### *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 ₱72.1 million, ₱72.5 million and ₱73.3 million in 2020, 2019 and 2018, respectively.

#### *Finance Lease Commitments - Group as a Lessee*

Some of the URC Group's subsidiaries were granted land usage rights from private entities. The land usage right represents the prepaid amount of land lease payments. The right is currently being amortized by the URC Group on a straight-line basis over the term of the right ranging from 30 to 50 years. The amortization on these leases (included under 'General and administrative expenses' in the consolidated statements of comprehensive income) amounted to ₱4.9 million, ₱5.2 million and ₱2.5 million in 2020, 2019 and 2018, 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:

	2020	2019
Within one year	<b>₱138,995,906</b>	₱138,995,906
After one year but not more than five years	<b>630,780,039</b>	630,780,039
Over five years	<b>5,736,218,935</b>	5,767,109,430
	<b>₱6,505,994,880</b>	₱6,536,885,375

*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 ₱10.6 billion, ₱15.4 billion and ₱13.5 billion in 2020, 2019 and 2018, respectively. Total percentage rent recognized as income amounted to ₱2.3 billion, ₱3.9 billion and ₱3.5 billion in 2020, 2019 and 2018, respectively.

Future minimum lease receivables under noncancellable operating leases of the RLC Group follow:

	2020	2019	2018
Within one year	<b>₱14,080,096,258</b>	₱14,346,692,713	₱11,590,512,976
After one year but not more than five years	<b>15,320,496,749</b>	17,739,106,757	17,971,125,898
Over five years	<b>1,443,106,385</b>	5,146,915,176	2,377,232,451
	<b>₱30,843,699,392</b>	₱37,232,714,646	₱31,938,871,325

*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, 2020 and 2019 follow:

	2020	
	Minimum Lease Payments	Present Value of Minimum Lease Payments
Within one year	<b>₱656,523,582</b>	<b>₱644,097,650</b>
After one year but not more than five years	<b>275,049,758</b>	<b>256,955,688</b>
Total minimum lease payments	<b>₱931,573,340</b>	<b>₱901,053,338</b>



	2019	
	Minimum Lease Payments	Present Value of Minimum Lease Payments
Within one year	₱527,064,357	₱508,606,027
After one year but not more than five years	288,662,164	256,322,263
Over five years	78,023,547	63,354,682
<b>Total minimum lease payments</b>	<b>₱893,750,068</b>	<b>₱828,282,972</b>

### 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 ₱57.5 million, ₱61.7 million and ₱45.8 million in 2020, 2019 and 2018, respectively.

Future minimum lease payments under the noncancellable lease of JGSPC's office space follow:

	2020	2019
Within one year	<b>₱29,616,557</b>	₱28,206,238
After one year but not more than five years	<b>52,508,717</b>	82,125,274
	<b>₱82,125,274</b>	₱110,331,512

#### *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 nil, ₱0.1 million and ₱0.2 million for the years ended December 31, 2020, 2019 and 2018.

### 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:

<b>Date of Lease Agreement</b>	<b>Lessors</b>	<b>No. of Units</b>	<b>Lease Expiry</b>
March 2008	Lunar Aircraft Trading Company Limited	1	January 2021
March 2008	Aircraft MSN 3762 LLC	1	January 2022
March 2008	APTREE Aviation Trading 2 Co. Ltd.	1	October 2021
	Wells Fargo Trust Company, N.A.	1	October 2023
November 2017	JPA No. 80 Co., Ltd	1	January 2021
November 2017	JPA No. 81 Co., Ltd	1	February 2021
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	5	April 2023 – March 2024

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 July 2011, CAI entered into an operating lease agreement with RBS Aerospace Ltd. (RBS) for the lease of two (2) Airbus A320, which were delivered in March 2012. The lease agreement was amended to effect the novation of lease rights by the original lessor to current lessor, SMBC Aviation Capital Limited, as allowed under the existing lease agreements.

In 2015 to 2016, CAI extended the lease agreement with Inishcrean for three years and with GY Aviation Lease 0905 Co. Limited for two 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 years, with Wells Fargo Trust Company, N.A for four years, and with GY Aviation Lease 0905 Co. Limited for another two 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, the Group 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.

*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.

*ATR 72-600 aircraft*

On May 10, 2019, CAI entered into a 10-year lease agreement with an early termination option on the 8<sup>th</sup> year with AVAP AIRCRAFT TRADING III PTE. LTD. for one (1) ATR 72-600. The aircraft was delivered in May 2019.

*A330CEO aircraft*

The following table summarizes the specific lease agreements on CAI's Airbus A330CEO aircraft:

<b>Date of Lease Agreement</b>	<b>Lessors</b>	<b>No. of Units</b>	<b>Lease Term</b>
February 2012	Wells Fargo Bank Northwest, N.A. (not in its individual capacity but solely as Owner Trustee)	2	8 years
	CIT Aerospace International	1	
	Avolon Aerospace AOE 165 Limited	1	
July 2013	A330 MSN 1552 Limited and A330 MSN 1602 Limited*	2	12 years with pre-termination option

*\*New lessors per Deed of Novation and Amendment signed on August 2014 and March 2015*

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, 2020, the Group has six (6) Airbus A330 aircraft under operating lease.

*Engine Lease Commitments*

The following table summarizes the specific lease agreements on CAI's engines:

<b>Date of Lease Agreement</b>	<b>Lessors</b>	<b>No. of Units</b>	<b>Lease Term</b>
May 2019	RRPF Engine Leasing Limited	3	6 years with pre-termination option
August 2019	RR Leasing Limited	1	6 months
September 2020	SMBC Aero Engine Lease B.V.	7	18 months – 8 years



In May 2019, CAI entered into operating lease agreements with RRP Engine Leasing Limited for the lease of three (3) Trent 700 engines.

In August 2019, CAI entered into a lease arrangement for one (1) Trent 700 engine with RR Leasing Limited for a lease term of six (6) months. The lease agreement has been extended until November 2020.

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.

Future minimum lease payments under the above-indicated operating aircraft leases follow:

	2020		2019	
	Philippine peso equivalent	US dollar	Philippine peso equivalent	US dollar
Within one year	<b>₱6,420,659,489</b>	<b>US\$133,699,675</b>	₱5,886,821,930	US\$116,225,507
After one year but not more than five years	<b>8,865,244,056</b>	<b>184,604,128</b>	9,082,979,509	179,328,322
Over five years	<b>2,594,548,640</b>	<b>54,027,209</b>	2,222,083,371	43,871,340
	<b>₱17,880,452,185</b>	<b>US\$372,331,012</b>	₱17,191,884,810	US\$339,425,169

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 ₱0.3 billion, ₱0.3 billion and ₱5.7 billion in 2020, 2019 and 2018 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:

	2020	2019
Within one year	<b>₱224,965,425</b>	₱211,101,521
After one year but not more than five years	<b>948,093,648</b>	928,126,925
Over five years	<b>4,644,065,119</b>	4,514,028,565
	<b>₱5,817,124,192</b>	₱5,653,257,011

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 ₱412.2 million, ₱702.1 million and ₱760.0 million in 2020, 2019 and 2018, 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 ₱124.0 million, ₱110.0 million and ₱340.1 in 2020, 2019 and 2018, respectively.



Future minimum lease payments under these noncancellable operating leases of RBC and LSB follow:

	2020	2019
Within one year	<b>₱336,702,857</b>	₱258,948,338
After one year but not more than five years	<b>644,448,747</b>	525,022,763
Over five years	<b>12,699,566</b>	29,891,105
	<b>₱993,851,170</b>	₱813,862,206

#### 43. Other Commitments and Contingent Liabilities

##### Parent Company

- *JGSOC Loan Accommodation from Private Bank*

On February 8, 2018, the BOD authorizes the Parent Company to guarantee the loan/credit accommodation of JG Summit Olefins Corporation from BDO Unibank in the aggregate principal amount of ₱15.0 billion including any extension, renewal or modification of such loan or credit accommodation.

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 authorizes the Parent Company to guarantee the loan/credit accommodation of JG Summit Petrochemical Corporation from BDO Unibank in the aggregate principal amount of ₱15.0 billion including any extension, renewal or modification of such loan or credit accommodation.

On January 20, 2020, the BOD of the Parent Company approved and authorized the Parent Company to guarantee the loan/credit accommodation of JGSPC from BPI in the amount of ₱4.0 billion.

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 April 8, 2019, the BOD authorizes the Parent Company to guarantee the loan/credit accommodation of JG Summit Petrochemical Corporation and JG Summit Olefins Corporation from the Bank of the Philippine Islands in the aggregate principal amount of ₱17.0 billion including any extension, renewal or modification of such loan or credit accommodation.

- *JGSPL 4.375% Unsecured Notes Due 2023*

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 ₱154.1 billion and ₱133.1 billion as of December 31, 2020 and 2019, respectively, which are payable over the following periods:

	December 31, 2020			December 31, 2019		
	US Dollar	Japanese Yen	Philippine Peso Equivalent	US Dollar	Japanese Yen	Philippine Peso Equivalent
Within one year	US\$659,224,287	¥-	₱31,657,927,948	US\$386,807,413	¥1,506,555,004	₱20,294,256,870
After one year but not more than five years	2,550,481,846	-	122,481,789,707	2,168,887,176	6,259,259,135	112,772,640,221
	<b>US\$3,209,706,133</b>	<b>¥-</b>	<b>₱154,139,717,655</b>	<b>US\$2,555,694,589</b>	<b>¥7,765,814,139</b>	<b>₱133,066,897,091</b>

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, 2020, CAI is set to take delivery of twenty-four (24) Airbus A321 NEO, three (3) ATR 72-600, one (1) ATR 72-500 freighter, sixteen (16) A330 NEOs and sixteen (16) A320NEO family aircraft from 2020 until 2027.



The above-indicated commitments relate to CAI's re-fleeting and expansion programs. These agreements remained in effect as of December 31, 2020.

*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, 2020 and 2019, the Group has in its custody sugar owned by several quedan holders with volume of 962,224 Lkg and 502,903 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 trusted 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:

	2020	2019
Trust and investment group accounts	<b>₱26,192,113,492</b>	₱17,739,157,589
Spot exchange - foreign currency	<b>2,083,121,571</b>	2,654,047,816
Committed credit lines	<b>6,945,067,250</b>	7,258,540,906
Guarantees issued	<b>1,839,592,801</b>	3,207,412,389
Inward bills for collection	<b>1,450,730,126</b>	984,396,933
Outward bills for collection	<b>161,088,252</b>	-
Letters of credit	<b>343,954,891</b>	328,561,049
Contingent - foreign currency swap	<b>1,092,920,578</b>	1,284,358,910
Late deposit/payment received	<b>61,959,354</b>	93,764,025
Items held for safekeeping	<b>77,158</b>	79,472
Other contingent account	<b>184,784</b>	183,907



### 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. Business Combination

### *Acquisition of Yarra Valley*

In July 2019, Intersnack, a European enterprise engaged in the savory snacks market with an extensive product portfolio, agreed to buy 40% of Oceania business (SBA and Griffin's) 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. 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 (₱0.5 billion), respectively.

On December 23, 2019, the Australian FIRB approved the transaction.

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.

## 45. Subsequent Events

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.

On February 16, 2021, CAI announced that it has fixed the final terms of its stock rights offer (SRO) to raise ₱12.5 billion from the issuance of PHP-denominated convertible preferred shares.

Number of Entitlement Rights to be Offered	328,947,368 of cumulative, non-voting, nonparticipating Convertible Preferred Shares with a par value of ₱1.00 per share
Offer Price	₱38.00 per Entitlement Right
Entitlement Ratio	One Entitlement Right for every 1.8250 CEB Common Shares held as of Record Date
Dividend Yield (per annum)	6.00%
Conversion Price	₱38.00 per share
Conversion Ratio	One CAI Common Share for every one Convertible Preferred Share
Pricing Date	February 15, 2021
Ex-Date	February 22, 2021



Record Date	February 26, 2021
Start of Offer Period	March 3, 2021, 9:00 a.m., Manila time
End of Offer Period	March 9, 2021, 12:00 noon, Manila time
Listing Date	March 29, 2021

On March 5, 2021, CAI’s BOD approved a ₱16.0 billion Ten-Year Term Loan with the following domestic banks: Development Bank of the Philippines (“DBP”) and Land Bank of the Philippines (“LBP”) joined hands with Asia United Bank Corporation (“AUB”), Bank of the Philippine Islands (“BPI”), Metropolitan Bank & Trust Company (“MBTC”) and Union Bank of the Philippines (“UBP”). The proceeds of the loan will be used by CAI to fund its capital expenditures and other general corporate purposes.

President Rodrigo Duterte signed into law on March 26, 2021 the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act (RA) 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It takes effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or 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, regular corporate income tax (RCIT) rate is reduced from 30% to 25% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding ₱5.00 million and with total assets not exceeding Php100 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%.
- Minimum corporate income tax (MCIT) rate reduced from 2% to 1% 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% to 25%.
- Effective January 1, 2022, regional operating headquarters (ROHQ) currently enjoying 10% preferential income tax rate shall be subject to RCIT.
- 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% 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 export enterprises shall be entitled to 4 to 7 years income tax holiday (ITH) to be followed by 10 years 5% special corporate income tax (SCIT) or enhanced deductions (ED).
- Qualified domestic market enterprises shall be entitled to 4 to 7 years ITH to be followed by 5 years 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% GIT or are currently enjoying 5% GIT – allowed to avail of the 5% GIT for 10 years.

As clarified by the Philippine Financial Reporting Standards Council in its Philippine Interpretations Committee Q&A No. 2020-07, the CREATE Act was not considered substantively enacted as of December 31, 2020 even though some of the provisions have retroactive effect to July 1, 2020. The passage of the CREATE Act into law on March 26, 2011 is considered as a non-adjusting subsequent event. Accordingly, current and deferred taxes as of and for the year ended December 31, 2020 continued to be computed and measured using the applicable income tax rates as of December 31, 2020 (i.e., 30% RCIT / 2% MCIT) for financial reporting purposes.

Applying the provisions of the CREATE Act, the Group would have been subjected to lower regular corporate income tax rate of 27.5% effective July 1, 2020.

- This will result in lower provision for current income tax for the year ended December 31, 2020 and lower income tax payable as of December 31, 2020, which will be reflected in the Company's 2020 annual income tax return but will only be recognized for financial reporting purposes in its 2021 financial statements. Pending clarification from the tax authorities on how the taxable income for the period beginning July 1, 2020 will be computed, the Company has not quantified the impact of the lower corporate income tax rate on the 2020 current income tax.
- This will result in lower deferred tax assets/liabilities recognized as of 2020 year-end by ₱211.2 million (loss/income) comprised of ₱292.6 million in profit or loss and 81.4 million reduction in other comprehensive income, respectively. These reductions will be recognized in the 2021 financial statements.

#### Continuing COVID-19 pandemic

The outbreak of COVID-19 in 2020 disrupted the business of the Group in 2020, resulting in significant deterioration of earnings and cashflows, and may continue to significantly disrupt the business activities of the Group.

On March 11, 2020, the World Health Organization has declared COVID-19 outbreak a global pandemic. In the Philippines, in a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed an enhanced community quarantine throughout the island of Luzon until May 15, 2020. Effective May 16, 2020, some provinces in Luzon was placed under general community quarantine while National Capital Region (NCR) was placed under modified enhanced community quarantine. Effective June 1, 2020, NCR was placed under general community quarantine (GCQ). On August 4, 2020, the Philippine Government has placed NCR back to modified enhanced community quarantine until it was placed to general community quarantine starting August 19, 2020 until August 31, 2020. On September 1, 2020, the Office of the President of the Philippines declared GCQ until September 30, 2020. The GCQ over NCR and other risk areas was further extended until January March 29, 2021 while the rest of the country was put under MGCQ. From March 29, 2021 to April 4, 2021, following spike in the number of new COVID-19 cases, the Philippine Government has placed NCR back to ECQ and was later extended to April 11, 2021.

Likewise, government authorities in other countries where the Group operates, adopted measures, including lockdowns, to control the 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 2021 and even periods thereafter. Considering the evolving nature of the pandemic, the Group will continue to monitor the situation.

#### 46. Supplemental Disclosures to Cash Flow Statements

Changes in liabilities arising from financing activities in 2020 and 2019 follow:

	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
	<b>₱272,982,944,711</b>	<b>₱51,249,054,612</b>	<b>(₱3,482,670,192)</b>	<b>(₱4,051,894,357)</b>	<b>₱62,543,752</b>	<b>₱316,759,978,526</b>

\*Others consist of amortization of bond issue cost.

	January 1, 2019	Cash Flows	Foreign Exchange Movement	Currency Translation Adjustment	Others*	December 31, 2019
Short-term debts	₱35,453,723,993	₱18,822,267,467	(₱286,995,206)	₱58,413,750	₱-	₱54,047,410,004
Long-term debts	210,248,967,348	11,920,449,077	(2,276,354,595)	(1,171,744,302)	214,217,179	218,935,534,707
	<b>₱245,702,691,341</b>	<b>₱30,742,716,544</b>	<b>(₱2,563,349,801)</b>	<b>(₱1,113,330,552)</b>	<b>₱214,217,179</b>	<b>₱272,982,944,711</b>

\*Others consist of amortization of bond issue cost.

The principal noncash activities of the Group include movements in the cumulative translation adjustment amounted to ₱833.6 million, ₱1.2 billion and ₱1.5 billion in 2020, 2019 and 2018, respectively.

#### 47. 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 April 5, 2021.

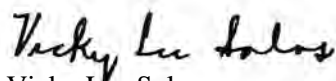


## **INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES**

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 Subsidiaries (the Group) as at December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020, included in this Form 17-A, and have issued our report thereon dated April 5, 2021. 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 Consolidated Financial Statements and 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, fairly state, in all material respects, the financial information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Vicky Lee Salas  
Partner

CPA Certificate No. 86838  
SEC Accreditation No. 0115-AR-5 (Group A),  
April 16, 2019, valid until April 15, 2022  
Tax Identification No. 129-434-735  
BIR Accreditation No. 08-001998-053-2020,  
November 27, 2020, valid until November 26, 2023  
PTR No. 8534310, January 4, 2021, Makati City

April 5, 2021




## **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 Subsidiaries (the Group) as at December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020, included in this Form 17-A, and have issued our report thereon dated April 5, 2021. 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. This schedule is presented for purposes of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's financial statements as at December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.



Vicky Lee Salas  
Partner

CPA Certificate No. 86838  
SEC Accreditation No. 0115-AR-5 (Group A),  
April 16, 2019, valid until April 15, 2022  
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BIR Accreditation No. 08-001998-053-2020,  
November 27, 2020, valid until November 26, 2023  
PTR No. 8534310, January 4, 2021, Makati City

April 5, 2021



**JG SUMMIT HOLDINGS, INC.**  
**SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS**  
**AVAILABLE FOR DIVIDEND DECLARATION (ANNEX 68-D)**  
**AS OF DECEMBER 31, 2020**

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The table below presents the retained earnings available for dividend declaration as of December 31, 2020:

Unappropriated Retained Earnings, beginning	₱41,907,738,773
Adjustment:	
Unrealized market valuation gains on financial assets at FVPL in prior years	(234,553,384)
Unappropriated Retained Earnings, as adjusted, beginning	41,673,185,389
Net income during the year	11,242,142,492
Add: Realized market valuation loss on financial assets at FVPL	234,553,384
Less: Dividend declaration during the year	(24,813,789,508)
Total Retained Earnings available for dividend declaration as of December 31, 2020	<u>₱28,336,091,757</u>

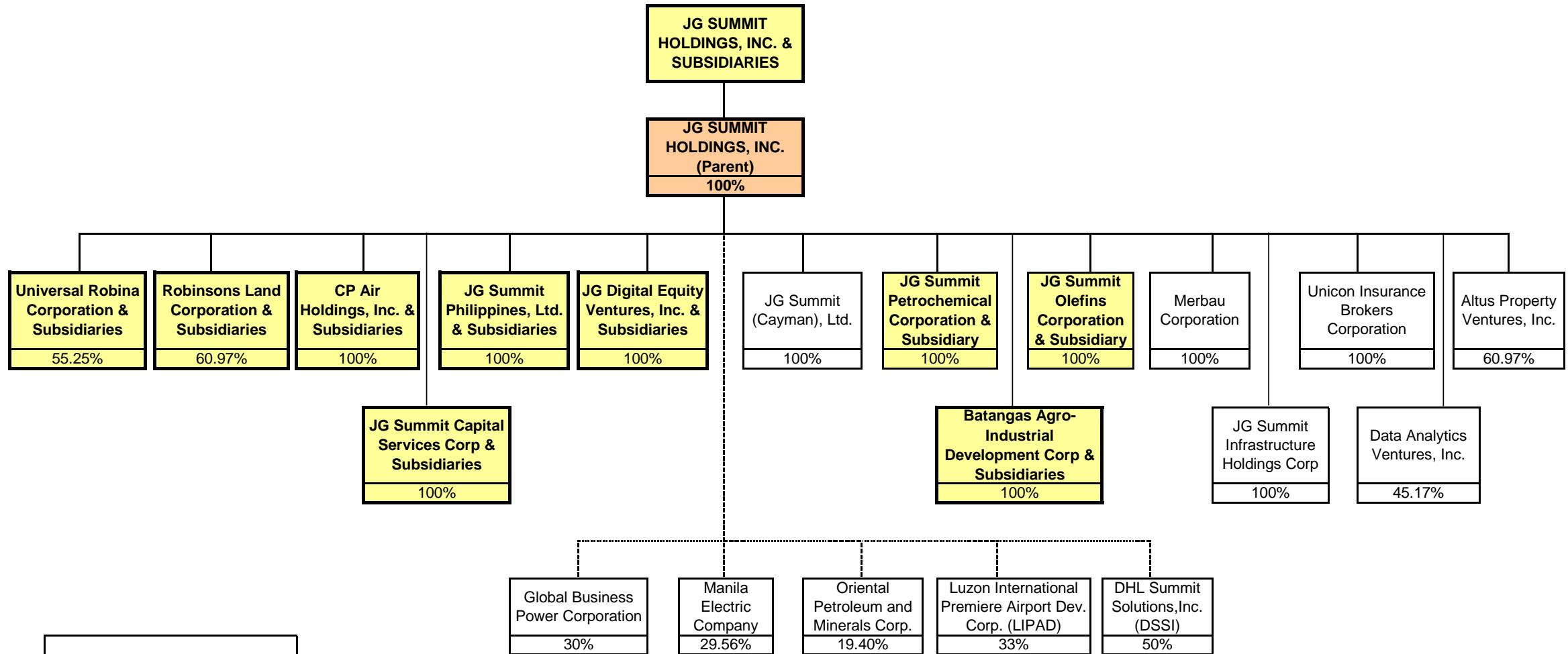
**JG SUMMIT HOLDINGS, INC. AND SUBSIDIARIES**  
**SCHEDULE OF FINANCIAL SOUNDNESS INDICATOR (ANNEX 68-E)**  
**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

The following are the financial ratios that the Group monitors in measuring and analyzing its financial soundness:

<b>Ratio</b>	<b>Formula (in millions)</b>	<b>2020</b>	<b>2019</b>
Current ratio	<div style="display: flex; justify-content: space-between;"> <div>Total Current Assets</div> <div>301,289</div> </div> <div style="display: flex; justify-content: space-between;"> <div>Divide by: Total Current Liabilities</div> <div>295,579</div> </div> <hr style="width: 100%;"/> <div style="display: flex; justify-content: space-between;"> <div>Current ratio</div> <div>1.02</div> </div>	1.02	0.96
Debt-to-equity ratio/ Gearing ratio	<div style="display: flex; justify-content: space-between;"> <div>Total Debt*</div> <div>316,760</div> </div> <div style="display: flex; justify-content: space-between;"> <div>Divide by: Total Equity</div> <div>408,110</div> </div> <hr style="width: 100%;"/> <div style="display: flex; justify-content: space-between;"> <div>Debt-to-equity ratio</div> <div>0.78</div> </div> <p><i>* Short-term loans + Long-term loans</i></p>	0.78	0.67
Asset-to-equity ratio	<div style="display: flex; justify-content: space-between;"> <div>Total Assets</div> <div>999,609</div> </div> <div style="display: flex; justify-content: space-between;"> <div>Divide by: Total Equity</div> <div>408,110</div> </div> <hr style="width: 100%;"/> <div style="display: flex; justify-content: space-between;"> <div>Asset-to-equity ratio</div> <div>2.45</div> </div>	2.45	2.27
Operating income margin	<div style="display: flex; justify-content: space-between;"> <div>Operating Income</div> <div>12,101</div> </div> <div style="display: flex; justify-content: space-between;"> <div>Divide by: Total Revenues</div> <div>221,640</div> </div> <hr style="width: 100%;"/> <div style="display: flex; justify-content: space-between;"> <div>Operating income margin</div> <div>0.05</div> </div>	0.05	0.19
Return on equity	<div style="display: flex; justify-content: space-between;"> <div>Net income attributable to equity holders of the Parent Company</div> <div>(468)</div> </div> <div style="display: flex; justify-content: space-between;"> <div>Divide by: Average Equity attributable to equity holders of the Parent Company</div> <div>306,566</div> </div> <hr style="width: 100%;"/> <div style="display: flex; justify-content: space-between;"> <div>Return on equity</div> <div>0.002</div> </div>	(0.002)	0.11

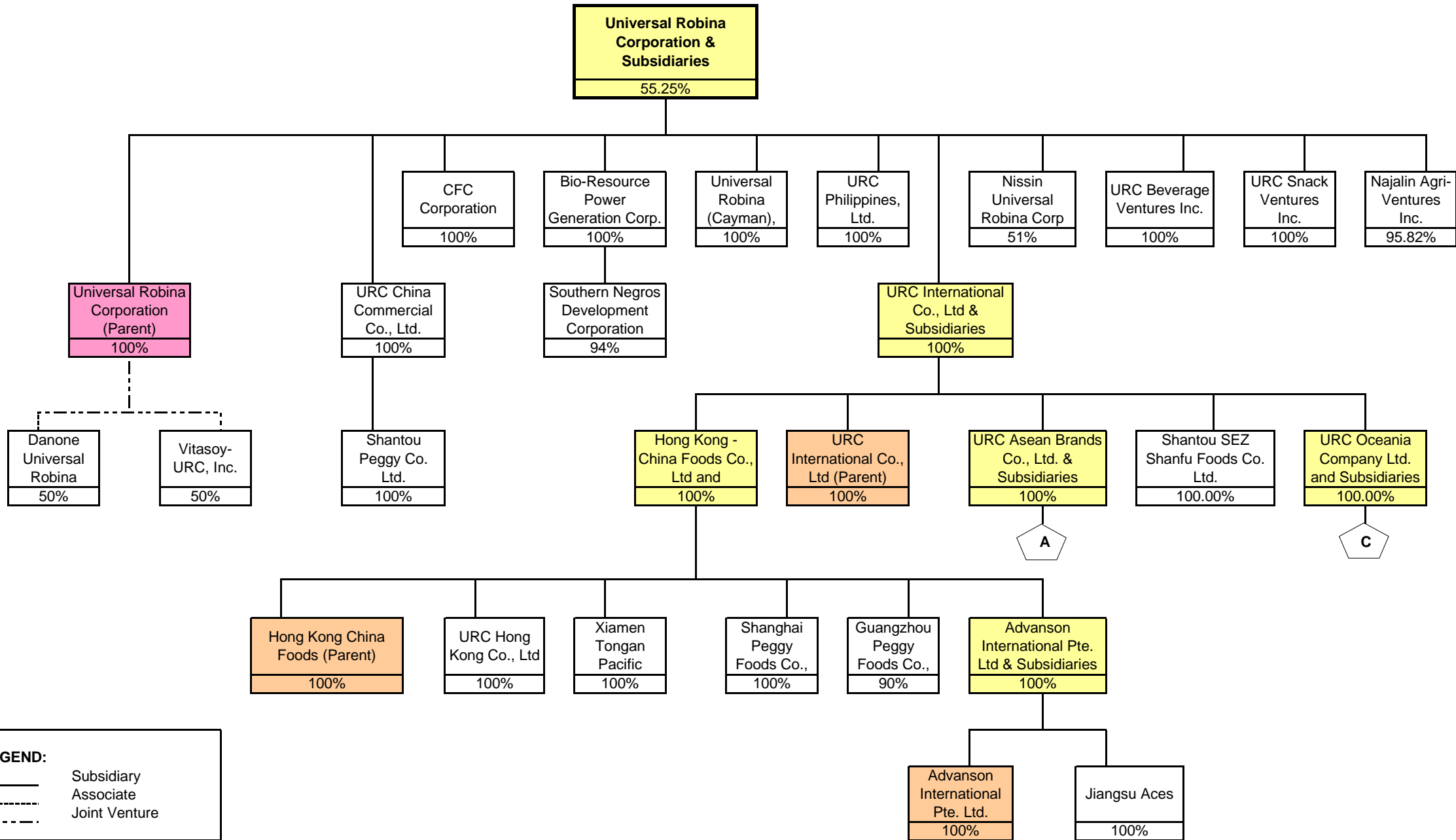
**JG SUMMIT HOLDINGS, INC. AND SUBSIDIARIES**  
 43rd Floor, Robinsons-Equitable Tower  
 ADB Avenue corner Poveda Road, Pasig City

**MAP OF THE RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP**



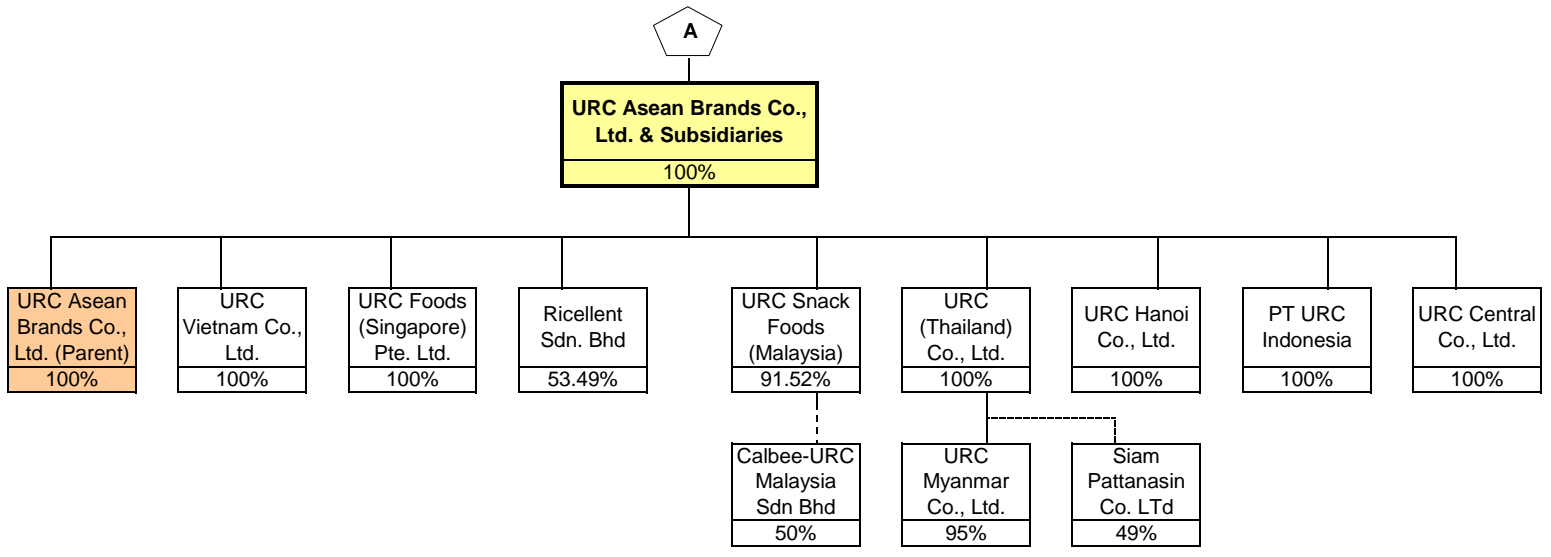
**LEGEND:**  
 ———— Subsidiary  
 ———— Associate  
 - - - - - Joint Venture

**NOTE:** Please see separate sheets for the organizational structures of the various consolidation groups.



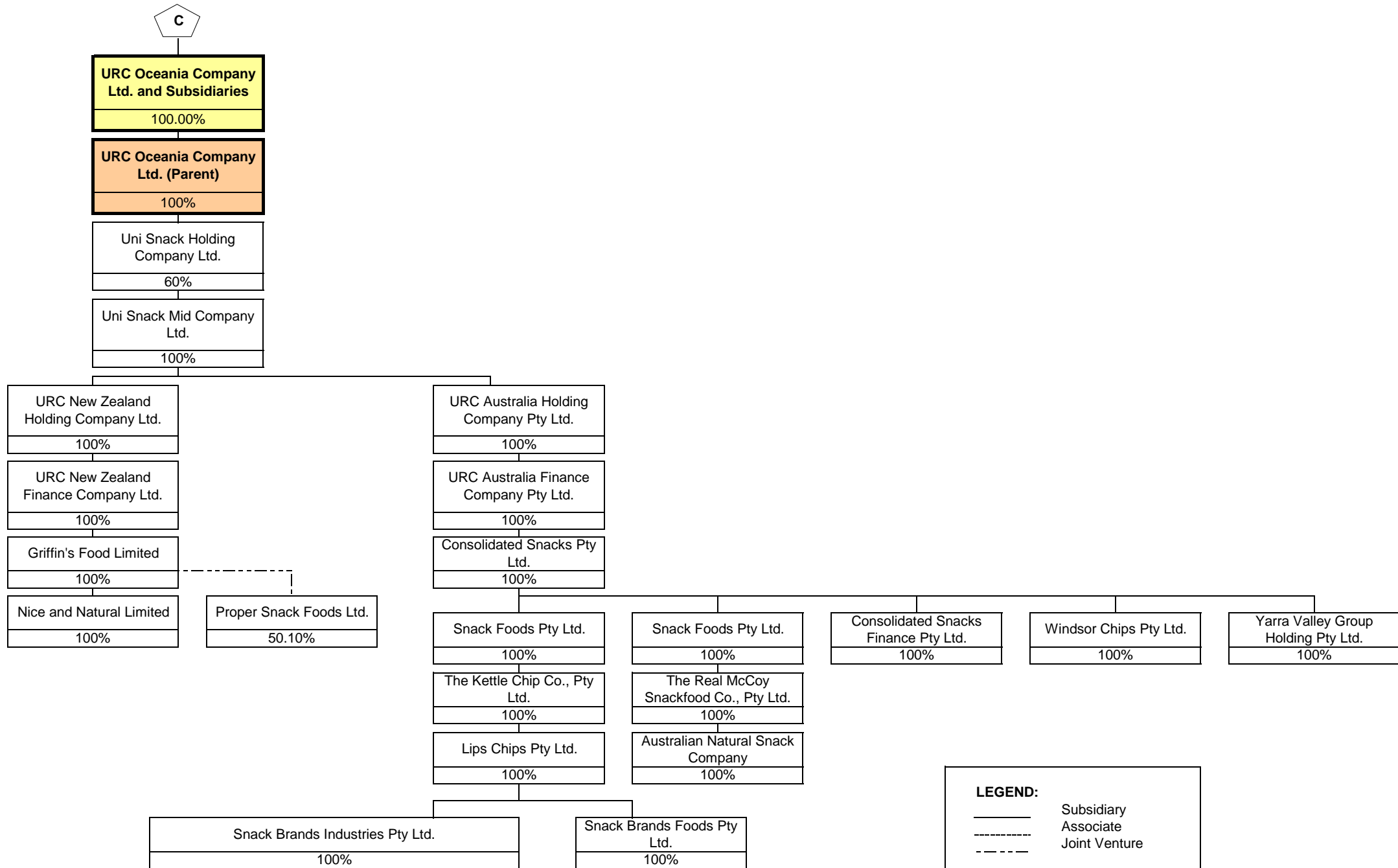
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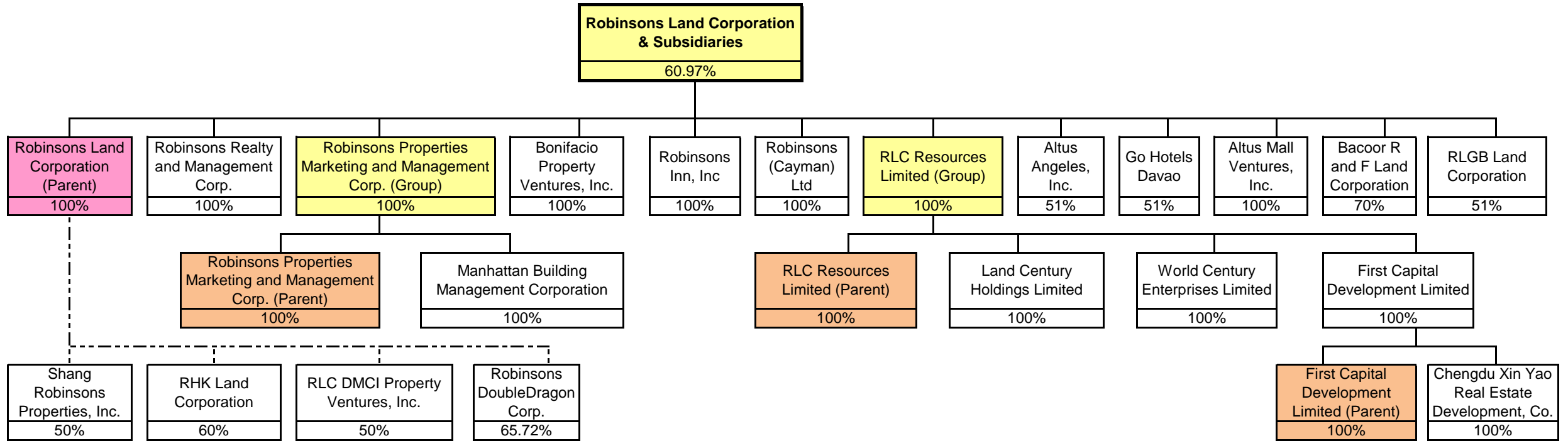
- Subsidiary
- Associate
- - - - - Joint Venture



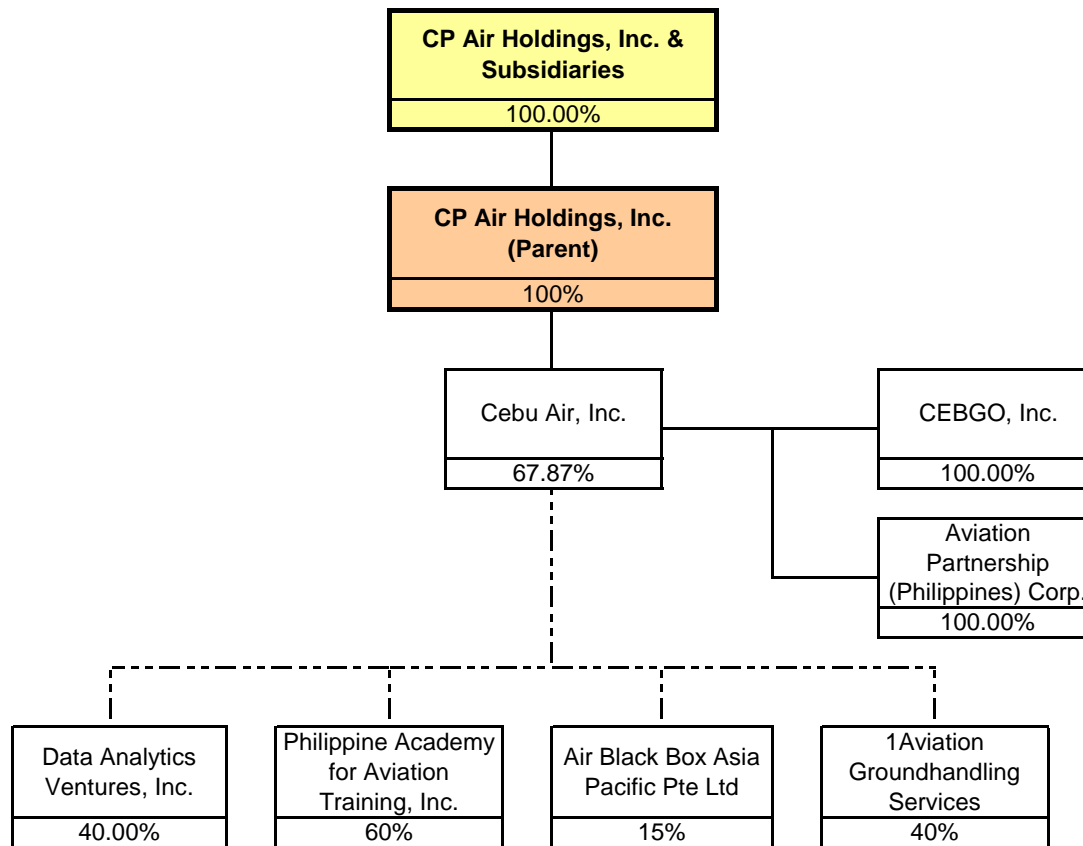
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 - - - - - Associate  
 - - - - - Joint Venture





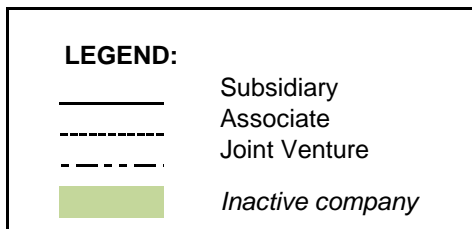
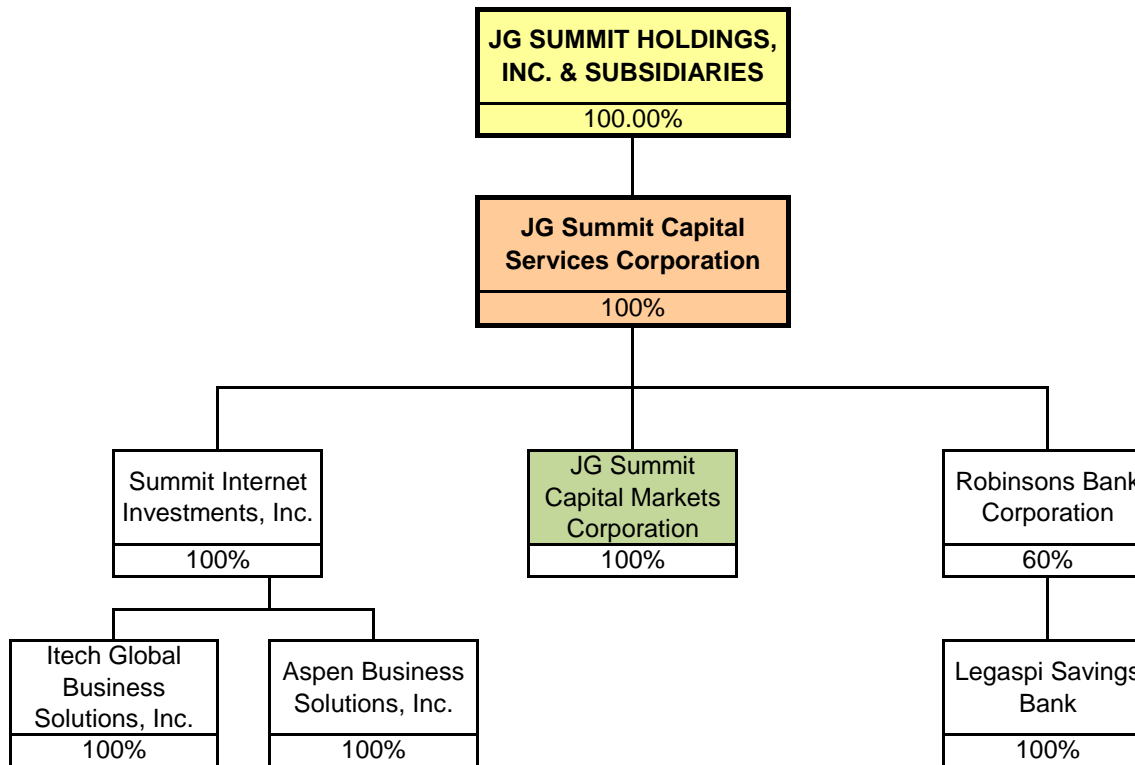


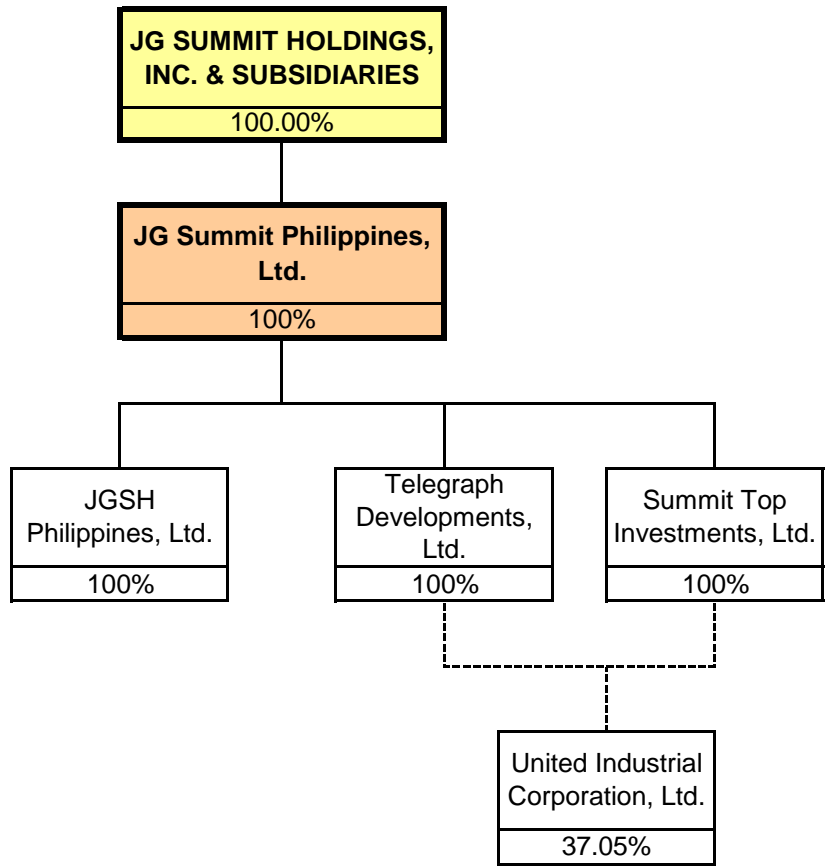
**LEGEND:**  
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 - - - - - Associate  
 . . . . . Joint Venture



**LEGEND:**

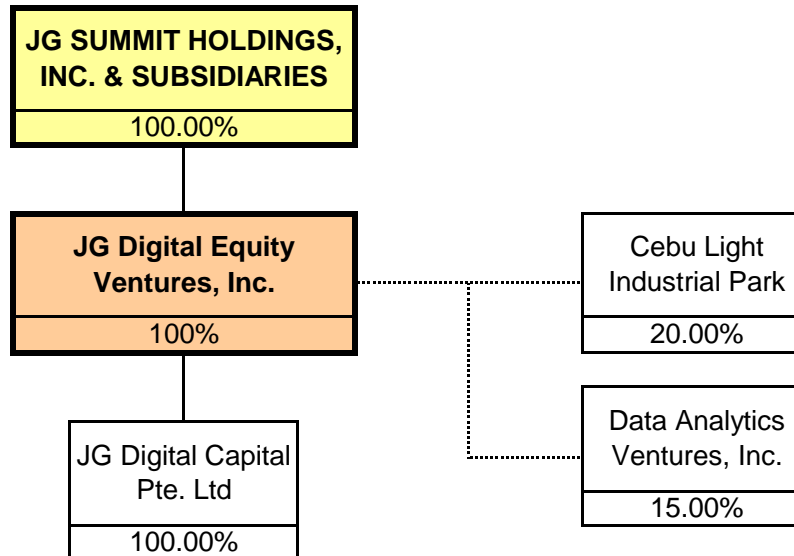
———— Subsidiary  
 - - - - Associate  
 . - - - Joint Venture





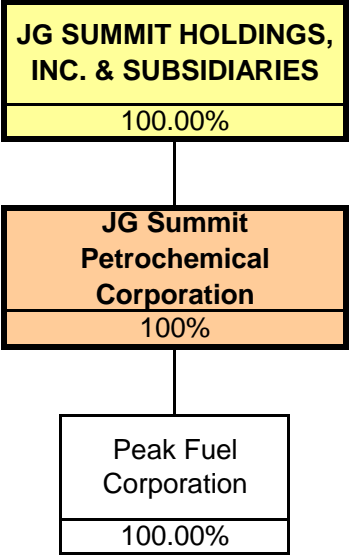
**LEGEND:**

- Subsidiary
- - - - - Associate
- . - . - Joint Venture

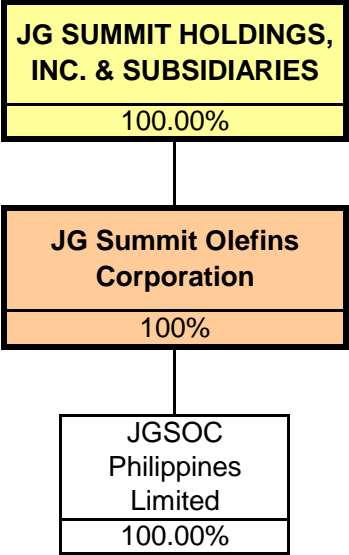


**LEGEND:**

- Subsidiary
- Associate
- .-.-.-.- Joint Venture



<b>LEGEND:</b>	
————	Subsidiary
-----	Associate
.....	Joint Venture



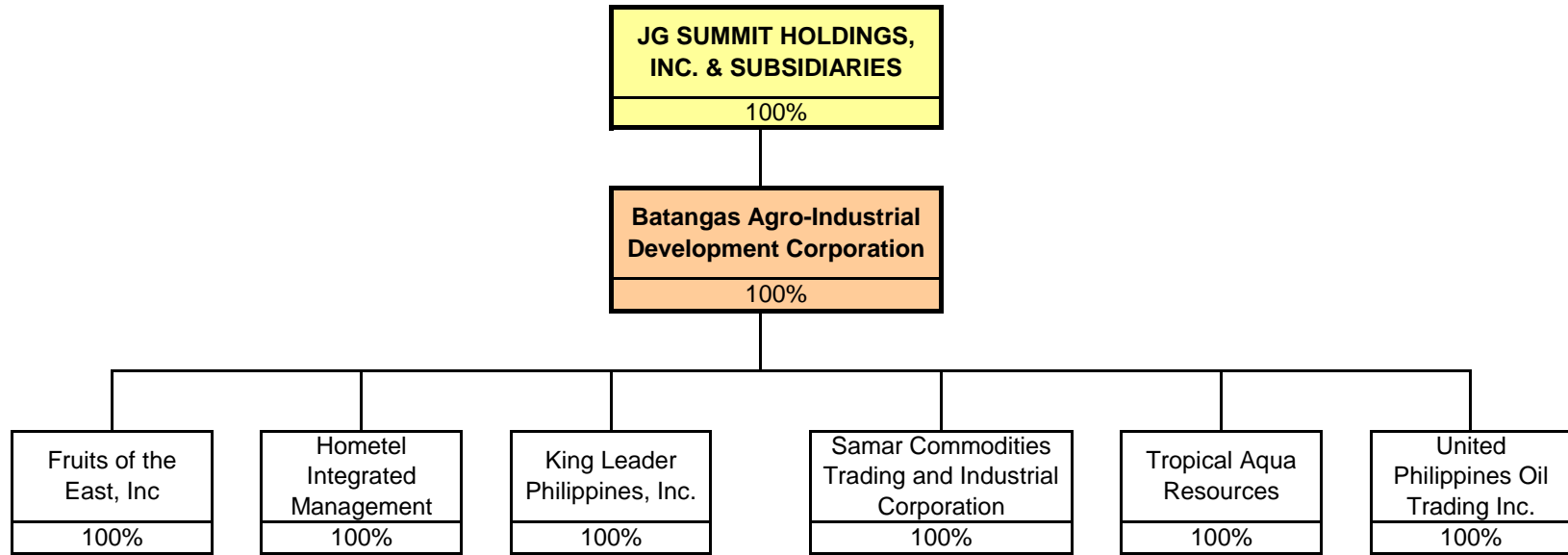
**LEGEND:**

————— Subsidiary

----- Associate

..... Joint Venture





**LEGEND:**

————— Subsidiary  
 - - - - - Associate  
 . - - - - Joint Venture

**JG SUMMIT HOLDINGS, INC. AND SUBSIDIARIES**  
**SCHEDULE A - FINANCIAL ASSETS**  
**DECEMBER 31, 2020**

Name of Issuing Entity and Description of Each Issue	Amount Shown in the Balance Sheet/Notes	Value Based on Market Quotations at Balance Sheet Date	Income Received and Accrued
<b>Financial Assets (Liabilities) at Fair Value Through Profit or Loss</b>			
Various / Government Bonds	₱86,520,711	₱86,520,711	₱7,424,489
Derivatives classified as FVTPL	556,022	556,022	-
Investment in Convertible Note	3,743,007,446	3,743,007,446	-
Various Equity Quoted Securities	1,734,932,805	1,734,932,805	55,351,570
	5,565,016,984	5,565,016,984	62,776,059
<b>Financial Assets at Fair Value Through Other Comprehensive Income</b>			
Various / Private Bonds	21,325,214,680	21,325,214,680	888,193,462
Various / Government Bonds	9,681,907,051	9,681,907,051	212,212,623
Philippine Long Distance Telephone Corp.	32,618,889,700	32,618,889,700	1,874,369,035
Various Equity Quoted Securities	454,098,077	454,098,077	81,400,234
Various Equity Unquoted Securities	661,523,310	661,523,310	-
	64,741,632,818	64,741,632,818	3,056,175,354
<b>Financial Assets at Amortized Cost</b>			
Private debt securities	1,797,659,367	1,797,659,367	78,746,309
Government debt securities	6,251,706,056	6,251,706,056	277,850,974
	8,049,365,423	8,049,365,423	356,597,283
	₱78,356,015,225	₱78,356,015,225	₱3,475,548,696

**JG SUMMIT HOLDINGS, INC. AND SUBSIDIARIES**  
**SCHEDULE B - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES**  
**AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)**  
**DECEMBER 31, 2020**

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Collections	Write Offs	Balance at End of Period		
					Current	Noncurrent	Total
- NONE TO REPORT -							

**JG SUMMIT HOLDINGS, INC. AND SUBSIDIARIES**  
**SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED**  
**DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Amounts Collected	Amounts Written-Off	Balance at End of Period		
					Current	Non-current	Total
Batangas Agro-Industrial Development Corporation ( <i>Subsidiary</i> )	₱269,478,203	₱777,833	₱–	₱–	₱270,256,036	₱–	₱270,256,036
Cebu Air, Inc. ( <i>Subsidiary</i> )	17,105,882	76,868,625	(32,374,448)	–	61,600,059	–	61,600,059
Digital Analytics Ventures, Inc. ( <i>Subsidiary</i> )	29,955,535	95,993,741	(87,202,626)	–	38,746,650	–	38,746,650
JG Digital Equity Ventures, Inc. (formerly Express Holdings, Inc.)	4,296,612	176,328,423	(180,625,035)	–	–	–	–
JG Summit Holdings, Inc. ( <i>Parent</i> )	3,206,579,392	669,661,877	(457,784,065)	–	3,418,457,204	–	3,418,457,204
JG Summit Infrastructure Holdings Corporation ( <i>Subsidiary</i> )	39,214	2,360,776	–	–	2,399,990	–	2,399,990
Robinsons Bank Corporation ( <i>Subsidiary</i> )	95,160,629	70,848,875	(4,749,568)	–	161,259,936	–	161,259,936
Robinsons Land Corporation and Subsidiaries ( <i>Subsidiary</i> )	215,370,892	92,694,726	(31,617,864)	–	276,447,754	–	276,447,754
Summit Internet Investments, Inc. and Subsidiaries ( <i>Subsidiary</i> )	92,812,475	14,343,666	(2,602,930)	–	104,553,211	–	104,553,211
Universal Robina Corporation and Subsidiaries ( <i>Subsidiary</i> )	283,555,876	439,170,764	(370,651,610)	–	352,075,030	–	352,075,030
	₱4,214,354,710	₱1,639,049,306	(₱1,167,608,146))	₱–	₱4,685,795,870	₱–	₱4,685,795,870

**JG SUMMIT HOLDINGS, INC. AND SUBSIDIARIES**  
**SCHEDULE D - LONG-TERM DEBT**  
**DECEMBER 31, 2020**

Title of Issue and Type of Obligation	Amount Authorized by Indenture	Amount Shown under Caption "Current Portion of Long Term Debt" in Related Balance Sheet	Amount Shown under Caption "Long-Term Debt" in Related Balance Sheet	Remarks
Fixed Rate Retail Bonds Due 2023,2024 and 2030	P—	P5,311,556,630	P175,907,449	
Fixed Rate Term Loans Due 2022, 2023 and 2025	—	(21,775,555)	18,844,370,376	
Floating Rate Term Loans Due 2023 and 2024	—	(33,145,090)	21,936,215,976	
Guaranteed Notes Due 2023	—	(29,475,317)	29,301,763,144	
Guaranteed Notes Due 2030	—	(12,072,550)	28,687,276,923	
CAI - Commercial Loans	—	4,840,069,458	48,399,864,978	See
RLC - Fixed Rate Retail Bonds Due 2022, 2023 and 2025	—	(70,071,563)	25,095,201,598	Notes
RLC - Fixed Rate Term Loans	—	6,631,706,365	21,946,942,383	Below
Petrochem - Floating Rate Term Loans	—	—	18,508,000,000	
Petrochem - Fixed Rate Term Loans	—	—	11,492,000,000	
URC - Term Loans	—	17,796,595,361	13,540,955,775	
	<u>P—</u>	<u>P34,413,387,739</u>	<u>P237,928,498,602</u>	

*NOTES:*

1) The terms, interest rate, collaterals and other relevant information are shown in the Notes to Consolidated Financial Statements.

2) The negative amounts represent debt issuance costs to be amortized the following year.

**JG SUMMIT HOLDINGS, INC. AND SUBSIDIARIES**  
**SCHEDULE E - INDEBTEDNESS TO RELATED PARTIES (LONG-TERM LOANS FROM RELATED COMPANIES)**  
**DECEMBER 31, 2020**

<b>Name of Related Party</b>	<b>Balance at Beginning of the Period</b>	<b>Balance at End of the Period</b>
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- NONE TO REPORT -

**JG SUMMIT HOLDINGS, INC. AND SUBSIDIARIES**  
**SCHEDULE F - GUARANTEES OF SECURITIES OF OTHER ISSUERS**  
**DECEMBER 31, 2020**

<b>Name of issuing entity of securities guaranteed by the Company for which this statement is filed</b>	<b>Title of issue of each class of securities guaranteed</b>	<b>Total amount guaranteed and outstanding</b>	<b>Amount owned by person for which this statement is filed</b>	<b>Nature of guarantee</b>
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- NONE TO REPORT -

**JG SUMMIT HOLDINGS, INC. AND SUBSIDIARIES**  
**SCHEDULE G - CAPITAL STOCK**  
**DECEMBER 31, 2020**

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding	Number of Shares Reserved for Options, Warrants, Conversion and Other Rights	Number of Shares Held by		
				Affiliates	Directors, Officers and Employees	Others
Common Shares at ₱1 par value	12,850,800,000	7,520,983,658	–	284,267,025	1,311,387,033	5,925,329,600
Preferred Voting Shares at ₱0.01 par value	4,000,000,000	4,000,000,000	–	–	–	4,000,000,000
Preferred Non-voting Shares at ₱1 par value	2,000,000,000	2,000,000,000	–	–	–	2,000,000,000



# **JG Summit Holdings, Inc.**

2020 Sustainability Report in compliance with the SEC  
Sustainability Reporting Guidelines for Publicly Listed  
Companies

## Contextual Information

Company Details	
Name of Organization	JG Summit Holdings, Inc.
Location of Headquarters	Robinsons Equitable Tower
Location of Operations	<p>The parent company and its subsidiaries conduct businesses throughout the Philippines, in and around Metro Manila (where it is based) and in the regions of Luzon, Visayas, and Mindanao. It also has presence in several regions in the Asia Pacific. A more detailed map of the company's geographic presence is available at <a href="https://www.jgsummit.com.ph/annualreport2018/about-the-company.php">https://www.jgsummit.com.ph/annualreport2018/about-the-company.php</a></p> <p>Subsidiaries</p> <ul style="list-style-type: none"> <li>- <b>Universal Robina Corporation (URC)</b> has manufacturing facilities in the Philippines, Myanmar, Thailand, Vietnam, Indonesia, Malaysia, Australia, China and New Zealand; distribution facilities in Laos and Cambodia; and sales offices in Hong Kong and Singapore.</li> <li>- <b>Cebu Pacific</b> and subsidiary <b>Cebgo, Inc.</b> offer flights to Philippine and international destinations, spanning Asia, Australia, and the Middle East. A list of Cebu Pacific sales offices is available at <a href="https://cebuspacifaircorporate.com/Pages/contact-us.aspx">https://cebuspacifaircorporate.com/Pages/contact-us.aspx</a></li> <li>- <b>JG Summit Petrochemicals Group (JGSPG)</b>, headquartered in Pasig City, operates its manufacturing plant in Batangas City.</li> <li>- <b>Robinsons Land Corporation (RLC)</b> has properties distributed in 49 cities and 11 municipalities in 29 provinces.</li> <li>- <b>Robinsons Bank Corporation (RBank)</b> and its subsidiary, Legazpi Savings Bank, have 173 branches in 42 provinces. Robinsons Bank also has 50 banking agents located in seven provinces.</li> </ul>
Report Boundary	<p>Unless otherwise specified in specific sections, this report shall cover JG Summit Holdings, Inc. (JGSHI) including its five strategic business units (or subsidiaries):</p> <p><b>Universal Robina Corporation</b></p> <ul style="list-style-type: none"> <li>● Branded Consumer Foods (BCF) Philippines and International</li> <li>● Agro-Industrial and Commodities (AIC)</li> </ul> <p><b>Cebu Air, Inc.</b></p> <ul style="list-style-type: none"> <li>● Cebgo, Inc.</li> </ul> <p><b>Robinsons Land Corporation</b></p> <ul style="list-style-type: none"> <li>● Robinsons Malls</li> <li>● Robinsons Offices</li> <li>● Robinsons Hotels and Resorts</li> <li>● Robinsons Residential</li> <li>● Robinsons Industrial and Integrated Developments</li> </ul> <p><b>Robinsons Bank Corporation</b></p> <ul style="list-style-type: none"> <li>● Legazpi Savings Bank, Inc.</li> </ul> <p><b>JG Summit Petrochemicals Group</b></p> <ul style="list-style-type: none"> <li>● JG Summit Olefins Corporation</li> <li>● JG Summit Petrochemical Corporation</li> </ul> <p>While our objective is to comprehensively report information, we continue to face challenges in data collection and validation given the multi-industry nature of our group.</p> <p>This report includes additional coverage versus 2019 but note that we continue to face limitations in scope and coverage. For</p>

	<p>transparency and to set the right context we have noted these in each of the sections.</p> <p>As we progress, we hope to add/expand scope and coverage in our succeeding reports</p>
Business Model, including Primary Activities, Brands, Products, and Services	JG Summit Holdings, Inc. is a holdings company for a group of companies with substantial business interests in foods, agro-industrial and commodities, real estate and hotel, air transportation and petrochemicals. It also has core investments in telecommunications, and power generation and distribution.
Reporting Period	January 1, 2020 to December 31, 2020
Highest Ranking Person responsible for this report	<p>Renato Salud Senior Vice President Corporate Affairs and Sustainability</p> <p>Michael P. Liwanag Senior Vice President Investor Relations, Office of the Chief of Staff</p>

## Materiality Process

With the understanding that sustainability is critical for the conglomerate, JGSHI Corporate Affairs and Sustainability started the conglomerate’s sustainability journey through the following steps:

**Setting Objectives.** Sustainability topics are first understood in the context of current societal needs during a GRI Standards Training and a series of Materiality Courses held in 2018 for more than 50 data handlers, supervisors, and managers in the subsidiaries. These sessions helped widen the business perspective in the group across different functions, and identify what truly matters for the company and its stakeholders.

**Identification and Categorization of Sustainability Issues.** Publicly-listed companies in the group released their inaugural sustainability reports in 2018 (URC) and 2019 (RLC and CEB) in order to take an inward look on the issues affecting their respective industries and their business. Through the sustainability reporting exercise, sustainability is taken to management committee discussions. Data collection of non-financial data was also activated alongside the usual yearly financial data collection.

**Stakeholder Engagement.** To engage the group’s internal stakeholders, a Sustainability Leads Team was created in 2018 to coalesce the key people that best understand the needs of the business units’ stakeholders. The same Sustainability Leads drove the business units’ stakeholder engagement for their sustainability reports. Through the Leads Team, the business units are able to exchange best practices and communicate their needs in championing sustainability. JGSHI is also able to directly communicate to the business units its future priority areas around sustainability, and identify possible areas of synergy within the conglomerate’s ecosystem.

To engage JGSHI’s external stakeholders, Corporate Affairs works hand in hand with Investor Relations to capture investor expectations around sustainability.

**Prioritization.** Also in 2019, Corporate Affairs initiated a CEO-level roundtable to exchange priority areas and provide a platform for strategic discussion on the conglomerate sustainability imperatives. In this initial meeting, the business units presented their respective five-year business strategy vis-à-vis their sustainability framework to show how sustainability is integrated in their strategic plans.

In the same forum, the sustainability topics that are common across the group as well as those sought by critical stakeholders were presented to top management for review and prioritization. This was a result of the materiality exercise by each business unit.

**Process Review.** With a complete suite of inputs from the data owners all the way to CEOs, JGSHI started obtaining baseline data for the calendar year 2019 as basis for measuring performance on each of the material topics identified. The GRI Reporting Standards and the SEC Guidelines were closely followed. Aside from data, existing management approaches – from operational targets to corporate policies – are also captured to complete the picture of how JGSHI and its subsidiaries move

to improve the performance in these areas.

An analysis of data gaps in each material topic was also done. With this complete understanding of where the group is, non-financial performance monitoring will be improved, and a more deliberate target setting will be done in the identified priority areas.

## ECONOMIC

### Economic Performance

#### Direct Economic Value Generated and Distributed

Disclosure	Amount	Units
Direct economic value generated (revenue)	222,873.03	million PhP
Direct economic value distributed:	233,792.78	million PhP
a. Employee wages and benefits	26,405.08	million PhP
b. Payments to suppliers, other operating costs	178,839.54	million PhP
c. Dividends given to stockholders and interest payments to loan providers	22,118.29	million PhP
d. Taxes given to government	6,405.66	million PhP
e. Investments to community (e.g. donations, CSR)	24.21	million PhP

#### Impacts and Risks: Where they occur, JGSHI's involvement, stakeholders affected

**Impacts.** About PHP 234 billion flows back to society. Of this, 88% is distributed to suppliers and its employees to support livelihood in time of pandemic. Aside from this, our SBUs directly involve the community where we operate. In 2020, PHP 24.21 Million was used to support communities.

**Risks.** JGSHI recognizes that internal gaps in processes such as non-collection of receivables, over/under/unbilled charges, incomplete disbursement documents, and overpayment to suppliers could compromise its capability to equitably flow the economic value to the right stakeholders. Corruption incidence when dealing with external parties could also disrupt the equitable flow of value. Additionally, operational and strategic risks such as fluctuations in prices of raw materials, political, reputational, and competition could affect the company's ability to meet its economic value generation target.

#### Management Approach for Impacts and Risks

The business units have put in place mitigation plans to protect them from the above financial risks. These include operational improvements such as: enhanced processes and regular review and follow up for accounts receivables, retraining of employees, regular audits, ensuring that third party service providers understand the processes regarding billing, mitigating declining market value of assets, managing FOREX impacts, establish risk limits for lending, among many others.

#### Opportunities & Management Approach:

JGSHI also understands that non-financial risks could affect its bottom line, thus affecting its economic value distribution. Based on previously scoped risks, a more comprehensive approach at consolidating and understanding these risks is being done in the short to mid-term horizon. This will include risk identification from a non-financial standpoint of JGSHI as a parent company; development of mitigation plans and testing them; and integration to JGSHI's business continuity plan.

In 2020, as part of the group's Enterprise Transformation Initiative, we have revisited JG Summit's governance and organizational structures to ensure that these are designed to support the achievement of our long-term objectives and effective execution of the strategies we laid out — both at the portfolio level and the four enablers namely Leadership & People Development, Digital Transformation, Customer Centricity and Sustainability.

Specifically, we redefined the role of JG Summit as a holdings company and its parenting style vis a vis the different Strategic Business Units (SBUs). Foremost is to provide access to capital and resourcing. The parent can also add value to the SBUs by (1) becoming a Center of Excellence and providing new unique or expensive expertise that SBUs need but do not have, (2) driving cross-BU synergy by actively fostering cooperation between SBUs to share best practices, data and talent, and (3) providing meaningful oversight on risk and compliance. These are applied in varying degrees across

the SBUs: for our more mature and core businesses, the parent’s role is focused on synergy creation; for growth businesses, it is strategic guidance; and for newly established business units, it includes functional leadership.

With this, we had to consequently evolve our corporate center organization to shift its focus to business results delivery, ecosystem leverage, as well as business and organizational sustainability. The current realities under the new normal also accelerated this transformation, which effectively reduced the JGS CEO’s direct reports from eighteen to only seven corporate center units (CCU) – the integrated Strategy Office, Digital Transformation and Corporate Services, Corporate Human Resources, Finance, Treasury, Corporate Affairs and Sustainability, and the General Counsel Group. Internal Audit remains to be an independent body directly reporting to the Board.

With the above in place, we established appropriate governance structures by forming and redefining teams into committees and councils composed of our senior leadership members across the group. This allows for greater collaboration, exchange of ideas, sharing of best practice and leverage on our thrust to create further value from our ecosystem.

For instance, we formed the Executive Leadership Council which is composed of CCU and SBU heads to facilitate strategic discussions including the oversight and project governance of priority initiatives within the group, creating an environment for collaboration, potential ecosystem synergies and approvals for investments, policies, etc. We have also put together a Strategic Investments Committee, which is tasked to deliberate, screen and endorse investment opportunities to the JG Summit Executive Committee and the Board. Lastly, we have also established a Promotions Committee, which shall instill a deliberate cadence and streamlined process for the advancement and appointment of the top leaders across the CCU and the SBUs.

### Climate-related risks and opportunities

#### **Governance**

JGSHI has identified climate-related risks in its current risk management processes, as mentioned in the Strategy and Risk Management sections below.

As the top management recognizes the importance of further qualifying climate-related risks in its operations, JGSHI Board, through Corporate Affairs and Sustainability, consolidates climate-related impacts of the company in order to identify opportunity areas for mitigation and reduction. Known climate-related impacts such as operational cost implications are managed directly by the business units.

#### **Strategy**

In the conglomerate’s current risk scoping, climate-related risks are recognized under Hazards, Supply Chain, and Procurement. The following risks were recognized: damages to its assets including malls, office buildings, banks, as well as plant equipment due to natural disasters and Acts of God, most of which are brought about by climate change. Ageing material and inventory due to slow movement of goods along the company’s supply chain could be aggravated by limited road access. There could be shortage in raw material supply if agriculture is disrupted, thus causing drastic price fluctuations. Flights and real estate development could increasingly be delayed or cancelled due to typhoons and other calamities. In terms of market risks, JGSHI also recognizes economic downturn and slowing down of demand for its products and services as an important risk that could be brought about by climate change events.

In the business planning of each subsidiary, the results of this scoping are used as inputs to their financial planning.

## Risk Management

The aforementioned climate-related risks are embedded in JGSHI's current risk management process of identification, assessment, and management. These are mostly implicit under Hazards, Supply Chain, and Procurement.

As the group finds that the impacts of climate change are becoming increasingly material in its operations. JGSHI is looking into identifying the risks around it more explicitly, fully understanding the group's exposure to climate-related risks and their financial implications, and developing mitigation plans that are tailored to specifically address them. JGSHI is also looking into taking advantage of opportunities around the topic with the help of its business development team and the strategic business units' operations, while considering synergies across the business units.

## Metrics and Targets

**Metrics.** Metrics to measure JGSHI's performance around climate-related risks and opportunities are found in the Environment > Environmental Impact > Air Emissions section of this report.

**Targets.** JGSHI has started baselining in 2019, and is now looking into defining targets around climate action.

### Procurement Practices

#### Proportion of spending on local suppliers

Disclosure	Quantity	Units	Boundaries
Percentage of procurement budget used for significant locations of operations that is spent on local suppliers <sup>1</sup>	55.04	%	URC, CEB and JGSPG

<sup>1</sup>JGSHI is still in the process of consolidating this data from all subsidiaries. The company aims to provide this data in the next three years.

## Impacts and Risks: Where they occur, JGSHI's involvement, stakeholders affected

**Impacts.** Supplier Accreditation contributes in achieving JGSHI's sustainability goals as the process helps ensure continuous supply of quality goods and services by reputable and reliable suppliers who are compliant with applicable government rules and regulations like environmental, labor, health and safety, etc. To the extent possible, the company promotes inclusive business in its value chain by getting supply from farmers and cooperatives to provide employment and revenues to low income communities.

Apart from the accreditation process, suppliers and contractors also undergo orientation on Company policies and ethical practices to ensure that all companies that JGSHI engages maintain the highest level of ethical standard for transparency as part of good corporate governance.

**Risks.** The accreditation process mitigates the risks of late or non-delivery of products and services resulting to losses in sales and revenues. Moreover, supplier accreditation also helps maintain the integrity of the procurement process thus providing transparency.

## Management Approach for Impacts and Risks

JGSHI's subsidiaries are required to comply with the Enterprise Accreditation Policy. The policy defines the minimum standards to guide the subsidiaries in their supplier selection and accreditation process. In view of the intricacies of JGSHI subsidiaries operating in various industries, subsidiaries may further customize the accreditation criteria and parameters based on their requirements as long as compliant with the minimum standards set by JGSHI. Business units may observe more detailed accreditation criteria on quality, reliability, timeliness, price competitiveness, etc. Moreover, they are responsible for performing the technical evaluations as their technical expertise puts them in the

best position to assess the quality required to deliver their products and services. The subsidiaries also have their own Quality Management Systems to ensure good industry practices are implemented in their facilities. Regular testing is done on raw materials, in-process goods, and finished products to ensure product quality.

JGSHI engages best-in-class suppliers and service providers providing the best quality products and reliable services. These suppliers provide trainings and knowledge transfers to the company's employees, building in-house talents and capabilities.

The business units' Procurement Teams are also trained in Purchasing Ethics, Strategic Purchasing, and Supplier Relationship Management to overcome ethical dilemmas and make sound purchasing decisions without compromising the vendor-buyer relationship.

To ensure that existing suppliers remain compliant to JGSHI's policies, monitoring processes (e.g. audit assessment), random on-site visits and performance evaluations are performed periodically.

#### **Opportunities & Management Approach:**

JGSHI sees an opportunity in tapping the local SME industry to reduce operational cost across the supply chain, without sacrificing the product and service delivery of its business units. JGSHI, in turn, could further boost local economic growth.

Local SMEs are currently subjected to the same JGSHI accreditation policy, and are approved if they meet the set standards, while foreign suppliers that provide specific items such as aircraft are currently subjected to outsourced due diligence processes. There is no policy to preferentially accommodate local SMEs where it is applicable, however, this is something that can be considered by JGSHI.



## Anti-corruption

### Training on Anti-corruption Policies and Procedures

Disclosure	Quantity	Units	Boundaries
Percentage of employees to whom the organization's anti-corruption policies and procedures have been communicated to	100	%	This total accounts for new employees in JGSHI and subsidiaries to whom the Code of Business Conduct, the Code of Discipline, and related Offenses Subject to Disciplinary Actions (OSDA) have been communicated to during the onboarding and orientation processes.
Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicated to	100	%	This total accounts for suppliers in JGSHI (CCU <sup>1</sup> , URC, RBank and CEB) to whom the Code of Business Conduct, the Code of Discipline, and related Offenses Subject to Disciplinary Actions (OSDA) have been communicated to during the onboarding and orientation processes.
Percentage of directors and management that have received anti-corruption training	76	Board members and key officers	The Board of Directors were all on-boarded on the Anti-Corruption Policy of the Group. <sup>2</sup>
Percentage of employees that have received anti-corruption training	97.28	%	RBank <sup>3</sup> and RLC

<sup>1</sup> CCU stands for Corporate Center Unit

<sup>2</sup> The company organized an in-house Corporate Governance Training on December 28, 2020. The Anti-Corruption training session discussed in detail the definition of corruption, the laws, rules and regulations covering the said topic, and the Conflict of Interest Policy of the JG Group. The training session highlighted types of corruption such as Economic Corruption and Political Corruption, explained why anti-corruption compliance is important in the context of the JG Group, and discussed in detail the Conflict of Interest Policy and Code of Business Conduct of the JG Group in relation to the particular acts which are allowed and are not allowed under the said policies. The Board sets the tone and makes a stand against corrupt practices by adopting an anti-corruption policy and program in its Code of Conduct. Every Director receives an appropriate orientation when he/she is first appointed to the Board of Directors in order to ensure that incoming Directors are appropriately apprised of their duties and responsibilities before beginning their Directorships. The orientation program includes SEC-mandated topics on Corporation Governance and an introduction to the Company's business, Articles of Incorporation, and Code of Business Conduct and Ethics.

<sup>3</sup> All RBank employees are required to take the Anti-Money Laundering Act training annually. URC will also roll-out an E-Module of the Code of Business Conduct where URC employees shall be asked to watch and take the exam to gauge comprehension and retention of the Company policies and guidelines. The Anti-Corruption policies and programs are made available online for all employees for their easy access, reference and guidance.

### Incidents of Corruption

Disclosure	Quantity	Units
Number of incidents in which directors were removed or disciplined for corruption	0	#
Number of incidents in which employees were dismissed or disciplined for corruption	0	#
Number of incidents when contracts with business partners were terminated due to incidents of corruption	0	#

### **Impacts and Risks: Where they occur, JGSHI's involvement, stakeholders affected**

**Impacts.** Corruption could compromise JGSHI's ability to equitably distribute economic value to the right stakeholders. If rampant, it could erode a culture of integrity, transparency and trust that is necessary in ensuring collaboration between employees, innovation, and synergy between business units.

**Risks.** Any incidence of corruption could pose a reputational risk to JGSHI. This could affect the company in multiple ways such as reduction in share price and market share.

### Management Approach for Impacts and Risks

JGSHI is committed to promoting fairness, accountability and transparency to all stakeholders. The Board sets the tone and makes a stand against corrupt practices by adopting anti-corruption policies and programs. Some of the Company's Anti-Corruption programs are embodied in the Code of Business Conduct and Ethics, Conflict of Interest, Offenses Subject to Disciplinary Action (OSDA), among others. The same are disseminated to all employees across the Company through trainings to embed them in the Company's culture. New employees are oriented regarding policies and procedures related to Business Conduct and Ethics and similar policies. All employees are given periodic reminders and these policies and programs are made available in the Company Website and Employee Portal for easy reference. Further, all concerned employees of the Conglomerate are required to comply with the Annual Self-Disclosure Activity.

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

The company also conducts an annual seminar for directors and officers on all our anti-corruption policies and the law, wherein real-life scenario workshops are also exercised.

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

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

informal pressures. It will take the necessary and appropriate action to do so in enforcing the policy.

- **Conflict Resolution** - The Conflicts of Interest Committee (CICOM) submits recommendations on courses of action to be taken on conflicts of interest situations. The decision is done by the Executive Committee.

#### **Opportunities & Management Approach:**

JGSHI sees an opportunity in developing platforms where updates in anti-corruption policies can be cascaded internally, through retraining and numerous communication channels. There is also an opportunity to evaluate the effectiveness of JGSHI's anti-corruption policy, especially the channels through which complaints may be filed.

The annual seminar was started in 2020, and we are looking to enhance its robustness and frequency to ensure that each employee, officer and director will remain updated on changes and can provide inputs to make the seminars and policies richer.

## ENVIRONMENT

### Resource Management

#### Energy consumption within the organization:

Disclosure	Quantity	Units	Boundaries
Energy consumption (renewable sources)	86,819.96	GJ	Solar energy consumed by RLC, and solar and biomass energy consumed by URC (BCF-PH, BCF-INT)
Energy consumption (gasoline)	18,583.86	GJ	CEB, JGSPG, RLC and RBank
Energy consumption (LPG)	318,604.72	GJ	URC (BCF-PH, BCF-INT, Flour) and JGSPG
Energy consumption (diesel)	157,936.73	GJ	URC (BCF-PH, BCF-INT, Flour), RLC, CEB, JGSPG and RBank
Energy consumption (bunker)	3,513,621.11	GJ	URC (BCF-PH, BCF-INT, Flour) and JGSPG
Energy consumption (coal)	1,656,299.50	GJ	URC (BCF-PH, BCF-INT, Flour)
Energy consumption (CNG)	817,978.15	GJ	
Energy consumption (LNG)	98,858.77	GJ	
Energy consumption (jet fuel)	7,784,171.11	GJ	
Energy consumption (electricity)	2,753,757.38	GJ	URC (BCF-PH, BCF-INT, Flour), RLC, CEB, JGSPG and RBank

#### Reduction of energy consumption

Disclosure	Quantity	Units	Boundaries
Energy consumption (renewable sources)	(39,261.96)	GJ	Solar energy consumed by RLC and URC (BCF-PH, BCF-INT)
Energy reduction (gasoline)	(6,764.41)	GJ	CEB, JGSPG and RBank
Energy reduction (LPG)	333,057.45	GJ	URC (BCF-PH, BCF-INT, Flour) and JGSPG
Energy reduction (diesel)	423,224.74	GJ	URC (BCF-PH, BCF-INT, Flour), CEB, RLC and RBank
Energy reduction (bunker)	(559,454.27)	GJ	URC (BCF-PH, BCF-INT, Flour) and JGSPG
Energy reduction (coal)	96,867.15	GJ	URC (BCF-PH, BCF-INT, Flour)
Energy reduction (CNG)	23,325.43	GJ	
Energy reduction (LNG)	6,224.85	GJ	
Energy reduction (jet fuel)	19,664,479.90	GJ	
Energy reduction (electricity)	1,878,329.87	GJ	URC (BCF-PH, BCF-INT, Flour), CEB, RLC, JGSPG and RBank

#### **Impacts and Risks: Where they occur, JGSHI's involvement, stakeholders affected**

**Impacts.** JGSHI recognizes that the use of electricity and other fuels have an impact on the environment in terms of greenhouse gas emissions and air pollutants released as a result of consuming energy.

**Risks.** Energy is critical to the value creation of JGSHI. The company recognizes the risks to energy insecurity due to increased competing demands from energy intensive sectors, including domestic consumption. The company also recognizes that energy generation from traditional sources can create negative impacts to air quality, health, and contributes to climate change. Overdependence on fossil fuels also exposes the country to fluctuations in energy prices, which has financial implications to our business. Hence, in JGSHI, companies may opt to source energy from renewable sources whenever appropriate and viable.

#### **Management Approach for Impacts and Risks**

JGSHI as a conglomerate promotes energy efficiency and improved utilization of energy sources among its subsidiaries. Hence, JGSHI enables its subsidiaries to measure, monitor and implement respective energy reduction targets to address individual operational challenges.

Specifically, CEB manages its operational efficiency and closely tracks its fuel consumption, hence, has put in place a fuel management and fleet expansion plan to increase overall fuel efficiency.

**Opportunities & Management Approach:**

JGSHI's business units take advantage of their facilities and materials to produce and/or consume clean energy whenever possible. JGSHI will also review the possibility of increasing energy reduction targets on a per SBU basis. The company is open to explore opportunities in retail electricity supply agreements as the prices of purchased clean energy becomes more economical.

Water consumption within the organization

Disclosure	Quantity	Units	Boundaries
Water withdrawal	13,168,076.64	m <sup>3</sup>	CEB (AOC, Air Juan, Fuel Depot), RLC, JGSPG, RBank and URC (BCF-PH, BCF-INT, Flour)
Water consumption	8,947,163.49	m <sup>3</sup>	CEB (AOC), RLC, JGSPG, RBank and URC (BCF-PH, BCF-INT, Flour)
Water recycled and reused	240,754.40	m <sup>3</sup>	CEB (based on capacity of rainwater recovery system), RLC (as measured for CCD only), JGSPG (as measured), and URC (BCF-PH, BCF-INT, Flour)

**Impacts and Risks: Where they occur, JGSHI's involvement, stakeholders affected**

**Impacts.** Water consumption impacts the water supply of communities adjacent to where some subsidiaries operate. Conserving water is important not only to reduce operational costs but also in being mindful of the company's impact to communities and the local ecosystem, both of which derive their water from the same sources as JGSHI's business units derive theirs.

**Risks.** Water is an essential component in many of JGSHI's operations. The Company recognizes risks to water shortages due to increased competing demand from agriculture, energy, industrial, domestic, and other sectors. El Niño and climate change also play a role. JGSHI's business units may be exposed to these risks as they operate across several regions in the Philippines, a few of which may be located in water stressed areas.

**Management Approach for Impacts and Risks**

Wastewater recycling systems and rainwater harvesting units are running in the facilities of most business units. Monitoring protocols are in place for some business units to track how much water is being saved in order to scale up efforts. Water is withdrawn from different sources wherein the maximum allowable extraction rate is followed. Investments are also made to equip facilities with water saving fixtures and wastewater treatment systems. In JGSPG, a desalination system is used to process seawater which provides the cooling water and potable water for various requirements of the complex.

**Opportunities & Management Approach:**

There is an opportunity to further reduce water consumption for JGSHI's business units by improving monitoring of water usage. Technologies such as rainwater harvesting, water catchment, and impounding can be applied in more areas of operations. Increasing usage of recycled water can allow lesser usage of unrecycled or virgin water. URC, in particular, rolled out LEAN Manufacturing to all Philippine facilities to drive the reduction of their water use ratio. Other business units may opt to follow suit if applicable for their needs.

Materials used by the organization

Disclosure	Quantity	Units	Boundaries
Renewable materials	6,300,838.06	Kg	URC (BCF-PH), RLC, JGSPG and RBank
Non-renewable materials	796,971,068.00	Kg	
Percentage of recycled input materials used to manufacture the organization’s primary products and services <sup>1</sup>	6.21	%	URC (BCF-PH)

<sup>1</sup>Data covers reground PET flakes which are mixed with virgin resin to create new PET bottles. Maximum of 8% reprocessed PET resin is allowed into the mix to maintain the integrity of the bottle

**Impacts and Risks: Where they occur, JGSHI’s involvement, stakeholders affected**

**Impacts.** Effective use of these materials reduces both costs and the GHG emissions created in their production for all business units.

**Risks.** JGSHI’s subsidiaries are dependent on raw materials to process and deliver its products and services. The company recognizes that the unchecked use of both renewable and non-renewable materials can lead to material scarcity in the long run. Scarce materials become more expensive which could have significant financial implications to our business. Extracting materials is energy intensive. It also impacts biodiversity and disrupt natural biogeochemical cycles. These negatively impact livelihood and quality of life of surrounding communities.

**Management Approach for Impacts and Risks**

JGSHI’s business units take responsibility in measuring material consumption and intensity to monitor the scale of our activities. The company works with service suppliers and engineers to ensure that facilities and processes are all sustainably optimized in terms of material usage.

For its manufacturing processes, JGSPG uses best-in-class technologies that are known for their safety, environment-friendliness, efficiency, simplicity, operational stability, cost-effectiveness and versatility. For its products, design of products with eco-efficiency as framework, and reduction of raw material usage without compromising safety, quality and performance are guiding principles. And for its waste, responsible management of internal waste, and partnership with various stakeholders to advocate solid waste management are espoused.

URC focused on finding solutions that lead to seamless and efficient operations. The responsible use of natural resources — intrinsic to our business — entails that we minimize our environmental impacts and optimize synergies where possible, whether in the careful sourcing of raw materials from select suppliers, or in the proper use, reuse, or disposal of these same materials and the material by-products generated from our operations.

**Upcycling:** URC’s commitment to quality usually entails rejecting packaging materials that do not pass inspection; however, small the blemish or dent. Added to which, scrap plastics remain after the materials have been cut and folded or shaped into the desired packaging. Rather than dispose of these materials in a landfill, URC has found ways to reincorporate them into new products. For one, URC’s scrap polyethylene terephthalate (PET) material – including bottle rejects – is reground into PET flakes and mixed with virgin PET resin to create new containers. Maximum of 8% reprocessed PET resin is allowed into the mix to maintain the integrity of the bottle. We only upcycle materials within our system to ensure that the products are clean and don’t impose a threat towards safety and quality.

**Opportunities & Management Approach:**

There are opportunities to design better facilities, extract resources using better technology, and incorporate the use of recycled materials that JGSHI can take advantage of by ensuring that the company keeps abreast of the latest information and applying them across business units when ready. Additionally, there are opportunities for circularity in terms of creating and reinforcing material loops within and among business units.

Ecosystems and biodiversity (whether in upland/watershed or coastal/marine)

Disclosure	Quantity	Units	Boundaries
Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	1	-	JGSPG Batangas plant operates in a city-designated heavy industrial zone along Batangas Bay, along with several other industries such as the Batangas port, a refinery, several power plants, food manufacturing facilities and other similar companies. Batangas Bay is within a Key Biodiversity Area located in the Verde Island Passage
	12.548	Ha	CMC Davao Flour Mill located in Sasa, Davao City, Davao del Sur is situated on the gulf's west coast. Davao City is among the four provinces that surrounds Davao Gulf which is considered as Key Biodiversity Area.
Habitats protected or restored	1.8	Ha	JGSPG Wetland No. 8 in Boracay; and
	312.5	m <sup>2</sup>	Artificial reef in Batangas Bay
	2,730*	Seedlings	BCF Cebu 1 and Cebu 2 conducted the tree planting and nurturing activities in the areas identified to be with high biodiversity value.
IUCN Red List species and national conservation list species with habitats in areas affected by operations	(list)	-	The company has no operations affecting the habitats of species listed in IUCN17 Red list species and national conservation list species.

\*For BCF Cebu 1 and Cebu 2, Phase 1 of the total number of seedlings committed is 36,000. However, due to the pandemic, only 2,730 were planted in 2020. The remaining seedlings will be planted once tree planting activities resume.

**Impacts and Risks: Where they occur, JGSHI's involvement, stakeholders affected**

**Impacts.** Any irresponsibility in terms of business operations within or adjacent to high biodiversity areas can lead to a scarcity of food and materials, displacement of indigenous peoples and local communities, and reemergence of diseases due to imbalances in animal populations such as insects or bats. Businesses can influence how key biodiversity areas are managed.

**Risks.** Although located in an industrial zone within the city fronting Batangas Bay, JGSPG recognizes that operations without mitigating controls could have adverse impacts on the marine ecosystem, which could lead to regulatory and social license implications against the Company. As such, JGSPG strictly monitors and maintains all facilities and machinery to ensure compliance to all applicable laws and standards.

URC recognizes that changes in the biodiversity and ecosystems can pose significant threats to the flora and fauna and the people which might result to notable risks such as habitat loss, displacement of species, coral bleaching, and development of diseases in the local communities due to disturbances in ecosystem. This might also affect the business operations in various ways such that day-to-day activities might be delayed and halted.

**Management Approach for Impacts and Risks**

JGSPG has partnered with DENR-BMB to rehabilitate and restore Wetland No. 8, a 1.8-hectare swamp and marshland located in Brgy. Manocmanoc in Boracay Island that is home to 39 species of trees and 20 faunal species of birds, fish, mammals and gastropods. Dubbed as *Para sa Atong Cagban Bobon*, JGSPG launched in July 2019 the initiative aimed to restore the environmental sustainability of Wetland No. 8 and prevent further degradation of its ecosystem, espousing a private-public sector collaborative approach with active involvement of other stakeholder communities.

In addition, for 17 years JGSPG has been maintaining a marine biodiversity project along the Brgy. Simlong coast in Batangas Bay. To date, JGSPG has deployed a total of 683 artificial reef blocks that cover an area of 312.5 square meters. Based on the latest monitoring survey of the faunal communities of the area conducted in January 2019 by the Batangas Coastal Resources Management Foundation (BCRMF), fish species richness of 38 species/20m<sup>2</sup> and fish biomass of 13.9 kg/20m<sup>2</sup> were recorded, proof of remarkable positive changes in diversity and abundance. Total number of fish species is distributed among 19 families, and composed of 24 major species and 14 target species

URC acknowledges that our business has impact on the biodiversity and surrounding ecosystem. Therefore, it is our responsibility to comply with all the environmental laws to ensure that flora and faunas, employees, surrounding communities, and the environment, are not exposed to any unnecessary amount of hazard due to our business operations. In addition, it is our corporate social responsibility to conduct programs and activities that supports conservation efforts, biodiversity preservation, and ecosystems protection.

One component of the Project SAGWAN (**Sustainable Actions and Goals for Water Availability and Neutrality**) is the Watershed Rehabilitation. Through this Project, the company adopts watershed reforestation sites near the area where the manufacturing of C2 and Waterline of URC is located. This will protect the critical watersheds thus enhancing biodiversity in the area, mitigating the adverse impact of our business processes, and promoting environmental stewardship among the employees and local communities.

#### Opportunities & Management Approach:

The management of biodiversity areas provides increased opportunity for business units to share monitoring data to civil and scientific groups and cooperate with indigenous or local communities for community-driven conservation efforts thereby increasing social license to operate. There is also an opportunity to manage biodiversity areas with internationally recognized identifications thus increasing the good reputation among business units.

URC recognizes that there is a need to integrate biodiversity and ecosystems management into the business' policies, strategies, and operational processes. In addition, there is still a need to expand the company's conservation efforts and improve the programs and activities that promotes biodiversity and ecosystems protection. These will raise awareness among the employees through shared activities to protect the ecosystems. There is also the chance to build a strong relationship and camaraderie with the local communities, government agencies, and LGUs.

## Environmental impact management

### Air Emissions

#### GHG

Disclosure	Quantity	Units	Boundaries
<b>GHG Emissions<sup>1</sup></b>			
Direct (Scope 1) GHG Emissions	1,347,717.64	tonnes CO <sub>2</sub> e	URC (BCF-PH, BCF-INT and Flour), RLC, CEB, RBank and JGSPG
Energy indirect (Scope 2) Emissions	308,192.1	tonnes CO <sub>2</sub> e	
<b>Other substances</b>			
Emissions of ozone-depleting substances (ODS) <sup>2</sup>	23.72	tonnes	URC (BCF-PH)

<sup>1</sup> The total greenhouse gas emissions of JGSHI is calculated using the equity approach as recommended by the GHG Protocol Corporate Accounting and Reporting Standard.

<sup>2</sup> ODS data covers refrigerants consumed by plants which include R22/Freon, R134a, R404, R407, R410a, R507



**Impacts and Risks: Where they occur, JGSHI’s involvement, stakeholders affected**

**Impacts.** GHG emissions from all of JGSHI’s business units contribute to the overall amount of greenhouse gases sourced from anthropogenic activity which is the single most significant driver of climate change.

**Risks.** Tracking GHG emissions helps the company better understand its contribution to climate change. This also affects the company’s assessment of its climate-related risks. The efficient usage of electricity and fuel reduces operational costs for all business units.

**Management Approach for Impacts and Risks**

As an airline company offering both domestic and international flights, a majority of JGSHI’s emission comes from the subsidiary CEB. To manage this, CEB closely tracks its fuel consumption and has set up a fleet expansion plan that would increase CEB’s aircrafts fuel efficiency by transitioning to modern, fuel efficient aircraft that reduces fuel burn of at least 15% per ASK (Available Seat Kilometers). New planes are bigger and fitted with more seats, allowing CEB to grow its customer base without increasing the number of flights. Although for 2020, travel restrictions and low travel demand affected the GHG emissions intensity per passenger kilometer since flights are not filled to full capacity. Average annual gCO2/pk for 2020 is recorded at 98.83 gCO2/pk.

**URC:** The business unit’s imperative towards LEAN Manufacturing under its Supply Chain Transformation strategy aims to lower production, reduce waste, GHG emissions, and optimize the use of our natural resources. In 2019 LEAN manufacturing was piloted in key manufacturing facilities in the Philippine operations under the Branded Foods Business. URC is on the verge of doing a supply network redesign for mobility across the Philippines and some facilities in the region, and this will affect the company’s roadmap towards completing its Scope 1 and Scope 3 carbon footprint.

**RLC:** Since the business unit’s biggest emissions come from indirect emission from purchased electricity, the options for emission reduction is limited to choosing where to buy power while ensuring efficiency is continually improved. One initiative is installation of solar rooftop where impacts are measured to reduce Scope 2 emissions. Most of the emissions that occur in RLC’s facilities are contributed by its suppliers. In 2019, RLC has started collecting consumption data from its suppliers. The same data will be used to map the strategies that will be implemented in partnership with suppliers to reduce overall emissions at the construction stage.

**Opportunities & Management Approach:**

JGSHI subsidiaries such as URC and RLC have identified opportunities where they can use renewable energy in the operations, such as biomass and solar. JGSHI can further explore opportunities to influence power generation facilities to provide more competitive prices for renewably produced energy.

Air pollutants\*

Disclosure	Quantity	Units	Boundaries
NO <sub>x</sub>	470.80	tonnes	Emissions from CEB aircraft, and generator sets from RLC and URC (BCF-PH, BCF-INT, Flour)
SO <sub>x</sub>	125.39	Tonnes	
Persistent organic pollutants	N/A	Tonnes	no available data
Volatile organic pollutants	N/A	Tonnes	
Hazardous Air Pollutants	N/A	Tonnes	
Particulate Matter	26.73	Tonnes	RLC and URC (BCF-PH, BCF-INT, Flour)

\*All stationary, mobile, and vehicular equipment of JGSHI subsidiaries undergo mandatory emission testing as required by DENR and LTO.

The topic on air pollutants is relevant for JGSHI’s business units. JGSHI ensures that the company complies with the standards set forth by the Department of Environment and Natural Resources through the Clean Air Act.

**Impacts and Risks: Where they occur, JGSHI's involvement, stakeholders affected**

**Impacts.** Air pollution can impact the health of both employees of all business units and the public thereby decreasing productivity of the population.

**Risks.** Monitoring air pollutants from vehicles is important as it could impact the health of surrounding communities where our employees also live. The company also recognizes that employee productivity could be compromised if affected by health problems due to air pollution. Efforts toward ensuring compliance are currently being implemented so as not to pose risks on the company's social license to operate.

**Management Approach for Impacts and Risks**

JGSHI complies with the standards mandated by the Clean Air Act. Gensets, fuel-burning vehicles, and other machinery used by all business units are regularly maintained and checked to ensure there are no leakages and potential air pollutants are reduced to levels not detrimental to health and the environment.

**Opportunities & Management Approach:**

Improving the efficiency of JGSHI's subsidiaries' processes via better technology and management approaches can provide continuous opportunities to offset our air pollution.

Solid and Hazardous WastesSolid Waste

Disclosure	Quantity	Units	Boundaries
Total solid waste generated	165,017,336.30	Kg	
Reusable	131,922.30	Kg	RLC
Recyclable	128,121,930.00	Kg	URC (BCF-PH, BCF-Malaysia and Flour) <sup>1</sup> , RLC, JGSPG, RBANK
Composted/Biodegradable	12,703,206.49	Kg	URC (BCF-PH, BCF-Malaysia and Flour) <sup>1</sup> , RLC and JGSPG
Residuals	24,060,277.50	Kg	URC (BCF-PH, BCF-Malaysia and Flour) <sup>1</sup> , RLC, JGSPG, CEB and RBANK

<sup>1</sup>Covers data from manufacturing facilities of BCF-PH, BCF-INT (Malaysia only) and Flour operations as collected from the SWM. Recyclable (biodegradable and non-biodegradable) wastes are sold as scrap or returned to the recycling stream. Biodegradable wastes like coffee grounds and spent tea leaves are used as fuel for boilers

Hazardous Waste

Disclosure	Quantity	Units	Boundaries
Total weight of hazardous waste generated	2,961,577.37	kg	URC (BCF-PH and Flour) <sup>1</sup> , RLC, CEB, JGSPG, Rbank
Total weight of hazardous waste transported	2,794,327.79	Kg	URC (BCF-PH and Flour) <sup>1</sup> , RLC, CEB, JGSPG, Rbank

<sup>1</sup>2020 data cover information on manufacturing facilities from BCF-PH and Flour. URC follows the definition of hazardous waste as per DENR Administrative Order (DAO) 2013-22 Revised Procedures and Standards for the Management of Hazardous Wastes. It is defined as substance that are without any safe commercial, industrial, agricultural or economic usage and are shipped, transported or brought from the country of origin for dumping or disposal into or in transit through any part of the territory of the Philippines. It includes by-products, side products, process residues, spent reaction media, contaminated plant or equipment or other substances from manufacturing operation sand as consumer discards of manufactured products which present unreasonable risk and/or injury to health and safety and to the environment. Wastes are kept monitored and secured in the facility until such time it is scheduled to be transported for treatment by the licensed transporter and treater of the DENR

**Impacts and Risks: Where they occur, JGSHI's involvement, stakeholders affected**

**Impacts.** JGSHI ensures that the waste generated by each of their business units are properly treated or disposed of. The company recognizes that improperly handled waste can result in regulatory sanctions for all business units.

**Risks.** JGSHI recognizes that leakages in the waste management system could create a variety of hazards, from being a source of odor and aesthetic nuisance to being a source of ecosystem

contamination. There is a need to ensure that third-party contractors do not resort to unlawful discharges of hazardous wastes which could potentially pollute the water table and affect the drinking water supply of many communities living within the vicinity. Moreover, these could result in fines or sanctions for business units. Other stakeholders that may be affected include the government, waste pickers, and the environment.

#### Management Approach for Impacts and Risks

JGSHI's SBU's manage hazardous waste in compliance to local government regulations and their social responsibilities within the communities where they operate. Waste haulers are properly screened to ensure that they are DENR accredited before their services are engaged. Designated staff, pollution control officers, and key employees are trained and tasked to manage waste in all aspects including facilities, equipment, and employee engagement. Hazardous waste is transported and treated by DENR accredited services. Hazardous waste kept on site are ensured to be in proper holding systems.

With increasing awareness on the issue of marine litter, RLC sees an opportunity to be part of the solution and position their properties to have the best waste management system in the country. We are currently improving their waste management system by working with merchants to replace non-recyclables with recyclables to reduce total residual wastes that are more difficult to manage. We are also working with recyclers to link them with their waste collectors to ensure the recyclable waste they generate is recycled. We are also exploring ways to process their biodegradable waste into compost or energy to reduce the total waste sent to landfills. We are piloting the system in their two malls and if proven to be successful it will be scaled-up to all our malls and properties. Moving forward, this will give us an opportunity to collaborate with the LGU, innovate on waste flows, and provide training opportunities to staff and learning opportunities to customers. RLC is continuing to process and will create a property-wide manual for Solid Waste Management in 2021.

URC started waste profiling through Waste Analysis and Characterization Study (WACS) with the aim of pushing zero waste to landfill in the near future as well as extracting more value from waste for circular economy purpose.

For BCFG-PH, we started monitoring the waste to landfill. As a collective unit, we commit to effectively initiate and support efforts to manage waste and reduce its generation waste while ensuring that it does not end up in landfill as well as waterways and oceans which has been a visible issue around the world.

#### Opportunities & Management Approach:

Proper waste management not only encourages cost-efficiency, but also ensures sanitary operations. Ensuring proper waste management affords each SBU the opportunity to maintain high standards in safety as well as ensuring local government and community approval. Furthermore, increasing pressure to clean up marine litter provides JGSHI's business units the opportunity to look at their waste management systems to see how segregation and recovery can be improved. The company can seek out collaborative projects on waste management that include community engagement and linking with local recyclers to seize opportunities in scaling up partnerships with these stakeholders. Some business units have pilot projects that target each component of the solid waste that they produce in order to reduce, recover, or upcycle waste as much as possible.

#### Effluents

Disclosure	Quantity	Units	Boundaries
Total volume of water discharged	4,217,783.15	cubic meters	URC (BCF-PH, BCF-INT and Flour), CEB, RLC and JGSPG
Percent of wastewater recycled	1.83	%	CEB, RLC, JGSPG and URC (BCF-PH, BCF-INT and Flour)

#### Impacts and Risks: Where they occur, JGSHI's involvement, stakeholders affected

**Impacts.** Effluents can contaminate water supply if ineffectively treated or improperly disposed.

**Risks.** The Company recognizes that discharge of untreated wastewater adversely affects the environment through increased load of Biological Oxygen Demand (BOD) and Chemical Oxygen Demand (COD), and other water pollutants in receiving bodies of water. This harms the delicate ecosystem balance that fosters biodiversity and productivity. It contributes regulatory and social acceptability risks to the Company.

**Management Approach for Impacts and Risks**

JGSHI’s business units have wastewater treatment facilities to treat effluents before discharging them. Business units also employ the use of recycled water and rainwater harvesting when possible. Conservation efforts by improving employee practices are also practiced within business units.

**Opportunities & Management Approach:**

JGSHI sees an opportunity in upgrading water facilities through more comprehensive water metering.

Environmental compliance

Non-compliance with Environmental Laws and Regulations

Disclosure	Quantity	Units
Total amount of monetary fines for non-compliance with environmental laws and/or regulations	0	PhP
No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations	0	#
No. of cases resolved through dispute resolution mechanism	0	#

*NOTE: The company or any of its subsidiaries is not a party to, and its properties are not the subject of, any material pending legal proceedings involving fines or non-monetary sanctions that could be expected to have a material adverse effect on the Company’s financial position or results of operations.*

**Impacts and Risks: Where they occur, JGSHI’s involvement, stakeholders affected**

**Impacts.** Any sanctions can impact JGSHI’s business units if they remain unresolved through fines, litigation, or reputational risks. JGSHI recognizes that environmental compliance is important to ensure that affected stakeholders including employees, surrounding communities, and the environment are not exposed to an unnecessary amount of hazard due to our business operations.

**Risks.** JGSHI acknowledges that environmental compliance should be part of its day-to-day operations. Non-compliance with any environmental law or regulation could have financial implications to the business from fines and stoppage of operations.

**Management Approach for Impacts and Risks**

Compliance to environmental laws is non-negotiable across all business units. Each allegation is thoroughly examined and negotiated. Necessary action points are employed at each stage of the process. Business units monitor and maintain all facilities and machinery to ensure that they are in accordance with standards and laws. Additionally, business units have a dedicated team to ensure compliance.

**Opportunities & Management Approach:**

Improving in-house audits and other internal capabilities can mitigate the risk of non-compliance. Investing in training and monitoring capabilities not only of designated compliance teams but all employees can help correct any issues faced by business units. Employing third-party consultants can also help JGSHI improve their overall compliance system.

## SOCIAL

### Employee Management

#### Employee Hiring and Benefits

##### Employee data

Disclosure	Quantity	Units
Total number of employees	22,508	#
a. Number of female employees	8,935	#
b. Number of male employees	13,573	#
Attrition rate <sup>1</sup>	-0.01	Rate
Ratio of lowest paid employee against minimum wage	1:1	Ratio

<sup>1</sup>Attrition rate is calculated using SEC formula:  $\text{Attrition rate} = (\text{No. of new hires} - \text{No. of turnover}) / (\text{Average of total no. of employees of previous and current year})$ . URC data only account for voluntary leavers for 2020.

##### Employee benefits

JGSHI and its subsidiaries provide all mandatory benefits to 100% of its regular employees. Listed below are these mandatory requirements as well as some additional benefits that JGSHI and its subsidiaries offer its employees:

List of Benefits	Y/N	% of female employees who availed for the year	% of male employees who availed for the year	Boundaries
SSS				CCU, RLC, JGSPG and RBank
• Salary Loan	Y	11.47%	9.85%	
• Parental Benefit	Y	2.39%	0.23%	
• Sickness Benefit	Y	1.23%	1.25%	
• Calamity loan <sup>1</sup>	Y	0.00%	0.93%	
PhilHealth	Y	6.86%	2.92%	
Pag-ibig				
• Salary loan	Y	6.83%	3.66%	
• Calamity loan <sup>1</sup>	Y	0.73%	0.93%	
Parental leaves	Y	4.11%	4.61%	CCU, CEB, RLC, JGSPG and RBank
Vacation leaves	Y	97.81%	93.95%	CCU
Sick leaves	Y	97.81%	93.95%	
Emergency leaves	Y	100%	100%	
Medical benefits (aside from PhilHealth)	Y (HMO)	90.91%	90.61%	JGSPG
Housing assistance (aside from Pag-ibig)	Y	20 employees	86 employees	CCU and URC
Retirement fund (aside from SSS)	Y	0.93%	1.11%	RLC, RBank and JGSPG
Further education support	Y	3.87%	3.56%	RBank and RLC
Company stock options	N	N/A	N/A	-
Telecommuting	Y	32.65%	9.79%	URC and RBank
Flexible-working Hours	Y	13.12%	3.29%	URC and CCU
Others:		100%	100%	This covers JGSHI CCU employees only. Benefits not mandated by the government are specifically allocated by the business units based on what is
• Rice Subsidy	Y			
• Medicine Allowance	Y			
• Uniform Allowance	Y			
• Sportsfest Subsidy	Y			
• Summer Outing Subsidy	Y			
• RBank Cash Card or RWallet	Y			
• URC Marketing				

<p>Activations and Sales Promotions</p> <ul style="list-style-type: none"> <li>● Other Employee Perks and Partnerships</li> </ul>	<p>Y</p>			<p>most suitable to their industry and their employees' needs. While JGSHI ensures that 100% of eligible employees are given government-mandated and company benefits-</p>
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<sup>1</sup> Covers CCU only; CCU stands for Corporate Center Unit

**Impacts and Risks: Where they occur, JGSHI's involvement, stakeholders affected**

**Impacts.** Through hiring and provision of competitive benefits, JGSHI employees are better able to cover their cost of living, perform their roles outside the workplace, afford a better quality of life, hence, stay longer in the company.

**Risks.** As with any company, there is always a risk of employee attrition which could have some effect on company productivity and ability to retain talents.

**Management Approach for Impacts and Risks**

JGSHI abides by the standards and policies set by the Department of Labor and Employment for hiring and compensation. The parent company and its subsidiaries comply with and go beyond the mandatory benefits as required by the law. Conglomerate-wide Human Resources and Administrative Policies are communicated well to employees through various traditional and digital platforms such as an Employee Handbook, email blast, bulletin boards that includes below benefits:

- **Annual Merit Increase** – one-time annual performance-based salary adjustment given to qualified employees to reward and recognize individual contributions, competencies and performance in the spirit of meritocracy
- **Promotion Increase** – a salary adjustment given to employees who was moved from his current position to another position with a higher job grade and level of responsibility. It may involve change in position title, classification (eg. Rank & File to Supervisor, Supervisor to Manager, etc.)
- **Other form of Salary Adjustment** – given to employees if there's an upgrading, realignment, reclassification of positions, etc. The employees should have shown consistent outstanding performance based on performance evaluation, have the capability and potential to assume more complex duties, have been adequately trained through formal and informal training.
- **Leave Benefits** – including law-mandated benefits such as Service Incentive Leave Paternity & Maternity Leaves and company-provided benefits such as Vacation Leave, Sick Leave, Nuptial Leave, and Emergency/Bereavement Leave and Advanced Leaves for pandemic situations
- **Medicine Allowance**
- **Clothing/Uniform Subsidy or Allowance**
- **Christmas Gift, Retirement and Separation Pay Benefits**
- **Government-Mandated Policies** – including 13<sup>th</sup> month pay, overtime and night differential pay, Holiday pay, Special Leave Benefit for Women, SSS Benefits, HDMF Benefits, and PhilHealth Benefits.

JGSHI uses different approach in our recruitment process to invite candidates to apply to various vacant positions. Qualified candidates are selected according to their competence and skills. The following are recruitment channels we use:

- Referral
- JGSHI Career Site
- Paid recruitment Platforms (LinkedIn & Jobstreet)

- Job Fairs and University Partnerships

Job qualifications and skills are based on the following:

- Professional Designation & Certifications
- Educational Requirements
- Years of Relevant Experience
- Set Skills Relevant to the position

**Opportunities & Management Approach:**

JGSHI sees the opportunity to differentiate itself as an employer from other desirable companies in the country. Grievance mechanisms and numerous communication channels, such as town hall meetings, career conversations and dialogues are made available to employees. This allows the company to capture the other dimensions of employee satisfaction, such as professional development.

Employee Training and Development

Disclosure	Quantity	Units	Boundaries
Total training hours provided to employees	415,882.97	Hours	URC <sup>1</sup> , RLC, CEB, JGSPG and RBank
a. Female employees	50,852.16	Hours	RLC, CEB, JGSPG and RBank
b. Male employees	47,768.21	Hours	
Average training hours provided to employees	18.77	Hours/employee	URC <sup>1</sup> , RLC, CEB, JGSPG and RBank
a. Female employees	12.01	Hours/employee	RLC, CEB, JGSPG and RBank
b. Male employees	13.03	Hours/employee	

<sup>1</sup>URC has no data for breakdown of training hours by gender

**Impacts and Risks: Where they occur, JGSHI’s involvement, stakeholders affected**

**Impacts.** JGSHI and its subsidiaries improve the competencies of its employees. In turn, competent employees become more productive in the workplace. Additionally, a well-trained workforce also encourages innovation and continuous improvement in the company.

**Risks.** Adequate training drives employee engagement. When employee’s training needs are unmet, productivity and quality of work is compromised. It makes employees feel disempowered which could push them to seek opportunities elsewhere, resulting to higher attrition.

**Management Approach for Impacts and Risks**

JGSHI continuously provides learning and development opportunities for its employees through the John Gokongwei Institute for Leadership and Enterprise Development or JG-ILED, the leadership platform for systematic and sustained development programs across the conglomerate. Its mission is to enable a high performing organization that will facilitate the learning process and develop the intellectual and personal growth of all employees through targeted and customized trainings and development programs.

JGSHI’s subsidiaries also have their own training programs that address their need for specific skills. Highly technical industries such as air transportation and petrochemicals provide highly specialized trainings to their employees. This includes the cabin crew and pilot trainings of Cebu Pacific, operations trainings for JGSPG and URC, as well as safety and security trainings across the subsidiaries. The Human Resources of each business unit plans, manages, and facilitates the implementation of programs geared towards the enhancement of its employees’ skills. HR also evaluates and determines the allocation of training slots for a particular training program to ensure equity, fairness and cost effectiveness.

JGSHI also implements its Inter-BU Employee Transfer policy to facilitate the lateral movement of its employees across its subsidiaries and to allow employees to grow professionally and perform better within the conglomerate.

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**Opportunities & Management Approach:**

JGSHI sees the opportunity to differentiate itself as a company that equips its employees with skills and work experience that make them competent, as well as opportunities to practice these skills within the conglomerate.

Labor-Management Relations

Disclosure	Quantity	Units	Boundaries
% of employees covered with Collective Bargaining Agreements	32.77	%	URC and RLC. Data for RLC include rank-and-file employees of two RLC properties.
Number of consultations conducted with employees concerning employee-related policies	804	#	URC, CEB, and JGSPG. This includes CBA negotiation meetings, Union Officers meetings, labor management conference, large townhall meetings, and Kapihan and Salu-salu sessions, involving 20 to 1000 employees.

**Impacts and Risks: Where they occur, JGSHI’s involvement, stakeholders affected**

**Impacts.** Employee unions allow JGSHI employees to collectively communicate with employees on governance and compensation. JGSHI is also able to effectively gather employee concerns.

**Risks.** JGSHI fosters a safe environment for labor unions to freely communicate their concerns to the management. This is key to arriving at a mutually beneficial Agreement. When disagreements are not addressed immediately, the company runs the risk of labor unrest, which can disrupt the company’s operations and ability to meet its customer’s needs.

**Management Approach for Impacts and Risks**

JGSHI does not limit its employees their right to organization. JGSHI proactively listens to employee concerns during negotiations in order to reach agreements.

**Opportunities & Management Approach:**

JGSHI will continue to develop and evaluate platforms to foster productive communication with our employees through formal and informal meetings. JGSHI will create a more systematic approach to address concerns raised by its employees.

Diversity and Equal Opportunity

Disclosure	Quantity	Units	Boundaries
% of female workers in the workforce	39.70	%	URC, RLC, CEB, JGSPG, RBank
% of male workers in the workforce	60.30	%	
Number of employees from indigenous communities and/or vulnerable sector <sup>1</sup>	75	#	RLC

<sup>1</sup>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).

**Impacts and Risks: Where they occur, JGSHI’s involvement, stakeholders affected**

**Impacts.** Companies that employ a diverse workforce are beneficial to the success of business. By gathering employees with different backgrounds and experiences, JGSHI also creates a large pool of strengths, ideas, competencies and perspectives that can provide better, innovative solutions which can also cater to a wider range of the market.



**Risks.** A less diverse workforce could result in blind spots in the way the company assesses the needs of its stakeholders. This limits the opportunity to innovate to better serve the needs of its stakeholders. This could lead to exclusion of certain segments of the population and high opportunity cost from untapped markets.

**Management Approach for Impacts and Risks**

JGSHI’s Engagement Philosophy is created such that all the aspects of its employee welfare are promoted, and this is achieved through programs that do not discriminate or differentiate between organized and non-organized groups. JGS CARES, launched in 2008, stands for the five (5) key elements to guide the parent and its subsidiaries in all its initiatives: Communication, Advocacy, Recognition, Engagement and Social Responsibility.

JGSHI, as an equal opportunities employer, hires based on the competencies required of the position, and does not discriminate based on race, color, religion, age, gender, sexual orientation, status or disabilities. To operationalize non-discrimination, JGSHI is also up-to-date on societal and labor trends influencing the workforce demographic, and is positioned to open discussions on complements to hiring based on competencies.

**Opportunities & Management Approach:**

JGSHI sees an opportunity in providing reasonable preferential hiring to the vulnerable sector, staying true to the company commitment to creating shared success. JGSHI can look into developing a policy that enables hiring of competent individuals from vulnerable sectors.

Workplace Conditions, Labor Standards, and Human Rights

Occupational Health and Safety

Disclosure	Quantity	Units	Boundaries
Safe Man-Hours	65,924,820.80	hours	URC, RLC, CEB, JGSPG, RBank and CCU.
No. of work-related injuries	381	#	URC, RLC, CEB, JGSPG, RBank and CCU.
No. of work-related fatalities	0	#	
No. of work-related ill-health	8	#	
No. of safety drills	178	#	

**Impacts and Risks: Where they occur, JGSHI’s involvement, stakeholders affected**

**Impacts.** An effective environmental, health and safety (EHS) system in JGSHI ensures the wellbeing of its employees as well as the productivity of its workforce.

**Risks.** Health and safety culture must become second nature to all of JGSHI’s employees, not just in the workplace but everywhere else. The Company continues to work towards this goal because we understand the risks to life and property if this is not done well. Failure to meet health and safety standards and regulations could cost JGSHI penalties from regulators, suspension of operations, attrition, and damage to reputation.

**Management Approach for Impacts and Risks**

JGSHI established its company-wide EHS management to ensure that safety protocols are in place in the company. Designated EHS managers in the business units lead and ensure that they meet the primary compliance requirements of DOLE, DOH, BFP, DENR-EMB, and LLDA.

JGSHI also established the following health programs to respond to the pandemic. The COVID Care at the Gokongwei Group, is a telemedicine service wherein organic and third party employees can get remote medical assistance for COVID-19 concerns. In partnership with Health Delivery Systems Inc./Reliance United, this handles employee diagnosis, monitoring, e-prescriptions and return to work clearance. For employees, needing RT-PCR testing as this is the gold standard for confirming COVID-19, these were done in our partner hospitals, such as the Lung Center of the Philippines, The

Medical City, HMO partner clinics and other partner facilities through the T3 Consortium of AC Health. The Daily Health Monitoring via the JG Health App, is an online health monitoring tool to check the health status of employees working on-site and off-site. This flags any health concerns and ensures that employees get the help they need in a timely manner. A COVID-19 Dashboard was also created to provide a real-time monitoring of COVID cases Gokongwei Group wide.

**Opportunities & Management Approach:**

JGSHI seeks to improve its EHS system by studying to install additional safety features within its facilities. JGSHI is looking at optimizing the EHS Council, and developing EHS Policy and Programs.

Labor Laws and Human Rights

Disclosure	Quantity	Units
No. of legal actions or employee grievances involving forced or child labor	0	#

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

Topic	Y/N	If Yes, cite reference in the company policy
Forced labor	Y	The Company adopts and complies with the rules and regulations issued by the Department of Labor and Employment. Moreover, the Company ensures that engaged Service Providers comply with the same.
Child labor	Y	The Company adopts and complies with the rules and regulations issued by the Department of Labor and Employment. Moreover, the Company ensures that engaged Service Providers comply with the same.
Human Rights	Y	<ul style="list-style-type: none"> <li>● Policy on Sexual Harassment</li> <li>● Policy on Health, Safety and Welfare</li> <li>● Corporate Environment, Health and Safety Policy</li> <li>● Drug-Free Workplace Policy</li> <li>● Workplace Policy on Prevention Control of HIV and AIDS, Hepatitis B and Tuberculosis</li> <li>● Special Benefits for Women/Magna Carta for Women</li> <li>● Leave Benefits Policy (includes Expanded Maternity Leave, Solo Parent Leave, Vacation Leave, Sick Leave, Service Incentive Leave, Nuptial Leave, Emergency Leave, Bereavement Leave)</li> <li>● Whistleblowing Policy</li> <li>● Data Privacy Policy</li> <li>● Flexible Work Arrangement Policy</li> <li>● Work-From-Home Program</li> <li>● Mental Health and Wellness Policy</li> <li>● Environment Health and Safety Policy</li> <li>● Retirement and Separation Benefits Policy</li> </ul>

**Impacts and Risks: Where they occur, JGSHI’s involvement, stakeholders affected**

**Impacts.** Human rights compliance in the workplace ensure that JGSHI’s workforce experiences no unlawful activities and that employees can exercise their right to decent work. Compliance or violation of these rights will impact JGSHI’s productivity, employee retention, and employee engagement.

**Risks.** As in any instance, cases of human rights and labor violations could have regulatory

implications against the Company which could further tarnish the Company's reputation and brand.

#### Management Approach for Impacts and Risks

JGSHI implements the aforementioned company-wide policies to ensure that human rights are protected when employees are within the office premises.

#### Opportunities & Management Approach:

JGSHI will continue to adhere to the highest ethical and lawful conduct in the way it handles its employees.

### Supply Chain Management

Do you have a supplier accreditation policy? If yes, please attach the policy or link to the policy: Yes. See Annex 1.

Do you consider the following sustainability topics when accrediting suppliers?

Topic	Y/N	If Yes, cite reference in the supplier policy
Environmental performance	Y	Procurement employees are trained on Responsible Sourcing to ensure compliance with the Company's Policies as well as government rules and regulations.
Forced labor	Y	
Child labor	Y	
Human rights	Y	
Bribery and corruption	Y	

#### Impacts and Risks: Where they occur, JGSHI's involvement, stakeholders affected

**Impacts.** To ensure delivery of committed goods and services, JGSHI's partners across the supply chain will employ measures on time delivery of suppliers.

**Risks.** The accreditation process mitigates the risks of late or non-delivery of products and services resulting to losses in sales and revenues. Moreover, supplier accreditation also helps maintain the integrity of the procurement process thus promoting transparency and good corporate governance. Moreover, terms and conditions are defined in the Purchase Order to ensure compliance and protection on agreed upon contract terms.

#### Management Approach for Impacts and Risks

JGSHI trains its Procurement employees on Responsible Sourcing that covers procurement ethics like corruption and bribery and government regulations on the environment, child labor, forced labor, and human rights.

#### Opportunities & Management Approach:

JGSHI has in place the necessary accreditation process and procurement policies to ensure fairness, accountability and transparency for the best interest of all stakeholders. This considers both financial and environmental impacts and promotes sustainable shared growth with our suppliers both big and small.

## Relationship with Community

### Significant Impacts on Local Communities

#### 1. Operations with significant impacts on local communities: Transforming places to destinations through low-cost air transport (CEB)

**Location:** Basco, Batanes

**Vulnerable groups:** Ivatan

**Impact on Indigenous peoples:** Additional source of income from boost of tourism in the area

**Community rights and concerns of communities:** After commencement of CEB flights in the area, the local community expressed its concerns about the adequacy of food supply and maintenance of peace and order brought by high volume of tourists.

The NCIP also requested for favorable fares to members of the IP community.

**Mitigating measures:** In response to the community concerns, CEB agreed to the following measures:

- Inflight announcement to remind passengers to respect the culture of the IPs
- Implementation of #JuanEffect sustainable tourism program
- Extension of favorable fares to the Ivatans

#### 2. Operations with significant impacts on local communities: Lingkod Pinoy Centers (RLC)

The Lingkod Pinoy Centers emerged from the RLC's desire to ease the delivery of essential government services to every Filipino. It is a one stop shop where people can access a variety of public services. Started in 2011, the Lingkod Pinoy Center is now present nationwide to provide convenience and comfortable venues to make transactions. The Malls provides the area at no cost to the government, saving the state an estimate of PhP 15.80 million a month. The centers average daily transaction in 2020 is at 31,883. It hosts 19 Government Agencies and offices.

By hosting select government satellite offices RLC reduces the need for people to take multiple trips and in process reduce carbon emissions from vehicle use.

**Location:** Available in 45 malls around the country

**Vulnerable groups:** Everyone including vulnerable groups are served.

**Impact on Indigenous peoples:** No particular negative impacts to indigenous groups.

**Community rights and concerns of communities:** It allows the citizens to exercise their rights to access government services.

**Mitigating Measures:** The operations have no significant negative impact, hence it requires no mitigating measures.

#### 3. Operations with significant impacts on local communities: Transport Hubs (RLC)

RLC presence in several communities makes it a strategic hub for transport connectivity. By providing terminal spaces for public utility vehicles, the malls improve accessibility to several destinations for commuters. Robinsons Malls host a variety of transport services: from P2P buss, UV Express Services and vans, electric and regular jeepneys and tricycles. Some of the malls also provide loading bays to ensure a safe and systematic way for commuters to board and alight from public transport vehicles. In total, 63,003 sqm of space in Robinsons Malls were allotted for public transport terminals

**Location:** Available in 24 malls around the country

**Vulnerable groups:** Everyone including vulnerable groups are served.

**Impact on Indigenous peoples:** No particular negative impacts to indigenous groups.

**Community rights and concerns of communities:** It allows the citizens to exercise their rights to access government services.

**Mitigating Measures:** The operations have no significant negative impact, hence it requires no mitigating measures.

#### 4. Operations with significant impacts on local communities: Go Hotels Operations & Children's Rights

**Location:** All Go Hotels in the country

**Vulnerable groups:** Children and Youth

**Impact on Indigenous peoples:** No particular negative impacts unique to indigenous groups.

**Community rights and concerns of communities:** Children's Rights.

**Mitigating Measures:** Go Hotels is committed to implement child protection through our child safety framework, and training of tourism professionals and front liners.

We have set-up a Child Safeguarding and Protection policy and practice in our hotels.

#### 5. Operations with significant impacts on local communities: Financial access to the underserved (RBank)

To promote financial inclusion, Robinsons Bank launched Simplé Savings which has a simpler and easier way of getting a savings account.

**Location:** Available in 154 branches of RBank and accessible online

**Vulnerable groups:** underserved market

**Impact on Indigenous peoples:** No particular negative impacts to indigenous groups.

**Community rights and concerns of communities:** This service allows the underserved segment to exercise their rights to be served by a financial institution.

**Mitigating Measures:** The operations have no significant negative impact, hence it requires no mitigating measures.

#### 6. Operations with significant impacts on local communities: Financial access to the underserved (RBank)

Robinsons Bank also facilitated the release of the 2<sup>nd</sup> tranche of cash aid of the government's Social Amelioration Program

**Location:** Withdraw in different locations: Laurel Barangay Hall, Tagaytay Br, RSC Tagaytay, RSC Twin Lakes, Sto. Tomas, various Lipa ATM sites, Balayan, Imus, San Pedro, Calamba, Las Pinas, Binondo, Lucena)

**Vulnerable groups:** underserved market

**Impact on Indigenous peoples:** No particular negative impacts to indigenous groups.

**Community rights and concerns of communities:** This service allows the underserved segment to exercise their rights to be served by a financial institution.

**Mitigating Measures:** The operations have no significant negative impact, hence it requires no mitigating measures.

**7. Operations with significant impacts on local communities: Financing small businesses through Legazpi Savings Bank, Inc. (RBank)**

Legazpi Savings Bank, Inc. provides financial assistance to programs associated with SDGs. About 20% of our loans were disseminated to micro and small-scale businesses. LSB distributed its other loans to various programs such as food and agriculture, education, electrification, water and sanitation systems, among others. In 2020, LSB gave loans amounting to Php 929.7 million to about 13,839 micro, small farm and businesses loans.

In addition, Robinsons Bank gave loans amounting to Php 861.9 million to about 332 MSME borrowers.

**Location:** Available in all branches of Robinsons Bank and Legazpi Savings Bank, Inc. Nationwide

**Vulnerable groups:** underserved market

**Impact on Indigenous peoples:** No identified negative impacts to indigenous groups.

**Community rights and concerns of communities:** This initiative allows to start up SDG programs to be able to meet the rights of those in the underserved sectors in the country.

**Mitigating Measures:** The operations have no significant negative impact, hence it requires no mitigating measures.

**8. Operations with significant impacts on local communities: Financing small businesses through Robinsons Bank (RBank)**

Robinsons Bank also provides loans to the underserved individuals, such as motorcycle borrowers (motorcycle drivers, TODA) and teachers. In 2020, Robinsons Bank granted loans amounting to Php 5.9 billion to about 119,750 motorcycle borrowers, and Php 1.9 billion to about 14,910 teachers.

**Location:** Available in all branches of Robinsons Bank nationwide

**Vulnerable groups:** underserved market

**Impact on Indigenous peoples:** No particular negative impacts to indigenous groups.

**Community rights and concerns of communities:** This service allows the underserved segment to exercise their rights to be served by a financial institution.

**Mitigating Measures:** The operations have no significant negative impact, hence it requires no mitigating measures.

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Robinsons Bank also supported the education sector and countryside development in 2020. Loans provided to these sectors amounted to Php 12.4 billion.

**9. Operations with significant impacts on local communities: Sustainable Potato Farming (URC)**

URC partnered with the Department of Agriculture to implement Sustainable Potato Program to help the local farmers increase their yield and scale-up productivity. URC provided high quality Granola potato seeds from Canada as farm inputs to selected potato farming communities.

URC distributed 135 metric tons (MT) of potato seeds to at least 600 farmers and harvested an average yield of 8-10 kilograms (kgs) of potato per 1 kilogram (kg) of potato seeds. The high-quality potato seeds were distributed to select cooperatives in the Cordillera Administrative Region, Davao del Sur and Bukidnon.

To maximize harvest, farmers sold a certain percentage of their harvest to the market and the remaining are kept as seeds for the next farming cycle. In the Cordillera Administrative Region, a farmer earns P250000 (gross sales) per 500 kilos of seeds planted when it is sold at P50 per kilo to market. In their estimate, net profit per farmer is P125000.

**Location:** Benguet, Mt. Province, Bukidnon and Davao del Sur

**Vulnerable groups:** local small-scale farmers

**Impact on Indigenous peoples:** No particular negative impacts to indigenous groups

**Community rights and concerns of communities:** The program allows the stakeholders to exercise their rights to have access to a means of livelihood. It delivers long-term impact to the lives of our local Potato farmers in different regions. The Program put into action the Conglomerate's mission of "making the Filipino lives better".

**Mitigating Measures:** The operations have no significant negative impact, hence it requires no mitigating measures.

#### 10. Operations with significant impacts on local communities: Bike for Good Project (URC)

Baker John, Universal Robina Corporation's (URC) brand of bread, teamed up with GMA Kapuso Foundation for the "Bike for Good" project in December 2020. Through this partnership, 30 beneficiaries from Metro Manila and Rizal, who lost their livelihood or source of income due to COVID-19 pandemic or typhoons, received a Negosyo starter package (bike and bread products from Baker John) for them to start a community selling business. The chosen beneficiaries are physically able, have the can do spirit, and are willing to use the bicycle to sell Baker John's bread in their community as a source of alternative livelihood for their family.

**Location:** Metro Manila and Rizal

**Vulnerable groups:** People who lost their livelihood due to the COVID-19 pandemic, as well as residents of Metro Manila and Rizal who have lost their source of income due to Typhoons Rolly and/or Ulysses

**Impact on Indigenous peoples:** No particular negative impacts to indigenous groups

**Community rights and concerns of communities:** The program assists stakeholders to kick off a community selling business which can help them with their livelihood. The project put into action the Conglomerate's mission of "making the Filipino lives better".

**Mitigating Measures:** The operations have no significant negative impact, hence it requires no mitigating measures.

#### 11. Operations with significant impacts on local communities: Project Salig (URC)

Project Salig is a program of the URC SURE to develop partnership with sugarcane planters in the sugarcane milling district where the URC sugarmill operates. "Salig" is a Visayan word for "trust"; hence, the program aims to create partnership based on trust. In order to gain the trust of the planters and make URC sugarmills their "mill of choice", the mill endeavors to address the major areas of concern of the planters – sugar recovery (Lkgtc) and farm yield (tons cane per hectare), turn-around of hauling trucks during the milling season and customer service provision.

The Project Salig is composed of the following programs:

1. Planter Partnership - entering into a partnership with sugarcane planters. Under this program, the mill will assist the planters improve the over-all sugarcane farming practices so that the end result is an improved farm productivity and income. The program includes educating planters on the correct farming practices, use of high yielding sugarcane varieties, access to farming resources that includes farm equipment, hauling logistics, fertilizer, etc. In return, the planter commits to support URC by delivering his canes to the mill.
2. Customer-Centric Culture - planters were, in the past, considered as supplier of canes only; hence, the mindset is to treat planters the way we would treat all suppliers. In the culture of partnership, the planters are considered partners in the industry; hence, the program aims to redirect the mindset towards this.

3. Plant Efficiency and Sugar Recovery - one of the measures of a good sugar miller is the high LKgTC or the high sugar recovery of the mill. Planters will patronize the mill that gives high recovery. The program is about improving plant efficiency and recovery by undergoing good off-season repair of the equipment and machinery, investing on equipment that will deliver high performance, producing high quality product that can command good price
4. Truck Turn-around - faster turn-around means more canes delivered to the mill, faster harvesting, lower cost in transporting canes, and high utilization of cane hauling trucks. Slow turn-around is caused by a lot of factors such as: mill breakdown/stoppages, slow milling rate. The program looks into ways and means of improving turn-around of trucks during milling season by ensuring good off-season repair, elimination on redundancies in the system of receiving and accepting cane deliveries that can slow down, increasing milling rate by installing new equipment.
5. One Stop Shop (OSS) - this program is designed to create a hassle-free and friendly systems when planters transact with the mill. This includes eliminating systems and procedures that are not value-adding, eliminate redundancies, friendly and comfortable customer services

All of the above leads to one thing - making URC mills the mill of choice of the planter.

**Location:** The project was implemented in all URC sugarmills across the country – Negros Occidental, Negros Oriental, Iloilo, Batangas and Cagayan Valley

**Vulnerable groups:** local small/marginal sugarcane farmers, especially the agrarian reform beneficiaries

**Impact on Indigenous peoples:** No particular negative impacts to indigenous groups

**Community rights and concerns of communities:** The project provides technical and, at times, financial assistance to the sugarcane planters to improve their farm productivity, increase sugar recovery, and enhanced customer service provision. This delivers a long-term impact to the lives of the sugarcane farmers. By partnering with the Mill, the planter will have access to the various assistance programs such as technical seminars on good farming, access to high yielding variety sugarcane, farm equipment and hauling services, and financial loans.

**Mitigating Measures:** The program and its execution have no significant negative impact; hence, requires no mitigating measures.

## 12. Operations with significant impacts on local communities: Relief aid distribution for host communities and neighboring localities (JGSPG)

2020 marked the 20th year of JGSPG's **Abot Kamay** community outreach program. Through **Abot Kamay**, JGSPG responds to help alleviate the impacts of natural calamities by providing relief aid assistance to its host communities and neighboring localities. Throughout 2020, JGSPG led and co-organized multiple relief distribution drives for families and individuals affected by major natural disasters and other emergency situations, allocating Php6.27 million for such community outreach efforts. In January, the Group in support of the Batangas City government, donated Php590,000 worth of food and emergency provisions for evacuees being cared for in the city's evacuation centers after being displaced from their homes due to the eruption of Taal Volcano. Between March and August, at the height of quarantine restrictions imposed due to the COVID-19 pandemic, JGSPG in partnership with the Gokongwei Brothers Foundation, distributed five tranches of food aid for barangays in Batangas City, and for other neighboring municipalities. Assistance to front liners was also distributed. In total, Php3.24 million worth of food aid and other forms of support were dispensed for these COVID-19 related initiatives. In November, answering the call of the Batangas City government for *bayanihan*, JGSPG again in partnership with the Gokongwei Brothers Foundation, donated Php2.44 million worth of food aid for residents impacted by major typhoons Rolly and Quinta that hit Batangas, which brought devastation and caused disruptions in the lives of many of the city's residents.

**Location:** Batangas



**Vulnerable groups:** evacuees, families and displaced residents

**Impact on Indigenous peoples:** No particular negative impacts to indigenous groups.

**Community rights and concerns of communities:** These programs provided goods and services to the affected communities.

**Mitigating Measures:** The operations have no significant negative impact, hence it requires no mitigating measures.

### 13. Operations with significant impacts on local communities: One Million Trees Project (JGSPG)

Care for the environment has always been one of JGSPG's key foci in the area of sustainability and corporate social responsibility. The Group's **One Million Trees Project**, launched in 2016 in support of the government's National Greening Project, aims to plant one million indigenous and fruit-bearing trees between 2016 and 2023. In 2020 alone, a total of 86,594 seedlings were distributed and planted, benefitting many local communities in the province of Batangas. The seedlings included fruit-bearing trees cacao, *dalanghita*, *calamansi*, *rambutan* and *guyabano*, and forest trees narra, molave and caballero. These seedlings were grown in JGSPG's own Biodiversity Center located in one of the host communities surrounding the JGSPG complex in Batangas City. Among the recipient communities were six barangays in Batangas City, including JGSPG's three host communities Barangays Simlong, Pinamucan Ibaba and Pinamucan Proper, and twelve other municipalities in Batangas province. Other local government agencies and civic organizations in the province also received seedlings.

Additionally, communities and schools in Barangay Manocmanoc in Boracay Island also requested for seedlings from JGSPG's tree nursery located in Wetland No. 8, which was adopted by JGSPG in 2019 for rehabilitation, in partnership with the Department of Environment and Natural Resources. As of December 2020, 407,944 seedlings had been donated under the program since its launch in 2016.

**Location:** Batangas

**Vulnerable groups:** local communities

**Impact on Indigenous peoples:** No particular negative impacts to indigenous groups.

**Community rights and concerns of communities:** The program benefitted reforestation and greening initiatives in the province.

**Mitigating Measures:** The operations have no significant negative impact, hence it requires no mitigating measures.

Free and Prior Informed Consent (FPIC) and Certification Preconditions (CPs) for operations affecting Indigenous People (IP):

Certificates	Quantity	Units
FPIC process is still undergoing	0	#
CP secured	0	#

Note: As of February 2020, Cebu Pacific decided to stop operations in Batanes due to commercial non-viability. FPIC process was not continued and CP was not secured anymore.

### Impacts and Risks: Where they occur, JGSHI's involvement, stakeholders affected

**Impacts.** JGSHI's operations impact to the communities could be positive or negative and may range from physical to social and economic. Delivering positive benefits to the community strengthen JGSHI's partnerships such as improving accessibility and mobility of public services, and transportation.

**Risks.** JGSHI follows a strict protocol in obtaining social license to operate whenever it enters a certain community. Communities are important stakeholders who help the company succeed. JGSHI recognizes risks related to poor community engagement, where communities' concerns are not properly addressed, could push the community to act against the company's interest. It is crucial for

JGSHI that the community understands the value that it brings to the community, and that the company is open to hearing their feedback and doing what is best to address their concerns.

**Management Approach for Impacts and Risks**

To manage the impact to the community, JGSHI ensures that it conducts its business while complying to all the necessary regulatory bodies.

**Opportunities & Management Approach:**

A social or community impact and risk assessment will aide JGSHI in managing its subsidiaries' operations. This will help the company identify current and potential impacts/risks within a particular community. Such information will help develop a more structured and coherent approach to managing the identified risks.

Customer Management

Customer Satisfaction

JGSHI'S customer-centricity is essential in achieving the group's purpose to provide better choices. While some of the business units have already been doing customer satisfaction studies and have invested in digital systems to capture customer perception, JGSHI is in the process of coordinating with the whole group to fully operationalize its approach to customer centricity.

Health and Safety, Marketing and Labelling, and Customer Privacy

The focus on customer health and safety, marketing and labelling, and customer privacy is managed directly by the business units. Due to the specificity of concerns on product and service delivery of each JGSHI's business unit, the subsidiaries define, manage, and evaluate their own communication channels to capture customer concerns; process and resolve customer complaints by feeding these into their corporate decision making; and engage more closely its most important stakeholders to develop and improve their products and services.

**Impacts and Risks: Where they occur, JGSHI's involvement, stakeholders affected**

**Impacts.** JGSHI, being a parent company, has no direct customers. However, customer satisfaction of the subsidiaries affects JGSHI's reputation. When customers are satisfied with the subsidiaries' products and services, subsidiaries are assured of customer loyalty and retention. Otherwise, when customers' needs are not met or are dissatisfied with the quality of the products or services, customers would easily explore other options from other brands.

**Risks.** JGSHI recognizes that unresolved customer complaints, especially when these reach digital platforms, could negatively influence wider customer perception on the quality of our product and service. Issues surrounding product safety and quality, customer privacy and advertising if remained unresolved could lead to a decrease in customer satisfaction. Unmet customer satisfaction could result in decline in sales, and eventual loss of market share.

**Management Approach for Impacts and Risks**

Customer management is fundamental to corporate success and sustainability. JGSHI's subsidiaries' ability to keep its customers satisfied is at the core of its performance. Ensuring their health and safety in the use of the business units' products, and protecting their information are ways to deliver customer satisfaction.

The subsidiaries employ different strategies that ensure customer satisfaction are met and managed.

URC monitors and improves operational efficiency to ensure timely delivery of goods (for fast moving consumer goods). There is a customer care group dedicated to communicating directly with

its consumers, and a sales account management team dedicated to respond to the needs and concerns of its accounts. For Health and Safety, URC consumer feedback regularly provides input on product and process improvements. The company is continuously upgrading its Quality and Food Safety Standards based on updated global guidelines while LEAN manufacturing will be scaled across our facilities in the Philippines this year. For Marketing and Labeling, URC ensures that it fully complies with regulatory labeling and product information requirements and implement the required analysis for nutritional facts and claims.

RLC conducts a periodic market research to gauge customer expectations and build the right products and services to meet their expectations, needs, and capabilities. The customer satisfaction surveys tell the company whether the products and services as designed have indeed met their requirements. RLC continually iterates and improves its performance through these processes. For Health and Safety, RLC adheres to the highest building standards from construction to operation to ensure properties are resilient to any structural threats. Periodic audits are done to ensure compliance to the standards. For Customer Privacy, RLC ensures customer details from its transactions are accessed by limited, duly authorized personnel only.

CEB uses a mixture of digital and traditional channels to communicate with customers. These tools are used to listen to customers’ feedback and concerns, resolve their complaints, and identify pain points in the whole customer experience. CEB is among the first airline companies to Asia to invest in an integrated facility with technology for social intelligence and customer engagement.

CEB also administers CSAT satisfactions survey regarding all its customer touchpoints. Other surveys include Call Center Booking Survey, Customer Care, Ticketing Office Booking Survey, Web Booking Survey, Mobile App Booking Survey, Mobile App Check-in survey. CEB is still determining the best way to present this data and will do so in the next 1-2 years 713,304 post flight surveys out of the 1,271,935 total surveys administered.

All of JGSPG’s EVALENE® polyethylene and polypropylene grades have been Philippine FDA-certified since 1999 and Halal-certified since 2014. Likewise, EVALENE® PE and PP is compliant with Model Toxics in Packaging Legislation (since Sept 2003), ROHS Directive (since January 2007), and EU 10/2011 Overall Migration (October 2012).

**Opportunities & Management Approach:**

At the parent level, JGSHI puts focus on digitalization activities that will help subsidiaries improve customer experience, from building closer relationship with its business-to-business customers, to stronger customer insighting to find ways to understand changing customer expectations.

Data Security

Disclosure	Quantity	Units
No. of data breaches, including leaks, thefts and losses of data	0	#

**Impacts and Risks: Where they occur, JGSHI’s involvement, stakeholders affected**

**Impacts.** As JGSHI increasingly adapts digitalization to improve customer experience and increase efficiency in internal operations, there is greater need to invest in securing our network from cyberattacks.

**Risks.** Notwithstanding the regulatory impacts, instances of data breaches could place the Company’s sensitive or confidential information at risk of being used against it or used to gain unfair advantage over it. Leaks of personal information (e.g. employees and customers) could also pose threats on the person’s safety and security.

## Management Approach for Impacts and Risks

JGSHI implements cyber-security capability increase and preventive measures to ensure the security of confidential company data. As of to date, the Data Privacy Policy and Information Security (InfoSec) Policies applicable to the whole conglomerate are in place.

The Company established the Information Security Management Systems (ISMS) Policies that institutionalized information security as part of the Conglomerate's enterprise risk management, protect the Company's information assets and reputation, and to comply with relevant laws and regulations.

The ISMS consists of the following:

1. **Core Information Security Policies** drive the primary objectives of the ISMS: establish, maintain, and improve information security
  - 1.1. **Information Security Policy** aims to establish, maintain, and continuously improve the ISMS to protect information assets, maintaining competitive advantage and increasing stakeholders' confidence.
  - 1.2. **Information Asset Management Policy** aims to define and classify information assets in both physical and electronic formats and provide guidance on how to appropriately handle information assets according to classification.
  - 1.3. **Information Security Incident Management Policy** aims to mandate a structured approach in managing incidents that compromise corporate information and personal data of the business units' customers.
  - 1.4. **Compliance Policy** aims to ensure that Business Units comply with applicable legal, regulatory requirements and contractual obligations, when conducting business activities.
2. **Organizational Policies** aim to establish Information Security organization, roles and responsibilities as well as accountability of those who have access to corporate information
  - 2.1. **Information Security Internal Organization Policy** aims to establish the appropriate internal organization that ensure security of information assets
  - 2.2. **Human Resource Security Policy** aims to protect the company's business interests by ensuring that employees and contractors understand and fulfill their roles and responsibilities to preserve information security before, during, and after employment
  - 2.1. **Supplier Relations Policy** aims to mandate controls that protect information assets exposed to suppliers and preserve the integrity of supplier selection activities
3. **Access and Use Policies** enforce controls for access and authorization, as well as acceptable use of information assets
  - 3.1. **Access Control Policy** aims to Implement adequate measures to regulate access to different information assets and facilities, ensuring that facilities and equipment are only accessed by authorized personnel
  - 3.2. **Acceptable Use of Assets** Policy aims to ensure that employees understand how corporate assets should and should not be used, ensuring that the BU gets the most value out of its corporate assets and networks to avoid unintended security breaches.
  - 3.3. **Physical and Environmental Security Policy** aims to protect corporate assets and information by mandating controls that prevent unauthorized physical access to company premises, as well as equipment that support business operations
  - 3.4. **Mobile Device and Teleworking Policy** aims to establish rules for the use, management and security of all mobile devices that process company information and establish rules for conducting official business outside the work premises

4. **Operational Security Policies** refer to the implementation of technical controls to maintain the target level of security

4.1. **Cryptographic Controls Policy** aims to apply cryptographic controls (i.e. encryption) on confidential electronic information (e.g. files, databases), to add another layer of protection and prevent unauthorized use or disclosure.

4.2. **Operations Security Policy** aims to apply appropriate controls to ensure that day to day operations are carried out in a controlled and a secure manner.

4.3. **Communications Security Policy** aims to implement measures that will protect information as it moves both within the corporate network and outward.

4.4. **Data Security Policy** aims to implement measures to protect corporate information from possible loss and leakage, avoiding breaches to legal, statutory or contractual obligations.

4.5. **Secure Development Policy** aims to protect corporate information and minimize breaches by ensuring that information security is taken into consideration when developing or acquiring systems and services.

Regular and ad hoc exercises ensure the relevant teams practice cyber incident response and breach management procedures.

A 24/7 Security Operations Center was established in January 2020 to continuously monitor JGS' information assets and help protect the enterprise security baseline.

Corporate IT Audit conducts year-on-year assessments on JGS Information Security Office's programs and activities ensuring alignment to corporate policies, statutory and regulatory requirements and enterprise risk management.

#### **Opportunities & Management Approach:**

JGSHI aims to continue improving information security and data privacy protection through continuous development of technology solutions, conduct of periodic risk assessment and personnel trainings in the future.

## U.N. SUSTAINABLE DEVELOPMENT GOALS

### Product or Service Contribution to UN SDGs Key products and services and its contribution to sustainable development

Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
Office Space	<p>RLC provides a suitable location where businesses can operate and grow contributing to job creation and increased economic activity in the areas where we locate.</p> <p>To date RLC have 666,448 square meters of gross floor area.</p>	<p>Apart from the environmental, social, and economic impacts identified above, RLC sees no further material negative impacts of this product to SDGs.</p>	<p>Nothing material that RLC could identify</p>
Mall Space	<p>RLC provides a space where its customers (merchants) benefit from the foot traffic to the malls. It allows foreign and local enterprises to access key markets and scale their businesses. People around RLC's locations can access quality products that meets their needs from food, medicine, clothing, and other needs that improve their quality of life.</p> <p>To date, RLC has a total of 2,989,931 square meters of gross floor area. In addition, 21 of our malls offer low-carbon malls spaces, as they're fitted with solar panels that meets a significant part of their power requirement.</p>	<p>Current businesses could be negatively affected through reduced customers. Increased consumerism could reduce savings of citizens. It may also cause traffic congestion that reduces productivity of the population.</p>	<p>When RLC enters a location, the company maps which local enterprises could be negatively affected by our entry. RLC assesses the impact and provides opportunities for the affected parties to locate in its mall, or their household members to be given employment opportunities.</p>
Hotel Rooms	<p>RLC provides affordable, quality accommodation options for tourists who contribute economic value to the local areas where RLC's hotels</p>	<p>Apart from the environmental, social, and economic impacts identified above, we see no further material impacts of this product to SDGs.</p>	<p>Nothing material that RLC could identify</p>

	<p>operate. People who travel to offsite locations on business are also able to access quality rooms that meet their budget.</p> <p>Currently, RLC has 2,368 rooms in the Go Hotels and Summit Hotels Brands.</p>		
Vertical and Residential Products	<p>RLC help families achieve their dreams of owning a home. We have a deep understanding of the needs of our customers and build for them a house that meets their needs wherever they are in their journey towards financial freedom.</p> <p>In 2020, we have a total of 5,272 residential units.</p>	Apart from the environmental, social, and economic impacts identified above, RLC sees no further material impacts of this product to SDGs.	Nothing material that RLC could identify
Logistics (Storage)	<p>RLC provides storage space that helps product-based businesses make their distribution system more efficient, ensuring that their goods are well secured.</p> <p>To date RLC has 93,000 square meters of warehouse space.</p>	Apart from the environmental, social, and economic impacts identified above, RLC sees no further material impacts of this product to SDGs.	Nothing material that RLC could identify
Master planned mixed-use developments and townships	<p>RLC's master-planned properties are designed to foster resilience, mobility, security, connectivity, and comfort. With well-designed combination of office space, commercial and residential areas, RLC creates an urban environment that supports economic growth in a manner that protects the environment and puts people's needs at the heart of it.</p> <p>With efficient master-planning, innovative designs, and quality construction, the townships</p>	Apart from the environmental, social, and economic impacts identified above, RLC sees no further material impacts of this product to SDGs.	Nothing material that RLC could identify

	<p>will raise the standard of mixed-use developments in the country. Overall, the locations and design will attract foreign investments that will increase the country's overall economic pool.</p> <p>The compact communities built by RLC also help reduce the need to travel by car, foster walkability, creating long-term benefits to air quality, health, and climate change mitigation.</p> <p>Currently, RLC has a total of 256 hectares of township developments.</p>		
<p>Provider of low-cost air transport</p>	<p>CEB's commitment to provide an accessible network, safe and reliable travel, best value flight experience contributes to improved connectivity, which helps build economic development, which in turn lifts standards of living. Greater mobility also creates more job opportunities, expands business reach, and encourages tourism.</p> <p>CEB is also able to extend free flights to those who need support on a case-to-case basis.</p> <p>Air travel is an economic enabler and equalizer. The low-cost carrier business model has made travel more accessible to more people.</p> <p>CEB continues to provide the lowest airfares in the market with its Piso Fares to enable everyJuan to fly.</p> <p>CEB opened 2020 with 114 routes. Operations were hampered by the Covid-19 pandemic, with</p>	<p>Low cost travel has also increased the demand and ability of people to fly. This also means:</p> <p>Increased GHG emissions from flights</p> <p>Increased exposure to safety and health risks while flying</p> <p>Increased volume of flights and passengers may increase probability of transmission of viruses and disease</p>	<p>CEB operates one of the youngest fleets in the world. The company implements our Safety Management System through an integrated Quality, Safety, and Security policy – a company-wide commitment to ensure that flying and all its support operations are conducted in a manner that meets aviation regulations and industry standards.</p> <p>Aircraft are equipped with HEPA filter for air filtration to ensure safety of air quality within the aircraft. Aircraft interiors are cleaned regularly.</p> <p>CEB has maintained air safety certification by IATA through the Operational Safety Audit (IOSA) program. CEB is subject to a comprehensive audit twice a year to assess our safety programs and performance.</p> <p>CEB has implemented strict measures to prevent infection risks for COVID-19 for both staff and passengers.</p>



	<p>CEB route network shrinking to 57 routes by end of December 2020 due to travel restrictions imposed by local governments.</p> <p>With 74 aircraft in service, CEB transported a total of 5,026,112 passengers, gaining 47% market share against key competitors in the air travel industry.</p>		
Provider of cargo services (CEB Cargo)	<p>CEB provides support for urgent medical shipments (medicines, including organs and blood)</p> <p>10.6% of cargo carried in 2020 were for medical use. CEB supports the Philippine Red Cross by transporting blood donations for free. Total blood donations transported in 2020 was 797 kg across 9 destinations.</p> <p>CEB transports perishable agriculture products and supports transport of humanitarian aid during natural disasters or war. In 2020, 33.1% of cargo transported were food and agriculture items. Over 107 tonnes of relief goods to support typhoon affected areas were covered for free.</p>	<p>Risks in handling and contamination of special cargo</p> <p>Increased probability of transmission of agricultural pests and diseases.</p>	CEB Cargo services practices standard safety, segregation, and handling guidelines to ensure that cargos are stored and transported well.
Branded snack foods and beverage	<p>For more than 60 years, URC produces high-quality snack foods &amp; beverages with exceptional value. Currently, our portfolio is driven by convenience, on-the-go, ready-to-eat, ready-to-drink, indulgence, and play.</p> <p><b>Snack foods:</b> URC provided access to high quality and western snacks like real potato chips at a</p>	<p><b>Regulatory concerns towards wellness:</b></p> <p>As a food and beverage manufacturer, we believe that consumers are changing fast due to emerging trends brought by the growing middle-class population in the region.</p> <p>At this point, some of us may think that wellness will be 5 to 10 years from now, but it's already</p>	<p><b>Portfolio:</b></p> <ul style="list-style-type: none"> <li>• Nutrition is part of our Product Materiality</li> <li>• Our 2030 commitment states that “we will improve the nutrition &amp; wellness profile of our product portfolio aligned to the URC Wellness Criteria”</li> </ul>

	<p>more competitive price. Today, Jack n Jill is a household brand that Filipinos continue to love.</p> <p><b>Coffee:</b> URC revolutionized the coffee mix market when URC launched Great Taste White Coffee and shifted the market significantly from instant to coffee mixes. Today, the coffee mix category has become an integral part of Filipinos lives, especially to the working class, and white coffee is the most significant sub-segment.</p> <p><b>Ready-to-drink Tea:</b> C2 has been thriving against sodas/carbonated beverages when it was introduced as an alternative to consumers, given that consumers have already started to shift towards better-for-you choices. C2 is made from real tea leaves that are brewed and bottle the same day.</p> <p><b>Noodles:</b> Our noodles business is a joint venture with Nissin of Japan, and it's currently the #1 cup noodles brand in the market. It provided the working-class meal substitute on-the go, especially workers and millennials in tier 1 cities. We also have noodles in pouches from our Payless brand, and we believe that addressed social issues in hunger, especially in times of calamities, emergencies, pandemic, and financial crisis.</p>	<p>happening. As you can see in 2018, the government previously imposed an excise tax on a sweetened beverage while some schools started to ban snacks and some types of beverages that did not pass the nutrition standards of DepED.</p> <p><b>Issues concerning Single-Use Packaging</b> Issues towards single-use plastics and ocean waste have been very visible in the last 2-3 years. The public has turned their eyes towards FMCG manufacturers as a source of the problem.</p>	<ul style="list-style-type: none"> <li>• Our KPI is that we have to make 70% of our portfolio in the Philippines meet the URC wellness criteria as we renovate our existing products and launching new products in wellness</li> </ul> <p>In 2020, we have established our URC wellness criteria that tackles the following areas of product renovation:</p> <ol style="list-style-type: none"> <li>1) All green or yellow rated products per Department of Education (DepEd) Order #13-2017</li> <li>2) Less than 6% added-sugars (e.g. sucrose, glucose, and fructose) in beverages</li> <li>3) Less than 100 calories in consumer packs</li> <li>4) 100% All Natural</li> <li>5) Existing products where sodium is reduced by 25% or more</li> <li>6) No PHO &amp; SaFa less than 1.5g/serving &amp; Zero TraFa &amp; Zero cholesterol</li> <li>7) Products addressing micronutrient deficiency (Sangkap Pinoy Qualified, at risk nutrients e.g. Zn)</li> <li>8) 100% Plant-based protein</li> <li>9) Clean Label (e.g. No Artificial colors, No Antibiotics/No Hormones, etc.)</li> <li>10) Products using functional quality ingredients to improve wellness (e.g. source of fiber, etc.)</li> </ol>
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	<p><b>Bottled Water:</b> Our bottled water brand Refresh is tagged as one of the basic goods by DTI. Through refresh, URC provides an additional supply of clean drinking water on-the-go, which is essential in times of calamities and emergencies.</p>		<p>To-date, more than 85% of products passed 1 URC Wellness Criteria, more than 65% passed 2 URC Wellness Criteria and more than 30% passed 3 URC Wellness Criteria.</p> <p>In terms of products, we've launched the following:</p> <ol style="list-style-type: none"><li>1) Vitasoy - a plant-based nutrition made from sustainable sourced soy without GMOs promoting healthier lifestyle and better protein delivery</li><li>2) Nova - URC ensures that we fully comply with regulatory labeling and product information requirements, and also implement the required analysis for nutritional facts and claims.</li><li>3) C2 Fiber - Functional beverage that aids better digestive function. One variant has zero added sucrose.</li><li>4) Maxx Fresh - NAFNAC Candy (No artificial flavours, no artificial colors)</li><li>5) In Oceania, we are pushing more products to address the growing trends in healthier snacking in developed markets through NAFNAC (No artificial flavors, no artificial colors) as we launched products like Natural Chip Co. and Veggie Chips in Australia.</li></ol>
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			<p><b>Packaging:</b> Packaging is part of our Product Materiality. Our 2030 commitment states that “we will reduce our packaging footprint &amp; make 60% of our packaging recycle-ready”.</p> <p><b>1. Reduction of Packaging footprint</b> - we look for opportunities in renovating our packaging materials especially in snack foods. We are looking into using monomaterial laminates in packaging while optimizing schemes for packaging and logistics efficiency. The 6% laminate footprint reduction in Snacks has eliminated in elimination of 1,473 tons of packaging material on an annualized constant volume basis.</p> <p><b>2. Increase the proportion of our packaging materials that’s recyclable</b> - as technologies become available and feasible, we continue to look for opportunities in making our packaging as recyclable as possible. Adopting a single material type for packaging will promote closed loop systems, especially in areas where recycling facilities exist. This is part of our efforts to help encourage viable recycling ecosystems. As part of our 2020 review, we had an increase of 10% in the percentage of recycle ready packaging from our baseline in 2018.</p>
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<p>Polyethylene (PE) and Polypropylene (PP)</p>	<p>UNSDG 2: Zero hunger</p> <ol style="list-style-type: none"> <li>1. PE and PP food storage and packaging reduce food waste. Examples are plastic films which can extend the shelf-life of cucumbers from 3 days to up to 14 days, sealed trays which can reduce up to 20% of waste for grapes, and crates which can minimize losses during transport of farm produce.</li> <li>2. PE and PP increase yields in agriculture. Examples are protective films used to avoid losses due to pest infestation and harsh weather elements, mulch films used to prevent water evaporation, heat loss and weed growth, HDPE irrigation and drainage pipes and geomembranes.</li> </ol>	<p>No negative Impact of Contribution</p>	<p>Not applicable</p>
<p>Polyethylene</p>	<p>UNSDG 6: Clean water and sanitation</p> <p>HDPE pipes, valves, storage tanks, reservoirs and fittings are used in water supply and distribution infrastructure.</p> <p>UNSDG 7: Affordable and clean energy</p> <ol style="list-style-type: none"> <li>1. HDPE pipes are used in gas supply.</li> <li>2. PE is used for wire and cable insulation.</li> <li>3. HDPE and LLDPE packaging save energy by being lightweight and reducing the number of delivery trips.</li> </ol> <p>UNSDG 13: Climate action</p> <ol style="list-style-type: none"> <li>1. Being lightweight, water-resistant and</li> </ol>	<p>No negative Impact of Contribution</p>	<p>Not applicable</p>

	<p>FDA-compliant, HDPE bags are used as packaging in relief operations.</p> <p>2. LLDPE-containing tents are used as temporary shelters.</p> <p>3. HDPE boats are used during rescue operations.</p> <p>4. HDPE rainwater filtration tanks for clean water</p>		
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	<b>SUPPLIER ACCREDITATION POLICY</b>	Page 1 of 5
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**POLICY STATEMENT** The Company shall purchase only from duly accredited suppliers endorsed by the Business Unit Supplier Accreditation Team (BUSAT) and approved for accreditation by the Corporate Supplier Accreditation Team (CORPSAT).

- OBJECTIVES**
1. To manage and administer a common system for the accreditation of suppliers.
  2. To ensure that the Company's suppliers are capable of providing the highest quality products or services and possess other important measures such as reliability of products and services, competitive prices, financial and technical capabilities.
  3. To establish a system of disciplinary action, whether suspension or debarment of suppliers, to protect the Company's interest, to discourage unethical business practices, and to encourage expected performance by the suppliers.

- SCOPE AND COVERAGE**
1. This document defines the policies and procedures on accreditation and maintenance of suppliers particularly on:
    - 1.1. Supplier Application
    - 1.2. Supplier Appraisal
    - 1.3. Accreditation Approval
    - 1.4. Supplier Maintenance
    - 1.5. Supplier Review and Evaluation
    - 1.6. Suspension
    - 1.7. Debarment
    - 1.8. Appeal Process
    - 1.9. Reinstatement
  2. The policy is applicable to suppliers of JG Summit Holdings, Inc. (JGSHI), its subsidiaries and affiliates.

- GENERAL POLIIES**
1. Only accredited suppliers can provide the goods and service requirements of the company. Only those products or services that received accreditation shall be supplied by an accredited supplier.
  2. All potential suppliers shall undergo the accreditation process to ensure that only qualified suppliers are selected to supply the goods and services requirements of the company. Inclusion of additional commodity/ies from an existing supplier shall require accreditation.
  3. Inspection, evaluation and accreditation of potential suppliers shall be carried out by two (2) Supplier Accreditation Teams, (i.e., the BUSAT and the CORPSAT).The SATs shall be composed of individuals who have the qualifications and capabilities to evaluate the eligibility of the suppliers to be accredited.

4. The BUSAT and CORPSAT shall appraise all suppliers applying for accreditation using a rating system  
  
The rating system shall include both product and company evaluation.
  - 4.1. Supplier rating shall be documented through the Supplier Accreditation Rating Sheet (SARS).
  - 4.2. Supplier with Overall rating equal or above seventy-five (75%) shall qualify for accreditation approval.
  - 4.3. In cases when certain criteria for accreditation is deemed not applicable, the passing requirement of 75% shall be computed based on the **total applicable criteria**.
  - 4.4. A premium or additional five (5%) points shall be added to the rating of supplier who are Sole Distributors of products provided that the Sole Distributorship Certification has been obtained and verified.
  - 4.5. An additional three (3%) points shall be added to the rating of supplier if distributorship of the product is limited to two (2) suppliers only. Certification from the manufacturer on the limited distributorship has to be obtained and verified.
  - 4.6. The Rating System for each accreditation criteria may vary by commodity group and may be customized by the BU according to strategic importance.
  - 4.7. Supplier with a total rating below seventy five percent (75%) may still be recommended for accreditation provided:
    - 4.7.1. The product or service is needed to comply with regulatory requirements
    - 4.7.2. Supplier is a sole distributor; and
    - 4.7.3. Other justified reasons.
5. The Supplier Accreditation Evaluation Sheet (SAES) shall be accomplished to document the results of the rating and assessment of the supplier's capability to deliver the required products or services.
6. The SAES shall be approved by the following authorized approvers:
  - 6.1. BU GM or the Group BU GM for BUSAT
  - 6.2. CORPSAT Chairman for CORPSAT
7. CORPSAT shall inform all BU Purchasing Heads, Treasury Heads, Bills Processing Heads and IT Heads of the suppliers who have been granted accreditation through the CORPSAT Bulletin. The CORPSAT Bulletin shall include all changes in the supplier's accreditation status.
8. All accredited suppliers shall be included and maintained in the supplier information database for easy access and management of supplier information.



The supplier information database shall contain the contact information and product listings of all accredited suppliers where all purchases will be sourced.

9. CORPSAT and BUSAT shall update the Accredited Suppliers List (ASL) based on the weekly bulletins issued/received.
  - 9.1. BUSAT shall maintain the BU ASL. Certain suppliers may be present in two or more BU ASL.
  - 9.2. CORPSAT shall maintain the Corporate ASL.
  - 9.3. The ASL shall be used to determine suppliers for the solicitation of Invitations to Bid, Requests for Proposal, and Invitations to Negotiate.
  - 9.4. The ASL shall be made available to the BU Procurement and Treasury Departments.
10. An updated Accredited Suppliers Masterlist (ASM) shall be provided by CORPSAT to the BUSAT thirty days after the end of each quarter.
  - 10.1. The ASM shall have a version number and revision date to guide users in determining most recent updates.
  - 10.2. Accredited suppliers in the ASM shall be categorized by products and services, and then by supplier groups.
11. CORPSAT shall maintain and provide the BUSAT with the Open List that contains the commodity groups or services that are not required to undergo accreditation.
  - 11.1. CORPSAT has the prerogative to add or delete commodity/ies, commodity groups, or services in the Open List. BUSAT may recommend the addition or deletions of commodity/ies, commodity groups, or services in the Open List.
  - 11.2. CORPSAT shall distribute to all BUSATs an updated Open List in case of any approved changes.
  - 11.3. The Open List shall always have a version number or date/time of update to guide copy distribution lists of the most recent listing implemented.
12. On a periodic basis, the BUSAT and CORPSAT shall conduct a complete re-assessment of the supplier similar to the initial accreditation conducted or based on a supplier performance evaluation system.
  - 12.1. Key performance metrics may be used to evaluate the performance of an accredited supplier
  - 12.2. CORPSAT may impose re-assessment of certain suppliers as the need arises
13. BUSAT has the primary responsibility for tracking supplier performance for the BU. BUSAT shall inform CORPSAT through a complaint report of any problem encountered by the BU with the accredited suppliers and recommend disposition of suppliers who failed to deliver as required and/or comply with the standards.
14. The BUSAT shall inform all accredited suppliers of company's Code of Business Conduct, the policy on Conflict of Interest (COI) and the Policy on Supplier Conduct.

15. In cases of violations by the supplier, the BU concerned shall prepare an Incident Report and submit to the BUSAT for initial investigation.
16. If a case is warranted based on the initial investigation, the BUSAT shall prepare a Case Report to be noted by the BU GM and submitted to CORPSAT for deliberation and disposition.
  - 16.1. The CORPSAT shall form an Investigation Team that shall assess the Case Report filed by the BU.
  - 16.2. CORPSAT may use the assistance of other departments (e.g., Corporate Audit Department, Corporate Legal Department, etc.) who will act as experts and consultants to the case being presented.
  - 16.3. Administrative hearing shall be called by CORPSAT if duly warranted, to assess the explanations of the parties concerned.
17. CORPSAT shall inform the BUs regarding its decision. Application of suspension of a particular supplier shall cover enterprise-wide.
  - 17.1. A suspended supplier shall be duly categorized in the ASM and shall not be given any procurement transactions by the BU.
  - 17.2. The suspension of the supplier shall be for an indefinite period of time until the suspended supplier formally requests reinstatement through the BUSAT.
18. CORPSAT may reinstate a suspended supplier only when it has demonstrated that the cause for the suspension has been resolved, subject to the required documentation and processes for accreditation.
19. The BUSAT shall request for debarment of a particular supplier if such have not met the required standards during evaluation.
  - 19.1. The debarred supplier shall also be delisted in the ASM and shall not be included in all solicitation mailing lists and any bid proposals by the supplier shall not be considered.
  - 19.2. The debarment of a supplier shall be for an indefinite period of time. It shall be the responsibility of the supplier to apply for re-accreditation, provided that the cause of debarment has been sufficiently resolved.
20. Suppliers may request for reinstatement coursed through the BUSAT, if they have already satisfactorily resolve the cause of the initial suspension.
21. The supplier shall submit an explanation for the request, indicate the cause of suspension and the actions rendered in order to resolve the incident.
22. The supplier shall be required to submit necessary documents to substantiate resolution. BUSAT shall conduct an initial assessment of the request prior to endorsement to CORPSAT.
23. CORPSAT shall set a date for the conduct of a deliberation conference after the supplier's request has been received.



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24. Based on the submitted documents, CORPSAT may rescind the suspension and reinstate the supplier or affirm the suspension.

This Policy shall take effect and shall continue to be in full force unless superseded by new policies and guidelines.

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