StAGIng the Future

Going Strong as a Global Brand

2021 Annual and Sustainability Report

EMPERADOR INC.

ABOUT THE COVER

Emperador Inc. (EMP) marked another year of success as a global liquor brand under the Alliance Global Group, Inc. (AGI). The cover revolves around continuity, a quality important to Emperador as it embraces a promising future of growth and constant improvement on all fronts—be it in business performance or social and environmental responsibility.

Emperador is set to face the future by building on its progress over the years, the fruit of the collective efforts of its people and partners that it is ready to share with the world through world-class whisky and brandy.

ABOUT THE REPORT

Reporting Frameworks

- Global Reporting Initiative (GRI) Standards
- SEC Sustainability Reporting Guidelines for Publicly-Listed Companies

Period Covered

January 1 to December 31, 2021

Scope of the Report

Emperador's 2021 Annual and Sustainability Report (ASR) covers the financial, economic, environmental, and social performance of the company's subsidiaries Emperador Distillers, Inc. (EDI), Grupo Emperador Spain (GES), and Whyte and Mackay Group Ltd. (WML), consolidated under Emperador Inc. (EMP). This report has been prepared in accordance with the GRI Standards: Core option.

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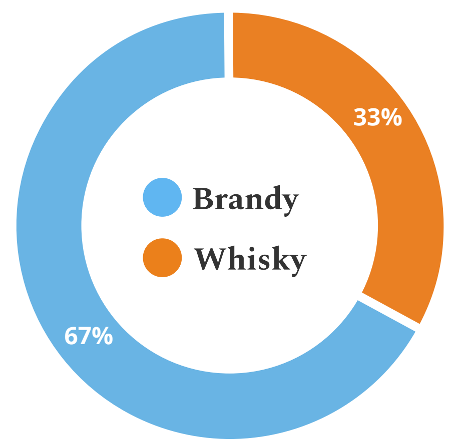
Financial Highlights

P55.9bn Consolidated Revenues

P37.2bn Brandy Revenues

P18.7bn Whisky Revenues

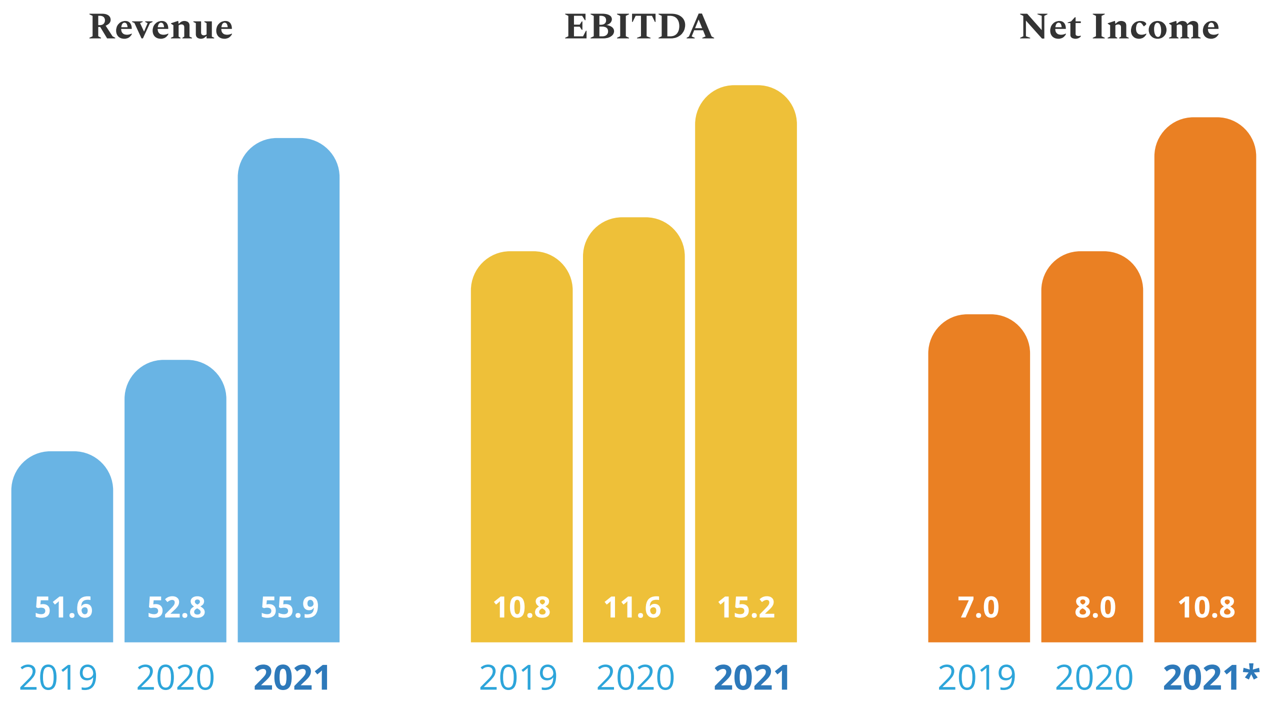
Revenue Share



P20.0bn Gross Profit

P10.8bn Net Profit*

3-YEAR TREND



*Normalized net profit

GRI | 102-50 102-51 102-54

Chairman's Message

Dear stakeholders,

This year, we set out on a path of resilience and responsibility as Emperador Inc. (EMP) forged on through the second year of the global pandemic. The year 2021 was markedly different from the last, as Emperador made new milestones while facing lingering disruptions from COVID-19.

While many businesses started to adapt to the pandemic in 2020, mass vaccination and learnings from the previous year helped catalyze economic recovery. Recovery of the global gross domestic product (GDP) continued slowly in 2021 alongside the Philippines' GDP despite widespread lockdowns in the third quarter.

In this environment, Emperador stayed the course as we continued to pursue our vision to grow the company—achieving another banner year this 2021. I attribute this to the resilience of our company, whose financial position allowed us to weather the logistical challenges of COVID-19 from 2020 onwards, and boost our efforts in providing our stakeholders with world-class and responsibly made products.

We witnessed record-breaking growth as our whisky and brandy segments expanded their reach while introducing innovations and building on the popularity of our flagship brands. Within the first nine months of the year, the company's net income had already matched the full-year net income of 2020 at PHP7.9 billion. By the end of 2021, Emperador achieved a net income of PHP10.8 billion, up 35% year on year.

Emperador stayed the course as we continued to pursue our vision to grow the company—achieving another record-breaking year this 2021.

Meanwhile, we have seen wins for our brands in 2021. Whyte and Mackay Group (WMG) was awarded Distiller of the Year at the Icons of Whisky Scotland 2021 for its ability to continue innovating amid the challenges of the pandemic.

Bodegas Fundador (BF) was also recognized for its quality spirits, particularly Fundador Supremo 18, which bagged the Platinum Award at the San Francisco World Spirits Competition this year. We are focused on expanding our brandy segment across growing markets in Asia and Latin America.

Emperador Brandy, the world's number one selling brandy, is moving steadily towards expansion as well, and is currently available in over 60 countries.

As we execute our plans, we aim to be better. At Emperador, we have been building up our programs in sustainability alongside our subsidiaries. Each of them have become a force for good in their respective communities, with initiatives that are uplifting society and preserving the environment. We hope to document these efforts in greater detail in line with the publication of our first Annual and Sustainability Report.

To our stakeholders—our customers, partners, investors, employees, and communities—thank you for the immense support you have poured into our company. Let us toast to a better future ahead.

Dr. Andrew L. Tan
CHAIRMAN

About Emperador

Emperador, Inc. ("EMP" or "Emperador") is a holding company publicly listed at the Philippine Stock Exchange (PSE). It operates an integrated business that manufactures, bottles, and distributes distilled spirits and other alcoholic beverages globally through its subsidiaries. EMP is a subsidiary of Alliance Global Group, Inc. (AGI), a conglomerate with investments across the quick service restaurant, spirits, real estate, integrated tourism, and infrastructure development industries.

To date, EMP is the largest liquor company in the Philippines and the largest brandy producer globally. It has established itself as a producer of world-class spirits, refreshing its customers around the world with its markets in over 100 countries.

On the local front, Emperador owns and operates Emperador Distilleries, Inc. (EDI)—a manufacturing and bottling company with plants in Laguna and Batangas in the Philippines.

Emperador's wholly-owned subsidiary based in Scotland, Whyte and Mackay Group (WMG), is a multi-awarded producer of whisky and the 6th largest single malt Scotch whisky-maker in the world. It operates multiple malt distilleries and a large grain distillery. Under its belt are the renowned The Dalmore, Fettercairn, Tamnavulin, and Jura liquor lines that have all respectively won awards for their superior taste and quality.

Bodegas Fundador (BF), a wine and brandy producer, is Spain's oldest brandy and sherry company. Its traditional taste comes to life through production across its wine cellars and distilleries in Jerez and Tomelloso. While it now serves a much more modern market, Bodegas Fundador's rich history traces back to its roots as a sherry winemaker for European royalty. It is now known for its Fundador Supremo and Tres Cepas Brandy lines.

OUR MISSION

To provide fantastic, superb, and iconic drinks to consumers from all walks of life all over the globe

OUR VISION

Bring world-class products to the Philippines and Emperador products to the rest of the world

OUR VALUES

Strive to uphold the Filipino values of:

- Loyalty
- Integrity
- Hard work
- Excellence
- Passion

OUR HISTORY

1979 Founded by Dr. Andrew L. Tan

1990 Launch of Emperador Brandy (Philippines' first brandy label)

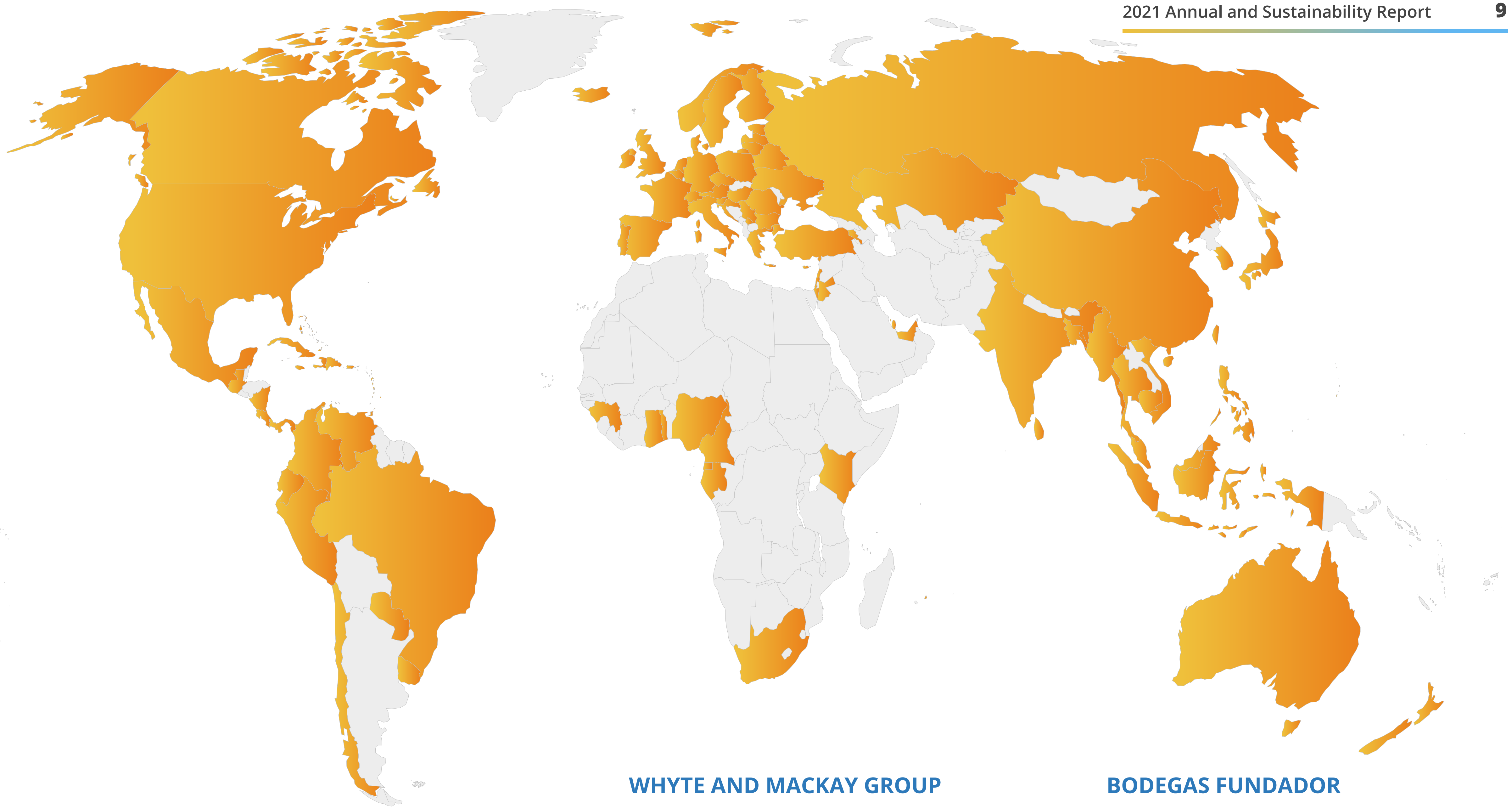
2013 Listed in the Philippine Stock Exchange

2014 Acquired Whyte and Mackay Group Ltd.

2015 Acquired Bodegas Fundador

2017 Acquired Casa Pedro Domecq through Bodegas Las Copas

Market Presence



Emperador is a renowned name for the world's best-selling brandy. Its liquor portfolio holds the industry's top-performing producers, operating manufacturing lines in Europe and Asia. Currently, the company has a brand footprint in 6 continents and over 100 countries while being best known for its variety of products that satisfy both mainstream and luxurious tastes.

Expansion is a top priority for the company as Emperador holds its production facilities in the Philippines, Spain, and the United Kingdom for global distribution.

EMPERADOR DISTILLERS, INC.

As the largest liquor company in the Philippines, EDI's engaging and flexible marketing strategy has allowed it to tap into different local markets with its signature Emperador brandy lines—the country's first brandy label.

From a domestic environment that used to be interested in other alcoholic beverages such as rum, EDI has paved its way to holding an 86.5% market share among all local and imported brandies in the Philippines in 2020. Within the Philippines, EDI's products are widely accessible, from supermarkets around the metro to the neighborhood sari-sari store.

On a global front, it currently distributes its products to over 61 countries, including its biggest consumer bases in UAE and North Americathat also enjoy Emperador brandy.

The company continues to innovate, holding onto its signature products while also securing opportunities for new product development with the growing consumer interest in flavored alcoholic beverages.

WHYTE AND MACKAY GROUP

WMG, based in Glasgow, Scotland, is a top whisky supplier in its own country. It is the number one Single Malt producer in the UK (Off Trade, Nielsen). The company is known for its multi-award winning collection of Single Malt and contemporary whiskies.

Through its dual strengths in marketing and product innovation, the company is a major exporter of Scotch whisky to 100 countries. The easing of mobility restrictions imposed during the pandemic has allowed WMG to pick up the pace along its distribution lines, setting the stage for continued expansion and production.

BODEGAS FUNDADOR

As a global brandy and sherry company, BF has successfully expanded its distribution channels to 25 countries in Europe, and is present across more than 60 countries around the world for both its trademarks and private labels. Among these, brandy has the most reach in Asia-Pacific, Latin America, and Africa; while sherry has the most reach in the Asia-Pacific and Middle East.

With its eye on growing its market further through distribution partners, the company aims to build its presence in North and Latin America after its major success in Colombia.

Performance Highlights

Emperador Inc. (EMP) delivered on promising progress in its 2021 results as its subsidiaries across the brandy and whisky segments overcame the remaining lockdowns and pandemic-wrought restrictions scattered throughout the year. EMP carried on with its business strategy in tackling new markets and seizing opportunities to achieve a stellar financial performance by the year-end.

Steady growth was observed across several fronts year-on-year. Net profit increased by 35% from the previous year, amounting to PHP10.8 billion in 2021. As restrictions eased and our supply chains stabilized with minimal disruptions, revenues for the first nine months of 2021 quickly caught up to the total earnings of the year prior at PHP7.9 billion.

The company's leading growth areas came from its global businesses, particularly its distribution channels in North and Latin America, Asia, and Europe. Bodegas Fundador (BF), with its leading Fundador Brandy, improved its sales significantly in North America and Asia, where it witnessed double-digit growth while tripling in the United Kingdom.

The performance of our whisky segment continued to improve as the Whyte and Mackay Group's (WMG) premium single malt, Jura, became the number one Single Malt in the UK Off Trade, and The Dalmore became the fastest growing single malt in absolute terms over the previous two years and was recognised by industry authority Rare Whisky 101 as one of the world's most investable whiskies. The Dalmore Decades broke records at auction at Sotheby's Hong Kong.

Both segments benefitted from their diverse product mix and recovering operational efficiency, resulting in increased margins and robust profitability.

The quality of Emperador's products was affirmed once more this year, as WMG earned the Distiller of the Year title and BF garnered a Platinum Award for the Fundador Supremo 18.

With the bespoke positioning of liquor in different regions, the company recalibrated its marketing strategies to better capture potential sales. With online purchases gaining popularity among consumers, EMP worked on improving its e-commerce platforms.

The CPI Strategy

CONTEMPORIZE

our offering

PREMIUMIZE

our portfolio

INTERNATIONALIZE

our business

Across the company, Emperador drives progress through its Contemporize, Premiumize, and Internationalize (CPI) strategy. It encapsulates how EMP captures the abundant opportunities of the growing liquor industry and how the company strives to lead with innovation and quality.

By **contemporizing** its offerings, the company excited its customers with innovative product launches and creative branding while marketing its lines to the younger generation of consumers.

With younger generations, more experimental mediums have also proven effective. EMP continued to promote its products through its usual above-the-line marketing, enticing customers through traditional media and building an informed consumer base through documentaries and digestible features.

The company **premiumizes** its portfolio by leveraging its marque brands and focusing on luxury single malts, constituting approximately 70% of the whisky segment.

In **internationalizing** the business, EMP is able to widen its sales while cementing its footprint with its flagship brands already available in over 100 countries.

Both EMP's sales for brandy and whisky grew significantly in Europe, Asia, and the Americas.

Economic Contributions

The performance of the company goes hand-in-hand with its contribution to national and local economies. It determines Emperador's ability to sustain growth and development.

Emperador sets specific targets and conducts regular business reviews to evaluate the status of these targets and the entity as a whole. Once areas for improvement have been identified, a definite action plan is set and implemented to meet the desired results. Furthermore, an integral control and management policy was developed based on the establishment of KPIs and the promotion of self-evaluation policies of all the staff. Periodic monitoring of the KPIs is done to ensure that the group is on track with its goals.

Relationships with suppliers, owners, lenders, governments, employees, and local communities also have direct economic and social impacts which the group measures and evaluates. Reporting their economic performance annually includes how the group manages financial performance and includes financial KPIs. Each market and function is responsible for monitoring and reporting economic performance against annual plans and targets. This allows them to report on their overall performance against strategy. Where necessary, they develop or adapt their activities to improve performance against their targets or in response to external factors.

Awards

SHERRY & BRANDY CATEGORY

2021 International Spirit Challenge

- Fundador Supremo 12 Year Old Pedro Ximenez - Double Gold
- Fundador Supremo 15 Year Old Amontillado - Double Gold
- Fundador Supremo 18 Year Old Oloroso - Silver
- Fundador Exclusivo - Silver
- Fundador Triple Madera - Silver
- Fundador Imperial Brandy - Bronze

2021 International Wine and Spirits Competition

- Harveys Pedro Ximenez (30 Year Old V.O.R.S. Sherry) - Gold 96
- Harveys Very Old Amontillado (30 Year Old V.O.R.S. Sherry) - Gold 95
- Harveys Very Old Palo Cortado Blend Medium (30 Year Old V.O.R.S. Sherry) - Silver 94
- Harveys Very Old Oloroso Blend Medium (30 Year Old V.O.R.S. Sherry) - Silver 92

WHISKY CATEGORY

THE DALMORE

2021 International Spirit Challenge

- The Dalmore 15 Year Old - Gold
- The Dalmore 18 Year Old - Gold
- The Dalmore 25 Year Old - Gold
- The Dalmore KAII - Gold
- The Dalmore Portwood Reserve - Gold
- The Dalmore Vintage Trio - Gold
- The Dalmore Vintage Quartet - Gold
- The Dalmore Vintage Quintet - Gold

2021 International Wine and Spirits Competition

- The Dalmore 25 Year Old - Gold 95
- The Dalmore Vintage Trio - Gold 95
- The Dalmore Vintage Quartet - Gold 95
- The Dalmore Vintage Quintet - Gold 95

FETTERCAIRN
2021 International Spirit Challenge

- Fettercairn 28 Year Old ('18 Release) - Gold

JURA
2021 International Spirit Challenge

- Jura Winter Edition - Gold
- Jura French Oak - Gold
- Jura 12 Year Old Sherry Cask - Gold
- Jura 18 Year Old - Gold
- Jura 19 Year Old The Paps - Gold
- Jura 21 Year Old Tide (Domestic) - Gold

2021 International Wine and Spirits Competition

- Jura Red Wine Cask Finish - Gold 96
- Jura Winter Edition - Gold 96
- Jura French Oak - Gold 96
- Jura Seven Wood - Gold 95

TAMNAVULIN
2021 International Spirit Challenge

- Tamnavulin Double Cask - Gold
- Tamnavulin Sherry Cask Edition - Gold
- Tamnavulin Tempranillo Cask Edition - Gold
- Tamnavulin French Cab Sav - Gold
- Tamnavulin Spanish Grenache - Gold

2021 International Wine and Spirits Competition

- Tamnavulin Sherry Cask Edition - Gold 95
- Tamnavulin French Cab Sav - Gold 98
- Tamnavulin Spanish Grenache - Gold 96

COMPANY AWARDS

Distiller of the Year
Whyte & Mackay Group
2021 Icons of Whisky Awards

Best Campaign 2021 (National, UK)
Woodsman
2021 Campaign Media Awards

Sustainability at Emperador

As it continues to deliver products that delight its customers, Emperador is conscious of and ready to act on its responsibility to the environment and society at large. Emperador recognizes that sustainability needs to be integrated into its external programs and along its value chain.

The company designates the execution of corporate social responsibility (CSR) and sustainability programs to its subsidiaries, who act in line with the belief of the holding company, as evidenced in its sustainability statement.

Our Sustainability Statement

Our purpose is to participate and enrich the celebration of life's special occasions. At the same time, we make viable efforts at contributing to the protection of the environment, deepening social interactions, and betterment of prudence in government.

Contributions to the UN SDGs

The global reach of Emperador and its subsidiaries allow it to contribute to the United Nations' Sustainable Development Goals (UN SDGs) on multiple fronts. The UN SDGs are an opportunity for organizations across the world, public and private, to partner for the sake of sustainable development.

Emperador currently aligns itself with the following UN SDGs , which are also synthesized with subsidiary Whyte and Mackay Group (WMG) Green Print strategy:

3 GOOD HEALTH AND WELL-BEING

Emperador and its subsidiaries promote health and well-being through seminars, wellness programs, health programs, and vaccination programs for COVID-19.

4 QUALITY EDUCATION

Bodegas Fundador and Emperador Distillers, Inc. (EDI) promote the accessibility of quality education through their respective scholarship programs for students.

6 CLEAN WATER AND SANITATION

Emperador's subsidiaries operate and manage several wastewater treatment plants, with some relying on a third-party water provider. EDI's subsidiary, Anglo Watsons Glass, Inc. (AWGI), recycles 100% of its wastewater.

7 AFFORDABLE AND CLEAN ENERGY

Emperador is currently exploring the use of renewable energy sources for its distilleries in Europe through the Whyte and Mackay Group (WMG), also in line with Alliance Global Group, Inc.'s (AGI) aim to integrate green energy.

8 DECENT WORK AND ECONOMIC GROWTH

Emperador and its subsidiaries provide fair compensation and benefits to its employees while giving livelihood opportunities to neighboring communities, such as the local farming communities that grow its raw materials.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Emperador and its subsidiaries explore renewable energy through energy-efficient technology such as solar lamps, plants, and electric vehicles. The company also adopts water conservation and management programs across its plants.

13 CLIMATE ACTION

14 LIFE BELOW WATER

15 LIFE ON LAND

Apart from responsibly managing the environmental impacts of our supply chain, Emperador and its subsidiaries also fund and participate in programs for biodiversity conservation and greening.

17 PARTNERSHIPS FOR THE GOALS

Emperador and its subsidiaries with government agencies and other civil organizations to carry out programs aligned with the UN SDGs. Bodegas Fundador was awarded by Confederation of Cadiz Entrepreneurs for their commitments to the UN SDGs.

Further discussions on how the company implements the UN SDGs along the value chain can be found in the report's Environment, Social, and Governance (ESG) sections.

Stakeholder Engagement

Material Topics

For 2021, Emperador Inc. (EMP) conducted a materiality assessment to identify the economic, environmental, and social topics that are material or important to the group and its stakeholders. To determine the information disclosed in the report, the company looked at its communication channels with its stakeholder groups to identify specific concerns.

The group reviewed topics that were material in 2020 as well as Sustainability Accounting Standards Board (SASB) standards in the alcoholic beverage industry. Furthermore, the group also looked into trends and issues related to sustainability in the industry. These processes served as a guide for the group to update their materiality for the year.

Emperador Inc. assessed different topics and identified those that are material based on the importance of the topic to the group and the group's ability to act on these topics. With that, topics that were seen to have the highest ratings in the materiality matrix were selected as material.

The following topics were identified during the materiality assessment and will also be discussed within the 2021 Annual and Sustainability Report:

	Material Topics	Relevant GRI Disclosure
Economic	• Economic Performance • Market Presence • Regulatory Compliance	• 201: Economic Performance • 202: Market Presence • 205: Anti-corruption • 206: Anti-competitive Behavior
Environmental	• Energy Use and Efficiency • Water and Wastewater Management • Materials Management • Responsible Ingredient Sourcing • Waste Management • GHG Emissions • Supply Chain Environmental and Social Management	• 301: Materials • 302: Energy • 303: Water and Effluents • 305: Emissions • 306: Waste • 307: Environmental Compliance • 308: Supplier Environmental Assessment
Social	• Employee Health and Safety • Data Privacy and Security • Business Ethics and Integrity • Customer Health and Safety • Labor Rights • Security Practices • Employee Diversity, Training, and Development • Labor-Management Relations • Customer Satisfaction • Employment and Benefits • Responsible Drinking and Marketing • Human Rights Assessment • Community Impact	• 401: Employment • 402: Labor/Management Relations • 403: Occupational Health and Safety • 404: Training and Education • 405: Diversity and Equal Opportunity • 407: Freedom of Association and Collective Bargaining • 408: Child Labor • 409: Forced or Compulsory Labor • 410: Security Practices • 412: Human Rights Assessment • 413: Local Communities • 414: Supplier Social Assessment • 416: Customer Health and Safety • 417: Marketing and Labeling • 418: Customer Privacy • 419: Socioeconomic Compliance

Whyte and Mackay Group

World-class Whisky Makers, World-class Whisky

The Whyte and Mackay Group (WMG) has been producing Scotch whisky and premium spirits for approaching two hundred years, leveraging its craftmanship to lead the flourishing whisky industry with its award-winning Jura, Fettercairn – and at the pinnacle of the category – The Dalmore.

WMG's expertise reflects the superior taste of its renowned single malt whiskies and the company's ability to integrate sustainable and green practices into its supply chain. The company continued to break records in distilling and bottling despite a myriad of supply chain challenges during the year.

While distributing to over 100 countries, WMG's production happens across its five distilleries in Scotland. After distillation, the spirits are matured in its nearby warehouses before being bottled at its Grangemouth facility and shipped out from its distribution center.

PRODUCT HIGHLIGHTS

Latest Whiskies

Jura 12-Year Sherry Cask

Jura 12 Years Old Sherry Cask is a single malt celebrating the shared passion and dedication of two cultures; of Jura and of Spain. This rich, fruity and vibrant whisky unites the heart of Jura with the soul of Spain to create a single malt celebrating the classic Jura character, reflective of a time gone by. With added depth from its Sherry finish, this lively whisky perfectly captures the warmest of Jura welcomes, enhanced by the flair of a Spanish Sherry finish, promising life in every drop.

This is a vibrant single malt, like the community that makes it. This 12 Years Old has been distilled in Jura's unique and exceptionally tall stills; matured in American ex-bourbon oak casks then finished in the finest, hand-selected, aged Oloroso sherry casks from Jerez, Spain.

Fettercairn 22-Year

Fettercairn Distillery is admired as home to enlightened whisky making. The distinctive tropical character of the distillery and the rare treasure trove of stocks has driven success for the brand, relaunched in 2018. It includes the newly launched Fettercairn 22 Years Old. Matured for 22 years in first-fill American ex-bourbon casks, this single malt showcases the signature tropical character of pear and caramelized orange derived from the ingenious copper cooling ring distillation process unique to Fettercairn, setting it apart from other single malt distilleries by drenching the stills in crystal clear mountain water to ensure only the purest vapors rise to create the new make spirit.

FEATURE SUSTAINABILITY STORY

Pioneering Sustainable Supply Chains

At the forefront of WMG's pivot to become a sustainable company is The Whyte and Mackay Greenprint. This strategy verbalizes the company's vision to become a sustainable whisky-making business and sets out particular goals and targets to meet this vision head-on.The strategy is a distillation of the UN Development Goals and shared objectives set industry body, the Scotch Whisky Association.

The four visions that support the direction WMG wishes to take in its sustainability journey are the following:

1. **Climate Positive -** We should not contribute to climate change. By 2030, we will be carbon neutral, and by 2040 our goal is to achieve net-zero emissions.
2. **Mindful Consumption -** Only consume what is necessary without adversely affecting our communities and their futures. Only use water, energy, and other natural resources with consideration and thought.
3. **Planet Positive -** We will provide positive improvements to our environment that support flourishing ecosystems.
4. **A Brighter Green -** We foresee that there will be a progression of technologies that enable our journey to green and a brighter green future on our journey.

These visions influence the company's strategic goals focusing on Scope 1 and 2 emissions reductions, water conservation, eco-friendly packaging, minimal waste, and other programs supporting biodiversity and natural ecosystems.

One project that WMG has been undertaking in line with their goals to a greener future is Grow Scotland. The project aligns with the emissions reduction goal of the company while investing in the local economy by moving their wheat sourcing from imports to local sourcing. Currently, Scottish wheat trials are being done at the Invergordon Distillery, while WMG aims to provide their Fettercairn Distillery with barley from around 200 local farmers.

These actions alone are a way that the company can move towards a circular economy and minimize carbon emissions through logistics and livelihood support.

Bodegas Fundador

Historic Wines, Heritage Brandy

Bodegas Fundador (BF), under Grupo Emperador Spain S.A., is a celebrated brandy and sherry winemaker whose rich history dates back to its former customers—Spanish royalty. One of the first liquors from the Jerez winery dates back to 1730. By 1874, it came to be known as what would become BF's marquee brand, Fundador.

Fundador Supremo 18, the premium brandy aged in Oloroso sherry casks, won the Platinum Award at the distinguished 2021 San Francisco World Spirits Competition (SFWSC). The award recognizes the complexity of the spirit with its robust notes of fruit and nuts that fade into lighter vanilla are born of the Supremo 18's careful aging process.

In 2021, BF saw consistent growth across its new key markets unlocked in 2020, including the United Kingdom, Greater China, Latvia and Panama; while expanding its reach to Denmark, Estonia, Finland, Greece, New Zealand, Norway, and South Africa.

PRODUCT HIGHLIGHTS

Sherry Cask Solera

The Sherry Cask Solera is a masterwork of BF, aged in the historical sherry casks of Jerez de la Frontera and perfected into a full-bodied and complex brandy. The Solera was launched in 2021 as a new addition to the sherry cask brandies of BF.

Sherry casks have been used in aging wines for hundreds of years. Their withstanding popularity to this day a testament to the singular qualities that can only be imparted to spirits by the sherry cask. Bodegas Fundador owns one of the largest sherry cask collections in the world, and the Sherry Cask Solera is the latest innovation to come from the winery.

Its straightforward but complex aroma entices one to partake of the Solera and discover notes of noble wood. With such qualities, Emperador recommends drinking the Solera chilled and paired with nuts, chocolate pastries, or spicy foods to best bring out the character of the brandy.

SUSTAINABILITY STORY

Marking Milestones in Sustainability

In 2021, BF affirmed its commitments to the environment and society through the milestone publication of its first own sustainability report. The report presents the company's alignment with the United Nations Sustainable Development Goals (UN SDGs) and how their activities have contributed to the SDGs identified.

The company is an involved member of their local communities in Spain, where BF collaborates with civil society organizations through sponsorships for education, culture, and heritage. These programs encourage cooperation between the company and its communities, ensuring that BF is able to enrich the lives around them as they grow their business.

To lessen adverse impacts on the planet, BF partnered with an environmental association to conduct a biodiversity assessment on one of its facilities to better understand how the facility can be improved.

Currently, the company is able to use biogas by-products from its wastewater treatment plants to save around 270,000 cubic meters of natural gas or 25% of their natural gas supply. Natural gas is reused in heating water for distilling wines. The process allows significant savings for the company in terms of resources and reduces emissions by around 411,000 kilograms of CO_2 every year.

Emperador Distillers, Inc.

Premium Brandy, Proudly Filipino

Emperador Distillers, Inc. (EDI) is the maker of the extensive Emperador Brandy line and The BaR gin. Its success as the Philippines' largest liquor company is owed to EDI's spirited brand and tasteful blends that range from premium brandies imported from Spain to more experimental flavored gins.

In 2021, EDI continued to dominate as the top brandy seller in the country while being the largest brandy producer in the world.

The Emperador Brandy footprint covers Asia, Europe, and North America, with a recent expansion to Mexico and Latin America. As the company's reach expands, so does its product innovation and creativity in crafting drinks to satisfy diversified tastes.

Environmental Performance

Nature provides Emperador with the ingredients it uses for its liquor, whether these are the grains or grapes grown by its suppliers, as well as the resources that fuel its operations. Emperador's manufacturing process creates significant impacts on the environment, and if the business is to be sustainable, it must address these accordingly.

Energy Use

As a liquor manufacturing and distribution company, Emperador uses significant energy in its operations, from growing its raw materials to transporting finished products worldwide. To ensure the sustainability of both its business and the environment, EMP practices careful management of its energy sources while exploring opportunities for using renewable energy.

Energy Consumption (by source) *302-1*	Quantity (in MJ)
Renewable sources	1,505,060,203
Fuel*	16,597,279,939
Electricity	889,865,846
Steam	48,620,796
Heating	612,546,606

**Fuel types include: Gasoline, LPG, Diesel, Fuel Oil, Coal, Gas Oil, Petrol, Natural Gas*

78,342 kWh reduction
at AWGI and Casa Domecq combined due to solar energy

1,653 MT bunker fuel reduction
for Progreen Nasugbu plant

2% reduction in energy requirement
for kWh per liter sold at BF

2 MJ reduction of energy
per liter of alcohol produced at WMG

EMPERADOR DISTILLERS, INC. (EDI)

Emperador Distillers, Inc.'s (EDI) offices mainly consume electricity from the national grid to run their day-to-day operations, while diesel is used for transportation. In EDI's plants and warehouses, the company primarily uses non-renewable energy sources in operating its machinery while also using renewable sources such as solar power for light fixtures around its Santa Rosa plant.

With its energy-intensive operations, managing energy consumption is necessary for EDI to minimize its reliance on non-renewable energy sources, which produce greenhouse gas (GHG) emissions, and help cut energy costs.

The company implements energy conservation and fuel-saving programs across its offices and plants. These programs address both behavioral and operational factors that contribute to the amount of energy consumed. EDI also intends to phase out mercury from all possible sources and install environment-friendly lighting fixtures (e.g., LED and compact fluorescent lamps). Training on the importance and best practices for minimizing energy use is implemented for employees of EDI.

Energy consumption reduction targets and key performance indicators (KPIs) are set at the Balayan and Nasugbu plants of Progreen and the Biñan and Santa Rosa plants of EDI. The KPIs are assessed and reviewed monthly for Biñan and Santa Rosa and annually for EDI's glass manufacturing plant.

GRUPO EMPERADOR SPAIN (GES)

Grupo Emperador Spain (GES) consumes resources such as gas and electricity for daily operations and processes. Energy-saving opportunities are important to the company as these effectively reduce emissions produced and cut unnecessary costs. GES manages its energy consumption through a dual approach of regularly reviewing energy use and utilizing solar power for certain operations.

The company follows general policies outlined in its Quality and Environmental Management System: ISO 9001 and 14001. This guides the formulation of BF's environmentally-aligned objectives at the start of every year, with action plans for achieving identified goals. Casa Domecq uses Greemko, a carbon footprint calculator, to produce an annual report of its energy consumption to inform its own yearly indicators.

To evaluate the year's performance vis-a-vis accomplished targets, BF reviews the progress of achieving annual objectives every six months with its Environment Committee. Casa Domecq also assesses whether or not targets have been met within the year to gauge their progress.

WHYTE AND MACKAY GROUP (WMG)

As part of Whyte and Mackay Group (WMG) Green Print Strategy, the company must reduce emissions to eventually meet its goal of net-zero emissions by 2040. Along with this, WMG also aims to become carbon neutral by 2030 across all its sites.

The company is constantly searching for renewable energy sources that can be used in its manufacturing and whisky-making to achieve these goals. The widespread use of electric vehicles is gradually being implemented across its plants to eliminate the use of fossil fuels for its transportation.

Executive Team sponsors and a Sustainability Leadership team manage and oversee the execution of environmental strategies throughout the business. The company records its energy usage and emissions monthly and reviews its consumption data during monthly management reports. At the same time, the Sustainability Delivery Group gives regular updates on sustainability targets and performance.

Driving a greener future

In line with its goal of going carbon neutral and reaching net-zero emissions, Scotch whisky maker Whyte and Mackay Group (WMG) is driving change in its operations by prioritizing of electric vehicles, with various models to suit different demands across its plants.

It is currently installing 20 charging stations across its sites in Scotland to prepare for its goal to stop purchasing non-electric vehicles by the year 2028.

Emissions

GHG emissions result from the burning of fossil fuels in the manufacturing process. Therefore, Emperador and its subsidiaries need to manage and minimize the negative impacts of its energy consumption and subsequent emissions to prevent the degradation of the environment and human health. Across its subsidiaries, EMP carefully monitors its emissions and ensures compliance with regulatory requirements.

Emissions *305-1 305-2 305-3*	**FY 2021 (in tCO_2e)**	**FY 2020 (in tCO_2e)**
Direct (Scope 1) GHG Emissions	91,449*	110,605
Energy indirect (Scope 2) GHG Emissions	166,986	30,410
Other indirect (Scope 3) GHG emissions	3,847**	1,506

**Data does not include Progreen Nasugbu and Boozy*

*** Data only includes AWGI, BF, and WMG*

0.002545 T CO_2e avoided
with WMG's emissions reduction initiatives

10,206,057 cu.m GHG emissions avoided
with the reutilization of methane as boiler feed at Balayan plant

17,269 T fugitive CO_2 reduced
by processing gas to liquid CO_2

EMPERADOR DISTILLERS, INC. (EDI)

EDI complies with the Department of Natural Resources' (DENR) Ambient and Source Emissions Standards through emissions management and the regular preventative maintenance of air pollution source equipment. The company sets emissions targets and regularly reviews them to ensure that they are managed effectively. Information on air pollution prevention is cascaded throughout the organization through email blasts.

By using a 70% cullet ratio, EDI is able to lessen its raw material consumption. Additionally, the company conducts annual stack emissions tests and ambient air monitoring at the Santa Rosa plant.

In the distillery process, carbon dioxide (CO_2) gas byproduct from converting sugar to alcohol is liquified rather than released into the atmosphere in its gas form using a biogas conversion method. The Balayan and Nasugbu plants also maximize the use of methane gas as boiler feed.

GRUPO EMPERADOR SPAIN (GES)

Air pollutants and emissions from the heating process in wine distillation and the concentration of must are monitored periodically by GES. While the company's use of natural gas plays a large role in reducing its emissions, transportation still significantly contributes to emissions released.

The company conducts optimal maintenance for its boilers, which have regular emissions measurements done by the Environmental Manager. These are calculated using UNE-EN 15259:2008, IT-ATM-08.2, and IT-ATM-08.3 references.

WHYTE AND MACKAY GROUP (WMG)

The company's distilleries are the source of 96% of WMG's CO_2 emissions. To address this, WMG is seeking to shift away from conventional fossil fuels and prioritize renewable biomass and liquid biofuels, which release little to zero emissions.

Following general sustainability procedures, the Sustainability Delivery Group meets regularly to give updates on carbon emissions reduction and tracks current emissions savings against yearly CO_2 emissions. Emissions are calculated using the UK Government Department for Business, Energy and Industrial Strategy Conversion Factors 2021 and Greenhouse Gases Protocol method.

Waste Management

As part of EMP's commitment to properly managing its resources, the company takes on various schemes to collect and dispose of its waste. The company's supply chain may produce materials and substances with no purpose or reusability beyond the manufacturing process. If not disposed of properly, these waste materials can negatively impact the environment, especially if they are hazardous. The effectiveness of waste management is also gauged based on KPIs set and if there are no notices of violation during the period.

Waste Generated *306-4 306-5*	Quantity (in T)
Reusable	2,527
Recyclable	19,754
Incinerated	80,275
Residuals/Landfilled	90
Total solid waste generated	191,370*

**88,724 T sent to other disposal/recovery facilities*

EMPERADOR DISTILLERS, INC. (EDI)

EDI practices solid waste segregation, including hazardous waste management, across its plants in the Philippines. Information on proper sorting, generation, and disposal is distributed regularly to EDI personnel. Pollution Control Officers at the Balayan plant identify best practices for appropiate handling and waste minimization.

All plants segregate their waste by type, including a waste data collection process by manual weighing of waste or through container volume practiced at the Biñan and Santa Rosa plants.

A Materials Recovery System (MRF) is used at the company's glass manufacturing plant, aiming to identify recyclable and reusable materials. Fine cullet from recycling programs is distributed to local communities as filling material. At the Santa Rosa plant, residual waste has been reduced by up to 50% compared to 2020.

A wastewater treatment facility is used in compliance with the stringent standard parameters set by the Philippine government. For EDI's distillery operations, a voluminous amount of strong liquid and solid waste is generated. To segregate these wastes, a supplier return policy, barging operation, and fertilization program are used.

What EDI recycles in its Biñan Plant:

- **0.4% reduced residual waste to landfill**
- **2,944,168 reused bottles**
- **3.3 T recycled paper waste**
- **6.6 T recycled dried filter pads**

GRUPO EMPERADOR SPAIN (GES)

Bodegas Fundador produces around 27 million bottles, generating bottling waste such as glass, cardboard, and crystal. Other waste-related impacts come from other activities such as final filtration processes, maintenance, general cleaning operations, and laboratory activities. Waste generated from these processes may include empty paint containers, laboratory chemicals, oils, or lubricants.

BF's Quality and Environmental Management System includes protocol surrounding proper waste management. The Environmental Manager overseeing this topic also proposes ways to address and reduce waste. Some existing measures include reducing bottle weights, optimizing bottling processes, and treating liquid waste. Casa Domecq purchases both dry and wet goods in exact quantities to avoid waste, while materials scraps are diminished, and expiration is avoided.

GES documents the quantity and kind of waste it generates, while annual and historical indicators are used to evaluate the effectiveness of waste management and avoidance measures.

WHYTE AND MACKAY GROUP (WMG)

The Green Print identifies Mindful Consumption as a priority area for WMG, where the 5 R's of waste management are followed: reduce, reuse, recycle, repair, and recover. In distillation by-products go into secondary usage. Non-distillery sites produce standard office and canteen waste and packaging waste from bottling halls and distribution centers.

A project to divert waste from landfills was initiated at the Invergordon Distillery in 2021 before being rolled out to the Dalmore Distillery. The aim of the project is to streamline waste carriers into one main contractor and work on behavioral change within the distillery to reduce waste and increase recycling waste. The transfer of waste from all WMG sites is compliant with Scottish Environment Protection Agency (SEPA) laws and is coordinated with licensed waste brokers.

Water and Wastewater Management

Water is a crucial part of Emperador's liquor manufacturing as it serves as both a component for running machinery and distillery operations. The company's heavy use of water has become a key topic that Emperador and its subsidiaries strive to manage using water conservation systems and proper wastewater treatment methods.

303-3 303-4 303-5	
Water withdrawal (ML)	8,098
Water consumption (ML)	6,307
Water recycled and reused (cu.m)	47,316
Water discharged (ML)	4,132

EMPERADOR DISTILLERS, INC. (EDI)

At Biñan and Santa Rosa, water is used for steam generation, cooling, sanitation, and general cleaning. Biñan withdraws water from a third-party water provider and is used in operations before being discharged into Laguna Lake. The Santa Rosa plant sources water from three deep wells while discharging used water into the Santa Rosa River.

Both plants follow a Plantwide Conservation Program that accounts for an annual flow meter calibration and leak monitoring and correction. Quarterly effluent analyses are conducted alongside water consumption and wastewater discharge monitoring. Reject plant water at the Biñan plant is instead used for its restrooms, which has saved the plant 674 cu.m of water.

In glass manufacturing, EDI uses water to cool glass equipment and cullet recycling. Water withdrawn from the ground and utilized in plant operations runs through a recirculating system. In contrast, the water used for cullet recycling is reused after passing through the water treatment facility.

Raw water withdrawn by the Balayan and Nasugbu plants from deep wells is treated before being distributed to various units of the plants, such as production, boiler, and milling operations. Since water is drawn from an aquifer, the amount of remaining water cannot be readily estimated. However, technological advancements have made the desalination of seawater possible as an alternative to groundwater.

At the Nasugbu plant, the Water Supply Section (WSS) handles water supply alongside the Engineering department. Developments in 2021 include replacing 22 Ultrafiltration Module units and 42 RO membrane units.

GRUPO EMPERADOR SPAIN (GES)

Overall, GES's operations consume water for its day-to-day use at offices and particular distillation processes. Bodegas Fundador consumes the most water at its distillery, where it produces rectified concentrated must, where 600,000 liters per day are used in the washing sub-process. The company has aimed to minimize the impacts of this by reducing consumption and sending wastewater to a treatment plant. Water is also consumed at vineyards for phytosanitary treatment.

Water is mainly withdrawn from the municipal water supply network; however, small amounts are also removed from wells and cisterns for phytosanitary treatment and gardens. Water is then discharged into the sewerage system after the discharge has been treated.

In tracking water consumption, Casa Domecq documents and analyzes their consumption using the Greemko platform. Bodegas Fundador likewise identifies water-related impacts such as consumption and discharge with controlled pollutant load using ISO 14001: Annual Assessment of Aspects and Impacts.

Water management is monitored by the company through regular internal and external audits and is rigorously reviewed in the ISO 14001 Management Reviews. Similar to energy consumption, main actions and plans for water consumption are included in the annual objectives and inspected every six months.

WHYTE AND MACKAY GROUP (WMG)

For WMG, water is extremely important—Uisge Beatha—Our Whisky: The Water of Life. Under the Green Print strategy, Mindful Consumption guides the company to use water with consideration and thought.

Dalmore, Tamnavulin, Fettercairn, and Jura distilleries withdraw water from springs, local rivers, or reservoirs, as licensed by SEPA. Invergordon distillery and three non-distillery sites draw water from the mains supply. Fettercairn distillery and three non-distillery sites discharge water through the standard sewage system, monitored and controlled by their water supplier.

Water withdrawal and discharge are recorded daily by the distilleries and compiled by the Sustainability Coordinator. Potential impacts are identified by monitoring SEPA reports on water levels and water body quantity. Information on water usage is shared periodically amongst primary users for transparency.

Environmental Standards Compliance

As a company that produces world-class products, Emperador must also maintain a high standard in its production process—one that creates quality liquor with minimal environmental impact. With government bodies as one of the company's key stakeholders, ensuring compliance with local and international regulations is crucial to Emperador.

EMPERADOR DISTILLERS, INC. (EDI)

EDI has an Environmental Policy aligned with applicable laws in the Philippines, its base of operations. The Pollution Control Officer oversees compliance with the policy and other environmental regulations. At its Balayan and Nasugbu plants, the Environmental Protection and Waste Management Department (EPWMD) handles environmental compliance and submits a regular SMR and CMR. EDI maintains close communication with its local communities, especially on concerns the community may have on impacts on the local environment.

To evaluate the status of its environmental compliance, the company looks at complaints or penalties surrounding non-compliance. Any notice of violations should be handled immediately in order to prevent further production disruptions.

GRUPO EMPERADOR SPAIN (GES)

BF has contracted the services of a consultancy firm dedicated to environmental and industrial compliance. The consultancy firm identifies new regulations that may affect its activities and facilities. The Administration Director is responsible for reporting the results of the audits of the firm, while two-year committees review legal requirements and conduct a compliance audit once a year. In addition to this, the company maintains its ISO 14001 certification.

WHYTE AND MACKAY GROUP (WMG)

The Sustainability Leadership Team and Sustainability Delivery Group oversee environmental compliance along with other areas of environmental impacts by the company. In line with this, the Sustainability Leadership Team continues to implement policies aligned with the Green Print Strategy, including project oversight.

Beyond compliance, Emperador implemented several environmental projects throughout the year to benefit its local ecosystems:

Tree-planting activities

The Bakauan tree-planting initiative aims to have 500,000 bakauan seedlings planted. The first phase of the project was initiated in 2021, where over 300 volunteers from local government units, non-governmental organizations, and other organizations were able to plant the first 10,000 seedlings.

EDI's glass manufacturer, Anglo Watsons Glass (AWGI), also planted fruit-bearing trees inside company premises.

Adopt-A-River

Progreen started an Adopt-a-River Program in partnership with DENR and the LGU, which would boost the company's partnerships and improve the local environment.

Biodiversity Report

BF partnered with the Cadiz Society of Natural History to conduct a biodiversity analysis of BF's vineyard, analyzing ecological versus integrated production.

Amazing EnBike Race for a Cause

The project aims to create awareness and encourage people to join the celebration of National Environment Month and World Environment Day. Pik-Nik supported by providing product samples used as raffle/game prizes to promote active participation from the attendees.

Materials Management

As a global manufacturer, Emperador places high value on the materials it sources and uses to make its liquor. A large number of Emperador's inputs are non-renewable; therefore, the company needs to manage its resources using systems that focus on waste reduction and efficiency.

EMPERADOR DISTILLERS, INC. (EDI)

Across its bottling and blending operations, EDI uses materials for packaging, product ingredients, and consumable resources for running machinery, such as diesel. In managing these resources, the company has prioritized recycled or reusable materials in production.

In the glass industry, recycling a large percentage of glass has been the practice to avoid costs and depletion from obtaining virgin raw materials and lessen energy consumption. EDI's glass manufacturing plant utilizes a 70% cullet ratio. The Nasugbu plant reuses a bulk of its process water and uses a biogas digester to co-generate energy using methane gas. Evaluation systems in place include regular reviews of KPIs across several plants. At the Balayan plant, all material-related subjects are managed by a designated team using internal policies approved by the top executives of the company in alignment with international standards. The designated team from the finance section mostly handles the bulk of the materials while simultaneously coordinating with the general manager. The production team generates conclusions on the positive and negative outcomes of the materials while the top management evaluates the costing and selling price of the materials.

GRUPO EMPERADOR SPAIN (GES)

Packaging materials continue to be important in the production processes of BF and Casa Domecq. The latter implements a system of materials requirements planning (MRP) to plan, schedule, and manage inventories during the manufacturing process. The MRP is based on having zero surplus losses. In evaluating whether or not the company is successful in materials management, a report on materials consumed is done annually using Greemko, in correspondence with indicators of Gonzalez Byass.

WHYTE AND MACKAY GROUP (WMG)

Mindful Consumption guides WMG's materials use and management. Part of this vision focuses on reducing, reusing, and recycling materials to minimize waste. At WMG, there are a number of material components that use recycled materials such as glass and paper. The company has recently undertaken an external audit to review its packaging and develop a route map to achieve targets and goals, reduce black plastic, increase recycled content, and minimize colored glass. WMG evaluates its materials management based on targets met and reviewed during monthly progress reporting.

Glass artwork at the office

In line with the Glass Manufacturer's Association of the Philippines' (GMAPI) celebration of the United Nations International Year of Glass in 2022, AWGI held a glass artwork-making contest for employees instead of the annual Christmas decoration contest. It was launched on November 22, while judging happened on December 20.

All entries were exhibited in the lobby of the Administration building for visitors to view until January 7 of the following year. This ultimately promoted reusing packaging materials as well as engaging employees with a therapeutic activity amid the pandemic.

GRI | 103-1 103-2 103-3

Social Performance

Emperador's products are for the people, whether enjoyed in solitude or in the company of others. The company extends this belief to its operations, keeping in mind how its processes affect society and Emperador's stakeholders, whether these are the company's employees, customers, or local communities.

Employee Training and Development

Emperador's (EMP) people bring the company's iconic drinks to life. Along the value chain, employees' skills are of utmost importance to the company, whether in manning the heavy equipment and machinery within its plants or using their expertise to design and manage systems. Developing talents improve not just the current performance of the company but also prepares employees for taking on new roles and responsibilities.

EMPERADOR DISTILLERS, INC. (EDI)

When it comes to talent development and training, Emperador Distillers, Inc.'s (EDI) mantra is that there is always "Room to Grow." The overall approach of EDI involves cross-exposure, job rotation, and technical training. Training direct hires helps address internal weaknesses and improves employees' track records. In particular to e-commerce operations, the company continuously keeps up with programs, trends, and updates to enhance the efficiency of employee training and management.

Human Resources departments across the company lead training programs for employees, which span external and internal training or online activities. At Boozy, these may also include safety and departmental training. Progreen's Quality Management System training programs in 2021 were carried out to align with the company's aim of obtaining an ISO 9001:2015 certification, in addition to both technical and non-technical training. For external training programs, Progreen provides financial support It gives transition assistance and separation pay based on the employee's age and years of service.

Employee performance is reviewed regularly by the Human Resources department alongside set key performance indicators (KPIs).

4
average training hours per employee*

**Not including AWGI*

In the pipeline:

- Employee training programs to impart knowledge on the alcoholic beverage industry

GRUPO EMPERADOR SPAIN (GES)

The company acknowledges the role that quality training and development plays in improving the overall productivity and efficiency of the company. Therefore, Grupo Emperador Spain (GES), through its subsidiaries, favors greater flexibility and adaptability of workers, with a specific training and personal development plan for the entire company based on needs identified by Directors and Department Heads. A training report is produced annually, together with a review of KPIs.

Additionally, Domecq BLC's (Casa Domecq) Talent Attraction and Development Analyst oversees the retention of talents within their first six months of employment under the company. Hiring times are measures with a goal of 30 days for a response, starting with lifting the vacancy to the confirmation of admissions. Tools used in the process include the company's LinkedIn platform, exchange groups, and enterprise resource planning from the company.

To upgrade employee skills, the company uses an e-learning and GBKnowit platform while evaluating external vendors for training requirements not covered by the platform. In particular situations, the company executes an unemployment program that includes resume building, training, and job boards placement.

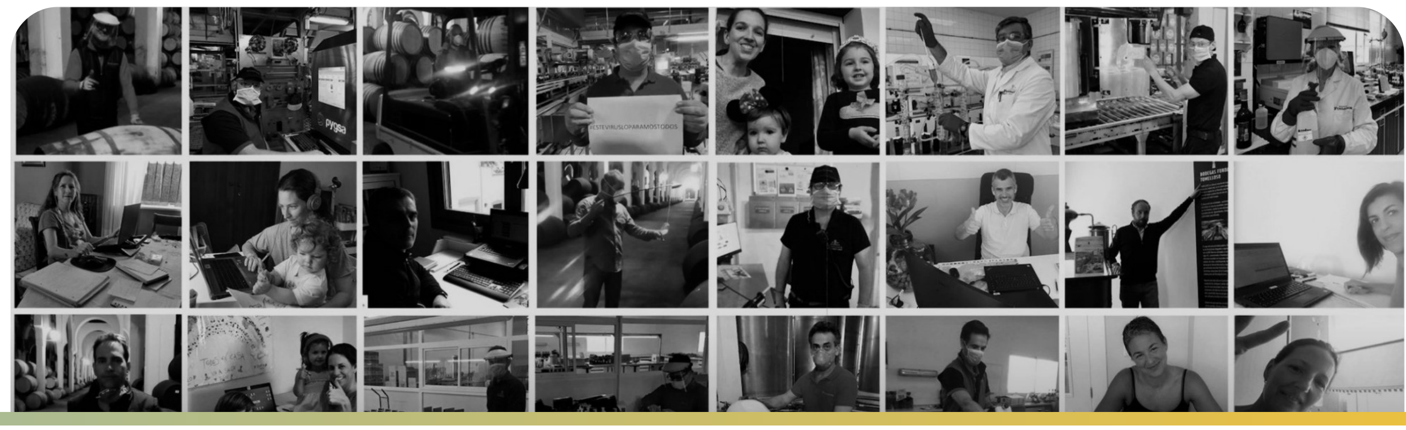
WHYTE AND MACKAY GROUP (WMG)

Whyte and Mackay Group (WMG) L&D Team, in collaboration with senior management, devises training and development plans and strategies which are then approved by Directors. Compliance and Healthy and Safety also form a critical part of risk management training strategies.

Training encompasses job-specific technical, compliance, safety, and leadership topics. These are implemented under a blended approach of e-learning, classroom, and mentorship and coaching platforms, including those by external providers. Transition assistance takes the form of pension advice, career coaching, and outplacement support.

In 2021, two key projects for L&D were the implementation of the Management Development Programme and Talent and Succession Planning Toolkit and Policies. Employees can further develop their talents through library resources, networking, and professional body membership.

The effectivity of the programs is evaluated by reviewing performance against KPIs such as average hours of training provided per employee and the number of internal promotions. The company also gathers employee feedback through surveys and monitors job performance ratings.



Employment and Benefits

The company is committed to generating decent jobs that provide a living wage for workers and employment opportunities for neighboring communities. Part of maintaining a capable workforce is ensuring that Emperador's people are compensated properly and given competitive benefits. A high retention rate also promotes continuity within the organization and allows talents to improve and move onto higher positions in the company.

EMPERADOR DISTILLERS, INC. (EDI)

EDI assures that all employees, direct or indirect workers, will receive economic and medical protection when the need arises and will receive these benefits regardless of gender and employment status, in accordance with labor law standards, with all employees receiving not less than the minimum wage set by law.

All hired managerial positions or department heads reside within the same region of the office or plant location. Entry level compensation for all genders is the same, while all production workers receive minimum wage.

In hiring, the company prioritizes applicants who are the best fit for the job at hand, while Progreen hires employees from the municipality in which the company operates. Programs at EDI are formulated to ensure the timely remittance of premiums to concerned institutions. Labor turnover is managed by the Human Resources department.

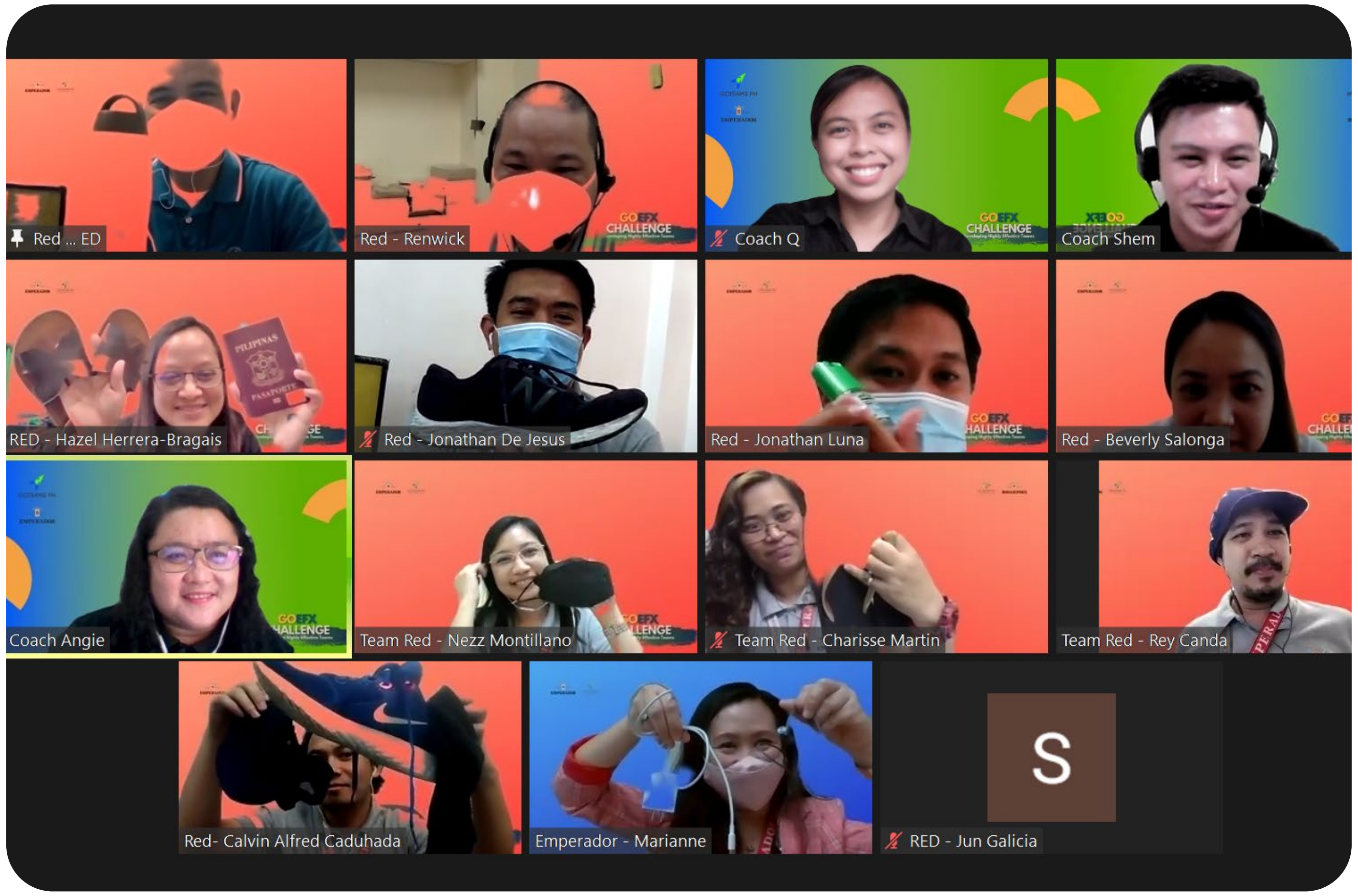
The company, through the Human Resources department, hosts labor-management sessions in coordination with its labor union to hear the concerns of employees. Furthermore, the Human Resources Department ensures that all statutory benefits prescribed by laws to employees are implemented. One of the measurements of success is when most employees avail of the benefits and there are no complaints to the DOLE for non-remittance or payment of benefits.

GRUPO EMPERADOR SPAIN (GES)

GES' Code of Conduct guides the implementation of employment, hiring, turnover, and employee benefits. At Casa Domecq, an internal equity on benefits is upheld through projects that aim to bring company-wide benefits to a more equal level.

BF prefers local hiring in order to favor the development of the local community, while compensating both male and female employees equally and according to the collective agreement defining wages to be higher than the minimum wage of Spain. 95% of senior management is hired locally. These employees are assigned with high business responsibilities at the Director and Manager level. At Casa Domecq, 96% of managerial and director positions are within Mexico's boundaries.

GES evaluates the successful implementation of the topic at hand with a SOX compliance audit and employee surveys. Casa Domecq also measures the percentage of new hires and former employees, which ensures multi-generational representation.



WHYTE AND MACKAY GROUP (WMG)

The Human Resources Team is responsible for monitoring and reporting on employee turnover, while internal systems are in place to ensure compliance with all relevant legislation involving equity for temporary and part-time employees. Exit interviews with employees leaving the company allow WMG to identify areas for improvement in workplace systems and benefits. The company also benchmarks turnover rates, reviews exit interview data, and seeks feedback from employees. All of WMG's senior management resides in the local communities of its sites of operations.

For UK-based production sites and office locations, WMG adheres to the Scottish Real Living Wage which is higher than the general National Living and Minimum Wage. WMG complies with the UK's Temporary Agency Worker DIrective 2008, which seeks to guarantee equal pay and conditions for workers.

Liabilities from defined benefit and retirement plans for employees amounted to GBP220 million in 2021, with scheme assets of GBP 238.5 million. Scheme assets fund WMG's pension scheme liabilities based on actuarial assumptions. In the event of a deficit, WMG provides additional funding over time. The company has been contributing GBP5 million per annum to repair deficit on a technical provisions valuation basis.

For dispute processes, WMG maintains a Company Grievance Policy and Procedure and a Confidential Whistleblowing Policy that covers all employees and workers.

Employee Health and Safety

Upholding the high standards of occupational health and safety (OHS) ensures the continuity of the business and prevents accidents and subsequent fines. Beyond this, the thorough implementation of health and safety policies protects Emperador's people and makes the workplace a more secure, productive environment. This is measured through KPIs, the observation of minimal, low-severity incidents, and health and safety audits. Through constantly improving OHS systems, zero fatalities were reported across all EMP subsidiaries in 2021.

537,417
average total safe man hours

EMPERADOR DISTILLERS, INC. (EDI)

EDI's priority areas for OHS are outlined in the following statements: respect the Occupational Health and Safety and well-being of their employees, neighbors, and visitors; create mitigation plans for potential safety risks; and comply with all local and applicable Health and Safety legislation. These priority areas are also applicable in the company's response to COVID-19, which includes guidelines aligned with the Department of Labor and Employment's (DOLE) OHS Standards.

OHS policies and programs at EDI are formulated based on legal requirements and recognized risk management frameworks. All employees at the Biñan, Santa Rosa, AWGI, and Progreen plants are covered by OHS policies. Additional coverage for the Biñan plant includes third parties, concessionaires, truckers, contractors, and visitors within the plant. To identify work-related hazards, the plant conducts a Hazard Identification and Risk Assessment and Determination Control Program.

Employees are encouraged to participate in the identification of hazards, assessment of risks and controls, incident investigation, and audits. These processes and results are continuously monitored in consultation with relevant stakeholders for any required improvements.

For the reporting period, the most commonly identified work-related injuries include lacerations, trip-and-fall accidents, machine- and bagasse-related injuries, and COVID-19. Identified hazards at the workplace include fires and explosions.

In accordance with Republic Act 11058, physicians are readily available for consultation and coordination with the Safety Officer. Additionally, the Progreen plant sets OHS goals aligned with ISO 9001.

GRUPO EMPERADOR SPAIN (GES)

Bodegas Fundador (BF) has a Prevention Service in charge of risk assessment, preventive activity planning, and the development of the company's Safety Plan. The assessment is carried out by a qualified Occupational Risk Prevention Technician. Results of the assessment provide inputs for the company's preventive activity planning, which includes plans for training for workers.

In 2021, the most common work-related injuries were related to bottling and in-itinere movements. Hazards include fires and explosions, which are being addressed through the development of emergency plans.

Other systems for managing the topic include the Occupational Risk Prevention Management system and the Health and Safety Plan. The OHS management system is aligned with ISO 45001.

While Spanish legislation requires an audit every three years for Prevention Service, BF carries out health and safety audits, inspections, and assessments annually. Currently, only corporate activity is not covered by the OHS management system of Casa Domecq.

WHYTE AND MACKAY GROUP (WMG)

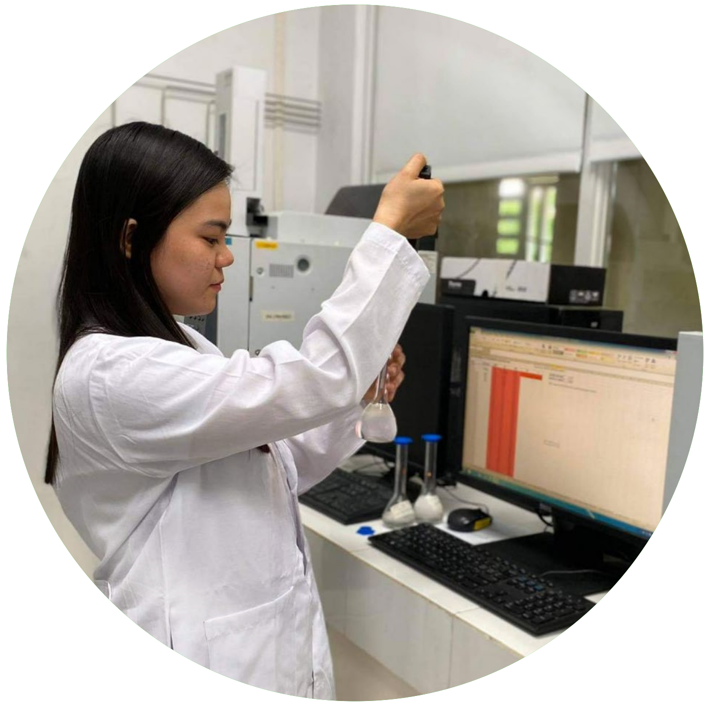
Distilling sites are considered high-hazard risk sites—the lower tier Control of Major Accident Hazards (COMAH) for malt distilleries and upper-tier COMAH for the grain distillery at Invergordon. These sites require tight control and adherence to relevant health and safety regulations. The UK Health and Safety Executive conducts regular visits and planned interventions as part of the COMAH regulations.

An integrated management system is implemented and audited against the ISO 45001 standard covering all WMG employees and long-term agency staff in the United Kingdom, while occupational management screening is also in place. The latter is implemented by an independent service provider who employs competent nursing staff to ensure accuracy and full impartiality.

There is a Health and Safety Team at various locations to promote and audit compliance with OHS policies. They are supported by managers and Safety Champions who meet on a monthly basis to review issues, accidents, incidents, and industry issues.

For the year, the most common work-related injuries include hand and finger injuries, as well as slip and fall accidents. Cask handling is a major hazard that can lead to these injuries. Hand and Arm Vibration Syndrome (HAVS) is a hazard that, alongside injury risks, is addressed through job rotation and mechanical solutions.

In evaluating the effectiveness of current systems, data from the company's Q-Pulse system and Safety Improvement Record Card (SIRC) system undergo a trend analysis and risk profiling. The company also participates in related forums to share best practices and benchmark against others in the industry.



Mental health matters

At EDI, employee wellness is more than just the physical fitness of an individual. The company, through its Biñan plant, conducted an online mental health seminar in 2021 to help employees cope with distressing events during the COVID-19 pandemic.

During the seminar, employees were given information and best practices for coping with stressors inside and outside the workplace.

Diversity

A diverse workforce is a well-rounded workforce. More than their skillsets and technical expertise, employees that carry different backgrounds encourage a workplace that is inclusive and where knowledge can be shared for the overall benefit of the company and its culture. Emperador provides equal opportunities to all employees, regardless of age, ethnicity, and gender.

WORKFORCE COMPOSITION

	FY 2021	FY 2020
Male	76%	77%
Female	24%	23%

EMPERADOR DISTILLERS, INC. (EDI)

EDI has policies formulated to prevent discrimination at the workplace and in the hiring process, employing individuals based on their work experience and the skills required for the position. The company gauges its diversity through the varying age groups, genders, socioeconomic status, and provinces that employees come from. It evaluates the effectiveness of its non-discrimination practices through the number of complaints and incidents of discrimination reported.

We uphold diversity at the workplace through Bodegas Fundador's **Equity Plan** and the Whyte and Mackay Group **Equality and Inclusion Charter**.

GRUPO EMPERADOR SPAIN (GES)

In 2021, BF developed an Equity Plan that offers equal opportunities to people regardless of their gender and provides measures to ensure diversity and equality in the workplace. The Equity Plan is supervised by a committee made up of members of the management team and employees. Evaluation is done regularly through a review of set KPIs.

WHYTE AND MACKAY GROUP (WMG)

WMG has an internally-published Equality and Inclusion Charter openly stating the company's commitment to upholding such. The Charter was launched in 2021, and with it, an internal steering group was established to assist executives in raising awareness and reviewing current practices. Company executives are responsible for upholding equality and inclusion, with the Human Resources Director leading the initiative.

Customer Health and Safety

In being part of the alcoholic beverage industry, Emperador holds accountability for promoting responsible consumption of its products. The safety and health of customers should be top of mind in both the development of the product and its marketing. Emperador keeps track of the health and safety of its customers through incident reports, feedback, and internal review mechanisms. For the year 2021, there are zero reported incidents of non-compliance concerning the health and safety impats of Emperador's products and services.

EMPERADOR DISTILLERS, INC. (EDI)

In the Philippines, EDI is regulated by the Food and Drug Authority (FDA) and obtains a permit to operate each facility. In line with this, certifications and registrations properly obtained with the FDA assure consumers that EDI's products have passed government-set standards for consumption. Currently, EDI has an approved Good Manufacturing Practice (GMP) Certificate for its Biñan plant while awaiting the same for the Santa Rosa plant.

In addition to general consumer safety requirements, EDI has also set COVID-19 protocol to ensure that processes and contact with customers, such as in delivery, minimize the risk of transmission.

GRUPO EMPERADOR SPAIN (GES)

GES' processes and products comply with national food safety regulations and three Global Food Safety Initiatives (GFSI). Steps were taken to further ensure safe production and the installation of in-line filtering elements to prevent the physical contamination of liquid and regular, rigorous inspections by internal officers and government authorities.

WHYTE AND MACKAY GROUP (WMG)

WMG enforces strict quality standards to ensure that all products leaving their sites are safe for their consumers to consume. The Supply Chain Director, through their Quality team, is responsible for all quality processes within the bottling operation.

Community Impact

Emperador's operations span several countries and regions where its plants and offices impact local communities through local hiring, economic activity, and the physical sharing of resources such as water and land. Fostering a harmonious relationship between the company and local communities results in better communication and an overall positive reputation for Emperador.

In the pipeline:

- Bar Tending Academy for out-of-school youths
- Adopt A Community with various livelihood projects
- TESDA partnership and employment opportunities with EDI
- Quarterly feeding program

EMPERADOR DISTILLERS, INC. (EDI)

EDI contributes to local employment by prioritizing hires from neighboring communities. The company organizes job fairs where people from the areas where the company operates can seek employment. Negative issues and concerns raised by communities are directed to the local government unit (LGU) and, if necessary, delivered in a proper forum which may result in a notice of violation.

Throughout its distillery and alcoholic beverage manufacturing operations in Laguna and Nasugbu, some negative impacts to the community may include various forms of pollution and emissions production. To manage and minimize these disturbances, EDI has environmental mitigation measures in place.

Additionally, the Human Resources department leads various community engagement activities, partnering with non-governmental organizations and educational institutions to act on their respective advocacies for social good. EDI sets specific objectives for each project which are evaluated after the project is completed to see if the objectives were met. For 2021, 20% of Progreen's operations involve community development and engagement programs.

GRUPO EMPERADOR SPAIN (GES)

BF's corporate social responsibility (CSR) initiatives give importance to the preservation of culture and heritage. One such initiative that directly ties into company operations is its work integration agreements with a vocational training school that gives beneficiaries a chance to work with the company. The company is a major contributor to its local communities by means of sponsorship and engagement, with 92% of its operations involving community activities.

At Casa Domecq, community engagement activities are also carried out, including an internal occupational health and safety committee that supports the group in Mexico. The company has a commitment to hold engagements with communities at least twice a year, which is evaluated at the end of the year.

WHYTE AND MACKAY GROUP (WMG)

WMG engages with local communities regarding significant changes in operations, particularly those requiring planning consent. They also engage and communicate with local communities on issues related to the company's activities that might affect them.

The Grow Scotland initiative under WMG explores the use of only locally-sourced grain, which, if successful, can provide livelihoods for local farmers. WMG involves its communities with current company plans by holding forums and events where locals can attend and be briefed on WMG's Green Print strategy.

In 2021, Emperador got closer to its communities through projects that prioritized education, livelihood, and social good:

Erasmus Programme

The Erasmus Programme is an exchange program for students in Europe organized by the European Union. Bodegas Fundador, in partnership with a non-profit environmental organization and training agency in Jerez, supported the program through the internship of students in wine tourism and public relations.

Buwan ng Pagbabasa

Progreen, under EDI, partnered with McDonald's Balayan for National Reading Month. The event aimed to encourage the children of Barangay Gumamela, aged 9 to 11 years old, to continue learning through reading books.

Bayanihan Paskultura

Progreen also sponsored the Paskultura event of Balayan's local government. The project highlights the history of barangays alongside a Christmas celebration.

Ako BHW, Todo Serbisyo Bayani Hanggang Wakas!

Progreen provided uniforms for 573 healthcare workers across 48 barangays in Balayan, a simple act of gratitude for the professionals on the frontlines in the battle against COVID-19.

Megaworld Scholarship

EDI's Santa Rosa plant partnered with Megaworld Foundation in a project where employees' dependents, such as their children, could benefit from the scholarships sponsored by the company.

E. & J. in Action

Ernest & Julio Gallo Winery, under Emperador, initiated several community projects such as Thank You Forward, a movement of gratitude, and a platform where employees were recognized for their service. Other positivity campaigns include Barefoot Ark, an online movement that posts feel-good content on social media.

Responsible Drinking and Marketing

EMP and its subsidiaries comply with all government and industry regulations regarding labeling and goods designation. While each subsidiary follows the specific laws of the particular country in which it operates, the company bases the successful management of the topic on whether or not there are customer complaints.

GRUPO EMPERADOR SPAIN (GES)

As part of their new product development procedures, all labeling and packaging are checked and reviewed by the legal team, technical team, logistics team, and the General Manager before approval. 60% of these assessments include criteria for sourcing, content and disposal with potential environmental and social impacts, and safe usage.

WHYTE AND MACKAY GROUP (WMG)

In addition to government regulations, WMG also adheres to labeling requirements put forth by the Scotch Whisky Association (SWA) and its own internal Marketing Code for all of its products. This includes the review of criteria such as sourcing, environmental and social impacts, and safe usage. All new labels are signed off by the legal team, headed by the Legal Manager, with oversight by the Supply Chain Director and Marketing Director. Processes are also in place to monitor any changes to legislation.

Socioeconomic Compliance

Compliance with regulations set for the industry and business plays an important role in business continuity. If a company fails to meet its obligations or makes a violation, sanctions imposed upon it along with other legal dues could hamper the operations of the business, especially if the incident results in a Cease and Desist order.

Emperador places a premium on the compliance of all of its subsidiaries with the legislation of the countries where they operate and the standards for the alcoholic beverage industry. From corporate governance to rank-and-file, Emperador and its people are expected to act within the directives of the law. In 2021, there have been zero incidents filed with regards to socioeconomic non-compliance.

EMPERADOR DISTILLERS, INC. (EDI)

The company's policies are always formulated in line with internal analyses and in congruency with existing regulations in the Philippines. The effectiveness of the company's socio-economic compliance mechanisms is evaluated not just through internal check and balances but by industry regulators who penalize the company in cases of non-compliance.

GRUPO EMPERADOR SPAIN (GES)

Within the business, GES builds a culture of ethics and compliance and establishes internal mechanisms for prevention, management, control, and reaction to risks. The group has created a model of the organization and management of criminal risks while complying with the requirements of the Criminal Code. Communication channels such as the Compliance Mailbox have been set in place for complaints, which strengthens risk management and crime prevention. Once criminal risks have been identified, immediate action and control are carried out. GES' management of socio-economic compliance goes through a periodic review to ensure success in avoiding any sanctions or fines.

WHYTE AND MACKAY GROUP (WMG)

WMG has processes to ensure that they comply with all local legislation pertaining to the socio-economic area. Any fines or penalties would be visible to the Executive team and CEO and would merit a review of internal controls to prevent future sanctions.

Supply Chain

Emperador's supply chain has impacts across the economy, environment, and society. In overseeing these impacts, the company must have a system to ensure that all areas of concern are being accounted for.

EMPERADOR DISTILLERS, INC. (EDI)

EDI requires business partners to provide a Certificate of Compliance provided by the Department of Environmental and Natural Resources (DENR). Part of the supply chain's processes that ensure the welfare and rights of the people is the comprehensive evaluation of the supplier's compliance to the minimum requirements of regulatory bodies, commitment to promoting social welfare, and compliance to the company's ideal health and safety of the people. Its subsidiary, Boozy screened 70% of its new suppliers using social criteria, while all of Progreen's suppliers are screened using environmental criteria.

Regular inspections are also conducted to help the company determine if set expectations are being met. Recommendations are provided if certain deviations from set standards are identified.

GRUPO EMPERADOR SPAIN (GES)

GES Supply Chain Director assesses and validates new supplier contracts, while the company's main suppliers submit to their annual sustainability reports. This is in line with the company's commitment to minimizing environmental impact. The company is currently exploring supplier environmental accreditation to support its greening initiative.

WHYTE AND MACKAY GROUP (WMG)

The company audits suppliers and ask for any credentials relating to compliance and environmental techniques such as FSC & PEFC certification. The company also asks suppliers to provide any ISO certification, such as ISO 14001. For social assessments, the company does not formally assess its suppliers using this criterion.

Labor-Management Relations

Labor-management relations provide an opportunity for both parties to align and understand the operational impact it may have on employees. Dialogue between management and Emperador's employees is encouraged in order to address concerns in the workforce. The topic is evaluated based on any filed cases with relevant government bodies and complaints from employees.

At Emperador, 59% of the workforce is covered by a Collective Bargaining Agreement (CBA). This does not include EDI and Boozy, as they are not unionized.

While Emperador's subsidiaries follow varying time notice periods before significant operational changes that may affect employees are implemented, all provisions for consultation and negotiation are specified within the CBAs. These periods are as follows:

	Minimum notice period before implementation
EDI, Anglo Watsons Glass Inc. (AWGI)	1 month
Progreen	1 week
BF	15 days
Casa Domecq	2-4 weeks
WMG	12 weeks

Human Rights

All areas in which Emperador operates have laws that prohibit child and forced labor. In strict adherence to these regulations, Emperador prevents child and forced labor at the employment stage through its Human Resource department ensuing that all relevant human rights policies are in place.

In terms of training and briefing employees on human rights policies, documents provided that contain these topics include the Code of Business Conduct of Casa Domecq and general Code of Conduct provisions across our subsidiaries. WMG's training initially scheduled for 2021 on the Ethical Trading Initiative base code of conduct was discontinued due to the impacts of COVID-19.

WMG has a Modern Slavery Statement, which is published and updated on its corporate websites annually. This states the responsibilities, commitments, and actions to prevent exploitation within their supply chain. In 2021, they incorporated a statement of commitment into terms of all new supplier agreements to prevent hidden labor exploitation.

Additionally, all of BF's significant investment agreements and contracts include human rights clauses and clauses that underwent human rights screening. Casa Domecq has also included such clauses in one of its investment agreements.

The effectiveness of the management approach is evaluated through whistleblowing reports, feedback, disputes, and recorded violations.

Customer Privacy

As part of its corporate responsibility to respect and protect the personal information of its customers and other stakeholders, Emperador complies with relevant laws and regulations regarding data protection and privacy. For the year, EMP has recorded zero substantiated complaints on customer privacy and zero data breaches across its subsidiaries.

EMPERADOR DISTILLERS, INC. (EDI)

EDI has an elected data protection officer (DPO) and compliance officers who monitor data privacy in accordance to the law and the company's own manual. The manual is scheduled for auditing, while existing data protection systems have an on-going vulnerability and penetration test. The results of these audits and risk assessments are used to evaluate the effectivity of the systems in place.

At Progreen, customer data is handled and kept as private as possible from the release of its products up until the after-sales process. ISO-aligned policies and designated document controllers are in place to control access to these documents.

GRUPO EMPERADOR SPAIN (GES)

GES and its subsidiaries have a signed data protection service agreement with an external company which provides legal advice and support for managing data privacy in coordination with its Legal Counsel. It also has a DPO who handles international data transfers with the Spanish Protection Agency. The officer also advises the company on compliance and data protection, privacy, and information it receives in order to avoid sanctions from the Spanish Data Protection Agency.

WHYTE AND MACKAY GROUP (WMG)

WMG does not hold significant amounts of consumer data, but continues to follow its policies on data use and retention in alignment with the General Data Protection Requirements (GDPR) on data protection and management, as signed off by its external auditors. The company's CFO is responsible for ensuring compliance with the GDPR which is further communication with all non-shop floor staff.

Corporate Governance

Emperador (EMP) upholds standards of good governance through the adoption of systems and practices that ultimately benefit and protect its shareholders. The company is committed to bringing value to its shareholders and stakeholders by carefully executing its Manual of Corporate Governance, which was approved by its Board of Directors in 2021. This is in full compliance with the Securities and Exchange Commission's Memorandum Circular No. 2, Series of 2002.

Business Ethics and Integrity

In upholding ethical practices and transactions within the company, all members and individuals of EMP are subject to the company's Code of Conduct. The document stipulates that employees are not allowed to receive gifts from third parties or engage in activities that conflict with their responsibilities.

Whistleblower and anonymous reporting policies are also in place, which encourage the reporting of unethical or questionable business practices in the company with the risk of reprisal.

Regulatory Compliance and Competitive Behavior

EMPERADOR DISTILLERS, INC. (EDI)

Since Emperador Distillers, Inc. (EDI) is a dominant player in the industry, preventing anti-competitive behavior is important; otherwise, it can impact sales, marketing, mergers, and acquisition projects. This is necessary for legal compliance and determining expansion growth in any market. Legal counsel manages this topic.

For mergers and acquisitions outside the Philippines, EDI hires antitrust experts to assess the impact and provide advice on how to best address any identified issues. Violation of the legal obligations under anti-competitive behavior may merit penalties; hence success is measured if no complaints have been filed.

GRUPO EMPERADOR SPAIN (GES)

Bodegas Fundador (BF) is firmly committed to fair competition in the market and to promoting free competition for the benefit of customers and consumers in general. For Grupo Emperador Spain (GES) and its subsidiaries, fair competition and defense of competition are one of the market-related principles indicated in the Code of Ethics. The Conduct Code of Bodegas Fundador, on the other hand, defines the general principles and basic rules of corporate governance over the development of their activities.

An internal communications channel has also been established to prevent offenses and infringements. Indicators of how successful they are in managing this topic include issues raised related to pricing politics from Public Administration or a similar entity in any market where products are sold.

WHYTE AND MACKAY GROUP (WMG)

Across many of Whyte and Mackay Group (WMG) markets, there are laws around anti-competitive behavior; hence it is important to abide by those laws. WMG has an internal Bribery Policy and Whistleblowing Policy, which can be found on their Intranet site. As of 2021, the company had no reported issues of anti-competitive behavior.

Anti-corruption

Upholding ethical business practices throughout the various internal policies of its subsidiaries, Emperador has successfully managed anti-corruption as indicated by the zero incidents reported in relation to the topic for 2021.

EMPERADOR DISTILLERS, INC. (EDI)

EDI follows its Code of Conduct and Business Ethics Policy where they implement a zero-tolerance approach on corruption-related practices such as bribery, fraud, and embezzlement among their employees and suppliers.

A whistleblowing mechanism is also in place to address and immediately investigate tips or complaints relating to anti-corruption. For suppliers, EDI implements black-listing, imposes penalty, or files criminal and civil cases against the erring supplier/s, depending on the gravity of the situation.

GRUPO EMPERADOR SPAIN (GES)

The management of GES approved a Criminal Compliance Policy in July 2020 as a mechanism to avoid any unlawful practices. The purpose of this policy is to provide an overview of the crime prevention model, training, and sensitizing all professionals, managers and attorneys-in-fact about the criminal risks to which their actions are exposed.

GES considers the ongoing compliance system as an opportunity to regulate their principles, commitments, and goals and to establish internal controls to follow these.

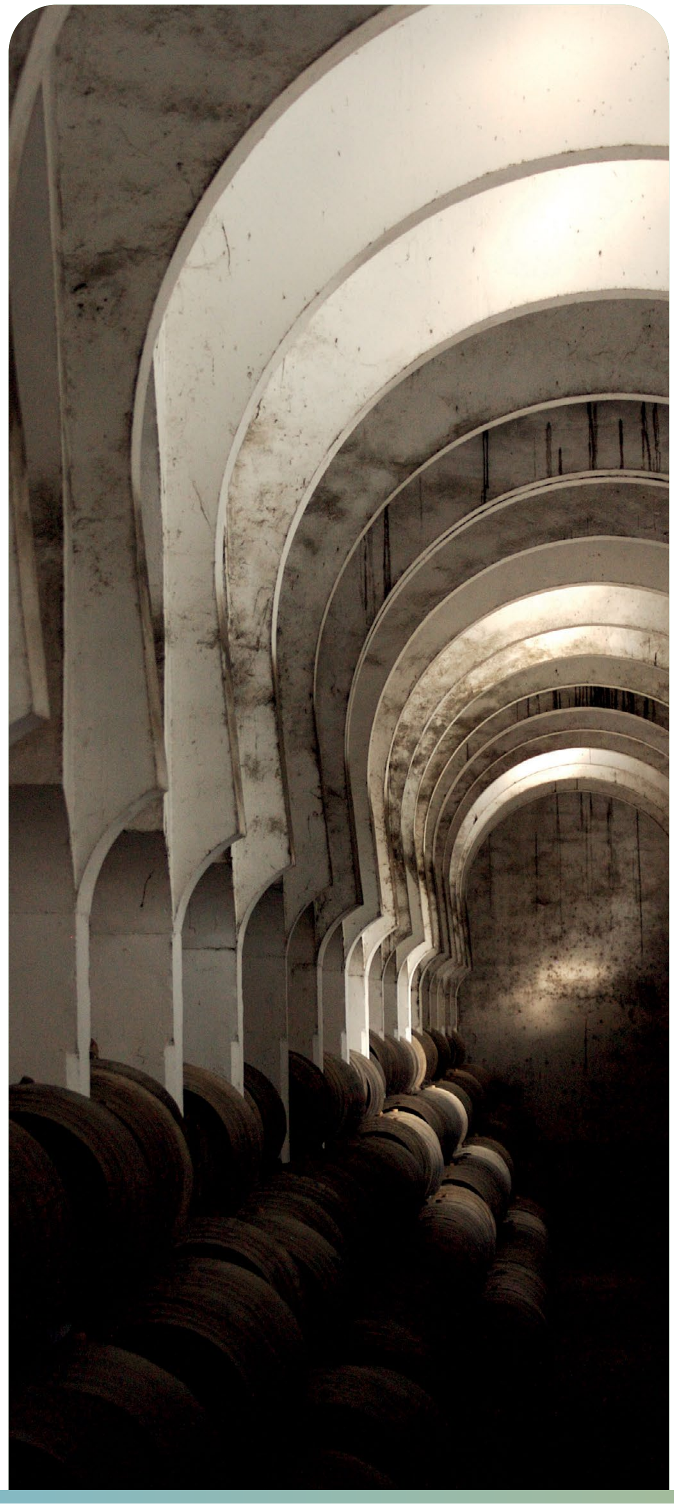
The crime prevention and control model has been entrusted to a legal body with autonomous powers of initiative and control and is composed of both internal GES personnel and external experts on the matter. Within the compliance system, GES has approved some internal controls to ensure that all the policies are being observed.

The Anti-corruption Policy is also provided in the Code of Conduct of Bodegas Fundador and employees have received training related to this. The Compliance Mailbox is also available to employees, customers, and other stakeholders. To evaluate whether they are successful in managing this topic, GES conducts a periodic verification to review the crime prevention and control model.

Domecq BLC (Casa Domecq) is currently working on defining an internal Anti-corruption Policy. Besides this however, the company also has an open contact line where any person can report anti-corruption cases.

WHYTE AND MACKAY GROUP (WMG)

WMG abides by anti-corruption laws across its many markets. They have an internal Anti-Corruption Guideline which is applied to all operations and personnel. Adherence to the policy is overseen by global and local management and in 2021, there were no reported issues of corruption.



Security Practices

Security personnel training on human rights policies and procedures strengthens the ability of the security personnel of the company to handle diverse stakeholders visiting Emperador's sites.

100% of our security personnel are trained in human rights

EMPERADOR DISTILLERS, INC. (EDI)

The company contributes by establishing training on human rights and anti-discrimination as part of the requirements in the Security Services Agreement. AWGI also has policies that cover training on human rights practices among security personnel assigned at the company. The Human Resources Department ensures the implementation of the training and monitors its progress and outcome.

Progreen has a significant number of sites and locations with security personnel, predominantly in urban areas. Security is provided for access control to company sites and buildings and the prevention of theft from these facilities. Outsourced from a third party, Progreen's security personnel are expected to conform to legislation and be properly trained on the relevant human rights in the workplace, including obeying the law, observing non-discrimination, respecting individuals, and avoiding the use of force. The company ensures that security personnel are following instructions and procedures as well as rules and regulations.

GRUPO EMPERADOR SPAIN (GES)

All company security personnel and third-party suppliers of security personnel have received training on Casa Domecq's policies and procedures on human rights. For Bodegas Fundador, third-party organizations that provide them with security personnel are required to undergo human rights training. Casa Domecq, on the other hand, organizes recurrent training so that security actions can be managed. An internal team later on, audits this management approach.

WHYTE AND MACKAY GROUP (WMG)

Since WMG products are of high value, security is vital. The company is regulated to develop confidential site security plans that cover all aspects of security from a counter-terrorism perspective.

Distilleries are assessed for security and any concerns or incidents are shared with SWA members and Counter-Terrorism Police. Intruder alarms, CCTV systems, and security personnel ensure that sites are as secure as possible. Security activity and incidents across the whisky industry and beyond are constantly considered and reflected on by the company to improve their own security practices in their daily operations.

Other Corporate Policies and Procedures

Data privacy and security	The company collects and stores client data for legitimate business purposes in line with its privacy policy and applicable data privacy rules and regulations. Secondary information from the subsidiaries is stored as part of the company's disaster risk policy. The company has protective measures in place to prevent cyber-attacks and data breaches.
Anti-money laundering policy	The company has an anti-money laundering policy in place in accordance with RA 1960 or the Anti-Money Laundering Act implementing rules and procedures.
Grievance mechanisms for whistleblowers	Whistleblowers are assured of the confidentiality of their information and identity if the report is made directly to the Chairman or President.
Quality control manual and Sanitation policy	The company's quality control manual and sanitation policy identify the risks of contamination and remediation strategies employed in situations that deem it.
Procurement policy	The company has a Purchase and Provisioning procedure that takes into account food safety and security in procurement practices.

Enterprise Risk Management

Risk Management System

A. Overall risk management philosophy of the company:

The company's risk management focuses on safeguarding shareholder value to manage the unpredictability of risks and minimize potential adverse impacts on its operating performance and financial condition.

B. Statement that the directors have reviewed the effectiveness of the risk management system and commenting on the adequacy thereof:

The company's Board of Directors is directly responsible for risk management, and the Management carries our risk management policies approved by the Board. After the Management identifies, evaluates reports, monitors significant risks, and submits appropriate recommendations, the Board adopts formal guidelines for overall risk management, as well as written policies covering specific areas, such as foreign exchange risks, credit risk, and liquidity risk.

C. How often the risk management system is reviewed, and the director's criteria for assessing its effectiveness:

The Risk Committee annually reviews the Company's approaches to risk management and recommends to the Board the changes or improvements to key elements of its processes and procedures. After submitting the Committee's recommendation, the Board then reviews the risk management system.

Risk Policy

COMPANY

Risk Exposure	Risk Management Policy	Objective
1. Financial risks	The company policy ensures that the scheduled principal and interest payments are well within its ability to generate cash from its business operations. It is likewise committed to maintaining adequate capital at all times to meet shareholders' expectations, withstand adverse business conditions and take advantage of business opportunities.	The company's objective is to protect investment if there would be significant fluctuations in the exchange rate. On the other hand, the company's objectives to manage its liquidity are: a) Ensure that adequate funding is available at all times; b) Meet commitments as they arise without incurring unnecessary costs; and c) Access funding when needed at the least possible cost. The long-term strategy is to sustain a healthy debt-to-equity ratio.
2. Operational risks	It is the policy of the Company to be prepared for any event which triggers a material business impact or modifies the existing risk profile.	The Company's objective is to protect investment in the event there would be significant events that would result in material impact on the Company's operations.

GROUP

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
1. Hazards and natural/other catastrophes	Have an emergency response plan/ action	Allow different business segments to continue operations even during natural disasters or calamities
2. Regulatory developments	Review of new laws and regulations	Ensure the different business segments are compliant with all laws and regulations
3. Money laundering and cheating at gaming areas	Constant security check and monitoring, check and balance system	Minimize situations where these activities can happen
4. Supply of raw materials and packaging materials	Maintain diverse group of suppliers, get at least three quotations from suppliers	Prevent overdependence on a single supplier, ensure the best price possible
5. Consumer taste, trends and preferences	Market study and analysis	Be aware of trends and preferences to develop new products or adapt existing strategy
6. Competition	Market study and analysis; Maintain a diversified earnings base; Constant product innovation	Be aware of trends and preferences to develop new products or adapt existing strategy; Revenue and property diversification
7. Philippine economic/political conditions	Review of business/political situation	Ensure the different business segments can immediately adapt to changes in economic/ political conditions and can devise strategies to meet these changes

Risk to Minority Shareholders:

The majority shareholder's voting power in the Company may affect the ability of minority shareholders to influence and determine corporate strategy.

Control System Set

COMPANY

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
1. Financial risks	Monitor potential sources of risk through monitoring of investments and assets, and projected cash flows from operations. The company also maintains a financial strategy that the scheduled principal and interest payments are well within the company's ability to generate cash from its business operations.	The company regularly monitors financial trends. The company regularly keeps track of its capital position and assesses business conditions to ensure early detection and determination of risks, and its consequent adverse impact. It adopts measures, as may be deemed necessary and appropriate, to mitigate risks.
2. Operational risks	Review of new laws and regulations	Any operational risks monitored are brought to the attention of the Risk Committee and addressed therein, together with inputs from corporate officers. The findings and recommendations are then brought to the Board for approval. There has been no significant operational risk determined by the company in its operations in the past year.
3. Philippine economic/political conditions	Review of business/political situation	Ensure the company can immediately adapt to changes in economic/political conditions and can devise strategies to meet these changes
4. Liquidity	Minimize exposure to financial markets	Actively secure short- to medium-term cash flow

GROUP

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
1. Hazards and natural/other catastrophes	Have an emergency response plan/ action	Allow the different business segments to continue operations even during natural disasters or calamities
2. Regulatory developments	Review of new laws and regulations	Ensure the different business segments are compliant with all laws and regulations
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7. Philippine economic/political conditions	Review of business/political situation	Ensure the different business segments can immediately adapt to changes in economic/ political conditions and can devise strategies to meet these changes

COMMITTEE

Committee/Unit	Control Mechanism; Details of its Functions
Board Audit Committee	Provides oversight over the company's and its subsidiaries, affiliates and business segments risk management process, financial reporting process, and internal audit.

Board of Directors

Andrew L. Tan

CHAIRMAN OF THE BOARD

Mr. Tan was first elected as Director and Chairman of the Board on August 28, 2013. He is also the Chairman of Emperador Distillers, Inc. since its incorporation in 2003. He pioneered the live-work-play-learn model in real estate development through the Megaworld Corporation's integrated township communities, fueling the growth of the business process outsourcing ("BPO") industry, food and beverage and quick service restaurants industries. Mr. Tan is concurrently the Chairman of the Board and President of MegaworldLand, Inc., Megaworld Globus Asia, Inc., Megaworld Newport Property Holdings, Inc., Mactan Oceanview Properties and Holdings, Inc., Richmonde Hotel Group International Limited, The Bar Beverage, Inc. and Yorkshire Holdings, Inc.

He is also the Chairman of Alliance Global Group Cayman Islands, Inc.; Alliance Global Brands, Inc.; Suntrust Properties, Inc.; Adams Properties, Inc.; Consolidated Distillers of the Far East, Inc.; and Townsquare Development, Inc. He is the Chairman and Treasurer of The Andresons Group, Inc. and sits on the boards of Infracorp Development, Inc., Eastwood Cyber One Corporation, Megaworld Cayman Islands, Inc., Forbes Town Properties & Holdings, Inc., Gilmore Property Marketing Associates, Inc., Megaworld Central Properties, Inc., and Raffles & Company, Inc. He is also the Vice-Chairman and Treasurer of Golden Arches Development Corporation and Golden Arches Realty Corporation and a Director and Treasurer of Andresons Global, Inc.

Mr. Tan graduated Magna Cum Laude from the University of the East with a Bachelor of Science in Business Administration.

Winston S. Co

DIRECTOR AND PRESIDENT

Mr. Co was first elected as Director and President on 28 August 2013. He is concurrently a Director of Alliance Global Group Inc. since 1998. He is also a Director and President of Emperador Distillers, Inc. since 2003. His field of expertise is in finance and marketing of consumer products. He is concurrently Chairman and President of New Town Land Partners, Inc.; Chairman of Anglo Watsons Glass, Inc.; a Director of Alliance Global Brands, Inc., Forbes Town Properties & Holdings, Inc., McKester Pik-Nik International Limited, Raffles & Company, Incorporated, and The Bar Beverage, Inc.; and Senior Vice President of The Andresons Group, Inc.

Mr. Co is a Magna Cum Laude graduate of Jose Rizal College with a Bachelor of Science in Commerce.

Katherine L. Tan

DIRECTOR AND TREASURER

Ms. Tan was first elected as Director and Treasurer on 28 August 2013. She is a Director and Treasurer of Emperador Distillers, Inc. since 2003, and of Alliance Global Brands, Inc.; Yorkshire Holdings, Inc.; and New Town Land Partners, Inc. She is concurrently Chairman and President of Andresons Global, Inc. and Choice Gourmet Banquet, Inc.; Director and President of The Andresons Group, Inc., Consolidated Distillers of the Far East, Inc.; and Raffles & Company, Inc.; and Director and Corporate Secretary of The Bar Beverage, Inc.

Ms. Tan graduated from St. Scholastica's College with a degree in Nutrition.

Kendrick Andrew L. Tan
DIRECTOR

Mr. Tan was first elected as Director on 28 August 2013. He has served as Corporate Secretary and Executive Director of Emperador Distillers, Inc. since 2007. He is also the Head of Research & Development of EmpHe is concurrently Director of Anglo Watsons Glass, Inc.; Consolidated Distillers of the Far East, Inc.; Emperador Brandy, Inc.; The Bar Beverage, Inc.; The Andresons Group, Inc.; and Yorkshire Holdings, Inc. The Andresons Group, Inc., and Yorkshire Holdings, Inc.

Mr. Tan graduated from Southern New Hampshire University with a degree in Bachelor of Science in Accountancy.

Kevin Andrew L. Tan
DIRECTOR

Mr. Tan was elected as Director on 04 October 2017. He has over 11 years of experience in retail leasing, marketing and operations. Prior to being the Executive Vice President and Chief Strategy Officer of Megaworld Corporation where he is in charge of developing corporate strategies, expansion and new opportunities as well as investor and stakeholder relations, he was the head of the Commercial Division which markets and operates the Megaworld Lifestyle Malls, including Eastwood Mall and The Clubhouse at Corinthian Hills in Quezon City, Venice Piazza at McKinley Hill, Burgos Circle at Forbestown Center, and Uptown Mall, all in Fort Bonifacio, Newport Mall at Resorts World Manila in Pasay City, and Lucky Chinatown Mall in Binondo, Manila. He is the Chairman and CEO of Agile Digital Ventures, Inc., Chairman and President of Infracorp Development, Inc., Director and President of Townsquare Development, Inc., Director and Corporate Secretary of Alliance Global Brands, Inc., Director and Treasurer of Consolidated Distillers of the Far East, Inc. and Uptown Cinemas, Inc., Executive Director of Megaworld Foundation, Inc., and Director of Emperador Distillers, Inc., Anglo Watsons Glass, Inc., Yorkshire Holdings, Inc., The Bar Beverage, Inc., Emperador Brandy, Inc., New Town Land Partners, Inc., Eastwood Cyber One Corporation, Twin Lakes Corporation, Alcazar De Bana Holdings Company, Inc., Cocos Vodka Distillers Philippines, Inc., Zabana Rum Company, Inc., and The Andresons Group Incorporated. He holds a degree in Bachelor of Arts Major in Humanities with Professional Certificate in Management, from the University of Asia and the Pacific.

Jesli A. Lapus
INDEPENDENT DIRECTOR

Dr. Lapus has served as Independent Director since May 2021. He is also an Independent Director of Alliance Global Group, Inc. since 2021.

Dr. Lapus is currently Chairman and Independent Director of STI Education Services Group, Inc. since 2013 and Chairman of LSERV Corporation since 2012. He is Independent Director of Information and Technology Academy (iAcademy) since 2010, Philippine Life Financial Assurance Corporation since 2012 and STI Education Systems Holdings, Inc. since 2013. He is also an Advisor of Radiowealth Finance Company, Inc. He is a former Chairman of the Board of Investments, Philippine Exports Zone Authority, National Development Corporation, Export Development Council, Export Development Council, Micro, Medium and Small Enterprises Council (MSMED), Summer Institute of Linguistics (SIL) and Manila Tytana Colleges. He is a former Board Member of Metrobank, Land Bank of the Philippines, Philippine Airlines, Meralco, and Union Bank of the Philippines; former Governor/Trustee of the Asian Institute of Management, Management Association of the Philippines, and Bankers Association of the Philippines; and former Advisor of Philplans First, Inc.

As a top executive in the private sector, he has successfully managed celebrated firms and a universal bank in attaining industry leadership. As the youngest President and CEO of the Landbank of the Philippines at 42 years old, Lapus steered the

bank from number 18 to become the 3rd biggest in the banking industry. As the first Filipino and the youngest Managing Director of the German multinational company Triumph International (Phils.), Inc. from 1979-1985, he led it to become the biggest manufacturing operation of its kind in the world making it a top Philippine exporter and employer. At 23, he was the Chief Finance Officer (CFO) of the Ramcar Group where he engineered mergers and acquisitions which established Ramcar as the undisputed market leader in the country. At age 20, he was Auditor-in-Charge and Management Consultant at SGV & Co., CPA's (1969-1973).

Dr. Lapus has the distinction of having served in the cabinets of three (3) Philippine Presidents in the following capacities: Secretary of the Department of Trade and Industry, Secretary of the Department of Education, President and CEO of The Land Bank of the Philippines, and Undersecretary of the Department of Agrarian Reform. He had been elected member of the Philippine Congress for three consecutive terms in 1998-2007 where he spearheaded many famous legislation such as the 2005 Fiscal Reform Measures (EVAT, Sin Taxes, Tax Amnesty and Attrition Law).

Dr. Lapus has been elected by the 180-country international organization, the United Nations Educational and Scientific Council (UNESCO) in Paris, France as a member of its Executive Board. He also served as the President of the South East Asian Ministers of Education Council (SEAMEO).

Dr. Lapus received his Doctor of Public Administration (Honoris Causa) from the Polytechnic University of the Philippines and his Master in Business Management from the Asian Institute of Management and is a Certified Public Accountant. He also pursued his Post Graduate Studies in Investment Appraisal and Management from Harvard University, USA; Management of Transfer of Technology from INSEAD, France; Project Management from BITS, Sweden; Personal Financial Planning from UCLA, USA; and Cursos Internacionales from the Universidad de Salamanca, Spain.

Enrique M. Soriano III
INDEPENDENT DIRECTOR

Mr. Soriano was first elected as Independent Director of the Company on May 16, 2016. . He is also an Independent Director of MREIT Fund Managers, Inc. and Travellers International Hotel Group, Inc. He is currently the Executive Director of the Wong + Bernstein Group, an Asia Pacific based Strategic Advisory Firm that specializes on Family Governance and Next Generation Leadership. He is also a Senior Advisor at Family in Business Strategic Group,Post & Powell, a Fintech Advisory group based in Singapore, an active member of the Singapore Institute of Directors (SID), and a Senior Fellow on Governance at the IPMI International Business School in Jakarta. He also sits as a Director and/ or Board advisor to 25 UHNW (ultra-high net worth families) in the ASEAN region. He is also a Columnist and Book Author.

He is a former World Bank/ International Finance Corporation Governance Consultant, Dean of Education at the Manual L. Quezon University, Senior Professor of Service and Global Marketing at the Ateneo Graduate School of Business, and Country President of Electronic Realty Associates (ERA Philippines.)Columnist, Book Author, former Chair of the Marketing Cluster, Program Director for Real Estate, and Professor of Global Marketing at the Ateneo Graduate School of Business. His advocacy related to Real Estate Innovation, Strategic Management and Corporate Governance has made him a sought-after Senior Advisor to family owned businesses in Asia and resource speaker in international conferences in the US, Canada, UK, ASEAN and Africa. Due to his strategic advocacies, he has been recognized and invited to lecture and deliver talks at dozens of universities in Asia and North America, notably Harvard University and University of San Francisco. He writes a business column in several Philippine newspapers, in the US and a couple of business magazines in the EU and the Middle East. He is currently finishing his third book on Family Governance and Succession following his bestselling book entitled "Ensuring the Family Business Legacy: Powerful Insights About Leadership and Succession."

He holds a B.A. in History, minor in Economics degree from the University of the Philippines, an MBA from De La Salle University, Doctorate Units at the UP National College of Public Administration and has an Executive Diploma in Directorships at the Singapore Management University. He also pursued Post Graduate Education specializing on Behavioral Finance at Harvard Kennedy School of Government and at the National University of Singapore Business School focusing on Asian Family Businesses. He was conferred Certified Professional Marketer by the Marketing Institute of the Philippines in 2016.

Audited Financial Statements

EMPERADOR INC.
7F 1880 Eastwood Avenue, Eastwood City CyberPark, 188 E. Rodriguez Jr. Avenue, Bagumbayan 1110, Quezon City, Philippines Tel: 8709-2038 to 41 Fax: 8709-1966

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The management of ***Emperador Inc. and Subsidiaries*** (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, 2021 and 2020, 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 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 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 to do so.

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

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

Punongbayan & Araullo, the independent auditors appointed by the stockholders, have audited the consolidated financial statements of the Group in accordance with Philippine Standards on Auditing, and in their report to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such audits.

ANDREW L. TAN
Chairman of the Board

WINSTON S. CO
President/ Chief Executive Officer

DINA D.R. INTING
Chief Financial Officer

SUBSCRIBED AND SWORN to before me this , affiants exhibiting to me their Passport/ SSS No., as follows:

Names	PassportNo./ SSS No./ DL No	Date	Place of Issue
Andrew L. Tan	P9281984A	Oct 24, 2018 to Oct 23,2028	Manila
Winston S. Co	N01-80-016240	valid until Jan. 31, 2023	Manila
Dina D.R. Inting	SSS 03-5204775-3		

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Page No. 5
Book No. 2
Series of 2022

NOTARY PUBLIC
ROLL NO. 74096

ATTY. MARK EBENEZER A. BERNARDO
Notary Public for Makati City until December 31, 2022
Notarial Commission No. M-02
Roll No. 74096
IBP Number: 169485 01/03/2022, PPLM
PTR No. 8851839 01/03/2022, Makati City
MCLE Compliance No. (Admitted to the Bar in 2020)
VII-0018980, until 4/14/25

P&A Grant Thornton

Report of Independent Auditors

Punongbayan & Araullo
20th Floor, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

T +63 2 8988 2288

The Board of Directors and Stockholders
Emperador Inc. and Subsidiaries
(A Subsidiary of Alliance Global Group, Inc.)
7th Floor, 1880 Eastwood Avenue
Eastwood City CyberPark
188 E. Rodriguez, Jr. Avenue
Bagumbayan, Quezon City

Opinion

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

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

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audits of 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.

P&A Grant Thornton

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.

(a) Impairment Assessment of Goodwill and Trademarks with Indefinite Useful Lives

Description of the Matter

Under Philippine Accounting Standard 36, *Impairment of Assets,* the Group is required to annually test the carrying amounts of its goodwill and trademarks with indefinite useful lives for impairment. As of December 31, 2021, goodwill amounted to P9.4 billion, while the trademarks with indefinite useful lives amounted to P20.0 billion. We considered the impairment of these assets as a key audit matter because the amounts of goodwill and trademarks are material to the consolidated financial statements. In addition, management's impairment assessment process involved significant judgement and high estimation uncertainty based on the assumptions used. The significant assumptions include the determination of the discount rate, growth rate and cash flow projections used in determining the value-in-use of the trademarks and goodwill and the cash-generating units over which the goodwill was allocated. The assumptions used by management are generally affected by expected future market and economic conditions.

The Group's policy on impairment assessment of goodwill and trademarks with indefinite useful lives is more fully described in Note 2 to the consolidated financial statements; the estimation uncertainty on impairment of non-financial assets, including trademarks and goodwill with indefinite useful lives, is presented in Note 3 to the consolidated financial statements; while their corresponding carrying amounts are presented in Note 10 to the consolidated financial statements.

How the Matter was Addressed in the Audit

Our audit procedures to address the risk of material misstatement relating to the goodwill and trademarks with indefinite useful lives included, among others, the following:

- Evaluated the appropriateness and reasonableness of methodology and assumptions used in determining the value-in-use of cash-generating units attributable to the trademarks and goodwill, which include the discount rate, growth rate and the cash flow projections, by comparing them to external and historical data, with assistance from our Firm's valuation specialists;

- Tested the calculation of valuation model for mathematical accuracy and validated the appropriateness and reliability of inputs and amounts used; and,

- Performed independent sensitivity analysis of the projections and discount rate using the valuation model used to determine whether a reasonably possible change in assumptions could cause the carrying amount of cash generating units to exceed the recoverable amount.

(b) Revenue Recognition

Description of the Matter

Revenue is one of the key performance measures used to assess business performance. There is a risk that the amount of revenues presented in the consolidated financial statements is higher than what was actually earned by the Group. Revenue from sales in 2021 amounted to P54.8 billion and represented 98% of the Group's total revenues during the same year. Revenue from sales is recognized when control over the goods has been transferred at a point in time to the customer, i.e., generally when the customer has acknowledged receipt of the goods.

In our view, revenue recognition is significant to our audit because the amount is material to the consolidated financial statements. It also involves voluminous transactions at any given period of time, requires proper observation of cut-off procedures and testing of validity of transactions, and directly impacts the Group's profitability.

The Group's disclosures about its revenues and related receivables, and revenue recognition policies are included in Notes 2, 6 and 18.

How the Matter was Addressed in the Audit

Our audit procedures to address the risk of material misstatement relating to revenue recognition included, among others, the following:

- Tested the design and operating effectiveness of the Group's processes and controls over revenue recognition, approval and documentation, including the implemented information technology general and application controls over automated systems that record the revenue transaction;
- Evaluated the appropriateness of the Group's revenue recognition policy in accordance with the requirements of PFRS 15, *Revenue from Contracts with Customers*;
- Tested, on a sample basis, sales invoices, delivery receipts and cash receipts of sales transactions throughout the current reporting period to determine whether sale of goods is valid and existing;
- Confirmed trade receivables using positive confirmation, on a sample basis, and performed alternative procedures for non-responding customers, such as, examination of evidence of subsequent collections, or corresponding sales invoices and proof of deliveries;
- Tested sales invoices and delivery receipts immediately prior and subsequent to the current period to determine whether the related sales transactions are recognized in the proper reporting period; and,
- Performed substantive analytical review procedures over revenues such as, but not limited to, yearly and monthly analyses of sales per product/brand and location, and sales mix composition based on our expectations and following up variances from our expectations; and, verified that the underlying data used in the analyses are valid.

P&A Grant Thornton

(c) Existence and Valuation of Inventories

Description of the Matter

Inventories as of December 31, 2021 amounts to P34.0 billion, which represent 26% of the Group's total assets as of that date. The valuation of inventories is at the lower of cost or net realizable value (NRV). The Group's core business is subject to changes in market factors that directly affect the demand for alcoholic beverages such as purchasing power of consumers, degree of competition, and other market-related factors. Future realization of inventories is affected by price changes and the costs necessary to complete and make a sale. Due to the significance of the volume of transactions and the balance of the carrying amount of inventories, and the high level of judgment in estimating its NRV, we considered the existence and valuation of inventories as significant to our audit.

The Group's disclosures on accounting policy, estimation uncertainty on determination of NRV of inventories, and Inventories account are presented in Notes 2, 3, and 8, respectively, to the consolidated financial statements.

How the Matter was Addressed in the Audit

Our audit procedures to address the risk of material misstatement relating to the existence and valuation of inventories included, among others, the following:

On existence of inventories:

- Observed physical inventory count procedures, obtained relevant cut-off information and copy of count control documents, and verified inventory movements during the intervening periods between the actual count date and reporting date to further test the quantities of inventory items as of the end of the reporting date; and,
- Performed substantive analytical review procedures over inventory-related ratios such as, but not limited to, inventory turnover and current period's components of inventories; and, verified that the underlying data used in the analyses are valid.

On valuation of inventories:

- Tested the design and operating effectiveness of processes and controls over inventory costing, reconciliation, data entry and review, including the implemented information technology general and application controls over automated systems that record the inventory transaction;
- Evaluated the appropriateness of the method used by management for inventory costing and valuation of the lower of cost or NRV and assessed the consistency of their application from period to period;
- Performed, on a sample basis, a price test of inventory items by examining supporting documents such as, but not limited to, purchase contracts, invoices and relevant importation documents, and by verifying movements affecting the inventory costing;
- Performed detailed analysis of the Group's standard costing of inventories through analytical review procedures of actual costs during the current period against the budgeted standard, and tested significant actual costs, on a sample basis, by agreeing with contracts and invoices; and,
- Evaluated the appropriateness and sufficiency of the amount of allowance for inventory write-down by testing the reasonableness of key assumptions used on the expected realization of inventories.

Certified Public Accountants
Punongbayan & Araullo (P&A) is the Philippine member firm of Grant Thornton International Ltd.

(d) Consolidation Process

Description of the Matter

The Group's consolidated financial statements comprise the financial statements of Emperador Inc. and its subsidiaries, as discussed in Note 1 to the consolidated financial statements, after the elimination of material intercompany transactions. The Group's consolidation process is significant to the audit because of its complexity. It also involves translation of foreign currency denominated financial statements of certain subsidiaries into the Group's functional and presentation currency, and identifying and eliminating several intercompany transactions and balances, to properly reflect the consolidated financial position of the Group and its consolidated financial performance and consolidated cash flows in accordance with PFRS.

The Group's policies on the basis of consolidation and translation of foreign currency denominated financial statements of foreign subsidiaries are more fully described in Note 2 to the consolidated financial statements.

How the Matter was Addressed in the Audit

Our audit procedures to address the risk of material misstatement arising from the consolidation process included, among others, the following:

- Obtained an understanding of the Group structure and its consolidation policy and process, including restructuring done during the year and the procedures for identifying intercompany transactions and reconciling intercompany balances;

- Tested the mathematical accuracy of the consolidation done by management and verifying financial information used in the consolidation based on the audited financial statements of the components of the Group and evaluating the consistency of the accounting policies applied by the entities within the Group;

- Tested the accuracy and appropriateness of intercompany elimination entries, the translation of the financial statements of foreign subsidiaries of the Group, and other significant consolidation adjustments;

- Performed analytical procedures at the consolidated level; and,

- Evaluated the sufficiency and adequacy of disclosures in the Group's consolidated financial statements in accordance with PFRS.

(e) Conduct of Remote Audit

Description of the Matter

As disclosed in Note 1 of the consolidated financial statements, the Group, particularly those entities operating in the Philippines, Spain and United Kingdom where the Group has significant operations, has been significantly exposed to the risks brought about by a novel strain of coronavirus (COVID-19). This COVID-19 has rapidly spread worldwide which causes governments across the world to implement community quarantine and social distancing measures and restrictions. This prompted management and the audit team to have most of the audit conducted remotely.

The change in working conditions is relevant and significant to our audit since it creates an increased risk of misstatement due to less in-person access to the Group's management and personnel, and lack of access to certain physical records and original documents. Given the changes in how the audit was performed, the audit requires exercising enhanced professional skepticism.

How the Matter was Addressed in the Audit

Our audit procedures to address the risk of performing a significant portion of the audit remotely included the following:

- Considered the nature of the engagement and the engagement team's knowledge of the entity and its environment when determining whether it is possible to perform a significant portion, if not all, of the engagement remotely;

- Intensified the application of PSA requirements, especially in respect of providing proper supervision and review;

- Obtained information through electronic means, which included sending and receiving of confirmation letters electronically, obtaining calculations in electronic form to check the mathematical accuracy, scanning of hard-copy items for review and using real-time inspection technology such as video and screen-sharing;

- Determined the reliability of audit evidence provided electronically using enhanced professional skepticism and techniques designed to reinforce the skills of assistants in evaluating audit evidence obtained electronically;

- Performed inquiries through video conference call in order to more effectively assess the facial expressions and body language of people being interviewed as well as to make the interaction more effective;

- Reviewed workpapers of component auditors remotely through share screening and constant and regular communication to clarify certain matters;

- Examined critical hard copy documents (e.g., contracts, billing invoices, purchase invoices and official receipts) physically in response to the risk in revenues, receivables, inventories and costs, which are considered to be significant; and,

- Adhered to and applied strictly the Firm's reinforced and enhanced quality control process.

Other Information

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

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Mr. Romualdo V. Murcia III.

PUNONGBAYAN & ARAULLO

By: Romualdo V. Murcia III
Partner

CPA Reg. No. 0095626
TIN 906-174-059
PTR No. 8852339, January 3, 2022, Makati City
SEC Group A Accreditation
Partner - No. 0628-AR-4 (until Sept. 4, 2022)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002511-22-2019 (until Sept. 4, 2022)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

April 22, 2022

EMPERADOR INC. AND SUBSIDIARIES
(A Subsidiary of Alliance Global Group, Inc.)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020
(Amounts in Philippine Pesos)

	Notes	2021	2020
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	**P 9,333,783,438**	P 7,561,169,140
Trade and other receivables - net	6	**20,345,854,801**	22,013,800,294
Financial assets at fair value through profit or loss	7	**3,294,192**	52,551,232
Inventories - net	8	**34,013,144,005**	30,959,999,370
Prepayments and other current assets	11.1	**1,249,119,654**	1,373,977,625
Total Current Assets		**64,945,196,090**	61,961,497,661
NON-CURRENT ASSETS			
Property, plant and equipment - net	9	**27,866,668,685**	26,435,845,480
Intangible assets - net	10	**29,438,539,142**	28,365,766,133
Investment in a joint venture	12	**3,482,644,617**	3,293,862,431
Retirement benefit asset - net	21	**914,000,495**	-
Deferred tax assets - net	22	**133,659,465**	144,894,759
Other non-current assets - net	11.2	**773,927,777**	1,288,545,176
Total Non-current Assets		**62,609,440,181**	59,528,913,979
NON-CURRENT ASSETS HELD FOR SALE	13	**961,740,550**	961,740,595
TOTAL ASSETS		**P 128,516,376,821**	P 122,452,152,235
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Interest-bearing loans	14	**P 3,411,082,346**	P 5,288,395,845
Trade and other payables	16	**17,888,331,330**	15,256,516,254
Equity-linked debt securities	15	**-**	3,443,750,000
Lease liabilities	9.3	**205,206,504**	173,763,731
Income tax payable		**2,018,777,418**	1,645,950,536
Total Current Liabilities		**23,523,397,598**	25,808,376,366
NON-CURRENT LIABILITIES			
Interest-bearing loans	14	**21,430,348,300**	25,091,948,760
Lease liabilities	9.3	**887,743,550**	1,289,130,534
Provisions	17	**404,419,596**	222,999,552
Retirement benefit obligation - net	21	**-**	359,528,946
Deferred tax liabilities - net	22	**3,552,232,410**	2,315,851,761
Total Non-current Liabilities		**26,274,743,856**	29,279,459,553
Total Liabilities		**49,798,141,454**	55,087,835,919
EQUITY	24		
Equity attributable to owners of the parent company		**77,718,065,873**	66,585,804,689
Non-controlling interest		**1,000,169,494**	778,511,627
Total Equity		**78,718,235,367**	67,364,316,316
TOTAL LIABILITIES AND EQUITY		**P 128,516,376,821**	P 122,452,152,235

See Notes to Consolidated Financial Statements.

EMPERADOR INC. AND SUBSIDIARIES
(A Subsidiary of Alliance Global Group, Inc.)
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019
(Amounts in Philippine Pesos)

.	Notes	2021	2020	2019
REVENUES AND OTHER INCOME	18	**P 55,936,272,323**	P 52,834,305,306	P 51,565,480,173
COSTS AND EXPENSES				
Costs of goods sold	19	**34,808,570,656**	35,398,674,605	33,334,124,597
Selling and distribution expenses	20	**4,840,055,978**	5,263,040,976	6,021,050,010
General and administrative expenses	6, 20	**2,205,657,298**	2,108,245,409	2,924,385,791
Interest expense	9.5, 14, 15, 21	**782,713,575**	548,979,806	781,494,014
Other charges	9.1	**404,097,703**	79,638,897	24,455,158
		43,041,095,210	43,398,579,693	43,085,509,570
PROFIT BEFORE TAX		**12,895,177,113**	9,435,725,613	8,479,970,603
TAX EXPENSE	22	**2,746,817,808**	1,399,085,656	1,647,434,352
NET PROFIT		**10,148,359,305**	8,036,639,957	6,832,536,251
OTHER COMPREHENSIVE INCOME (LOSS)				
Item that will be reclassified subsequently to profit or loss				
Translation gain (loss)		**2,983,857,367**	(2,541,071,944)	(1,251,530,761)
Items that will not be reclassified subsquently to profit or loss				
Net actuarial gain (loss) on retirement benefit plan	21	**1,027,464,256**	(799,604,759)	176,881,507
Tax expense on remeasurement of retirement benefit plan	22	**(262,686,166)**	(51,531,692)	(87,253,112)
		764,778,090	(851,136,451)	89,628,395
		3,748,635,457	(3,392,208,395)	(1,161,902,366)
TOTAL COMPREHENSIVE INCOME		**P 13,896,994,762**	P 4,644,431,562	P 5,670,633,885
Net profit attributable to:				
Owners of the parent company		**P 9,971,065,303**	P 7,967,261,504	P 6,725,536,563
Non-controlling interest		**177,294,002**	69,378,453	106,999,688
		P 10,148,359,305	P 8,036,639,957	P 6,832,536,251
Total comprehensive income (loss) attributable to:				
Owners of the parent company		**P 13,675,336,895**	P 4,755,451,905	P 5,664,076,401
Non-controlling interest		**221,657,867**	(111,020,343)	6,557,484
		P 13,896,994,762	P 4,644,431,562	P 5,670,633,885
Earnings Per Share for the Net Profit Attributable to Owners of the Parent Company - Basic and Diluted	25	**P 0.63**	P 0.50	P 0.42

See Notes to Consolidated Financial Statements.

EMPERADOR INC. AND SUBSIDIARIES
(A Subsidiary of Alliance Global Group, Inc.)
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019
(Amounts in Philippine Pesos)

	Attributable to Owners of the Parent Company									Retained Earnings					
	Capital Stock (see Note 24.1)	Additional Paid-in Capital (see Note 24.1)	Deposit on Future Stock Subscription - ELS	Treasury Shares (see Note 24.2)	Conversion Options Outstanding (see Notes 3 and 15)	Share Options Outstanding (see Note 24.4)	Accumulated Translation Adjustments (see Note 2)	Revaluation Reserves (see Note 2)	Other Reserves (see Note 2)	Appropriated (see Note 24.5)	Unappropriated (see Note 24.5)	Total	Total	Non-controlling Interest (see Note 24.6)	Total Equity
Balance at January 1, 2021	P 16,242,391,176	P 23,106,377,832	P -	(P 3,745,584,182)	P 88,498,401	P 138,841,593	(P 6,068,016,235)	(P 924,611,866)	P 114,994,796	P 800,000,000	P 36,832,913,174	P 37,632,913,174	P 66,585,804,689	P 778,511,627	P 67,364,316,316
Movements during the year	-	-	-	-	-	-	-	-	27,407,776	-	-	-	27,407,776	-	27,407,776
Issuances during the year	-	-	-	-	-	44,927,978	-	-	-	-	-	-	44,927,978	-	44,927,978
Transfer to DFFS-ELS	-	-	3,443,750,000	-	-	-	-	-	-	-	-	-	3,443,750,000	-	3,443,750,000
Acquisition of treasury shares during the year	-	-	-	(1,002,129,721)	-	-	-	-	-	-	-	-	(1,002,129,721)	-	(1,002,129,721)
Total comprehensive income for the year	-	-	-	-	-	-	2,939,493,502	764,778,090	-	-	9,971,065,303	9,971,065,303	13,675,336,895	221,657,867	13,896,994,762
Reversal of appropriation	-	-	-	-	-	-	-	-	-	(800,000,000)	800,000,000	-	-	-	-
Appropriation during the year	-	-	-	-	-	-	-	-	-	1,200,000,000	(1,200,000,000)	-	-	-	-
Cash dividends declared during the year	-	-	-	-	-	-	-	-	-	-	(5,057,031,744)	(5,057,031,744)	(5,057,031,744)	-	(5,057,031,744)
Balance at December 31, 2021	**P 16,242,391,176**	**P 23,106,377,832**	**P 3,443,750,000**	**(P 4,747,713,903)**	**P 88,498,401**	**P 183,769,571**	**(P 3,128,522,733)**	**(P 159,833,776)**	**P 142,402,572**	**P 1,200,000,000**	**P 41,346,946,733**	**P 42,546,946,733**	**P 77,718,065,873**	**P 1,000,169,494**	**P 78,718,235,367**
Balance at January 1, 2020	P 16,242,391,176	P 23,058,724,847	P -	(P 3,487,839,412)	P 136,151,386	P 111,883,425	(P 3,707,343,087)	(P 73,475,415)	P 120,364,326	P 800,000,000	P 30,616,668,304	P 31,416,668,304	P 63,817,525,550	P 899,231,970	P 64,716,757,520
Issuances during the year	-	47,652,985	-	1,836,250,000	(47,652,985)	26,958,168							1,863,208,168		1,863,208,168
Movements during the year	-	-	-	-	-	-	-	-	(5,369,530)	-	-	-	(5,369,530)	(9,700,000)	(15,069,530)
Acquisition of treasury shares during the year	-	-	-	(2,093,994,770)	-	-	-	-	-	-	-	-	(2,093,994,770)	-	(2,093,994,770)
Total comprehensive loss for the year	-	-	-	-	-	-	(2,360,673,148)	(851,136,451)	-	-	7,967,261,504	7,967,261,504	4,755,451,905	(111,020,343)	4,644,431,562
Cash dividends declared during the year	-	-	-	-	-	-	-	-	-	-	(1,751,016,634)	(1,751,016,634)	(1,751,016,634)	-	(1,751,016,634)
Balance at December 31, 2020	P 16,242,391,176	P 23,106,377,832	P -	(P 3,745,584,182)	P 88,498,401	P 138,841,593	(P 6,068,016,235)	(P 924,611,866)	P 114,994,796	P 800,000,000	P 36,832,913,174	P 37,632,913,174	P 66,585,804,689	P 778,511,627	P 67,364,316,316
Balance at January 1, 2019	P 16,242,391,176	P 23,058,724,847	P -	(P 1,849,768,100)	P 136,151,386	P 84,925,255	(P 2,556,254,530)	(P 163,103,810)	P 15,792,199	P 600,000,000	P 24,879,090,010	P 25,479,090,010	P 60,447,948,433	P 892,674,486	P 61,340,622,919
Movements during the year	-	-	-	-	-	-	-	-	104,572,127	-	-	-	104,572,127	-	104,572,127
Issuances during the year	-	-	-	-	-	26,958,170	-	-	-	-	-	-	26,958,170	-	26,958,170
Acquisition of treasury shares during the year	-	-	-	(1,638,071,312)	-	-	-	-	-	-	-	-	(1,638,071,312)	-	(1,638,071,312)
Total comprehensive loss for the year	-	-	-	-	-	-	(1,151,088,557)	89,628,395	-	-	6,725,536,563	6,725,536,563	5,664,076,401	6,557,484	5,670,633,885
Appropriation during the year	-	-	-	-	-	-	-	-	-	200,000,000	(200,000,000)	-	-	-	-
Cash dividends declared during the year	-	-	-	-	-	-	-	-	-	-	(787,958,269)	(787,958,269)	(787,958,269)	-	(787,958,269)
Balance at December 31, 2019	P 16,242,391,176	P 23,058,724,847	P -	(P 3,487,839,412)	P 136,151,386	P 111,883,425	(P 3,707,343,087)	(P 73,475,415)	P 120,364,326	P 800,000,000	P 30,616,668,304	P 31,416,668,304	P 63,817,525,550	P 899,231,970	P 64,716,757,520

See Notes to Consolidated Financial Statements.

EMPERADOR INC. AND SUBSIDIARIES
(A Subsidiary of Alliance Global Group, Inc.)
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019
(Amounts in Philippine Pesos)

	Notes	2021	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		**P 12,895,177,113**	P 9,435,725,613	P 8,479,970,603
Adjustments for:				
Depreciation and amortization	19, 20	**1,545,528,317**	1,565,710,426	1,544,043,919
Interest expense	9, 14, 15, 21	**782,713,575**	548,979,806	781,494,014
Share in net profit of a joint venture	12	**(161,824,100)**	(185,108,059)	(239,168,070)
Interest income	5, 7, 18	**(86,442,812)**	(183,009,956)	(345,272,714)
Impairment losses on inventories	8, 19	**58,114,232**	44,775,076	8,321,687
Share option benefits expense	24	**44,927,978**	26,958,168	26,958,170
Provisions	17	**38,060,790**	56,331,220	-
Impairment losses on trade and other receivables	6	**11,561,171**	109,087,408	12,453,267
Amortization of trademarks	10	**1,615,391**	1,615,391	1,615,391
Loss (gain) on sale of property, plant and equipment	9	**(108,820)**	(139,000)	5,832,899
Impairment losses on trademarks	10	**-**	-	272,402,000
Operating profit before working capital changes		**15,129,322,835**	11,420,926,093	10,548,651,166
Decrease (increase) in trade and other receivables		**1,543,684,078**	1,066,338,675	(4,675,574,908)
Decrease (increase) in financial instruments at fair value through profit or loss		**62,713,243**	(86,578,013)	1,174,321,007
Increase in inventories		**(2,001,700,341)**	(1,301,858,714)	(1,429,246,615)
Decrease (increase) in prepayments and other current assets		**264,770,607**	656,312,114	(642,474,819)
Decrease (increase) in other non-current assets		**(69,354,771)**	(301,999,867)	55,606,199
Increase (decrease) in trade and other payables		**3,046,172,296**	(2,069,683,156)	3,939,851,258
Decrease in retirement benefit obligation		**(256,644,163)**	(241,119,114)	(168,073,470)
Cash generated from operations		**17,718,963,784**	9,142,338,018	8,803,059,818
Cash paid for income taxes		**(1,304,546,457)**	(1,590,213,311)	(650,265,112)
Net Cash From Operating Activities		**16,414,417,327**	7,552,124,707	8,152,794,706
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of property, plant and equipment	9	**(1,738,787,193)**	(1,013,759,803)	(2,867,267,563)
Interest received	5, 7	**84,440,144**	173,304,315	243,885,422
Proceeds from sale of property, plant and equipment	9	**58,050,463**	107,483,016	356,289,983
Dividends received from a joint venture	12	**-**	-	282,499,965
Net Cash Used in Investing Activities		**(1,596,296,586)**	(732,972,472)	(1,984,592,193)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayments of interest-bearing loans	14	**(6,732,937,709)**	(2,741,784,226)	(3,226,111,642)
Dividends paid	24	**(5,057,031,744)**	(2,530,247,949)	-
Proceeds from interest-bearing loans	14	**1,194,023,750**	1,182,290,245	1,151,150,000
Acquisition of treasury shares	24	**(1,002,129,721)**	(2,093,994,770)	(1,638,071,312)
Interest paid	31	**(846,195,552)**	(597,970,866)	(705,636,523)
Repayments of lease liabilities	9	**(601,235,467)**	(216,881,185)	(237,157,272)
Net Cash Used in Financing Activities		**(13,045,506,443)**	(6,998,588,751)	(4,655,826,749)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**1,772,614,298**	(179,436,516)	1,512,375,764
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**7,561,169,140**	7,740,605,656	6,228,229,892
CASH AND CASH EQUIVALENTS AT END OF YEAR		**P 9,333,783,438**	P 7,561,169,140	P 7,740,605,656

Supplemental information on non-cash investing and financing activities is fully disclosed in Note 31 to the consolidated financial statements.

See Notes to Consolidated Financial Statements.

EMPERADOR INC. AND SUBSIDIARIES
(A Subsidiary of Alliance Global Group, Inc.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021, 2020 AND 2019
(Amounts in Philippine Pesos)

1. CORPORATE INFORMATION

Emperador Inc. ("EMP" or "the Parent Company") was incorporated in the Philippines and registered with the Securities and Exchange Commission ("SEC") on November 26, 2001. It presently operates as a holding company of a global conglomerate in the distilled spirits and other alcoholic beverages business.

EMP is a subsidiary of Alliance Global Group, Inc. ("AGI" or "the Ultimate Parent Company"), a publicly-listed domestic holding company with diversified investments in real estate development, food and beverage, quick-service restaurants, and tourism-entertainment and gaming businesses.

The registered principal office of EMP is located at 7th Floor, 1880 Eastwood Avenue, Eastwood City CyberPark, 188 E. Rodriguez, Jr. Avenue, Bagumbayan, Quezon City, where the registered office of AGI is also presently located.

The common shares of EMP and AGI were first listed for trading in the Philippine Stock Exchange (PSE) on December 19, 2011 and April 19, 1999, respectively.

1.1 Subsidiaries

EMP holds beneficial equity ownership in entities operating in an integrated business of manufacturing, bottling and distributing distilled spirits and other alcoholic beverages from the Philippines and Europe (collectively referred to herein as "the Group"), as follows:

Names of Subsidiaries	Explanatory Notes	Percentage of Effective Ownership 2021	2020
EDI and subsidiaries (EDI Group)			
Emperador Distillers, Inc. ("EDI")	(a)	**100%**	100%
Anglo Watsons Glass, Inc. ("AWGI")	(b)	**100%**	100%
Alcazar De Bana Holdings Company, Inc. ("Alcazar De Bana")	(c)	**100%**	100%
Progreen Agricorp Inc. ("Progreen")	(c)	**100%**	100%
South Point Science Park Inc. ("SSPI")	(c)	**100%**	100%
The Bar Beverage, Inc.		**100%**	100%
Tradewind Estates, Inc. ("TEI")	(d)	**100%**	100%
Boozylife Inc. ("Boozylife")	(d)	**62%**	62%
Cocos Vodka Distillers Philippines, Inc.		**100%**	100%
Zabana Rum Company, Inc.		**100%**	100%

Names of Subsidiaries	Explanatory Notes	Percentage of Effective Ownership 2021	2020
EIL and offshore subsidiaries and joint venture:			
Emperador International Ltd. ("EIL")	(e)	**100%**	100%
Emperador Holdings (GB) Limited ("EGB")	(f)	**100%**	100%
Emperador UK Limited ("EUK")	(f)	**100%**	100%
Whyte and Mackay Group Limited ("WMG")	(g), 10	**100%**	100%
Whyte and Mackay Global Limited ("WMGL")	(g), (h)	**100%**	100%
Whyte and Mackay Limited ("WML")	(i)	**100%**	100%
Whyte and Mackay Warehousing Limited ("WMWL")	(j)	**100%**	100%
Emperador Asia Pte. Ltd. ("EA")	(k)	**100%**	100%
Grupo Emperador Spain, S.A. ("GES")	(l), 10	**100%**	100%
Bodega San Bruno, S.L. ("BSB")	(m)	**100%**	100%
Bodegas Fundador, S.L.U. ("BFS")	(l), (n), (o)	**100%**	100%
Grupo Emperador Gestion S.L. ("GEG")	(m)	**100%**	100%
Stillman Spirits, S.L. ("Stillman")	(s)	**100%**	100%
Domecq Bodega Las Copas, S.L. ("DBLC")	(p), 10	**50%**	50%
Bodegas Las Copas, S.L. ("BLC")	(q)	**50%**	50%
Complejo Bodeguero San Patricio SLU ("CBSP")	(n), (r), (o), 10	**-**	-
Emperador Europe Sarl ("EES")	(t)	**100%**	100%

Explanatory notes:

(a) EDI and its subsidiaries are engaged in businesses related to the main business of EDI in the Philippines. EDI became a wholly owned subsidiary on August 28, 2013 when EMP acquired it from AGI as a condition to AGI's subscription to EMP shares (see Note 24.1). EDI was incorporated in the Philippines on June 6, 2003 to primarily engage in the manufacturing and trading of brandy, wine or other similar alcoholic beverage products. EDI's brands include Emperador brandy, The BaR flavored alcoholic beverage, Andy Player whisky, So Nice and Smirnoff Mule (under license),. EDI also imports and sells the products of EIL's offshore subsidiaries.

EDI's registered office, which is also its principal place of business, is located at 7th Floor, 1880 Eastwood Avenue, Eastwood City CyberPark, 188 E. Rodriguez, Jr. Avenue, Bagumbayan, Quezon City, where its subsidiaries, except Boozylife and Alcazar De Bana and subsidiaries, also have their registered offices and principal places of business.

(b) AWGI is a domestic corporation presently engaged in flint glass container manufacturing and primarily supplies EDI's bottle requirements.

(c) Alcazar De Bana is a domestic holding entity and presently holds 100% ownership interest in Progreen, a domestic corporation engaged in the business of alcohol and alcohol-related products, who in turn holds 100% ownership interest in SSPI, a domestic corporation engaged in management and maintenance of office, commercial, industrial and institutional developments in a certain science park.

Alcazar De Bana's registered office and principal place of business is located at 26th Floor, Alliance Global Tower 4, 36th Street cor. 11th Avenue Uptown Bonifacio, Taguig City.

(d) TEI is a domestic corporation presently engaged in leasing its land and manufacturing complex in Sta. Rosa, Laguna. In 2018, TEI acquired 51% ownership in Boozylife for a total consideration of P45.0 million. The acquired identifiable net assets are not material to the Group's consolidated financial statements. In January 2020, TEI increased its ownership to 62% [see Notes 3.1(e) and 24.6].

(e) EIL is a foreign entity incorporated in the British Virgin Islands. EIL is presently the parent company of the Group's offshore subsidiaries. EIL is effectively a wholly owned subsidiary of EMP through EMP's 84% direct ownership and EDI's 16% direct ownership.

EIL's registered office is at the offices of Portcullis TrustNet (BVI) Limited, which is currently located at Portcullis Trust Net Chambers, 4th Floor Skelton Building, 3076 Drake's Highway, Road Town, Tortola, British Virgin Islands.

(f) EGB is a foreign entity incorporated in the UK to operate as an investment holding entity. It is the ultimate UK parent undertaking and controlling entity. It holds 100% ownership interest over EUK which in turn holds 100% ownership interest over WMG [see Note 1.1(g)].

In 2019, EGB changed its registered office from 20-22 Bedford Road, London, United Kingdom to Suite 1, 3rd Floor, 11-12 St. James Square, London SW1Y 4LB.

(g) WMG is a foreign entity incorporated in the UK on August 7, 2001 and presently operating as an investment holding entity. WMG and its subsidiaries (collectively referred to as "WMG Group") are all engaged in businesses related to the main business of production, marketing and distribution of Scotch whisky, vodka, liqueurs and other alcoholic drinks. On September 5, 2019, the Group's Board of Directors ("BOD") approved WMG's restructuring by transferring its 100% direct ownership in WML and WMWL to its newly-incorporated wholly owned subsidiary, WMGL, through share exchange agreement [(see Note 1.1(h)]. The Group accounted for this business combination under common control using pooling-of-interests method [see Note 2.13(b)]. As a result of the restructuring, WMGL now holds 100% ownership in WML and WMWL while WMG holds 100% ownership in WMGL. EUK acquired WMG from United Spirits (Great Britain) Limited on a deal signed on May 9, 2014 and closed on October 31, 2014 for a total cash consideration of P30.3 billion.

WMG Group's registered office is located at St. Vincent Plaza, 319 St. Vincent Street, Glasgow, Scotland.

(h) WMGL is a foreign holding company established in 2018 in the UK to effect WMG Group's restructuring in 2019 [see Note 1.1(g)].

(i) WML is a foreign entity incorporated in the UK to carry out the production, marketing and distribution of Scotch whisky, vodka, liqueurs and other alcoholic drinks. WML holds 100% ownership interest in 41 dormant companies, all incorporated in the UK, and one active company, Whyte and Mackay Americas LLC, which handles the distribution of Whyte and Mackay brands within the United States of America.

(j) WMWL is a foreign entity incorporated in the UK to carry out warehousing for WML and third party customers.

(k) EA is a foreign entity incorporated in Singapore on July 10, 2013 as a limited private company with principal activity as a wholesaler of liquor, food and beverages, and tobacco. It holds 100% ownership interest in GES [see Note 1.1(l)].

EA's registered office is located at 1 Scotts Road, 19-06 Shaw Centre, Singapore.

(l) GES is a foreign entity incorporated on September 28, 2011 as a small limited liability company and subsequently changed to a large liability company on February 5, 2014. GES carries out activities related to the production of wines, fortified wines, brandies, and all types of alcoholic drinks, as well as the purchase, ownership and operations of any type of land, particularly, vineyards.

On November 27, 2015, GES reached a definitive agreement with Beam Suntory Spain, S.L. to purchase its Spanish brandy and sherry business (the Fundador Business Unit) in Jerez de la Frontera (Jerez), the brandy capital of Spain. GES assigned its rights and obligations under the agreement to its direct wholly owned subsidiary, BFS, on January 28, 2016. The purchase was subsequently completed on February 29, 2016 for a total cash consideration of P14.7 billion (see Note 10).

GES's registered office, which is also its principal place of business, is located at Torre Espacio – Paseo de la Castellana n° 259 D Planta 28, Madrid, Spain. GES currently holds direct interests in BSB, BFS, GEG, DBLC, Stillman, and BLC which were established in Spain with activities similar or related to its main business.

(m) Subsidiaries with registered office and principal place of business located at Torre Espacio – Paseo de la Castellana n° 259 D Planta 28, Madrid, Spain.

(n) Subsidiaries with registered office located at Torre Espacio – Paseo de la Castellana n° 259 D Planta 28, Madrid, Spain and principal place of business located in Jerez de la Frontera, Cadiz, Spain.

(o) BFS has a wholly owned subsidiary, Harvey's Cellars S.L.U. (changed name from Destilados de la Mancha S.L. on February 12, 2021). On January 1, 2020, CBSP, existing subsidiary of GES, was merged with BFS through merger by absorption wherein the latter is the absorbent or surviving entity [see Note 1.1(r)]. The Group accounted for this business combination under common control using pooling-of-interests method [see Note 2.13(b)].

(p) DBLC is a foreign entity incorporated in Spain in later part of 2017 to operate as an investment holding entity with registered office located at Manuel Calle Maria González 12, Jerez de la Frontera, Cadiz, Spain. It presently holds 100% ownership interest in Mexican entities namely: Pedro Domecq S.A. de C.V. ("Pedro Domecq") and Domecq Distribucion De Bebidas S.A. de C.V. ("DDDB"), with registered office at Calle Presa Pabellón, 38, Mexico DF.

The acquisition of Domecq brand portfolio and its related assets in Mexico ("Domecq Acquisition") was signed by Pernod Ricard with BLC on December 1, 2016 and completed on March 30, 2017 by BLC and its two incorporated Mexican subsidiaries. The acquisition is treated as an asset acquisition [see Notes 2.13(c), 3.1(e) and 24.6]. Pedro Domecq and Bodega Domecq S.A. de C.V. ("Bodega Domecq") are foreign entities created by BLC on March 15, 2017 in relation to the Domecq Acquisition. These entities, together with DDDB, existing subsidiary of BLC, were subsequently transferred to DBLC effectively on September 1, 2017 through spin-off acquisition.

On June 30, 2019, Bodega Domecq was merged by absorption with Pedro Domecq wherein the latter is the absorbent or surviving entity. The Group accounted for this business combination under common control using pooling-of-interests method. On December 15, 2021, Pedro Domecq merged with DDDB with the former as the surviving entity. [See Note 2.13(b)].

(q) Jointly controlled entity with registered office located at Torre Espacio – Paseo de la Castellana n° 259 D Planta 28, Madrid, Spain and principal place of business located in Jerez de la Frontera, Cadiz, Spain (see Note 12). BLC presently holds 100% ownership interests in Alcoholera dela Mancha Vinícola, S.L. and Vinedos del Rio Tajo S.L., which are both established in Spain with activities similar and related to the main businesses of GES and BLC.

(r) CBSP acquired from the previous owners (collectively referred to as "Grupo Garvey") certain tangible assets in Spain, including trademarks of well-known brands ("Garvey Acquisition") on January 19, 2017. The Garvey Acquisition is treated as an asset acquisition [see Notes 2.13(c) and 3.1(e)]. In 2020, CBSP was merged with BFS [see Note 1.1(o)].

(s) Stillman is a foreign entity established in Spain on March 20, 2019. Stillman is responsible for carrying the business of GES in the UK, following UK's exit from the European Union.

(t) EES is a foreign entity incorporated in Luxembourg as a private limited liability company, primarily to operate as an investment holding entity.

EES' registered office is located at L-1449 Luxembourg, 18, Rue de l'Eau.

1.2 Continuing Impact of COVID-19 Pandemic on the Group's Business

The Group and other businesses in the world have been significantly exposed to the challenges brought about by the COVID-19 pandemic. Initially concentrated in China in December 2019, the outbreak became a Public Health Emergency of International Concern in January 2020 and declared as a pandemic by the World Health Organization ("WHO") on March 11, 2020. The pandemic which put the Philippines in a state of calamity is still sweeping globally as of date of this report and has been confirmed in almost every country and territory around the world, including the Philippines, United Kingdom (UK) and Spain where the Group has significant operations. Immediately, governments across the world have implemented safety protocols, stay-at-home orders and varying stages and degrees of lockdowns (called community quarantines in the Philippines) in order to control the movement of and close interaction among people and to protect their borders/localities.

In 2021 and 2020, the Group has taken the following measures to mitigate the adverse effects of the COVID-19 pandemic to the Group's business:

- resumed business operations in accordance with the government directives and safety protocols amidst the localized lockdown measures which include non-essential business suspension, limited public transportation and public gathering restrictions;

- implemented work-from-home and rotation shifts based on nature of work;
- observed and laid out the required physical distancing in the premises and put in place no-contact-greeting and no-visitors-allowed policies;
- provided transport service and health and safety guards (face masks and face shields, alcohol/sanitizers, vitamin C and personal protective equipment) for those who report to work;
- implemented cost-saving measures which resulted in lower operating costs and expenses to manage the Group's cash flows;
- conducted most of business activities on digital platforms, including meetings, marketing campaigns and online selling; and,
- maximized business opportunities with the opening up of borders for travel across the regions in Europe, United States of America and Asia and the relaxing in-country social lockdowns and restrictions.

Management believes the Group was able to effectively manage its business operation amidst the changes and challenges brought about by the pandemic. Consequently, the Group was able to generate P55.9 billion revenues in 2021, which is 6% and 8% higher as compared to 2020 and 2019, respectively, and P10.1 billion net profit, which is 26% and 49% higher than in 2020 and 2019, respectively. In addition, the Group has higher return on assets of 8% and current ratio of 2.8x than in prior year. Management projects that the Group would continue to report positive results of operations and would remain liquid to meet current obligations as they fall due. It has not determined a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern.

1.3 Approval of the Consolidated Financial Statements

The consolidated financial statements of the Group as of and for the year ended December 31, 2021 (including the comparative consolidated financial statements as of December 31, 2020 and for the years ended December 31, 2020 and 2019) were authorized for issue by the Parent Company's BOD on April 22, 2022.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarized below and in the succeeding pages. The policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of Preparation of Consolidated Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards ("PFRS"). PFRS are adopted by the Financial Reporting Standards Council ("FRSC") from the pronouncements issued by the International Accounting Standards Board and approved by the Philippine Board of Accountancy.

The consolidated financial statements have been prepared using the measurement bases specified by PFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies that follow.

(b) *Presentation of Consolidated Financial Statements*

The consolidated financial statements are presented in accordance with Philippine Accounting Standard ("PAS") 1, *Presentation of Financial Statements*. The Group presents all items of income, expenses and other comprehensive income or loss in a single consolidated statement of comprehensive income.

The Group presents a third consolidated statement of financial position as at the beginning of the preceding period when it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that has a material effect on the information in the consolidated statement of financial position at the beginning of the preceding period. The related notes to |such third consolidated statement of financial position are not required to be disclosed. The Group presented only one comparative period as none of these situations are applicable.

(c) *Functional and Presentation Currency*

These consolidated financial statements are presented in Philippine pesos, the Group's functional and presentation currency, and all values represent absolute amounts except when otherwise indicated.

Items included in the consolidated financial statements of the Group are measured using the Parent Company's functional currency (see Note 2.17). Functional currency is the currency of the primary economic environment in which the Parent Company operates.

2.2 *Adoption of Amended Standards*

(a) *Effective in 2021 that are Relevant to the Group*

The Group adopted for the first time the following amendments to existing standards, which are mandatorily effective for annual periods beginning on or after January 1, 2021:

PFRS 9, PFRS 7, and PFRS 16 (Amendments)	:	Interest Rate Benchmark Reform Phase 2 Financial Instruments, Financial Instruments: Disclosures, and Leases
PFRS 16 (Amendments)	:	Leases – COVID-19-Related Rent Concessions beyond June 30, 2021

Discussed in the succeeding page are the relevant information about these pronouncements.

(i) PFRS 9 (Amendments), *Financial Instruments*, PFRS 7 (Amendments), *Financial Instrument: Disclosures*, and PFRS 16 (Amendments), *Leases – Interest Rate Benchmark Reform Phase 2*. The amendments address issues that may affect financial reporting during the interest rate benchmark reform, including the effect of changes to contractual cash flows or hedging relationships resulting from the replacement of the London Interbank Offered Rate (LIBOR) with alternative benchmark rates. The Phase 2 amendments had no significant impact to the Group's consolidated financial statements.

(ii) The Group opted to early adopt the application of the amendments to PFRS 16, *Leases – COVID-19-Related Rent Concessions beyond June 30, 2021*, which is effective from April 1, 2021. The amendments extend for one year the use of practical expedient of not assessing whether rent concessions reducing payments up until June 30, 2022 occurring as a direct consequence of the COVID-19 pandemic are lease modifications and instead to account for those rent concessions as if they are not lease modifications. The application of these amendments had no significant impact to the Group's consolidated financial statements.

(b) *Effective Subsequent to 2021 but not Adopted Early*

There are amendments and annual improvements to existing standards effective for annual periods subsequent to 2021, which are adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on the Group's consolidated financial statements:

(i) PFRS 3 (Amendments), *Business Combinations – Reference to the Conceptual Framework* (effective from January 1, 2022)

(ii) PAS 16 (Amendments), *Property, Plant and Equipment – Proceeds Before Intended Use* (effective from January 1, 2022)

(iii) PAS 37 (Amendments), *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract* (effective from January 1, 2022)

(iv) Annual Improvements to PFRS 2018-2020 Cycle. Among the improvements, the following amendments, which are effective from January 1, 2022, are relevant to the Group:

a. PFRS 9 (Amendments), *Financial Instruments – Fees in the '10 per cent' Test for Derecognition of Liabilities*

b. Illustrative Examples Accompanying PFRS 16, *Leases – Lease Incentives*

(v) PAS 1 (Amendments), *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current* (effective from January 1, 2023)

(vi) PAS 1 (Amendments), *Presentation of Financial Statements – Disclosure of Accounting Policies* (effective from January 1, 2023)

(vii) PAS 8 (Amendments), *Accounting Estimates – Definition of Accounting Estimates* (effective from January 1, 2023)

(viii) PAS 12 (Amendments), *Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction* (effective from January 1, 2023)

(ix) PFRS 10 (Amendments), *Consolidated Financial Statements*, and PAS 28 (Amendments), *Investments in Associates and Joint Ventures – Sale or Contribution of Assets Between an Investor and its Associates or Joint Ventures* (effective date deferred indefinitely)

2.3 Basis of Consolidation

The Group's consolidated financial statements comprise the accounts of EMP, and its subsidiaries as enumerated in Note 1.1, after the elimination of material intercompany transactions. All intercompany balances and transactions with subsidiaries, including income, expenses, dividends and unrealized profits and losses from intercompany transactions that are recognized in assets are eliminated in full on consolidation. Intercompany losses that indicate impairment are recognized in the consolidated financial statements.

The financial statements of subsidiaries are prepared for the same reporting period as that of the Parent Company, using consistent accounting principles. Financial statements of a certain entity in the Group that are prepared as of a date different from that of the date of these consolidated financial statements were adjusted to recognize the effects of significant transactions or events that occur between that date of their reporting period and the date of these consolidated financial statements. Adjustments are also made to bring into line any dissimilar accounting policies that may exist.

The Group accounts for its investments in subsidiaries, investment in a joint venture, and transactions with non-controlling interest ("NCI") as follows:

(a) Investments in Subsidiaries

Subsidiaries are entities (including structured entities) over which the Group has control. The Group controls an entity when (i) it has power over the entity, (ii) it is exposed, or has rights to, variable returns from its involvement with the entity, and (iii) it has the ability to affect those returns through its power over the entity. The acquisition method is applied to account for acquired business subsidiaries [see Notes 2.13(a) and 3.1(e)]. Subsidiaries are consolidated from the date the Parent Company obtains control.

The Parent Company reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of controls indicated above. Accordingly, entities are deconsolidated from the date that control ceases.

(b) Investment in a Joint Venture

A jointly controlled entity is a corporation, partnership, or other entity in which two or more venturers have an interest, under a contractual arrangement that establishes joint control over the entity. Each venturer usually contributes cash or other resources to the jointly controlled entity. Those contributions are included in the accounting records of the venturer and recognized in the venturer's financial statements as an investment in the jointly controlled entity.

Investment in a joint venture is initially recognized at cost and subsequently accounted for using the equity method (see Note 12).

Acquired investment in the jointly controlled entity is subject to the purchase method. The purchase method involves the recognition of the jointly controlled entity's identifiable assets and liabilities, including contingent liabilities, regardless of whether they were recorded in the financial statements prior to acquisition. Goodwill represents the excess of acquisition cost over the fair value of the venturer's share of the identifiable net assets of the joint venture at the date of acquisition. Any goodwill or fair value adjustment attributable to the venturer's share in the joint venture is included in the amount recognized as investment in a joint venture.

All subsequent changes to the ownership interest in the equity of the joint venture are recognized in the venturer's carrying amount of the investments. Changes resulting from the profit or loss generated by the joint venture are credited or charged against Equity share in net profit of joint venture, which is presented as part of Revenues and Other Income or Costs and Expenses section (under Other Charges account) in the consolidated statement of comprehensive income.

Impairment loss is provided when there is objective evidence that the investment in a joint venture will not be recovered (see Note 2.18).

Changes resulting from other comprehensive income of the jointly controlled entity or items recognized directly in the jointly controlled entity's equity are recognized in other comprehensive income or equity of the venturer, as applicable. However, when the venturer's share of losses in a joint venture equals or exceeds its interest in the associate, including any other unsecured receivables, the venturer does not recognize further losses, unless it has incurred obligations or made payments on behalf of the jointly controlled entity. If the jointly controlled entity subsequently reports profits, the venturer resumes recognizing its share of those profits only after its share of the profits exceeds the accumulated share of losses that has previously not been recognized.

Distributions received from the jointly controlled entity are accounted for as a reduction of the carrying value of the investment.

(c) Transactions with Non-controlling Interest

The Group's transactions with NCI that do not result in loss of control are accounted for as equity transactions – that is, as transaction with the owners of the Group in their capacity as owners. The difference between the fair value of any consideration paid and the relevant share acquired of the carrying value of the net assets of the subsidiary is recognized in equity. Disposals of equity investments to NCI result in gains and losses for the Group that are also recognized in equity.

When the Group ceases to have control over a subsidiary, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognized in consolidated profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

The Parent Company holds interests in various subsidiaries and in a joint venture as presented in Notes 1 and 12, respectively.

2.4 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's strategic executive committee, its chief operating decision-maker. The strategic executive committee is responsible for allocating resources and assessing performance of the operating segments.

In identifying its operating segments, management generally follows the Group's product lines, which represent the main products provided by the Group. Each of these operating segments is managed separately as each of these product lines requires different processes and other resources as well as marketing approaches. All intersegment transfers are carried out at arm's length prices.

The measurement policies the Group use for segment reporting under PFRS 8, *Operating Segments,* are the same as those used in its consolidated financial statements. There have been no changes from prior period in the measurement methods used to determine reported segment profit or loss.

2.5 Financial Assets

Financial assets are recognized when the Group becomes a party to the contractual terms of the financial instrument. For purposes of classifying financial assets, an instrument is considered as an equity instrument if it is non-derivative and meets the definition of equity for the issuer in accordance with the criteria of PAS 32, *Financial Instruments: Presentation*. All other non-derivative financial instruments are treated as debt instruments.

Regular purchases and sales of financial assets are recognized on their trade date (i.e., the date that the Group commits to purchase or sell the asset).

Interest income is calculated using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

The effective interest rate is applied to the gross carrying amount of the financial assets, except for those that are subsequently identified as credit-impaired where the effective interest rate is applied to the net carrying amount of the financial assets (after deduction of the loss allowance). If the asset is no longer credit-impaired, the calculation of interest income reverts to gross basis.

For financial assets that were credit-impaired on initial recognition (purchased or originated), interest income is calculated by applying a credit-adjusted effective interest rate to the amortized cost of the asset. The calculation of interest income does not revert to a gross basis even if the credit risk of the asset subsequently improves.

Dividend income is recognized when the Group's right to receive dividends is established, it is probable that economic benefits associated with the dividends will flow to the Group, and the amount of dividend can be measured reliably.

Interest and dividend earned on these investments are presented as Other income in the Revenues and Other Income section in the consolidated statement of comprehensive income.

(a) Classification and Measurement of Financial Assets

The classification and measurement of financial assets is driven by the Group's business model for managing the financial assets ("business model test") and the contractual cash flow characteristics of the financial assets ("cash flow characteristics test") to achieve a particular business objective. The business model is determined at a higher level of aggregation (portfolio or group of financial assets managed together) and not on an instrument-by-instrument approach to classification (i.e., not based on intention for each or specific characteristic of individual instrument) in order to achieve the stated objective and, specifically, realize the cash flows.

Financial assets, other than those designated and effective as hedging instruments, are initially measured at fair value and then subsequently measured either at amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL"), depending on the classification determined at initial recognition. The initial measurement includes transaction costs, except for those at FVTPL in which the related transaction costs are recognized in profit or loss.

(i) Financial Assets at Amortized Cost

Financial assets are classified at amortized cost if both of the following conditions are met:

- Business model test: the asset is held within the Group's business model whose objective is to hold financial assets in order to collect contractual cash flows ("hold to collect"); and,
- Cash flow characteristics test: the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

Except for trade and other receivables that do not contain a significant financing component and are measured at the transaction price in accordance with PFRS 15, *Revenue from Contracts with Customers*, all financial assets meeting these criteria are measured initially at fair value plus transaction costs. They are subsequently measured at amortized cost using the effective interest method, less allowance for expected credit loss ("ECL").

The Group's financial assets at amortized cost are presented in the consolidated statement of financial position as Cash and Cash Equivalents (see Note 5), Trade and Other Receivables [except Advances to suppliers (see Note 2.7) and Advances to officers and employees] (see Note 6), and Property mortgage receivable and Refundable security deposits [presented as part of Other Non-current Assets (see Note 11.2)].

For purposes of cash flows reporting and presentation, cash and cash equivalents comprise accounts with original maturities of three months or less, including cash. These generally include cash on hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

Financial assets at amortized cost are included in current assets, except for those with maturities greater than 12 months after the end of reporting period, which are classified as non-current assets.

(ii) Financial Assets at Fair Value

Financial assets are classified at FVOCI if both of the following conditions are met:

- Business model test: asset is held within the Group's business model whose objective is achieved by both collecting contractual cash flows and selling the financial asset ("hold to collect and sell"); and,

- Cash flow characteristics test: SPPI on the principal amount outstanding.

Financial assets are classified at FVTPL if they do not meet the conditions for measurement at amortized cost or FVOCI; instead, these are held within a business model whose objective is to realize changes in fair values through the sale of the assets. These include financial assets that are held for trading, which are acquired for the purpose of selling or repurchasing in the near term; designated upon initial recognition as FVTPL; or mandatorily required to be measured at fair value. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments.

The Group occasionally uses derivative financial instruments, such as foreign exchange forward contracts, to manage its risks associated with fluctuations in foreign currency. Derivative assets and derivative liabilities arise from foreign exchange margins trading spot and forward contracts entered into by the Group. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative [see Note 2.11(a)]. The term of these forward contracts is usually one month to one year.

The Group's derivative instruments provide economic hedges under the Group's policies but are not designated as accounting hedges. Consequently, any gains or losses arising from changes in fair value are taken directly to consolidated profit or loss for the period.

Financial assets at FVOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value, with no deduction for any disposal costs. Changes in fair value, including foreign exchange component, are recognized in other comprehensive income, net of any effects arising from income taxes, and reported as part of Revaluation Reserves account in Equity. When the asset is disposed of, the cumulative gain or loss previously recognized in the Revaluation Reserves is transferred to profit or loss.

Financial assets at FVTPL are measured at fair value with fair value gains or losses recognized as part of Other income in the Revenues and Other Income section or Other Charges in Costs and Expenses section in the consolidated profit of loss. The fair values of these financial assets are determined by reference to active market transactions or by the use of a valuation technique where no active market exists.

(b) Impairment of Financial Assets

At the end of each reporting period, the Group assesses impairment using ECL model on a forward-looking basis associated with its financial assets carried at amortized cost. The carrying amount of the financial asset at amortized cost would be reduced either directly or through the use of an allowance account. Recognition of credit losses is no longer dependent on the identification of a credit loss event. Instead, a broader range of information is considered in assessing credit risk and measuring ECL, including past events, current conditions, and reasonable and supportable forecasts that affect collectibility of the future cash flows of the financial assets. The Group considers all reasonable and supportable information that is available without undue cost or effort, as well as observable market information about the credit risk of the particular financial instrument or similar financial instruments.

Since the Group's financial assets measured at amortized cost have no significant financing component, the Group applies the simplified approach in measuring ECL, which uses a lifetime ECL allowance for all trade receivables using provision matrix approach and loss rates approach, as the case may be. The lifetime ECL is estimated based on the expected cash shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. To calculate the ECL, the Group uses its historical experience, external indicators and forward-looking information. The Group also assesses impairment of trade receivables on a collective basis as they possess shared credit risk characteristics, and have been grouped based on the days past due [see Notes 3.1(b) and 27.2].

For the other financial assets measured at amortized cost, the Group applies the low credit risk simplification and measures the ECL on the financial assets based on the credit losses expected to result from default events that are possible within the next 12 months, unless there has been a significant increase in credit risk since origination, in that case, the loss allowance will be based on lifetime ECL.

Measurement of the ECL is determined by a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument. The key elements used in the calculation of ECL are as follows:

- *Probability of Default* – It is an estimate of likelihood of a counterparty defaulting at its financial obligation over a given time horizon, either over the next 12 months or the remaining lifetime of the obligation.

- *Loss Given Default* – It is an estimate of loss arising in case where a default occurs at a given time. It is based on the difference between the contractual cash flows of a financial instrument due from a counterparty and those that the Group would expect to receive, including the realization of any collateral or effect of any credit enhancement.

- *Exposure at Default* – It represents the gross carrying amount of the financial instruments subject to the impairment calculation which pertains to its amortized cost.

(c) Derecognition of Financial Assets

The financial assets (or where applicable, a part of a financial asset or part of a group of financial assets) are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

(d) Reclassification of Financial Assets

The Group can only reclassify financial assets if the objective of its business model for managing those financial assets changes. A change in the objective of the Group's business model will take effect only at the beginning of the next reporting period following the change in the business model.

- From amortized cost to FVTPL: Fair value is measured at reclassification date, with the difference between the amortized cost and fair value recognized as gain or loss in profit or loss.

- From amortized cost to FVOCI: Fair value is measured at reclassification date, with the difference between the amortized cost and the fair value recognized as gain or loss in other comprehensive income ("OCI"). The effective interest rate and the measurement of ECL remain the same.

- From FVTPL to amortized cost: Fair value at the reclassification date becomes its new gross carrying amount. The effective interest rate is determined on the basis of the fair value at reclassification date, which is now treated as the date of initial recognition.

- From FVTPL to FVOCI: The financial asset continues to be measured at fair value.

- From FVOCI to amortized cost: Fair value at the reclassification date becomes its new gross carrying amount. The cumulative gain or loss previously recognized in OCI is removed from equity and adjusted against the fair value of the financial asset at reclassification date. As a result, the measurement at reclassification date is as if the financial asset had always been measured at amortized cost. This adjustment affects OCI but does not affect profit or loss and therefore is not a reclassification adjustment. The effective interest rate and the measurement of ECL remain the same.

- From FVOCI to FVTPL: The financial asset continues to be measured at fair value. The cumulative gain or loss previously recognized in OCI is reclassified to profit or loss as a reclassification adjustment at reclassification date.

There were no reclassifications of financial assets in 2021 and 2020.

2.6 Inventories

Inventories (see Note 8) are valued at the lower of cost and net realizable value ("NRV"). Cost is determined using the first-in, first-out method. Finished goods and work-in-process include the cost of raw materials, direct labor and a proportion of manufacturing overhead (including an element of depreciation), based on normal operating capacity. The cost of raw materials includes all costs directly attributable to acquisitions, such as the purchase price, import duties and other taxes that are not subsequently recoverable from taxing authorities.

NRV of finished goods is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. NRV of raw materials is the current replacement cost [see Note 3.2(c)].

2.7 Other Assets

Other assets (see Note 11) pertain to other resources controlled by the Group as a result of past events. They are recognized in the consolidated financial statements when it is probable that the future economic benefits will flow to the entity and the asset has a cost or value that can be measured reliably.

Where future economic benefits are expected to flow to the Group beyond one year after the end of the reporting period (or in the normal operating cycle of the business, if longer), these assets are classified as non-current assets.

Advances to suppliers that will be applied as payment for purchase of inventories or services to be rendered in the future are classified and presented under the Trade and Other Receivables account. On the other hand, advances to suppliers that will be applied as payment for purchase of items under property and equipment are classified and presented under the Other Non-current Assets account. These classification and presentation are based on the eventual realization of the asset to which it was advanced for.

2.8 Property, Plant and Equipment

Property, plant and equipment (see Note 9) are carried at acquisition cost and, except for land, less accumulated depreciation, amortization and any impairment losses (see Note 2.18). As no definite useful life for land can be determined, the related carrying amount (which is cost less any impairment losses) is not depreciated.

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use, including borrowing costs (see Note 2.21). Expenditures for additions, major improvements and renewals are capitalized, while expenditures for repairs and maintenance are charged to expense as incurred.

Depreciation is computed on the straight-line basis over the estimated useful lives of the assets as follows [see Note 3.2(d)]:

Buildings and improvements	25 to 50 years
Land improvements	10 years
Machinery and equipment (including tools and other equipment)	2 to 20 years
Transportation equipment	3 to 10 years
Office furniture and fixtures	3 to 10 years

Moulds and dies are depreciated using their expected usage for the period. The total usage during the period multiplied by rate results to depreciation expense for the period. The rate is computed by dividing cost by estimated cases to be produced.

Right-of-use assets are depreciated over the term of the lease ranging from two to seven years.

Leasehold improvements are amortized over the estimated useful life of the improvements of 5 to 10 years or the lease term, whichever is shorter.

Construction in progress represents properties under construction and is stated at cost. This includes costs of construction, applicable borrowing costs (see Note 2.21) and other direct costs. The account is not depreciated until such time that the assets are completed and available for use.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.18).

The residual values, estimated useful lives and methods of depreciation and amortization of property, plant and equipment are reviewed, and adjusted if appropriate, at the end of each reporting period.

An item of property, plant and equipment, including the related accumulated depreciation, amortization and any impairment losses, 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.

2.9 Intangible Assets

Intangible assets include trademarks and goodwill, which are accounted for under the cost model (see Note 10). The cost of the trademarks is the amount of cash or cash equivalents paid or the fair value of the other considerations given up to acquire an asset at the time of its acquisition or production. Capitalized costs for trademarks with definite lives are amortized on a straight-line basis over their estimated useful lives of ten years. Capitalized costs for trademarks with indefinite useful lives are not amortized. The useful lives are reviewed each reporting period to determine whether events and circumstances continue to support an indefinite useful life assessment. Changes in the useful life assessment from indefinite to definite, if any, are accounted for as change in accounting estimate. In addition, trademarks and goodwill are subject to impairment testing as described in Note 2.18.

When an intangible asset, such as trademarks, is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset and is recognized in consolidated profit or loss.

2.10 Non-current Assets Held for Sale

Non-current assets held for sale pertain to land and building previously classified as property, plant and equipment that the Group intends to sell within one year, except when delay is caused by events or circumstances beyond the Group's control, from the date of reclassification as held for sale.

The Group classifies a non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. In the event that the sale of the asset is extended beyond one year, the extension of the period required to complete the sale does not preclude an asset from being classified as held for sale if the delay is caused by events or circumstances beyond the Group's control and there is sufficient evidence that the Group remains committed to its plan to sell the asset.

Non-current assets held for sale are measured at the lower of their carrying amounts, immediately prior to their classification as held for sale, and their fair value less costs to sell. The Group shall recognize an impairment loss for any initial or subsequent write-down of the asset at fair value less cost to sell. Gain from any subsequent increase in fair value less cost to sell of an asset is recognized to the extent of the cumulative impairment loss previously recognized. Assets classified as held for sale are not subject to depreciation.

If the Group has classified an asset as held for sale, but the criteria for it to be recognized as held for sale are no longer satisfied, the Group shall cease to classify the asset as held for sale.

The gain or loss arising from the sale or re-measurement of held for sale assets is recognized in profit or loss in the consolidated statement of comprehensive income.

2.11 Financial Liabilities

The categories of financial liabilities relevant to the Group are more fully described as follows:

(a) Financial Liabilities at FVTPL

Financial liabilities are classified in this category if they are held for trading or derivative transactions that are not accounted for as accounting hedges, or when the Group elects to designate a financial liability under this category (see Note 7).

The Group's financial liabilities at FVTPL pertain to derivative financial instruments which are carried as liabilities when the fair value is negative and are presented as Financial Liabilities at Fair Value Through Profit or Loss account in the consolidated statement of financial position [see Note 2.5(a)(ii)].

(b) Financial Liabilities at Amortized Cost

This category pertains to financial liabilities that are not held for trading or not designated as financial liabilities at FVTPL upon inception of the liability. This includes interest-bearing loans (see Note 14), trade and other payables [except output value-added tax ("VAT") and other tax-related payables] (see Note 16), lease liabilities (see Note 9.3), dividends payable (see Note 24.3) and the financial liability component of equity-linked securities ("ELS") instrument (see Note 15), and is recognized when the Group becomes a party to the contractual agreements of the instrument.

Financial liabilities are initially recognized at their fair values and subsequently measured at amortized cost using effective interest method for maturities beyond one year, less settlement payments.

The financial liability component of the ELS is recognized initially as the present value of the contractual stream of future cash flows, less any directly attributable transaction costs, and is subsequently measured at amortized cost using the effective interest method.

All interest-related charges, if any, are recognized as an expense under the Interest Expense in the consolidated statement of comprehensive income.

Dividend distributions to stockholders are recognized as financial liabilities on the record date set upon declaration by the Group.

Financial liabilities are classified as current liabilities if payment is due to be settled within one year or less after the end of the reporting period (or in the normal operating cycle of the business, if longer), or the Group does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. Otherwise, these are presented as non-current liabilities.

Financial liabilities are derecognized from the consolidated statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in consolidated profit or loss.

2.12 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the resulting net amount, considered as a single financial asset or financial liability, is reported in the consolidated statement of financial position when the Group has a legally enforceable right to set-off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The right of set-off must be available at the end of the reporting period, that is, it is not contingent on future event. It must also be enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy; and must be legally enforceable for both entity and all counterparties to the financial instruments. The Group does not have offsetting arrangements and had not offset any financial asset and financial liability in the periods reported.

2.13 Business Combination and Asset Acquisition

Business acquisitions are accounted for using the acquisition or pooling-of-interest method of accounting. A business is an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefits directly to investors or other owners, members and participants.

(a) Accounting for Business Combination using the Acquisition Method

The acquisition method requires recognizing and measuring the identifiable assets acquired, the liabilities assumed and any NCI in the acquiree. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group, if any. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred and subsequent change in the fair value of contingent consideration is recognized directly in consolidated profit or loss.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any NCI in the acquiree, either at fair value or at the NCI's proportionate share of the recognized amounts of acquiree's identifiable net assets [see Note 2.3(c)].

Goodwill is recognized if the consideration transferred, the amount of any NCI in the acquiree and the acquisition-date fair value of any existing equity interest in the acquiree are in excess of the acquisition-date fair value of identifiable net assets acquired. Negative goodwill, as in the case of a bargain purchase, is recognized if the consideration transferred is less than the fair value of the net assets of the subsidiary acquired; such difference is recognized directly as gain in consolidated profit or loss.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

For the purpose of impairment testing, goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The cash-generating units or groups of cash-generating units are identified according to operating segment.

Gains and losses on the disposal of an interest in a subsidiary include the carrying amount of goodwill relating to it.

If the business combination is achieved in stages, the acquirer is required to remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss, if any, in the consolidated profit or loss or consolidated other comprehensive income, as appropriate.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, either in consolidated profit or loss or as a change to consolidated other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

(b) Accounting for Business Combination using the Pooling-of-interest Method

Business combinations arising from transfers of interests in entities that are under the common control of the principal stockholder are accounted for under the pooling-of-interest method. Transfers of assets between commonly-controlled entities are accounted for under historical cost accounting; hence, the assets and liabilities are reflected in the consolidated financial statements at carrying values and no adjustments are made to reflect fair values or recognized any new assets or liabilities, at the date of the combination that otherwise would have been done under the acquisition method.

No restatements are made to the financial information in the consolidated financial statements for periods prior to the business combination as allowed under Philippine Interpretations Committee (PIC) Question & Answer (Q&A) No. 2012-01, PFRS 3.2 – *Application of Pooling of Interest Method for Business Combination of Entities under Common Control in Consolidated Financial Statements* (as amended by PIC Q&A No. 2015-01, *Conforming Changes to PIC Q&As – Cycle 2015*, and PIC Q&A No. 2018-13, *Conforming Changes to PIC Q&As – Cycle 2018)*; hence, the profit and loss of the acquiree is included in the consolidated financial statements for the full year, irrespective of when the combination took place. Also, no goodwill is recognized as a result of the business combination and any excess between the net assets of the acquiree and the consideration paid is accounted for as "equity reserves". Also, any pre-acquisition income and expenses of a subsidiary are no longer included in the consolidated financial statements. The Group used this method in accounting for the merger between Pedro Domecq and DDDB in 2021, the merger between BFS and CBSP in 2020, the merger between Pedro Domecq and Bodega Domecq in 2019 and the restructuring of WMG in 2019 [see Note 1.1(g), (o) and (p)].

(c) Accounting for Asset Acquisition

Acquisition of assets in an entity which does not constitute a business is accounted for as an asset acquisition. Under the asset purchase accounting, the purchase costs are allocated to identifiable assets and liabilities based on relative fair values of individual items; any goodwill or gain on bargain purchase is not recognized; and transaction costs are capitalized.

2.14 Provisions and Contingencies

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive obligation that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pretax rate that reflects market assessments and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the consolidated financial statements. Similarly, possible inflows of economic benefits to the Group that do not yet meet the recognition criteria of an asset are considered contingent assets, hence, are not recognized in the consolidated financial statements. On the other hand, any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

2.15 Revenue and Expense Recognition

Revenue arises mainly from the sales of goods and services, rental income, interest income, dividend income and trading gains.

Revenue is recognized in a manner that depicts the pattern of goods and services to customers at an amount to which the Group expects to be entitled in exchange for those goods and services. The focus of revenue recognition is on the transfer of control of goods or services, which could be at a point in time or over time, following this five-step process:

(1) identify the contract with a customer;
(2) identify the performance obligation (distinct goods or services promised) in the contract;
(3) determine the transaction price (including fixed amounts or variable amounts, or both, financing components, non-cash consideration, consideration payable to customer, if any);
(4) allocate the transaction price to the performance obligations; and,
(5) recognize revenue when (or as) performance obligations are satisfied (at a point in time or over time).

In identifying whether a contract with a customer exists, the following five gating criteria must be present:

(i) the parties to the contract have approved the contract and committed to perform their respective obligations;
(ii) each party's rights in relation to the goods or services to be transferred or performed can be identified;
(iii) the payment terms can be identified;
(iv) the contract has commercial substance (i.e., the Group expects the risk, timing or amount of the future cash flows to change as a result of the contract); and,
(v) collection of the consideration in exchange of the goods and services is probable (i.e., more likely than not to occur).

A contract, for purposes of revenue recognition, does not exist if each party has a unilateral enforceable right to terminate a wholly unperformed contract without compensating the other party.

A performance obligation is satisfied at a point in time unless it meets one of the following criteria, in which case it is satisfied over time:

(i) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
(ii) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; and,
(iii) the Group's performance does not create an asset with an alternative use to the Group and the entity has an enforceable right to payment for performance completed to date.

Revenue from sale of goods are recognized at a point in time, when the customer has acknowledged the receipt of the goods, while services are recognized over time based on the measure of progress of services rendered to the customer. Payment terms for sale of goods on credit vary as to number of days after receipt by the customer.

As applicable, when the Group is required to refund the related purchase price for returned goods, it recognizes a refund liability for the expected refunds by adjusting the amount of revenues recognized during the period. Also, if applicable, the Group recognizes a right of refund asset on goods to be recovered from customers with a corresponding adjustment to Costs of Goods Sold account. However, there were no contracts that contain significant right of return arrangements that remain outstanding as of the end of the reporting periods.

Costs and expenses (see Notes 19 and 20) are recognized in consolidated profit or loss upon utilization of goods or rendering of services or at the date these are incurred. All finance costs are reported in consolidated profit or loss on an accrual basis, except capitalized borrowing costs which are included as part of the cost of the related qualifying asset (see Note 2.21).

In obtaining customer contracts, the Group incurs incremental costs. When the expected amortization period of these costs if capitalized would be less than one year, the Group uses the practical expedient by recognizing such costs as incurred. The Group also incurs costs in fulfilling contract with customers (i.e., freight and handling), which are accounted for in accordance with accounting policies related to those assets (see Notes 2.6, 2.8 and 2.9).

2.16 Leases

The Group accounts for its leases as follows:

(a) Group as Lessee

For any new contracts entered into, the Group considers whether a contract is, or contains, a lease. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

To apply such definition, the Group assesses whether the contract meets the following three key evaluations:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;

- there is a right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering the rights within the defined scope of the contract; and,

- there is a right to direct the use of the identified asset throughout the period of use. The Group assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

At commencement date of the lease, a right-of-use asset and a lease liability are recognized in the consolidated statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

Subsequently, the right-of-use asset is depreciated on a straight-line basis from the lease commencement date to the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist (see Note 2.18).

On the other hand, the lease liability is measured at the present value of the lease payments unpaid at the commencement date, discounted using the interest rate implicit in the lease, if that rate is readily available, or the Group's incremental borrowing rate. Lease payments include fixed payments (including in-substance fixed) less lease incentives receivable, if any, variable lease payments based on an index or rate, amounts expected to be payable under a residual value guarantee, and payments arising from options (either renewal or termination) reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

On the consolidated statement of financial position, Right-of-use assets are presented as part of Property, Plant and Equipment while Lease Liabilities are presented as separate line item under the Current and Non-current Liabilities sections.

(b) Group as Lessor

Leases which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset are classified as operating leases. Lease income from operating leases is recognized in profit or loss on a straight-line basis over the lease term.

The Group determines whether an arrangement is, or contains, a lease based on the substance of the arrangement. It makes an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific or identified asset or assets and the arrangement conveys a right to use the asset for a period of time in exchange for consideration.

2.17 Foreign Currency Transactions and Translation

(a) Transactions and Balances

Foreign currency transactions during the year are translated into the functional currency at exchange rates which approximate those prevailing on transaction dates. Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of comprehensive income as part of profit or loss.

(b) *Translation of Financial Statements of Foreign Subsidiaries*

The consolidated operating results and financial position of offshore subsidiaries (see Note 1.1), which are measured using the United States ("U.S.") dollar, British pound sterling ("GBP") and European Union euro ("EUR"), their functional currencies, are translated to Philippine pesos, the Parent Company's functional currency, as follows:

(i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;

(ii) Income and expenses for each profit or loss account are translated at the monthly average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and,

(iii) All resulting translation adjustments are recognized in other comprehensive income and in a separate component of equity under the Accumulated Translation Adjustments account.

When a foreign operation is partially disposed of or sold, such exchange differences are recognized in the consolidated statement of comprehensive income as part of the gain or loss on sale.

The translation of the financial statements into Philippine pesos should not be construed as a representation that the foreign currency amounts could be converted into Philippine peso amounts at the translation rates or at any other rates of exchange.

2.18 Impairment of Non-financial Assets

Property, plant and equipment (see Note 9.1), right-of-use assets (see Note 9.2), intangible assets (see Note 10), investment in a joint venture (see Note 12), and other non-financial assets (see Note 11) are tested for impairment whenever events or changes in circumstances indicate that the carrying amount of those assets may not be recoverable, except for goodwill and intangible assets with indefinite useful lives, which are required to be tested for impairment annually.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, assets are tested for impairment either individually or at the cash-generating unit level.

Impairment loss is recognized in profit or loss for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amounts, which is the higher of its fair value less costs to sell and its value in use. In determining value in use, management estimates the expected future cash flows from each cash-generating unit and determines the suitable interest rate in order to calculate the present value of those cash flows.

The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

Except for goodwill and intangible assets with indefinite useful lives, all assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment loss is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

2.19 Employment Benefits

The Group's post-employment benefits to its employees are as follows:

(a) *Post-employment Defined Benefit Plan*

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of post-employment plan remains with the Group, even if plan assets for funding the defined benefit plan have been acquired. Plan assets may include assets specifically designated to a long-term benefit fund, as well as qualifying insurance policies. The Group's retirement cost accrual covers all regular full-time employees. The pension plan is tax-qualified, noncontributory and administered by a trustee.

The liability recognized in the consolidated statement of financial position for defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period, less the fair value of plan assets. The defined benefit obligation is calculated regularly by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows for expected benefit payments using a discount rate derived from the interest rates of zero coupon government bonds, using the reference rates published by Bloomberg using its valuation technology, Bloomberg Valuation ("BVAL"), that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability. BVAL provides evaluated prices that are based on market observations from contributed sources.

Remeasurements, comprising of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions) and the return on plan assets (excluding amount included in net interest) are reflected immediately in the consolidated statement of financial position with a charge or credit recognized in consolidated other comprehensive income in the period in which they arise. Net interest is calculated by applying the discount rate at the beginning of the period, unless there is a plan amendment, curtailment or settlement during the reporting period. The calculation also takes into account any changes in the net defined benefit liability or asset during the period as a result of contributions to the plan or benefit payments. Net interest is reported as part of Interest Expense account in the consolidated statement of comprehensive income. Past service costs are recognized immediately in the consolidated statement of comprehensive income in the period of a plan amendment or curtailment.

(b) Post-employment Defined Contribution Plan

A defined contribution plan is a post-employment plan under which the Group pays fixed contributions into an independent entity. The Group has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. The contributions recognized in respect of defined contribution plans are expensed as they fall due. Liabilities and assets may be recognized if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short-term nature.

(c) Short-term Employee Benefits

Short-term employee benefits include wages, salaries, bonuses, and non-monetary benefits provided to current employees, which are expected to be settled before 12 months after the end of the annual reporting period during which an employee services are rendered, but does not include termination benefits. The undiscounted amount of the benefits expected to be paid in respect of services rendered by employees in an accounting period is recognized in profit or loss during that period and any unsettled amount at the end of the reporting period is included as part of Accrued expenses under the Trade and Other Payables account in the consolidated statement of financial position.

(d) Bonus Plans

The Group recognizes a liability and an expense for bonuses based on a formula that takes into consideration the Group's profits after certain adjustments. The Group recognizes a provision where it is contractually obliged to pay the benefits, or where there is a past practice that has created a constructive obligation.

(e) Compensated Absences

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of the reporting period. They are included in Trade and Other Payables account in the consolidated statement of financial position at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

2.20 Share-based Employee Remuneration

The Parent Company grants share options to qualified employees of the Group eligible under a share option plan. The services received in exchange for the grant, and the corresponding share options, are valued by reference to the fair value of the equity instruments granted at grant date. This fair value excludes the impact of non-market vesting conditions (e.g., profitability and sales growth targets and performance conditions), if any. The share-based remuneration is recognized as an expense in the consolidated profit or loss with a corresponding credit to Share Options Outstanding account under the Equity section of the consolidated statement of financial position.

The share-based remuneration expense is recognized during the vesting period based on the best available estimate of the number of share options expected to vest. The estimate is subsequently revised, if necessary, such that it equals the number of share options that ultimately vests on vesting date. No subsequent adjustment is made to expense after vesting date, even if share options expire or are ultimately not exercised.

Upon exercise of share option, the proceeds received net of any directly attributable transaction costs up to the nominal value of the shares issued are allocated to capital stock with any excess being recorded as additional paid-in capital ("APIC").

Upon expiration of the unexercised share option, the value assigned to the stock option is transferred to APIC.

2.21 Borrowing Costs

Borrowing costs are recognized as expenses in the period in which they are incurred, except to the extent that they are capitalized. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (i.e., an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of cost of such asset (see Notes 9 and 14). The capitalization of borrowing costs commences when expenditures for the asset and borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when substantially all such activities are complete.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

2.22 Income Taxes

Tax expense comprises the sum of current tax and deferred tax recognized in the consolidated profit or loss (see Note 22).

Current tax assets or current tax liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the end of the reporting period. They are calculated using the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or current tax liabilities are recognized as a component of tax expense in the consolidated statement of comprehensive income.

Deferred tax is accounted for, using the liability method, on temporary differences at the end of each reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carryforward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Deferred tax assets, whether recognized or unrecognized, are reassessed at the end of each reporting period and are recognized or reduced, as the case may be, to the extent that it has become probable that future taxable profit will be available to allow all or part of such deferred tax assets to be utilized [see Note 3.2(f)].

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled, provided such tax rates have been enacted or substantially enacted at the end of the reporting period.

Most changes in deferred tax assets or deferred tax liabilities are recognized as a component of tax expense in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

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

2.23 Related Party Transactions and Relationships

Related party transactions are transfers of resources, services or obligations between the Group and its related parties, regardless whether a price is charged (see Note 23).

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Group; (b) associates; (c) individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the Group, (d) close members of the family of any such individual; and, (e) the Group's funded retirement plan.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

Transactions, individually or in aggregate, amounting to 10% or more of the total assets based on the latest audited consolidated financial statements that were entered into with related parties are considered material.

All individual material related party transactions shall be approved by at least two-thirds vote of the BOD, with at least a majority of the independent directors voting to approve the material related party transactions. In case that a majority of the independent directors' vote is not secured, the material related party transaction may be ratified by the vote of the stockholders representing at least two-thirds of the outstanding capital stock. For aggregate related party transactions within a one year period that breaches the 10% materiality threshold, the same board approval would be required for the transaction(s) that meets and exceeds the materiality threshold covering the same related party.

Directors with personal interest in the transaction should abstain from participating in discussions and voting on the same. In case they refuse to abstain, their attendance shall not be counted for the purposes of assessing the quorum and their votes shall not be counted for purposes of determining approval.

2.24 Equity

Capital stock represents the nominal value of shares that have been issued (see Note 24.1).

APIC includes any premium received on the issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from APIC, net of any related income tax benefits. Excess of proceeds from sale of treasury shares over acquisition cost of such treasury shares is also added to APIC (see Note 24.1).

Deposit on future stock subscription – Equity-linked securities represents the remaining portion of ELS subject for future issuance of shares [see Notes 3.2(h) and 15].

Treasury shares are EMP shares reacquired by the Group but not cancelled. These are carried at cost of reacquiring such shares and are deducted from equity attributable to the Parent Company's equity holders until the shares are cancelled, reissued or disposed of (see Note 24.2).

Conversion options outstanding represent the equity component of ELS. This will eventually be closed to APIC upon settlement or conversion of the ELS [see Note 3.2(h)].

Share options outstanding represent the accumulated total of employee share options' amortizations over the vesting period as share-based employee remuneration are recognized and reported in the consolidated statement of comprehensive income (see Note 24.4). This will eventually be closed to APIC upon exercise or expiration.

Accumulated translation adjustments represent the translation adjustments resulting from the translation of foreign currency-denominated financial statements of foreign subsidiaries into the Group's functional and presentation currency [see Note 2.17(b)(iii)].

Revaluation reserves comprise gains and losses due to remeasurements of post-employment defined benefit plan.

Other reserves include legal reserves that represent the statutory requirements in Luxembourg, which comprise of net wealth tax reserve and capital reserve. Certain statutory requirements based on Spanish legislation were also included as part of this account.

Retained earnings, the appropriated portion of which is not available for dividend declaration (see Note 24.5), represent the current and all prior period results of operations as reported in the consolidated profit or loss section of the consolidated statement of comprehensive income, reduced by the amounts of dividends declared.

NCI represent the portion of the net assets and profit or loss not attributable to the Parent Company's stockholders which are presented separately in the Group's consolidated statement of comprehensive income and within the equity in the Group's consolidated statement of financial position and consolidated statement of changes in equity (see Note 24.6).

2.25 Earnings Per Share

Basic earnings per share ("EPS") is determined by dividing the net profit attributable to equity holders of the Parent Company by the weighted average number of common shares issued and outstanding, adjusted retroactively for any stock dividend, stock split or reverse stock split declared and shares reacquired during the current year (see Note 25).

Diluted EPS is computed by adjusting the weighted average number of shares outstanding to assume conversion of dilutive potential shares. The Group has dilutive potential shares outstanding related to its employee share options and convertible ELS, which are deemed to have been converted to common shares at the date of issuance of the options.

2.26 Events After the End of the Reporting Period

Any post year-end event that provides additional information about the Group's consolidated financial position at the end of the reporting period (adjusting event) is reflected in the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements in accordance with PFRS requires management to make judgments and estimates that affect the amounts reported in the consolidated financial statements and related notes. 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. Actual results may ultimately differ from these estimates.

3.1 Critical Management Judgments in Applying Accounting Policies

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

(a) Evaluation of Business Model and Cash Flow Characteristics of Financial Instruments

The Group applies the business model test and cash flow characteristics test at a portfolio of financial assets (i.e., group of financial instruments that are managed together to achieve a particular objective) and not on an instrument-by-instrument approach (i.e., not based on intention for each or specific characteristic of individual instrument) as these relate to the Group's investment and trading strategies. The business model assessment is performed on the basis of reasonably expected scenarios (and not on reasonably expected not to occur, such as the so-called 'worst case' or 'stress case' scenarios). A business model for managing financial assets is typically observable through the activities that the Group undertakes to achieve the objective of the business model.

The Group uses judgment when it assesses its business model for managing financial assets and that assessment is not determined by a single factor or activity. Instead, the Group considers all relevant evidence that is available at the date of assessment which includes, but not limited to:

- how the performance of the business model and the financial assets held within the business model are evaluated and reported to key management personnel;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed; and,
- how managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

(b) Determination of ECL on Financial Assets at Amortized Cost

The Group applies the ECL methodology which requires certain judgments in selecting the appropriate method in determining the amount of ECL. In measuring ECL, the Group considers a broader range of information which include past events, current conditions, and reasonable and supportable forecasts that affect collectability of the future cash flows of the financial assets. The Group uses loss rates and provision matrix to calculate ECL.

The provision matrix and loss rates are based on the Group's historical observed default rates. The Group's management intends to regularly calibrate (i.e., on an annual basis) the matrix to consider the historical credit loss experience with forward-looking information (i.e., forecast economic conditions). Details about the ECL on the Group's trade and other receivables are disclosed in Notes 2.5(b) and 27.2(b).

(c) Determination of Lease Term of Contracts with Renewal and Termination Options

In determining the lease term, management considers all relevant factors and circumstances that create an economic incentive to exercise a renewal option or not exercise a termination option.

Renewal options and/or periods after termination options are only included in the lease term if the lease is reasonably certain to be extended or not terminated.

For leases of bottling plant, warehouses, office spaces, commercial buildings, vehicles, fitting and equipment, the factors that are normally the most relevant are (a) if there are significant penalties should the Group pre-terminate the contract, and (b) if any leasehold improvements are expected to have a significant remaining value, the Group is reasonably certain to extend and not to terminate the lease contract. Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased assets.

The lease term is reassessed if an option is actually exercised or not exercised or the Group becomes obliged to exercise or not exercise it. In assessing the enforceability of the option, an entity should consider whether the lessor can refuse to agree to a request from the lessee to extend the lease. Accordingly, if the lessee has the right to extend or terminate the lease, there are enforceable rights and obligations beyond the initial non-cancellable period and thus, the parties to the lease would be required to consider those optional periods in their assessment of the lease term.

(d) Distinction Between Business Combination and Asset Acquisition

The Group determines whether an acquisition of an entity constitute a business combination or an asset acquisition. The accounting treatment for the acquisition is determined by assessing whether the transaction involved a purchase of a "business" taking into consideration the substance of the transaction. Failure to make the right judgment will result in misstatement of assets and other accounts that could have been affected by the transactions (see Note 2.13).

The groups of assets acquired in the Domecq Acquisition and Garvey Acquisition do not include an integrated set of activities that are capable of being managed. In addition, the group of assets acquired under the Garvey Acquisition was previously under receivership from various third parties. Accordingly, management has assessed that the Domecq Acquisition and Garvey Acquisition, as disclosed in Note 1.1(p) and (r), are to be accounted for as asset acquisition since these do not constitute a purchase of business; hence, no goodwill or gain on acquisition was recognized.

Conversely, EUK's purchases of ownership in WMG, EDI's acquisition of full equity ownership in TEI, TEI's acquisition of 51% ownership in Boozylife, and BFS's purchases of Fundador Business Unit as disclosed in Notes 1.1(d), (g), (l) and 10, are accounted for as business combinations using the acquisition method. On initial recognition, the assets and liabilities of the acquired business and the consideration paid for them are included in the consolidated financial statements at their fair values. In measuring fair value, management uses estimates of future cash flows and discount rates. Any subsequent change in these estimates would affect the amount of goodwill if the change qualifies as a measurement period adjustment. Any other change would be recognized in consolidated profit or loss in the subsequent period.

Moreover, the transfers of ownership interest over WML and WMWL from WMG to WMGL, the merger between CBSP and BFS, the merger between Pedro Domecq and Bodega Domecq and the merger between Pedro Domecq and DDDB are accounted for as business combinations using pooling-of-interest method as these are transfers of interests in entities that are under the common control and there is no change of control before and after the restructuring or mergers [see Note 1.1(g), (o) and (p)].

(e) *Determination of Control or Joint Control*

Judgment is exercised in determining whether the Group has control or joint control over an entity. In assessing each interest over an entity, the Group considers voting rights, representation on the BOD or equivalent governing body of the investee, participation in policy-making process and all other facts and circumstances, including terms of any contractual agreement.

Management considers that the Group has control over DBLC because it holds 50% of the common shares. The Parent Company, through its wholly owned subsidiary, GES, exercises control over the entity because GES has the ability to direct the relevant activities of DBLC through appointment of key management personnel (see Note 1.1).

Management considers that the Group has joint control over BLC because the agreement involves contractually agreed sharing of control and that decisions about relevant activities require the unanimous consent of the parties sharing control.

(f) *Classification of Non-current Assets as Held for Sale*

The Group classifies an asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sale of such assets (or disposal group) and its sale must be highly probable.

For the sale to be highly probable, the appropriate level of management must be committed to a plan to sell the asset (or disposal group), and an active program to locate a buyer and complete the plan must have been initiated. Further, the asset (or disposal group) must be actively marketed for sale at a price that is reasonable in relation to its current fair value. In addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification, except when delay is caused by events or circumstances beyond the Group's control and there is sufficient evidence that the Group remains committed to its plan to sell the asset (or disposal group). The actions required to complete the plan should also indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

Based on management's assessment, the letter of intent dated December 27, 2020 which provides the Group's commitment to sell certain land and buildings to a related party are the main consideration for classifying these assets as non-current assets held for sale as of December 31, 2021 and 2020 (see Note 13).

(g) *Recognition of Provisions and Contingencies*

Judgment is exercised by management to distinguish the difference between provisions and contingencies. Policies on recognition of provisions and contingencies are discussed in Note 2.14 and disclosures on relevant provisions and contingencies are presented in Notes 17 and 26.

3.2 Key Sources of Estimation Uncertainty

Presented below and in the succeeding pages are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period.

(a) *Impairment of Financial Assets at Amortized Cost*

In measuring ECL, the Group added significant assumptions about the future economic conditions and credit behavior (e.g., likelihood of counterparties defaulting and the resulting losses), as further detailed in Note 27.2. The Group evaluated impairment based on available facts and circumstances affecting collectability of accounts, including but not limited to, the length of the Group's relationship with the counterparties, counterparties' credit status, age of accounts and collection and historical loss experience. Based on the management's review, appropriate allowance for ECL has been recognized on the Group's financial assets in 2021, 2020 and 2019 (see Notes 2.5 and 6).

(b) *Fair Value Measurement of Financial Instruments*

Management applies valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

The carrying values and amounts of fair value changes recognized during the years presented on the Group's financial instruments at FVTPL [see Notes 2.5(a)(ii) and 2.11(a)] are disclosed in Note 7.

(c) *Determination of Net Realizable Values of Inventories*

In determining the net realizable values of inventories (see Note 2.6), management takes into account the most reliable evidence available at the times the estimates are made. The Group's core business is subject to changes in market factors that directly affect the demand for alcoholic beverages such as purchasing power of consumers, degree of competition, and other market-related factors. Future realization of inventories is affected by price changes in the costs incurred necessary to produce the inventories and make a sale. These aspects are considered as key sources of estimation uncertainty and may cause significant adjustments to the Group's inventories within the next reporting period. A reconciliation of the allowance for inventory write-down is presented in Note 8.

(d) *Estimation of Useful Lives of Property, Plant and Equipment, Right-of-Use Assets and Trademarks*

The Group estimates the useful lives of property, plant and equipment, right-of-use assets and trademarks based on the period over which the assets are expected to be available for use. Certain trademarks were determined to have indefinite useful lives because these brands have been in existence for more than 100 years.

The estimated useful lives of property, plant and equipment, right-of-use assets and trademarks are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets [see Notes 2.8, 2.9 and 2.16(a)]. The carrying amounts of property, plant and equipment, right-of-use assets and trademarks are presented in Notes 9.1, 9.2 and 10, respectively.

(e) *Determination of Appropriate Discount Rate in Measuring Lease Liabilities*

The Group measures its lease liabilities at present value of the lease payments that are not paid at the commencement date of the lease contract. The lease payments were discounted using a reasonable rate deemed by management equal to the Group's incremental borrowing rate. In determining a reasonable discount rate, management considers the term of the leases, the underlying asset and the economic environment. Actual results, however, may vary due to changes in estimates brought about by changes in such factors.

(f) *Determination of Realizable Amount of Deferred Tax Assets*

The Group reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Management assessed that the deferred tax assets recognized as of December 31, 2021 and 2020 will be fully utilized in the subsequent reporting periods. The carrying value of deferred tax assets as of those dates is disclosed in Note 22.

(g) *Impairment of Non-financial Assets*

In assessing impairment, management estimates the recoverable amount of each asset or a cash-generating unit based on expected future cash flows and uses an interest rate to calculate the present value of those cash flows. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate (see Note 2.18). Though management believes that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

No impairment losses were recognized on non-financial assets in 2021, 2020 and 2019, except for impairment of certain intangible assets in 2019 as shown in Note 10, based on management's assessment.

(h) *Recognition of Financial Liability and Equity Components of Compound Financial Instruments*

The ELS [see Notes 2.11(b) and 15] contains both a financial liability, which is the Group's contractual obligation to pay cash, and an equity component, which is the holder's option to convert it into the Parent Company's common shares. The value of the financial liability component is determined separately, which is deducted from the fair value of the compound instrument as a whole, and the residual amount is assigned as the value of the equity component.

Valuation techniques are used to determine the fair values, which are validated and periodically reviewed. To the extent practicable, models use observable data, however, areas such as own credit risk, volatilities and correlations require management to make estimates. The Group uses judgment to select a variety of methods and make assumptions that are mainly based on conditions existing at the date of the issuance of the ELS.

Initially, the Group determined the carrying amount of the financial liability component by measuring the present value of the contractual stream of future cash flows, using the interest rate of similar liabilities that do not have an associated equity component. When the fair value of the financial liability is compared with the fair value of the compound financial instrument as a whole, which is equivalent to the issue price, there was no residual amount such that no value was assigned to the equity component; hence, no equity component was recognized in the consolidated financial statements at that time. Subsequently, the financial liability was measured at amortized cost.

In 2017, as a result of the amendment of the ELS, management reassessed the compound financial instrument and recomputed the fair values of the components at the time of amendment, which resulted in a revalued financial liability component [see Note 2.11(b)] and an equity component with value (see Note 2.24). Accordingly, the Group presented the components separately as Equity-linked Debt Securities (see Note 15) and Conversion Options Outstanding accounts under the Current Liabilities and Equity sections, respectively, of the 2020 consolidated statement of financial position.

On December 4, 2019, the Group exercised the option to extend the redemption date of ELS until December 4, 2021 which did not result to substantial modification of terms. On December 3, 2021, the financial liability component of the ELS amounting to P3.4 billion was derecognized and an equity component was recognized amounting to P3.4 billion, which is presented as Deposit on Future Stock Subscription – Equity-linked Securities under the Equity section of the 2021 consolidated statement of financial position (see Note 15). The actual conversion pertaining to issuance of ELS shares is expected to happen in 2022.

(i) *Valuation of Post-employment Defined Benefit*

The determination of the Group's obligation and cost of post-employment defined benefit is dependent on the selection of certain assumptions used by management and actuaries in calculating such amounts. Those assumptions include, among others, discount rates, salary rate increase, and employee turnover rate. A significant change in any of these actuarial assumptions may generally affect the recognized expense, other comprehensive income or losses and the carrying amount of the post-employment benefit obligation in the next reporting period.

The amounts of post-employment defined benefit obligation and expense and an analysis of the movements in the estimated present value of post-employment defined benefit, as well as the significant assumptions used in estimating such obligation are presented in Note 21.3.

(j) *Fair Value Measurement of Share Options*

The Group estimates the fair value of the share option by applying an option valuation model, taking into account the terms and conditions on which the share option was granted. The estimates and assumptions used are presented in Note 24.4 which include, among others, the option's time of expiration, applicable risk-free interest rate, expected dividend yield, and volatility of the Parent Company's share price. Changes in these factors can affect the fair value of share options at grant date.

Details of employee share option plan and the amount of fair value recognized is presented in Note 24.4.

(k) *Determination of Provision for Onerous Lease*

The Group determines the provision for leasehold properties which are no longer used in the business for which the recoverable amount of the interest in the property is expected to be insufficient to cover future obligations relating to the lease using discounted cash flows and assumptions relating to future sublease income expectations. A significant change in the credit-adjusted risk-free rate used in discounting the estimated cost and sublease assumptions would result in a significant change in the amount of provision recognized with a corresponding effect in consolidated profit or loss.

In 2019, these provisions were directly adjusted against the beginning balance of the Group's right-of-use assets in accordance with PFRS 16. In 2021 and 2020, additional provision was recognized due to changes in assumptions arising from the impact of COVID-19. An analysis of the Group's provision for onerous lease is presented in Note 17.1.

(l) *Determination of Provision for Restoration of Leased Property*

Determining provision for leased property restoration requires estimation of the cost of dismantling and restoring the leased properties to their original condition. The estimated cost was initially determined based on a recent cost to restore the facilities and is being adjusted to consider the estimated incremental annual costs up to the end of the lease term. A significant change in the credit-adjusted risk-free rate used in discounting the estimated cost would result in a significant change in the amount of provision recognized with a corresponding effect in profit or loss.

An analysis of the Group's provisions for leased property restoration cost is presented in Note 17.2.

4. SEGMENT INFORMATION

4.1 Business Segments

The Group is organized into two business segments, the Brandy and Scotch Whisky, which represent the two major distilled spirits categories where the Group operates. Scotch Whisky pertains to the UK operations and the rest fall under Brandy. This is also the basis of the Group's executive committee for its strategic decision-making activities, including the financial performance evaluation of the operating segments or resource allocation decisions.

The Group disaggregates revenues recognized from contracts with customers into these two segments that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The same disaggregation is used in earnings releases, annual reports and investor presentations.

4.2 Segment Assets and Liabilities

Segment assets and liabilities represent the assets and liabilities reported in the consolidated statements of financial position of the companies included in each segment.

4.3 Intersegment Transactions

Intersegment transactions, such as intercompany sales and purchases, and receivables and payables, are eliminated in consolidation.

4.4 Analysis of Segment Information

Segment information for the years ended December 31, 2021, 2020 and 2019 (in millions) are presented below.

	BRANDY			SCOTCH WHISKY			SEGMENT TOTALS		
	2021	2020	2019	**2021**	2020	2019	**2021**	2020	2019
REVENUES AND OTHER INCOME									
External customers	**P37,232**	P 36,891	P 37,627	**P 18,704**	P 15,943	P 13,938	**P 55,936**	P 52,834	P51,565
Intersegment sales*	**730**	714	786	**64**	70	241	**794**	784	1,027
	37,962	37,605	38,413	**18,768**	16,013	14,179	**56,730**	53,618	52,592
COSTS AND EXPENSES									
Costs of goods sold	**24,378**	25,913	25,662	**10,431**	9,486	7,672	**34,809**	35,399	33,334
Intersegment cost of goods sold*	**64**	70	241	**730**	714	786	**794**	784	1,027
Selling and distribution expenses	**2,546**	3,321	3,649	**2,294**	1,942	2,372	**4,840**	5,263	6,021
General and administrative expenses	**1,075**	1,111	1,986	**1,131**	997	938	**2,206**	2,108	2,924
Interest expense and other charges	**1,005**	413	633	**181**	215	173	**1,186**	628	806
	29,068	30,828	32,171	**14,767**	13,354	11,941	**43,835**	44,182	44,112
SEGMENT PROFIT BEFORE TAX	**8,894**	6,777	6,242	**4,001**	2,659	2,238	**12,895**	9,436	8,480
TAX EXPENSE	**1,314**	992	1,377	**1,433**	407	271	**2,747**	1,399	1,648
SEGMENT NET PROFIT	**P 7,580**	P 5,785	P 4,865	**P 2,568**	P 2,252	P 1,967	**P 10,148**	P 8,037	P 6,832
TOTAL ASSETS*	**P136,220**	P134,298	P133,045	**P54,471**	P 50,500	P 49,469	**P190,692**	184,798	182,514
TOTAL LIABILITIES*	**50,855**	27,080	55,292	**11,864**	41,148	13,846	**62,718**	68,228	69,138
Depreciation and amortization	**1,222**	1,254	1,241	**325**	313	305	**1,547**	1,567	1,546
Interest expense*	**597**	441	659	**186**	108	122	**783**	549	781
Equity share in net income of joint venture	**162**	185	239	**-**	-	-	**162**	185	239

**Intersegment accounts are eliminated in consolidation. Numbers may not add up due to rounding. See reconciliation in Note 4.5 below.*

The Group's revenues and other income in the years presented range from 65% to 69% from the Asia Pacific, 22% to 25% from Europe and the remaining portion from North and Latin Americas, Middle East and Africa and other countries.

Sales to any of the Group's major customers did not exceed 10% of the Group's revenues in all of the years presented.

4.5 Reconciliations

The reconciliation of total segment balances presented for the Group's operating segments to the Group's consolidated balances as presented in the consolidated financial statements are as follows (in millions):

		Segment Totals		Intercompany Accounts		Consolidated Balances
2021						
Revenues and other income	**P**	**56,730**	**(P**	**794)**	**P**	**55,936**
Costs and expenses		**43,835**	**(**	**794)**		**43,041**
Total assets		**190,692**	**(**	**62,175)**		**128,516**
Total liabilities		**62,718**	**(**	**12,920)**		**49,798**
Other segment information:						
Depreciation and amortization		**1,547**		**-**		**1,547**
Interest expense		**783**		**-**		**783**
Share in net profit of joint venture		**162**		**-**		**162**
2020						
Revenues and other income	P	53,618	(P	784)	P	52,834
Costs and expenses		44,182	(	784)		43,398
Total assets		184,798	(	62,346)		122,452
Total liabilities		68,228	(	13,140)		55,088
Other segment information:						
Depreciation and amortization		1,567		-		1,567
Interest expense		549		-		549
Share in net profit of joint venture		185		-		185
2019						
Revenues and other income	P	52,592	(P	1,027)	P	51,565
Costs and expenses		44,112	(	1,027)		43,085
Total assets		182,514	(	56,467)		126,047
Total liabilities		69,138	(	7,807)		61,331
Other segment information:						
Depreciation and amortization		1,546		-		1,546
Interest expense		781		-		781
Share in net profit of joint venture		239		-		239

5. CASH AND CASH EQUIVALENTS

This account includes the following components:

		2021		2020
Cash on hand and in banks	**P**	**4,485,605,267**	P	4,319,014,811
Short-term placements		**4,848,178,171**		3,242,154,329
	P	**9,333,783,438**	P	7,561,169,140

Cash in banks generally earn interest at rates based on daily bank deposit rates. Short-term placements have an average maturity of 30 to 64 days and earn effective annual interest rates ranging from 0.5% to 0.6% in 2021, from 0.5% to 3.8% in 2020, and from 3.1% to 6.6% in 2019. Interest earned amounted to P86.4 million, P183.0 million and P315.8 million in 2021, 2020 and 2019, respectively, and is presented as part of Interest income under the Revenues and Other Income section of the consolidated statements of comprehensive income (see Note 18).

6. TRADE AND OTHER RECEIVABLES

Details of this account are as follows [see Note 2.5(a)(i)]:

	Notes	2021	2020
Trade receivables	23.3	**P 13,930,847,017**	P 14,890,213,702
Advances to suppliers	2.7	**6,147,264,154**	5,036,539,368
Advances to officers and employees	23.4	**103,446,030**	44,299,252
Accrued interest receivable		**378,467**	587,867
Advances to ultimate parent company	23.6	**-**	2,178,819,411
Other receivables		**356,571,487**	52,781,978
		20,538,507,155	22,203,241,578
Allowance for impairment	3.2(a)	**(192,652,354)**	(189,441,284)
		P 20,345,854,801	P 22,013,800,294

Advances to suppliers pertain to downpayments made primarily for the purchase of goods from suppliers.

All of the Group's trade and other receivables have been assessed for impairment using the ECL model adopted by the Group [see Notes 2.5(b), 3.1(b) and 3.2(a)]. Certain trade and other receivables were found to be impaired using the ECL methodology as determined by the management; hence, adequate amounts of allowance for impairment have been recognized (see Note 27.2).

A reconciliation of the allowance for impairment at the beginning and end of 2021 and 2020 is shown below.

	2021	2020
Balance at beginning of year	**P 189,441,284**	P 88,686,826
Recoveries	**(15,546,909)**	(7,575,360)
Impairment losses	**11,561,171**	109,087,408
Translation adjustment	**7,196,808**	(757,590)
Balance at end of year	**P 192,652,354**	P 189,441,284

Recoveries pertain to collections of certain receivables previously provided with allowance, which are presented as part of Other income under Revenues and Other Income in the consolidated statements of comprehensive income (see Note 18). There were no write-offs of receivables in 2021 and 2020.

Impairment losses on trade and other receivables are presented as Impairment losses on financial assets under the General and Administrative Expenses account in the consolidated statements of comprehensive income (see Note 20).

The carrying amounts of these financial assets are a reasonable approximation of their fair values due to their short-term duration.

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group's financial assets at FVTPL as of December 31, 2021 and 2020 pertain to derivative instruments amounting to P3.3 million and P52.6 million, respectively [see Note 2.5(a)(ii)].

The net changes in fair values and interest income earned on these financial instruments are presented in the consolidated statements of comprehensive income as part of Other income and Interest income, respectively, in the Revenues and Other Income section (see Notes 18 and 23.11). The Group recognized fair value losses amounting to P52.5 million in 2021 and fair value gains amounting to P61.7 million in 2020 and P34.4 million in 2019. The Group also recognized interest income from these financial instruments amounting to P29.4 million in 2019 (nil in 2021 and 2020).

The fair value of the derivative financial instruments at FVTPL are measured through valuation techniques using the net present value computation [see Notes 3.2(b) and 29.2].

8. INVENTORIES

The details of inventories which are valued at lower of cost and net realizable value, are shown below [see Notes 2.6 and 3.2(c)].

	Notes	2021	2020
At cost:			
Finished goods	19, 23.1	**P 4,451,219,952**	P 4,351,980,903
Work-in-process	9.1, 19, 21.1	**24,225,660,910**	21,071,773,814
Raw materials	19, 23.1	**3,385,062,670**	3,953,242,460
Packaging materials	19	**393,555,813**	333,083,936
Machinery spare parts, consumables and factory supplies		**319,884,044**	287,281,059
		32,775,383,389	29,997,362,172
At net realizable value:			
Finished goods			
Cost	19, 23.1	**1,123,522,860**	807,474,886
Allowance for impairment		**(186,047,864)**	(155,596,608)
Packaging materials			
Cost	19	**431,128,500**	413,938,824
Allowance for impairment		**(130,842,880)**	(103,179,904)
		1,237,760,616	962,637,198
		P 34,013,144,005	P 30,959,999,370

WML has a substantial inventory of aged stocks which mature over periods of up to 60 years. The maturing whisky stock inventory amounting to P19.7 billion and P17.0 billion as of December 31, 2021 and 2020, respectively, is presented as part of work-in-process inventories and is stored in various locations across Scotland.

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An analysis of the cost of inventories included in costs of goods sold for 2021, 2020 and 2019 is presented in Note 19.

A reconciliation of the allowance for inventory write-down is shown below.

	Note	2021	2020
Balance at beginning of year		**P 258,776,512**	P 214,001,436
Impairment losses	19	**58,114,232**	44,775,076
Balance at end of year		**P 316,890,744**	P 258,776,512

The Group recognized losses on inventory write-down amounting to P58.1 million, P44.8 million and P8.3 million in 2021, 2020 and 2019, respectively, which are presented as Impairment losses under the Costs of Goods Sold account in the consolidated statements of comprehensive income (see Note 19). There were no reversals of impairment losses in 2021, 2020 and 2019.

9. PROPERTY, PLANT AND EQUIPMENT

The carrying amount of this account is composed of the following:

	Notes	2021	2020
Property, plant and equipment	9.1	**P 26,841,829,799**	P 25,465,059,928
Right-of-use assets	9.2	**1,024,838,886**	970,785,552
		P 27,866,668,685	P 26,435,845,480

No impairment losses were recognized in 2021, 2020 and 2019 for the Group's property, plant and equipment. As of December 31, 2021 and 2020, certain right-of-use assets which are considered as onerous lease were fully impaired through direct offset of portion of provision for onerous lease (see Notes 9.2 and 17.1).

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9.1 Carrying Values of Property, Plant and Equipment

The gross carrying amounts and accumulated depreciation and amortization of property, plant and equipment at the beginning and end of the reporting periods are shown below.

	Land	Land Improvements	Buildings and Improvements	Leasehold Improvements	Machinery and Equipment	Transportation Equipment	Office Furniture and Fixtures	Moulds and Dies	Construction in Progress	Total
December 31, 2021										
Cost	P 6,934,892,520	P 29,078,186	P12,180,416,457	P 226,930,047	P19,340,430,582	P 582,039,725	P 903,353,870	P 85,754,687	P 1,270,268,607	P 41,553,164,681
Accumulated depreciation and amortization	-	(25,835,973)	(3,394,303,680)	(96,613,842)	(10,186,335,879)	(411,643,527)	(550,341,151)	(46,260,830)	-	(14,711,334,882)
Net carrying amount	**P 6,934,892,520**	**P 3,242,213**	**P 8,786,112,777**	**P 130,316,205**	**P 9,154,094,703**	**P 170,396,198**	**P 353,012,719**	**P 39,493,857**	**P 1,270,268,607**	**P 26,841,829,799**
December 31, 2020										
Cost	P 6,073,906,086	P 29,078,186	P11,210,680,623	P 211,699,399	P18,139,646,211	P 653,059,659	P 680,608,649	P 92,080,387	P 1,170,778,831	P 38,261,538,031
Accumulated depreciation and amortization	-	(22,928,155)	(3,060,454,886)	(89,798,677)	(8,778,306,134)	(426,207,293)	(366,515,973)	(52,266,985)	-	(12,796,478,103)
Net carrying amount	P 6,073,906,086	P 6,150,031	P 8,150,225,737	P 121,900,722	P 9,361,340,077	P 226,852,366	P 314,092,676	P 39,813,402	P 1,170,778,831	P 25,465,059,928
January 1, 2020										
Cost	P 6,862,403,632	P 29,078,186	P10,933,307,413	P 185,659,001	P17,981,196,764	P 659,562,281	P 663,089,701	P 83,945,086	P 1,224,332,802	P 38,622,574,866
Accumulated depreciation and amortization	-	(20,020,336)	(2,479,834,634)	(69,449,304)	(7,969,341,890)	(353,414,603)	(298,587,290)	(48,766,546)	-	(11,239,414,603)
Net carrying amount	P 6,862,403,632	P 9,057,850	P 8,453,472,779	P 116,209,697	P10,011,854,874	P 306,147,678	P 364,502,411	P 35,178,540	P 1,224,332,802	P 27,383,160,263

A reconciliation of the carrying amounts of property, plant and equipment at the beginning and end of the reporting periods is shown below and in the succeeding page.

	Land	Land Improvements	Buildings and Improvements	Leasehold Improvements	Machinery and Equipment	Transportation Equipment	Office Furniture and Fixtures	Moulds and Dies	Construction in Progress	Total
Balance at January 1, 2021, net of accumulated depreciation and amortization	P6,073,906,086	P 6,150,031	P 8,150,225,737	P 121,900,722	P 9,361,340,077	P 226,852,366	P 314,092,676	P 39,813,402	P1,170,778,831	P 25,465,059,928
Additions	651,867,406	-	720,871,296	23,768,992	353,379,618	11,888,358	99,283,149	13,784,550	465,898,035	2,340,741,404
Translation adjustment	209,119,028	-	226,829,824	-	336,402,873	618,003	17,521,541	-	(219,224)	790,272,045
Disposals	-	-	-	-	(18,689,007)	(24,365,439)	(104,949)	(3,147,696)	(11,634,552)	(57,941,643)
Reclassifications of construction in progress	-	-	343,299,083	-	11,021,850	-	233,550	-	(354,554,483)	-
Depreciation and amortization charges for the year	-	(2,907,818)	(655,113,163)	(15,353,509)	(889,360,708)	(44,597,090)	(78,013,248)	(10,956,399)	-	(1,696,301,935)
Balance at December 31, 2021, net of accumulated depreciation and amortization	**P6,934,892,520**	**P 3,242,213**	**P8,786,112,777**	**P 130,316,205**	**P9,154,094,703**	**P 170,396,198**	**P 353,012,719**	**P 39,493,857**	**P1,270,268,607**	**P 26,841,829,799**

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	Land	Land Improvements	Buildings and Improvements	Leasehold Improvements	Machinery and Equipment	Transportation Equipment	Office Furniture and Fixtures	Moulds and Dies	Construction in Progress	Total
Balance at January 1, 2020, net of accumulated depreciation and amortization	P6,862,403,632	P 9,057,850	P 8,453,472,779	P 116,209,697	P10,011,854,874	P 306,147,678	P 364,502,411	P 35,178,540	P1,224,332,802	P 27,383,160,263
Additions	607,842,161	-	90,677,358	26,040,398	161,187,897	5,284,091	30,886,010	20,576,570	71,265,318	1,013,759,803
Translation adjustment	(547,451,697)	-	231,638,061	-	130,570,839	-	(11,823,154)	-	1,855,896	(195,210,055)
Disposals	-	-	-	-	(67,470,929)	(8,438,142)	(553,379)	-	(30,881,566)	(107,344,016)
Reclassifications of construction in progress	-	-	67,910,376	-	27,883,243	-	-	-	(95,793,619)	-
Reclassifications to non-current assets held for sale	(848,888,010)	-	(112,852,585)	-	-	-	-	-	-	(961,740,595)
Depreciation and amortization charges for the year	-	(2,907,819)	(580,620,252)	(20,349,373)	(902,685,847)	(76,141,261)	(68,919,212)	(15,941,708)	-	(1,667,565,472)
Balance at December 31, 2020, net of accumulated depreciation and amortization	P6,073,906,086	P 6,150,031	P 8,150,225,737	P 121,900,722	P 9,361,340,077	P 226,852,366	P 314,092,676	P 39,813,402	P 1,170,778,831	P 25,465,059,928
Balance at January 1, 2019, net of accumulated depreciation and amortization	P7,032,607,877	P 11,965,669	P8,192,186,263	P 103,945,757	P9,795,590,455	P 331,424,129	P 274,767,364	P 26,870,616	P1,431,738,532	P 27,201,096,662
Additions	147,285,611	-	471,429,945	24,543,078	1,588,314,583	42,505,874	168,500,509	26,659,154	398,028,809	2,867,267,563
Translation adjustment	(99,206,065)	-	(246,761,611)	-	(339,440,696)	(4,103,543)	(17,308,376)	-	(1,761,672)	(708,581,963)
Disposals	(218,832,143)	-	(696,102)	-	(64,085,994)	(4,478,507)	(323,187)	-	(73,706,949)	(362,122,882)
Reclassifications of construction in progress	548,352	-	341,714,363	956,540	186,155,063	-	591,600	-	(529,965,918)	-
Depreciation and amortization charges for the year	-	(2,907,819)	(304,400,079)	(13,235,678)	(1,154,678,537)	(59,200,275)	(61,725,499)	(18,351,230)	-	(1,614,499,117)
Balance at December 31, 2019, net of accumulated depreciation and amortization	P6,862,403,632	P 9,057,850	P8,453,472,779	P 116,209,697	P10,011,854,874	P 306,147,678	P 364,502,411	P 35,178,540	P1,224,332,802	P 27,383,160,263

With the adoption of PFRS 16 in 2019, the Group reclassified its capitalized dilapidations with carrying amount of P46.8 million, presented as part of Buildings and improvements as of January 1, 2019, to Right-of-use assets (see Note 9.2).

In 2021, 2020 and 2019, the Group wrote-off certain fully-depreciated moulds and dies with original cost amounting to P20.1 million, P12.4 million and P5.0 million, respectively.

The amount of depreciation and amortization is allocated as follows:

	Notes	2021	2020	2019
Costs of goods sold	19	**P 1,134,012,397**	P 1,045,975,108	P 802,312,571
Selling and distribution expenses	20	**74,964,770**	81,683,576	61,946,694
General and administrative expenses	20	**114,195,168**	210,617,039	429,791,618
		1,323,172,335	1,338,275,723	1,294,050,883
Capitalized as part of work-in-process inventories	8	**373,129,600**	329,289,749	320,448,234
		P 1,696,301,935	P 1,667,565,472	P 1,614,499,117

The amount capitalized to work-in-process inventory represents depreciation expense on barrels and warehouse buildings wherein the maturing bulk stocks of whisky are held, which can reach periods of up to 60 years.

In 2021, 2020 and 2019, certain property, plant and equipment with carrying amounts of P57.9 million, P107.3 million and P362.1 million, were sold for P58.1 million, P107.5 million, and P356.3 million, respectively. The resulting gain on disposals for 2021 and 2020 both amounting to P0.1 million was recognized as part of Other income under the Revenues and Other Income section in the 2021 and 2020 consolidated statements of comprehensive income (see Note 18); while the resulting loss on disposals amounting to P5.8 million in 2019 was recognized as part of Other Charges account under the Costs and Expenses section in the 2019 consolidated statement of comprehensive income.

9.2 Right-of-use Assets

The Group has leases for certain manufacturing plant, warehouses, building space, commercial building, and vehicles, fittings and equipment. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the consolidated statements of financial position as Right-of-use assets under the Property, Plant and Equipment account and Lease Liabilities account.

Each lease generally imposes a restriction that, unless there is a contractual right for the Group to sublet the asset to another party, the right-of-use asset can only be used by the Group. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. Some leases contain an option to extend the lease for a further term. The Group is prohibited from selling or pledging the underlying leased assets as security. For certain leases, the Group must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease. Further, the Group must insure the leased assets and incur maintenance fees on such items in accordance with the lease contracts.

The table below describes the nature of the Group's leasing activities by type of right-of-use asset recognized in the consolidated statements of financial position.

	Number of right-of-use assets leased	**Range of remaining term**	**Average remaining lease term**	**Number of leases with extension options**	**Number of leases with termination options**
December 31, 2021					
Plant	1	5 years	7 years	1	-
Warehouses	27	1 to 5 years	2 years and 10 months	3	4
Building space	9	2 to 3 years and 5 months	2 to 5 years and 5 months	1	-
Buildings	4	1 year to 15 years and 9 months	1 year to 17 years and 9 months	-	1
Vehicles, fittings and equipment	72	1 to 3 years	1 to 3 years	-	-
December 31, 2020					
Plant	1	6 years	7 years	1	-
Warehouses	27	1 to 5 years	2 years and 10 months	3	4
Building space	9	2 to 4 years and 5 months	2 to 5 years and 5 months	1	-
Buildings	4	1 year to 16 years and 9 months	1 year to 17 years and 9 months	-	1
Vehicles, fittings and equipment	72	1 to 4 years	1 to 4 years	-	-

The carrying amounts of the Group's right-of-use assets as at December 31, 2021 and 2020 and the movements during the period are shown below and in the succeeding page.

	Plant	**Warehouses**	**Building Space**	**Buildings**	**Vehicles, Fittings and Equipment**	**Total**
December 31, 2021						
Cost						
Balance at beginning of year	P 62,775,915	P 285,087,021	P 199,052,259	P 942,297,767	P 71,235,714	P 1,560,448,676
Additions	-	37,323,562	-	104,245,149	-	141,568,711
Translation adjustment	-	-	-	(49,271,082)	-	(49,271,082)
Termination	-	(13,375,979)	-	-	-	(13,375,979)
Lease modification	92,397,741	-	-	-	-	92,397,741
Balance at end of year	155,173,656	309,034,604	199,052,259	997,271,834	71,235,714	1,731,768,067
Accumulated amortization						
Balance at beginning of year	14,601,278	222,781,874	64,434,521	274,981,502	12,863,949	589,663,124
Amortization for the year	23,428,729	68,937,826	36,709,507	86,571,990	6,707,930	222,355,982
Termination	-	(10,700,783)	-	-	-	(10,700,783)
Translation adjustment	-	-	-	(94,598,765)	209,623	(94,389,142)
Balance at end of year	38,030,007	281,018,917	101,144,028	266,954,727	19,781,502	706,929,181
Carrying amount at December 31, 2021	**P 117,143,649**	**P 28,015,687**	**P 97,908,231**	**P 730,317,107**	**P 51,454,212**	**P 1,024,838,886**

	Plant	Warehouses	Building Space	Buildings	Vehicles, Fittings and Equipment	Total
December 31, 2020						
Cost						
Balance at beginning of year	P 52,577,374	P 658,079,824	P 199,052,259	P 914,528,719	P 71,235,714	P 1,895,473,890
Additions	-	20,853,719	-	20,708,561	-	41,562,280
Translation adjustment	-	-	-	7,060,487	-	7,060,487
Lease modification	10,198,541	(393,846,522)	-	-	-	(383,647,981)
Balance at end of year	62,775,915	285,087,021	199,052,259	942,297,767	71,235,714	1,560,448,676
Accumulated amortization						
Balance at beginning of year	6,572,172	122,125,987	29,430,591	126,950,587	6,917,554	291,996,891
Amortization for the year	8,029,106	100,655,887	35,003,930	77,799,385	5,946,395	227,434,703
Translation adjustment	-	-	-	70,231,530	-	70,231,530
Balance at end of year	14,601,278	222,781,874	64,434,521	274,981,502	12,863,949	589,663,124
Carrying amount at December 31, 2020	P 48,174,637	P 62,305,147	P 134,617,738	P 667,316,265	P 58,371,765	P 970,785,552

Upon adoption of PFRS 16, the Group has relied on its historical assessments as to whether leases were onerous immediately before the date of initial application as alternative to performing an impairment review on right-of-use assets, and accordingly reclassified portion of its provision for onerous lease amounting to P355.6 million against the January 1, 2019 balance of right-of-use assets causing these assets to be fully impaired. In 2021 and 2020, additional onerous lease provisions are recognized and is presented as part of Provisions under General and Administrative Expenses account in the 2021 and 2020 consolidated statements of comprehensive income (see Note 17.1)

Provision for dilapidation amounting to P58.4 million and P11.6 million was capitalized as part of right-of-use assets in 2021 and 2020, respectively (see Note 17.2).

The Group also reclassified certain prepaid rent amounting to P6.3 million to right-of-use assets as adoption of PFRS 16 in 2019 (see Note 11.1).

In 2021 and 2020, the Group and its lessors have agreed for certain lease modifications pertaining to leased plant and warehouses, which were not accounted for as a separate lease since the modification only involved specific adjustments on the amount of consideration of the leases. Accordingly, the modification resulted in the remeasurement of both lease liabilities and right-of-use assets amounting to P92.4 million and P383.6 million, respectively.

The amount of amortization is allocated as follows:

	Notes	**2021**	2020
Costs of goods sold	19, 23.2	**P 92,129,660**	P 168,702,433
Selling and distribution expenses	20	**52,342,878**	51,121,698
General and administrative expenses	20	**77,883,444**	7,610,572
		P 222,355,982	P 227,434,703

9.3 Lease Liabilities

Lease liabilities are presented in the consolidated statements of financial position as at December 31, 2021 and 2020 as follows:

	2021	2020
Current	**P 205,206,504**	P 173,763,731
Non-current	**887,743,550**	1,289,130,534
	P 1,092,950,054	P 1,462,894,265

The use of extension and termination options gives the Group added flexibility in the event it has identified more suitable premises in terms of cost and/or location or determined that it is advantageous to remain in a location beyond the original lease term. An option is only exercised when consistent with the Group's regional markets strategy and the economic benefits of exercising the option exceeds the expected overall cost.

The lease liabilities are secured by the related underlying assets and by a property mortgage (see Note 11.2). The undiscounted maturity analysis of lease liabilities at December 31 is as follows:

	Within 1 year	**1 to 2 years**	**2 to 3 years**	**3 to 4 years**	**4 to 5 years**	**More Than 5 years**	**Total**
December 31, 2021							
Lease liabilities	P 281,040,355	P 255,118,593	P 198,168,195	P 261,250,830	P 146,996,000	P 431,965,723	P 1,574,539,695
Finance charges	(75,833,851)	(64,003,203)	(54,192,875)	(47,822,922)	(39,816,791)	(199,920,000)	(481,589,641)
Net present values	**P 205,206,504**	**P 191,115,390**	**P 143,975,320**	**P 213,427,908**	**P 107,179,209**	**P 232,045,723**	**P 1,092,950,054**
December 31, 2020							
Lease liabilities	P 251,041,010	P 236,072,333	P 212,171,261	P 254,018,628	P 139,325,933	P 864,841,167	P 1,957,470,332
Finance charges	(77,277,279)	(66,451,417)	(55,824,650)	(47,248,448)	(41,198,768)	(206,575,505)	(494,576,067)
Net present values	P 173,763,731	P 169,620,916	P 156,346,611	P 206,770,180	P 98,127,165	P 658,265,662	P 1,462,894,265

9.4 Lease Payments Not Recognized as Liabilities

The Group has elected not to recognize a lease liability for short-term leases or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis.

The expenses relating to short-term leases and low-value assets in 2021 and 2020 is allocated as follows:

	Notes	**2021**	2020
Costs of goods sold	19	**P 158,095,637**	P 104,148,917
Selling and distribution expenses	20	**26,617,174**	42,682,558
General and administrative expenses	20	**9,614,890**	6,554,670
		P 194,327,701	P 153,386,145

The future minimum rentals payable of the Group arising from short-term leases amounted to P128.51 million and P101.43 million as of December 31, 2021 and 2020, respectively.

9.5 Additional Profit or Loss and Cash Flow Information

The total cash outflow in respect of lease liabilities amounted to P601.2 million, P216.9 million and P237.2 million in 2021, 2020 and 2019, respectively. Interest expense in relation to lease liabilities amounted to P81.1 million, P95.5 million and P120.0 million in 2021, 2020 and 2019, respectively, and is presented as part of Interest Expense account under the Costs and Expenses section of the consolidated statements of comprehensive income.

10. INTANGIBLE ASSETS

This account is composed of the following:

	Note	**2021**	2020
Indefinite useful lives	2.9		
Trademarks – net		**P 20,030,113,136**	P 19,372,584,563
Goodwill		**9,406,272,150**	8,989,412,323
		29,436,385,286	28,361,996,886
Definite useful lives			
Trademarks – net	2.9	**2,153,856**	3,769,247
		P 29,438,539,142	P 28,365,766,133

The Group's trademarks include those that were acquired by EDI from Consolidated Distillers of the Far East, Inc. ("Condis"), a related party owned by certain stockholders of AGI, to manufacture and sell distilled spirits, particularly brandy, under the brand names "Emperador Brandy" and "Generoso Brandy". The Group also has another trademark for its flavored alcoholic beverage under the brand name "The BaR". In 2013, the Group registered another trademark under the brand name "Emperador Deluxe", which was introduced during the same year.

EUK's purchase of WMG Group in 2014 [see Note 1.1(g),(i),(j)] included the acquisition of trademarks amounting to P4.5 billion and P5.5 billion for "Jura" and "The Dalmore" (collectively, "WMG brands"), respectively, and the recognition of goodwill amounting to P7.7 billion in the consolidated financial statements.

BFS's purchase of the Fundador Business Unit in 2016 [see Note 1.1(l)] in Jerez included the acquisition of four trademarks amounting to P6.7 billion, namely "Fundador Brandy", "Terry Centenario Brandy", "Tres Cepas Brandy", and "Harveys" sherry wine (collectively, "Fundador brands") and tangible assets (mostly inventories and property, plant and equipment) amounting to P6.6 million; and the recognition of goodwill amounting to P1.5 billion in the consolidated financial statements.

The goodwill recognized from the foregoing acquisitions reflects the opportunity to strengthen the Group's position in the global drinks market, the synergies and economies of scale expected from combining the operations of the Group, WMG and Fundador Business Unit, and the value attributable to their respective workforce. The trademarks acquired have indefinite useful lives; hence, no amortization was recognized for these brands for the periods presented. The goodwill recognized is not deductible for income tax purposes.

For purposes of determining the goodwill [see Note 2.13(a)], the Group determined the fair value of the identified net assets as of October 31, 2014 and February 29, 2016 for WMG and Fundador Business Unit, respectively, as presented below.

	WMG	Fundador Business Unit
Cash consideration	P 30,272,934,983	P 14,718,366,134
Identifiable assets:		
Tangible assets	21,723,648,592	6,592,734,082
Intangible assets	9,972,144,142	6,662,974,698
Liabilities	(9,095,752,005)	-
Total identifiable assets	22,600,040,729	13,255,708,780
Goodwill at transaction date	**P 7,672,894,254**	**P 1,462,657,354**

The asset acquisitions from the Domecq and Garvey Acquisitions in 2017 by DBLC and CBSP, respectively [see Note 1.1(p) and (r)], included various trademarks with indefinite useful lives amounting to P3.5 billion. The trademarks acquired by DBLC include certain brands of Mexican brandies: "Presidente", "Azteca de Oro", "Don Pedro" and two Spanish brandies (collectively, "Domecq brands") while trademarks acquired by CBSP include "Garvey Brandy" and well-known sherries including "Fino San Patricio" and two liquors (collectively, "Grupo Garvey brands"). The consideration paid and the purchase price allocated to identifiable assets based on their individual relative fair values, as translated at exchange rate at transaction dates, are presented below.

	Domecq Acquisition	Garvey Acquisition
Tangible assets	P 1,702,112,882	P 1,554,825,243
Intangible assets	3,123,564,000	332,598,228
	4,825,676,882	1,887,423,471
Liabilities	-	(34,361,071)
	P 4,825,676,882	**P 1,853,062,400**

The composition of the intangible assets with indefinite useful lives as of December 31 is as follows:

	2021	2020
Goodwill breakdown:		
WMG	**P 7,774,940,800**	P 7,358,080,900
GES	**1,631,331,350**	1,631,331,423
	9,406,272,150	8,989,412,323
Trademarks with indefinite useful lives:		
WMG brands	**9,770,104,136**	9,195,392,128
Fundador and other brands	**7,431,154,939**	7,431,155,169
Domecq brands	**2,738,822,872**	2,656,006,088
Grupo Garvey brands - net	**90,031,189**	90,031,178
	20,030,113,136	19,372,584,563
	P 29,436,385,286	P 28,361,996,886

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The trademarks under Grupo Garvey brands were impaired by P272.4 million in 2019 (nil in 2021 and 2020). The impairment was charged to General and administrative expenses under Costs and Expenses account of the 2019 consolidated statement of comprehensive income (see Note 20).

A reconciliation of the carrying amounts of intangible assets with indefinite useful lives at the beginning and end of 2021 and 2020 is shown below.

	Goodwill	Trademarks	Total
Balance at January 1, 2021	P 8,989,412,323	P 19,372,584,563	P 28,361,996,886
Translation adjustments	416,859,827	657,528,573	1,074,388,400
Balance at December 31, 2021	**P 9,406,272,150**	**P 20,030,113,136**	**P 29,436,385,286**
Balance at January 1, 2020	P 9,236,331,189	P 19,653,436,800	P 28,889,767,989
Translation adjustments	(246,918,866)	(280,852,237)	(527,771,103)
Balance at December 31, 2020	P 8,989,412,323	P 19,372,584,563	P 28,361,996,886

The net carrying amount of trademarks with definite useful lives is as follows:

	Note	2021	2020
Balance at beginning of year		**P 3,769,247**	P 5,384,638
Amortization during the year	20	**(1,615,391)**	(1,615,391)
Balance at end of year		**P 2,153,856**	P 3,769,247

As of December 31, 2021 and 2020, the remaining useful life of the Group's "Emperador Deluxe" trademark with definite life is 1.5 years and 2.5 years, respectively.

The "The BaR", and "Emperador Brandy" and "Generoso Brandy" trademarks were fully amortized since 2018 and 2017, respectively. Consequently, the Group renewed the trademark application of "Emperador Brandy" with the Intellectual Property Office of the Philippines in 2017.

The Group monitors goodwill and trademarks with indefinite useful lives on the cash generating units to which these assets were allocated. An analysis of how the value-in-use of each of the cash generating units to which these assets were allocated is presented in the succeeding page (amounts in billions of pesos).

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	2021				2020			
	Allocated Intangible Assets*	**Value in Use**	**Terminal Growth Rate**	**Discount Rate**	Allocated Intangible Assets*	Value in Use	Terminal Growth Rate	Discount Rate
Goodwill:								
WMG	**P 7.77**	**P 32.86**	**2.00%**	**9.75%**	P 7.36	P 12.28	2.00%	9.75%
GES	**1.63**	**2.80**	**1.60%**	**9.04%**	1.63	5.81	1.60%	7.51%
Trademarks with indefinite lives:								
WMG brands	**9.77**	**61.85**	**2.00%**	**8.68%**	9.20	40.34	2.00%	9.75%
Fundador brands	**7.43**	**18.70**	**1.60%**	**9.04%**	7.43	22.83	1.60%	7.51%
Domecq brands**	**2.74**	**3.99**	**1.50%**	**4.50%**	2.66	3.92	1.50%	4.50%
Grupo Garvey brands**	**0.09**	**0.10**	**0.50%**	**7.65%**	0.09	0.10	0.50%	7.65%

* *Amounts are translated at closing rates as of the end of the reporting periods in accordance with PAS 21, The Effects of Changes in Foreign Exchange Rates.*

** *As of December 31, 2021 and 2020, management believes that Domecq brands are not impaired as DBLC's operations, which carry the Domecq brands, have reported revenues of P2.7 billion in 2021, P2.4 billion in 2020 and P3.0 billion in 2019 (see Note 24.6). Moreover, management believes that, after the impairment provided for Grupo Garvey brands in 2019, the value-in-use as of December 31, 2021 and 2020 approximates its carrying value. As of December 31, 2021 and 2020, management believes that the carrying values of Domecq and Grupo Garvey brands approximate their value-in-use as of those dates since these were only acquired in 2017.*

The value-in-use of each group of cash generating unit was determined using cash flow projections for five years, taking into consideration the impact of COVID-19, and extrapolating cash flows beyond the projection period using a perpetual terminal growth rate. The discount rates and growth rates are the key assumptions used by management in determining the value-in-use of the cash generating units. In 2019, due to the continuous decline of the Group's revenue from the products under Grupo Garvey brands, the management assessed that portion of these trademarks are impaired. Accordingly, the Group recognized an impairment loss amounting to P272.4 million and is presented as part of General and Administrative Expenses account in the 2019 consolidated statement of comprehensive income (see Note 20).

Management believes that both the goodwill and trademarks, except for certain trademarks identified above, are not impaired as of December 31, 2021 and 2020 as the Group's products that carry such brands and trademarks are performing very well in the market; hence, no impairment is necessary to be recognized in the periods presented.

No trademarks have been pledged as security for liabilities.

11. OTHER ASSETS

11.1 Prepayments and Other Current Assets

This account is composed of the following (see Note 2.7):

	2021	2020
Prepaid taxes	**P 839,417,169**	P 720,789,800
Deferred input VAT	**177,576,724**	41,339,798
Prepaid expenses	**171,392,040**	503,052,548
Refundable security deposits	**8,808,208**	22,854,313
Others	**51,925,513**	85,941,166
	P 1,249,119,654	P 1,373,977,625

Prepaid expenses include prepayments of rentals, insurance and general prepayments.

Prepaid taxes pertain to payments made by the Group for the withholding taxes and other government-related obligations. It also includes purchase of labels and advance payment of excise tax for both the local production and importation of alcoholic beverage products.

11.2 Other Non-current Assets

This account is composed of the following:

	Notes	2021	2020
Property mortgage receivable	9.3	P 646,636,072	P 613,935,936
Refundable security deposits	23.2	55,109,352	11,026,843
Deferred input VAT		34,176,923	24,697,117
Advances to suppliers	23.10	29,302,803	625,294,487
Others		8,702,627	13,590,793
		P 773,927,777	P 1,288,545,176

In 2016, the Group purchased from one of its property lessors an outstanding mortgage debt on one of the Group's leased properties. The purchased mortgage asset entitles the Group to full security over the leased property and to monthly interest payments from the property lessor. However, the Group remains as lessee over the property; hence, it is still required to make monthly lease payments to the property lessor until 2036. Following the adoption of PFRS 16 in 2019, the Group recognized right-of-use assets and lease liabilities from this leased property (see Notes 9.2 and 9.3).

Refundable security deposits were paid by the Group to various lessors for lease agreements covering certain office spaces, manufacturing facilities and storage tanks for raw materials.

12. INVESTMENT IN A JOINT VENTURE

On February 2, 2014, GES entered into an agreement with Gonzales Byass, S.A. ("Gonzalez"), for the joint control of BLC for 50% equity interest for each venturer. The 50% participation cost of P3.7 billion is based on the fair valuation of the assets. An amount withdrawn from this investment of P858.4 million was used by the Group as part of the 50% capitalization of DBLC in 2017.

BLC was incorporated on March 19, 2013. Its primary business consists of the planting and growing of wine grapes and the exploitation of vineyards, the production, ageing and preparation of wines and vinegars; the production of alcohol; the production, preparation and ageing of brandy, aguardientes, compounds, liquors and in general, all kinds of spirits.

As of December 31, 2021 and 2020, the carrying amount of the investment in a joint venture, which is accounted for under the equity method [see Note 2.3(b)] in these consolidated financial statements, are as follows:

	2021	2020
Acquisition costs	P 2,845,367,065	P 2,845,367,065
Accumulated share in net profit:		
Balance at beginning of year	448,495,366	178,200,678
Share in net profit for the year	161,824,100	185,108,059
Balance at end of year	610,319,466	363,308,737
Translation gain	26,958,086	85,186,629
	P 3,482,644,617	P 3,293,862,431

The share in net profit is recorded as Equity in net profit of joint venture in the Revenues and Other Income section of the consolidated statements of comprehensive income (see Note 18).

The summarized financial information of the joint venture as of December 31, 2021 and 2020 and for the years then ended are as follows (in thousands):

	2021	2020
Cash and cash equivalents	P 461,439	P 46,095
Trade and other receivables	1,287,888	985,946
Financial assets	P 1,749,327	P 1,032,041
Current assets	P 2,378,824	P 1,674,212
Non-current assets	1,997,584	2,364,174
Total assets	P 4,376,408	P 4,038,386
Current financial liabilities (excluding tax payables and provisions)	P 427,987	P 195,399
Non-current financial liabilities	3,072	2,345
Financial liabilities	P 431,059	P 197,744
Current liabilities	P 743,236	P 430,529
Non-current liabilities	3,072	2,345
Total liabilities	P 746,308	P 432,874
Revenues	P 2,772,067	P 5,798,133
Depreciation and amortization	P 78,583	P 78,671
Net profit for the year	P 323,648	P 370,216

A reconciliation of the above summarized financial information to the carrying amount of the investment in BLC is shown below (in thousands):

		2021		2020
Net assets of BLC	**P**	**3,630,100**	P	3,605,512
Proportion of ownership interest by the Group		**50.0%**		50.0%
Ownership share of the Group in net assets of BLC		**1,815,050**		1,802,756
Fair value and translation adjustments		**1,667,595**		1,491,106
Carrying amount of investment	**P**	**3,482,645**	P	3,293,862

The Group has no commitments or other contingent liabilities with regard to this joint venture or has assessed that the probability of loss that may arise from contingent liabilities is remote.

13. NON-CURRENT ASSETS HELD FOR SALE

Assets held for sale consist of land and buildings called as "Complejo Bellavista" and "Cerro Viejo Vineyards" previously occupied by a business unit and classified under property, plant and equipment (see Note 9.1) that the Group has discontinued its use and, on December 27, 2020, management approved their sale through the signed letter of intent with Global One Real Estate Spain, SAU ("Global One"), a related party under common ownership. The letter of intent stated that the Group will sell and Global One will purchase the assets at a purchase price of €16.6 million (equivalent to P961.7 million), which is equivalent to the net book value of the property, at any time within the period from December 27, 2020 until three years after the COVID-19 pandemic has ended.

The breakdown of these assets as of December 31 is as follows:

		2021		2020
Land	**P**	**848,888,000**	P	848,888,010
Buildings		**112,852,550**		112,852,585
	P	**961,740,550**	P	961,740,595

The carrying value of these assets immediately prior to their classification as held for sale is lower than their fair value less cost to sell. Accordingly, the Group did not recognize any loss in connection with the reclassification of the assets. There were also no revenues recognized in both years that were associated with the assets. Depreciation expense amounting to €1.0 million (approximately P58.5 million) was incurred prior to reclassification of the assets on December 27, 2020.

The Group believes that the sale of these assets is highly probable (see Note 23.12).

14. INTEREST-BEARING LOANS

The composition of the Group's outstanding bank loans is shown below [see Note 2.11(b)].

		2021		2020
Current:				
Foreign	**P**	**3,011,082,346**	P	4,466,729,178
Local		**400,000,000**		821,666,667
		3,411,082,346		5,288,395,845
Non-current – Foreign		**21,430,348,300**		25,091,948,760
	P	**24,841,430,646**	P	30,380,344,605

The summarized terms and conditions of each availed loan as at December 31, 2021 and 2020 are as follows:

Outstanding Balance 2021	Outstanding Balance 2020	Explanatory Notes	Interest Rate	Security	Maturity date
P 20,126,000,000	P 23,490,000,729	(a)	Margin of 1.05% plus EURIBOR	Unsecured	2024
2,633,833,596	-	(b)	0.85% over SONIA	Secured	2022
1,681,597,050	2,151,664,921	(d)	Fixed at 1.6%	Unsecured	2027
400,000,000	400,000,000	(f)	Fixed at 5% initial; Fixed at 4% latest	Unsecured	2022
-	3,917,012,288	(b)	0.50% over LIBOR	Secured	2021
-	150,000,000	(e)	Fixed at 5.9641%	Unsecured	2021
-	105,000,000	(e)	Fixed at 6.1277%	Unsecured	2021
-	62,500,000	(c)	Fixed at 5.245%	Unsecured	2021
-	62,500,000	(c)	Fixed at 5.113%	Unsecured	2021
-	41,666,667	(c)	Fixed at 5%	Unsecured	2021
P 24,841,430,646	P 30,380,344,605				

(a) In 2019, EIL obtained an unsecured five-year bank loan from a syndicate of foreign financial institutions at a lower margin, to prepay existing loans. The loan is presented under the Non-current Liabilities section of the consolidated statements of financial position in the respective period.

(b) WMG has an existing asset-based- lending facility with a foreign bank (different bank from July 2021), where it had drawn down P1.1 billion, P0.7 billion and P1.1 billion in 2021, 2020 and 2019, respectively. The loan is secured by way of floating charge against WMG's inventories. The interest and the principal can be paid anytime up to, or balloon payment at, maturity. Since this is a revolver, the drawn amount plus the accrued interest thereon is presented under the Current Liabilities section of the consolidated statements of financial position.

(c) In 2016, EDI obtained an unsecured five-year peso-denominated loan at a total amount of P2.0 billion from a local commercial bank, specifically to finance the construction of a distillery plant and the purchase of related equipment (see Note 9.1). The loan was released in three tranches from January to October 2016 with principal repayment of 12 equal quarterly amortizations starting on the ninth quarter after the initial drawdown.

In 2021 and 2020, total payments on the loan amounted to P166.7 million and P666.7 million, respectively. These loans were presented under the Current Liabilities section of the 2020 consolidated statement of financial position. There was no outstanding loan balance as of December 31, 2021.

(d) In 2017, DBLC assumed from BLC unsecured, interest-bearing and foreign-currency-denominated loans totalling P3.0 billion from certain financial institutions relating to Domecq Acquisition (see Note 10). In 2018, DBLC acquired an additional loan amounting to P0.1 million. In 2021 and 2020, DBLC paid portion of the loans amounting to P535.3 million and P430.1 million, respectively.

(e) In 2018, EDI obtained additional unsecured, interest-bearing loans at a total amount of P850.0 million from same local commercial bank for working capital purposes. The loans shall be payable in 12 equal quarterly amortizations commencing on the beginning of the ninth quarter from the initial drawdown or starting on April 10, 2019. In 2021 and 2020, total payments on the loan amounted to P255.5 million and P340.0 million, respectively. These loans are presented under the Current Liabilities section of the 2020 consolidated statement of financial position. There was no outstanding loan balance as of December 31, 2021.

(f) In 2020, PAI obtained short-term unsecured, interest-bearing revolving loan at a total amount of P400.0 million from a local commercial bank for working capital purposes. The loan is renewable and re-priced every six months, and is presented under the Current Liabilities section of the consolidated statements of financial position.

Interest expense on the above loans for 2021, 2020 and 2019 amounted to P539.1 million, P380.3 million and P589.2 million, respectively, and is presented as part of Interest Expense account under the Costs and Expenses section of the consolidated statements of comprehensive income.

Accrued interest payable as of December 31, 2021 and 2020 amounted to P42.9 million and P66.5 million, respectively, and presented as part of Accrued expenses under the Trade and Other Payables account in the consolidated statements of financial position (see Note 16).

The Group complied with the financial and non-financial covenants on these loans and borrowings as of December 31, 2021 and 2020.

15. EQUITY-LINKED DEBT SECURITIES

On November 7, 2014, EMP, as the Issuer, entered into a subscription agreement with Arran Investment Private Limited ("Arran" or "the Holder") for the issuance of 1.1 billion common shares at a total subscription price of P12.3 billion (see Note 24.1) and an ELS amounting to P5.3 billion ("Issue Price") [see Note 2.11(b)]. The shares and the ELS were issued on December 4, 2014 ("Issue Date"). The ELS may be converted into a fixed number of common shares ("Conversion Shares").

Arran had the Holder Conversion Right for the conversion of the ELS into all of Conversion Shares at any time during the period beginning on the Issue Date until December 5, 2019 ("Redemption Date"). The Group had the Issuer Conversion Right ("ICR") for the conversion of the ELS into all of the Conversion Shares at any time during the period beginning on the date that is two years after the Issue Date until Redemption Date, provided, that the share market price must be greater than the stipulated price ("Share Market Price") on the date the ICR is exercised [ICR ended in 2017 per First Amendment discussed below].

If Arran and EMP failed to exercise their conversion rights within the said periods and the ELS was not converted into shares, EMP had the option to extend the Redemption Date for the ELS until December 4, 2021 ("Extended Redemption Date"), upon notice to Holder at least 30 days prior to the Redemption Date.

The ELS would be mandatorily converted into the Conversion Shares at any time during the period beginning on Redemption Date until Extended Redemption Date when Share Market Price was reached [mandatory conversion removed in 2020 per Third Amendment below].

The ELS bore a fixed interest rate compounded annually ("Fixed Interest"), payable either in cash or in new shares ("Interest Shares") on the conversion date, Redemption Date, or Extended Redemption Date, as applicable (see First Amendment below) [amended to 0% in 2017 per First Amendment below]. The ELS also bears a variable interest in an amount equal to the dividends that would be payable on the Conversion Shares if they are issued prior to the date that any dividend is declared by EMP ("Variable Interest"), payable in cash on the date that EMP pays dividends to its stockholders.

On June 15, 2017, the parties formally agreed to amend the ELS (the "First Amendment"), which amendments included the following:

(a) Fixed Interest was amended to 0%, instead of 5%;
(b) The Accrued Interest Payable amounting to P832.3 million was applied as consideration for 122,391,176 common shares ("Accrued Interest Shares") (see Note 24.1);
(c) Conversion Shares became 728,275,862 new and fully paid-up shares, instead of 480.0 million;
(d) ICR ended on June 15, 2017; and,
(e) Share Market Price for the mandatory conversion at any time during the period beginning on Redemption Date and ending on the Extended Redemption Date was amended to 'greater than P7.25 per share', instead of 'greater than P11.0 per share' ("Share Market Price").

Consequent to the amendments in certain terms of the ELS in 2017 as mentioned in the preceding paragraph, the financial liability component was revalued at P5.1 billion and the equity component was valued at P136.2 million, which represented the residual amount after deducting the financial liability component from the Issue Price. The carrying amounts of the components are presented separately in the consolidated statements of financial position [see Notes 2.24 and 3.2(h)], while the amortization of the revalued financial liability component is presented as part of Interest Expense account under the Costs and Expenses section of the consolidated statements of comprehensive income.

On December 4, 2019, EMP exercised the option to extend the Redemption Date to Extended Redemption Date. This did not result to substantial modification of terms.

On December 23, 2019, the parties entered into an amendment (the "Second Amendment") which included the following:

(a) The Holder is given the right to request conversion of:

(i) P1,836,250,000 into 253,275,862 shares, which shall come from the Parent Company's treasury shares ("Tranche 1 Conversion Shares") ("Tranche 1 Conversion"); and,
(ii) P3,443,750,000 into 475,000,000 shares ("Tranche 2 Shares") ("Tranche 2 Conversion").

(b) The Holder is allowed to transfer the ELS to an affiliate of EMP.

On January 31, 2020, the parties entered into an amendment (the "Third Amendment"), which removed the mandatory conversion of the ELS when the Share Market Price of greater than P7.25 per share is reached at any time during the period under Extended Redemption Date.

On February 5, 2020, the Holder exercised its right to Tranche 1 Conversion (see Note 24.2). Pursuant to this conversion, the Group also reclassified a portion of the Conversion Options amounting to P47.7 million to APIC in 2020 (see Note 2.24).

As of December 31, 2020, the financial liability component amounting to P3.4 billion is presented as Equity-linked Debt Securities under the Current Liabilities section of the 2020 consolidated statement of financial position.

On December 3, 2021, the Holder exercised its right to Tranche 2 Conversion and EMP was given a period until February 28, 2022, subsequently modified to May 15, 2022, to issue the Tranche 2 Shares ("Conversion Period") (see Note 32). Pursuant to this, EMP derecognized the financial liability component of the ELS and recognized an equity component amounting to P3.4 billion, which is presented as Deposit on Future Stock Subscription – Equity-linked Securities under the Equity section of the 2021 consolidated statement of financial position [see Notes 2.24 and 3.2(h)]. The issuance of shares is expected to happen in 2022. Upon the actual conversion in 2022, EMP will reclassify the remaining portion of the Conversion Options amounting to P88.5 million to APIC (see Note 2.24).

Variable Interest of P152.0 million, P52.3 million and P36.4 million were respectively incurred in 2021, 2020 and 2019 and are presented as part of Interest Expense account under the Costs and Expenses section of the consolidated statements of comprehensive income. The accrued interest payable amounting to P36.4 million in 2019 was paid in full in 2020.

There were no related collaterals on the ELS.

16. TRADE AND OTHER PAYABLES

The breakdown of this account is as follows [see Note 2.11(b)]:

	Notes	2021	2020
Trade payables	23.1, 23.7	**P 10,780,556,544**	P 8,440,837,078
Accrued expenses	14, 15, 23.2(b)	**6,309,215,929**	6,076,818,039
Output VAT payable		**602,515,558**	485,066,543
Advances from related parties	23.5	**3,070,715**	3,070,715
Others	24.3	**192,972,584**	250,723,879
		P 17,888,331,330	P 15,256,516,254

Trade payables arise mostly from purchases of raw materials such as alcohol, molasses, flavorings and other supplies.

Accrued expenses significantly include various accruals relating to interest on interest-bearing loans, marketing, operations, and other activities. The accrued interest is expected to be paid subsequently based on the scheduled interest payment date (see Note 14).

17. PROVISIONS

The breakdown of this account as of December 31, 2021 and 2020 is as follows:

	Onerous Lease (see Note 17.1)	Dilapidations (see Note 17.2)	Total
Balance at January 1, 2021	P 65,648,128	P 157,351,424	P 222,999,552
Reclassification from contingent liability	-	163,200,000	163,200,000
Additional provisions	38,060,790	58,370,186	96,430,976
Utilized amounts	(74,647,826)	(3,563,106)	(78,210,932)
Balance at December 31, 2021	**P 29,061,092**	**P 375,358,504**	**P 404,419,596**
Balance at January 1, 2020	P 14,223,198	P 150,691,002	P 164,914,200
Additional provisions	56,331,220	11,603,520	67,934,740
Utilized amounts	(4,906,290)	(4,943,098)	(9,849,388)
Balance at December 31, 2020	P 65,648,128	P 157,351,424	P 222,999,552

17.1 Provision for Onerous Lease

WML has existing non-cancellable lease agreements on leasehold properties located in Glasgow and Edinburgh, Scotland, covering manufacturing plant facilities, buildings and parking spaces, which are vacant or subleased at a discount. The provisions take account of current market conditions, expected future vacant periods, expected future sublet benefits and are calculated by discounting expected net cash outflows on a pre-tax basis over the remaining period of the lease, which as of December 31, 2021 and 2020, is between one to nine years and one to 10 years, respectively.

In line with the adoption of PFRS 16 in 2019, the Group adjusted certain provision amounting to P399.0 million against the beginning balance of right-of-use assets (see Note 9.2). In 2021 and 2020, the Group recognized additional provision amounting to P38.1 million and P56.3 million, respectively, due to certain changes in assumptions arising from the impact of COVID-19 [see Note 3.2(k)]. The additional provision is presented as Provisions under General and Administrative Expenses account in the consolidated statements of comprehensive income since the related right-of-use assets were fully impaired as of December 31, 2021 and 2020 (see Note 20).

17.2 Provision for Dilapidations

WML is a party to lease agreements for properties located in Glasgow and Edinburgh, Scotland, which provide for tenant repairing clauses. The lease agreements require the Group to restore the leased properties to a specified condition at the end of the lease term in 2029. A provision was recognized for the present value of the costs to be incurred for the restoration of the leased properties. Additional provisions are capitalized as part of Right-of-use assets in 2021 and 2020 (see Note 9.2).

In 2021, following a court case settlement with the architects which was previously classified as contingent liability, the Group recognized an additional provision for the estimated future costs of P163.2 million. There was no similar transaction in 2020.

18. REVENUES AND OTHER INCOME

The details of revenues and other income are shown below.

	Notes	2021	2020	2019
Sale of goods and services	2.15	**P 54,845,254,471**	P 51,395,295,032	P 50,259,676,633
Others:				
Unrealized foreign currency gains – net		**350,480,854**	657,958,309	451,032,820
Equity in net profit of joint venture	12	**161,824,100**	185,108,059	239,168,070
Interest income	5, 7, 23.11	**86,442,812**	183,009,956	345,272,714
Other income – net	6, 7, 9.1, 23.11	**492,270,086**	412,933,950	270,329,936
		1,091,017,852	1,439,010,274	1,305,803,540
		P 55,936,272,323	P 52,834,305,306	P 51,565,480,173

19. COSTS OF GOODS SOLD

The details of costs of goods sold for the years ended December 31, 2021, 2020 and 2019 are shown below.

	Notes	2021	2020	2019
Finished goods at beginning of year	8	**P 5,159,455,789**	P 5,800,242,939	P 4,928,444,192
Finished goods purchased	23.1	**3,748,405,320**	10,731,882,891	4,994,755,739
Costs of goods manufactured				
Raw and packaging materials at beginning of year	8	**4,700,265,220**	3,909,543,916	3,932,351,991
Net raw material purchases during the year	23.1	**29,109,202,427**	20,543,108,027	26,133,746,725
Raw and packaging materials at end of year	8	**(4,209,746,983)**	(4,700,265,220)	(3,909,543,916)
Raw materials used during the year		**29,599,720,664**	19,752,386,723	26,156,554,800
Work-in-process at beginning of year	8	**21,071,773,814**	20,746,632,386	19,310,965,391
Direct labor	21.1	**1,353,455,527**	1,290,856,425	1,376,658,047
Manufacturing overhead:				
Depreciation and amortization	9.1, 9.2	**1,226,142,057**	1,214,677,541	941,461,292
Communication, light and water		**359,775,061**	269,051,436	240,089,684
Fuel and lubricants		**342,040,077**	270,206,749	318,963,537
Repairs and maintenance		**325,965,699**	255,517,659	285,073,846
Outside services	23.7	**266,880,588**	240,130,937	234,555,623
Consumables and supplies		**161,066,562**	73,696,771	243,509,236
Rentals	9.4, 23.2	**158,095,637**	104,148,917	84,348,779
Labor	21.1	**145,330,862**	113,430,652	118,360,434
Taxes and licenses		**129,038,067**	191,699,994	169,354,177
Impairment losses	8	**58,114,232**	44,775,076	8,321,687
Waste disposal		**51,080,702**	57,400,331	55,411,172
Balance carried forward		**P 55,248,479,549**	P 44,624,611,597	P 49,543,627,705

	Note	2021	2020	2019
Balance brought forward		**P 55,248,479,549**	P 44,624,611,597	P 49,543,627,705
Insurance		**46,405,030**	55,580,524	48,183,322
Meals		**43,865,468**	37,993,721	18,467,771
Transportation		**37,655,344**	27,834,394	25,402,013
Commission		**24,830,090**	210,989,168	172,482,671
Gasoline and oil		**10,522,542**	9,725,787	14,859,781
Miscellaneous		**289,355,246**	131,043,187	134,776,728
Work-in-process at end of year	8	**(24,225,660,910)**	(21,071,773,814)	(20,746,632,386)
		31,475,452,359	24,026,004,564	29,211,167,605
Finished goods at end of year	8	**(5,574,742,812)**	(5,159,455,789)	(5,800,242,939)
		P 34,808,570,656	P 35,398,674,605	P 33,334,124,597

20. OTHER OPERATING EXPENSES

The details of other operating expenses are shown below.

	Notes	2021	2020	2019
Advertising and promotions		**P 2,647,160,744**	P 2,750,503,269	P 3,116,353,049
Salaries and employee benefits	21.1	**1,838,913,379**	1,748,997,077	1,995,174,906
Professional fees and outside services		**497,690,753**	417,905,195	652,796,060
Freight and handling		**415,133,136**	559,511,059	470,860,051
Depreciation and amortization	9.1, 9.2	**319,386,260**	351,032,885	602,582,627
Travel and transportation		**280,013,671**	271,544,984	455,779,892
Representation		**152,345,821**	363,394,050	396,390,974
Repairs and maintenance		**130,536,682**	37,913,105	121,494,548
Taxes and licenses		**112,953,861**	92,030,624	76,639,949
Fuel and oil		**64,279,067**	66,262,436	98,819,432
Supplies		**48,332,763**	42,199,885	55,536,966
Provisions	17	**38,060,790**	56,331,220	-
Insurance		**36,558,396**	36,524,969	28,726,202
Rentals	9.4, 23.2	**36,232,064**	49,237,228	55,221,770
Communication, light and water		**34,823,961**	37,231,823	50,413,716
Other services		**28,271,691**	132,354,654	208,277,021
Meals		**26,610,043**	31,717,898	61,837,742
Impairment losses on financial assets	6	**11,561,171**	109,087,408	12,453,267
Amortization of trademarks	10	**1,615,391**	1,615,391	1,615,391
Impairment loss on trademarks	10	**-**	-	272,402,000
Others		**325,233,632**	215,891,225	212,060,238
		P 7,045,713,276	P 7,371,286,385	P 8,945,435,801

Others include royalty fees, subscription and association dues, postal services and other incidental expenses under the ordinary course of business.

These expenses are classified in profit or loss in the consolidated statements of comprehensive income as follows:

	2021	2020	2019
Selling and distribution expenses	**P 4,840,055,978**	P 5,263,040,976	P 6,021,050,010
General and administrative expenses	**2,205,657,298**	2,108,245,409	2,924,385,791
	P 7,045,713,276	P 7,371,286,385	P 8,945,435,801

21. EMPLOYEE BENEFITS

21.1 Salaries and Employee Benefits Expense

The expenses recognized for salaries and employee benefits are summarized below.

	Notes	2021	2020	2019
Salaries and wages		**P 2,635,850,721**	P 2,503,275,259	P 2,752,672,662
Post-employment defined contribution		**202,274,995**	205,493,775	180,607,937
Social security costs		**152,982,990**	175,446,538	175,819,949
Post-employment defined benefit	21.3	**46,936,416**	37,194,025	21,236,656
Share options	21.2, 24.4	**44,927,978**	26,958,168	26,958,170
Other short-term benefits		**254,726,668**	204,916,389	332,898,013
	19, 20	**P 3,337,699,768**	P 3,153,284,154	P 3,490,193,387

Other short-term benefits represent other employee benefits that were incurred during the reporting periods in which the employees render the related service.

The amount of salaries and employee benefits expense is allocated as follows:

	Notes	2021	2020	2019
Costs of goods sold (inventoriable costs)	19	**P 1,498,786,389**	P 1,404,287,077	P 1,495,018,481
General and administrative expenses	20	**810,425,862**	812,719,240	1,004,037,452
Selling and distribution expenses	20	**1,028,487,517**	936,277,837	991,137,454
		P 3,337,699,768	P 3,153,284,154	P 3,490,193,387

In 2021, 2020 and 2019, salaries and wages, post-employment benefits and other short-term benefits totaling P373.1 million, P329.5 million and P432.5 million, respectively, were capitalized to form part of the work-in-process inventory (see Note 8). Such capitalized amount represents salaries and employee benefits of personnel directly involved in the production of whisky.

21.2 Employee Share Option

Employee share option expense, included as part of Salaries and employee benefits expense under the General and Administrative Expenses account in the consolidated statements of comprehensive income, amounted to P44.9 million in 2021 and P27.0 million each in 2020 and 2019, while the corresponding cumulative credit to Share Options Outstanding account is presented under the Equity section of the consolidated statements of financial position (see Note 24.4).

21.3 Post-employment Defined Benefit Plan

(a) Characteristics of the Defined Benefit Plan

Except for GES, which provides employee benefits through a defined contribution plan, the Group maintains a funded, tax-qualified, noncontributory retirement benefit plan which is being administered by a trustee bank that is legally separated from the Group.

The post-employment plan covers all regular full-time employees of EDI, AWGI, TEI, PAI and certain employees of WMG, and provides a retirement benefit ranging from 85% to 150% of plan salary for every year of credited service.

The normal retirement age is 60 with a minimum of five years of credited service. The plan provides for an early retirement at the age of 50 with a minimum of ten years of credited service and likewise a late retirement age that is not beyond 65, with a minimum of five years of credited service both subject to the approval of the Parent Company's BOD.

(b) Explanation of Amounts Presented in the Consolidated Financial Statements

Actuarial valuations are made regularly to update the post-employment benefit costs and the amount of contributions. All amounts presented below and in the succeeding pages are based on the actuarial valuation reports obtained from independent actuaries.

The amounts of retirement benefit asset (obligation) recognized in the consolidated statements of financial position are determined as follows:

	2021	2020
Fair value of plan assets	**P 16,232,015,874**	P 14,795,901,448
Present value of the obligation	**(15,318,015,379)**	(15,155,430,394)
	P 914,000,495	(P 359,528,946)

The movements in the present value of the retirement benefit obligation recognized in the books are as follows:

	2021	2020
Balance at beginning of year	**P 15,155,430,394**	P 13,815,644,171
Foreign exchange adjustment	**924,176,000**	(410,525,122)
Benefits paid	**(495,415,829)**	(635,198,709)
Interest expense	**251,476,876**	294,782,248
Current service costs	**46,936,416**	37,194,025
Past service costs	**-**	16,000,000
Remeasurements –		
Actuarial losses (gains) arising from:		
Changes in financial assumptions	**(398,201,782)**	1,863,005,059
Changes in demographic assumptions	**(159,193,525)**	159,808,000
Experience adjustments	**(7,193,171)**	14,720,722
Balance at end of year	**P 15,318,015,379**	P 15,155,430,394

The movements in the fair value of plan assets are presented below.

	2021	2020
Balance at beginning of year	**P 14,795,901,448**	P 14,035,171,864
Foreign exchange adjustment	**924,032,000**	(424,986,000)
Benefits paid	**(494,279,863)**	(635,198,709)
Return on plan assets (excluding amounts included in net interest)	**462,875,778**	1,250,889,021
Contributions to the plan	**302,588,613**	274,239,234
Interest income	**240,897,898**	295,786,038
Balance at end of year	**P 16,232,015,874**	P 14,795,901,448

The net effect of the foreign exchange adjustment in the present value of the retirement obligation and the fair value of plan assets amounted to P0.1 million in 2021 and P14.5 million in 2020.

The composition and the fair value of plan assets as at December 31, 2021 and 2020 by category and risk characteristics are shown below.

	2021	2020
Cash and cash equivalents	**P 145,985,868**	P 133,060,608
Quoted equity securities	**6,986,244,234**	6,368,729,608
Diversified growth fund	**1,038,121,728**	946,208,768
	8,024,365,962	7,314,938,376
Debt securities:		
Corporate bonds	**3,163,027,140**	2,882,979,840
Liability driven instrument	**2,919,717,360**	2,661,212,160
Index-linked gilts	**1,200,328,248**	1,094,053,888
	7,283,072,748	6,638,245,888
Property	**778,591,296**	709,656,576
	P 16,232,015,874	P 14,795,901,448

Other than the fair value of property investment, which is classified as Level 3 in the fair value hierarchy, the fair values of the above quoted securities and instruments are determined based on quoted market prices in active markets; hence, classified as Level 1 in the fair value hierarchy.

Plan assets do not comprise any of the financial instruments of the Group or its related parties, or any of its assets occupied and/or used in its operations.

The components of amounts recognized in profit or loss and other comprehensive income or loss in respect of the retirement benefit asset (obligation) are as follows:

	2021	2020	2019
Reported in profit or loss:			
Current service costs	**P 46,936,416**	P 37,194,025	P 21,236,656
Interest expense (income)	**10,578,978**	(1,003,790)	8,399,051
	P 57,515,394	P 36,190,235	P 29,635,707
Reported in other comprehensive income or loss:			
Return on plan assets (excluding amount included in net interest)	**P 462,875,778**	P 1,237,929,022	P 2,059,661,356
Actuarial gains (losses) arising from:			
Changes in financial assumptions	**398,201,782**	(1,863,005,059)	(1,438,052,849)
Changes in demographic assumptions	**159,193,525**	(159,808,000)	(509,916,000)
Experience adjustments	**7,193,171**	(14,720,722)	65,189,000
	P 1,027,464,256	(P 799,604,759)	P 176,881,507

The amounts of post-employment benefits expense recognized in profit or loss are presented as part of General and Administrative Expenses for current service costs and as part of Interest Expense for net interest expense (income) accounts under the Costs and Expenses section in the consolidated statements of comprehensive income.

Amounts recognized in other comprehensive income or loss were included within items that will not be reclassified subsequently to profit or loss.

In determining the amounts of the retirement benefit obligation, the following actuarial assumptions were used:

	2021	2020	2019
Discount rate	**3.95%-5.09%**	3.95%-3.96%	5.21%-5.35%
Expected rate of salary increase	**5.00%-7.00%**	5.00%-7.00%	5.10%-7.00%

Assumptions regarding future mortality are based on published statistics and mortality tables. The average remaining working life of an individual retiring at the age of 60 is 23 years for both males and females. These assumptions were developed by management with the assistance of independent actuaries. Discount factors are determined close to the end of each reporting period by reference to the interest rates of zero coupon government bonds with terms to maturity approximating to the terms of the retirement benefit obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

(c) *Risks Associated with the Retirement Benefit Obligation*

The Group is exposed to actuarial risks such as interest rate risk, longevity risk and salary risk.

(i) *Investment and Interest Rate Risks*

The present value of the defined benefit obligation is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of reference government bonds will increase the retirement benefit obligation. However, this will be partially offset by an increase in the return on the plan's investments in debt securities and if the return on plan asset falls below this rate, it will create a deficit in the plan. Currently, the plan has relatively balanced investment in equity securities and debt securities. Due to the long-term nature of the plan obligation, a level of continuing debt and equity investments is an appropriate element of the Group's long-term strategy to manage the plan efficiently.

(ii) *Longevity and Salary Risks*

The present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of the participants during their employment and to their future salaries. Consequently, increases in the life expectancy and salary of the participants will result in an increase in the retirement benefit obligation.

(d) *Other Information*

The information on the sensitivity analysis for certain significant actuarial assumptions and the timing and uncertainty of future cash flows related to the retirement plan are described below.

(i) *Sensitivity Analysis*

The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the retirement benefit obligation as of the end of the reporting periods:

	Impact on Retirement Benefit Obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
December 31, 2021			
Discount rate	**+0.25%/-0.25%**	**(P 689,138,647)**	**P 743,798,476**
Salary growth rate	**+1.00%/-1.00%**	**207,326,284**	**(191,924,168)**
December 31, 2020			
Discount rate	+0.25%/-0.25%	(P 721,144,223)	P 775,297,017
Salary growth rate	+1.00%/-1.00%	224,609,816	(207,938,896)

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. This analysis may not be representative of the actual change in the retirement benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the above sensitivity analysis, the present value of the retirement benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the retirement benefit obligation recognized in the consolidated statements of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous years.

(ii) *Asset-liability Matching Strategies*

To efficiently manage the retirement plan, the Group through its Management Committee, ensures that the investment positions are managed in accordance with its asset-liability matching strategy to achieve that long-term investments are in line with the obligations under the retirement scheme. This strategy aims to match the plan assets to the retirement obligations by investing in long-term fixed interest securities (i.e., quoted equity securities and corporate bonds) with maturities that match the benefit payments as they fall due and in the appropriate currency. The Group actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the retirement obligations.

In view of this, investments are made in reasonably diversified portfolio, such that the failure of any single investment would not have a material impact on the overall level of assets. A large portion of the plan assets as at December 31, 2021 and 2020 consists of quoted equity securities, corporate bonds and other instruments, although the Group also invests in funds.

The expected maturity of undiscounted expected benefits payments within 10 years is as follows:

		2021		2020
Within one year	P	**346,340,076**	P	320,594,583
More than one but less than five years		**1,119,290,136**		1,328,151,573
More than five years but less than 10 years		**97,766,014**		88,046,296
	P	**1,563,396,226**	P	1,736,792,452

The weighted average duration of the retirement benefit obligation at the end of the reporting period is 16.56 years.

22. CURRENT AND DEFERRED TAXES

On March 26, 2021, Philippine Republic Act (R.A.) No. 11534, *Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act*, was signed into law and took effect on April 11, 2021 (15 days after publication). The following are the major changes brought about by the CREATE Act that are relevant to and considered by the EMP and its Philippine subsidiaries:

- regular corporate income tax ("RCIT") rate is decreased from 30% to 25% starting July 1, 2020;
- minimum corporate income tax ("MCIT") rate is decreased from 2% to 1% starting July 1, 2020 until June 30, 2023;
- the imposition of 10% tax on improperly accumulated retained earnings is repealed; and,
- the allowable deduction for interest expense is reduced from 33% to 20% of the interest income subjected to final tax.

As a result of the application of the lower RCIT rate starting July 1, 2020, the current income tax expense and income tax payable, as presented in the 2020 annual income tax return ("ITR") of the Group's Philippine entities, would be lower by P136.4 million as compared to the amount presented in the 2020 consolidated financial statements and such amount was charged to 2021 profit or loss.

In 2021, the recognized net deferred tax liabilities as of December 31, 2020 was remeasured to 25%. This resulted in a decline in the recognized net deferred tax liabilities in 2020 by P26.4 million and such was recognized in the 2021 profit or loss (P19.7 million) and in other comprehensive income (P6.7 million).

In UK, an increase in corporation tax rates from 19% to 25% shall take effect on April 1, 2023 by the Royal Assent received on June 10, 2021. Accordingly, deferred tax assets and deferred tax liabilities were re-measured at the new tax rate which resulted in additional tax expense of which P672.4 million pertains principally to intangibles at the consolidation level. This deferred tax adjustment was taken up in the consolidated financial statements only, does not affect the stand-alone operating results of UK business, and it would not be realized or paid unless the business is liquidated or sold in the far future.

The components of tax expense (income) as reported in the consolidated statements of comprehensive income are as follows.

	2021	2020	2019
Reported in profit or loss			
Current tax expense:			
Regular corporate income tax (RCIT) at 30%, 25%, 20%, 19% and 17%	**P 1,896,097,043**	P 1,469,668,087	P 1,335,421,308
Final tax on interest income at 20% and 15%	**2,212,068**	9,725,587	118,539,408
Adjustment in 2020 income tax due to change in tax rate	**(136,421,080)**	-	-
Minimum corporate income tax (MCIT) at 2%	**-**	-	4,464,793
	1,761,888,031	1,479,393,674	1,458,425,509
Deferred tax expense (income):			
Due to the effect of change in income tax rate	**19,700,325**	-	-
Relating to effect of change in income tax rate on fair value of assets/intangibles	**672,384,000**		
Relating to origination and reversal of other temporary differences	**292,845,452**	(80,308,018)	189,008,843
	984,929,777	(80,308,018)	189,008,843
	P 2,746,871,808	P 1,399,085,656	P 1,647,434,352
Reported in other comprehensive income or loss			
Deferred tax expense (income):			
Due to the effect of change in income tax rate	**P 6,721,103**	P -	P -
Relating to remeasurements of retirement benefit obligation	**255,965,063**	51,531,692	87,253,112
	P 262,686,166	P 51,531,692	P 87,253,112

A reconciliation of tax on pretax profit computed at the applicable statutory rates to tax expense is as follows:

	2021	2020	2019
Tax on pretax profit at 25% in 2021 and 30% in 2020 and 2019	**P 3,223,794,278**	P 2,830,717,684	P 2,543,991,181
Adjustment for income subjected to different tax rates	**(74,807,073)**	(129,169,052)	(47,844,059)
Adjustments in claiming optional standard deduction (OSD)	**(485,960,848)**	(216,046,654)	284,614,862
Tax effects of:			
Adjustments to current tax for prior years due to change in tax rate	**823,700,864**	(17,399,043)	(36,330,480)
Non-taxable income	**(626,756,835)**	(1,110,417,251)	(1,348,401,507)
Change in income tax rate	**(116,720,755)**	-	-
Balance carried forward	**P 2,743,249,631**	P 1,357,685,684	P 1,396,029,997

	2021	2020	2019
Balance brought forward	**P 2,743,249,631**	P 1,357,685,684	P 1,396,029,997
Non-deductible expenses	**86,350,753**	102,542,213	336,337,394
Accelerated capital allowances and other short-term temporary differences	**(43,850,259)**	(21,692,992)	(21,504,817)
Equity in net income of joint venture	**(40,456,025)**	(55,324,418)	(71,750,421)
Unrecognized deferred tax tax asset on:			
Net operating loss carry-over (NOLCO)	**1,523,708**	15,875,169	3,857,406
MCIT	**-**	-	4,464,793
	P 2,746,817,808	P 1,399,085,656	P 1,647,434,352

EMP and its Philippine subsidiaries are subject to the higher of RCIT at 25% in 2021 and 30% in 2020 of net taxable income or MCIT at 1% in 2021 and 2% in 2020 of gross income, as defined under the Philippine tax regulations. They paid RCIT in 2021, 2020 and 2019 as RCIT was higher in those years, except for TEI in 2019 in which MCIT was higher than RCIT.

EMP's foreign subsidiaries are subject to income and other taxes based on the enacted tax laws of the countries and/or jurisdictions where they operate.

The deferred tax assets and liabilities as of December 31 relate to the following:

	2021	2020
Brand valuation	**(P 2,491,991,522)**	(P 1,807,354,161)
Fair value adjustment	**(386,506,864)**	(280,319,890)
Short-term temporary differences	**(342,312,232)**	(228,519,008)
Retirement benefit obligation (asset)	**(228,632,315)**	102,807,770
Lease liabilities	**213,920,274**	514,178,329
Right-of-use assets	**(164,723,866)**	(442,772,890)
Capitalized borrowing costs	**(41,118,820)**	(51,585,429)
Allowance for impairment	**22,614,307**	22,287,708
Unamortized past service costs	**178,093**	320,569
Net deferred tax liabilities	**(P 3,418,572,945)**	(P 2,170,957,002)

These are presented in the consolidated statements of financial position as follows:

	2021	2020
Deferred tax liabilities - net	**(P 3,552,232,410)**	(P 2,315,851,761)
Deferred tax assets - net	**133,659,465**	144,894,759
	(P 3,418,572,945)	(P 2,170,957,002)

Movements in net deferred tax liabilities for the years ended December 31 are as follows:

	Consolidated Profit or Loss			Consolidated Other Comprehensive Income or Loss		
	2021	2020	2019	**2021**	2020	2019
Right-of-use assets	**(P 278,049,024)**	(P 427,277,742)	P 3,321,262	**P -**	P -	P -
Lease liabilities	**300,258,055**	336,786,409	120,136,046	**-**	-	-
Brand valuation	**684,637,361**	195,287,001	(220,901,496)	**-**	-	-
Retirement benefit obligation (asset)	**68,753,919**	(158,441,906)	(48,878,040)	**262,686,166**	51,531,692	87,253,112
Short-term temporary differences	**113,793,224**	(51,632,911)	162,692,611	**-**	-	-
Fair value adjustment	**106,186,974**	30,288,922	171,234,563	**-**	-	-
Allowance for impairment	**(326,599)**	(3,181,801)	(2,519,438)	**-**	-	-
Capitalized borrowing costs	**(10,466,609)**	(2,242,845)	3,816,480	**-**	-	-
Unamortized past service costs	**142,476**	106,855	106,855	**-**	-	-
Deferred tax expense (income)	**P 984,929,777**	(P 80,308,018)	P 189,008,843	**P 262,686,166**	P 51,531,692	P 87,253,112

In 2021, 2020 and 2019, the Group opted to claim itemized deductions in computing its income tax due, except for EDI, PAI and AWGI which both opted to claim OSD during the same taxable years.

23. RELATED PARTY TRANSACTIONS

The Group's related parties include the ultimate parent company, stockholders, officers and employees, and other related parties under common ownership as described below.

The summary of the Group's transactions with its related parties in 2021, 2020 and 2019 and the related outstanding balances as of December 31, 2021 and 2020 are presented below and in the succeeding pages.

Related Party Category	Notes	Amount of Transaction			Outstanding Balance Receivable (Payable)	
		2021	2020	2019	**2021**	2020
Ultimate Parent Company:						
Advances collected	23.6	**(P 2,178,819,411)**	P -	P -	**P -**	P 2,178,819,411
Dividends	24.3	**4,252,534,514**	1,403,196,355	596,182,620	**-**	-
Lease of properties:	23.2(a)					
Rentals paid		**26,500,000**	10,406,000	9,680,000	**-**	-
Right-of-use assets		**23,428,730**	8,029,106	6,572,172	**117,143,648**	48,174,637
Lease liabilities		**3,420,712**	2,509,133	4,313,895	**(123,621,590)**	(54,303,136)
Related Parties Under Common Ownership:						
Purchase of raw materials	23.1	**1,414,490,208**	2,775,139,348	3,709,697,815	**(621,856,151)**	(811,977,473)
Advances for land purchase	23.10	**10,172,131**	271,246,367	83,350,000	**-**	622,049,938
Sale of goods	23.3	**93,930,713**	87,891,147	228,827,930	**206,204,092**	273,229,290
Lease of properties:	23.2(b and c)					
Rentals paid		**70,722,430**	73,391,077	79,327,870	**-**	(10,429)
Right-of-use assets		**73,691,945**	53,281,092	48,774,598	**151,388,199**	251,748,629
Lease liabilities		**17,604,151**	18,898,425	14,382,373	**(193,176,272)**	(226,954,257)
Refundable security deposits		**(1,123,845)**	3,696,842	(3,592,411)	**6,480,688**	7,604,533
Management services	23.7	**60,000,000**	60,000,000	60,000,000	**(33,000,000)**	(110,000,000)
Purchase of finished goods	23.1	**16,516,490**	14,824,943	28,098,331	**(972,593)**	(983,717)
Perpetual notes	23.11	**-**	-	1,254,552,250	**-**	-
Stockholder –						
Advances obtained	23.5	**-**	-	-	**(3,070,715)**	(3,070,715)
Officers and Employees:						
Employee share option	24.4	**44,927,979**	26,958,169	26,958,169	**-**	-
Advances granted (collected)	23.4	**59,146,778**	10,780,936	(7,244,067)	**103,446,030**	44,299,252
Key Management Personnel –						
Compensation	23.8	**232,092,594**	222,429,521	236,404,840	**974,186**	-

The outstanding balances from the above transactions with related parties are unsecured, noninterest-bearing and payable or collectible on demand, unless otherwise stated. No impairment loss was recognized, and none is deemed necessary, in 2021, 2020 and 2019 for the related party receivables.

23.1 Purchase of Goods

The Group imports raw materials such as alcohol, flavorings and other items, and finished goods through Andresons Global, Inc. ("AGL"), a related party under common ownership. These transactions are normally being paid within 30 days. The Group also imports raw materials from Alcoholera dela Mancha Vinicola, S.L., a wholly owned subsidiary of BLC, which is considered a related party under joint control (see Note 8).

The related unpaid purchases as of December 31, 2021 and 2020 are shown as part of Trade payables under the Trade and Other Payables account in the consolidated statements of financial position (see Note 16).

23.2 Lease of Properties

(a) AGI

AWGI leases the glass manufacturing plant located in Laguna from AGI. The amount of rental is mutually agreed upon by the parties at the start of each year, as provided in their lease contract.

In 2019, AWGI recognized right-of-use assets and lease liabilities from this lease agreement in accordance with PFRS 16, which will be amortized and paid, respectively, over the lease term in lieu of the annual rent expense. However, in 2020, AWGI and AGI agreed to amend the terms in the lease agreement by changing the increase in minimum annual rent from 10% to 7.5% effective January 2020. This is accounted for as a lease modification, which resulted in the remeasurement of right-of-use assets and lease liabilities during the same year amounting to P10.2 million. Amortization of right-of-use assets amounted to P23.4 million in 2021, P8.0 million in 2020 and P6.6 million in 2019, and are presented as part of Depreciation and amortization under Costs of Goods Sold account in the consolidated statements of comprehensive income. Interest expense recognized from the lease liabilities amounted to P3.4 million in 2021, P2.5 million in 2020 and P4.3 million in 2019, and are presented as part of Interest Expense account in the consolidated statements of comprehensive income.

AWGI paid P26.5 million in 2021, P10.4 million in 2020, and P9.7 million in 2019 and there were no outstanding balances arising from this lease agreement with AGI as of December 31, 2021 and 2020.

(b) Megaworld

The Group also entered into lease contracts with Megaworld, a related party under common ownership, for the head office space of the Group.

In 2019, EDI, PAI and AWGI recognized right-of-use assets and lease liabilities from lease agreements with Megaworld in accordance with PFRS 16. In 2020, PAI leased an office space with Megaworld, in which a right-of use asset and lease liability were also recognized. Amortization of right-of-use assets amounting to P31.1 million, P29.2 million and P19.9 million in 2021, 2020 and 2019, respectively, are presented as part of Depreciation and amortization under the Costs of Goods Sold account in the consolidated statements of comprehensive income, while amortization of right-of-use assets amounting to P3.9 million, P11.8 million and P9.5 million in 2021, 2020 and 2019, respectively are presented under the General and Administrative Expenses account in the consolidated statements of comprehensive income (see Notes 19 and 20).

Interest expense from the lease liabilities amounting to P12.8 million, P12.2 million and P10.0 million in 2021, 2020 and 2019, respectively, are presented as part of Interest Expense account in the consolidated statements of comprehensive income.

The Group paid P40.1 million in 2021, P44.1 million in 2020 and P40.2 million in 2019 and there were no outstanding balances arising from these lease agreements as of December 31, 2021 and 2020.

The refundable security deposits paid to the lessors are shown as part of Other Non-current Assets account in the consolidated statements of financial position (see Note 11.2).

AWGI also leases from Megaworld a parking space, which is considered as low value asset based on the provision of PFRS 16. The related rent expense amounting to P0.1 million in 2021, 2020 and 2019 is presented as part of Rentals under the General and Administrative Expenses account in the consolidated statements of comprehensive income. The outstanding liability arising from this transaction as of December 31, 2021 and 2020 is presented as part of Accrued expenses under the Trade and Other Payables account in the consolidated statements of financial position (see Note 16).

(c) Empire East Land Holdings, Inc.

EDI entered into a lease contract with Empire East Land Holdings, Inc., a related party under common ownership, for the Company's office and warehouse.

In 2019, EDI recognized right-of-use assets and lease liabilities from this lease agreement in accordance with PFRS 16. Amortization of right-of-use assets amounting to P38.7 million both in 2021 and 2020 and P19.3 million in 2019 are presented as part of Depreciation and amortization under the Costs of Goods Sold account in the consolidated statements of comprehensive income (see Note 19). Interest expense from the lease liability amounting to P4.8 million, P6.7 million and P4.4 million in 2021, 2020 and 2019, respectively, are presented as part of Interest Expense account in the consolidated statements of comprehensive income.

EDI paid P30.6 million in 2021, P29.2 million in 2020 and P45.9 million in 2019 and there are no unpaid rentals relating to this lease agreement as of December 31, 2021 and 2020.

The outstanding right-of-use assets and lease liabilities from these lease agreements with related parties as of December 31, 2021 and 2020 are presented as part of Property, Plant, and Equipment – net account and Lease Liabilities account in the consolidated statements of financial position (see Note 9).

23.3 Sale of Goods

The Group sold finished goods to related parties. Goods are sold on the basis of the price lists in force and terms that would be available to non-related parties. The outstanding receivables from sale of goods are generally noninterest-bearing, unsecured and settled through cash within three to six months. These receivables are presented as part of Trade receivables under the Trade and Other Receivables account in the consolidated statements of financial position (see Note 6).

23.4 Advances to Officers and Employees

In the normal course of business, the Group grants noninterest-bearing, unsecured, and payable on demand cash advances to certain officers and employees. The outstanding balance arising from these transactions is presented as Advances to officers and employees under the Trade and Other Receivables account in the consolidated statements of financial position (see Note 6).

The movements in the balance of Advances to Officers and Employees account are as follows:

	2021	2020
Balance at beginning of year	P 44,299,252	P 33,518,316
Additions - net	59,146,778	10,780,936
Balance at end of year	P 103,446,030	P 44,299,252

23.5 Advances from Related Parties

AGI and other entities within the AGI Group, and other related parties grant cash advances to the Group for its working capital, investment and inventory purchases requirements. These advances are unsecured, noninterest-bearing and repayable in cash upon demand. The outstanding balance as of December 31, 2021 and 2020 amounting to P3.1 million is presented as Advances from related parties under the Trade and Other Payables account in the consolidated statements of financial position (see Note 16).

23.6 Advances to Ultimate Parent Company

The Group made unsecured cash advances to AGI for its investment activities, which were payable in cash upon demand. There were no additional cash advances in 2021, 2020 and 2019. The outstanding balance as of December 31, 2020, which is presented as Advances to ultimate parent company under the Trade and Other Receivables account in the 2020 consolidated statement of financial position (see Note 6), was fully collected in 2021.

23.7 Management Services

EDI had a management agreement with Condis for consultancy and advisory services in relation to the operation, management, development and maintenance of its distillery plant, which was transferred to Progreen when the distillery plant was leased to Progreen starting 2017.

Total management fees incurred are presented as part of Outside services under the Costs of Goods Sold account in the consolidated statements of comprehensive income (see Note 19). The outstanding liability as of December 31, 2021 and 2020 is presented as part of Trade payables under the Trade and Other Payables account in the consolidated statements of financial position (see Note 16). The related liabilities are unsecured, noninterest-bearing and payable upon demand.

23.8 Key Management Personnel Compensation

The compensation of key management personnel for employee services is shown below.

	2021	2020	2019
Short-term benefits	P 212,314,988	P 203,237,736	P 213,788,841
Share options	10,022,174	4,212,485	4,212,485
Post-employment defined benefits	9,755,432	14,979,300	18,403,514
	P 232,092,594	P 222,429,521	P 236,404,840

23.9 Retirement Plan

The Group's retirement funds for its post-employment defined benefit plan is administered and managed by a trustee bank. The fair value and the composition of the plan assets as of December 31, 2021 and 2020 are presented in Note 21.3. These plan assets do not include EMP Group's own financial instruments. The retirement fund neither provides any guarantee or surety for any obligation of the Group nor its investments covered by any restrictions or liens.

23.10 Purchase of Land

In 2016, the Group entered into a contract to purchase certain parcels of land located in Iloilo and Cebu from Megaworld for a total consideration of P206.0 million inclusive of VAT. As of December 31, 2020, the full cash payments made by the Group were presented as part of Advances to suppliers under the Other Non-current Assets account in the 2020 consolidated statement of financial position (see Note 11.2). In 2021, the legal title and the risks and rewards of ownership over the parcels of land have been transferred to the Group; hence, the cost of related properties was recorded as Land acquisition by the Group.

In 2014, the Group made cash payments to certain related party under common ownership for the acquisition of certain parcels of land located in Davao. However, the planned acquisition was temporarily suspended by both parties. The advanced payment amounting to P144.8 million as of December 31, 2020 was presented as part of Advances to suppliers under the Other Non-current Assets account in the 2020 consolidated statement of financial position (see Note 11.2). In 2021, the sale was finalized for total consideration of P153.0 million inclusive of VAT and titles of ownership over the said parcels of land were transferred to the Group; hence the cost of related properties was reclassified as Land acquisition.

In 2019, the Group also purchased parcels of land located in Legazpi City from a certain related party amounting to P47.1 million. The acquired land was paid in full in 2019.

In 2020, the Group purchased parcels of land located in Tanza, Cavite from a related party for total consideration of P273.2 million excluding VAT. The Group already paid P271.2 million as of December 31, 2020, which was presented as part of Advances to suppliers under the Other Non-current Assets account in the 2020 consolidated statement of financial position (see Note 11.2). In 2021, the acquisition was fully paid and titles of ownership over the said parcels of land were transferred to the Group; hence the related properties were reclassified as Land acquisition.

23.11 Perpetual Notes

In 2018, the Group acquired Megaworld Perpetual Notes amounting to P1.2 billion (see Note 7). The investment was sold in 2019 and the Group recognized a gain on disposal amounting to P16.4 million, which is presented as part of Other income under the Revenues and Other Income section of the 2019 consolidated statement of comprehensive income (see Note 18). The Group also recognized interest income from these financial instruments amounting to P29.4 million in 2019.

23.12 Purchase and Sale Commitment

On December 27, 2020, the Group signed a letter of intent with Global One, a related party under common ownership, for the sale of its land and building for a total purchase price of €16.6 million (see Note 13).

24. EQUITY

24.1 Capital Stock

Capital stock consists of:

	Shares			Amount		
	2021	2020	2019	**2021**	2020	2019
Common shares – P1 par value						
Authorized – 20.0 billion shares						
Issued and outstanding:						
Balance at beginning of year	**15,772,710,138**	15,759,165,376	15,985,015,876	**P 12,496,806,994**	P 12,754,551,764	P 14,392,623,076
Treasury shares – at cost (Notes 2.24 and 24.2)	**(101,718,800)**	13,544,762	(225,850,500)	**(1,002,129,721)**	(257,744,770)	(1,638,071,312)
Balance at end of year	**15,670,991,338**	15,772,710,138	15,759,165,376	**P 11,494,677,273**	P 12,496,806,994	P 12,754,551,764

The BOD of the PSE approved the listing of the common shares of the Parent Company on October 16, 2011.

On December 19, 2011, the Parent Company issued through initial public offering ("IPO") an additional 22.0 million shares with an offer price of P4.50 per share. The Parent Company incurred P10.9 million IPO-related costs, P4.2 million of which was charged against APIC and the balance of P6.7 million was recognized as part of other operating expenses. Net proceeds from the IPO amounted to P90.8 million.

On December 27, 2012, the Parent Company issued additional 6.0 million shares with an offer price of P5.50 per share through a private placement.

On June 19, August 27 and September 5, 2013, the Parent Company's BOD, stockholders, and SEC, respectively, approved the increase in authorized capital stock of EMP from P100.0 million divided into 100.0 million shares to P20.0 billion divided into 20.0 billion shares both with par value of P1.00 per share. On July 4, 2013, the Parent Company's BOD approved the issuance of 6.5 million shares at par value to two foreign investors. On August 28, 2013, AGI and other investors subscribed to an aggregate of 14.9 billion shares. Under the terms of AGI's subscription, the Parent Company acquired all of EDI shares held by AGI.

On September 17, 2013, AGI launched an offering of 1.8 billion EMP shares, which is approximately 12.0% of the total issued shares. The said offering was priced at P8.98 per share. On September 25, 2013, the settlement date, the amount of P11.2 billion out of the net proceeds was directly remitted to EMP as an additional subscription price from AGI under the terms of the amended agreement with AGI; such amount is recorded as APIC in EMP's books. Costs related to the issuances amounting to P176.3 million were deducted from APIC.

On September 25, 2013, AGI beneficially acquired two of EMP's minority corporate stockholders which held a combined 9.55% of the total issued shares. Thus, AGI beneficially owns 87.55% of EMP as of December 31, 2013.

On December 4, 2014, the Parent Company issued additional 1.1 billion common shares with an offer price of P11.0 per share through private placement (see Note 15). This resulted to a decrease in AGI's ownership from 87.55% to 81.46% as of December 31, 2014. The excess of the subscription price over the par value amounting to P11.2 billion was recorded as APIC.

On November 28, 2017, the Parent Company issued 122.4 million common shares at P6.80 per share in consideration of the accrued interest on ELS amounting to P832.3 million (see Note 15). The excess of accrued interest over the par value amounting to P709.9 million was recorded as part of APIC (see Note 2.24).

On February 5, 2020, the Parent Company issued 253.3 million shares to Arran for the Tranche 1 Conversion of the ELS (see Notes 15 and 24.2). Consequently, Conversion Options amounting to P47.7 million was transferred to APIC.

On December 3, 2021, Tranche 2 Conversion of the ELS amounting to P3,443.8 million was transferred into equity with the shares to be issued in 2022. Consequently, the ELS is reported as Deposit on Future Subscription – Equity-Linked Securities (see Note 15).

As of December 31, 2021 and 2020, the quoted closing price per share is P20.80 and P10.10, respectively, and there are 135 and 152 holders in 2021 and 2020, respectively, which include nominee accounts, of the Parent Company's total issued and outstanding shares. The percentage shares of stock owned by the public are 15.01% and 15.73% as of December 31, 2021 and 2020, respectively.

24.2 Treasury Shares

On May 12, 2017, the Parent Company's BOD authorized the buy-back of EMP's common shares of up to P5.0 billion for a term of 2 years commencing on May 16, 2017 and ending on May 16, 2019. On May 7, 2019, the buy-back program of the Parent Company's common shares of up to P3.0 billion was extended for 12 months ending May 16, 2020. On May 16, 2020, the BOD approved another 12-month extension ending on May 16, 2021 under the same terms and conditions.

On April 12, 2021, the Parent Company's BOD authorized a buy-back program of EMP's common shares of up to P1.0 billion ending on December 31, 2021 under the same terms and conditions as the previous ones. The allotment was fully used up by the end of June 30, 2021.

As of December 31, 2021 and 2020, the Parent Company has spent P6.12 billion, including trading charges, to purchase a total of 759.20 million shares and P5.11 billion to purchase a total of 657.48 million shares, respectively, under the buy-back program. In 2021, 2020 and 2019, the Parent Company has repurchased 101.7 million, 174.2 million and 225.9 million shares for P1.0 billion, P2.1 billion and P1.6 billion, respectively. Out of these, a total of 253.3 million shares had been issued to Arran for the Tranche 1 Conversion pursuant to the exercise of its right to convert under Second Amendment of the ELS (see Note 15).

Under the Revised Corporation Code of the Philippines, a stock corporation can purchase or acquire its own shares provided that it has unrestricted retained earnings to cover the shares to be purchased or acquired (see Note 24.3).

24.3 Declaration of Dividends

The details of the Parent Company's cash dividend declarations in 2021, 2020 and 2019 are as follows:

Date of Declaration	Date of Stockholders' Record	Payable Date	Dividend per Share	Total
August 2, 2021	August 13, 2021	September 8, 2021	P 0.1100	P1,731,011,836
March 8, 2021	March 19, 2021	April 15, 2021	0.0900	1,425,437,103
January 4, 2021	January 15, 2021	February 3, 2021	0.1200	1,900,582,805
August 5, 2020	August 18, 2020	September 3, 2020	0.1100	1,751,016,634
December 17, 2019	January 7, 2020	January 20, 2020	0.0500	787,958,269

The Parent Company's buy-back program restricts the Parent Company's retained earnings for distribution as dividends up to the cost of the treasury shares (see Note 24.2).

The outstanding dividends payable as of December 31, 2019 amounting to P779.2 million, net of final withholding taxes ("FWT") of P8.7 million, had been fully paid on January 20, 2020. There were no unpaid dividends as of December 31, 2021 and 2020.

24.4 Employee Share Option

On November 7, 2014, the BOD approved an employee share option plan ("ESOP") for qualified employees of the Group. The ESOP was adopted by the shareholders on December 15, 2014 ("Plan Adoption Date"). On August 17, 2021, the BOD approved certain amendments to the plan.

The options shall generally vest on the 60th birthday or the date of retirement of the option holder provided that the option holder had continuously served as an employee for eleven years after the option offer date or three years for option holder who has continuously served for at least 20 years before the option offer date, and may be exercised within five years from vesting date, subject to the terms and conditions of the amended ESOP. The exercise price shall be at most a 15% discount from the volume weighted average closing price of the Parent Company's shares for nine months immediately preceding the date of grant.

Pursuant to this ESOP, on November 6, 2015, share options were granted to certain key executives of EDI to subscribe to 118.0 million common shares of the Parent Company, at an exercise price of P7.00 per share.

On March 15, 2021 and August 25, 2021, share options were granted to certain qualified employees to subscribe to 20.0 million and 55.0 million common shares of the Parent Company, at an exercise price of P10.10 and P10.65 per share, respectively.

The fair value of the option granted was estimated using a variation of the Black-Scholes valuation model that takes into account factors specific to the ESOP.

The following principal assumptions were used in the valuation:

Average option life	11 - 20.23 years
Share price at grant date	P8.90 - P15.50
Exercise price at grant date	P7.00 - P10.65
Average fair value of option at grant date	P3.26 - P7.59
Average standard deviation of share price returns	10.24% - 13.13%
Average dividend yield	1.08% - 1.10%
Average risk-free investment rate	4.44% - 4.89%

The underlying expected volatility was determined by reference to historical prices of the Parent Company's shares over a period of one year.

Share option benefits expense, which is included as part of Salaries and employee benefits under the General and Administrative Expenses account, amounting to P44.9 million in 2021 and P27.0 million each in 2020 and 2019 was recognized (see Note 21.2), while the corresponding credit to Share Options Outstanding account is presented as part of Equity Attributable to Owners of the Parent Company under the Equity section of the consolidated statements of financial position.

24.5 Appropriation of Retained Earnings

In 2017, the Group appropriated a portion of its retained earnings amounting to P600.0 million for capital expenditures at the glass manufacturing plant. On January 22, 2019, the Group appropriated additional P200.0 million for a project expected to be completed in 2022. In 2021, the Group reversed the appropriated retained earnings of P800.0 million. Also, in 2021, the Group appropriated P1,200.0 million for the rehabilitation of furnace and other capital expenditures for the glass manufacturing plant which are expected to be completed in 2025.

24.6 Subsidiaries with Non-controlling Interest

The composition of NCI account is as follows (see Note 2.24):

	Notes	Percentage of Ownership of NCI	**2021**	2020
DBLC	1.1(p)	50%	**P1,021,025,250**	P 798,380,685
Boozylife	1.1(d)	38%	**(20,855,756)**	(19,869,058)
			P1,000,169,494	P 778,511,627

The summarized information of DBLC, which is considered as material non-controlling interest, before intragroup eliminations, is shown below.

	2021	2020
Current assets	P 3,369,126,316	P 3,392,063,886
Non-current assets	3,429,833,757	3,334,287,840
Total assets	P 6,798,960,073	P 6,726,351,726
Financial Assets	P 2,331,662,524	P 2,316,937,895
Current liabilities	P 2,203,170,324	P 2,003,207,190
Non-current liabilities	2,185,012,753	2,772,822,810
Total liabilities	P 4,388,183,077	P 4,776,030,000
Financial liabilities	P 3,022,334,064	P 3,573,156,429
Revenues	P 2,880,332,027	P 2,429,544,171
Profit for the period attributable to:		
Owners of Parent Company	P 178,280,699	P 71,079,935
NCI	178,280,698	71,079,934
Profit for the year	356,561,397	142,158,869
Other comprehensive loss attributable to:		
Owners of Parent Company	44,363,865	(180,398,796)
NCI	44,363,865	(180,398,796)
Other comprehensive loss for the year	88,727,730	(360,797,592)
Total comprehensive income (loss) for the year	P 445,289,127	(P 218,638,723)
Net cash from (used in):		
Operating activities	P 513,484,528	P 207,193,843
Investing activities	(152,405,382)	305,191,138
Financing activities	(331,056,622)	147,546,261
Net cash inflow	P 30,022,524	P 364,838,720

No dividends were paid to the NCI in 2021 and 2020.

25. EARNINGS PER SHARE

Earnings per share were computed as follows (see Note 2.24):

	2021	2020	2019
Consolidated net profit attributable to owners of the parent company	P 9,971,065,303	P 7,967,261,504	P 6,725,536,563
Divided by the weighted average number of outstanding common shares	15,839,884,723	15,845,014,032	15,919,123,588
Basic and diluted earnings per share	P 0.63	P 0.50	P 0.42

On November 6, 2015, the Parent Company's BOD granted share options to certain key executives of EDI to subscribe to 118.0 million common shares of EMP, at an exercise price of P7.00 per share (see Note 24.4).

On March 15, 2021 and August 25, 2021, share options were granted to certain qualified employees of EDI to subscribe to 20.0 million and 55.0 million common shares of the Parent Company, at an exercise price of P10.10 and P10.65 per share, respectively (see Note 24.4).

On June 15, 2017, the number of Conversion Shares under the amended ELS instrument was fixed from 480.0 million to 728.3 million (see Note 14). As of December 31, 2021 and 2020, there are 475.0 million shares that have not yet been issued.

The basic and diluted earnings per share are the same because the dilutive effects of potential common shares from the employee share options and convertible ELS are negligible for the periods presented. Thus, the weighted average number of issued and outstanding common shares presented above does not include the effect of the potential common shares from the employee share options and convertible ELS.

26. COMMITMENTS AND CONTINGENCIES

The Group has entered a purchase and sale commitment with a related party, in the amount of €16.6 million, for the sale of its land and building (see Notes 13 and 23). In addition, the Group has made advances for purchases of land with total contract price of P304.9 million for future construction of warehouses (see Note 23.10).

Except for those provisions recognized (see Note 17) and commitments disclosed above in the consolidated financial statements, there are other commitments and contingent liabilities that arise in the normal course of the Group's operations which are not reflected in the consolidated financial statements. Management is of the opinion that losses, if any, from these commitments and contingencies will not have material effects on the Group's consolidated financial statements.

27. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to certain financial risks which result from its operating activities. The main types of risks are market risk, credit risk, liquidity risk and price risk. There have been no significant changes in the Group's financial risk management objectives and policies during the period.

The Group's risk management is coordinated with AGI, in close cooperation with the BOD appointed by AGI, and focuses on actively securing the Group's short-to-medium term cash flows by minimizing the exposure to financial markets.

The Group does not engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed to are described below and in the succeeding pages.

27.1 Market Risk

The Group is exposed to market risk through its use of financial instruments and specifically to foreign currency risk, interest rate risk and certain other price risk which result from its operating, investing and financing activities.

(a) Foreign Currency Risk

Most of the Group's transactions are carried out in Philippine pesos, Euros, U.K. pounds, and U.S. dollars, which are the entities' functional currencies. Exposures to currency exchange rates arise from the Group's foreign currency-denominated transactions at each entity level. The Group has no significant exposure to other foreign currency exchange rates at each entity level, except for U.S. dollars of EDI and foreign subsidiaries, since these other foreign currencies are not significant to the Group's consolidated financial statements. EDI has cash and cash equivalents in U.S. dollars as of December 31, 2021 and 2020 while the foreign subsidiaries have cash and cash equivalents, receivables and payables in U.S. dollars. To mitigate the Group's exposure to foreign currency risk, non-functional currency cash flows are monitored.

Foreign currency-denominated financial assets and financial liabilities with exposure to foreign currency risk, translated into Philippine pesos at the closing rate, are as follows:

	2021	2020
Financial assets	**P 432,911,894**	P 400,870,827
Financial liabilities	**(2,750,063,007)**	(3,296,647,884)
	(P 2,317,151,113)	(P 2,895,777,057)

The table below illustrates the sensitivity of the Group's consolidated profit before tax with respect to changes in Philippine pesos against U.S. dollar exchange rates. The percentage changes in rates have been determined based on the average market volatility in exchange rates, using standard deviation, in the previous 12 months at a 68% confidence level.

	Reasonably possible change in rate	**Effect in consolidated profit before tax**	**Effect in consolidated equity**
2021	**4.11%**	**(P 95,234,911)**	**(P 71,426,183)**
2020	9.50%	(P 275,098,820)	(P 192,569,174)

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's foreign currency risk.

(b) Interest Rate Risk

As at December 31, 2021 and 2020, the Group is exposed to changes in market rates through its cash in banks and short-term placements which are generally subject to 30-day repricing intervals (see Note 5). Due to the short duration of short-term placements, management believes that interest rate sensitivity and its effect on the net results and equity are not significant. The Group's interest-bearing loans are subject to fixed interest rates and are therefore not subject to interest rate risk, except for certain loans that are based on EURIBOR and LIBOR (see Note 14). However, the EURIBOR is currently at a negative rate or a zero rate, and the Group does not see a material interest rate risk in the short-term.

The sensitivity of the Group's profit before tax on its loans arising from LIBOR is analyzed based on a reasonably possible change in interest rates of +/-0.42% in 2021 and +/-2.55% in 2020. These changes in rates have been determined based on the average market volatility in interest rates, using standard deviation, in the previous 12 months, estimated at 99% level of confidence. The sensitivity analysis is based on the Group's financial instruments held at each reporting date, with effect estimated from the beginning of the year. All other variables held constant, if LIBOR increased by 0.42% and 2.55% in 2021 and 2020, profit before tax would have decreased by P9.8 million and P63.4 million, respectively. Conversely, if the interest rates decreased by the same percentages, profit before tax in 2021 and 2020 would have been higher by the same amounts.

(c) Other Price Risk

The Group was exposed to other price risk in respect of its financial instruments at FVTPL, which pertain to derivative assets and liabilities arising from foreign exchange margins trading spot and forward contracts. These financial instruments will continue to be measured at fair value based on the index reference provided by certain foreign financial institution and through reference to quoted bid prices, respectively.

The Group believes that the change in foreign exchange rate related to foreign exchange margins trading spot rate and forward contracts will not materially affect the consolidated financial statements. The Group has recognized fair value losses in 2021 and fair value gains in 2020 and 2019 (see Note 7).

27.2 Credit Risk

Credit risk is the risk that a counterparty may fail to discharge an obligation to the Group. The Group is exposed to this risk for various financial instruments arising from granting advances and selling goods to customers including related parties and placing deposits with banks.

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. The Group's policy is to deal only with creditworthy counterparties.

In general, the Group's financial assets are not covered with any collateral or credit enhancement. Accordingly, the Group manages credit risk by setting limits on the amount of risk in relation to a particular customer including requiring payment of any outstanding receivable before a new credit is extended. Such risk is monitored on a regular basis and subject to an annual or more frequent review. Approval for credit limits are secured from the credit manager.

Generally, the maximum credit risk exposure of financial assets is the total carrying amount of the financial assets as shown in the consolidated statements of financial position or in the detailed analysis provided in the notes to the consolidated financial statements, as presented below.

	Notes	2021	2020
Cash and cash equivalents	5	**P 9,333,783,438**	P 7,561,169,140
Trade and other receivables – net	6	**14,095,144,617**	16,932,961,674
Property mortgage receivable	11.2	**646,636,072**	613,935,936
Refundable security deposits	11.1, 11.2	**63,917,560**	33,881,156
		P 24,139,481,687	P 25,141,947,906

The Group's management considers that all the above financial assets that are not impaired as at the end of reporting period under review are of good credit quality.

(a) Cash and Cash Equivalents

The credit risk for cash and cash equivalents is considered negligible since the counterparties are reputable banks with high quality external credit ratings. Cash and cash equivalents include cash in banks and short-term placements in the Philippines which are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P0.5 million for every depositor per banking institution.

(b) Trade and Other Receivables, Property Mortgage Receivable, and Refundable Security Deposits

The Group applies the simplified approach in measuring ECL, which uses a lifetime expected loss allowance for all trade receivables and other receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due (age buckets).

The expected loss rates for trade receivables are based on the payment profiles of sales over a period of 36 months before December 31, 2021 and 2020, and the corresponding historical credit losses experienced within such period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the Gross Domestic Product and inflation rates to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

On that basis, the loss allowance as at December 31 was determined based on months passed, as follows for trade receivables:

	1-30 Days	31-90 Days	Over 90 Days	Total
December 31, 2021				
Expected loss rate	**0%**	**0%**	**100%**	
Gross carrying amount	**P 9,194,359,031**	**P 4,543,835,632**	**P 192,652,354**	**P13,930,847,017**
Loss allowance	**-**	**-**	**192,652,354**	**192,652,354**
December 31, 2020				
Expected loss rate	0%	0%	100%	
Gross carrying amount	P 9,548,359,708	P 5,152,412,710	P 189,441,284	P14,890,213,702
Loss allowance	-	-	189,441,284	189,441,284
December 31, 2019				
Expected loss rate	0%	0%	100%	
Gross carrying amount	P 9,835,947,974	P 5,687,981,032	P 88,686,826	P15,612,615,832
Loss allowance	-	-	88,686,826	88,686,826

In general, the Group's financial assets are not covered with any collateral or credit enhancement. Accordingly, the Group manages credit risk by setting limits on the amount of risk in relation to a particular customer including requiring payment of any outstanding receivable before a new credit is extended. Such risk is monitored on a regular basis and subject to an annual or more frequent review. Approval for credit limits are secured from the credit manager.

For the advances to the ultimate parent company and refundable security deposits, the lifetime ECL rate is assessed at 0%, as there were no historical credit loss experience from the counterparties. The counterparties have low credit risk and strong financial position and sufficient liquidity to settle its obligations to the Group once they become due. With respect to property mortgage receivable, management assessed that these financial assets have low probability of default since the Parent Company is also a lessee over the same property and can apply such receivable against future lease payments.

The Group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery of the financial asset. Indicators that there is no reasonable expectation of recovery include the cessation of enforcement activity and where the value of any assets that the Group may get from the customers is less than the outstanding contractual amounts of the financial assets to be written-off. There are no write-offs made in 2021 and 2020.

27.3 Liquidity Risk

The Group manages its liquidity needs by carefully monitoring cash outflows due in day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 60-day projection. Long-term liquidity needs for a six-month and one-year period are identified monthly.

The contractual maturities of Trade and Other Payables (except for output VAT payable, and withholding tax payables and advances from suppliers under Others) and Interest-bearing Loans reflect the gross cash flows, which approximate the carrying values of the liabilities at the end of each reporting period.

The maturity profile of the Group's financial liabilities as at December 31, 2021 based on contractual undiscounted payments is as follows:

	Current		**Non-current**	
	Within 6 Months	**6 to 12 Months**	**1 to 5 Years**	**More Than 5 Years**
Interest-bearing loans and borrowings	P 734,323,235	P 2,946,647,836	P21,946,907,378	P -
Trade and other payables	17,205,504,621	-	-	-
Lease liabilities	146,261,792	134,778,563	861,533,617	431,965,723
	P18,086,089,648	**P 3,081,426,399**	**P22,808,440,995**	**P 431,965,723**

This compares to the maturity profile of the Group's financial liabilities as of December 31, 2020 as follows:

	Current		Non-current	
	Within 6 Months	6 to 12 Months	1 to 5 Years	More Than 5 Years
Interest-bearing loans and borrowings	P 923,011,978	P 4,767,025,450	P 26,402,067,304	P -
Trade and other payables	14,712,234,860	-	-	-
Equity-linked debt securities	99,750,000	3,443,750,000	-	-
Lease liabilities	130,649,237	120,391,773	841,588,155	864,841,167
	P15,865,646,075	P 8,331,167,223	P27,243,655,459	P 864,841,167

The Group maintains cash to meet its liquidity requirements for up to seven-day periods. Excess cash funds are invested in short-term placements.

28. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

28.1 Carrying Values and Fair Values of Financial Assets and Financial Liabilities

The carrying values and fair values of the categories of financial assets and financial liabilities presented in the consolidated statements of financial position are shown below.

		2021		2020	
	Notes	**Carrying Values**	**Fair Values**	Carrying Values	Fair Values
Financial Assets:					
Financial assets at amortized cost:					
Cash and cash equivalents	5	**P 9,333,783,438**	**P 9,333,783,438**	P 7,561,169,140	P 7,561,169,140
Trade and other receivables - net	6	**14,095,144,617**	**14,095,144,617**	16,932,961,674	16,932,961,674
Property mortgage receivable	11.2	**646,636,072**	**646,636,072**	613,935,936	613,935,936
Refundable security deposits	11.1, 11.2	**63,917,560**	**63,917,560**	33,881,156	33,881,156
		P 24,139,481,687	**P 24,139,481,687**	P 25,141,947,906	P 25,141,947,906
Financial assets at FVTPL	7	**P 3,294,192**	**P 3,294,192**	P 52,551,232	P 52,551,232
Financial Liabilities:					
Financial liabilities at amortized cost:					
Interest-bearing loans	14	**P 24,841,430,646**	**P 24,841,430,646**	P 30,380,344,605	P 30,380,344,605
Trade and other payables	11	**17,205,504,621**	**17,205,504,621**	14,712,234,860	14,712,234,860
Equity-linked debt securities	15	**-**	**-**	3,443,750,000	3,443,750,000
Lease liabilities	9.3	**1,092,950,054**	**1,092,950,054**	1,462,894,265	1,462,894,265
		P 43,139,885,321	**P 43,139,885,321**	P 49,999,223,730	P 49,999,223,730

See Notes 2.5 and 2.11 for a description of the accounting policies for each category of financial instruments including the determination of fair values. A description of the Group's risk management objectives and policies for financial instruments is provided in Note 27.

28.2 Offsetting of Financial Assets and Financial Liabilities

Currently, the Group's financial assets and financial liabilities are settled on a gross basis because there is no relevant offsetting arrangement on them as of December 31, 2021 and 2020 (see Note 2.12). In subsequent reporting periods, each party to the financial instruments (particularly those involving related parties) may decide to enter into an offsetting arrangement in the event of default of the other party.

29. FAIR VALUE MEASUREMENT AND DISCLOSURES

29.1 Fair Value Hierarchy

In accordance with PFRS 13, *Fair Value Measurement*, the fair value of financial assets and financial liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value.

The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

29.2 Financial Instruments Measured at Fair Value

The Group's financial instruments measured at fair value pertain to the Group's derivative instruments (see Note 7). These were presented as financial assets at FVTPL amounting to P3.3 million and P52.6 million as of December 31, 2021 and 2020, respectively.

The derivative instruments, which comprise of foreign exchange spots and forward contracts, are included in Level 2. The fair values of derivative financial instruments that are not quoted in an active market are determined through valuation techniques using the net present value computation

29.3 Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed

The table in the succeeding page summarizes the fair value hierarchy of the Group's financial assets and financial liabilities which are not measured at fair value in the consolidated statements of financial position but for which fair value is disclosed.

	2021			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets:				
Cash and cash equivalents	P 9,333,783,438	P -	P -	P 9,333,783,438
Trade and other receivables	-	-	14,095,144,617	14,095,144,617
Property mortgage receivable	-	-	646,636,072	646,636,072
Refundable security deposits	-	-	63,917,560	63,917,560
	P 9,333,783,438	**P -**	**P 14,805,698,249**	**P 24,139,481,687**
Financial liabilities:				
Interest-bearing loans	P -	P -	P 24,841,430,646	P 24,841,430,646
Trade and other payables	-	-	17,205,504,621	17,205,504,621
Lease liabilities	-	-	1,092,950,054	1,092,950,054
	P -	**P -**	**P 43,139,885,321**	**P 43,139,885,321**

	2020			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Cash and cash equivalents	P 7,561,169,140	P -	P -	P 7,561,169,140
Trade and other receivables	-	-	16,932,961,674	16,932,961,674
Property mortgage receivable	-	-	613,935,936	613,935,936
Refundable security deposits	-	-	33,881,156	33,881,156
	P 7,561,169,140	P -	P 17,580,778,766	P 25,141,947,906
Financial liabilities:				
Interest-bearing loans	P -	P -	P 30,380,344,605	P 30,380,344,605
Trade and other payables	-	-	14,712,234,860	14,712,234,860
Equity-linked debt securities	-	-	3,443,750,000	3,443,750,000
Lease liabilities	-	-	1,462,894,265	1,462,894,265
	P -	P -	P 49,999,223,730	P 49,999,223,730

For financial assets with fair values included in Level 1, management considers that the carrying amounts of those short-term financial instruments approximate their fair values.

30. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to stockholders by pricing products and services commensurately with the level of risk.

The Group monitors capital on the basis of the carrying amount of equity as presented in the face of the consolidated statements of financial position. Capital at the end of each reporting period is summarized as follows:

	2021	2020
Total liabilities	**P 49,798,141,454**	P 55,087,835,919
Total equity	**78,718,235,367**	67,364,316,316
Liabilities-to-equity ratio	**0.63 : 1.00**	0.82 : 1.00

The Group sets the amount of capital in proportion to its overall financing structure, i.e., equity and liabilities. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to stockholders, issue new shares or sell assets to reduce debt.

31. SUPPLEMENTAL INFORMATION ON CASH FLOWS

31.1 Reconciliation of Liabilities from Financing Activities

The Group presents below the reconciliation of the Group's liabilities arising from financing activities, which includes both cash and non-cash changes.

	Equity-linked Debt Securities (see Note 15)	**Accrued Interest Payable** (see Notes 14, 15 and 16)	**Interest-bearing Loans** (see Note 14)	**Lease Liabilities** (see Note 9.2)	**Total**
Balance as of January 1, 2021	P 3,443,750,000	P 72,855,493	P 30,380,344,605	P 1,462,894,265	P 35,359,844,363
Cash flows from financing activities:					
Repayment of loans	-	-	(6,732,937,709)	-	(6,732,937,709)
Proceeds from additional loans obtained	-	-	1,194,023,750	-	1,194,023,750
Repayment of lease liabilities	-	-	-	(601,235,467)	(601,235,467)
Payment of interest expense	-	(765,121,926)	-	(81,073,626)	(846,195,552)
Non-cash financing activities:					
Transfer to equity component	(3,443,750,000)	-	-	-	(3,443,750,000)
Additions to lease liabilities in exchange for increased right-of-use assets	-	-	-	141,568,711	141,568,711
Lease modification	-	-	-	92,397,741	92,397,741
Interest amortization on lease liabilities	-	-	-	81,073,626	81,073,626
Termination of lease	-	-	-	(2,675,196)	(2,675,196)
Accrual of interest	-	735,190,797	-	-	735,190,797
Balance as of December 31, 2021	**P -**	**P 42,924,364**	**P 24,841,430,646**	**P 1,092,950,054**	**P 25,977,305,064**
Balance as of January 1, 2020	P 5,280,000,000	P 141,479,085	P 31,939,838,586	P 2,021,932,115	P 39,383,249,786
Cash flows from financing activities:					
Repayment of loans	-	-	(2,741,784,226)	-	(2,741,784,226)
Proceeds from additional loans obtained	-	-	1,182,290,245	-	1,182,290,245
Repayment of lease liabilities	-	-	-	(216,881,185)	(216,881,185)
Payment of interest expense	-	(502,451,033)	-	(95,519,833)	(597,970,866)
Non-cash financing activities:					
Conversion of ELS	(1,836,250,000)	-	-	-	(1,836,250,000)
Additions to lease liabilities in exchange for increased right-of-use assets	-	-	-	41,491,316	41,491,316
Lease modification	-	-	-	(383,647,981)	(383,647,981)
Interest amortization on lease liabilities	-	-	-	95,519,833	95,519,833
Accrual of interest	-	433,827,441	-	-	433,827,441
Balance as of December 31, 2020	P 3,443,750,000	P 72,855,493	P 30,380,344,605	P 1,462,894,265	P 35,359,844,363

	Equity-linked Debt Securities (see Note 15)	Accrued Interest Payable (see Notes 14, 15 and 16)	Interest-bearing Loans (see Note 14)	Lease Liabilities (see Note 9.2)	Total
Balance as of January 1, 2019	P 5,258,801,592	P 72,730,168	P 34,014,800,228	P -	P 39,346,331,988
Effect of adoption of PFRS 16	-	-	-	1,476,157,235	1,476,157,235
Cash flows from financing activities:					
Repayment of loans	-	-	(3,226,111,642)	-	(3,226,111,642)
Proceeds from additional loans obtained	-	-	1,151,150,000	-	1,151,150,000
Repayment of lease liabilities	-	-	-	(237,157,272)	(237,157,272)
Payment of interest expense	-	(585,733,890)	-	(119,902,633)	(705,636,523)
Non-cash financing activities:					
Additions to lease liabilities in exchange for increased right-of-use assets	-	-	-	782,932,152	782,932,152
Interest amortization on lease liabilities	-	-	-	119,902,633	119,902,633
Accrual of interest	21,198,408	654,482,807	-	-	675,681,215
Balance as of December 31, 2019	P 5,280,000,000	P 141,479,085	P 31,939,838,586	P 2,021,932,115	P 39,383,249,786

31.2 Supplemental Information on Non-cash Activities

The following discusses the supplemental information on non-cash investing and financing activities as presented in the consolidated statements of cash flows for the years ended December 31, 2021, 2020 and 2019:

- In 2021, certain advances to suppliers amounting to P602.0 million were reclassified as Land acquisition (see Notes 9.1 and 23.10).

- Share option benefits expense amounting to P44.9 million in 2021 and P27.0 million each in 2020 and 2019 was recognized with corresponding credits to Share Options account (see Notes 21.2 and 24.4).

- In 2021, Tranche 2 of the ELS amounting to P3,443.8 million was transferred to Deposit on Future Stock Subscription – Equity-linked Securities for future issuance of shares. In 2020, Tranche 1 of the ELS amounting to P1,836.3 million was converted into capital stock taken from the treasury shares. Correspondingly, conversion options amounting to P47.7 million in 2020 were reclassified to APIC (see Notes 15 and 24).

- In 2021 and 2020, the Group recognized additional right-of-use assets and lease liabilities amounting to P141.6 million and P41.5 million, respectively. In addition, the Group and its lessors have agreed for certain lease modifications pertaining to leased plant and warehouses, which were not accounted for as a separate lease. Accordingly, the modification resulted in the remeasurement of both lease liabilities and right of-use assets amounting to P92.4 million and P383.6 million, respectively (see Note 9.2).

32. EVENT OCCURING AFTER THE END OF REPORTING PERIOD

On February 28, 2022, the Conversion Period to issue 475.0 million ELS shares to Arran per the ELS Instrument was modified to May 15, 2022 (see Note 15).

P&A Grant Thornton

Report of Independent Auditors to Accompany Supplementary Information Required by the Securities and Exchange Commission Filed Separately from the Basic Consolidated Financial Statements

Punongbayan & Araullo
20th Floor, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

T +63 2 8988 2288

The Board of Directors and Stockholders
Emperador Inc. and Subsidiaries
(A Subsidiary of Alliance Global Group, Inc.)
7th Floor, 1880 Eastwood Avenue
Eastwood City CyberPark
188 E. Rodriguez, Jr. Avenue
Bagumbayan, Quezon City

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of Emperador Inc. and Subsidiaries ("the Group") for the year ended December 31, 2021, on which we have rendered our report dated April 22, 2022. Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The applicable supplementary information (see List of Supplementary Information) are presented for purposes of additional analysis in compliance with the requirements of the Revised Securities Regulation Code Rule 68, and are not a required part of the basic consolidated financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information are the responsibility of the Group's management. The supplementary information have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

PUNONGBAYAN & ARAULLO

By: Romualdo V. Murcia III
Partner

CPA Reg. No. 0095626
TIN 906-174-059
PTR No. 8852339, January 3, 2022, Makati City
SEC Group A Accreditation
Partner - No. 0628-AR-4 (until Sept. 4, 2022)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002511-022-2019 (until Sept. 4, 2022)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

April 22, 2022

EMPERADOR INC. AND SUBSIDIARIES
List of Supplementary Information
December 31, 2021

EMPERADOR INC. AND SUBSIDIARIES
SEC Released Revised SRC Rule 68
Annex 68-J
Schedule A - Financial Assets
December 31, 2021
(Amounts in Philippine Pesos)

Name of Issuing Entity and Association of Each Issue	Number of Shares or Principal Amount	Amount Shown in the Consolidated Statement of Financial Position	Value Based on Market Quotation at Statement of Condition Date	Income Received and Accrued
FINANCIAL ASSETS AT AMORTIZED COST				
Cash and cash equivalents		P 9,333,783,438	P 9,333,783,438	P 86,442,812
Trade and other receivables - net		14,095,144,617	14,095,144,617	-
Property mortgage receivable		646,636,072	646,636,072	598,958,144
Refundable security deposits		63,917,560	63,917,560	-
GRAND TOTAL		**P 24,139,481,687**	**P 24,139,481,687**	**P 685,400,956**

EMPERADOR INC. AND SUBSIDIARIES
SEC Released Revised SRC Rule 68
Annex 68-J
Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
December 31, 2021
(Amounts in Philippine Pesos)

Name and designation of debtor	Balance at beginning of period	Additions	Deductions		Ending Balance		Balance at end of period
			Amounts paid (collected)	Amounts written off	Current	Not current	
Advances to Officers and Employees (under the "Trade and Other Receivables" account)	P 44,299,252	P 59,146,778	P -	P -	P 103,446,030	P -	P 103,446,030

EMPERADOR INC. AND SUBSIDIARIES
SEC Released Revised SRC Rule 68
Annex 68-J
Schedule C - Amounts of Receivable/Payable from/to Related Parties which are Eliminated During the Consolidation of Financial Statements
December 31, 2021
(Amounts in Philippine Pesos)

TERMS & CONDITIONS:
All receivables/payables are unsecured, noninterest-bearing, collectible/payable on demand, unimpaired and generally settled in cash.

Name and designation of debtor	Affected accounts	Balance at beginning of year	Additions	Deductions		Ending balance		Balance at the end of the period
				Amounts collected	Amounts written off	Current	Non current	
Emperador Distillers, Inc.	Trade and other payables	P 3,749,646,626	P 2,347,141,814	(P 3,749,646,626)	P -	P 2,347,141,814	P -	P 2,347,141,814
Emperador International, Ltd.	Trade and other receivables	3,749,646,626	2,347,141,814	(3,749,646,626)	-	2,347,141,814	-	2,347,141,814
Emperador Distillers, Inc.	Trade and other payables	1,780,032	7,321,220	(1,780,032)	-	7,321,220	-	7,321,220
Whyte and Mackay Group Limited	Trade and other receivables	1,780,032	7,321,220	(1,780,032)	-	7,321,220	-	7,321,220
Emperador Distillers, Inc.	Trade and other payables	165,013,074	239,587,908	(165,013,074)	-	239,587,908	-	239,587,908
Bodegas Fundador S.L.U.	Trade and other receivables	165,013,074	239,587,908	(165,013,074)	-	239,587,908	-	239,587,908
Emperador Distillers, Inc.	Trade and other payables	679,708,717	-	(178,393,604)	-	501,315,113	-	501,315,113
Anglo Watsons Glass, Inc.	Trade and other receivables	679,708,717	-	(178,393,604)	-	501,315,113	-	501,315,113
Alcazar De Bana Holdings Company, Inc.	Trade and other payables	6,417,900	5,795,564,668	(6,417,900)	-	5,795,564,668	-	5,795,564,668
Emperador Distillers, Inc.	Trade and other receivables	6,417,900	5,795,564,668	(6,417,900)	-	5,795,564,668	-	5,795,564,668
Emperador Distillers, Inc.	Trade and other payables	109,099,745	184,211,409	(109,099,745)	-	184,211,409	-	184,211,409
Tradewind Estates, Inc.	Trade and other receivables	109,099,745	184,211,409	(109,099,745)	-	184,211,409	-	184,211,409
Emperador Distillers, Inc.	Trade and other payables	9,253,200	-	(9,253,200)	-	-	-	-
Alcazar De Bana Holdings Company, Inc.	Trade and other receivables	9,253,200	-	(9,253,200)	-	-	-	-
Emperador Distillers, Inc.	Trade and other receivables	8,924,507	14,413,360	(8,924,507)	-	14,413,360	-	14,413,360
Boozylife, Inc.	Trade and other payables	6,901,929	9,671,872	(6,901,929)	-	9,671,872	-	9,671,872
Progreen Agricorp, Inc.	Trade and other payables	1,824,351	4,548,692	(1,824,351)	-	4,548,692	-	4,548,692
Anglo Watsons Glass, Inc.	Trade and other payables	198,227	192,796	(198,227)	-	192,796	-	192,796
Emperador Distillers, Inc.	Subscription payable	1,875,000	-	-	-	1,875,000	-	1,875,000
The Bar Beverage, Inc.	Subscription receivable	1,875,000	-	-	-	1,875,000	-	1,875,000
Emperador Distillers, Inc.	Subscription payable	1,875,000	-	-	-	1,875,000	-	1,875,000
Cocos Vodka Distillers Philippines, Inc.	Subscription receivable	1,875,000	-	-	-	1,875,000	-	1,875,000
Emperador Distillers, Inc.	Subscription payable	1,875,000	-	-	-	1,875,000	-	1,875,000
Zabana Rum Company, Inc.	Subscription receivable	1,875,000	-	-	-	1,875,000	-	1,875,000
Emperador Distillers, Inc.	Subscription payable	25,270	-	-	-	25,270	-	25,270
Alcazar De Bana Holdings, Inc.	Subscription receivable	25,270	-	-	-	25,270	-	25,270
Emperador Inc.	Trade and other payables	749,337,960	24,435,586	-	-	773,773,546	-	773,773,546
Emperador International, Ltd.	Trade and other receivables	749,337,960	24,435,586	-	-	773,773,546	-	773,773,546
Emperador Inc.	Trade and other payables	246,500,000	-	(246,500,000)	-	-	-	-
Emperador Distillers, Inc.	Trade and other payables	246,500,000	-	(246,500,000)	-	-	-	-
Emperador International, Ltd.	Trade and other receivables	176,925,000	-	(176,925,000)	-	-	-	-
Emperador Distillers, Inc.	Trade and other receivables	176,925,000	-	(176,925,000)	-	-	-	-
Whyte and Mackay Group Limited	Trade and other payables	71,981,074	106,351,796	(71,981,074)	-	106,351,796	-	106,351,796
Bodegas Fundador S.L.U.	Trade and other receivables	71,981,074	106,351,796	(71,981,074)	-	106,351,796	-	106,351,796
Bodegas Fundador S.L.U.	Trade and other payables	19,596,626	17,082,552	(19,596,626)	-	17,082,552	-	17,082,552
Whyte and Mackay Group Limited	Trade and other receivables	19,596,626	17,082,552	(19,596,626)	-	17,082,552	-	17,082,552
Emperador Inc.	Trade and other receivables	-	1,111,500,000	-	-	1,111,500,000	-	1,111,500,000
Emperador Distillers, Inc.	Trade and other payables	-	1,111,500,000	-	-	1,111,500,000	-	1,111,500,000

EMPERADOR INC. AND SUBSIDIARIES

SEC Released Revised SRC Rule 68

Annex 68-J

Schedule D - Long-term Debt

December 31, 2021

(Amounts in Philippine Pesos)

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
Interest-bearing loans	P 24,841,430,646	P 3,411,082,346	P 21,430,348,300

EMPERADOR INC. AND SUBSIDIARIES

SEC Released Revised SRC Rule 68

Annex 68-J

Schedule G - Capital Stock

December 31, 2021

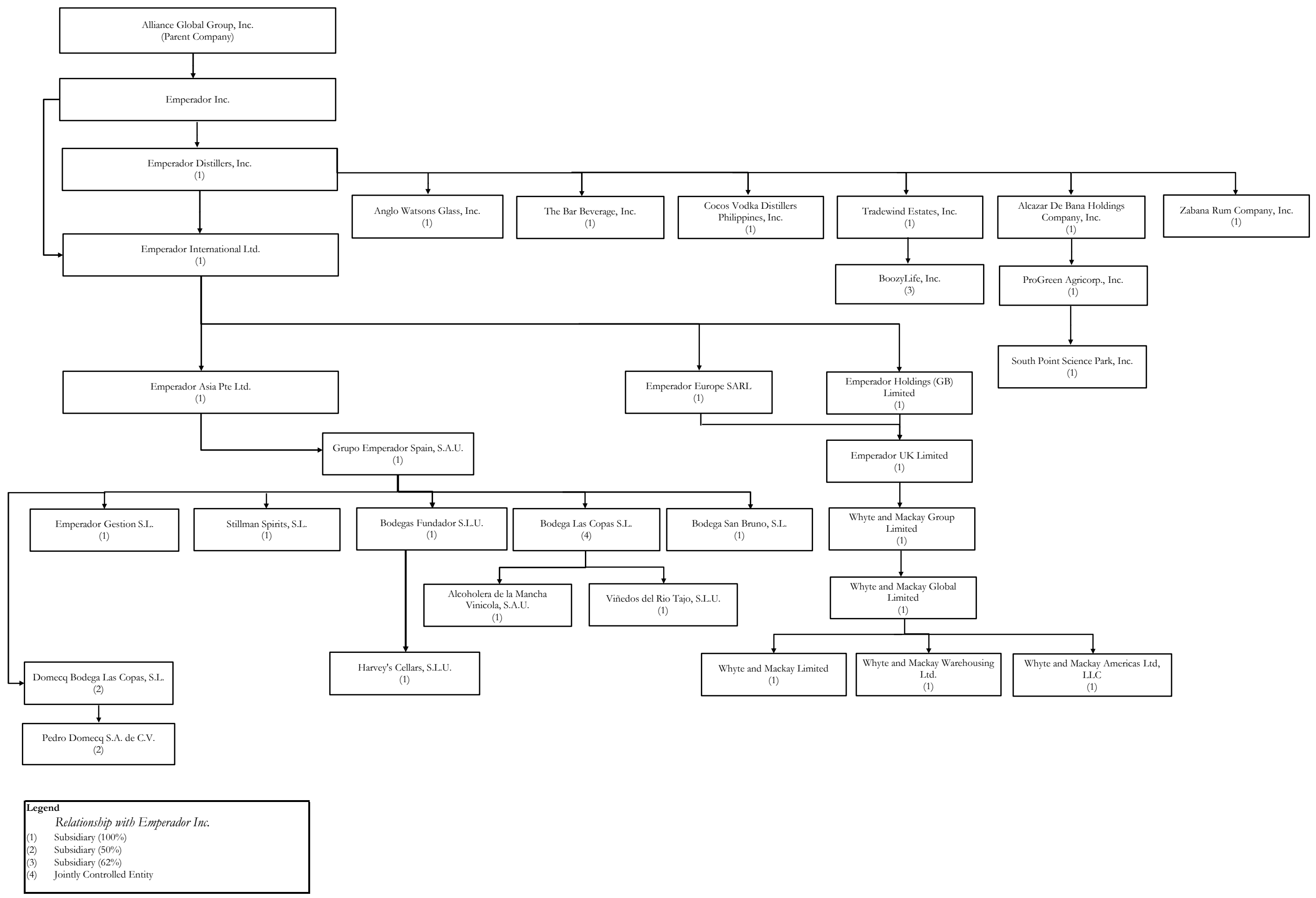
Title of Issue	Number of shares authorized	Number of shares issued and outstanding as shown under the related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by		
				Related parties	Directors, officers and employees	Others
Capital stock - P1 par value	20,000,000,000	15,736,471,238	668,000,000	13,374,050,500	7	2,362,420,731

EMPERADOR INC.
7th Floor, 1880 Eastwood Avenue, Eastwood City CyberPark
188 E. Rodriguez, Jr. Avenue, Bagumbayan, Quezon City

Schedule H - Reconciliation of Retained Earnings Available for Dividend Declaration
For the Year Ended December 31, 2021

Unappropriated Retained Earnings at Beginning of Year		P 5,429,982,461
Retained Earnings Restricted for Treasury Shares		(3,277,983,720)
Unappropriated Retained Earnings Available for Dividend Declaration at Beginning of Year, as Adjusted		2,151,998,741
Net Income per Audited Financial Statements		4,924,646,685
Other Transactions During the Year		
Acquisition of treasury shares	(P 1,002,129,721)	
Dividends declared	(5,057,031,744)	(6,059,161,465)
Unappropriated Retained Earnings Available for Dividend Declaration at End of Year		**P 1,017,483,961**

EMPERADOR INC. AND SUBSIDIARIES
Map Showing the Relationship Between Emperador Inc. and its Related Parties
December 31, 2021



EMPERADOR INC. AND SUBSIDIARIES
SCHEDULE J - AGING SCHEDULE OF TRADE AND OTHER RECEIVABLES
DECEMBER 31, 2021
(Amounts in Thousand Philippine Pesos)

Trade Receivables		
Current	P	11,052,339
1 to 30 days		1,972,140
31 to 60 days		197,110
Over 60 days		516,606
Total		13,738,195
Other receivables		6,607,660
Balance at December 31, 2021	**P**	**20,345,855**

P&A Grant Thornton

Report of Independent Auditors on Components of Financial Soundness Indicators

Punongbayan & Araullo
20th Floor, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

T +63 2 8988 2288

The Board of Directors and Stockholders
Emperador Inc. and Subsidiaries
(A Subsidiary of Alliance Global Group, Inc.)
7th Floor, 1880 Eastwood Avenue
Eastwood City CyberPark
188 E. Rodriguez, Jr. Avenue
Bagumbayan, Quezon City

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of Emperador Inc. and Subsidiaries ("the Group") as of and for the years ended December 31, 2021 and 2020, on which we have rendered our report dated April 22, 2022. Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the 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 consolidated financial statements as of December 31, 2021 and 2020 and for each of the two years in the period ended December 31, 2021 and no material exceptions were noted.

PUNONGBAYAN & ARAULLO

By: Romualdo V. Murcia III
Partner

CPA Reg. No. 0095626
TIN 906-174-059
PTR No. 8852339, January 3, 2022, Makati City
SEC Group A Accreditation
Partner - No. 0628-AR-4 (until Sept. 4, 2022)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002511-022-2019 (until Sept. 4, 2022)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

April 22, 2022

EMPERADOR INC. AND SUBSIDIARIES
Supplemental Schedule of Financial Soundness Indicators
December 31, 2021 and 2020

Ratio	Formula	2021	Formula	2020
Current ratio	Total Current Assets divided by Total Current Liabilities Total Current Assets 64,945,196,090 Divide by: Total Current Liabilities 23,523,397,598 Current ratio 2.76	2.76	Total Current Assets divided by Total Current Liabilities Total Current Assets 61,961,497,661 Divide by: Total Current Liabilities 25,808,376,366 Current ratio 2.40	2.40
Acid test ratio	Quick assets (Total Current Assets less Inventories and Other Current Assets) divided by Total Current Liabilities Total Current Assets 64,945,196,090 Less: Inventories 34,013,144,005 Other Current Assets 1,249,119,654 Quick Assets 29,682,932,431 Divide by: Total Current Liabilities 23,523,397,598 Acid test ratio 1.26	1.26	Quick assets (Total Current Assets less Inventories and Other Current Assets) divided by Total Current Liabilities Total Current Assets 61,961,497,661 Less: Inventories 30,959,999,370 Other Current Assets 1,373,977,625 Quick Assets 29,627,520,666 Divide by: Total Current Liabilities 25,808,376,366 Acid test ratio 1.15	1.15
Solvency ratio	Earnings before interest, taxes, depreciation and amortization ("EBITDA") divided by Total Debt EBITDA 15,225,034,395 Divide by: Total Debt 24,841,430,646 Solvency ratio 0.61	0.61	Earnings before interest, taxes, depreciation and amortization ("EBITDA") divided by Total Debt EBITDA 11,552,031,236 Divide by: Total Debt 33,824,094,605 Solvency ratio 0.34	0.34
Debt-to-equity ratio	Total Debt divided by Total Equity Total Debt 24,841,430,646 Divide by: Total Equity 78,718,235,367 Debt-to-equity ratio 0.32	0.32	Total Debt divided by Total Equity Total Debt 33,824,094,605 Divide by: Total Equity 67,364,316,316 Debt-to-equity ratio 0.50	0.50
Assets-to-equity ratio	Total Assets divided by Total Equity Total Assets 128,516,376,821 Divide by: Total Equity 78,718,235,367 Assets-to-equity ratio 1.63	1.63	Total Assets divided by Total Equity Total Assets 122,452,152,235 Divide by: Total Equity 67,364,316,316 Assets-to-equity ratio 1.82	1.82
Interest rate coverage ratio	Earnings before interest and taxes ("EBIT") divided by Interest expense EBIT 13,677,890,688 Divide by: Interest expense 782,713,575 Interest rate coverage ratio 17.47	17.47	Earnings before interest and taxes ("EBIT") divided by Interest expense EBIT 9,984,705,419 Divide by: Interest expense 548,979,806 Interest rate coverage ratio 18.19	18.19
Liabilities-to-equity ratio	Total Liabilities divided by Total Equity Total Liabilities 49,798,141,454 Divide by: Total Equity 78,718,235,367 Liabilities-to-equity ratio 0.63	0.63	Total Liabilities divided by Total Equity Total Liabilities 55,087,835,919 Divide by: Total Equity 67,364,316,316 Liabilities-to-equity ratio 0.82	0.82
Return on equity	Net Profit divided by Total Equity Net Profit 10,148,359,305 Divide by: Total Equity 78,718,235,367 Return on equity 0.13	0.13	Net Profit divided by Total Equity Net Profit 8,036,639,957 Divide by: Total Equity 67,364,316,316 Return on equity 0.12	0.12

Ratio	Formula	2021	Formula	2020
Return on assets	Net Profit divided by Average Total Assets Net Profit 10,148,359,305 Divide by: Average total Assets 125,484,264,528 Return on assets 0.08	0.08	Net Profit divided by Average Total Assets Net Profit 8,036,639,957 Divide by: Average total Assets 124,249,745,722 Return on assets 0.06	0.06
Net profit margin	Net Profit divided by Total Revenue Net Profit 10,148,359,305 Divide by: Total Revenue 55,936,272,323 Net profit margin 0.18	0.18	Net Profit divided by Total Revenue Net Profit 8,036,639,957 Divide by: Total Revenue 52,834,305,306 Net profit margin 0.15	0.15

Annex

Annex A: Economic

I. Anti-corruption (205-2, 205-3)

Disclosure	EMP
Percentage of employees to whom the organization's anti-corruption policies and procedures have been communicated to	100*
Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicated to	100**
Percentage of directors and management that have received anti-corruption training	100***
Percentage of employees that have received anti-corruption training	100***

**Data only includes EDI, BF, and WML*
***Data only includes EDI and WML*
****Data only includes BF*

Disclosure	EMP
Number of incidents in which directors were removed or	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

Annex B: Environmental

I. Energy Consumption and Energy Intensity (302-2, 303-3)

Disclosure	EMP
Upstream (MJ)	2,360,271,547.51*
Downstream (MJ)	467,588,487.75*

**Data only includes AWGI and BF*

Disclosure	EDI	AWGI	BF	WML
Energy intensity ratio	146 MJ/MT of product produced (Biñan) 0.20 J/sqm (Sta. Rosa)	5,880 J/MT of product produced	0.599 kwh/total production liters	19.54352794 MJ/total production liters

II. Materials (301-1, 301-2, 301-3)

EMP

Disclosure	Quantity	Units
Materials used by weight or volume		
Renewable		
Groundwater	2,421,027.00	T
Process water	1,715,500.00	T
Soft water	1,049,010.00	T
Demineralized water	593,125.00	T
Molasses	300,000.00	T
Sugarcane	201,925.33	T

EMP

Disclosure	Quantity	Units
Materials used by weight or volume		
Renewable		
Bottles	137,283.00	T
Cullet	55,509.01	T
Bagasse	24,088.81	T
Glass bottles	16,834.87	T
Glass	12,085.00	T
Carton	6,027.00	T
Cardboard/paper	1,959.00	T
Caps	1,750.00	T
Cardboard cases	1,114.58	T
Pallets	944.19	T
Labels	917.00	T
Corrugated	300.67	T
Metals such as aluminum	239.00	T
Other chemicals	210.00	T
Anti-skid sheets, separators	37.82	T
Semi-manufactured goods/consumables	26.00	T
Plastic	24.00	T
Paper stickers	16.01	T
Chemicals for cleaning and sanitation	11.00	T
Lubricant	8.00	T
Cork	2.33	T
Carton separators	Not recorded	
Wood pallets	Not recorded	

EMP

Disclosure	Quantity	Units
Non-renewable		
Coal	28,769.22	T
Silica	15,059.67	T
Laminates	8,554.00	T
Soda ash	4,656.54	T
Limestone	4,062.04	T
Feldspar	1,392.58	T
Diesel	675.13	T
Closures (plastic, aluminum)	295.51	T
Metallic covers	177.57	T
Crystal	144.00	T
Sodium sulfate	94.15	T
Paper and plastic	40.88	T
Sleeves	32.21	T
Charcoal/activated carbon	15.85	T
Plastic stickers	10.14	T
Strapping and netting	9.83	T
Plastic covers	8.85	T
Gift boxes	4.99	T
Plastic capsule	0.55	T
Selenium	0.40	T

Disclosure	EMP
Percentage of recycled input materials used to manufacture the organization's primary products and services	2.5*

Data only includes AWGI and BF

Disclosure	EDI
Percentage of reclaimed products and their packaging materials	*Glass* - 0.9 (Biñan) 0.9 (Sta. Rosa) *Metal* - 0.004 (Biñan) 0.000017 (Sta. Rosa) *Paper* - 0.19 (Biñan) 0.0036 (Sta. Rosa) *Plastics* - 0.05 (Biñan) 0.00063 (Sta. Rosa)

III. Emissions (305-4, 305-7)

Disclosure	EMP
NOx (kg/Ncm)	0.000835*
SOx (kg/Ncm)	0.001382*
Particulate matter (kg/Ncm)	0.000025**

**Data only includes AWGI and Progreen*
***Data only includes EDI and AWGI*

Disclosure	EDI	AWGI	BF	WML
GHG emissions intensity ratio for the organization (Tonnes CO_2e/T of products produced)	0.01	0.55	0.00014	1.129

IV. Solid and Hazardous Waste (306-3, 306-4, 306-5)

EDI

Waste composition	Waste generated (T)
Paper	595.37
Plastic	141.83
Wood	851.2
Metal	25.9
Glass	3,154.72
Residual	10.9
TOTAL WASTE GENERATED	4,779.92

AWGI

Waste composition	Waste generated (T)
Residual Waste from Production	57.50
Textile Waste	6.98
Food Waste	0.61
Flint Glass (Reject Glass from Production)	13,087.63
Assorted Metals	27.36
Assorted Plastic	1.66
Wood	67.60
Paper	96.44
Fine cullet, sand, soil, and other contaminants of cullet from external source	1,456.19
TOTAL WASTE GENERATED	14,801.97

PROGREEN

Waste composition	Waste generated (T)
Carboys	0.29
Scrap Metals	14
Used oil	1.48
Sacks	0.4
Drums	0.6
BFLs	0.25
TOTAL WASTE GENERATED	17.02

BF

Waste composition	Waste generated (T)
Sludges (treatment plant)	980.02
Glass	300.72
Cardboard, Paper	254.94
Metal	18.08
Plastic	55.21
Wood	60.82
Food waste	63.64
Forestry Biomass	49.96
Filtration waste	12.30
Edible oils and fats	0.20
Contaminated glass, plastic and metal containers	3.19
Oil filters	0.05
Used Mineral Oils	0.01
Adhesives, Glues out of use	0.56
Aqueous solution of chemical products (Laboratory)	0.05

BF

Waste composition	Waste generated (T)
Waxes and fats	0.01
Contaminated materials and contaminated cloths	0.03
TOTAL WASTE GENERATED	1,799.787

CASA DOMECQ

Waste composition	Waste generated (T)
Cardboard	13
Plastic	6.8
Glass	12.9
Non-municipal waste	20.2
Contaminated metal containers	0.0337
Contaminated plastic containers	0.0217
TOTAL WASTE GENERATED	53

WML

Waste composition	Waste generated (T)
General Waste	206.376
Mixed Recycling	482.538
Compostable	109.116
Glass	365.455
Wood	3.21
Metal	53.2
Septic tank waste	0.18
TOTAL WASTE GENERATED	1,220.075

161.562	EMP
Total weight of hazardous waste generated and transported (T)	161.562

Annex C: Social

I. Employee Breakdown (102-8)

Disclosure	EMP
Total number of employees	3,098
a. Number of female employees	737
b. Number of male employees	2,361

II. New Hires and Turnovers (401-1)

EMP

Disclosure	Number of new hires		Number of turnovers	
	Male	Female	Male	Female
Below 30	164	135	96	44
30-50	264	61	165	32
Above 50	11	18	19	12

III. Employee Benefits (401-2, 401-3)

EMP*

List of Benefits	Y/N	% of female employees who availed for the year	% of male employees who availed for the year
Life insurance	Y	8.76	7.97
SSS**	Y	22.33	37.03
PhilHealth**	Y	0.81	0.57
Pag-ibig**	Y	10.88	17.49
Parental leaves	Y	2.62	3.12
Vacation leaves	Y	90.59	97.52
Sick leaves	Y	69.23	80.09
Medical benefits (aside from PhilHealth)	Y	6.94	12.46
Housing assistance (aside from Pag-ibig)	Y	0.09	0.00
Retirement fund (aside from SSS)	Y	2.12	3.21
Further education support	Y	8.76	7.88
Company stock options	N	0.00	0.00
Telecommuting	Y	6.53	2.07
Flexible-working Hours	Y	14.82	1.97
(Others) Disability	Y	0.00	0.13

**WML not included in the computation of benefits due to unavailability of data.*

***Spanish equivalent for BF (SSS, PhilHealth, and Pag-Ibig). Mexican equivalent for Casa Domecq (SSS only).*

EMP

Gender	Total Number of Employees			
	Entitled to Parental Leave	Employees who took Parental Leave	Employees who returned to work after parental leave ended	Employees who returned to work after parental leave ended who were still employed twelve months after their return to work
Male	1,276	50	50	49
Female	474	16	16	16

IV. Occupational Health and Safety (403-9, 403-10)

Disclosure	EMP
No. of work-related injuries	23
No. of work-related fatalities	0
No. of work related ill-health	39
No. of safety drills	22

V. Occupational Health and Safety (403-9, 403-10)

EMP

Employee Category	Average training hours by employee category	
	Male	Female
Senior Management	Data Unavailable	
Middle Management		
Rank and File		

BOOZY

Employee Category	Average training hours by employee category	
	Male	Female
Senior Management	N/A	N/A
Middle Management	10	10
Rank and File	10	10

AWGI

Employee Category	Average training hours by employee category	
	Male	Female
Senior Management	0.12	0.12
Middle Management	2.11	2.11
Rank and File	0.006	0.006

PROGREEN BALAYAN

Employee Category	Average training hours by employee category	
	Male	Female
Senior Management	56	0
Middle Management	48.32	50.67
Rank and File	11.27	32

PROGREEN NASUGBU

Employee Category	Average training hours by employee category	
	Male	Female
Senior Management	52	52
Middle Management	53.10	36
Rank and File	0	20

BF

Employee Category	Average training hours by employee category	
	Male	Female
Senior Management	9	2
Middle Management	11	10
Rank and File	21	5

CASA DOMECQ

Employee Category	Average training hours by employee category	
	Male	Female
Senior Management	4	20
Middle Management	1	4
Rank and File	3	5

WML

Employee Category	Average training hours by employee category	
	Male	Female
Senior Management	Average hours against these categories are unavailable but WML will implement this for 2022.	
Middle Management		
Rank and File		

EDI

Employee Category	Percentage of employees receiving regular performance and career development reviews	
	Male	Female
Senior Management	100%	100%
Middle Management	100%	100%
Rank and File	100%	100%

BOOZY

Employee Category	Number of employees receiving regular performance and career development reviews	
	Male	Female
Senior Management	N/A	N/A
Middle Management	3	3
Rank and File	94	24

AWGI

Employee Category	Number of employees receiving regular performance and career development reviews	
	Male	Female
Senior Management	8	5
Middle Management	29	6
Rank and File	15	11

PROGREEN

Employee Category	Number of employees receiving regular performance and career development reviews	
	Male	Female
Senior Management	0	0
Middle Management	5	5
Rank and File	362	68

BF

Employee Category	Number of employees receiving regular performance and career development reviews	
	Male	Female
Senior Management	17	3
Middle Management	21	19
Rank and File	84	17

CASA DOMECQ

Employee Category	Number of employees receiving regular performance and career development reviews	
	Male	Female
Senior Management	7	1
Middle Management	12	11
Rank and File	27	40

WML

Employee Category	Percentage of employees receiving regular performance and career development reviews	
	Male	Female
Senior Management	100%	100%
Middle Management	100%	100%
Rank and File	43%	61%

VI. Diversity of Governance Bodies and Employees (405-1)

EMP

Board of Directors	
Under 30	0
30-50	29%
Over 50	71%

EMP

Board of Directors	
Male	86%
Female	14%

EDI

Senior Management	
Under 30	0%
30-50	73%
Over 50	27%
Middle Management	
Under 30	15%
30-50	70%
Over 50	15%
Rank and File	
Under 30	39%
30-50	58%
Over 50	3%

EDI

Senior Management	
Male	67%
Female	33%
Middle Management	
Male	56%
Female	44%
Rank and File	
Male	57%
Female	43%

BOOZY

Senior Management	
Under 30	0%
30-50	0%
Over 50	0%
Middle Management	
Under 30	67%
30-50	33%
Over 50	0%
Rank and File	
Under 30	47%
30-50	51%
Over 50	2%

BOOZY

Senior Management	
Male	0%
Female	0%
Middle Management	
Male	50%
Female	50%
Rank and File	
Male	80%
Female	20%

AWGI

Senior Management	
Under 30	0%
30-50	31%
Over 50	69%
Middle Management	
Under 30	6%
30-50	60%
Over 50	34%
Rank and File	
Under 30	33%
30-50	56%
Over 50	11%

AWGI

Senior Management	
Male	62%
Female	38%
Middle Management	
Male	83%
Female	17%
Rank and File	
Male	89%
Female	11%

PROGREEN

Senior Management	
Under 30	0%
30-50	50%
Over 50	50%
Middle Management	
Under 30	0%
30-50	57%
Over 50	43%
Rank and File	
Under 30	33%
30-50	57%
Over 50	10%

PROGREEN

Senior Management	
Male	100%
Female	0%
Middle Management	
Male	57%
Female	43%
Rank and File	
Male	83%
Female	17%

BF

Senior Management	
Under 30	0%
30-50	86%
Over 50	14%
Middle Management	
Under 30	0%
30-50	70%
Over 50	30%
Rank and File	
Under 30	
30-50	Data unavailable
Over 50	

BF

Senior Management	
Male	86%
Female	14%
Middle Management	
Male	49%
Female	51%
Rank and File	
Male	75%
Female	25%

CASA DOMECQ

Senior Management	
Under 30	7%
30-50	87%
Over 50	7%
Middle Management	
Under 30	0%
30-50	100%
Over 50	0%
Rank and File	
Under 30	28%
30-50	63%
Over 50	9%

WML

Senior Management	
Under 30	0%
30-50	79%
Over 50	21%
Middle Management	
Under 30	4%
30-50	69%
Over 50	27%
Rank and File	
Under 30	16%
30-50	48%
Over 50	37%

CASA DOMECQ

Senior Management	
Male	53%
Female	47%
Middle Management	
Male	50%
Female	50%
Rank and File	
Male	55%
Female	45%

WML

Senior Management (excludes Executive Team)	
Male	74%
Female	26%
Middle Management	
Male	59%
Female	41%
Rank and File	
Male	62%
Female	38%

VII. Ratio of Basic Salary and Remuneration of Women to Men (405-2)

AWGI

Employee Category	Male	Female
Senior Management	1	1.02
Middle Management	1	1.26
Rank and File	1	1.20

BOOZY

Employee Category	Head Office		Hubs	
	Male	Female	Male	Female
Senior Management	1	0.57	0	0
Middle Management	1	0.90	0	0
Rank and File	0.84	1	1	0.58

PROGREEN

Employee Category	Balayan		Nasugbu	
	Male	Female	Male	Female
Senior Management	1.20	1	1.34	1
Middle Management	1.05	1	1	1.13
Rank and File	1	1.08	1	1.19

BF

Employee Category	Jerez		Tomelloso		Madrid	
	Male	Female	Male	Female	Male	Female
Senior Management	1	1	1	N/A	1	1
Middle Management	1	1	1	1	1	1
Rank and File	1	1	1	N/A	1	1

CASA DOMECQ

Employee Category	Corporativo		Bacardi/Almacén		Ensenada	
	Male	Female	Male	Female	Male	Female
Senior Management	1.07	1	N/A	1	1	N/A
Middle Management	1.03	1	N/A	N/A	N/A	1
Rank and File	N/A	N/A	N/A	N/A	N/A	N/A

	W&M UK		W&M INTERNATIONAL	
Employee Category	Male	Female	Male	Female
Senior Management	1.34	1	0.9	1
Middle Management	0.99	1	1.45	1
Rank and File	1.14	1	1.42	1

Annex D: Performance Highlights

Economic Contributions

Direct Economic Value Generated and Distributed	Amount
Direct economic value generated (revenue)	P55,936,272,323
Direct economic value distributed:	–
a. Operating costs	P33,309,784,267
b. Employee wages and benefits	P1,838,913,379
c. Payments to suppliers, other operating costs	P5,091,450,636
d. Dividends given to stockholders and interest payments to loan providers	P5,839,745,319
e. Taxes given to government	P2,859,771,669
f. Investments to community (e.g. donations, CSR)	P2,395,400

Corporate Information

EMPERADOR INC

7/F 1880 Eastwood Avenue
Eastwood City CyberPark
188 E. Rodriguez Jr. Avenue
Bagumbayan, Quezon City
Tel. no. +632 8709-2038 to 41
Fax no. +632 8709-1966

DATE OF INCORPORATION

November 26, 2001

DATE OF PUBLIC LISTING

December 19, 2011

PRINCIPAL AUDITORS

Punongbayan & Araullo
Philippine Member Firm of Grant Thornton International Ltd.
19th and 20th Floors, Tower 1, The Enterprise Center
6766 Ayala Avenue, Makati City
Tel no. +632 7988-2288

STOCK TRANSFER AGENT

BDO Stock Transfer
Banco De Oro Unibank, Inc.
15th Floor, South Tower, BDO Corporate Center
7899 Makati Avenue, Makati City
Tel no. +632 8878-4053

OFFICERS

Winston S. Co
President and CEO

Katherine L. Tan
Treasurer

Kendrick Andrew L. Tan
Executive Director

Dina D.R. Inting
Chief Financial Officer
Corporate Information Officer
Compliance Officer

Atty. Anna Michelle T. Llovido
Corporate Secretary
Data Protection Officer

INVESTOR RELATIONS

Kenneth Nerecina
Tel no. +632 8709-2222
Email: investorrelations@
emperadordistillers.com
Website: www.emperadordistillers.com

EMPERADOR INC.

1880 Eastwood Avenue Building, 161 Eastwood Ave.,
Bagumbayan, Quezon City, 1110 Metro Manila

empmarketing@emperadordistillers.com

(02) +632 8709-2222

@EmperadorBrandyPhilippines

@emperador_brandy

Writing and Design by:
Drink Sustainability Communications
www.drinkph.com