

COVER SHEET

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SEC Registration Number

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(Company's Full Name)

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

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Dept. Requiring this Doc

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Amended Articles Number/Section

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Total No. of Stockholders

Total Amount of Borrowing

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Domestic

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Foreign

SEC Personnel concerned

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Cashier

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STAMPS

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A, **AS AMENDED**

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

1. For the fiscal year ended: **2020**
2. SEC Identification Number: **A199813754** 3. BIR Tax Identification No.: **201-277-095**
4. Exact name of issuer as specified in its charter: **PUREGOLD PRICE CLUB, INC.**
5. **MANILA, PHILIPPINES** 6.  (SEC Use Only)  
Province, Country or other jurisdiction of Industry Classification Code:  
incorporation or organization
7. **No. 900 ROMUALDEZ ST., PACO, MANILA** **1007**  
Address of principal office Postal Code
8. **028522-8801 to 04**  
Issuer's telephone number, including area code
9. **None**  
Former name, former address, and former fiscal year, if changed since last report.
10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of Each Class

Number of Shares of Common Stock  
Outstanding and Amount of Debt Outstanding  
**2,884,232,615**

**Common Share**

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

Yes [ x ] No [ ]

If yes, state the name of such stock exchange and the classes of securities listed therein:  
**THE PHILIPPINE STOCK EXCHANGE** **COMMON SHARE**

12. Check whether the issuer:

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

Yes [x] No [ ]

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

Yes [x] No [ ]

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

| Shares held by Non-affiliates as of March 31, 2021 | Market Value per Share as of March 31, 2021 | Total Market Value |
|----------------------------------------------------|---------------------------------------------|--------------------|
| 1,005,944,449                                      | 39.30                                       | 113,350,341,769    |

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

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

Yes ☐ No ☐

**DOCUMENTS INCORPORATED BY REFERENCE**

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

- (a) Any annual report to security holders;
- (b) Any [information statement](#) filed pursuant to [SRC Rule 20](#);
- (c) Any prospectus filed pursuant to SRC Rule [8.1](#).

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## PART I: BUSINESS AND GENERAL INFORMATION

### Item 1. Business

#### (A) Description of Business

As of December 31, 2020, Puregold operates a supermarket chain of 403 stores all over the Philippines. The stores are classified as hypermarkets, supermarkets, extras and mini-marts depending on the size of the selling area and location of the store. In the past three (3) years, the total number of stores increased from 354 in 2018 to 403 in 2020. Further details are as follows:

By Format:

| Year | Hypermarket | Supermarket | Extras | Mini-Mart | Total |
|------|-------------|-------------|--------|-----------|-------|
| 2018 | 208         | 104         | 29     | 13        | 354   |
| 2019 | 230         | 103         | 28     | 19        | 380   |
| 2020 | 244         | 100         | 28     | 31        | 403   |

By Location:

| Year | Metro Manila | Luzon | South Luzon | Visayas | Mindanao | Total |
|------|--------------|-------|-------------|---------|----------|-------|
| 2018 | 125          | 93    | 101         | 25      | 10       | 354   |
| 2019 | 130          | 100   | 106         | 33      | 11       | 380   |
| 2020 | 137          | 107   | 113         | 35      | 11       | 403   |

Puregold wholly owns the following subsidiaries:

a. **Kareila Management Corporation** (operating under the tradename, *S&R Membership Shopping*) operates 20 membership warehouse clubs and 46 quick-service restaurants (“QSR”) as of December 31, 2020. S&R started with only four (4) warehouses before Mr. Lucio Co acquired it sometime in 2004. As of December 2020, Kareila is operating 20 warehouses and 46 QSR.

b. **Entenso Equities, Inc.** has equity interests in Ayagold Retailers, Inc. and San Roque Supermarkets. Ayagold Retailers, Inc. is a 50/50 joint venture with Ayala Land. It opened a mall-based supermarket called “Merkado” at UP Town Center, Quezon City, in July 2015 and at Vertis North Mall, Quezon City, in December 2017. San Roque Supermarkets is also a joint venture with the original family owners of San Roque Supermarkets. It currently operates 30 supermarkets located mainly in Metro Manila.

c. **Purepadala, Inc.** was incorporated in 2018 with P50 million capital stock. It will operate the remittance service within the network and platform of Puregold.

The total store network of Puregold and subsidiaries per year is in the table below:

| Year | Puregold | S&R Membership | QSR | Merkado | San Roque | Total |
|------|----------|----------------|-----|---------|-----------|-------|
| 2018 | 354      | 16             | 39  | 2       | 23        | 434   |
| 2019 | 380      | 18             | 38  | 2       | 25        | 463   |
| 2020 | 403      | 20             | 46  | 2       | 30        | 501   |

The total store network of Puregold and subsidiaries per location is in the table below:

|                | Metro Manila | Luzon | South Luzon | Visayas | Mindanao |
|----------------|--------------|-------|-------------|---------|----------|
| Puregold       | 137          | 107   | 113         | 35      | 11       |
| S&R Membership | 10           | 3     | 3           | 2       | 2        |
| QSR            | 26           | 5     | 8           | 7       | 0        |
| Merkado        | 2            | 0     | 0           | 0       | 0        |
| San Roque      | 16           | 5     | 9           | 0       | 0        |

Puregold was incorporated in September 1998. The first store it opened was in Mandaluyong City.

Since its incorporation, the Company and its subsidiaries have never been a subject or involved in a bankruptcy, receivership, or similar proceedings.

The Company and its subsidiaries were not involved in any material reclassification, merger, consolidation, or purchase or sale of a significant amount of assets not in the ordinary course of business in 2020.

## (2) Business of Issuer

(i) **Principal Products or Services** – Puregold is operating retail establishments in the following formats:

(a) *Hypermarkets* are primarily located in major commercial centers and near transportation hubs. It offers a wide variety of food and non-food products. Generally, it caters to retail customers and resellers, such as members of the Company's pioneering *Tindahan ni Aling Puring* ("TNAP") loyalty/marketing program. The average net selling space of the Company's hypermarket is 2,000 to 2,500 square meters. Each hypermarket offers more than 25,000 stock-keeping units (SKU).

(b) *Supermarkets* are smaller stores with an average net selling space of around 800 square meters. SKUs of product assortment ranges from 8,000 to 12,000. These stores are primarily located in residential areas and offer a higher proportion of food to non-food products vis-a-vis the Company's hypermarkets.

(c) *Mini-marts* are the Company's smallest store format. It serves as a community store, selling fast-moving essential goods to high-density neighborhoods. It offers a more limited number of products, comprising the Company's top-selling SKUs ranging from 4,000 to 5,000. The average net selling space of these stores is around 250 square meters.

(d) *S&R Exclusive Membership warehouse* has adopted a warehouse club concept where most of the products offered are in club packs. The majority of the merchandise is imported brand names mainly sourced from the United States. Currently, S&R is the biggest reseller of imported quality products in the Philippines. Also, under Kareila Management Corporation is the *S&R New York Style Pizza* restaurants with 46 branches nationwide.

(e) *Merkado* has two (2) stores currently operating; one in UP Town Center, Quezon City, and the other is at Vertis North Mall, Quezon City. Each store is up to 2,000 square meters selling area and offering up to 16,000 SKUs.

(f) *San Roque Supermarkets* has 30 stores primarily located in Metro Manila area. Each store is up to 1,500 square meters selling area and offering up to 16,000 SKUs.

## **(ii) Percentage of Sales or Revenues from Foreign Sales**

The Company or any of its subsidiaries has no branch or sale outside the Philippines.

## **(iii) Distribution Methods**

The Company replenishes and distributes its merchandise to various stores in the following manners:

a. Direct-to-store delivery - A substantial portion of the Company's inventory and other supplies and materials, about 68%, are delivered directly by suppliers to the stores. Considering the bulk of the business, the Company can order a truckload of merchandise direct from the suppliers. The Company receives orders and merchandise with an average 7-day lead time from receipt of purchase orders.

b. Cross-dock facilities – About 32% of the suppliers who cannot deliver to the Company's stores directly deliver their products to the Company's two out-sourced cross-dock facilities for onward distribution Puregold stores.

c. Store-to-store transfer – All of the Company's stores have a stockroom on-premises with warehousing capabilities for additional inventory. However, there are stores with large warehouses that can accommodate merchandise intended for nearby small-format stores. As needed, the Company transfers goods from a large store to a small store.

d. Importation - S&R sends out buyers all over the world to source for its best products. S&R imports 45% to 55% of its products. It currently operates three distribution centers.

#### **(iv) New Products or Service**

None.

#### **(v) Competition**

SM Supermarkets, Savemore, SM Hypermarkets, Shopwise/Rustan's, Robinsons, Metro Gaisano, and Walter-Mart are among the top and dominant market participants in the retail sector. But smaller formats like Alfamart of SM group are also becoming our strong competitors; likewise, the online retailers, Lazada, Shoppee, Zalora, Grab Food, Food Panda, and Metromart.

Landers has the same membership shopping format as S&R. It offers imported products as well and caters to the "A" and "B" class segment of our population.

#### **(vi) Suppliers**

With over 2,000 regular suppliers, the Company's supplier base is diversified between local suppliers such as Universal Robina Corporation, Monde Nissin, Century Pacific Food, Inc., and multinational corporations such as Nestle, Unilever and Procter & Gamble. The Company selects its suppliers using several criteria, including product assortment and quality, market share of the Company in a particular supplier's location, brand reputation, supplier's capacity, company business plans and budgets, logistic possibilities, and compliance with the Company's economic principles.

S&R sources the majority of its merchandise from global vendors who have been supplying to membership clubs worldwide.

The Company's business is not dependent on any single supplier. The Company's three largest food suppliers are Nestlé Philippines, Universal Robina Corporation, and Monde Nissin. The Company's three largest non-food suppliers are Procter & Gamble, Unilever Philippines, and Globe Telecom Inc.

#### **(vii) Customers**

The Company is not reliant on a single or few customers but to the buying public in general.

The Company's stores target customers who live within walking distance of its stores and those who use personal or public transport to shop. The Company provides suitable car parking facilities to accommodate customers who travel to stores by car and locates its stores in areas close to main transportation hubs. The Company also offers delivery services to resellers who are unable to travel to the Company's stores.

Likewise, S&R is not dependent on a single or few customers but to the buying public in general who become members.

The Company believes that its stores can address the needs of its customers through its extensive product range, a large selection of food and non-food products, and an



increasing share of private label products. The Company divides its customers into several categories:

a. *Retail consumers*: Puregold targets the “C” and “D” classes. These consumers have an average income of P12,000 to P80,000. A typical ticket for retail consumers ranges from P600 to P3,000 per shopping trip at a frequency of two to four times per month. S&R is targeting the “A” and “B” market segments. This segment has an average income of over P80,000 per month.

b. *Resellers*: Consisting of resellers, small to medium size *sari-sari* stores, as well as canteens, restaurants, caterers, bakeries, convenience, and drug stores. As of December 31, 2020, there were over 500,000 business owners registered with the Company.

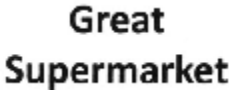
#### (viii) Related Party Transactions

Please refer to 2020 Consolidated Audited Financial Statements of the Company for the complete discussion of the Company’s transaction with related parties, attached hereto as Annex “A”.

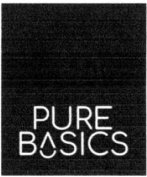
#### (ix) Trademarks

As of December 31, 2020, the Company has secured registration of 77 tradenames and trademarks from the Intellectual Property Office of the Philippines. All the registration of tradenames and trademarks, including the expiration dates, are in accordance with the pertinent laws on intellectual property rights. The complete list of tradenames and trademarks are as follows:

| No. | Tradenames               | Trademarks                                                                           |
|-----|--------------------------|--------------------------------------------------------------------------------------|
| 1   | Aling Puring KAINDUSTRYA |  |
| 2   | ALWAYS PANALO            |  |
| 3   | AQUALIFE                 |  |
| 4   | AQUALIZED                |  |
| 5   | ATLANTIC                 |  |
| 6   | BELLOTA                  |  |
| 7   | CLIQUE Logo              |  |

|    |                    |                                                                                      |
|----|--------------------|--------------------------------------------------------------------------------------|
| 8  | COFFEE MATCH       |    |
| 9  | COFFEE MAX         |    |
| 10 | DFP                |    |
| 11 | DISTRITO           |    |
| 12 | DRY PLUS           |    |
| 13 | EASY HOME DEPOT    |    |
| 14 | EQUAL              |    |
| 15 | EQUAL              |    |
| 16 | EQUIVALENT         |   |
| 17 | EZEE               |  |
| 18 | FRESH & EASY       |  |
| 19 | GOLD YARN          |  |
| 20 | GOLDEN             |  |
| 21 | GOPURE             |  |
| 22 | GRAND P            |  |
| 23 | GREAT SUPERMARKET  |  |
| 24 | HER COLLECTION/HIS |  |
| 25 | HIS KIDS/HER KIDS  |  |
| 26 | HOME CLEAN         |  |

|    |                         |                                                                                      |
|----|-------------------------|--------------------------------------------------------------------------------------|
| 27 | JOOZY                   |    |
| 28 | KA-ASENSO               | <b>Ka- asenso</b>                                                                    |
| 29 | KA-ASENSO & Device      |    |
| 30 | KITANG-KITA CASE        | <b>KITANG-KITA CASE</b>                                                              |
| 31 | KOBE CHICKEN            | <b>Kobe Chicken</b>                                                                  |
| 32 | MAGIC GLOW              | <i>Magic Glow</i>                                                                    |
| 33 | MARKET 999              | <b>MARKET 999</b>                                                                    |
| 34 | MINI MART BY PUREGOLD   | Mini Mart by<br>Puregold                                                             |
| 35 | MOMMY MARKET            | <b>Mommy Market</b>                                                                  |
| 36 | MR. PAPER               | <b>MR. PAPER</b>                                                                     |
| 37 | MY BABY PLANET          | <b>My Baby Planet</b>                                                                |
| 38 | NE KAYA 'YAN CABAYAN!   |  |
| 39 | NEGOSYO MO CABAYAN CARD |  |
| 40 | PANALO KARD             | <b>PANALO KARD</b>                                                                   |
| 41 | PEOPLE'S GROCER         | <b>People's Grocer</b>                                                               |
| 42 | PEOPLE'S RICE           | <b>PEOPLE'S RICE</b>                                                                 |
| 43 | PERFECT MATE            | <b>PERFECT MATE</b>                                                                  |
| 44 | PERKS LOYALTY CARD      | PERKS<br>LOYALTY<br>CARD                                                             |
| 45 | PISO GARANTISADO        | <b>Piso Garantisado</b>                                                              |
| 46 | POSITIVE 99             | <b>POSITIVE ≤99</b>                                                                  |
| 47 | PREMIUM GOLD            | <b>Premium Gold</b>                                                                  |
| 48 | PUHUNAN PLUS            | <b>PUHUNAN PLUS</b>                                                                  |
| 49 | PURE BASICS             | <b>PURE BASICS</b>                                                                   |

|    |                                               |                                                                                       |
|----|-----------------------------------------------|---------------------------------------------------------------------------------------|
| 50 | PURE BASICS                                   | PURE<br>BASICS                                                                        |
| 51 | PURE BASICS LOGO                              |    |
| 52 | PURE BASICS Pure Clean, Pure White            | PURE BASICS<br>Pure Clean,<br>Pure White                                              |
| 53 | PURE BASICS Pure Freshness, Pure Softness     | PURE BASICS<br>Pure Freshness,<br>Pure Softness                                       |
| 54 | PURE HEALTH CARE                              | Pure Health Care                                                                      |
| 55 | PURE PHARMACY                                 | PURE PHARMACY                                                                         |
| 56 | PURE PLUS                                     | Pure Plus                                                                             |
| 57 | PURE VALUE                                    | <i>Pure Value</i>                                                                     |
| 58 | PURE BASICS Palaban sa Sebo, Panalo sa Presyo | PURE BASICS<br>Palaban sa Sebo,<br>Panalo sa Presyo                                   |
| 59 | PURECART                                      | PURECART                                                                              |
| 60 | PURECASH                                      | PureCash                                                                              |
| 61 | PUREGLIDE                                     | PUREGLIDE                                                                             |
| 62 | PUREGOLD DISKWENTODO                          | Puregold<br>DiskwenTODO                                                               |
| 63 | PUREGOLD HOME OFFICE                          | Puregold Home Office                                                                  |
| 64 | PUREGOLD NUTRITIONISCOOL                      | Puregold NutritionIsCool                                                              |
| 65 | PUREPADALA                                    |  |
| 66 | PUREPLEASURE                                  | PUREPLEASURE                                                                          |

|    |                                                 |                                                                                      |
|----|-------------------------------------------------|--------------------------------------------------------------------------------------|
| 67 | PUREPLUS                                        | <b>Pureplus</b>                                                                      |
| 68 | REACH Softest Touch & Device                    |   |
| 69 | SA PUREGOLD, ALWAYS PANALO                      | SA PUREGOLD, ALWAYS PANALO!                                                          |
| 70 | STACK & STOCK RIGHT                             |   |
| 71 | TABACALERA                                      | <b>TABACALERA</b>                                                                    |
| 72 | Tindahan ni Aling Puring                        | TINDAHAN NI ALING PURING<br>ABOT KAYA ANG ASENSO!                                    |
| 73 | TINDAHAN NI ALING PURING (Super SIM and Device) |    |
| 74 | TIPPTOES                                        |  |
| 75 | TWIN ELEPHANT                                   | <b>TWIN ELEPHANT</b>                                                                 |
| 76 | VIPuring                                        | <b>VIPuring</b>                                                                      |
| 77 | WRAP & SEAL                                     | <b>Wrap &amp; Seal</b>                                                               |

#### (x) Government Approval

The Company has secured the necessary permits and licenses to construct or operate retail stores both from the national government and local government units where each of the stores is located.

The Company has also secured the necessary permits to sell products that require special inspection permits from various government agencies such as, but not limited to, the National Meat and Inspection Service, Food and Drug Administration, and Department of Trade and Industry.

#### (xi) Government Regulations

Due to COVID 19 restrictions implemented by the National and Local Governments in 2020, the Company experienced shortened store hours and a limited number of customers' admission. The Company was likewise prohibited from selling liquor products in the stores and restricted the sale of cleansing materials such as alcohol, tissue for a certain period of time.

## (xii) Research and Development

None.

## (xiii) Compliance with Environmental Laws

The Company estimates its annual cost for maintaining and renewing the ECCs and other environmental permits for all its existing stores to be about P50 million.

For more details of the Company's compliance with environmental laws, please see attached Sustainability Report – Annex "C" hereof.

## (xiv) Employees

As of 31 December 2020, the Company and subsidiaries have a total of 11,065 employees. The following table sets out specific details of the employees by location and functions:

| Department       | Puregold     | S&R          | Merkado   | San Roque  |
|------------------|--------------|--------------|-----------|------------|
| Store Operations | 6,198        | 2,782        | 33        | 82         |
| Head Office      | 1,036        | 785          | 0         | 140        |
| <b>Total</b>     | <b>7,234</b> | <b>3,567</b> | <b>33</b> | <b>222</b> |
|                  |              |              |           |            |
| Rank             |              |              |           |            |
| Executive        | 6            | 6            | 0         | 4          |
| Senior Manager   | 23           | 12           | 0         | 0          |
| Manager          | 341          | 93           | 2         | 8          |
| Officer          | 638          | 207          | 4         | 4          |
| Supervisory      | 3,031        | 1,043        | 10        | 29         |
| Rank & File      | 3,195        | 2,203        | 17        | 177        |
| Consultant       | 0            | 3            | 0         | 0          |
| <b>Total</b>     | <b>7,234</b> | <b>3,567</b> | <b>33</b> | <b>222</b> |

The Company anticipates that it will employ approximately 1,600 employees within the next 12 months for the planned 25 Puregold store openings and two (2) S&R warehouse and six (6) QSRs in 2021. The Company does not expect to encounter any difficulty in sourcing the workforce for these additional positions.

The Company believes that its relations with its employees are generally good. The Company has not experienced work stoppages or strikes in 2020 and the past five years due to any employees' strife. The Company currently has no labor union nor any collective bargaining agreement with any group of employees.

## (xv) Major Risks

The Company considers the following significant risks that may have a potentially adverse effect on its financial condition and operation, as follows:

***(a) Government regulations to combat the spread of the COVID 19 virus and customers' trepidation to be infected with the COVID 19 virus may continue to affect the Company's operation and profitability.***

The Philippine Government placed the country under community quarantine for most part of the year, 2020. Many businesses were closed, and the major means of transportation were shut down to limit people's movement outside their houses to essential activities only. Although the Company is rendering essential services, most of its stores remain open albeit with limited hours and restricted capacity only. Further, many customers shun from going to crowded places like supermarkets out of fear and apprehension of getting infected with the virus. Both government COVID 19 regulations and the change of customers' behavior affected the Company's operation in 2020. It may continue to affect unless the Company adopts measures to adapt to these changes and find ways of delivering business amidst these social changes.

To mitigate the impact of these social changes brought by the COVID 19 pandemic, the Company strengthened its digital shopping platform named "Sally" and its "APAR" program to sell to as many customers even without them leaving their houses. "Sally" is a mobile application that allows end-user customers to shop online and have the merchandise delivered to their houses. "APAR," on the other hand, stands for "Aling Puring Account Representative Representatives," where store employees visit business sites of its resellers called 'Aling Puring members' to sell and deliver merchandise to them.

***(b) Changes in consumer behavior may affect the Company's operation and profitability.***

The Company always aspires to give consumers a shopping experience that is satisfying to their wants and needs and, at the same time, affordable. When consumers come to our stores, we make sure they get a wide range of product assortment and all other things that can make their store experience appealing to them to come back. However, due to social changes like the emergence of online sellers, worsening of traffic, wide-spread diseases like COVID 19, and the effects of natural calamities like volcano eruption, flood, storms, customers may not visit our stores as frequent as they used to be. The Company is seeing these changes in consumer behavior affecting its operation.

However, the Company has positioned itself to take advantage of digital shopping by making its delivery network called "Sally." Sally is a mobile application that will allow customers to shop online and have the merchandise delivered. Further, we see our big stores as our advantage to this set-up because they can become our delivery hubs. Merchandise can quickly be delivered to our consumers wherever they are in the Philippines.

Aside from an excellent digital network, the Company is banking on our reliable employees on the ground to make this delivery of the merchandise to our customers as satisfying as the real store experience.

***(c) The Company may experience difficulty in implementing its growth strategy.***

The Company's growth depends on its plan to continue building stores and successfully operating stores in new locations in the Philippines. Successful implementation of this strategy depends upon, among other things:

- favorable economic conditions and regulatory environment;
- the identification and acquisition of suitable sites for store locations;
- its ability to purchase or lease appropriate real estate for store locations;

- its ability to open new stores on time;
- its ability to continue to attract customers to its stores;
- the hiring, training, and retention of skilled store personnel;
- the identification and relocation of experienced store management personnel;
- the effective management of inventory to meet the needs of its stores on a timely basis;
- the availability of sufficient levels of cash flow or necessary financing to support the Company's expansion; and
- the ability to successfully address competitive merchandising, distribution, and other challenges encountered connected with expansion into new geographic areas and markets.

Failure by the Company to successfully implement its growth strategy due to any of the reasons identified above may have a material adverse effect on its financial condition and results of operations.

However, the Company believes it is well-positioned to take advantage of continued growth opportunities in the Philippine retail market. The Philippines has one of the lowest penetration rates in Asia in the modern food retail sector, which comprises modern organized store formats such as hypermarkets and supermarkets.

***(d) The Company may not be able to maintain or improve store sales.***

The Company may not be able to maintain or increase the level of store sales that it has experienced in the recent past.

The Company, however, plans to continue to improve and renovate existing stores by upgrading them to address the changing needs and preferences of customers and enhance their overall shopping experience. These efforts include, among others, re-modeling store layouts by optimizing or expanding the sales floor areas of existing stores to improve the visitor traffic further, optimally positioning promotional items, and continually maintaining and upgrading store decor. The Company believes that these efforts make the stores more attractive to customers and contribute to customer loyalty and the Puregold brand name.

***(e) New stores may place a greater burden on the Company's existing resources and adversely affect its business.***

The Company's proposed expansion will place increased demands on its operational, managerial, financial, and administrative support. These increased demands could cause the Company to operate the business less effectively, which in turn could cause deterioration in the financial performance of its existing stores. New store openings in markets where the Company has current stores may also reduce sales volumes at its existing stores in those markets. Also, the Company, or its third-party vendors and suppliers, may not be able to adapt its distribution, management information, and other operating systems to supply products to new stores at competitive prices adequately. Any expansion may adversely affect the efficiency of the Company's existing operations and quality of its customer service and may materially affect its financial condition and results of operations.

However, the Company's strong relationship with suppliers and trade partners is crucial in maintaining its price competitiveness while offering a comprehensive range



of products. The Company sources products from over 2,000 domestic and multinational suppliers and has maintained a stable relationship with its top suppliers since 1998. The Company believes that these suppliers can provide the Company with valuable discounts on merchandise partly because of its long-standing relationships and good credit history. The Company also collaborates with these top suppliers through regular meetings and other programs to further improve the Company's service. The Company believes that these relationships are an essential part of its success in maintaining a stable supplier base.

In Metro Manila's local retail market, the Company has also fostered its relationship with suppliers through programs such as TNAP, which puts small business owners directly in contact with suppliers at an annual trade show. The Company engages third parties to provide cross-docking services to facilitate delivery from smaller-scale suppliers with limited distribution capabilities. It allows certain suppliers to benefit from a cost-effective supply chain as the Company assists them to out-source part of their delivery obligations. This focus on supplier relationships has enabled the Company to take advantage of additional supplier discounts that the Company is then able to reflect by offering competitively priced goods to customers. These supplier discounts are vital to the Company's pricing advantage over its competitors.

Furthermore, the Company has well-established relationships with key tenants such as Jollibee, McDonald's, and Mercury Drug. It has good relations as well with major real estate companies, such as Ayala Land, Inc., which offers the company anchor tenant opportunities at their real estate developments. These relationships serve as crucial business partnerships enabling both the Company and its partners to attract customers to their businesses.

***(f) The Company may face increased competition from other retailers and e-commerce companies in the Philippines.***

The retail industry in the Philippines is highly competitive. The intensity of the race in the Philippine retail industry varies from region to region, with Metro Manila generally considered to be the most competitive market in the Philippines. Metro Manila is the Company's largest market in terms of revenue. The Company's growth depends on its ability to attract and retain customers, predict consumer trends, and upgrade its facilities. Current competitors with several hypermarkets, supermarkets, department stores, and malls include the SM Group, Metro Gaisano, and Robinsons Supermarket, among others. These stores compete with the Company based on product selection, product quality, customer service, price, store location, or a combination of these factors. Also, some competitors are aggressively expanding their number of stores or their product offerings. There can be no assurance that the Company will be able to compete successfully against current competitors or new entrants.

Almost all the prominent retail players in the Philippines developed their digital platform and delivery services to respond to the social changes brought by COVID 19 pandemic. Some of the well-known suppliers also developed their e-commerce. Major online sellers like Lazada and Shopee, who used to sell clothes, gadgets, and housewares, are now selling basic commodities and groceries in their platforms to cater to customers who do not want to leave their houses for essential grocery shopping.

The Company believes that its ability to achieve a strong track record of growth has primarily been due to a business model that emphasizes the following: (1) a multi-format offering of stores, (2) strategic store locations, and (3) efficient and scalable

operations. The Company believes that this business model differentiates it from its competitors and places it in a position to achieve further expansion. The Company has strategically-located stores tailored to maximize coverage and penetration of its targeted market segments. The Company offers distinct store formats that are suitable for different localities, such as in commercial areas or residential areas. In terms of location, the Company assesses, through informal market research, whether a proposed store will be within the catchment area and easily accessible by its target customers. The Company believes that its careful selection of store locations and focus on specific markets has enabled it to build brand strength and loyalty across its targeted customer base.

The Company is continuously improving in its online platform and delivery services. The Company recognizes that the increased competition with online resellers may affect the Company's business and profitability in the future. Thus, the Company is keen to improve its e-commerce platform and delivery services continuously.

***(g) The Company's retail business depends on its ability to source and sell the appropriate mix of products to suit consumer preferences.***

The Company's success depends on its ability to source and sell products that meet its standards for quality and appeal to customers' preferences. A small number of the Company's employees are primarily responsible for sourcing products that meet the Company's specifications and identifying and responding to changing customer preferences. Failure to source and market such products or accurately forecast changing customer preferences could decrease the number of customer transactions at the Company's stores and decrease the amount customers spend when they visit these stores.

Consumer demand for the Company's products is directly affected by consumer preferences. Consumer preferences in the markets in which the Company operates or intends to operate may cease to favor the Company's store formats or the products offered by the Company due to changes in lifestyle and dietary preferences or as a result of national or regional economic conditions. Similarly, local conditions may cause customer preferences to vary from region to region. If the Company's management is unable to identify and adapt to such changes in consumer preferences quickly, consumer demand for the Company's products may decline, which could have a material adverse effect on the Company's business, financial condition, and results of operations.

However, the Company has an advanced management information technology system that allows real-time monitoring of critical business information from merchandising, inventory, and point-of-sale data to customers to financial management systems and business intelligence. This system enables the Company to improve its operational efficiency and adjust product offerings in line with market demand based on the sales data accumulated by its information systems. The system also enables automated order replenishment and ensures the just-in-time delivery of products from suppliers. As a result, the Company's management information system is a pivotal contributor to the Company's growth, providing an in-depth understanding of local demographics and responding quickly to changing consumer preferences.

***(h) The success of the Company's business depends in part on the Company's ability to develop and maintain good relationships with its current and future suppliers.***

The sourcing of the Company's products is dependent, in part, on its relations with its suppliers. The Company has had long working relationships with a broad range of multinational companies such as Procter & Gamble, Unilever, Nestlé, Del Monte, and other multinational companies, which provide approximately 30% of its in-store merchandise. The Company also has long working relationships with domestic companies such as San Miguel Corporation, Century Pacific Food, and Universal Robina Corporation. If the Company is unable to maintain these relationships, it may not be able to continue to source products at competitive prices that both meet its standards and appeal to its customers.

To mitigate this risk, the Company intends to continue entering into strategic partnerships and other business relationships with its suppliers, tenants, and other business partners, such as established real estate developers, to raise its brand awareness and support its growth objectives. The Company also aims to continue developing its relationships with these suppliers, tenants, and other business partners to capitalize on any further opportunities for synergy and consolidate critical relationships. Also, the Company intends to enhance its unique relationship with its customers by further improving its TNAP program and sharing store management practices with resellers and putting them in contact with key suppliers. The Company also plans to continue providing customer loyalty incentives to strengthen its market position across its broad customer base.

***(i) The Company may experience difficulties in expanding into the Visayas and Mindanao.***

Expansion into these areas exposes the Company to operational, logistical, and other business risks in new territories. The Company may find it difficult to obtain regulatory or local government approvals for new stores in these areas due to differences in local requirements and processes. The Company may also experience difficulty in building the "Puregold" brand name in these new areas. The Company may experience difficulty in supply, distribution, transportation, or inventory management issues due to the limited presence of large retailers and underdevelopment of distribution networks. Any problems the Company experiences concerning its business presence in the Visayas and Mindanao areas could materially affect its growth strategy, financial condition, and results of operations.

But with the Company's well-recognized brand that has become associated with low prices, value, and a wide assortment of goods, the Company believes it can manage the risk and successfully expand in Visayas and Mindanao Region. The Company believes this substantial brand equity attracts customers to the Company's newly opened stores within a shorter period than brands that are not as well-recognized and contributes to the Company's ability to achieve profitability from new stores within a short period.

**Item 2. Properties**

As of December 31, 2020, the Company owns or leases the following properties:

**(a) Puregold Price Club, Inc.**

|             | Owned parcels of land | Owned buildings | Leased parcels of land | Leased buildings |
|-------------|-----------------------|-----------------|------------------------|------------------|
| North Luzon | 2                     | 24              | 26                     | 95               |

|                     |           |            |            |            |
|---------------------|-----------|------------|------------|------------|
| South Luzon         | 8         | 30         | 33         | 90         |
| Metro Manila        | 2         | 32         | 40         | 114        |
| Visayas             | 2         | 0          | 0          | 38         |
| Mindanao            | 0         | 3          | 3          | 11         |
| Total Number        | 14        | 89         | 102        | 348        |
| Total Square Meters | 37,328.57 | 333,785.27 | 322,621.52 | 707,016.22 |

(b) Kareila Management Corporation

|                     | Owned parcels of land | Owned buildings | Leased parcels of land | Leased buildings |
|---------------------|-----------------------|-----------------|------------------------|------------------|
| North Luzon         | 0                     | 3               | 3                      | 0                |
| South Luzon         | 0                     | 3               | 3                      | 0                |
| Metro Manila        | 0                     | 10              | 10                     | 0                |
| Visayas             | 0                     | 2               | 2                      | 0                |
| Mindanao            | 0                     | 2               | 2                      | 0                |
| Total Number        | 0                     | 20              | 20                     | 0                |
| Total Square Meters | 0                     | 234,943.83      | 355,525.06             | 0                |

Subsidiaries Entenso Equities, Inc. and Purepadala do not own or lease any real property.

The Company uses its properties for retail operations. There is no mortgage, lien, or encumbrance over any of the properties owned by the company that may limit or restrict its ownership or usage.

Lease provisions are mutually agreed upon by the parties and based on general standards set by the company in terms of rental, period, and other stipulations. Lease periods are, on average, up to 25 years. Rental rates depend on the location and the condition of the property. All renewal of leases is upon mutual agreement of the parties.

### Item 3. Legal Proceedings

There is no material pending legal (civil, criminal, or arbitrary) proceeding in which the company is involved or any of its property is a subject except for minor cases that are incidental in the course of its business.

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

Except for matters submitted to the vote of stockholders during its Annual Meeting held on August 18, 2020, there are no other matters submitted to a vote of security holders in 2020.

## PART II: OPERATIONAL AND FINANCIAL INFORMATION

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

#### (A) Shares of Stock

The company's common stock trades in the Philippine Stock Exchange under the symbol "PGOLD." The quarterly high and low of stock prices (in Philippine Peso) for the last two fiscal years and in the current year are stated below:

| Period                  | 2019  |       | 2020  |       | 2021  |       |
|-------------------------|-------|-------|-------|-------|-------|-------|
|                         | High  | Low   | High  | Low   | High  | Low   |
| 1 <sup>st</sup> Quarter | 46.70 | 43    | 40.05 | 29    | 41.05 | 34.20 |
| 2 <sup>nd</sup> Quarter | 49.75 | 41.90 | 47.25 | 43.50 | -     | -     |
| 3 <sup>rd</sup> Quarter | 46.10 | 39.05 | 54.00 | 46.30 | -     | -     |
| 4 <sup>th</sup> Quarter | 41.30 | 38    | 48.50 | 40.35 | -     | -     |

As of April 19, 2021, the price of the Company's share is at P36.30 per share.

#### (B) Stockholders

As of March 31, 2021, the Company has:

|                                                          |                         |
|----------------------------------------------------------|-------------------------|
| Total Number of Stockholders                             | 40                      |
| Number of Shares per Board Lot                           | 100                     |
| Total Number of Stockholders Owning at least 1 Board Lot | 35                      |
| Issued Shares                                            | 2,904,214,086           |
| Outstanding Capital Stock                                | 2,884,232,615           |
| Treasury Shares                                          | 19,981,471              |
| Total Number of Shares owned by the Public               | 1,005,944,449 or 34.88% |
| Foreign Ownership                                        | 578,928,808 or 20.07%   |

The Company's top 20 stockholders as of March 31, 2021, are as follows:

|    |                                        |               |        |
|----|----------------------------------------|---------------|--------|
| 1  | COSCO CAPITAL, INC.                    | 1,410,867,188 | 48.92% |
| 2  | THE HSBC - CLIENTS' ACCNT.             | 375,997,070   | 13.04% |
| 3  | LUCIO L. CO                            | 211,088,022   | 7.32%  |
| 4  | SUSAN P. CO                            | 178,242,585   | 6.18%  |
| 5  | CITIBANK N.A                           | 149,226,428   | 5.17%  |
| 6  | DEUTSCHE BANK MANILA-CLIENTS A/C       | 117,719,406   | 4.08%  |
| 7  | STANDARD CHARTERED BANK                | 81,956,686    | 2.84%  |
| 8  | GOVERNMENT SERVICE INSURANCE SYSTEM    | 59,531,242    | 2.06%  |
| 9  | BANCO DE ORO - TRUST BANKING GROUP     | 39,852,404    | 1.38%  |
| 10 | FERDINAND VINCENT P. CO                | 26,709,460    | 0.93%  |
|    | PAMELA JUSTINE P. CO                   | 26,709,460    | 0.93%  |
| 11 | COL FINANCIAL GROUP, INC.              | 23,546,490    | 0.82%  |
| 12 | SOCIAL SECURITY SYSTEM                 | 18,323,200    | 0.64%  |
| 13 | ENTENSO EQUITIES INCORPORATED          | 14,551,209    | 0.50%  |
| 14 | MBTC - TRUST BANKING GROUP             | 11,136,968    | 0.33%  |
| 15 | BDO SECURITIES CORPORATION             | 9,506,022     | 0.32%  |
| 16 | FIRST METRO SECURITIES BROKERAGE CORP. | 9,276,232     | 0.28%  |
| 17 | CAMILLE CLARISSE P. CO                 | 8,155,288     | 0.28%  |
| 18 | BPI SECURITIES CORPORATION             | 6,619,360     | 0.23%  |

|    |                               |           |       |
|----|-------------------------------|-----------|-------|
| 19 | ABACUS SECURITIES CORPORATION | 6,381,102 | 0.22% |
| 20 | WEALTH SECURITIES, INC.       | 5,190,670 | 0.18% |

The Company has only common shares and each share is equal in all respects to every other share. Each share is entitled to one vote.

### (C) Dividends

The Company's dividends from 2012 to 2020:

| Declaration Date  | Amount and Type of Dividend (R-regular, S-special) | Record Date       | Payment Date     |
|-------------------|----------------------------------------------------|-------------------|------------------|
| May 8, 2012       | S – 0.20 per share                                 | May 22, 2012      | June 5, 2012     |
| December 27, 2012 | R – 0.10 / S – 0.10 per share                      | January 14, 2013  | February 7, 2013 |
| December 16, 2013 | R – 0.20 / S – 0.10 per share                      | January 6, 2014   | January 30, 2014 |
| December 18, 2014 | R – 0.20 / S – 0.10 per share                      | January 12, 2015  | February 5, 2015 |
| December 18, 2015 | R – 0.20 / S – 0.10 per share                      | January 8, 2016   | January 18, 2016 |
| December 22, 2016 | R – 0.20 / S – 0.10 per share                      | January 12, 2017  | January 20, 2017 |
| December 15, 2017 | R – 0.20 / S – 0.20 per share                      | January 2, 2018   | January 26, 2018 |
| February 1, 2019  | R – 0.20 / S – 0.20 per share                      | February 15, 2019 | March 1, 2019    |
| December 18, 2020 | R – 0.25 / S – 0.20 per share                      | January 8, 2021   | January 29, 2021 |

*\*In Philippine Peso*

Cash dividends are upon the declaration of the board of directors, but no stockholders' approval is required. Declaration of cash dividend depends on the company's available cash and profitability.

The Company has not yet declared stock or property dividends; it would require approval from stockholders and the SEC.

### (4) Recent Sales of Securities

On January 16, 2019, the Company conducted a top-up placement of around 104 million common shares at P45.00 per share. The placement price was equivalent to a 6.8% discount from its last close of P48.30 as of 16 January 2019.

The shares sold represented 3.8% of the Company's outstanding stocks at the time of the sale. The proceeds of around P4.7 billion were used for general corporate purposes and other capital expenditures.

On January 25, 2019, the Company filed to the Securities and Exchange Commission a Notice of Exempt Transaction based on Section 10.1 (e) of the Securities and Regulation Code. Mr. Co signed a Subscription Agreement for the same number of shares and price per share.

The deal was done via an overnight book-built offering with Mr. Lucio L. Co as the sole selling shareholder. Deutsche Bank AG acted as the placing agent for the transaction.

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

The following discussion and analysis of the Company's ("Company or Group") results of operations, financial condition and certain trends, risks and uncertainties that may affect the Company's business should be read in conjunction with the auditors' reports and the Company's 2020 Consolidated Audited Financial Statements and notes attached herewith as Annex "A".

## Key Performance Indicators

The key performance indicators of the Group as at and for the last three (3) years ended December 31 are as follows:

|                                      | 2020   | 2019   | 2018<br>(restated) |
|--------------------------------------|--------|--------|--------------------|
| Current Ratio <sup>(1)</sup>         | 3.47   | 2.58:1 | 1.98:1             |
| Asset to Equity Ratio <sup>(2)</sup> | 1.92   | 1.76:1 | 1.90:1             |
| Debt to Equity Ratio <sup>(3)</sup>  | 0.92   | 0.76:1 | 0.90:1             |
| Debt to Total Assets <sup>(4)</sup>  | 0.48   | 0.43:1 | 0.47:1             |
| Book Value per Share <sup>(5)</sup>  | P23.87 | P21.57 | P19.17             |

|                                     | 2020   | 2019   | 2018<br>(restated) |
|-------------------------------------|--------|--------|--------------------|
| Earnings per Share <sup>(6)</sup>   | P2.81  | P2.37  | P2.24              |
| Price Earnings Ratio <sup>(7)</sup> | 14.59x | 16.79x | 19.18x             |
| Return on Assets <sup>(8)</sup>     | 6.72%  | 6.47%  | 6.44%              |
| Return on Equity <sup>(9)</sup>     | 12.37% | 11.79% | 12.44%             |

- (1) Current Assets over Current Liabilities
- (2) Total Assets over Total Equity
- (3) Total Liabilities over Total Equity
- (4) Total Liabilities over Total Assets
- (5) Total Equity over Total Common Shares Outstanding
- (6) Net income after tax over Weighted Average Common Shares Outstanding
- (7) Market Value per Share over Earnings per Share
- (8) Net income after tax over Average Total Assets
- (9) Net income after tax over Total Equity

## Results of Operations:

For the year ended December 31, 2020, the Group earned a consolidated net income of P8,067 million at 4.8% net margin and an increase of 19.1% from P6,773 million at 4.4% net margin in 2019. This was principally driven by the continuous organic expansion of the Group's grocery retail outlets on the back of a sustained strong consumer demand. This has been augmented by combined management strategies and programs to boost revenue contributions from the base stores as well as new stores and constant management efforts to strategically control operating expenses.

The Group's financial performance is presented below for the last three (3) comparative years ended December 31:

| (In millions) | 2020     |            |          |          | 2019       |          | 2018<br>(restated) |            |
|---------------|----------|------------|----------|----------|------------|----------|--------------------|------------|
|               |          | % to Sales | % Change |          | % to Sales | % Change |                    | % to Sales |
| Net Sales     | P168,632 | 100.0%     | 9.2%     | P154,490 | 100.0%     | 9.5%     | P141,139           | 100.0%     |



|                              |                |              |              |         |       |       |         |       |
|------------------------------|----------------|--------------|--------------|---------|-------|-------|---------|-------|
| Cost of Sales                | <b>139,476</b> | <b>82.7%</b> | <b>8.5%</b>  | 128,540 | 83.2% | 9.7%  | 117,211 | 83.0% |
| <b>Gross Profit</b>          | <b>29,156</b>  | <b>17.3%</b> | <b>12.4%</b> | 25,951  | 16.8% | 8.5%  | 23,929  | 17.0% |
| Other Operating Income       | <b>3,155</b>   | <b>1.9%</b>  | <b>-3.3%</b> | 3,263   | 2.1%  | 10.9% | 2,941   | 2.1%  |
| <b>Gross Income</b>          | <b>32,311</b>  | <b>19.2%</b> | <b>10.6%</b> | 29,213  | 18.9% | 8.7%  | 26,870  | 19.0% |
| Operating Expenses           | <b>18,953</b>  | <b>11.2%</b> | <b>6.3%</b>  | 17,830  | 11.5% | 7.2%  | 16,639  | 11.8% |
| <b>Operating Income</b>      | <b>13,358</b>  | <b>7.9%</b>  | <b>17.3%</b> | 11,384  | 7.4%  | 11.3% | 10,231  | 7.2%  |
| Other income(expenses)       | <b>(1,925)</b> | <b>-1.1%</b> | <b>6.7%</b>  | (1,804) | -1.2% | 18.0% | (1,528) | -1.1% |
| <b>Net Income before tax</b> | <b>11,433</b>  | <b>6.8%</b>  | <b>19.3%</b> | 9,580   | 6.2%  | 10.1% | 8,703   | 6.2%  |
| Income tax expense           | <b>3,366</b>   | <b>2.0%</b>  | <b>19.9%</b> | 2,807   | 1.8%  | 12.1% | 2,503   | 1.8%  |
| <b>Net Income after tax</b>  | <b>P8,067</b>  | <b>4.8%</b>  | <b>19.1%</b> | P6,773  | 4.4%  | 9.2%  | P6,200  | 4.4%  |

## Comparative years 2020 and 2019

### Net Sales

For the year ended December 31, 2020, the Group posted a consolidated net sales of P168,632 million for an increase of P14,142 million or a growth of 9.2% compared to P154,490 million in 2019. New organic stores put up in 2019 were fully operating in 2020 increasing consolidated net sales. In addition, like for like stores sales posted an increase as well as revenue contributions from new organic stores established during the year.

Like for like consolidated sales performance indicators of the group for the year ended December 31 are as follow:

|            | <b>PGOLD</b>  | <b>S&amp;R</b> |
|------------|---------------|----------------|
| Net Sales  | <b>2.4%</b>   | <b>8.7%</b>    |
| Net Ticket | <b>49.4%</b>  | <b>10.4%</b>   |
| Traffic    | <b>-31.5%</b> | <b>-1.5%</b>   |

### Gross Profit

For the year ended December 31, 2020, the Group realized an increase of 12.4% in consolidated gross profit from P25,951 million in 2019 at 16.8% margin to P29,156 million at 17.3% margin in 2020, driven by strong sales growth from new and old stores and sustained continuing suppliers' support through additional trade discounts in the form of rebates and conditional discounts granted during the period.

### Other Operating Income

Other operating income decreased by P108 million or 3.3% from P3,263 million in 2019 to P3,155 million in 2020. This is attributable to decrease in rent income brought about by decrease in rent rate and rent-free periods given to tenants, in consideration to those affected by the pandemic.

### Operating Expenses

Operating expenses increased by P1,123 million or 6.3% from P17,830 million in December 31, 2019 to P18,953 million in 2020. The increase in operating expenses were mainly attributable to depreciation expense, taxes and licenses, advertising and promotion and credit card charges principally related to the establishment and



operation of new organic stores. Utilities and manpower expenses are declining due to the lockdown period enforced by the government and the skeletal workforce being implemented by the Company.

### **Other Expense – net**

Other expenses net of other income amounted to P1,925 million and P1,804 million in December 31, 2020 and 2019, respectively. Interest income increased in December 2020 due to higher placement in short-term investment as compared to placements made in 2019. Interest expense on loans also increased due to issuance of corporate bonds during the year.

### **Net Income**

For the year ended December 31, 2020, the Group earned a consolidated net income of P8,067 million at 4.8% net margin and an increase of 19.1% from P6,773 million at 4.4% net margin in 2019. This was principally driven by the continuous organic expansion of the Group's grocery retail outlets on the back of a sustained strong consumer demand. This has been augmented by combined management strategies and programs to boost revenue contributions from the base stores as well as new stores and constant management efforts to strategically control operating expenses.

### **Comparative years 2019 and 2018**

#### **Net Sales**

For the year ended December 31, 2019, the Group posted a consolidated net sales of P154,490 million for an increase of P13,351 million or a growth of 9.5% compared to P141,139 million in 2018. New organic stores put up in 2018 were fully operating in 2019 increasing consolidated net sales in addition to robust like for like stores sales growth and revenue contributions from new organic stores established during the year.

Like for like consolidated sales performance indicators of the group for the year ended December 31 are as follow:

|            | <b>PGOLD</b> | <b>S&amp;R</b> |
|------------|--------------|----------------|
| Net Sales  | <b>4.6%</b>  | <b>8.3%</b>    |
| Net Ticket | <b>8.5%</b>  | <b>7.3%</b>    |
| Traffic    | <b>-3.5%</b> | <b>0.9%</b>    |

### **Gross Profit**

For the year ended December 31, 2019, the Group realized an increase of 8.5% in consolidated gross profit from P23,929 million in 2018 at 17.0% margin to P25,951 million at 16.8% margin in 2019, driven by strong sales growth from new and old stores and sustained continuing suppliers' support through additional trade discounts in the form of rebates and conditional discounts granted during the period. The margin slightly declined during the current period accounting primarily to lower supplier support in relation to product cost.

## Other Operating Income

Other operating income increased by P322 million or 10.9% from P2,941 million in 2018 to P3,263 million in 2019. This is attributable to increase in concess income, membership income and rent income driven mainly by new stores opened during the year and full operation of new stores opened in 2018.

## Operating Expenses

Operating expenses increased by P1,191 million or 7.2% from P16,639 million in December 31, 2018 to P17,830 million in 2019. The incremental operating expenses were mainly attributable to depreciation expense, taxes and licenses, repairs and maintenance, advertising and promotion, credit card charges and manpower expenses principally related to the establishment and operation of new organic stores.

## Other Expense – net

Other expenses net of other income amounted to P1,804 million and P1,528 million in December 31, 2019 and 2018, respectively. Interest income increased in December 2019 due to higher placement in short-term investment as compared to placements made in 2018. Interest expense comprised bulk of the account as a result of adoption of the new accounting standard, PFRS 16 – Leases.

## Net Income

For the year ended December 31, 2019, the Group earned a consolidated net income of P6,773 million at 4.4% net margin and an increase of 9.2% from P6,200 million at 4.4% net margin in 2018. Excluding the one-time gain on sale of investment in joint venture and share in equity investments, core consolidated net income grew by 16.0% at 4.4% and 4.1% net margin in 2019 and 2018, respectively. This was principally driven by the continuous organic expansion of the Group's grocery retail outlets on the back of a sustained strong consumer demand. This has been augmented by combined management strategies and programs to boost revenue contributions from the base stores as well as new stores and constant management efforts to strategically control operating expenses.

## Financial Position

The Group's consolidated financial position as at December 31, 2020, 2019 and 2018 are presented below:

| (In millions)                             | 2020          |                         |              | 2019          |                         |              | 2018<br>(restated) |                         |
|-------------------------------------------|---------------|-------------------------|--------------|---------------|-------------------------|--------------|--------------------|-------------------------|
|                                           |               | % to<br>Total<br>Assets | % Change     |               | % to<br>Total<br>Assets | %<br>Change  |                    | % to<br>Total<br>Assets |
| Cash & Cash Equivalents                   | P32,724       | 24.9%                   | 91.6%        | P17,083       | 15.7%                   | 59.8%        | P10,687            | 10.6%                   |
| Receivables – net                         | 2,676         | 2.0%                    | 0.0%         | 2,676         | 2.5%                    | -44.1%       | 4,790              | 4.7%                    |
| Merchandise inventory                     | 20,918        | 15.9%                   | 7.1%         | 19,526        | 18.0%                   | -1.0%        | 19,732             | 19.6%                   |
| Investments in trading securities         | 2,411         | 1.8%                    | 6805.3%      | 35            | 0.0%                    | -4.3%        | 37                 | 0.0%                    |
| Prepaid expenses and other current assets | 658           | 0.5%                    | -8.6%        | 720           | 0.7%                    | -12.2%       | 820                | 0.8%                    |
| <b>Total Current Assets</b>               | <b>59,388</b> | <b>45.1%</b>            | <b>48.3%</b> | <b>40,040</b> | <b>36.9%</b>            | <b>11.0%</b> | <b>36,066</b>      | <b>35.8%</b>            |

|                                                                  |                 |               |              |                 |               |               |                 |               |
|------------------------------------------------------------------|-----------------|---------------|--------------|-----------------|---------------|---------------|-----------------|---------------|
| Investments in associates and joint venture                      | 637             | 0.5%          | 2.2%         | 623             | 0.6%          | 3.3%          | 603             | 0.6%          |
| Property and equipment- net                                      | 21,966          | 16.7%         | 3.8%         | 21,162          | 19.5%         | 8.6%          | 19,489          | 19.3%         |
| Intangibles and goodwill                                         | 19,716          | 15.0%         | -0.1%        | 19,731          | 18.2%         | 0.0%          | 19,736          | 19.6%         |
| Right-of-use assets – net                                        | 26,137          | 19.9%         | 9.7%         | 23,825          | 21.9%         | 7.0%          | 22,270          | 22.1%         |
| Deferred tax assets – net                                        | 1,258           | 1.0%          | 48.0%        | 850             | 0.8%          | 131.9%        | 366             | 0.4%          |
| Other noncurrent assets                                          | 2,492           | 1.9%          | 3.6%         | 2,405           | 2.2%          | 3.7%          | 2,319           | 2.3%          |
| <b>Total Noncurrent Assets</b>                                   | <b>72,205</b>   | <b>54.9%</b>  | <b>5.3%</b>  | <b>68,594</b>   | <b>63.1%</b>  | <b>5.9%</b>   | <b>64,784</b>   | <b>64.2%</b>  |
|                                                                  | <b>131,594</b>  | <b>100.0%</b> | <b>21.1%</b> | <b>P108,635</b> | <b>100.0%</b> | <b>7.7%</b>   | <b>P100,850</b> | <b>100.0%</b> |
| Accounts payable and accrued expenses                            | P14,342         | 10.9%         | 9.6%         | P13,080         | 12.0%         | 12.0%         | P11,677         | 11.6%         |
| Short-term loans payable                                         | -               | 0.0%          | -100.0%      | 502             | 0.5%          | -89.5%        | 4,756           | 4.7%          |
| Income tax payable                                               | 1,305           | 1.0%          | 39.2%        | 937             | 0.9%          | 18.0%         | 794             | 0.8%          |
| Due to related parties                                           | 50              | 0.0%          | 5.2%         | 47              | 0.0%          | 8.4%          | 43              | 0.0%          |
| Current maturities of long - term loans, net of debt issue costs | -               | 0.0%          | 0.0%         | -               | 0.0%          | 0.0%          | -               | 0.0%          |
| Lease liabilities due within one year                            | 897             | 0.7%          | 82.9%        | 490             | 0.5%          | -23.5%        | 641             | 0.6%          |
| Other current liabilities                                        | 510             | 0.4%          | 17.4%        | 435             | 0.4%          | 29.6%         | 336             | 0.3%          |
| <b>Total Current Liabilities</b>                                 | <b>17,102</b>   | <b>13.0%</b>  | <b>10.4%</b> | <b>15,491</b>   | <b>14.3%</b>  | <b>-15.1%</b> | <b>18,247</b>   | <b>18.1%</b>  |
| Long-term loans - net of current maturities and debt issue costs | 11,875          | 9.0%          | 2868.8%      | 400             | 0.4%          | -78.3%        | 1,840           | 1.8%          |
| Lease liabilities                                                | 32,731          | 24.9%         | 9.4%         | 29,926          | 27.5%         | 9.7%          | 27,272          | 27.0%         |
| Retirement benefits liability                                    | 1,383           | 1.1%          | 50.5%        | 919             | 0.8%          | 92.1%         | 478             | 0.5%          |
| <b>Total Noncurrent Liabilities</b>                              | <b>45,989</b>   | <b>34.9%</b>  | <b>47.2%</b> | <b>31,245</b>   | <b>28.8%</b>  | <b>5.6%</b>   | <b>29,591</b>   | <b>29.3%</b>  |
| <b>Total Liabilities</b>                                         | <b>63,092</b>   | <b>47.9%</b>  | <b>35.0%</b> | <b>46,735</b>   | <b>43.0%</b>  | <b>-2.3%</b>  | <b>47,838</b>   | <b>47.4%</b>  |
| Capital stock                                                    | 2,904           | 2.2%          | 0.0%         | 2,904           | 2.7%          | 3.7%          | 2,800           | 2.8%          |
| Additional paid in capital                                       | 25,362          | 19.3%         | 0.0%         | 25,362          | 23.3%         | 21.8%         | 20,830          | 20.7%         |
| Remeasurements of retirement liability - net of tax              | (119)           | -0.1%         | -317.8%      | 54              | 0.1%          | -80.1%        | 274             | 0.3%          |
| Treasury stock, at cost                                          | (71)            | -0.1%         | 0.0%         | (71)            | -0.1%         | 0.0%          | (71)            | -0.1%         |
| Retained earnings                                                | 40,426          | 30.7%         | 20.1%        | 33,650          | 31.0%         | 15.3%         | 29,179          | 28.9%         |
| <b>Total Equity</b>                                              | <b>68,502</b>   | <b>52.1%</b>  | <b>10.7%</b> | <b>61,899</b>   | <b>57.0%</b>  | <b>16.8%</b>  | <b>53,012</b>   | <b>52.6%</b>  |
|                                                                  | <b>P131,594</b> | <b>100.0%</b> | <b>21.1%</b> | <b>P108,635</b> | <b>100.0%</b> | <b>7.7%</b>   | <b>P100,850</b> | <b>100.0%</b> |

## Comparative Years 2020 and 2019

### Current Assets

As at December 31, 2020 and 2019, total current assets amounted to P59,388 million or 45.1% of total assets, and P40,040 million or 36.9% of total assets, respectively, for an increase of P19,348 million or 48.3% as at December 31, 2020.

Cash and cash equivalents as at December 31, 2020 amounted to P32,724 million or 24.9% of total assets and increased by P15,641 million or 91.6% compared to previous year-end balance. The account increase is attributable mainly to the cash received from the issuance of a P12 billion notes payable to various banks. This is partially offset by settlement of trade and non-trade payables, payment for cash dividend, partial settlement of loans and capital expenditures for 2020 new organic stores.

Receivables amounted to P2,676 million as at December 31, 2020 and 2019 or 2.0% and 2.5% of total assets, respectively.

Merchandise inventory amounted to P20,918 million or 15.9% of total assets at the end of 2020 and P19,526 million or 18.0% of total assets in 2019. Total inventory increased by P1,392 million or 7.1% principally due to increase in Puregold and S&R stores stocking requirements for existing and new operating stores.

Investments in trading securities amounted to P2,411 million and P35 million as at December 31, 2020 and 2019, respectively. The increase in the account was due to recognition of investment in bonds amounting to P2.4 billion, outstanding as of December 2020, into current account. The same bond was sold in January 2021.

Prepaid expenses and other current assets amounted to P658 million and P720 million as at December 31, 2020 and 2019, respectively. The decrease was mainly due to reduction on insurance premiums and amortization of advertising expenses.

### **Noncurrent Assets**

As at December 31, 2020 and 2019, total noncurrent assets amounted to P72,205 million or 54.9% of total assets and P68,594 million or 63.1% of total assets, respectively, for an increase of P3,611 million or 5.3% as at December 31, 2020. Investments amounted to P637 million and P623 million as at December 31, 2020 and 2019, respectively.

Net book values of property and equipment increased by P804 million or 3.8% from P21,162 million in December 2019 to P21,966 million in December 2020. The increase was mainly due to additions made during the year intended for newly established/operating stores.

Right-of-use asset amounted to P26,137 million or 19.9% of total assets and P23,825 million or 21.9% of total assets as at December 31, 2020 and 2019, respectively.

Deferred tax assets – net amounted to P1,258 million or 1.0% of total assets and P850 million or 0.8% of total assets as at December 31, 2020 and 2019, respectively, for an increase of 48.0% or P408 million. The increase was due to recognition of deferred tax in retirement expense and compliance with PFRS 16 – Leases.

Intangibles amounted to P19,716 million as at December 31, 2020 and P19,731 million as at December 31, 2019.

Other noncurrent assets amounted P2,492 million as at December 31, 2020 and P2,405 million as at December 31, 2019.

### **Current Liabilities**

As at December 31, 2020 and 2019, total current liabilities amounted to P17,102 million or 13.0% of total assets and P15,491 million or 14.3% of total assets, respectively, for an increase of P1,612 million or 10.4% as at December 31, 2020.

Accounts payable and accrued expenses amounted to P14,342 million and P13,080 million as at December 31, 2020 and 2019, respectively, and increased by P1,262 million or 9.6% primarily due increase in trade and non-trade liabilities and dividend declared as of December 2020.

Short-term loans payable amounted to P502 million as at December 31, 2019. Total amount outstanding was settled during the year.

Income tax payable increased by P367 million from P937 million in December 2019 to P1,305 million in December 2020 due to provision on income tax liability incurred during the year.

Due to related parties, representing royalty fees, amounted to P50 million for the year ended December 2020 and P47 million for the year ended December 2019. The increase was due to accrual of liability incurred as at December 2020.

Lease liabilities due within one year pertain to current portion of lease liabilities.

Other current liabilities increased by P76 million or 17.4% from P435 million in December 2019 to P510 million in December 2020. The increase on the account was due to deposits from tenants and sale of gift certificates during the year.

### **Noncurrent Liabilities**

As at December 31, 2020 and 2019, total noncurrent liabilities amounted to P45,989 million or 34.9% of total assets, and P31,245 million or 28.8% of total assets, respectively, for an increase of P14,745 million or 47.2% as at December 31, 2020.

Lease liabilities amounted to P32,731 million or 24.9% of total assets and P29,926 million or 27.5% of total assets as at December 31, 2020 and 2019, respectively, or an increase of P2,806 million or 9.4% due to new stores opened during the year.

Long-term debt – net of current maturities and debt issue costs amounted to P11,875 million and P400 million as at December 31, 2020 and 2019, respectively, for an increase of P11,475 million. During the year, the Group issued a P12 billion long-term notes payable to various banks with average interest rate of 4.13% and terms of 7 and 10 years.

Retirement benefits liability amounted to P1,383 million and P919 million as at December 31, 2020 and 2019, respectively. Increase was due to recognition of liability as of December 2020.

### **Equity**

As at December 31, 2020 and 2019, total equity amounted to P68,502 million and P61,899 million, respectively, for an increase of P6,602 million or 10.7%.

Capital stock amounted to P2,904 million as at December 31, 2020 and 2019.

Additional paid in capital amounted to P25,362 million as at December 31, 2020 and 2019.

Retained earnings amounted to P40,426 million and P33,650 million as at December 31, 2020 and 2019, respectively, or an increase of P6,775 million or 20.1% due to income made during the year, net of dividend payments.

## **Comparative Years 2019 and 2018**

### **Current Assets**

As at December 31, 2019 and 2018, total current assets amounted to P40,040 million or 36.9% of total assets, and P36,066 million or 35.8% of total assets, respectively, for an increase of P3,974 million or 11.0% as at December 31, 2019.

Cash and cash equivalents as at December 31, 2019 amounted to P17,083 million or 15.7% of total assets and increased by P6,396 million or 59.8% compared to previous year-end balance. Increase in the Group's cash position was attributable mainly to cash generated from operations net of settlement of trade and non-trade payables, payment for cash dividend, partial settlement of loans and capital expenditures for 2019 new organic stores.

Receivables amounted to P2,676 million as at December 31, 2019 or 2.5% of total assets, with a decrease of P2,114 million or 44.1% from P4,790 million in December 2018. The decrease was due to collections made during the year.

Merchandise inventory amounted to P19,526 million or 18.0% of total assets at the end of 2019. Total inventory decreased by P206 million or 1.0% as of December 2019. Investments in trading securities amounted to P35 million and P37million as at December 31, 2019 and 2018, respectively.

Prepaid expenses and other current assets amounted to P720 million and P820 million as at December 31, 2019 and 2018, respectively. The decrease was mainly due to amortizations made during the year.

### **Noncurrent Assets**

As at December 31, 2019 and 2018, total noncurrent assets amounted to P68,594 million or 63.1% of total assets and P64,784 million or 64.2% of total assets, respectively, for an increase of P3,811 million or 5.9% as at December 31, 2019.

Investments amounted to P623 million and P603 million as at December 31, 2019 and 2018, respectively.

Net book values of property and equipment increased by P1,673 million or 8.6% from P19,489 million in December 2018 to P21,162 million in December 2019. The increase was mainly due to additions made during the year intended for newly established/operating stores.

Right-of-use asset amounted to P23,825 million or 21.9% of total assets and P22,270 million or 22.1% of total assets as at December 31, 2019 and 2018, respectively.

Deferred tax assets – net amounted to P850 million or 0.8% of total assets and P366 million or 0.4% of total assets as at December 31, 2019 and 2018, respectively, for an increase of 131.9% or P483 million. The increase was due to recognition of deferred tax in compliance with PFRS 16 – Leases.

Intangibles amounted to P19,731 million as at December 31, 2019 and P19,736 million as at December 31, 2018.

Other noncurrent assets amounted P2,405 million as at December 31, 2019 and P2,319 million as at December 31, 2018.



## **Current Liabilities**

As at December 31, 2019 and 2018, total current liabilities amounted to P15,491 million or 14.3% of total assets and P18,247 million or 18.1% of total assets, respectively, for a decrease of P2,756 million or 15.1% as at December 31, 2019.

Accounts payable and accrued expenses amounted to P13,080 million and P11,677 million as at December 31, 2019 and 2018, respectively, and increased by P1,403 million or 12.0% primarily due to unpaid dividend declared as of December 2019.

Short-term loans payable amounted to P502 million and P4,756 million as at December 31, 2019 and 2018, respectively, or a decrease of 89.5% or P4,255 million. The decrease was due to settlement made by the Parent Company due to high interest rates.

Income tax payable increased by P143 million from P794 million in December 2018 to P937 million in December 2019 due to provision on income tax liability incurred during the year.

Due to related parties, representing royalty fees, amounted to P47 million for the year ended December 2019 and P43 million for the year ended December 2018. The increase was due accrual of liability incurred as at December 2019.

Lease liabilities due within one year pertain to current portion of lease liabilities. Decrease was due to actual payments made during the year.

Other current liabilities increased by P99 million or 29.6% from P336 million in December 2018 to P435 million in December 2019. The increase on the account was due to deposits from tenants and sale of gift certificates during the year.

## **Noncurrent Liabilities**

As at December 31, 2019 and 2018, total noncurrent liabilities amounted to P31,245 million or 28.8% of total assets, and P29,591 million or 29.3% of total assets, respectively, for an increase of P1,654 million or 5.6% as at December 31, 2019.

Lease liabilities amounted to P29,926 million or 27.5% of total assets and P27,272 million or 27.0% of total assets as at December 31, 2019 and 2018, respectively, or an increase of P2,653 million or 9.7% due to new stores opened during the year.

Long-term debt – net of current maturities and debt issue costs amounted to P400 million and P1,840 million as at December 31, 2019 and 2018, respectively, for a decrease of P1,440 million or 78.3%. The decrease was due to settlement made by the Parent Company to save on interest expenses.

Retirement benefits liability amounted to P919 million and P478 million as at December 31, 2019 and 2018, respectively. Increase was due to recognition of liability as of December 2019.

## **Equity**

As at December 31, 2019 and 2018, total equity amounted to P61,899 million and P53,012 million, respectively, for an increase of P8,888 million or 16.8%.

Capital stock amounted to P2,904 million and P2,800 million as at December 31, 2019 and 2018, respectively, for an increase of P104 million or 3.7% due to top up placement of stocks at P45 per share, made in the first quarter of 2019 .

Additional paid in capital amounted to P25,362 million and P20,830 million as at December 31, 2019 and 2018, respectively, for an increase of P4,531 million or 21.8%. The increase was due to the excess of the selling price of new shares issued over the par value of the stocks, net of direct expenses.

Retained earnings amounted to P33,650 million and P29,179 million as at December 31, 2019 and 2018, respectively, or an increase of P4,471 million or 15.3% due to income made during the period, net of dividend payments.

## Cash Flows

The following table sets forth the Group's statements of cash flows for the last three (3) years ended December 31:

| <i>(In millions)</i>                      | <b>2020</b>    | 2019    | 2018<br><i>(restated)</i> |
|-------------------------------------------|----------------|---------|---------------------------|
| Net cash provided by operating activities | <b>P14,703</b> | P15,073 | P9,615                    |
| Net cash used in investing activities     | <b>(5,776)</b> | (3,773) | (3,395)                   |
| Net cash used in financing activities     | <b>6,694</b>   | (4,904) | (3,598)                   |
| Net increase in cash and cash equivalents | <b>P15,641</b> | P6,396  | P2,622                    |

### *Cash flows from operating activities*

Net cash provided by operating activities amounted to P14,703 million, P15,073 million and P9,615 million for the years ended December 31, 2020, 2019 and 2018, respectively. This was mainly due to increase in operating income driven by aggressive store expansion.

### *Cash flows used in investing activities*

Net cash used in investing activities amounted to P5,776 million, P3,773 million and P3,395 million for the years ended December 31, 2020, 2019 and 2018, respectively. Capital expenditures for acquisitions of equipment, furniture & fixtures, lands, construction of buildings and improvements on leased assets amounted to P3,206 million in 2020 and P3,776 million in 2019.

### *Cash flows from (used in) financing activities*

Net cash provided by financing activities amounted to P6,694 million while net cash used amounted to P4,904 million and P3,598 million for the years ended December 31, 2020, 2019 and 2018, respectively pertaining to settlement of loans and dividend payable.

## Capital Expenditures

The table below sets out the Group's capital expenditures in 2020, 2019 and 2018.



|                            | For the years ended<br>December 31, |        |        |
|----------------------------|-------------------------------------|--------|--------|
| <i>(In millions)</i>       | <b>2020</b>                         | 2019   | 2018   |
| Office and store equipment | <b>P748</b>                         | P865   | P883   |
| Furniture and fixtures     | <b>209</b>                          | 257    | 155    |
| Leasehold improvements     | <b>943</b>                          | 468    | 631    |
| Building                   | <b>105</b>                          | 155    | 237    |
| Land                       | <b>501</b>                          | -      | -      |
| Construction in progress   | <b>702</b>                          | 2,088  | 1,753  |
| <b>Total</b>               | <b>P3,208</b>                       | P3,833 | P3,659 |

The Group has historically funded its capital expenditures through internally generated funds derived from operating cash flows augmented by bank loans if and when necessary. The group's low leverage ratios would enable the parent company to raise additional equity or debt capital fundings from the capital market to finance strategic business acquisition possibilities should the opportunity arise.

### Financial Risk Management Objectives and Policies

The Group has significant exposure to the following financial risks primarily from its use of financial instruments:

- Credit Risk
- Liquidity Risk
- Interest Rate Risk
- Foreign Currency Risk

The Group's financial risk management objectives and policies are discussed in Note 28 of the Group's audited consolidated financial statements.

### Material Events and Uncertainties

There are no known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the Group's liquidity increasing or decreasing in any material way.

There are no events that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation;

There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Group with unconsolidated entities or other persons created during the year.

There are no material commitments for capital expenditures other than those performed in the ordinary course of trade of business in line with the Group's retail outlets expansion program.

There are no known trends, events or uncertainties that have had or that are reasonably expected to have a material impact on the revenues or income from continuing operations.

There are no significant elements of income not arising from continuing operations.

The Group experiences the fourth quarter of the year as the peak season relating to increased sales resulting from Christmas and New Year holidays.

#### **Item 7. Financial Statements**

Please refer to Annex “A” – 2020 Consolidated Audited Financial Statements.

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

None.

## **PART III: CONTROL AND COMPENSATION INFORMATION**

### **Item 9. Directors and Executive Officers**

Presented below are the business profiles of the Company's Directors, Executive Officers and Key Officers.

#### **(i) Directors**

The Board of Directors of the Company is composed of nine members, six are male, and three are female, and one board consultant. No director of the Company concurrently serves as a director in five or more listed companies.

Their directors' business profiles are as follows:

#### **(1) Lucio L. Co, Filipino, 66 years old, Chairman**

Mr. Co has been the Chairman of the Board since 1998.

Mr. Co is currently the Chairman and President of the following companies: Bellagio Holdings, Inc., Canaria Holdings Corporation, Ellimac Prime Holdings, Inc., Invescap Incorporated, Puregold Duty Free, Inc., and Puregold Properties, Inc.

He is also the Chairman of Alcorn Petroleum and Minerals Corporation, Entenso Equities, Inc., NE Shopping Centers Corporation, PG Holdings, Inc., Pajusco Holdings Corporation, Puregold Duty Free (Subic), Inc., Puregold Finance, Inc., Puregold Realty Leasing & Management, Inc., San Jose City I Power Corp., Union Energy Corporation, and Union Equities, Inc.

He is a Director of these companies: Catuiran Hydropower Corporation, Cleangreen Energy Corporation, Forbes Corporation, Grass Gold Renewable Energy (G2REC) Corporation, Karayan Hydropower Corporation, Kareila Management Corporation, LCCK & Sons Realty Corporation, Luis Co Chi Kiat Foundation, Inc., Meritus Prime Distributions, Inc., Montosco, Inc., League One Finance and Leasing Corporation, Pamana Water Corporation, Tower 6789 Corporation and VS Gripal Power Corporation. He is a member of the Board of Trustees of Luis Co Chi Kiat Foundation, Inc.

Mr. Co holds positions in other PSE listed companies: Chairman of Cosco Capital, Inc., Director of Philippine Bank of Communications, and Chairman & President of Da Vinci Capital Holdings, Inc.

Mr. Co has been an entrepreneur for the past 40 years.

#### **(2) Susan P. Co, Filipino, 63 years old, Vice-Chairman**

Mrs. Co has been the Vice-Chairman of the Company since 1998.

Mrs. Co concurrently holds the following positions in other companies: Chairman and President of Cosco Price, Inc., Chairman of Tower 6789 Corporation and Director of Bellagio Holdings, Inc., Blue Ocean Holdings, Inc., Canaria Holdings Corporation, Ellimac Prime Holdings, Inc., Kareila Management Corporation, KMC Realty Corp., Meritus Prime Distributions, Inc., Montosco, Inc., NE Shopping Centers Corporation, PG Holdings, Inc., Patagonia Holdings Corp., PPCI Subic, Inc., Premier Wine and

Spirits, Inc., Puregold Duty Free (Subic), Inc., Puregold Duty Free, Inc., Puregold Properties, Inc., Puregold Finance, Inc., Puregold Realty Leasing & Management, Inc., San Jose City I Power Corp., S&R Pizza (Harbor Point), Inc., S&R Pizza, Inc., Union Energy Corporation and Union Equities, Inc.

Mrs. Co also serves in other PSE-listed companies: Vice-Chairman of Cosco Capital, Inc. and Director of Philippine Bank of Communications.

Mrs. Co received a Bachelor of Science degree in Commerce from the University of Santo Tomas.

### **(3) Ferdinand Vincent P. Co, Filipino, 39 years old, President**

Mr. Vincent Co has been the President of the Company since 2015.

Mr. Vincent Co concurrently holds the following positions: Chairman and President of Alerce Holdings Corp., Blue Ocean Foods, Inc., Forbes Corporation, Invesco Company, Inc., KMC Realty Corporation, League One, Inc., PPCI Subic Inc., Patagonia Holdings Corp., Purepadala, Inc., and VFC Land Resources, Inc.; President of Ayagold Retailers, Inc., Entenso Equities, Inc., and Union Equities, Inc.; Director of Bellagio Holdings, Inc., Blue Ocean Holdings, Inc., Canaria Holdings Corporation, Cosco Price, Inc., Ellimac Prime Holdings, Inc., Fertuna Holdings Corp., Meritus Prime Distributions, Inc., P.G. Holdings, Inc., Premier Wine and Spirits, Inc., PSMT Philippines, Inc., Puregold Duty Free (Subic), Inc., Puregold Finance, Inc., Puregold Properties, Inc., Puregold Realty Leasing & Management, Inc., San Jose City Power Corp., Tower 6789 Corporation and Union Energy Corporation.

Mr. Vincent Co received a Bachelor of Science degree in Entrepreneurial Management from the University of Asia and the Pacific in 2003.

### **(4) Pamela Justine P. Co, Filipino, 36 years old, Director**

Ms. Pamela Co has been a Director of the Company since 2003.

Ms. Pamela Co is concurrently the President of Pajusco Holdings Corporation and Director of Alerce Holdings Corp., Bellagio Holdings, Inc., Blue Ocean Foods, Inc., Blue Ocean Holdings, Inc., Cosco Price, Inc., Ellimac Prime Holdings, Inc., Fertuna Holdings Corp., Forbes Corporation, Invesco Company, Inc., Kareila Management Corporation, KMC Realty Corporation, League One, Inc., Meritus Prime Distributions, Inc., Montosco, Inc., P.G. Holdings, Inc., Patagonia Distributions, Inc., Patagonia Holdings Corp., Premier Wine and Spirits, Inc., PSMT Philippines, Inc., Puregold Duty-Free (Subic), Inc., Puregold Properties, Inc., S&R Pizza (Harbor Point), Inc., S&R Pizza, Inc., Union Energy Corporation, Union Equities, Inc., SPC Resources, Inc., Union Energy Corporation, Union Equities, Inc., SPC Resources, Inc., and VFC Land Resources, Inc.

Ms. Pamela Co is one of the executive officers in Kareila Management Corporation (S&R) concentrating on merchandising.

She graduated from Thames International School with a Bachelor of Science Degree in Entrepreneurship in 2006.

**(5) Leonardo B. Dayao, Filipino, 77 years old, Director**

Mr. Dayao was the President of Puregold from 2005 to 2014. He was a member of the board since 1998.

He is also the Chairman and President of Fertuna Holdings Corp., Chairman of Catuiran Hydropower Corporation, Grass Gold Renewable Energy (G2REC) Corporation, Kareila Management Corporation, League One Finance and Leasing Corporation, Pamana Water Corporation, PSMT Philippines, Inc., S&R Pizza, (Harbor Point) Inc., S&R Pizza, Inc., Vice-Chairman of Ayagold Retailers, Inc., President of NE Pacific Shopping Centers Corporation, Puregold Duty Free (Subic), Inc., Puregold Finance, Inc., San Jose City I Power Corp., Union Energy Corporation, Vice-President of Alerce Holdings Corp., Bellagio Holdings, Inc., KMC Realty Corporation, Puregold Duty Free, Inc., Puregold Properties, Inc. and Union Equities, Inc.; and Director of Canaria Holdings Corporation, Entenso Equities Incorporated, Karayan Hydropower Corporation and Puregold Realty Leasing & Management, Inc.

Mr. Dayao is also holding positions in other PSE-listed companies: President of Cosco Capital, Inc. and Vice-Chairman of Philippine Bank of Communications.

He received a Bachelor of Science Degree in Commerce from the Far Eastern University. He is a Certified Public Accountant. He completed the Basic Management Program at the Asian Institute of Management and earned units in MBA from the University of the Philippines-Cebu.

**(6) Jack Huang, Filipino, 67 years old, Director**

Mr. Huang has been one of the Directors of the Company since 2017.

Mr. Huang also serves as President of First Abacus Financial Holdings Corp., Vice-President of Abacus Capital and Investment Corp., Director of Abacus Securities Corp., Cebu Business Continuous Forms and Richmedia Network, Inc. and a member of the Board of Trustees of Sacred Heart School (Ateneo de Cebu).

Mr. Huang graduated with a degree of Bachelor of Arts, major in Economics, from the Ateneo de Manila University in 1975.

**(7) Marilyn V. Pardo, Filipino, 82 years old, Independent Director**

Mrs. Pardo has been an Independent Director of the Company since 2012.

Mrs. Pardo is also the Chairman of the Corporate Governance Committee of the company. She is currently the Chairman and CEO of Asian Holdings Corporation, Casa Catalina Corporation, Downtown Properties, Inc. and Casa Catalina Properties, Inc.

She graduated with a degree in Liberal Arts from Assumption College in 1960.

**(8) Edgardo G. Lacson, Filipino, 77 years old, Lead Independent Director**

Mr. Lacson has been an Independent Director of the Company since 2012.

Mr. Lacson also serves as Chairman of Metrostores, Inc., MIL Export Philippines, Inc., Employers Confederation of the Philippines, President of MIS Maritime Corp., Safe Seas Shipping Agency Co., Inc., Marine Industry Supply Corp., Director of Philippine Chamber of Commerce & Industry, Managing Director of Link Edge and Independent Director of and Double Dragon Meridian Park – REIT.

He is a member of the Management Association of the Philippines, Philippine Nippon Kaiji Kyoki, Member Board Trustee of University of Makati, Trustee of Philippine Interisland Shipping Association (PISA) and Philippine Petroleum Sea Transport Association (PHILPESTA). He is a recipient of Ph.D. Honoris Causa By Multi-Skills of the United Kingdom and Ph.D. Honoris Causa by Angeles University.

Mr. Lacson serves in other PSE-listed companies: Director of the Philippine Stock Exchange and Independent Director of Global Ferronickel Inc.

He graduated from the Dela Salle College in 1965 with a degree of Bachelor of Science, major in Accounting and an MBA candidate. Mr. Lacson is a Certified Public Accountant.

**(9) Jaime Dela Rosa, Filipino, 76 years old, Independent Director**

Mr. Dela Rosa has been an Independent Director of the Company since 2017.

He graduated from the Far Eastern University in 1964 with a degree of Bachelor of Science, major in Accounting. He completed a program on Global Financial System, Structures, Crises and Reform from the Harvard University – John F. Kennedy School of Government. He is a recipient of an Outstanding Alumnus Award for Government Service. Mr. Dela Rosa is a member of Alabang Country Club, Inc. Free Masonry.

Before joining the company, Mr. Dela Rosa worked as Director of Alcorn Gold Resources Corporation, PNCC-Skyway Corporation of the Philippines and Development Bank of the Philippines. He was the former President of Portman Mining Philippines, Cabaluan Chromite Corp., and Food Terminal, Inc. He also worked as Head of Ayala Investment and Development Corporation and Philsec Investment Corporation for Visayas and Mindanao and Assistant Vice-President for Citibank.

Mr. Dela Rosa is a Certified Public Accountant.

**(10) Levi B. Labra, Filipino, 62 years old, Board Consultant**

Mr. Labra has been serving the company as Board Consultant since 2017.

He also currently serves as Director of Hope Philippines, Inc. Before joining the company, Mr. Labra worked in Procter & Gamble for 35 years. He was the Sales Head and a member of the management committee of Procter and Gamble for 20 years. He was Regional Sales Manager for three years building sales organization and systems for India, Indonesia, Malaysia, Singapore, South Korea, and Thailand.

He graduated with honor, *cum laude*, from the University of San Carlos in 1978 of a degree of Bachelor of Science, major in Business Administration.

## (ii) Corporate Officers

Every after the annual stockholders' meeting, the board convenes for an organizational meeting and appoint officers who will assume the positions of President, Treasurer, Corporate Secretary, Compliance Officer, Lead Independent Director, Internal Auditor, and the members of the committee.

For the year 2020, the organizational meeting took place on August 18, 2020 via on-line meeting. The board renewed the appointment of the following officers: Mr. Ferdinand Vincent P. Co as President, Ms. Grace E. Sy as Treasurer, Ms. Baby Gerlie Sacro as Corporate Secretary, Atty. Candy H. Dacanay – Datuon as Assistant Corporate Secretary and Compliance Officer and Ms. Maria Teresa Lontoc as Internal Auditor.

### **1. Grace E. Sy, Filipino, 57 years old, Treasurer**

Ms. Sy has been the Company's treasurer since 2015. She also works as Treasury Manager of the Company since 2009. She is a graduate of St. Paul College of Manila with a degree of Bachelor of Science major in Accountancy, 1983.

### **2. Baby Gerlie I. Sacro, Filipino, 43 years old, Corporate Secretary**

Ms. Sacro has been the Corporate Secretary of the Company since 2000. She is a graduate of Polytechnic University of the Philippines with a degree of Bachelor of Science in Entrepreneurial Management. Before joining the company, she worked as a Compensation and Benefits employee at Plaza Fair, Inc.

### **3. Candy H. Dacanay-Datuon, Filipino, 42 years old, Assistant Corporate Secretary and Compliance Officer**

Atty. Dacanay has been the Assistant Corporate Secretary and Compliance Officer of the Company since 2012.

Atty. Dacanay is a graduate of Colegio De San Juan de Letran with a degree of Bachelor of Arts in Political Science, with a distinction of *cum laude*. She finished Bachelor of Laws from the University of Santo Tomas in 2003 and admitted to the Philippine Bar in 2004.

Atty. Dacanay started her career as Associate Counsel of the Company from 2004 to 2011. She became the company's Assistant Corporate Secretary and at the same time Compliance Officer in 2012, and Data Privacy Officer in 2018.

Concurrently, she is the Assistant Corporate Secretary and Compliance Officer of Cosco Capital, Inc. (a listed company), Compliance Officer of Da Vinci Capital Holdings, Inc. (a listed company), Corporate Secretary of Kareila Management Corporation (S&R warehouse), and Corporate Secretary and Compliance Officer of League One Finance and Leasing Corporation.

Atty. Dacanay completed the Harvard Business School Online Certificate Program, "Sustainable Business Strategy", in 2020.



#### **4. Maria Teresa S. Lontoc, Filipino, 52 years old, Internal Auditor**

Before joining the Company, Ms. Lontoc worked as Senior Business Consultant in Dairy Farm (Giant GCH) from 2011 to 2013 and as Systems and Audit Manager in SM Pilipinas Makro, Inc. from 2001 to 2011.

She is a graduate of the University of Batangas with a degree of Bachelor of Science in Commerce major in Accounting in 1991.

She had earned her Certificate of Continuing Professional Education from the Association of Certified Fraud Examiners – Philippine Chapter in 2017 specializing in Financial Transactions and Fraud Schemes, Investigations and Techniques, and Fraud Prevention and Deterrence.

#### **(iii) Key Officers**

##### **1. Antonio E. Delos Santos, Filipino, 48 years old, Head – National Operation**

Mr. Delos Santos has been the Company's head of national operation since 2012. He used to be the National Sales Manager of Colgate Palmolive Philippines Inc. from 2005 to 2012. He graduated from the Ateneo De Manila University with a degree of Bachelor of Arts in Economics in 1993.

##### **2. Ma. Denise D. Carolino, Filipino, 57 years old, Vice-President for Administration**

Ms. Carolino is one of the pioneer employees of the Company. She is a graduate of the University of Santo Tomas with a degree of Bachelor of Science major in Architecture in 1985. She took credits and will pursue her program in Leadership Management Development Program at the Ateneo De Manila University.

##### **3. John Marson T. Hao, Filipino, 38 years old, Vice-President for Investor Relations**

Mr. Hao joined the Company in 2014. He previously worked as Investor Relations Officer of Megaworld Corporation from 2004 to 2014. He is a graduate of Ateneo De Manila with a degree of Bachelor of Science in Management Engineering minor in Economics.

##### **4. Andres S. Santos, Filipino, 70 years old, Legal Counsel**

Atty. Santos has been the Company's Legal Counsel since 2010. Before joining the company, he worked as a practicing lawyer in Jose S. Santos, Jr. & Associates. Atty. Santos graduated with a degree of Bachelor of Arts from Arellano University in 1974. He took Bachelor of Laws from the University of the East and graduated in 1978. Atty. Santos passed the bar examination in 7<sup>th</sup> place.

##### **5. Jenny L. Jacintos, Filipino, 47 years old, Senior Merchandising Manager**

Ms. Jacintos has been a Senior Merchandising Manager in the Company since 2012.

Before this position, she was one of the Group Merchandising Managers of the company from 2004 to 2011.

She graduated from Polytechnic University of the Philippines, with a degree of Bachelor of Science in Business Administration in 1993, and completed a program from the Ateneo Graduate School of Business from 2012 to 2013.

**6. Marie Ivy Chervias, Filipino, 45 years old, Senior Merchandising Manager**

Before joining the Company in 2013, Ms. Chervias worked as a Key Account Manager in Wyeth, Philippines. She is a graduate of the University of Santo Tomas with a degree of Bachelor of Arts in Communications in 1997.

**7. Connie L. Avila, Filipino, 40 years old, Senior Merchandising Manager**

Ms. Avila started her career in the Company in 2001 as Merchandising Manager. She is a graduate of the University of Santo Tomas with a degree of Bachelor of Science in Commerce major in Business Administration in 2001.

**8. Ivy Zharisse H. Piedad, Filipino, 38 years old, Senior Merchandising Manager**

Ms. Piedad joined the Company in 2009 as a Product Development Assistant and later became an Advertising and Communications Manager from 2011 to 2015. She is the Senior Manager for the Marketing of the company since 2015.

Ms. Piedad graduated from Dela Salle University with a degree of Bachelor of Science in Commerce major in Business Management, specializing in Applied Corporate Management in 2004.

**9. Antonitte R. Raymundo, Filipino, 43 years old, Senior Merchandising Manager**

Before joining the Company, Ms. Raymundo worked as an Assistant System Manager in Super Shopping Market Inc. from 2001 to 2015. She is a graduate of Laguna College with a degree of Bachelor of Science major in Accounting in 1998.

**10. Maricel R. Cambe, Filipino, 47 years old, Senior Finance Manager**

Ms. Cambe recently joined the Company in 2019. She used to be working as an accountant in Liquigaz Philippines Corporation from 2008 to 2019. She is a graduate of Canossa College, San Pablo City, with a degree of Bachelor of Science major in Accounting.

**11. Kenneth N. Tiu, Filipino, 45 years old, Financial Control Manager**

Mr. Tiu has been the Company's Financial Control Manager since 2005. He is a graduate of Dela Salle University with a degree of Bachelor of Science in Mathematics major in Actuarial Science in 1995.

**12. Elvira D. Gutierrez, Filipino, 50 years old, Senior Human Resources Manager**

Ms. Gutierrez started in the Company as Human Resource Manager from 2003 and became Senior Human Resource Manager in 2011.

She attended seminars in Company Policy on Employee Behavior, Discipline and Dismissal in 2019, Businessmen's Strategy in Coping with DO-174 in 2017 and Level Up Leadership, Developing the Self and Leading Others in 2016.

She graduated from the College of the Holy Spirit in 1991 with a degree of Bachelor of Arts in Psychology.

### **13. Jun Alfafara, Filipino, 62 years old, Information Technology Manager**

Mr. Alfafara joined the Company in 2012. Before joining the company, he worked as an IT Consultant to Ever Gotesco Group from 2009 to 2012 and as Vice President for Information and Technology and Logistics from 1999 to 2007 in Rustan's Supermarkets and as IT Manager in Unilogix, Inc., a subsidiary of Rustan's Coffee, Inc. from 2007 to 2009.

(iv) Key officers in subsidiaries

#### **1. Anthony Sy, Filipino, 60 years old, S&R President**

Mr. Sy joined the Company in 2006. Before joining the company, Mr. Sy worked as President of Visual Merchandising Center from 1986 to 2006. He graduated from Ateneo De Manila University with a degree of Bachelor of Science in Management Engineering in 1982.

#### **2. Gisela R. Altura, Filipino, 51 years old, S&R Comptroller**

Ms. Ging joined Kareila Management Corporation in 2007. She graduated with honor, *cum laude*, from the Polytechnic University of the Philippines with a degree of Bachelor Science major in Accountancy in 1990. Ms. Altura is a Certified Public Accountant.

#### **3. Joseph U. Sy, Filipino, 57 years old, Ayagold Operations Manager**

Mr. Sy is one of the pioneer employees in the Company. He was the first store manager in the first branch of the Company in Mandaluyong City. Because of his long retail experience, Mr. Sy manages the big stores of Puregold in Metro Manila, and he is also heading the operation of two branches of 'Merkado,' a joint venture project with Ayala Land, Inc.

He graduated from the Philippine School of Business Administration major in Accountancy in 1983. Mr. Sy is a Certified Public Accountant.

### **Significant Employees**

There is no person in the Company who is not an executive or key officer but who is expected to make a significant contribution to the operation of the business. The business of the Company is not highly dependent on the services of certain key personnel.

### **Family Relationships**

1. Mr. Lucio L. Co and Mrs. Susan P. Co are husband and wife.
2. Mr. Ferdinand Vincent P. Co and Ms. Pamela Justine P. Co are children of Mr. and Mrs. Co.

## Involvement in Certain Legal Proceedings

As of December 31, 2020, and the past five years, the Company has no director, executive officer or principal officer who is involved in any of the following:

- (1) Bankruptcy case.
- (2) Convicted by final judgment of any criminal proceeding, domestic or foreign.
- (3) The subject of any order, judgment, or decree of any court of competent jurisdiction permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities, or banking activities.
- (4) Being found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended or vacated.

For discussion of related party transactions, please refer to 2020 Consolidated Audited Financial Statements of the Company hereto attached as Annex "A".

No director has resigned or declined to stand for re-election to the board of directors since the date of the last annual meeting of security holders because of a disagreement with the company on any matter relating to the company's operations, policies or practices.

## Item 10. Executive Compensation

The Company pays a fixed monthly compensation to its employees subject to periodic performance review. The members of the board receive per diem allowances of P50,000.00 per attendance in board meetings and P20,000 per attendance in committee meetings.

The total annual compensation of the President and the four most highly compensated officers amounted to P15,870,417.00 in 2018, P15,435,833.00 in 2019 and P15,849,416.00 in 2020, please see table below:

### (A) Summary Compensation Table

| Name and Position                                                                     | Year           | Salary          | Bonus | Other Annual Compensation |
|---------------------------------------------------------------------------------------|----------------|-----------------|-------|---------------------------|
| (1) Lucio L. Co                                                                       |                |                 |       |                           |
| (2) Susan P. Co                                                                       |                |                 |       |                           |
| (3) Ferdinand Vincent P. Co                                                           |                |                 |       |                           |
| (4) Antonio E. Delos Santos                                                           |                |                 |       |                           |
| (5) Maricel R. Cambe                                                                  |                |                 |       |                           |
| Aggregate compensation of the President and the four most highly compensated officers | 2018           | P15,870,417.00  | -     | -                         |
|                                                                                       | 2019           | P15,435,833.00  | -     | -                         |
|                                                                                       | 2020           | P15,849,416.00  | -     | -                         |
|                                                                                       | 2021 Projected | P15,849,416.00  |       |                           |
|                                                                                       | 2018           | P122,246,637.00 | -     | -                         |

|                                                                |                |                 |   |   |
|----------------------------------------------------------------|----------------|-----------------|---|---|
| Aggregate compensation paid to all other officers and managers | 2019           | P133,628,837.00 | - | - |
|                                                                | 2020           | P144,199,144.00 | - | - |
|                                                                | 2021 Projected | P144,199,144.00 |   |   |

## (2) Standard Arrangements

The Company has no standard arrangements according to which the directors are compensated, directly or indirectly, for any services provided as a director except for per diem allowances.

## (3) Other Arrangements

The Company has no other arrangements according to which the directors are compensated, directly or indirectly, for any services provided as a director except for per diem allowances.

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

All employees, including executive and principal officers, have employment contracts with the Company, which are consistent with the existing labor laws of the country. The Company has a retirement plan for its employees that is also in consistent with current labor laws.

## Item 11. Security Ownership of Certain Record and Beneficial Owners and Management

1. Security ownership of more than 5% of the stock of the Company as of March 31, 2021:

| Title of Class | Name, Address of record owner                                     | Relationship with the Company  | Name of Beneficial Owner and Relationship with Record Owner | Citizenship | Number of shares held | Percent |
|----------------|-------------------------------------------------------------------|--------------------------------|-------------------------------------------------------------|-------------|-----------------------|---------|
| Common         | Cosco Capital, Inc.<br>No. 900 Romualdez St.,<br>Paco, Manila     | Stockholder/<br>Parent Company | Parent Company                                              | Filipino    | 1,410,867,188         | 48.58%  |
| Common         | Lucio L. Co, No. 22 Pili Avenue, South Forbes Park, Makati City   | Stockholder/<br>Chairman       | Record owner himself                                        | Filipino    | 211,088,022           | 7.32%   |
| Common         | Susan P. Co<br>No. 22 Pili Avenue, South Forbes Park, Makati City | Stockholder/<br>Vice-Chairman  | Record owner herself                                        | Filipino    | 178,242,585           | 6.18%   |

|        |                          |                        |                          |                            |              |             |        |
|--------|--------------------------|------------------------|--------------------------|----------------------------|--------------|-------------|--------|
| Common | PCD Corp. (Non-Filipino) | Nominee (Non-Filipino) | Stockholder/ Not related | Acting for various clients | Non-Filipino | 578,928,808 | 20.07% |
| Common | PCD Corp. (Filipino)     | Nominee (Filipino)     | Stockholder/ Not related | Acting for various clients | Filipino     | 426,996,074 | 14.80% |

2. Security Ownership of Directors and Executive Officers of the company as of March 31, 2021:

| Title of Class | Name of Beneficial Owner                | Nature of beneficial ownership | Citizenship | Number of shares | Percent of Outstanding Voting Shares |
|----------------|-----------------------------------------|--------------------------------|-------------|------------------|--------------------------------------|
| Common         | Lucio L. Co Chairman                    | Direct                         | Filipino    | 211,088,022      | 7.32%                                |
| Common         | Susan P. Co Vice-Chairman               | Direct                         | Filipino    | 178,242,585      | 6.18%                                |
| Common         | Ferdinand Vincent P. Co President       | Direct                         | Filipino    | 26,709,460       | 0.93%                                |
| Common         | Leonardo B. Dayao Executive Director    | Direct                         | Filipino    | 739,925          | 0.03%                                |
| Common         | Pamela Justine P. Co Executive Director | Direct                         | Filipino    | 26,709,460       | 0.93%                                |
| Common         | Jack Huang Non-Executive Director       | Direct                         | Filipino    | 15,000           | 0.00%                                |
| Common         | Edgardo G. Lacson Independent Director  | Direct                         | Filipino    | 1                | 0.00%                                |
| Common         | Marilyn V. Pardo Independent Director   | Direct                         | Filipino    | 1                | 0.00%                                |
| Common         | Jaime Dela Rosa Independent Director    | Direct                         | Filipino    | 1                | 0.00%                                |

- Mr. and Mrs. Lucio and Susan Co do not have any voting trust agreement for their ownership of more than 5% of the stock of the Company.
- There has been no change in control of the Company in the last fiscal period.
- Foreign ownership level as of March 31, 2021:

578,928,808 common shares or 20.07% of the outstanding capital stock

## Item 12. Certain Relationships and Related Transactions

For related party transactions, please refer to 2020 Consolidated Audited Financial Statements hereto attached as Annex "A".

## PART IV: CORPORATE GOVERNANCE

(a) The Company has a Revised Manual on Corporate Governance approved by the board in May 2017. The Company aims to improve such manual to reflect more detailed corporate government policies of the Company, including adopting an evaluation system.

(b) The Company has three independent directors, one of them is a female, with various background and experiences to ensure that the management has independent views and is abreast of the practices of other companies in keeping good corporate governance.

(c) There has been no report of violation of Revised Manual on Corporate Governance since the board adopted it.

(d) Except in 2020 due to the Covid 19 pandemic, the Company conducted annual corporate governance training for all its directors and officers. All directors and officers of the Company attended the following seminars.

| Year | Date        | Time         | Venue                                  | Seminar Provider                    |
|------|-------------|--------------|----------------------------------------|-------------------------------------|
| 2015 | June 22     | 2:00–6:00 pm | Acacia Hotel, Alabang, Muntinlupa City | Center for Training and Development |
| 2016 | March 4     | 2:00–6:00 pm | Acacia Hotel, Alabang, Muntinlupa City | Center for Training and Development |
| 2017 | February 28 | 2:00–6:00 pm | Acacia Hotel, Alabang, Muntinlupa City | SGV & Company                       |
| 2018 | February 23 | 1:00-5:00 pm | Acacia Hotel, Alabang, Muntinlupa City | SGV & Company                       |
| 2019 | May 14      | 1:00-5:00 pm | Acacia Hotel, Alabang, Muntinlupa City | SGV & Company                       |

The Company's directors act on a fully informed basis, with due diligence and care required from them by law and taking into consideration all the stakeholders. The board regularly approves Company objectives and plans and monitors its implementation. The board is headed by a competent and qualified Chairman who has more than 40 years of experience in retail operations. The board meets at least six times a year and schedules the meetings before the start of the financial year. In 2020, the board held meetings on February 3, May 18, July 9, July 27, August 11, August 18, September 24, October 22 and December 18.

The Company has no agreement with shareholders, arrangements, or any bylaw provisions that constrain or may limit the director's ability to vote or express his views independently.

The Company adheres to the nine cumulative years fixed term for directors. However, due to challenges brought by the global pandemic, the Company will request the stockholders for an exemption thereof in the next 2 years. The reason given by the board of directors for such exemption is written as follows:

"COVID 19 pandemic brought a lot of uncertainties in our business and to the Philippine economy as a whole. Many challenges of unprecedented scale prompted the Company to adopt and respond as fast as we can. More than ever, we need a Board of Directors who can



quickly and competently respond to these challenges. Such fast and adept response would only come from directors who are very knowledgeable of the Company's core values and culture and who hold the organization's trust to be competent in guiding us navigate through these extraordinary times. The Company strongly believes that any changes in the Board, as of the moment, would burden the Company instead of helping it overcome this global pandemic."

Directors do not participate in the discussion fixing his/her remuneration.

The Directors' attendance in 2020 board meetings are presented below:

|                         | February 3<br>(BOD) | May 18<br>(BOD) | July 9<br>(BOD) | July 27<br>(BOD) | August 11<br>(BOD) | August 18<br>(ASM/ORG) | September 24<br>(BOD) | October 22<br>(BOD) | December 18<br>(BOD) | Total |
|-------------------------|---------------------|-----------------|-----------------|------------------|--------------------|------------------------|-----------------------|---------------------|----------------------|-------|
| Lucio L. Co             | √                   | √               | √               | √                | √                  | √                      | √                     | √                   | √                    | 100%  |
| Susan P. Co             | X                   | √               | √               | √                | √                  | √                      | √                     | √                   | √                    | 89%   |
| Ferdinand Vincent P. Co | √                   | √               | √               | √                | √                  | √                      | √                     | √                   | √                    | 100%  |
| Pamela Justine P. Co    | X                   | √               | √               | √                | √                  | √                      | √                     | √                   | √                    | 89%   |
| Leonardo B. Dayao       | √                   | √               | √               | √                | √                  | √                      | √                     | √                   | √                    | 100%  |
| Jack E. Huang           | √                   | √               | √               | √                | √                  | √                      | √                     | √                   | √                    | 100%  |
| Edgardo Lacson          | √                   | √               | √               | √                | √                  | √                      | √                     | √                   | √                    | 100%  |
| Marilyn V. Pardo        | √                   | √               | √               | √                | √                  | √                      | √                     | √                   | √                    | 100%  |
| Jaime S. Dela Rosa      | √                   | √               | √               | √                | √                  | √                      | √                     | √                   | √                    | 100%  |

#### (e) Committee Membership

The Company has three board committees, Executive Committee, Corporate Governance Committee, and the Audit Committee. The board appointed their members during its organizational meeting on August 18, 2020:

| Executive Committee     | Corporate Governance Committee    | Audit Committee                            |
|-------------------------|-----------------------------------|--------------------------------------------|
| Lucio L. Co<br>Chairman | Marilyn V. Pardo (ID)<br>Chairman | Edgardo G. Lacson (ID)<br>Chairman/Lead ID |
| Susan P. Co             | Jaime Dela Rosa (ID)              | Jaime Dela Rosa (ID)                       |
| Ferdinand Vincent P. Co | Lucio L. Co (Executive)           | Marilyn V. Pardo (ID)                      |
| Pamela Justine P. Co    | Leonardo B. Dayao (Executive)     | Susan P. Co (Executive)                    |
| Leonardo B. Dayao       |                                   | Leonardo B. Dayao (Executive)              |

The internal and external auditors are reporting directly to the Audit Committee. The external auditor reports to the committee annually, and the internal auditor reports to the committee quarterly.

In 2020, the Audit Committee convened four meetings held on May 18, August 7, October 22, and December 11. All members attended the committee meetings in 2020.



## PART V: EXHIBITS AND SCHEDULES

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

| Date of Report                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Date Filed with SEC    |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------|
| <b>May 18, 2020</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | <b>June 19, 2020</b>   |
| Approval of 2019 Consolidated Audited Financial Statements and 1 <sup>st</sup> Quarter Financial Report – 2020 of Puregold Price Club, Inc.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                        |
| <b>May 27, 2020</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | <b>June 19, 2020</b>   |
| Company Presentation for Investors Briefing FY 2019                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                        |
| <b>May 27, 2020</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | <b>June 19, 2020</b>   |
| 2019 Consolidated Audited Financial Statements of Puregold Price Club, Inc.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                        |
| <b>May 29, 2020</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | <b>June 19, 2020</b>   |
| Company Presentation for its Investors' Presentation 1Q 2020 Results and Performance.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                        |
| <b>July 10, 2020</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | <b>July 27, 2020</b>   |
| <p>Result of special meeting of the Board of Directors of Puregold Price Club, Inc. dated July 9, 2020:</p> <ol style="list-style-type: none"> <li>1. Annual Stockholders' Meeting of Puregold Price Club, Inc. is set on August 18, 2020, 9:00 am via live-stream and with record date August 8, 2020</li> <li>2. Approval of the re-election of all directors including the independent directors for 2020-2021, namely: <ol style="list-style-type: none"> <li>a. Mr. Lucio L. Co</li> <li>b. Mrs. Susan P. Co</li> <li>c. Mr. Ferdinand Vincent P. Co</li> <li>d. Mr. Leonardo B. Dayao</li> <li>e. Ms. Pamela Justine P. Co</li> <li>f. Mr. Jack Huang</li> <li>g. Mr. Edgardo G. Lacson as independent director</li> <li>h. Mrs. Marilyn V. Pardo as independent director</li> <li>i. Mr. Jaime S. Dela Rosa as independent director</li> </ol> </li> <li>3. Re-appointment of External Auditor, RG Manabat &amp; Company, and its remuneration for CY 2020</li> <li>4. Amendments of Article II of the company's Articles of Incorporation to include the following: <p><i>"To act as joint or solidary obligor, mortgagor, guarantor, or surety for principal and accessory security obligations incurred or to be incurred by subsidiaries, affiliates, sister companies, and other corporations."</i></p> </li> <li>5. Authority of stockholders' voting in absentia</li> <li>6. Authority of the Corporate Secretary to adopt guidelines in the conduct of the Online Annual Stockholders' Meeting including the sending notices by remote communications and publication.</li> </ol> |                        |
| <b>August 12, 2020</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | <b>August 14, 2020</b> |
| Approval of 2 <sup>nd</sup> Quarter Financial Report – 2020 of the Company.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                        |
| <b>August 14, 2020</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | <b>August 26, 2020</b> |
| Company Presentation for its Analyst's Briefing 1H2020 Results and Performance dated August 17, 2020.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                        |
| <b>August 18, 2020</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | <b>August 20, 2020</b> |
| <p>Result of Annual Stockholders' Meeting</p> <p>Out of 2,884,232,615 outstanding shares of the Company, stockholders holding a total of 2,306,566,229 common shares, representing 80% of the outstanding stocks of the company, have attended the meeting</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                        |

and approved the following:

- A. Call to Order
- B. Certification of Notice and Quorum
- C. Approval if the Previous Meeting and Ratification of Acts and Resolutions of the Board of Directors and Management since the Last stockholders' meeting
- D. Annual Report and Approval of the 2019 Audited Financial Statement
- E. Re-appointment of RG Manabat & Company as External Auditor for the year 2020 and up to the total amount of P5.7 million as audit fee
- F. Amendment of Articles of Incorporation
  - (a) Additional purpose – “To act as joint or solidary obligor, mortgagor, guarantor or surety for principal and accessory security obligations incurred or to be incurred by subsidiaries, affiliates, sister companies, and other corporation”
- G. Amendment of Articles of Incorporation
  - (b) Increase of Authorized Capital Stock from P3 billion to P5 billion and the subsequent listing of shares in the Philippine Stock Exchange corresponding to the minimum subscription of 25% of the increase of capital stock by the majority stockholder
- H. Election of the following regular and independent directors:
  - (a) Mr. Lucio L. Co
  - (b) Mrs. Susan P. Co
  - (c) Mr. Ferdinand Vincent P. Co
  - (d) Ms. Pamela Justine P. Co
  - (e) Mr. Leonardo B. Dayao
  - (f) Mr. Jack Huang
  - (g) Mr. Edgardo G. Lacson as independent director
  - (h) Mrs. Marilyn V. Pardo as independent director
  - (i) Mr. Jaime S. Dela Rosa as independent director
- I. Other Matters – no other matter was discussed in the meeting
- J. Adjournment – The Chairman called the meeting adjourned.

#### August 18, 2020

#### August 20, 2020

#### Result of Organizational Meeting

Chairman – Lucio L. Co  
 Vice-Chairman – Susan P. Co  
 President – Ferdinand Vincent P. Co  
 Head of National Operation – Antonio B. Delos Santos  
 Vice-President for Administration – Denise Maria D. Carolino  
 Vice-President for Investor Relations – John Marson T. Hao  
 Senior Finance Officer – Maricel R. Cambe  
 Senior Finance Officer – Kenneth N. Tiu  
 Treasurer – Grace E. Sy  
 Legal Counsel – Andres S. Santos  
 Internal Auditor & Risk Management Officer – Maria Teresa N. Lontoc  
 Corporate Secretary – Baby Gerlie I. Sacro  
 Asst. Corp. Sec. & Compliance Officer – Atty. Candy H. Dacanay-Datuon  
 Lead Independent Director – Edgardo G. Lacson  
 Data Privacy Officer – John Marson T. Hao  
 Sustainability Officer – John Marson T. Hao  
 S&R President – Anthony G. Sy  
 S&R Chief Finance Officer – Gisela R. Altura  
 Ayagold Operation Head – Joseph U. Sy

#### Executive Committee:

Chairman : Lucio L. Co

Members : Susan P. Co, Ferdinand Vincent P. Co, Pamela Justine P. Co and Leonardo B. Dayao

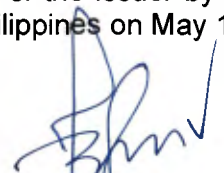
Ex-Officio Members : Antonio Delos Santos and Anthony G. Sy

|                                                                                                                                                                                                                                                                                                                                                    |                           |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------|
| <b>Audit Committee:</b><br>Chairman : Edgardo G. Lacson (ID)<br>Member : Jaime S. Dela Rosa (ID), Marilyn V. Pardo (ID), Susan P. Co and Leonardo B. Dayao<br>Ex-Officio Members : Maria Teresa S. Lontoc and Maricel R. Cambe                                                                                                                     |                           |
| <b>Corporate Governance Committee:</b><br>Chairman : Marilyn V. Pardo (ID)<br>Members : Jaime S. Dela Rosa (ID), Edgardo G. Lacson (ID), Lucio L. Co and Leonardo B. Dayao<br>Ex-Officio Members : Atty. Candy H. Dacanay-Datuon and Denise Maria D. Carolino                                                                                      |                           |
| <b>September 24, 2020</b>                                                                                                                                                                                                                                                                                                                          | <b>September 30, 2020</b> |
| Puregold's Board Approval of P12billion Corporate Notes                                                                                                                                                                                                                                                                                            |                           |
| <b>October 22, 2020</b>                                                                                                                                                                                                                                                                                                                            | <b>October 29, 2020</b>   |
| Approval of 3 <sup>rd</sup> Quarter Financial Report – 2020 of the Company.                                                                                                                                                                                                                                                                        |                           |
| <b>October 29, 2020</b>                                                                                                                                                                                                                                                                                                                            | <b>November 3, 2020</b>   |
| Company Presentation for its Analyst's Briefing dated October 28, 2020, 3PM, Manila Time.                                                                                                                                                                                                                                                          |                           |
| <b>December 18, 2020</b>                                                                                                                                                                                                                                                                                                                           | <b>December 21, 2020</b>  |
| Result of Board Meeting dated December 18, 2020<br>1. Increase of regular cash dividend from P0.20 to P0.25 per share and a special cash dividend of P0.20 per share or a total of P0.45 per share with a record date January 8, 2021 and payment date on January 29, 2021.<br>2. Renewal of buyback program of up to P5 billion for another year. |                           |

## SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this Report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Manila, Philippines on May 10, 2021.

  
**LUCIO L. CO**  
Chairman

  
**FERDINAND VINCENT P. CO**  
President

  
**MARICEL R. CAMBE**  
Senior Finance Manager

  
**GRACE E. SY**  
Treasurer

  
**BABY GERLIE I. SACRO**  
Corporate Secretary

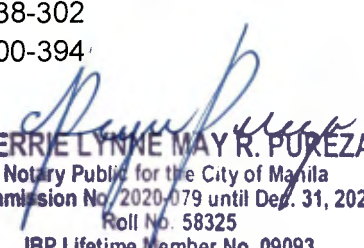
  
**CANDY H. DACANAY – DATUON**  
Assistant Corporate Secretary &  
Compliance Officer

**MAY 12 2021**

**SUBSCRIBED AND SWORN** to before me this \_\_\_\_\_ day of May 2021 in the City of Manila, Philippines, affiants exhibited to me competent proof of their respective identities.

|                           |                        |
|---------------------------|------------------------|
| LUCIO L. CO               | TIN ID No. 108-975-971 |
| FERDINAND VINCENT P. CO   | TIN ID No. 208-381-185 |
| MARICEL R. CAMBE          | TIN ID No. 184-996-223 |
| GRACE E. SY               | TIN ID No. 101-306-940 |
| BABY GERLIE I. SACRO      | TIN ID No. 201-538-302 |
| CANDY H. DACANAY – DATUON | TIN ID No. 233-200-394 |

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Page No. *50*  
Book No. *28*  
Series of 2021

  
**CHERRIE LYNNE MAY R. PUREZA**  
Notary Public for the City of Manila  
Commission No. 2020-079 until Dec. 31, 2021  
Roll No. 58325  
IBP Lifetime Member No. 09093  
PTR No. 9824725 / 01-05-2021 / Mia.  
MCLE Compliance No. VI-0022488 / 04-16-19  
No. 900 Romualdez St., Paco, Manila

# COVER SHEET

**For**  
**AUDITED FINANCIAL STATEMENTS**

**SEC Registration Number**

|   |   |   |   |   |   |   |   |   |   |  |
|---|---|---|---|---|---|---|---|---|---|--|
| A | 1 | 9 | 9 | 8 | 1 | 3 | 7 | 5 | 4 |  |
|---|---|---|---|---|---|---|---|---|---|--|

**GROUP NAME**

[illegible]**PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)**[illegible]

## Form Type

|   |   |   |   |
|---|---|---|---|
| A | A | F | S |
|---|---|---|---|

**Department requiring the report**

\_\_\_\_\_

**Secondary License Type, If Applicable**

\_\_\_\_\_

## GROUP INFORMATION

**Group's email Address**

www.puregold.com.ph

**Group's Telephone Number/s**

(02) 548-7110

**Mobile Number**

|  |
|--|
|  |
|--|

**No. of Stockholders**

|  |
|--|
|  |
|--|

**Annual Meeting (Month / Day)**

|       |
|-------|
| May 2 |
|-------|

**Fiscal Year (Month / Day)**

December 31

### CONTACT PERSON INFORMATION

**The designated contact person *MUST* be an Officer of the Corporation**

**Name of Contact Person**Teodoro A. Polinga**Email Address**

tedpolinga@coscocalpital.com.ph

**Telephone Number/s**

(02) 548-7110

**Mobile Number**

\_\_\_\_\_

**CONTACT PERSON'S ADDRESS**

900 Romualdez, Street, Paco, Manila

***Note 1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.***

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

# PUREGOLD PRICE CLUB, INC. AND SUBSIDIARIES

**CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2020, 2019 and 2018**

With Independent Auditors' Report



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

The management of **Puregold Price Club, Inc. and Subsidiaries** (the "Group"), is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, as at and for year ended December 31, 2020 and 2019, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

**LUCIO L. CO**  
Chairman

**FERDINAND VINCENT P. CO**  
President

**GRACE E. SY**  
Treasurer

Signed this APR 07 2021 7th day of 2021

SUBSCRIBED AND SWORN to before me this day of APR 07 2021 2021, affiants exhibiting to me their respective TIN# as follows:

| Name                    | TIN#        |
|-------------------------|-------------|
| Lucio L. Co             | 108-975-971 |
| Ferdinand Vincent P. Co | 208-381-185 |
| Grace E. Sy             | 101-306-940 |

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Page No. 29  
Book No. 27  
Series of 2021

**CHERRIE LYNNE MAY R. PUREZA**  
Notary Public for the City of Manila  
Commission No. 2020-079 until Dec. 31, 2021  
Roll No. 58325

IBP Lifetime Member No. 09093  
PTR No. 9824725 / 01-05-2021 / Mla.

MCLE Compliance No. VI-0022488 / 04-16-19  
No. 500 Romualdez St., Para, Manila

2nd Floor Tabacalera Bldg., 900 Romualdez St., Para, Manila, Philippines 1007  
Telefax: (632) 523-3055



## REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders  
**Puregold Price Club, Inc. and Subsidiaries**  
900 Romualdez Street  
Paco, Manila

### *Opinion*

We have audited the consolidated financial statements of Puregold Price Club, Inc. and its Subsidiaries (the “Group”), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2020, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2020, in accordance with Philippine Financial Reporting Standards (PFRS).

### *Basis for Opinion*

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Firm Regulatory Registration & Accreditation:

PRC-BOA Registration No. 0003, valid until November 21, 2023

SEC Accreditation No. 0003-SEC, Group A, valid for five (5) years covering the audit of 2020 to 2024

financial statements (2019 financial statements are covered by SEC Accreditation No. 0004-FR-5)

IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024

financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)

BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024

financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)



## *Key Audit Matters*

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

### *Valuation of Goodwill and Other Intangibles with Indefinite Lives* Refer to Note 12 to the consolidated financial statements.

#### *The risk*

The Group acquired through business combinations goodwill and other intangibles with indefinite lives totaling P19.5 billion. The Group tests for impairment annually by comparing the recoverable amounts to the carrying amounts.

We considered this as a key audit matter because assessment process is complex, involves significant management judgements and is based on key assumptions on expected future market and economic conditions, revenue growth, margin developments, discount rates and (terminal) growth rates from management.

#### *Our response*

We performed the following audit procedures, among others, around impairment testing of goodwill and other intangibles with indefinite lives:

- We obtained the Group's discounted cash flow model that tests the carrying value of goodwill.
- We evaluated the reasonableness of key assumptions used by management in deriving the recoverable amount. These procedures included using our own internal valuation specialist to evaluate the key inputs and assumptions for growth and discount rates.
- We reviewed the cash flows used, with comparison to recent performance, trend analysis and market expectations, and by reference to prior year's forecast, where relevant, and assessing whether the Group has achieved them.
- We evaluated the adequacy of the disclosures in respect of impairment of goodwill and other intangibles with indefinite lives in the consolidated financial statements.

### *Revenue Recognition (P171.4 billion)* Refer to Note 17 to the consolidated financial statements.

#### *The risk*

Revenue is not complex but it is an important measure to evaluate the Group's performance, which increases the risk of material misstatement that revenue may be inappropriately recognized.



#### *Our response*

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

- We evaluated and assessed the revenue recognition policies of the Group in accordance with PFRS 15, *Revenue from Contracts with Customers*.
- We evaluated and assessed the design and operating effectiveness of the key controls over the revenue process.
- We involved our information technology specialists to assist in the audit of automated controls, including interface controls among different information technology applications for the evaluation of the design and operating effectiveness of controls over the recording of revenue transactions.
- We tested, on a sample basis, sales transactions for a selected period before and after year-end to supporting documentation such as generated sales summary reports from the point-of-sale (POS) system, as reconciled with the cash receipts, to assess whether these transactions are recorded in the correct reporting period.
- We vouched, on a sample basis, sales transactions to supporting documentation such as sales invoices, delivery documents and value-added-tax returns, as applicable, to ascertain that the revenue recognition criteria are met.
- We tested, on a sample basis, journal entries posted to revenue accounts to identify unusual or irregular items.

#### *Other Information*

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2020, but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2020 are expected to be made available to us after the date of this auditors' report.

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

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

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

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



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

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

#### *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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



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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and 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 Dindo Marco M. Dioso.

**R.G. MANABAT & CO.**

DINDO MARCO M. DIOSO

Partner

CPA License No. 0095177

SEC Accreditation No. 95177-SEC, Group A, valid for five (5) years  
covering the audit of 2019 to 2023 financial statements

Tax Identification No. 912-365-765

BIR Accreditation No. 08-001987-030-2019

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

PTR No. MKT 8533899

Issued January 4, 2021 at Makati City

April 15, 2021

Makati City, Metro Manila



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## REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders  
**Puregold Price Club, Inc. and Subsidiaries**  
900 Romualdez Street  
Paco, Manila

### *Opinion*

We have audited the consolidated financial statements of Puregold Price Club, Inc. and its Subsidiaries (the "Group"), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2020, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2020, in accordance with Philippine Financial Reporting Standards (PFRS).

### *Basis for Opinion*

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Firm Regulatory Registration & Accreditation:

PRC-BOA Registration No. 0003, valid until November 21, 2023

SEC Accreditation No. 0003-SEC, Group A, valid for five (5) years covering the audit of 2020 to 2024

financial statements (2019 financial statements are covered by SEC Accreditation No. 0004-FR-5)

IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024

financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)

BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024

financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)



## *Key Audit Matters*

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

### *Valuation of Goodwill and Other Intangibles with Indefinite Lives* Refer to Note 12 to the consolidated financial statements.

#### *The risk*

The Group acquired through business combinations goodwill and other intangibles with indefinite lives totaling P19.5 billion. The Group tests for impairment annually by comparing the recoverable amounts to the carrying amounts.

We considered this as a key audit matter because assessment process is complex, involves significant management judgements and is based on key assumptions on expected future market and economic conditions, revenue growth, margin developments, discount rates and (terminal) growth rates from management.

#### *Our response*

We performed the following audit procedures, among others, around impairment testing of goodwill and other intangibles with indefinite lives:

- We obtained the Group's discounted cash flow model that tests the carrying value of goodwill.
- We evaluated the reasonableness of key assumptions used by management in deriving the recoverable amount. These procedures included using our own internal valuation specialist to evaluate the key inputs and assumptions for growth and discount rates.
- We reviewed the cash flows used, with comparison to recent performance, trend analysis and market expectations, and by reference to prior year's forecast, where relevant, and assessing whether the Group has achieved them.
- We evaluated the adequacy of the disclosures in respect of impairment of goodwill and other intangibles with indefinite lives in the consolidated financial statements.

### *Revenue Recognition (P171.4 billion)* Refer to Note 17 to the consolidated financial statements.

#### *The risk*

Revenue is not complex but it is an important measure to evaluate the Group's performance, which increases the risk of material misstatement that revenue may be inappropriately recognized.



#### *Our response*

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

- We evaluated and assessed the revenue recognition policies of the Group in accordance with PFRS 15, *Revenue from Contracts with Customers*.
- We evaluated and assessed the design and operating effectiveness of the key controls over the revenue process.
- We involved our information technology specialists to assist in the audit of automated controls, including interface controls among different information technology applications for the evaluation of the design and operating effectiveness of controls over the recording of revenue transactions.
- We tested, on a sample basis, sales transactions for a selected period before and after year-end to supporting documentation such as generated sales summary reports from the point-of-sale (POS) system, as reconciled with the cash receipts, to assess whether these transactions are recorded in the correct reporting period.
- We vouched, on a sample basis, sales transactions to supporting documentation such as sales invoices, delivery documents and value-added-tax returns, as applicable, to ascertain that the revenue recognition criteria are met.
- We tested, on a sample basis, journal entries posted to revenue accounts to identify unusual or irregular items.

#### *Other Information*

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2020, but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2020 are expected to be made available to us after the date of this auditors' report.

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

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

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

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





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

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

#### *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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



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

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

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The engagement partner on the audit resulting in this independent auditors' report is Dindo Marco M. Dioso.

**R.G. MANABAT & CO.**

DINDO MARCO M. DIOSO

Partner

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April 15, 2021

Makati City, Metro Manila

**PUREGOLD PRICE CLUB, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

|                                                       | <i>Note</i> | 2020                    | 2019                    |
|-------------------------------------------------------|-------------|-------------------------|-------------------------|
| <b>ASSETS</b>                                         |             |                         |                         |
| <b>Current Assets</b>                                 |             |                         |                         |
| Cash and cash equivalents                             | 4           | P32,724,093,663         | P17,083,459,430         |
| Receivables - net                                     | 5           | 2,676,254,583           | 2,675,551,867           |
| Merchandise inventories                               | 6           | 20,918,320,287          | 19,526,196,704          |
| Financial assets at fair value through profit or loss | 7           | 2,411,375,234           | 34,920,601              |
| Prepaid expenses and other current assets             | 8           | 658,106,936             | 720,226,148             |
| <b>Total Current Assets</b>                           |             | <b>59,388,150,703</b>   | <b>40,040,354,750</b>   |
| <b>Noncurrent Assets</b>                              |             |                         |                         |
| Investments in associate and joint venture            | 9           | 636,548,430             | 622,981,277             |
| Property and equipment - net                          | 10          | 21,966,176,496          | 21,161,690,865          |
| Intangibles and goodwill                              | 12          | 19,715,894,884          | 19,730,635,701          |
| Right-of-use assets - net                             | 11, 19      | 26,137,182,954          | 23,824,682,048          |
| Deferred tax assets - net                             | 25          | 1,257,599,720           | 849,739,274             |
| Other noncurrent assets                               | 13, 19      | 2,491,956,269           | 2,404,713,843           |
| <b>Total Noncurrent Assets</b>                        |             | <b>72,205,358,753</b>   | <b>68,594,443,008</b>   |
|                                                       |             | <b>P131,593,509,456</b> | <b>P108,634,797,758</b> |
| <b>LIABILITIES AND EQUITY</b>                         |             |                         |                         |
| <b>Current Liabilities</b>                            |             |                         |                         |
| Trade and other payables                              | 14, 23, 26  | P14,341,506,837         | P13,079,847,582         |
| Income tax payable                                    |             | 1,304,529,529           | 937,278,214             |
| Short-term loans                                      | 15          | -                       | 501,570,353             |
| Lease liabilities due within one year                 | 19          | 896,500,586             | 490,191,528             |
| Due to related parties                                | 23          | 49,568,517              | 47,117,438              |
| Other current liabilities                             | 16          | 510,379,655             | 434,803,665             |
| <b>Total Current Liabilities</b>                      |             | <b>17,102,485,124</b>   | <b>15,490,808,780</b>   |
| <b>Noncurrent Liabilities</b>                         |             |                         |                         |
| Long-term loans                                       | 15          | 11,875,122,322          | 400,000,000             |
| Lease liabilities                                     | 19          | 32,731,125,380          | 29,925,553,649          |
| Retirement benefits liability                         | 24          | 1,383,056,698           | 919,085,396             |
| <b>Total Noncurrent Liabilities</b>                   |             | <b>45,989,304,400</b>   | <b>31,244,639,045</b>   |
| <b>Total Liabilities</b>                              |             | <b>63,091,789,524</b>   | <b>46,735,447,825</b>   |
| <b>Equity</b>                                         |             |                         |                         |
| Capital stock                                         | 26          | 2,904,214,086           | 2,904,214,086           |
| Additional paid-in capital                            |             | 25,361,670,581          | 25,361,670,581          |
| Retirement benefits reserve                           |             | (118,634,185)           | 54,467,541              |
| Treasury stock                                        |             | (71,253,489)            | (71,253,489)            |
| Retained earnings                                     |             | 40,425,722,939          | 33,650,251,214          |
| <b>Total Equity</b>                                   |             | <b>68,501,719,932</b>   | <b>61,899,349,933</b>   |
|                                                       |             | <b>P131,593,509,456</b> | <b>P108,634,797,758</b> |

See Notes to the Consolidated Financial Statements.

**PUREGOLD PRICE CLUB, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

| <b>Years Ended December 31</b>                                           |             |                         |                  |                  |
|--------------------------------------------------------------------------|-------------|-------------------------|------------------|------------------|
|                                                                          | <i>Note</i> | <b>2020</b>             | 2019             | 2018             |
| <b>NET SALES</b>                                                         | 17          | <b>P168,632,328,716</b> | P154,490,309,082 | P141,139,261,418 |
| <b>COST OF SALES</b>                                                     | 6, 18       | <b>139,476,212,627</b>  | 128,539,759,134  | 117,210,684,020  |
| <b>GROSS INCOME</b>                                                      |             | <b>29,156,116,089</b>   | 25,950,549,948   | 23,928,577,398   |
| <b>OTHER REVENUE</b>                                                     | 17, 19, 20  | <b>3,154,798,784</b>    | 3,262,853,438    | 2,941,091,069    |
| <b>TOTAL GROSS INCOME AND OTHER REVENUE</b>                              |             | <b>32,310,914,873</b>   | 29,213,403,386   | 26,869,668,467   |
| <b>OPERATING EXPENSES</b>                                                | 21          | <b>18,953,230,825</b>   | 17,829,772,403   | 16,638,893,497   |
| <b>INCOME FROM OPERATIONS</b>                                            |             | <b>13,357,684,048</b>   | 11,383,630,983   | 10,230,774,970   |
| <b>OTHER CHARGES</b>                                                     |             |                         |                  |                  |
| Interest expense                                                         | 10, 15, 19  | <b>2,268,551,686</b>    | 2,068,485,175    | 1,944,458,168    |
| Interest income                                                          | 4, 7        | <b>(272,988,877)</b>    | (214,862,246)    | (37,409,809)     |
| Share in income of associate and joint ventures                          | 9           | <b>(9,520,123)</b>      | (19,806,723)     | (14,127,350)     |
| Others - net                                                             | 22          | <b>(61,482,317)</b>     | (30,006,151)     | (364,830,882)    |
|                                                                          |             | <b>1,924,560,369</b>    | 1,803,810,055    | 1,528,090,127    |
| <b>INCOME BEFORE INCOME TAX</b>                                          |             | <b>11,433,123,679</b>   | 9,579,820,928    | 8,702,684,843    |
| <b>PROVISION FOR INCOME TAX</b>                                          |             |                         |                  |                  |
| Current                                                                  |             | <b>3,700,122,821</b>    | 3,119,379,310    | 2,803,076,753    |
| Deferred                                                                 |             | <b>(333,827,499)</b>    | (312,346,160)    | (299,892,203)    |
|                                                                          | 25          | <b>3,366,295,322</b>    | 2,807,033,150    | 2,503,184,550    |
| <b>NET INCOME</b>                                                        |             | <b>8,066,828,357</b>    | 6,772,787,778    | 6,199,500,293    |
| <b>OTHER COMPREHENSIVE INCOME</b>                                        |             |                         |                  |                  |
| <i>Item that will not be reclassified subsequently to profit or loss</i> |             |                         |                  |                  |
| Remeasurements of retirement benefits                                    | 24          | <b>(247,134,673)</b>    | (313,046,794)    | 223,258,703      |
| Tax effect                                                               |             | <b>74,032,947</b>       | 93,773,328       | (66,831,023)     |
|                                                                          |             | <b>(173,101,726)</b>    | (219,273,466)    | 156,427,680      |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>                           |             | <b>P7,893,726,631</b>   | P6,553,514,312   | P6,355,927,973   |
| Basic and diluted earnings per share                                     | 28          | <b>P2.81</b>            | P2.37            | P2.24            |

See Notes to the Consolidated Financial Statements.

**PUREGOLD PRICE CLUB, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

| Years Ended December 31                        |      |                |                                  |                                   |                   |                      |                 |
|------------------------------------------------|------|----------------|----------------------------------|-----------------------------------|-------------------|----------------------|-----------------|
|                                                |      |                | Additional<br>Paid-in<br>Capital | Retirement<br>Benefits<br>Reserve | Treasury<br>Stock | Retained<br>Earnings | Total Equity    |
|                                                | Note | Capital Stock  |                                  |                                   |                   |                      |                 |
| Balance at December 31, 2017                   |      | P2,785,362,877 | P20,830,391,081                  | P117,313,327                      | (P56,702,280)     | P22,979,528,751      | P46,655,893,756 |
| Total comprehensive income for the year        |      |                |                                  |                                   |                   |                      |                 |
| Net income for the year                        |      | -              | -                                | -                                 | -                 | 6,199,500,293        | 6,199,500,293   |
| Other comprehensive income                     |      | -              | -                                | 156,427,680                       | -                 | -                    | 156,427,680     |
|                                                |      | -              | -                                | 156,427,680                       | -                 | 6,199,500,293        | 6,355,927,973   |
| Transaction with owners of the Parent Company  |      |                |                                  |                                   |                   |                      |                 |
| Effect of merger                               | 26   | 14,551,209     | -                                | -                                 | (14,551,209)      | -                    | -               |
| Balance at December 31, 2018                   |      | 2,799,914,086  | 20,830,391,081                   | 273,741,007                       | (71,253,489)      | 29,179,029,044       | 53,011,821,729  |
| Total comprehensive income for the year        |      |                |                                  |                                   |                   |                      |                 |
| Net income for the year                        |      | -              | -                                | -                                 | -                 | 6,772,787,778        | 6,772,787,778   |
| Other comprehensive income                     |      | -              | -                                | (219,273,466)                     | -                 | -                    | (219,273,466)   |
|                                                |      | -              | -                                | (219,273,466)                     | -                 | 6,772,787,778        | 6,553,514,312   |
| Transactions with owners of the Parent Company |      |                |                                  |                                   |                   |                      |                 |
| Issuance of common shares                      | 26   | 104,300,000    | 4,531,279,500                    | -                                 | -                 | -                    | 4,635,579,500   |
| Cash dividends                                 |      | -              | -                                | -                                 | -                 | (2,301,565,608)      | (2,301,565,608) |
|                                                |      | 104,300,000    | 4,531,279,500                    | -                                 | -                 | (2,301,565,608)      | 2,334,013,892   |
| Balance at December 31, 2019                   |      | 2,904,214,086  | 25,361,670,581                   | 54,467,541                        | (71,253,489)      | 33,650,251,214       | 61,899,349,933  |
| Total comprehensive income for the year        |      |                |                                  |                                   |                   |                      |                 |
| Net income for the year                        |      | -              | -                                | -                                 | -                 | 8,066,828,357        | 8,066,828,357   |
| Other comprehensive income                     |      | -              | -                                | (173,101,726)                     | -                 | -                    | (173,101,726)   |
|                                                |      | -              | -                                | (173,101,726)                     | -                 | 8,066,828,357        | 7,893,726,631   |
| Transaction with owners of the Parent Company  |      |                |                                  |                                   |                   |                      |                 |
| Cash dividends                                 | 26   | -              | -                                | -                                 | -                 | (1,291,356,632)      | (1,291,356,632) |
| Balance at December 31, 2020                   |      | P2,904,214,086 | P25,361,670,581                  | (P118,634,185)                    | (P71,253,489)     | P40,425,722,939      | P68,501,719,932 |

See Notes to the Consolidated Financial Statements.

**PUREGOLD PRICE CLUB, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

|                                                                          |                    | Years Ended December 31 |                 |                 |
|--------------------------------------------------------------------------|--------------------|-------------------------|-----------------|-----------------|
|                                                                          | Note               | 2020                    | 2019            | 2018            |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                              |                    |                         |                 |                 |
| Income before income tax                                                 |                    | P11,433,123,679         | P9,579,820,928  | P8,702,684,843  |
| Adjustments for:                                                         |                    |                         |                 |                 |
| Depreciation and amortization                                            | 10, 11, 12, 19, 21 | 4,282,164,425           | 3,780,806,466   | 3,483,316,768   |
| Interest expense                                                         | 10, 15, 19         | 2,268,551,686           | 2,068,485,175   | 1,944,458,168   |
| Interest income                                                          | 4, 7               | (272,988,877)           | (214,862,246)   | (37,409,809)    |
| Retirement benefits cost                                                 | 21, 24             | 225,475,564             | 131,495,043     | 163,606,897     |
| Gain on sale of financial assets                                         | 7                  | (36,229,953)            | -               | -               |
| Gain from lease terminations                                             | 19                 | (29,810,766)            | (42,460,046)    | (37,850,190)    |
| Share in income of associate and joint ventures                          | 9                  | (9,520,123)             | (19,806,723)    | (14,127,350)    |
| Unrealized loss on financial assets at fair value through profit or loss | 7, 22              | 7,407,415               | 1,581,991       | 10,385,284      |
| Dividend income                                                          | 22                 | (676,873)               | (724,358)       | (679,505)       |
| Gain on insurance claim                                                  | 22                 | (513,124)               | (3,503,436)     | (3,351,032)     |
| Gain on sale of investment in joint venture                              | 9, 2               | -                       | -               | (362,810,262)   |
| Gain from disposal of property and equipment                             | 22                 | -                       | -               | (154,310)       |
| Operating income before changes in working capital                       |                    | 17,866,983,053          | 15,280,832,794  | 13,848,069,502  |
| Decrease (increase) in:                                                  |                    |                         |                 |                 |
| Receivables                                                              |                    | (702,716)               | 2,114,246,211   | (220,456,362)   |
| Merchandise inventories                                                  |                    | (1,392,123,583)         | 205,626,735     | (2,035,182,278) |
| Prepaid expenses and other current assets                                |                    | (319,692,742)           | (343,019,559)   | (224,312,271)   |
| Increase (decrease) in:                                                  |                    |                         |                 |                 |
| Trade and other payables                                                 |                    | 1,156,968,755           | 265,642,922     | 1,171,498,022   |
| Due to related parties                                                   |                    | 2,451,079               | 3,642,906       | 6,408,701       |
| Other current liabilities                                                |                    | 75,575,990              | 99,177,603      | (85,906,851)    |
| Cash generated from operations                                           |                    | 17,389,459,836          | 17,626,149,612  | 12,460,118,463  |
| Income taxes paid                                                        |                    | (2,951,059,552)         | (2,764,172,458) | (2,882,804,170) |
| Interest received                                                        |                    | 272,988,877             | 214,862,246     | 37,409,809      |
| Retirement benefits paid                                                 | 24                 | (8,638,936)             | (3,952,095)     | -               |
| Net cash provided by operating activities                                |                    | 14,702,750,225          | 15,072,887,305  | 9,614,724,102   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                              |                    |                         |                 |                 |
| Additions to:                                                            |                    |                         |                 |                 |
| Financial assets at fair value through profit or loss                    |                    | (7,883,862,048)         | -               | -               |
| Property and equipment                                                   | 10                 | (3,205,692,561)         | (3,776,100,027) | (3,578,313,857) |
| Investments in associate and joint venture                               | 9                  | -                       | -               | (32,500,000)    |
| Proceeds from:                                                           |                    |                         |                 |                 |
| Financial assets at fair value through profit or loss                    |                    | 5,536,229,953           | -               | -               |
| Disposal of property and equipment                                       | 10                 | 1,402,111               | 126,111,988     | 10,995,096      |
| Insurance claim                                                          | 22                 | 513,124                 | 3,503,436       | 3,351,032       |
| Sale of investment in joint venture                                      | 9                  | -                       | -               | 600,000,000     |
| Increase in:                                                             |                    |                         |                 |                 |
| Other noncurrent assets                                                  |                    | (176,461,823)           | (86,174,295)    | (359,933,391)   |
| Intangibles                                                              | 12                 | (28,678,027)            | (40,972,316)    | (39,660,637)    |
| Dividends received                                                       | 7                  | 676,873                 | 724,358         | 679,505         |
| Net cash used in investing activities                                    |                    | (5,755,872,398)         | (3,772,906,856) | (3,395,382,252) |

Forward

| Years Ended December 31                               |      |                        |                 |                 |
|-------------------------------------------------------|------|------------------------|-----------------|-----------------|
|                                                       | Note | 2020                   | 2019            | 2018            |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>           |      |                        |                 |                 |
| Availments of:                                        | 15   |                        |                 |                 |
| Long-term loans                                       |      | <b>P12,000,000,000</b> | P -             | P400,000,000    |
| Short-term loans                                      |      | -                      | -               | 1,658,800,000   |
| Repayments of:                                        | 15   |                        |                 |                 |
| Short-term loans                                      |      | <b>(501,570,353)</b>   | (4,254,729,647) | (1,415,000,000) |
| Long-term loans                                       |      | <b>(400,000,000)</b>   | (1,440,000,000) | (560,000,000)   |
| Repayments of lease:                                  | 19   |                        |                 |                 |
| Interest expense                                      |      | <b>(2,121,718,052)</b> | (1,968,625,600) | (1,769,861,632) |
| Principal amount                                      |      | <b>(856,361,903)</b>   | (604,042,816)   | (549,746,573)   |
| Payments of:                                          |      |                        |                 |                 |
| Cash dividends                                        | 26   | <b>(1,147,872,562)</b> | (1,153,693,046) | (1,106,152,562) |
| Interest expense                                      |      | <b>(149,720,724)</b>   | (118,368,644)   | (255,668,083)   |
| Debt issuance cost                                    |      | <b>(129,000,000)</b>   | -               | -               |
| Proceeds from issuance of common shares               | 26   | -                      | 4,635,579,500   | -               |
| Net cash from (used in) financing activities          |      | <b>6,693,756,406</b>   | (4,903,880,253) | (3,597,628,850) |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>      |      | <b>15,640,634,233</b>  | 6,396,100,196   | 2,621,713,000   |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b> |      | <b>17,083,459,430</b>  | 10,687,359,234  | 8,065,646,234   |
| <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>       | 4    | <b>P32,724,093,663</b> | P17,083,459,430 | P10,687,359,234 |

See Notes to the Consolidated Financial Statements

**PUREGOLD PRICE CLUB, INC. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**1. Reporting Entity**

Puregold Price Club, Inc. (the "Parent Company") was incorporated and registered with the Philippine Securities and Exchange Commission ("SEC") on September 8, 1998. Its shares are listed in the Philippine Stock Exchange ("PSE") since October 5, 2011 with stock symbol of PGOLD. Its immediate and ultimate parent company is Cosco Capital, Inc. ("Cosco") which is incorporated in the Philippines. Cosco is formerly named Alcorn Gold Resources Corporation and is also listed with the PSE since September 26, 1998.

The Parent Company is principally involved in the business of trading goods such as consumer products (canned goods, housewares, toiletries, dry goods, food products, pharmaceutical and medical goods, etc.) on a wholesale and retail basis. Its registered office address is at 900 Romualdez Street, Paco, Manila.

The consolidated financial statements include the accounts of the Parent Company and the following subsidiaries (collectively referred to as "the Group") which are all incorporated in the Philippines:

|                                               | <b>Percentage of<br/>Ownership</b> |             |
|-----------------------------------------------|------------------------------------|-------------|
|                                               | <b>2020</b>                        | <b>2019</b> |
| Kareila Management Corporation                | <b>100</b>                         | 100         |
| S&R Pizza (Harbor Point), Inc. <sup>(a)</sup> | <b>100</b>                         | 100         |
| S&R Pizza, Inc. <sup>(a)</sup>                | <b>100</b>                         | 100         |
| PPCI Subic, Inc. (PSI)                        | <b>100</b>                         | 100         |
| Entenso Equities Incorporated (Entenso)       | <b>100</b>                         | 100         |
| Purepadala, Inc. (Purepadala) <sup>(b)</sup>  | <b>100</b>                         | 100         |

*(a) Indirect subsidiaries through Kareila Management Corporation*

*(b) Newly incorporated and has not started operations yet*

All subsidiaries are essentially engaged in the same business as the Parent Company, except for Entenso Equities Incorporated ("Entenso") and Purepadala, Inc. ("Purepadala").

Entenso's primary purpose is to invest in, purchase, subscribe for, or otherwise acquire and own, hold, use, develop, sell, assign, transfer, mortgage, pledge, exchange, or otherwise dispose real and personal property of every kind of description.

Purepadala's primary purpose is to engage in business of money remittance or service as defined in the Bank Sentral ng Pilipinas (BSP) Circular No. 942, Series of 2017.



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## 2. Basis of Preparation

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

The accompanying consolidated financial statements were approved and authorized for issuance by the Board of Directors (BOD) on April 6, 2021.

Historical cost is used as the measurement basis except for:

| Items                         | Measurement Bases                                                             |
|-------------------------------|-------------------------------------------------------------------------------|
| Financial assets at FVPL      | Fair value                                                                    |
| Financial assets at FVOCI     | Fair value                                                                    |
| Retirement benefits liability | Present value of defined benefit obligation less fair value of the plan asset |

These consolidated financial statements are presented in Philippine peso (P), unless otherwise stated.

### Functional and Presentation Currency

The consolidated financial statements are presented in Philippine peso, which is also the Parent Company's functional currency. All financial information expressed in Philippine peso has been rounded off to the nearest peso, unless otherwise stated.

### Significant Judgments, Estimates and Assumptions

The preparation of consolidated financial statements requires management to make a number of estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities which, by definition, will seldom equal the actual results. All assumptions, expectations and forecasts used as a basis for certain estimates within these financial statements represent good faith assessments of the Group's current and future performance for which management believes there is a reasonable basis. They involve risks, uncertainties and other factors that could cause the Group's actual future results, performance and achievements to differ materially from those forecasted

### Judgments

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

#### *Determining the Term and Discount Rate of Lease Arrangements (Note 19)*

Where the Group is the lessee, management is required to make judgments about whether an arrangement contains a lease, the lease term and the appropriate discount rate to calculate the present value of the lease payments.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases entered into by the Group as lessee, management uses the incremental borrowing rate, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group uses an approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group and makes adjustments specific to the lease.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if it is reasonably certain that the lease will be extended (or not terminated) and, as such, included within lease liabilities.

For leases of parcels of land, stores, warehouses, distribution centers and parking spaces, the following factors are usually the most relevant:

- If any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend (or not terminate).
- If there are significant penalties to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate).
- Otherwise, the Group considers other factors, including historical lease durations, the costs and business disruption required to replace the leased asset, enforceability of the option, and business and other developments.

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. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and is within the lessee's control, for example, when significant investment in the store is made which has a useful life beyond the current lease term

#### *Operating Leases - Group as a Lessor (Notes 19 and 20)*

The Group has entered into various lease agreements as a lessor to sublease portion of its stores to various lessees. The Group has determined that the lessor retains all significant risks and rewards of ownership of these properties which are leased out under operating lease arrangements.

Rent income recognized in profit or loss amounted to P277.0 million, P463.9 million and P407.3 million in 2020, 2019 and 2018, respectively.

#### Estimates

The key estimates and assumptions used in the consolidated financial statements are based on management's evaluation of relevant facts and circumstances as at the reporting date. Actual results could differ from such estimates.

#### *Estimating Allowance for Impairment Losses on Receivables (Notes 5 and 29)*

The Group maintains an allowance for impairment losses on receivables at a level considered adequate to provide for uncollectible receivables. The level of this allowance is evaluated by the Group on the basis of factors that affect the collectability of the accounts. These factors include, but are not limited to, the length of the Group's relationship with debtors, their payment behavior and known market factors. The Group reviews the age and status of the receivable and identifies accounts that are to be provided with allowance on a regular basis. The amount and timing of recorded expenses for any period would differ if the Group made different judgment or utilized different estimates. An increase in the Group's allowance for impairment losses on receivables would increase the Group's recorded operating expenses and decrease current assets.

The carrying amount of receivables amounted to P2.7 billion as at December 31, 2020 and 2019.

*Estimating Net Realizable Value (NRV) of Merchandise Inventories (Note 6)*

The Group carries merchandise inventory at NRV whenever the selling price less costs to sell becomes lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes. The estimate of the NRV is reviewed regularly.

Estimates of NRV are based on the most reliable evidence available at the time the estimates are made on the amount the inventories are expected to be realized. These estimates take into consideration fluctuations of prices or costs directly relating to events occurring after reporting date to the extent that such events confirm conditions existing at reporting date. The NRV is reviewed periodically to reflect the accurate valuation in the financial records.

The carrying amount of merchandise inventories amounted to P20.9 billion and P19.7 billion as at December 31, 2020 and 2019, respectively.

*Impairment of Goodwill and Other Intangibles with Indefinite Lives (Note 12)*

The Group determines whether goodwill and other intangibles with indefinite lives are impaired at least annually. This requires the estimation of their recoverable amounts. Estimating recoverable amounts requires management to make an estimate of the expected future cash flows from the cash-generating unit to which they relate and to choose a suitable discount rate to calculate the present value of those cash flows.

The carrying amounts of goodwill and other intangibles with indefinite lives totaled P19.5 billion as at December 31, 2020 and 2019, respectively.

*Impairment of Non-financial Assets Other than Goodwill*

The Group assesses impairment on non-financial assets, other than inventories and deferred tax assets, when events or changes in circumstances indicate that the carrying amount may not be recoverable.

The factors that the Group considers important which could trigger an impairment review include the following:

- significant underperformance relative to the expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

Determining the net recoverable amount of assets requires the estimation of cash flows expected to be generated from the continued use and ultimate disposition of such assets. While it is believed that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable amount and any resulting impairment loss could have a material adverse impact on the results of operations.

There are no impairment indicators affecting the Group's non-financial assets as at December 31, 2020 and 2019.

As at December 31, 2020 and 2019, the following are the carrying amounts of nonfinancial assets:

|                                                      | <b>Note</b> | <b>2020</b>            | <b>2019</b>     |
|------------------------------------------------------|-------------|------------------------|-----------------|
| Right-of-use assets - net                            | 11, 19      | <b>P26,137,182,954</b> | P23,824,682,048 |
| Property and equipment - net                         | 10          | <b>21,966,176,496</b>  | 21,161,690,865  |
| Investments in associate and joint venture           | 9           | <b>636,548,430</b>     | 622,981,277     |
| Computer software and licenses, and leasehold rights | 12          | <b>214,358,035</b>     | 229,098,852     |

*Estimating Realizability of Deferred Tax Assets (Note 25)*

The Group reviews the carrying amount of deferred tax assets at each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. The Group also reviews the expected timing and tax rates upon reversal of the temporary differences and adjusts the impact of deferred tax accordingly. The Group's assessment on the recognition of deferred tax assets is based on the forecasted taxable income of the subsequent reporting periods. This forecast is based on the Group's past results and future expectations on revenues and expenses.

As at December 31, 2020 and 2019, the Group recognized deferred tax assets amounting to P1,257.60 million and P849.74 million, respectively.

*Estimating Retirement Benefits Liability (Note 24)*

The present value of the retirement benefits liability depends on a number of assumptions that are determined on an actuarial basis. The assumptions used in determining the net cost (income) for retirement benefits include the discount rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the retirement benefits liability. Other key assumptions include future salary, mortality and attrition. Additional information is disclosed in Note 24.

Retirement benefits liability amounted to P1,383.06 million and P919.09 million as at December 31, 2020 and 2019, respectively.

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### 3. Summary of Significant Accounting Policies

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

#### Adoption of Amendments to Standards and Frameworks

The Group adopted the following relevant amendments to standards and frameworks starting January 1, 2020 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption did not have any significant impact on the Group's consolidated financial statements.

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

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

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

- Definition of Material (Amendments to PAS 1 Presentation of Financial Statements and PAS 8 Accounting Policies, Changes in Accounting Estimates and Errors). The amendments refine the definition of material. The amended definition of material states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify the definition of material and its application by:
  - (a) raising the threshold at which information becomes material by replacing the term 'could influence' with 'could reasonably be expected to influence';
  - (b) including the concept of 'obscuring information' alongside the concept of 'omitting' and 'misstating' information in the definition;
  - (c) clarifying that the users to which the definition refers are the primary users of general purpose financial statements referred to in the Conceptual Framework;
  - (d) clarifying the explanatory paragraphs accompanying the definition; and
  - (e) aligning the wording of the definition of material across PFRS Standards and other publications.

The amendments are expected to help entities make better materiality judgements without substantively changing existing requirements.

- Plan Amendment, Curtailment or Settlement (Amendments to PAS 19, *Employee Benefits*)

#### Standards Issued but Not Yet Adopted

A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2020. However, the Group has not early adopted the following new or amended standards in preparing these consolidated financial statements. Unless otherwise stated, none of these are expected to have a significant impact on the Group's consolidated financial statements.

#### *Effective June 1, 2020*

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

Lessees applying the practical expedient are required to disclose that fact, whether they have applied the practical expedient to all eligible rent concessions and, if not, the nature of the contracts to which they have applied the practical expedient; and the amount recognized in profit or loss for the reporting period arising from application of the practical expedient. No practical expedient is provided for lessors.

*Effective January 1, 2022*

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

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

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

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

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

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

- *Annual Improvements to PFRS Standards 2018-2020*. This cycle of improvements contains amendments to four standards:
  - *Subsidiary as a First-time Adopter (Amendment to PFRS 1 First-time Adoption of Philippine Financial Reporting Standards)*. The amendment simplifies the application of PFRS 1 for a subsidiary that becomes a first-time adopter of PFRS later than its parent. The subsidiary may elect to measure cumulative translation differences for all foreign operations at amounts included in the consolidated financial statements of parent, based on the parent's date of transition to PFRS.

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

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

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

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

#### *Effective January 1, 2023*

- *Classification of Liabilities as Current or Non-current (Amendments to PAS 1 Presentation of Financial Statements)*. To promote consistency in application and clarify the requirements on determining whether a liability is current or non-current, the amendments:
  - removed the requirement for a right to defer settlement of a liability for at least twelve months after the reporting period to be unconditional and instead requires that the right must have substance and exist at the end of the reporting period;
  - clarified that a right to defer settlement exists only if the company complies with conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until a later date; and



- clarified that settlement of a liability includes transferring a company's own equity instruments to the counterparty, but conversion options that are classified as equity do not affect classification of the liability as current or non-current.

#### Consolidation

The consolidated financial statements incorporate the financial amounts of the Parent Company and its subsidiaries. Subsidiaries are entities over which the Parent Company has control. The Parent Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date that control commences until the date that control ceases. All intra-group transactions, balances, income and expenses are eliminated upon consolidation. Unrealized losses on intragroup transactions are eliminated, unless the transaction provides evidence of an impairment of the assets transferred.

#### Business Combinations

The Company accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired and the liabilities assumed. Transaction costs are expensed as incurred.

#### Statement of Cash Flows

The Group has chosen to prepare the consolidated statement of cash flows using the indirect method, which presents cash flows from operating activities as the income from operations adjusted for non-cash transactions, deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows. Interest paid on loans is presented as a financing activity. The Group has chosen to present dividends paid to its stockholders as a financing activity cash flow. In the cash flow statement, the Group has classified the principal portion of lease payments, as well as the interest portion, within financing activities. Lease payments are split between interest and principal portions in the cash flow statement. Lease payments for short-term leases, lease payments for leases of low-value assets and variable lease payments not included in the measurement of the lease liability are classified as cash flows from operating activities. The Group has classified cash flows from operating leases as operating activities.

#### Segment Reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

The Group determines and presents operating segments based on the information that is internally provided to the Chairman and the President, collectively as the Group's chief operating decision maker. The Group assessed that its retailing business as a whole represents a single segment.

## Financial Instruments

### *Financial Assets*

Financial assets are recognized when the Group becomes a party to the contractual provisions of a financial instrument. Financial assets are derecognized when the rights to receive cash flows from the financial assets expire, or if the Group transfers the financial asset to another party and does not retain control or substantially all risks and rewards of the asset. Regular-way purchases and sales of financial assets in the normal course of business are accounted for at settlement date (i.e., the date that the asset is delivered to or by the Group). At initial recognition, the Group measures its financial assets at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset.

Financial instruments are recognized initially at fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated as fair value through profit or loss (FVTPL), includes transaction costs. A trade receivable without significant financing component is initially measured at the transaction price.

After initial recognition, the Group classifies its financial assets as subsequently measured at either i) amortized cost, ii) fair value through other comprehensive income (FVOCI) or iii) FVTPL on the basis of both:

- The Group's business model for managing the financial assets
- The contractual cash flow characteristics of the financial asset

Subsequent to initial recognition, financial assets are measured as described below. At each balance sheet date, the Group assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognizes a loss allowance for expected credit losses for financial assets measured at either amortized costs or at fair value through other comprehensive income. If, at the reporting date, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12 months of expected credit losses. If, at the reporting date, the credit risk on a financial instrument has increased significantly since initial recognition, the Group measures the loss allowance for the financial instrument at an amount equal to the lifetime expected credit losses. The Group always measures the loss allowance at an amount equal to lifetime expected credit losses for receivables.

A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience, credit assessment and including forward-looking information.

The information analyzed by the Group includes the following, among others:

- actual and expected significant changes in the political, regulatory and technological environment of the debtor or in its business activities.

- payment record - this includes overdue status as well as a range of variables about payment ratios.
- existing and forecast changes in the business, financial and economic conditions.

The Group considers a financial asset to be in default when:

- the debtor is unlikely to pay its credit obligation to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or
- the debtor is past due more than 90 days on any material credit obligation to the Group.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

Trade and other receivables are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, the financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

#### *Financial Assets at Amortized Cost*

Financial assets are measured at amortized cost if both i) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset measured at amortized cost is initially recognized at fair value plus transaction cost directly attributable to the asset. After initial recognition, the carrying amount of the financial asset measured at amortized cost is determined using the effective interest method, less any impairment losses.

Financial assets at amortized cost are classified as current assets when the Group expects to realize the asset within 12 months from reporting date. Otherwise, these are classified as noncurrent assets.

Cash and cash equivalents, receivables and security deposits are included in this category.

#### *Financial Assets at FVOCI*

A debt financial asset is measured at FVOCI if both i) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI.

The financial asset is recognized initially at fair value plus transaction cost directly attributable to the asset. After initial recognition, the asset is measured at fair value with changes in fair value included in other comprehensive income. For debt instruments, interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other gains and losses recognized in OCI. Accumulated gains or losses recognized through other comprehensive income are reclassified to profit or loss when the asset is derecognized. For equity investments, dividends are recognized in profit or loss while other gains and losses are recognized in OCI and are never reclassified to profit or loss.

The Group's unquoted equity securities are included in this category. The Group has no financial assets at FVOCI with recycling of cumulative gains or losses (debt instruments) as at December 31, 2020 and 2019.

#### *Financial Assets at FVTPL*

When any of the above-mentioned conditions for classification of financial assets are not met, a financial asset is classified as at FVTPL and measured at fair value with changes in fair value recognized in profit or loss.

A financial asset measured at FVTPL is recognized initially at fair value and its transaction cost is recognized in profit or loss when incurred. A gain or loss on a financial asset measured at fair value through profit or loss is recognized in the consolidated statement of income for the reporting period in which it arises.

The Group may, at initial recognition, irrevocably designate a financial asset as measured at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases

Debt financial assets that do not meet the amortized cost criteria, or that meet the criteria but the Group has chosen to designate as at FVTPL at initial recognition, are measured at fair value through profit or loss.

Equity investments are classified as at FVTPL, unless the Group designates an investment that is not held for trading as at FVOCI at initial recognition.

As of December 31, 2020 and 2019, the Group has not designated any debt instrument that meets the amortized cost criteria as at FVTPL.

Financial assets at FVTPL are carried at fair value and gains and losses on these instruments are recognized as "Unrealized valuation loss on financial assets at FVTPL" in the consolidated statement of comprehensive income. Interest earned on these investments is reported in the consolidated statement of comprehensive income under 'Interest income' while dividend income is reported in the consolidated statement of comprehensive income under "Others" when the right of payment has been established. Quoted market prices, when available, are used to determine the fair value of these financial instruments. If quoted market prices are not available, their fair values are estimated based on market observable inputs.

The Group's investments in government securities and equity securities are included under this category (see Note 7).

### *Financial Liabilities*

Financial liabilities are recognized when the Group becomes a party to the contractual provisions of a financial instrument. Financial liabilities are derecognized when the Group's obligations specified in the contract expire or are discharged or cancelled.

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

The Group classifies all financial liabilities as subsequently measured at amortized cost, except for:

- (a) financial liabilities designated by the Group at initial recognition as at fair value through profit or loss, when doing so results in more relevant information.
- (b) financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies.
- (c) contingent consideration recognized by the Group in a business combination which shall subsequently be measured at fair value with changes recognized in profit or loss.
- (d) financial guarantee contracts and commitments to provide a loan at a below-market interest rate which are initially measured at fair value and subsequently at the higher of amortized amount and amount of loss allowance.

Any difference between the proceeds and redemption value is recognized in the income statement over the period of the loans and short-term borrowings using the effective interest method.

Financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Trade and other payables, short-term loans, long-term loans, lease liabilities, due to related parties and deposits from tenants are generally included in this category.

### *Offsetting Financial Instruments*

Financial assets and liabilities are offset and the net amount is reported in the consolidated statements of financial position if, and only if, there is a currently enforceable right to offset the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statements of financial position.

### Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the most advantageous market for the asset or liability. The principal or most advantageous market must be accessible to the Group.

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

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: inputs for the asset or liability that are not based on observable market data.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing the categorization at the end of each reporting period.

#### Cash and Cash Equivalents

Cash includes cash in banks, cash on hand and cash equivalents. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three (3) months or less from dates of placement and are subject to an insignificant risk of change in value.

#### Merchandise Inventories

Merchandise inventories are stated at the lower of cost and NRV. Cost is determined using the moving average method. Costs comprise of purchase price, including duties, transport and handling costs, and other incidental expenses incurred in bringing the merchandise inventories to their present location and condition.

NRV is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

#### Property and Equipment

Property and equipment, excluding land and construction in progress, are carried at cost less accumulated depreciation, amortization and impairment losses, if any. Land is carried at cost. Construction in progress represents structures under construction and is stated at cost. This includes the costs of construction and other direct costs. Construction in progress is not depreciated until such time that the relevant assets are ready for use.

Initially, an item of property and equipment is measured at its cost, which comprises its purchase price and any directly attributable costs of bringing the asset to the location and condition for its intended use. Subsequent expenditures are added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance, will flow to the Group. All other subsequent expenditures are recognized in profit or loss.

Depreciation and amortization are computed on a straight-line basis over the estimated useful lives of the related assets as follows:

|                            | Number of Years                                       |
|----------------------------|-------------------------------------------------------|
| Building                   | 15 - 30                                               |
| Furniture and fixtures     | 3 - 20                                                |
| Office and store equipment | 2 - 15                                                |
| Leasehold improvements     | 15 - 20 or term of the lease,<br>whichever is shorter |

The useful lives and depreciation and amortization method are reviewed at each reporting date to ensure that they are consistent with the expected pattern of economic benefits from those assets.

The useful lives and depreciation and amortization method are reviewed at each reporting date to ensure that they are consistent with the expected pattern of economic benefits from those assets.

When an asset is disposed or is permanently withdrawn from use and no future economic benefits are expected from its disposal, the cost and accumulated depreciation, amortization and impairment losses, if any, are removed from the accounts and any resulting gain or loss arising from the retirement or disposal is recognized in profit or loss.

#### Investments in Associates and Joint Arrangements

Associates are entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Significant influence is defined as the power to participate in the financial and operating policy decisions of the entity but not control or joint control over those policies. Associates are accounted for using the equity method.

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor has rather than the legal structure of the joint arrangement. Joint operations arise where the Group has both rights to the assets and obligations for the liabilities relating to the arrangement and, therefore, the Group accounts for its share of assets, liabilities, revenue and expenses. Joint ventures arise where the Group has rights to the net assets of the arrangement and, therefore, the Group equity accounts for its interest.

Under the equity method, investments in associates and joint ventures are measured initially at cost and subsequently adjusted for post-acquisition changes in the Group's share of the net assets of the investment (net of any accumulated impairment in the value of individual investments). Where necessary, adjustments are made to the financial amounts of the associates and joint ventures to ensure consistency with the accounting policies of the Group. Unrealized gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of Group's stake in these investments. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the assets transferred.

## Intangible Assets

### *Goodwill and Impairment of Goodwill*

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Group's interest in the net fair value of the identifiable assets, liabilities and assumed contingent liabilities at the date of acquisition. It is carried at cost less accumulated impairment losses. Goodwill on acquisitions of joint ventures and associates is included in the carrying amount of the investment. For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of a business combination. Goodwill is allocated to a cash-generating unit (or group of cash-generating units) representing the lowest level within the Group at which the goodwill is monitored for internal management purposes and is never larger than an operating segment before aggregation. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the cash-generating unit may be impaired. Goodwill on acquisitions of associates and joint ventures is assessed for impairment as part of the investment whenever there is an indication that the investment may be impaired. An impairment loss is recognized for the amount by which the cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of a cash-generating unit's fair value less costs of disposal or its value in use. An impairment loss is allocated first to reduce the carrying amount of the goodwill and then to the other assets of the cash generating unit pro rata on the basis of the carrying amount of each asset. An impairment loss recognized for goodwill is not reversed in subsequent periods.

### *Other Intangible Assets*

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less amortization and any impairment losses. Intangible assets with finite lives are amortized on a straight-line basis over their useful lives of 15 to 20 years for computer software and licenses and 20 years for leasehold rights and tested for impairment whenever there is an indication that they may be impaired. The amortization period and method is reviewed at each financial year-end.

### Impairment of Non-current Assets Other than Goodwill

The Group assesses whether there is any indication that the property and equipment, right-of-use assets, investments, and intangible assets with finite lives may be impaired. The Group performs impairment testing where there are indicators of impairment. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less cost of disposal, and value in use. When the recoverable amount is less than the carrying amount, an impairment loss is recognized immediately in the Group's profit or loss.

A reversal of an impairment loss is recognized immediately as a credit to the Group's profit or loss.

## Employee Benefits

### *Short-term Employee Benefits*

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.



#### *Retirement Benefits Cost*

The Group's net obligation in respect of the defined benefit plan is calculated by estimating the amount of the future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligation is performed on a periodic basis by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan, if any.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability (asset), taking into account any changes in the net defined liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to the defined benefit plan are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss.

The Group has a non-contributory multi-employer plan which is accounted for as a defined benefit plan. The Group is not required to pre-fund the future defined benefits payable under the Retirement Plan before they become due. For this reason, the amount and timing of contributions to the Retirement Fund to support the defined benefits are at the Group's discretion. However, in the event a defined benefit claim arises and the Retirement Fund is insufficient to pay the claim, the shortfall will then be due and payable by the Group to the Retirement Fund.

The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

#### Equity

##### *Capital Stock*

Capital stock is classified as equity. Incremental costs directly attributable to the issuance of capital stock are recognized as a deduction from equity, net of any tax effects.

##### *Additional Paid-in Capital*

The amount of contribution in excess of par value is accounted for as "Additional paid-in capital." Additional paid-in capital also arises from additional capital contributions from the shareholders.

##### *Retained Earnings and Dividend Distribution*

Retained earnings include current and prior years' results, net of transactions with shareholders and dividends declared, if any.

Dividend distribution to the Group's shareholders is recognized as a liability and deducted from equity in the Group's consolidated statements of financial position in the period in which the dividends are approved and declared by the Group's BOD.

#### Treasury Stock

Own equity instruments which are reacquired are carried at cost and are deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. When the shares of stock are retired, the capital stock account is reduced by its par value and the excess of cost over par value upon retirement is charged to additional paid-in capital to the extent of the specific or average additional paid-in capital when the shares of stock were issued and to retained earnings for the remaining balance.

#### Other Comprehensive Income

Other comprehensive income are items of income and expense (including reclassification adjustments, if any) such as remeasurements of defined benefit plans that are not recognized in profit or loss as required or permitted by the related accounting standards.

#### Revenue Recognition

The Group identifies each distinct performance obligation to transfer goods (or bundle of goods) or services. The Group recognizes revenue when (or as) it satisfies a performance obligation by transferring the control of goods or services to the customer. The transaction price is the amount of consideration the Group expects to receive under the arrangement. The Group concluded that it is acting as principal for all its revenue arrangements below, except for concession fee income.

- *Merchandise Sales* - The Group generally recognizes sale of merchandise at the point of sale when customer takes possession of goods and tenders payment. At point of sale, the performance obligation is satisfied because control of the merchandise transfers to the customer. Revenue is recorded at the point of sale based on the transaction price on the merchandise tag, net of any applicable discounts, sales taxes and refunds. For e-commerce sales, the Group recognizes sales upon delivery of goods through its online channel.
- *Concession Fee Income* - The Group enters into certain agreements with concessionaires that offer goods to the Group's customers. In exchange, the Group receives payment in the form of commissions based on a specified percentage of the merchandise sales. The Group serves as agent in these contracts and recognizes the net amount earned as commissions in the period in which the event or condition that triggers the payment occurs.
- *Membership* - The Group charges a membership fee to its customers. The fee allows the customer to shop in the Group's stores for the duration of the membership, which is generally 12 months. The Group recognizes the fee in the period in which it occurs.
- *Gift Certificates* - The Group recognizes revenue from the sale of gift certificates when the gift certificate is redeemed by customer.
- *Other Income* - The Group recognizes various incidental income in the period in which the services/goods were rendered/delivered.

#### Contract Balances

##### Receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

The sales activities of the Group do not result in a material amount of unperformed obligations of the Group and, therefore, no contract assets are recognized separately from receivables.

#### *Contract Liabilities*

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.

The Group does enter into transactions with customers where contract liabilities result from consideration being received from the customer prior to the Group satisfying its performance obligations. These contract liabilities are presented on the statement of financial position and in the notes as unredeemed gift certificate liabilities.

#### Cost and Expense Recognition

The Group's cost of sales includes the direct costs of sold merchandise, which includes custom, taxes, duties and inbound shipping costs, inventory shrinkage and adjustments and reserves for excess, aged and obsolete inventory. Cost of sales also includes certain distribution center costs.

#### *Vendor Rebates and Allowances*

The Group receives various types of cash consideration from vendors, principally in the form of rebates, based on purchasing or selling certain volumes of product, time-based rebates or allowances, which may include product placement allowances or exclusivity arrangements covering a predetermined period of time, price protection rebates and allowances for retail price reductions on certain merchandise and salvage allowances for product that is damaged, defective or becomes out-of-date.

Such vendor rebates and allowances are recognized based on a systematic and rational allocation of the cash consideration offered to the underlying transaction that results in progress by the Group's toward earning the rebates and allowances, provided the amounts to be earned are probable and reasonably estimable. Otherwise, rebates and allowances are recognized only when predetermined milestones are met. The Group recognizes product placement allowances also as a reduction of cost of sales in the period in which the product placement is completed. Time-based rebates or allowances are recognized as a reduction of cost of sales over the performance period on a straight-line basis. All other vendor rebates and allowances are recognized as a reduction of cost of sales when the merchandise is sold or otherwise disposed.

#### *Operating Expenses*

Operating expenses constitute costs of administering the business. These are recognized as incurred.

### Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physical distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset. The Group has the right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:
  - the Group has the right to operate the asset; or
  - the Group designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single component.

### *As a Lessee*

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct cost incurred and an estimate of costs to dismantle and remove or restore the underlying asset or the site on which it is located, less any incentives received.

The right-of-use assets are subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use assets or the end of lease term. The estimated useful lives of the right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rates as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

#### *Variable Lease Payments*

Variable lease payments not based on an index or rate are not part of the lease liability. These include payments linked to a lessee's performance derived from the underlying asset. Such payments are recognized in profit or loss in the period in which the event or condition that triggers those payments occurs.

#### *Lease Modifications as a Lessee*

The Group accounts for a lease modification as a separate lease if both the modification increases the scope of the lease by adding the right to use one or more underlying assets and the consideration for the lease increases by an amount commensurate with the standalone price and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group allocates the consideration in the modified contract based on stand-alone prices, determines the lease term and remeasures the lease liability by discounting the revised lease payments using a revised discount rate. For a lease modification that is not accounted for as a separate lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease. The Group recognizes in profit or loss any gain or loss relating to the partial or full termination of the lease. The Group makes a corresponding adjustment to the right-of-use asset for all other lease modifications.

#### *Short-term Leases and Leases of Low-value Assets*

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases of 12 months or less and leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

#### *As a Lessor*

When the Group act as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers to the lessee substantially all of the risk and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies exemption described above, then it classifies sub-lease as operating lease.

The Group recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of other income.

#### Borrowing Costs

Borrowing costs are recognized as expenses when incurred, except to the extent capitalized. Borrowing costs are capitalized if they are directly attributable to the acquisition or construction of a qualifying asset. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognized.

#### Income Taxes

Current tax and deferred tax are recognized in the statements of income except to the extent that it relates to a business combination, or items recognized directly in equity or in OCI.

Uncertainties related to taxes that are not income taxes are recognized and measured in accordance with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* unless they are dealt with specifically in another standard.

#### *Current Tax*

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

#### *Deferred Tax*

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- with respect to taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits - Minimum Corporate Income Tax (MCIT) and unused tax losses - Net Operating Loss Carryover (NOLCO), to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, and the carryforward benefits of MCIT and NOLCO can be utilized, except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- with respect to deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax assets to be recovered.

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

Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

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

#### *Value Added Tax (VAT)*

Revenues, expenses and assets are recognized net of the amount of VAT, except:

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of tax included.

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of "Prepaid expenses and other current assets" or "Accounts payable and accrued expenses" in the consolidated statements of financial position.

#### Basic and Diluted Earnings Per Share (EPS)

Basic EPS is computed by dividing net income by the weighted average number of common shares outstanding during the period, after retroactive adjustment for stock dividend declared in the current period, if any. Diluted EPS is also computed in the same manner as the aforementioned, except that, the net income and the number of common shares outstanding is adjusted for the effects of all potential dilutive debt or equity instruments.

#### Related Parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities.

#### Provisions and Contingencies

A provision is recognized when the Group has a legal or constructive obligation as a result of a past event; it is probable that an outflow of economic benefits will be required to settle the obligation; and a reliable estimate can be made on the amount of the obligation.

Provisions are revisited at each reporting date and adjusted to reflect the current best estimate. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pretax rate that reflects the current market assessment of the time value of money, and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed in the notes to the consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable.

#### Events After the Reporting Date

Post year-end events that provide additional information about the Group's position at the reporting date (adjusting events) are recognized in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

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## 4. Cash and Cash Equivalents

This account consists of:

|                         | <i>Note</i> | <b>2020</b>            | <b>2019</b>     |
|-------------------------|-------------|------------------------|-----------------|
| Cash on hand            |             | <b>P774,855,494</b>    | P1,373,834,685  |
| Cash in banks           | 29          | <b>10,281,958,993</b>  | 5,280,614,006   |
| Money market placements | 23, 29      | <b>21,667,279,176</b>  | 10,429,010,739  |
|                         | 29          | <b>P32,724,093,663</b> | P17,083,459,430 |

Cash in banks earn annual interest at the respective bank deposit rates.

Money market placements are highly liquid investments that are readily convertible into cash and are subjected to insignificant risk of changes in value. These investments have maturity dates of an average of 30 days with an annual interest rates ranging from 0.8% to 3.4% in 2020, 2.6% to 5.8% in 2019, and 0.6% to 5.8% in 2018.

Interest income earned from cash in banks and money market placements totaled P270.5 million, P214.9 million, and P37.4 million in 2020, 2019 and 2018, respectively.



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## 5. Receivables

This account consists of:

|                                                              | <b>Note</b> | <b>2020</b>           | <b>2019</b>    |
|--------------------------------------------------------------|-------------|-----------------------|----------------|
| Trade receivables                                            | 23          | <b>P1,672,970,351</b> | P2,168,828,499 |
| Nontrade receivables                                         | 23          | <b>1,010,746,559</b>  | 514,185,695    |
|                                                              |             | <b>2,683,716,910</b>  | 2,683,014,194  |
| Less allowance for impairment losses<br>on trade receivables |             | <b>7,462,327</b>      | 7,462,327      |
|                                                              | 29          | <b>P2,676,254,583</b> | P2,675,551,867 |

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Trade receivables generally have a one-to-30-day credit terms.

Non-trade receivables consist mainly of advances to a related party, e-wallet balance, accrued vendor allowance income and rent due from store tenants.

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## 6. Merchandise Inventories

This account consists of groceries and other consumer products (canned goods, housewares, toiletries, dry goods, food products, etc.) held for sale in the ordinary course of business on wholesale or retail basis.

The Group's merchandise inventories at cost amounted to P20.9 billion and P19.5 billion as at December 31, 2020 and 2019, respectively.

Inventory charged to the cost of sales amounted to P139.5 billion, P128.5 billion and P117.2 billion in 2020, 2019 and 2018, respectively (see Note 18).

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## 7. Financial Assets at Fair Value through Profit or Loss

This account consists of:

|                       | <b>Note</b> | <b>2020</b>           | <b>2019</b> |
|-----------------------|-------------|-----------------------|-------------|
| Held-for-trading:     | 22, 29      |                       |             |
| Government securities |             | <b>P2,383,862,048</b> | P -         |
| Equity securities     |             | <b>27,513,186</b>     | 34,920,601  |
|                       |             | <b>P2,411,375,234</b> | P34,920,601 |

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The Group recognized a gain on disposal of government securities amounting to P36.2 million in 2020.

Interest income on government securities amounted to P2.54 million in 2020.

Dividend income on equity securities amounted to P0.7 million each in 2020, 2019 and 2018. (see Note 22).

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## 8. Prepaid Expenses and Other Current Assets

This account consists of:

|                            | 2020                | 2019         |
|----------------------------|---------------------|--------------|
| Prepaid expenses           | <b>P266,369,411</b> | P375,442,671 |
| Deferred input VAT         | <b>337,817,417</b>  | 296,935,823  |
| Input VAT                  | <b>47,989,074</b>   | 44,044,027   |
| Creditable withholding tax | <b>5,931,034</b>    | 3,803,627    |
|                            | <b>P658,106,936</b> | P720,226,148 |

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Input VAT represents accumulated input taxes from purchases of goods and services for business operation and purchases of materials and paid services for the building and leasehold construction which can be applied against future output VAT.

Deferred input VAT represents the unamortized portion of accumulated input taxes for purchases of capital assets more than P1 million and unpaid services for building and leasehold constructions which can be applied against future output VAT when realized or paid.

The details of prepaid expenses are as follows:

|                           | 2020                | 2019         |
|---------------------------|---------------------|--------------|
| Taxes and licenses        | <b>P125,360,561</b> | P111,921,997 |
| Insurance                 | <b>73,780,496</b>   | 115,612,404  |
| Supplies                  | <b>33,740,309</b>   | 36,554,953   |
| Advertising and promotion | <b>11,095,576</b>   | 79,304,978   |
| Repairs and maintenance   | <b>3,753,287</b>    | 9,050,863    |
| Others                    | <b>18,639,182</b>   | 22,997,476   |
|                           | <b>P266,369,411</b> | P375,442,671 |

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Prepaid insurance pertains to the unamortized portion of premiums paid for insurance coverage on merchandise inventories, property and equipment, etc.

Prepaid taxes and licenses pertain to the unamortized portion of registration fees and other taxes paid to the Government.

Prepaid advertising and promotion pertain to payments made in advance for advertisements and product promotions.

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## 9. Investments in Associate and Joint Venture

The details of this account are as follows:

|               | 2020                | 2019         |
|---------------|---------------------|--------------|
| Associate     | <b>P461,152,697</b> | P447,585,544 |
| Joint venture | <b>175,395,733</b>  | 175,395,733  |
|               | <b>P636,548,430</b> | P622,981,277 |

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### *Investment in Associate*

In 2013, the Group through Entenso acquired 49.34% equity interest in San Roque Supermarkets, a local entity that operates a chain of supermarkets in Metro Manila and nearby areas.

The changes in the carrying amount of the investment in associate are as follows:

|                                  | 2020                | 2019         |
|----------------------------------|---------------------|--------------|
| Balance at beginning of the year | <b>P447,585,544</b> | P433,542,656 |
| Share in net income              | <b>9,520,123</b>    | 14,042,888   |
| Other adjustments                | <b>4,047,030</b>    | -            |
| Balance at end of year           | <b>P461,152,697</b> | P447,585,544 |

The information presented below summarizes the financial information of San Roque and shows the reconciliation of the Group's share in net assets of such investee to the carrying amount of its investment.

|                                          | 2020                   | 2019            |
|------------------------------------------|------------------------|-----------------|
| Percentage of ownership                  | <b>49.34%</b>          | 49.34%          |
| Current assets                           | <b>P4,892,031,522</b>  | P4,816,374,206  |
| Noncurrent assets                        | <b>811,536,266</b>     | 239,124,495     |
| Current liabilities                      | <b>(871,930,420)</b>   | (4,687,331,252) |
| Noncurrent liabilities                   | <b>(4,456,496,386)</b> | (20,523,736)    |
| Net assets                               | <b>375,140,982</b>     | 347,643,713     |
| Group's share in net assets              | <b>185,094,561</b>     | 171,527,408     |
| Goodwill                                 | <b>276,058,136</b>     | 276,058,136     |
| Carrying amount of interest in associate | <b>P461,152,697</b>    | P447,585,544    |
| Net sales                                | <b>P5,854,701,965</b>  | P6,742,910,391  |
| Net income                               | <b>19,294,939</b>      | 28,461,467      |
| Group's share in net income              | <b>P9,520,123</b>      | P14,042,888     |

#### *Investment in Joint Ventures*

##### *AyaGold Retailers, Inc.*

In 2013, the Group through Entenso partnered with Varejo Corp., an entity engaged in operations of small convenience stores, to incorporate a new company, AyaGold Retailers, Inc. (AyaGold). This is the joint venture vehicle for the investment in and operation of mid-market supermarkets and to pursue other investment opportunities in the Philippine retail sector as may be agreed by both parties. AyaGold was incorporated in the Philippines on July 8, 2013 and started its operation on July 31, 2015 with the opening of its first supermarket called "Merkado" which is located in U.P. Town Center. The second supermarket opened on December 14, 2017.

The Group and its partner each initially invested P60 million or acquired 50% interest in AyaGold by subscribing to 6,000,000 common shares at P1 par value and 54,000,000 redeemable preferred shares at P1 par value. In February 2018, each party invested additional P32.5 million for 32,500,000 common shares at P1.00 par value.

The redeemable preferred shares shall have the following features: voting rights; participating in dividends declaration for common shares and may be entitled to such dividends as may be determined and approved by the Board of Directors; entitled to receive out of the assets of the joint venture available for distribution to the parties, before any distribution of assets is made to holders of common shares, distributions in the amount of the issue value per outstanding redeemable preferred share, plus declared and unpaid dividends to the date of distribution; and redeemable at the option of the joint venture.

The changes in the carrying amount of the investment in AyaGold are as follows:

|                              | 2020                | 2019         |
|------------------------------|---------------------|--------------|
| Balance at beginning of year | <b>P175,395,733</b> | P169,631,896 |
| Share in net income          | <b>1,049,791*</b>   | 5,763,837    |
| Balance at end of year       | <b>P176,445,524</b> | P175,395,733 |

*\*Unrecognized share in net income*

The following table summarizes the financial information of AyaGold and shows the reconciliation of the Group's share in net assets of such investee to the carrying amount of its investment:

|                                              | 2020                 | 2019          |
|----------------------------------------------|----------------------|---------------|
| Percentage of ownership                      | <b>50%</b>           | 50%           |
| Current assets                               | <b>P295,591,774</b>  | P258,601,155  |
| Noncurrent assets                            | <b>455,987,422</b>   | 347,629,885   |
| Total liabilities                            | <b>(398,688,147)</b> | (396,934,811) |
| Net assets                                   | <b>352,891,049</b>   | 209,296,229   |
| Group's share in net assets                  | <b>176,445,524</b>   | 104,648,114   |
| Impact of adoption of PFRS 16                | -                    | 70,747,619    |
| Carrying amount of interest in joint venture | <b>P176,445,524</b>  | P175,395,733  |
| Net sales                                    | <b>P697,594,488</b>  | P639,968,431  |
| Net income                                   | <b>2,099,583</b>     | 11,527,674    |
| Group's share in net income                  | <b>P1,049,791</b>    | P5,763,837    |

*PG Lawson Company, Inc.*

In 2014, the Parent Company partnered with Lawson Asia Pacific Holdings Pte. Ltd. and Lawson, Inc. (Lawson), both engaged in the operation of convenience stores in Japan and other Asian countries, to establish PG Lawson Company, Inc. (PLCI), a joint venture company to operate convenience stores in the Philippines.

In April 2018, the Parent Company sold its entire investment in PLCI for P600 million. This resulted in a P363 million gain from the sale of such investment.

## 10. Property and Equipment

The movements in this account are as follows:

|                                                      | Building              | Furniture and<br>Fixtures | Office and<br>Store<br>Equipment | Leasehold<br>Improvements | Land                | Construction<br>in Progress | Total                  |
|------------------------------------------------------|-----------------------|---------------------------|----------------------------------|---------------------------|---------------------|-----------------------------|------------------------|
| <b>Cost</b>                                          |                       |                           |                                  |                           |                     |                             |                        |
| Balance, December 31, 2018                           | P6,375,288,413        | P2,683,519,542            | P8,878,327,402                   | P10,595,667,994           | P436,227,845        | P1,123,997,986              | P30,093,029,182        |
| Additions                                            | 154,562,267           | 257,214,883               | 865,180,081                      | 467,808,757               | -                   | 2,087,812,498               | 3,832,578,486          |
| Reclassifications                                    | 130,924,329           | 64,224,370                | 365,583,130                      | 1,247,220,904             | -                   | (1,807,952,733)             | -                      |
| Disposals                                            | -                     | (931,592)                 | (178,442,220)                    | (7,341,493)               | -                   | -                           | (186,715,305)          |
| Balance, December 31, 2019                           | 6,660,775,009         | 3,004,027,203             | 9,930,648,393                    | 12,303,356,162            | 436,227,845         | 1,403,857,751               | 33,738,892,363         |
| Additions                                            | 104,575,833           | 209,288,083               | 748,454,587                      | 942,689,811               | 500,664,000         | 701,858,410                 | 3,207,530,724          |
| Reclassifications                                    | 55,819,302            | 15,688,662                | 180,649,163                      | 606,737,904               | -                   | (858,895,031)               | -                      |
| Disposals                                            | (849,310)             | (809,940)                 | (18,481,242)                     | (179,067,758)             | -                   | -                           | (199,208,250)          |
| <b>Balance, December 31, 2020</b>                    | <b>6,820,320,834</b>  | <b>3,228,194,008</b>      | <b>10,841,270,901</b>            | <b>13,673,716,119</b>     | <b>936,891,845</b>  | <b>1,246,821,130</b>        | <b>36,747,214,837</b>  |
| <b>Accumulated Depreciation and<br/>Amortization</b> |                       |                           |                                  |                           |                     |                             |                        |
| Balance, December 31, 2018                           | 1,288,599,650         | 1,327,701,808             | 5,747,713,168                    | 2,239,940,776             | -                   | -                           | 10,603,955,402         |
| Depreciation and amortization                        | 216,985,291           | 219,285,661               | 1,027,741,384                    | 565,646,244               | -                   | -                           | 2,029,658,580          |
| Reclassifications                                    | -                     | (1,366,304)               | 1,311,536                        | 54,768                    | -                   | -                           | -                      |
| Disposals                                            | -                     | (876,077)                 | (53,321,627)                     | (2,214,780)               | -                   | -                           | (56,412,484)           |
| Balance, December 31, 2019                           | 1,505,584,941         | 1,544,745,088             | 6,723,444,461                    | 2,803,427,008             | -                   | -                           | 12,577,201,498         |
| Depreciation and amortization                        | 223,540,151           | 258,513,522               | 1,152,000,317                    | 767,588,992               | -                   | -                           | 2,401,642,982          |
| Reclassifications                                    | 212,773               | -                         | -                                | (212,773)                 | -                   | -                           | -                      |
| Disposals                                            | (473,213)             | (812,939)                 | (17,452,230)                     | (179,067,757)             | -                   | -                           | (197,806,139)          |
| <b>Balance, December 31, 2020</b>                    | <b>1,728,864,652</b>  | <b>1,802,445,671</b>      | <b>7,857,992,548</b>             | <b>3,391,735,470</b>      | <b>-</b>            | <b>-</b>                    | <b>14,781,038,341</b>  |
| <b>Carrying Amount</b>                               |                       |                           |                                  |                           |                     |                             |                        |
| December 31, 2019                                    | P5,155,190,068        | P1,459,282,115            | P3,207,203,932                   | P9,499,929,154            | P436,227,845        | P1,403,857,751              | P21,161,690,865        |
| <b>December 31, 2020</b>                             | <b>P5,091,456,182</b> | <b>P1,425,748,337</b>     | <b>P2,983,278,353</b>            | <b>P10,281,980,649</b>    | <b>P936,891,845</b> | <b>P1,246,821,130</b>       | <b>P21,966,176,496</b> |

Interest expense on loans capitalized as part of property and equipment amounted to P2.9 million, P12.0 million and P81.7 million in 2020, 2019 and 2018, respectively (see Note 15).

The cost of fully depreciated property and equipment that are still being used in the Group's operations amounted to P5,592.45 million and P3,898.65 million as at December 31, 2020 and 2019, respectively.

## 11. Right-of-Use Assets

The movements in this account are as follows:

|                                       | 2020                   | 2019            |
|---------------------------------------|------------------------|-----------------|
| <b>Cost</b>                           |                        |                 |
| Balance at January 1                  | <b>P33,014,871,924</b> | P30,150,419,773 |
| Additions                             | <b>2,700,793,126</b>   | 3,325,233,861   |
| Modifications to leases               | <b>1,612,512,914</b>   | 89,043,702      |
| Terminated leases                     | <b>(137,882,964)</b>   | (163,201,984)   |
| Derecognition of right-of-use assets  | <b>(21,072,525)</b>    | (386,623,428)   |
| <b>Balance at December 31</b>         | <b>37,169,222,475</b>  | 33,014,871,924  |
| <b>Accumulated Depreciation</b>       |                        |                 |
| Balance at January 1                  | <b>9,190,189,876</b>   | 7,879,973,086   |
| Depreciation                          | <b>1,874,771,949</b>   | 1,748,512,654   |
| Terminated leases                     | <b>(11,849,779)</b>    | (51,672,436)    |
| Derecognition of right-of-use assets  | <b>(21,072,525)</b>    | (386,623,428)   |
| <b>Balance at December 31</b>         | <b>11,032,039,521</b>  | 9,190,189,876   |
| <b>Carrying Amount at December 31</b> | <b>P26,137,182,954</b> | P23,824,682,048 |

The right-of-use assets mainly pertain to leases of stores and also include leases of parcels of land, warehouses, distribution centers and parking spaces.

## 12. Goodwill and Other Intangibles

This account consists of:

|                                      | 2020                   | 2019            |
|--------------------------------------|------------------------|-----------------|
| Goodwill                             | <b>P14,902,423,321</b> | P14,902,423,321 |
| Trademark                            | <b>3,709,660,547</b>   | 3,709,660,547   |
| Customer relationships               | <b>889,452,981</b>     | 889,452,981     |
| Computer software and licenses - net | <b>167,011,990</b>     | 177,985,058     |
| Leasehold rights - net               | <b>47,346,045</b>      | 51,113,794      |
|                                      | <b>P19,715,894,884</b> | P19,730,635,701 |

Goodwill acquired in business combinations represents the excess of the purchase price over the fair value of net identifiable assets of acquired subsidiaries which represent the separate CGUs expected to benefit from that business combination.

The details of goodwill are as follows:

|                                                                                    | 2020                   | 2019            |
|------------------------------------------------------------------------------------|------------------------|-----------------|
| Kareila                                                                            | <b>P12,079,473,835</b> | P12,079,473,835 |
| Budgetlane Supermarkets                                                            | <b>837,974,199</b>     | 837,974,199     |
| Gant                                                                               | <b>742,340,804</b>     | 742,340,804     |
| Daily Commodities, Inc. and First Lane<br>Super Traders Co., Inc. (DCI and FLSTCI) | <b>685,904,317</b>     | 685,904,317     |
| Company E                                                                          | <b>358,152,015</b>     | 358,152,015     |
| Black & White (B&W) Supermart                                                      | <b>187,203,888</b>     | 187,203,888     |
| Puregold Junior Supermarket, Inc. (PJSI)                                           | <b>11,374,263</b>      | 11,374,263      |
|                                                                                    | <b>P14,902,423,321</b> | P14,902,423,321 |

Trademark and customer relationships acquired through business combination represent the fair values at the date of acquisition of Kareila, which is the CGU for these intangibles.

CGUs to which goodwill and other intangibles with indefinite lives have been allocated are tested for impairment annually or more frequently if there are indications that a particular CGU might be impaired. Cash flow projections used in determining recoverable amounts include the lease payments in both the explicit forecast period and in terminal value. The recoverable amounts for the CGUs have been determined based on value in use.

#### VIU

Value in use is determined using discounted cash flow projections that generally cover a period of five years and are based on the financial plans approved by the Group's management. The key assumptions for the value-in-use calculations relate to the weighted average cost of capital (discount rate), sales growth, operating margin and growth rate (terminal value). The discount rates reflect the key assumptions used in the cash flow projections. The pre-tax discount rates ranged between 6.1% to 7.6% in 2020 and 9.5% to 11% in 2019. The sales growth rates and operating margins used to estimate future performance are based on past performance and experience of growth rates and operating margins achievable in the Group's markets. The average annual compound sales growth rates applied in the projected periods ranged between 5% and 8% for the CGUs. The average operating margins applied in the projected periods ranged between 2% and 6% for the CGUs. The terminal value to extrapolate cash flows beyond the explicit forecast period ranged between 2.8% and 4.4% for the CGUs.

Key assumptions relating to CGUs to which a significant amount of goodwill or intangible assets with indefinite useful lives is allocated are as follows:

|                         | Pre-tax Discount Rate |       | Growth Rate<br>(Terminal Value) |      |
|-------------------------|-----------------------|-------|---------------------------------|------|
|                         | 2020                  | 2019  | 2020                            | 2019 |
| Kareila                 | <b>5.94%</b>          | 11.0% | <b>2.6%</b>                     | 3.0% |
| Budgetlane Supermarkets | <b>6.95%</b>          | 11.0% | <b>2.6%</b>                     | 3.0% |
| Gant                    | <b>7.29%</b>          | 10.9% | <b>2.6%</b>                     | 3.0% |
| DCI and FLSTCI          | <b>7.06%</b>          | 10.6% | <b>2.6%</b>                     | 3.0% |

As at December 31, 2020, management assessed that a reasonably possible change in key assumptions of B&W Supermart would result in the headroom being reduced to nil if either of the following change occurs: discount rate increased by 0.3% or growth rate decreased by 1%.

*Computer Software and Licenses*

The movements in computer software and licenses are as follows:

|                                       | 2020                | 2019         |
|---------------------------------------|---------------------|--------------|
| <b>Cost</b>                           |                     |              |
| Balance at January 1                  | <b>P417,158,774</b> | P376,186,458 |
| Additions                             | <b>28,678,027</b>   | 41,306,299   |
| Transfers to a related party          | -                   | (333,983)    |
| <b>Balance at December 31</b>         | <b>445,836,801</b>  | 417,158,774  |
| <b>Accumulated Amortization</b>       |                     |              |
| Balance at January 1                  | <b>239,173,716</b>  | 196,353,782  |
| Amortization                          | <b>39,651,095</b>   | 42,819,934   |
| Balance at December 31                | <b>278,824,811</b>  | 239,173,716  |
| <b>Carrying Amount At December 31</b> | <b>P167,011,990</b> | P177,985,058 |

*Leasehold Rights*

The movements in leasehold rights are as follows:

|                                       | 2020               | 2019        |
|---------------------------------------|--------------------|-------------|
| <b>Cost</b>                           |                    |             |
| Balance at January 1                  | <b>P75,355,005</b> | P75,355,005 |
| <b>Accumulated Amortization</b>       |                    |             |
| Balance at January 1                  | <b>24,241,211</b>  | 20,473,460  |
| Amortization                          | <b>3,767,749</b>   | 3,767,751   |
| Balance at December 31                | <b>28,008,960</b>  | 24,241,211  |
| <b>Carrying Amount at December 31</b> | <b>P47,346,045</b> | P51,113,794 |

On January 25, 2013, the Parent Company entered into a memorandum of agreement with various parties that paved the way for the acquisition of five stores previously owned and operated by the parties. Under the agreement, the parties agreed to sell to the Parent Company all merchandise inventories, equipment, furniture and fixtures as well as granting of rights to lease the buildings owned by parties for a period of 20 years. As a result of the transaction, the Parent Company recognized the excess of the purchase price over the fair value of tangible assets acquired as leasehold rights, which is amortized on a straight-line basis over the lease term.

**13. Other Noncurrent Assets**

This account consists of:

|                         | Note   | 2020                  | 2019           |
|-------------------------|--------|-----------------------|----------------|
| Security deposits       | 29     | <b>P2,091,761,905</b> | P2,072,158,962 |
| Advances to contractors |        | <b>359,695,752</b>    | 290,709,396    |
| Accrued rent income     | 19, 25 | <b>32,619,452</b>     | 33,966,325     |
| Others                  |        | <b>7,879,160</b>      | 7,879,160      |
|                         |        | <b>P2,491,956,269</b> | P2,404,713,843 |

Security deposits consist of payments for leases that are refundable at the end of the lease term.



Advances to contractors pertain to payments made in advance for the construction of new stores.

#### 14. Trade and Other Payables

This account consists of:

|                           | <i>Note</i> | <b>2020</b>            | <b>2019</b>     |
|---------------------------|-------------|------------------------|-----------------|
| Trade                     | 23, 29      | <b>P9,358,065,622</b>  | P8,640,007,681  |
| Nontrade                  | 23, 29      | <b>1,839,972,653</b>   | 1,695,534,867   |
| Dividends payable         | 26, 29      | <b>1,291,356,633</b>   | 1,147,872,562   |
| Withholding taxes payable |             | <b>277,059,070</b>     | 147,596,464     |
| Accrued expenses:         | 29          |                        |                 |
| Manpower agency services  |             | <b>944,392,380</b>     | 851,648,159     |
| Utilities                 |             | <b>186,394,878</b>     | 193,320,785     |
| Supplies                  |             | <b>134,746,325</b>     | 138,436,853     |
| Rent                      |             | <b>80,445,096</b>      | 63,272,765      |
| Others                    |             | <b>229,074,180</b>     | 202,157,446     |
|                           |             | <b>P14,341,506,837</b> | P13,079,847,582 |

The average credit terms on purchases of certain goods from suppliers is 30 days.

Non-trade payables consist of claims arising from billed expenditures in relation to operations other than purchases of goods.

#### 15. Loans Payable

This account consists of:

##### a. Short-term Loans

|                  | <i>Note</i> | <b>2020</b> | <b>2019</b>  |
|------------------|-------------|-------------|--------------|
| Metrobank        |             | <b>P -</b>  | P500,000,000 |
| Puregold Finance | 23          | <b>-</b>    | 1,570,353    |
|                  |             | <b>P -</b>  | P501,570,353 |

Short-term loans are payable from three to twelve months and bear interest from 4.00% to 6.40% in 2019.

The loan proceeds were used for working capital requirements.

##### b. Long-term Loans

|                                    | <i>Note</i> | <b>2020</b>            | <b>2019</b>  |
|------------------------------------|-------------|------------------------|--------------|
| <b>Unsecured Peso Denominated</b>  |             |                        |              |
| Fixed-rate Notes of Parent Company |             | <b>P12,000,000,000</b> | P -          |
| Fixed-rate Note of Kareila         |             | <b>-</b>               | 400,000,000  |
|                                    |             | <b>12,000,000,000</b>  | 400,000,000  |
| <b>Unamortized Debt Issue Cost</b> |             | <b>(124,877,678)</b>   | -            |
|                                    | 29          | <b>P11,875,122,322</b> | P400,000,000 |

*Fixed-rate Notes of Parent Company*

On September 30, 2020, the Parent Company raised P12 billion from the issuance of fixed-rate corporate notes for its store network expansion. This consists of P7-billion notes that have a seven-year tenor and P5-billion notes that have a 10-year tenor with interest rates ranging from 4.00% to 4.513%.

The movement in debt issue costs are as follows:

|                                  | 2020         | 2019 |
|----------------------------------|--------------|------|
| Balance at beginning of the year | P -          | P -  |
| Additions                        | 129,000,000  | -    |
| Amortization                     | (4,122,322)  | -    |
| Balance at end of the year       | P124,877,678 | P -  |

On June 13, 2013, the Parent Company obtained a P2 billion unsecured loan from a local bank, which is payable on May 21, 2018 and bears interest at 3.50% per annum. The interest is due every month.

On May 2, 2018, the Parent Company partially paid the loan amounting to P660 million and the maturity for the outstanding balance of P1.4 billion was renewed for 7 years at 6.4% interest per annum.

In 2019, the Parent Company fully paid the remaining balance.

*Fixed-rate Note of Kareila*

On July 23, 2013, Kareila obtained a P500 million unsecured loan from a local bank. The loan is payable after 5 years and bears interest at 3.50% per annum. The interest is due every month.

In 2015, Kareila partially paid the loan amounting to P100 million.

On May 2, 2018, the maturity for the outstanding balance of P400 million was renewed for 7 years at 6.4% interest rate per annum.

In 2020, Kareila fully paid the remaining balance.

The following are the contractual maturities of the long-term loans, including estimated interest payments and excluding the impact of netting agreements:

|                 | 2020            |                        |                |                    |                   |
|-----------------|-----------------|------------------------|----------------|--------------------|-------------------|
|                 | Carrying Amount | Contractual Cash Flows | 1 Year or Less | Within 1 - 5 Years | More than 5 Years |
| Long-term loans | P12,000,000,000 | P16,216,500,000        | P42,137,500    | P168,550,000       | P16,005,812,500   |

|                 | 2019            |                        |                |                    |                   |
|-----------------|-----------------|------------------------|----------------|--------------------|-------------------|
|                 | Carrying Amount | Contractual Cash Flows | 1 Year or Less | Within 1 - 5 Years | More than 5 Years |
| Long-term loans | P400,000,000    | P531,840,000           | P25,173,333    | P506,666,667       | P -               |

The loans are not subject to any covenants.

Interest expense charged to profit or loss amounted to P146.8 million, P99.9 million and P174.6 million in 2020, 2019 and 2018, respectively.

Interest expense capitalized as part of property and equipment is discussed in Note 10.

*Changes in Liabilities Arising from Financing Activities:*  
The movements and balances of this account are as follows:

|                                                | Short Term<br>Loans<br>Payable | Long Term<br>Loans Payable | Dividend Payable<br>(Notes 13 and 25) | Lease Liabilities      | Total                  |
|------------------------------------------------|--------------------------------|----------------------------|---------------------------------------|------------------------|------------------------|
| <b>Balance at January 1, 2020</b>              | <b>P501,570,353</b>            | <b>P400,000,000</b>        | <b>P1,147,872,562</b>                 | <b>P30,415,745,177</b> | <b>P32,465,188,092</b> |
| Changes from financing cash flows:             |                                |                            |                                       |                        |                        |
| Payment of loans                               | (501,570,353)                  | (400,000,000)              | -                                     | -                      | (901,570,353)          |
| Availment of loans                             | -                              | 12,000,000,000             | -                                     | -                      | 12,000,000,000         |
| Payment of debt issuance cost                  | -                              | (129,000,000)              | -                                     | -                      | (129,000,000)          |
| Lease payments                                 | -                              | -                          | -                                     | (2,978,079,955)        | (2,978,079,955)        |
| Payment of dividends                           | -                              | -                          | (1,154,420,606)                       | -                      | (1,154,420,606)        |
| <b>Total changes from financing cash flows</b> | <b>(501,570,353)</b>           | <b>11,471,000,000</b>      | <b>(1,154,420,606)</b>                | <b>(2,978,079,955)</b> | <b>6,836,929,086</b>   |
| Other Changes                                  |                                |                            |                                       |                        |                        |
| <i>Liability-related</i>                       |                                |                            |                                       |                        |                        |
| Additions                                      | -                              | -                          | -                                     | 4,739,875,233          | 4,739,875,233          |
| Amortization of debt issue cost                | -                              | 4,122,322                  | -                                     | -                      | 4,122,322              |
| Other lease adjustments                        | -                              | -                          | -                                     | 1,450,085,511          | 1,450,085,511          |
| Declaration of dividends                       | -                              | -                          | 1,297,904,677                         | -                      | 1,297,904,677          |
| <b>Total liability-related changes</b>         | <b>-</b>                       | <b>4,122,322</b>           | <b>1,297,904,677</b>                  | <b>6,189,960,744</b>   | <b>7,491,987,743</b>   |
| <b>Balance at December 31, 2020</b>            | <b>P -</b>                     | <b>P11,875,122,322</b>     | <b>P1,291,356,633</b>                 | <b>P33,627,625,966</b> | <b>P46,794,104,921</b> |

|                                                | Short Term<br>Loans<br>Payable | Long Term<br>Loans Payable | Dividend Payable<br>(Notes 13 and 25) | Lease Liabilities      | Total                  |
|------------------------------------------------|--------------------------------|----------------------------|---------------------------------------|------------------------|------------------------|
| <b>Balance at January 1, 2019</b>              | <b>P4,756,300,000</b>          | <b>P1,840,000,000</b>      | <b>P -</b>                            | <b>P27,913,135,119</b> | <b>P34,509,435,119</b> |
| Changes from financing cash flows:             |                                |                            |                                       |                        |                        |
| Payment of loans                               | (4,254,729,647)                | (1,440,000,000)            | -                                     | -                      | (5,694,729,647)        |
| Lease payments                                 | -                              | -                          | -                                     | (2,572,668,416)        | (2,572,668,416)        |
| Payment of dividends                           | -                              | -                          | (1,153,693,046)                       | -                      | (1,153,693,046)        |
| <b>Total changes from financing cash flows</b> | <b>(4,254,729,647)</b>         | <b>(1,440,000,000)</b>     | <b>(1,153,693,046)</b>                | <b>(2,572,668,416)</b> | <b>(9,421,091,109)</b> |
| Other Changes                                  |                                |                            |                                       |                        |                        |
| <i>Liability-related</i>                       |                                |                            |                                       |                        |                        |
| Additions                                      | -                              | -                          | -                                     | 3,171,598,765          | 3,171,598,765          |
| Other lease adjustments                        | -                              | -                          | -                                     | 1,903,679,709          | 1,903,679,709          |
| Declaration of dividends                       | -                              | -                          | 2,301,565,608                         | -                      | 2,301,565,608          |
| <b>Total liability-related changes</b>         | <b>-</b>                       | <b>-</b>                   | <b>2,301,565,608</b>                  | <b>5,075,278,474</b>   | <b>7,376,844,082</b>   |
| <b>Balance at December 31, 2019</b>            | <b>P501,570,353</b>            | <b>P400,000,000</b>        | <b>P1,147,872,562</b>                 | <b>P30,415,745,177</b> | <b>P32,465,188,092</b> |

## 16. Other Current Liabilities

This account consists of:

|                              | Note   | 2020                | 2019         |
|------------------------------|--------|---------------------|--------------|
| Deposits from tenants        | 19, 29 | <b>P226,788,588</b> | P189,508,497 |
| Unredeemed gift certificates |        | <b>210,388,129</b>  | 157,477,311  |
| VAT payable                  |        | <b>63,873,811</b>   | 78,225,030   |
| Promotion fund               |        | <b>9,151,979</b>    | 1,934,210    |
| Others                       | 29     | <b>177,148</b>      | 7,658,617    |
|                              |        | <b>P510,379,655</b> | P434,803,665 |

Deposits represent amounts paid by the store tenants for the lease of store spaces which are refundable upon termination of the lease.

Unredeemed gift certificates represent members' claims for issued yet unused gift certificates. These will be closed to sales account upon redemption and are due and demandable anytime.

### Contract Liabilities

The Group identified its unredeemed gift certificates as contract liabilities as of December 31, 2020 and 2019. These represent the Group's obligation to provide goods or services to the customers for which the Group has received consideration from the customers.

Below is the rollforward of contract liabilities for the years ended 2020 and 2019:

|                       | 2020                | 2019         |
|-----------------------|---------------------|--------------|
| Beginning balance     | <b>P157,477,311</b> | P127,912,876 |
| Add receipts          | <b>724,624,518</b>  | 481,758,850  |
| Less sales recognized | <b>671,713,700</b>  | 452,194,415  |
| Ending balance        | <b>P210,388,129</b> | P157,477,311 |

### **17. Revenue from Contract with Customers**

The Group generates revenue primarily from trading goods such as consumer products (canned goods, housewares, toiletries, dry goods, food products, etc.) on a wholesale and retail basis. The revenue from contracts with customers is disaggregated by revenue streams.

|                                      | Note | 2020                    | 2019             | 2018             |
|--------------------------------------|------|-------------------------|------------------|------------------|
| Net sales from stores                |      | <b>P168,632,328,716</b> | P154,490,309,082 | P141,139,261,418 |
| Concession fee income                | 20   | <b>2,095,903,559</b>    | 2,056,097,023    | 1,878,358,992    |
| Membership fee income                | 20   | <b>628,621,259</b>      | 572,713,780      | 513,588,832      |
| Revenue from contract with customers |      | <b>P171,356,853,534</b> | P157,119,119,885 | P143,531,209,242 |

### **18. Cost of Sales**

This account for the years ended December 31 consists of:

|                                | Note | 2020                    | 2019             | 2018             |
|--------------------------------|------|-------------------------|------------------|------------------|
| Beginning inventory            | 6    | <b>P19,526,196,704</b>  | P19,731,823,439  | P17,696,641,161  |
| Add purchases                  |      | <b>140,868,336,210</b>  | 128,334,132,399  | 119,245,866,298  |
| Total goods available for sale |      | <b>160,394,532,914</b>  | 148,065,955,838  | 136,942,507,459  |
| Less ending inventory          | 6    | <b>20,918,320,287</b>   | 19,526,196,704   | 19,731,823,439   |
|                                |      | <b>P139,476,212,627</b> | P128,539,759,134 | P117,210,684,020 |

### **19. Leases**

#### Lessee

The Group leases parcels of land, stores, warehouses, distribution centers, and parking spaces. The lease terms range from 5 years to 42 years, which are generally renewable based on certain terms and conditions. Rental payments are fixed monthly or per square meter subject to 1%-10% escalation or percentage of store sales, whichever is higher. Variable lease payments that depend on sales are recognized in profit or loss in the period in which the condition that triggers those payments occurs.

Lease liabilities included in the statements of financial position are as follows:

|                     | 2020                   | 2019            |
|---------------------|------------------------|-----------------|
| Due within one year | <b>P896,500,586</b>    | P490,191,528    |
| Due beyond one year | <b>32,731,125,380</b>  | 29,925,553,649  |
|                     | <b>P33,627,625,966</b> | P30,415,745,177 |

The movements in lease liabilities are as follows:

|                               | Note | 2020                   | 2019            |
|-------------------------------|------|------------------------|-----------------|
| Balance at January 1          | 29   | <b>P30,415,745,177</b> | P27,913,135,119 |
| Additions                     |      | <b>2,618,157,181</b>   | 3,171,598,765   |
| Accretion of interest expense |      | <b>2,121,718,052</b>   | 1,968,625,600   |
| Repayments                    |      | <b>(2,978,079,955)</b> | (2,572,668,416) |
| Terminations                  |      | <b>(162,427,403)</b>   | (153,989,593)   |
| Modifications                 |      | <b>1,612,512,914</b>   | 89,043,702      |
| Balance at December 31        |      | <b>P33,627,625,966</b> | P30,415,745,177 |

Shown below is the maturity analysis of the undiscounted lease payments for the years ended December 31:

|                      | 2020                   | 2019            |
|----------------------|------------------------|-----------------|
| Less than one year   | <b>P2,379,735,845</b>  | P2,336,995,275  |
| One to five years    | <b>9,505,471,439</b>   | 9,672,106,532   |
| More than five years | <b>31,286,910,697</b>  | 34,949,127,659  |
|                      | <b>P43,172,117,981</b> | P46,958,229,466 |

The following are the amounts recognized in profit or loss:

|                                                                               | 2020                 | 2019          |
|-------------------------------------------------------------------------------|----------------------|---------------|
| Variable lease payments not included in the measurement of lease liabilities* | <b>P667,702,511</b>  | P581,170,042  |
| Expenses related to leases of low-value assets                                | <b>32,078,482</b>    | 44,722,976    |
| Expenses related to short-term leases                                         | <b>8,479,894</b>     | 2,681,012     |
| Total rent expense                                                            | <b>708,260,887</b>   | 628,574,030   |
| Interest accretion on lease liabilities                                       | <b>2,121,718,052</b> | 1,968,625,600 |
| Depreciation charge for right-of-use assets                                   | <b>1,874,771,949</b> | 1,748,512,653 |
| Gain from lease terminations                                                  | <b>(29,810,766)</b>  | (42,460,046)  |

\*This includes the concession fee expense presented as separate line item under "Operating expenses" in the statements of comprehensive income.

Low-value assets pertain mainly to credit card terminals and G4s cash solutions technology.

#### As Lessor

The Group subleases a portion of its stores to various lessees. The lease terms range from 1 year to 10 years, which are generally renewable based on certain terms and conditions. Rental payments are fixed monthly or percentage of store sales, whichever is higher. Variable lease payments that depend on sales are recognized in profit or loss in the period in which the condition that triggers those payments occurs.

Rent income recognized in profit or loss amounted to P277.0 million, P463.9 million and P407.3 million in 2020, 2019 and 2018, respectively (see Note 20).

The scheduled maturities of non-cancellable minimum future rental collections are as follows:

|                      | 2020                | 2019         |
|----------------------|---------------------|--------------|
| Less than one year   | <b>P252,349,078</b> | P275,981,653 |
| One to two years     | <b>151,804,171</b>  | 139,824,829  |
| Two to three years   | <b>107,462,635</b>  | 132,084,351  |
| Three to four years  | <b>62,836,589</b>   | 109,160,620  |
| Four to five years   | <b>33,675,791</b>   | 99,236,929   |
| More than five years | <b>43,755,679</b>   | 82,851,945   |
|                      | <b>P651,883,943</b> | P839,140,327 |

## 20. Other Revenue

This account consists of:

|                       | Note | 2020                  | 2019           | 2018           |
|-----------------------|------|-----------------------|----------------|----------------|
| Concession fee income | 17   | <b>P2,095,903,559</b> | P2,056,097,023 | P1,878,358,992 |
| Membership fee income | 17   | <b>628,621,259</b>    | 572,713,780    | 513,588,832    |
| Rent income           | 19   | <b>277,001,663</b>    | 463,941,849    | 407,251,364    |
| Miscellaneous         |      | <b>153,272,303</b>    | 170,100,786    | 141,891,881    |
|                       |      | <b>P3,154,798,784</b> | P3,262,853,438 | P2,941,091,069 |

Miscellaneous consist of delivery fee income, income from sale of used packaging materials, e-wallet rebates and other individually insignificant items.

## 21. Operating Expenses

This account consists of:

|                                      | <i>Note</i>    | 2020                   | 2019            | 2018<br>(Restated) |
|--------------------------------------|----------------|------------------------|-----------------|--------------------|
| Depreciation and amortization        | 10, 11, 12, 19 | <b>P4,282,164,425</b>  | P3,780,806,466  | P3,441,225,478     |
| Manpower agency services             |                | <b>3,512,779,356</b>   | 3,492,753,742   | 3,343,676,703      |
| Salaries and wages                   |                | <b>2,210,844,220</b>   | 2,123,354,354   | 1,944,170,492      |
| Communication, light and water       |                | <b>2,140,040,278</b>   | 2,382,736,196   | 2,309,873,902      |
| Security services                    |                | <b>972,188,423</b>     | 937,639,989     | 906,924,442        |
| Taxes and licenses                   |                | <b>922,497,350</b>     | 808,850,133     | 760,848,934        |
| Rent                                 | 19             | <b>708,260,887</b>     | 628,574,030     | 708,009,628        |
| Store and office supplies            |                | <b>584,431,644</b>     | 562,041,985     | 547,671,887        |
| Repairs and maintenance              |                | <b>532,075,409</b>     | 499,799,076     | 444,234,406        |
| Advertising and marketing            |                | <b>470,763,449</b>     | 346,541,780     | 288,045,748        |
| Credit card charges                  |                | <b>447,035,439</b>     | 356,308,987     | 298,879,561        |
| Transportation                       |                | <b>239,442,584</b>     | 138,340,015     | 100,711,654        |
| Input VAT allocable to exempt sales  |                | <b>229,374,260</b>     | 239,068,606     | 131,256,960        |
| Retirement benefits cost             | 24             | <b>225,475,564</b>     | 131,495,043     | 163,606,897        |
| Insurance                            |                | <b>221,397,715</b>     | 206,746,899     | 195,043,275        |
| Janitorial and messengerial services |                | <b>197,998,039</b>     | 202,192,326     | 206,482,215        |
| SSS/Medicare and HDMF contributions  |                | <b>183,505,374</b>     | 184,384,889     | 140,857,294        |
| Other selling expenses               |                | <b>165,536,591</b>     | 183,355,869     | 174,498,578        |
| Representation and entertainment     |                | <b>133,164,444</b>     | 121,756,140     | 124,235,532        |
| Fuel and oil                         |                | <b>73,245,310</b>      | 77,705,076      | 80,576,785         |
| Royalty                              | 23             | <b>61,960,646</b>      | 58,896,798      | 54,342,743         |
| Professional fees                    |                | <b>27,728,325</b>      | 35,647,131      | 35,001,282         |
| Donations and contributions          |                | <b>25,125,192</b>      | -               | -                  |
| Miscellaneous                        |                | <b>386,195,901</b>     | 330,776,873     | 238,719,101        |
|                                      |                | <b>P18,953,230,825</b> | P17,829,772,403 | P16,638,893,497    |

## 22. Others

This account consists of:

|                                                       | <i>Note</i> | 2020               | 2019         | 2018         |
|-------------------------------------------------------|-------------|--------------------|--------------|--------------|
| Gain on sale of investment                            | 7           | <b>P36,229,953</b> | P -          | P362,810,262 |
| Gain from lease terminations                          | 19          | <b>29,810,766</b>  | 42,460,046   | 37,850,190   |
| Unrealized valuation loss on financial assets at FVPL | 7           | <b>(7,407,415)</b> | (1,581,991)  | (10,385,284) |
| Bank charges                                          |             | <b>(4,819,458)</b> | (14,551,874) | (26,747,884) |
| Foreign exchange gains (losses)                       |             | <b>2,431,444</b>   | (547,824)    | (2,881,249)  |
| Gain on insurance claims                              |             | <b>513,124</b>     | 3,503,436    | 3,351,032    |
| Dividend income                                       | 7           | <b>676,873</b>     | 724,358      | 679,505      |
| Gain from disposal of property and equipment          | 10          | -                  | -            | 154,310      |
| Others                                                |             | <b>4,047,030</b>   | -            | -            |
|                                                       |             | <b>P61,482,317</b> | P30,006,151  | P364,830,882 |

## 23. Related Party Transactions

Other than the items disclosed in Note 9, the Group's significant transactions and balances with related parties are as follows:

| Related Party                        | Year        | Note | Amount of Transactions for the Year | Money Market Placements (see Note 4) | Trade Receivable (see Note 5) | Non Trade Receivable (see Note 5) | Trade Payable (see Note 14) | Nontrade Payable, Loans and Lease Liabilities (see Notes 14, 15 and 19) | Due to Related Parties | Terms                                   | Conditions               |
|--------------------------------------|-------------|------|-------------------------------------|--------------------------------------|-------------------------------|-----------------------------------|-----------------------------|-------------------------------------------------------------------------|------------------------|-----------------------------------------|--------------------------|
| <b>Parent</b>                        |             |      |                                     |                                      |                               |                                   |                             |                                                                         |                        |                                         |                          |
| Dividends                            | 2020        |      | P634,890,235                        | P -                                  | P -                           | P -                               | P -                         | P634,890,235                                                            | P -                    | Due and demandable                      | Unsecured                |
|                                      | 2019        |      | 564,137,807                         | -                                    | -                             | -                                 | -                           | 564,137,807                                                             | -                      |                                         |                          |
| Loans                                | 2020        | d    | -                                   | -                                    | -                             | -                                 | -                           | -                                                                       | -                      | 6 months; interest bearing at 4.5%-5%   |                          |
|                                      | 2019        |      | 1,400,000,000                       | -                                    | -                             | -                                 | -                           | 500,000,000                                                             | -                      |                                         |                          |
| Interest expense                     | 2020        | d    | 1,603,845                           | -                                    | -                             | -                                 | -                           | -                                                                       | -                      |                                         |                          |
|                                      | 2019        |      | 48,168,750                          | -                                    | -                             | -                                 | -                           | -                                                                       | -                      |                                         |                          |
| <b>Entities under Common Control</b> |             |      |                                     |                                      |                               |                                   |                             |                                                                         |                        |                                         |                          |
| Leases                               | 2020        | a    | 1,106,708,930                       | -                                    | -                             | 808,983                           | -                           | 4,150,693,309                                                           | -                      | Due and demandable                      | Unsecured; no impairment |
|                                      | 2019        |      | 819,037,966                         | -                                    | -                             | 316,068                           | -                           | 4,463,016,232                                                           | -                      | demandable                              | Unsecured                |
| Concession expense                   | 2020        |      | 382,544,009                         | -                                    | -                             | -                                 | -                           | -                                                                       | -                      | Due and demandable                      |                          |
|                                      | 2019        | b    | 466,846,777                         | -                                    | -                             | -                                 | -                           | -                                                                       | -                      | demandable                              |                          |
| Short-term investments               | 2020        | 4    | 3,320,402,583                       | -                                    | -                             | -                                 | -                           | -                                                                       | -                      | Original maturity of less than 3 months |                          |
|                                      | 2019        |      | 7,601,706,380                       | 4,142,656,777                        | -                             | -                                 | -                           | -                                                                       | -                      |                                         |                          |
| Purchase of merchandise              | 2020        |      | 2,013,231,892                       | -                                    | -                             | -                                 | 668,693,569                 | -                                                                       | -                      | Due and demandable                      | Unsecured                |
|                                      | 2019        |      | 3,257,357,027                       | -                                    | -                             | -                                 | 1,008,628,015               | -                                                                       | -                      | demandable                              |                          |
| Sale of merchandise                  | 2020        |      | 89,058,730                          | -                                    | 62,058,898                    | -                                 | -                           | -                                                                       | -                      | Due and demandable                      | Unsecured; no impairment |
|                                      | 2019        |      | 80,338,755                          | -                                    | 41,985,248                    | -                                 | -                           | -                                                                       | -                      | demandable                              | Unsecured                |
| Security deposits                    | 2020        | a    | 76,000,192                          | -                                    | -                             | 20,358                            | -                           | 2,784,888                                                               | -                      | Due and demandable                      | Unsecured; no impairment |
|                                      | 2019        |      | 7,352,322                           | -                                    | -                             | 18,721                            | -                           | 631,629                                                                 | -                      | demandable                              | Unsecured                |
| Advances                             | 2020        |      | -                                   | -                                    | -                             | 116,000,000                       | -                           | -                                                                       | -                      | Due and demandable                      | Unsecured; no impairment |
|                                      | 2019        |      | 116,000,000                         | -                                    | -                             | 116,000,000                       | -                           | -                                                                       | -                      | demandable                              | Unsecured                |
| Management fee                       | 2020        |      | 8,329,308                           | -                                    | -                             | -                                 | -                           | 5,705,121                                                               | -                      | Due and demandable                      |                          |
|                                      | 2019        |      | 15,377,655                          | -                                    | -                             | -                                 | -                           | 659,687                                                                 | -                      | demandable                              |                          |
| Fixed asset                          | 2020        |      | 11,789                              | -                                    | -                             | 123,617,038                       | -                           | -                                                                       | -                      | Due and demandable                      | Unsecured                |
|                                      | 2019        |      | 123,605,957                         | -                                    | -                             | 123,605,957                       | -                           | -                                                                       | -                      | demandable                              |                          |
| Loans                                | 2020        | d    | 1,570,353                           | -                                    | -                             | -                                 | -                           | -                                                                       | -                      | Due and demandable                      |                          |
|                                      | 2019        |      | 8,970,000                           | -                                    | -                             | -                                 | -                           | 1,570,353                                                               | -                      | demandable                              |                          |
| Expense reimbursement                | 2020        |      | 220,555,229                         | -                                    | -                             | 7,684,888                         | -                           | -                                                                       | -                      | Due and demandable                      | Unsecured                |
|                                      | 2019        |      | 265,374,228                         | -                                    | -                             | 6,924,032                         | -                           | 9,427,419                                                               | -                      | demandable                              |                          |
| <b>Stockholder</b>                   |             |      |                                     |                                      |                               |                                   |                             |                                                                         |                        |                                         |                          |
| Royalty expense                      | 2020        | c    | 61,960,646                          | -                                    | -                             | -                                 | -                           | -                                                                       | 49,568,517             | 30 years and subject to renewal         | Unsecured                |
|                                      | 2019        |      | 58,896,798                          | -                                    | -                             | -                                 | -                           | -                                                                       | 47,117,438             |                                         |                          |
| Leases                               | 2020        | a    | 24,621,714                          | -                                    | -                             | -                                 | -                           | -                                                                       | -                      |                                         |                          |
|                                      | 2019        |      | 23,904,576                          | -                                    | -                             | -                                 | -                           | -                                                                       | -                      |                                         |                          |
| <b>Key Management Personnel</b>      |             |      |                                     |                                      |                               |                                   |                             |                                                                         |                        |                                         |                          |
| Short-term benefits                  | 2020        |      | 38,651,781                          | -                                    | -                             | -                                 | -                           | -                                                                       | -                      |                                         |                          |
|                                      | 2019        |      | 13,423,861                          | -                                    | -                             | -                                 | -                           | -                                                                       | -                      |                                         |                          |
| <b>Total</b>                         | <b>2020</b> |      |                                     | <b>P -</b>                           | <b>P62,058,898</b>            | <b>P248,131,267</b>               | <b>P668,693,569</b>         | <b>P4,794,073,553</b>                                                   | <b>P49,568,517</b>     |                                         |                          |
| <b>Total</b>                         | <b>2019</b> |      |                                     | <b>P4,142,656,777</b>                | <b>P41,985,248</b>            | <b>P246,864,778</b>               | <b>P1,008,628,015</b>       | <b>P5,539,443,127</b>                                                   | <b>P47,117,438</b>     |                                         |                          |



a. Leases - Group as a Lessee

The Group leases certain stores from related parties. Lease terms range from 10 to 42 years, which are generally renewable based on certain terms and conditions. Rental payments are fixed monthly or per square meter subject to 1%-7% escalation.

b. Consignment and Concession

On September 27, 2006, PSMT Philippine, Inc. (PriceSmart), referred to as the "Consignee," an entity under common control, entered into a consignment and concession contract with Kareila, referred to as the "Consignor." The Consignee is the owner and operator of 4 stores, (i) Fort Bonifacio Global City, Taguig City, Metro Manila; (ii) Congressional Avenue, Bago-Bantay, Quezon City; (iii) Aseana Business Park, Brgy. Tambo, Paranaque City; and (iv) Westgate, Filinvest Alabang, Muntinlupa City, including all the furniture, fixtures and equipment therein.

Under the contract, the Consignor offered to consign goods at the aforesaid 4 stores and the Consignee accepted the offer subject but not limited to the terms and conditions stated as follows:

- The Consignee hereby grants to the Consignor the right to consign, display and offer for sale, and sell goods and merchandise as normally offered for sale by Consignee, at the selling areas at the 4 stores.
- The Consignor shall give the Consignee a trade or volume discount of its gross sales.
- The proceeds of sale of the Consignor shall remain the sole property of the Consignor and shall be kept by the Consignee strictly as money in trust until remitted to the Consignor after deducting the amounts due to the Consignee.
- The term of the contract shall be for a period of five (5) years beginning on the date/s of the signing of the agreement or of the opening of the four (4) stores whichever is later, renewable upon mutual agreement of the parties.
- In exchange, the consignor gives the consignee a trade or volume discount in the amount equivalent to 5% of the consignee's gross sales which was increased to 15% on November 9, 2006. On January 1, 2011, the contract was further amended giving the consignee a trade or volume discount of 10% of the Consignee's gross sales.

On February 23, 2012, a new agreement was made between the Consignor and Consignee. Under the new agreement, the Consignor offered to consign goods at the aforesaid 4 stores and the Consignee accepted the offer subject but not limited to the terms and conditions stated as follows:

- The Consignor shall pay the Consignee 4% monthly consignment/concession fee based on the Consignor's monthly gross sales.

- Goods sold by the consignor shall be checked-out and paid at the check-out counters of and be manned and operated by the Consignor and issued receipts through the point-of-sale (POS) machines in the name of the Consignor. The proceeds of the sale are and shall remain as the sole property of the Consignor subject to its obligation to pay the consideration stipulated.
- Ownership of the goods delivered to the Consignor at the stores shall remain with the Consignor. Except for the right of Consignee to the payment of the consideration in the amount, manner and within the periods stipulated.
- The Consignment/Concession Contract shall be for a period of five (5) years beginning on March 1, 2012, renewable upon mutual agreement of the parties. The contract was renewed for a period of five (5) years effective March 1, 2017 until February 28, 2022.

On April 22, 2019, the Consignee assigned to the consignor its lease of land located at Westgate, Filinvest Alabang, Muntinlupa City with a lease term from January 1, 2019 until November 15, 2022. The term has been extended until November 15, 2037.

c. License Agreement

On August 15, 2011, the Parent Company entered into a license agreement for the use of trademark and logo. In exchange, the Parent Company pays the owner royalty based on a percentage of sales.

d. Loans

*Cosco*

In 2017, Kareila obtained an unsecured short-term loan from COSCO amounting to P300 million at 2.50% interest per annum.

In 2018, the loan was renewed for another six months at 4.75% interest per annum. Kareila obtained additional short-term loan during the year amounting to P600.00 million at 5.00% interest per annum. The loans matured and were fully paid in 2019.

In 2019, Kareila obtained an unsecured short-term loan with term of 6 months from Cosco amounting to P1.4 billion at 5.5% interest per annum.

In 2020, Kareila paid the remaining balance and there were no availments during the year.

*Puregold Finance*

In 2018, the Parent Company obtained an unsecured short-term loan from Puregold Finance amounting to P8.8 million. This was fully paid in 2019.

In 2019, the Parent Company obtained an unsecured short-term loan from Puregold Finance amounting to P9.0 million. In 2020, the Parent Company paid the remaining balance and there were no availments during the year.

Amounts owed by and owed to related parties are to be settled in cash.

Significant Related Party Transactions and Balances Eliminated During Consolidation

- a. Receivables and Sales of the Parent Company from/to the subsidiaries:

|                  | 2020               | 2019        |
|------------------|--------------------|-------------|
| Sales            | <b>P11,326,461</b> | P74,925,615 |
| Trade receivable | <b>11,326,461</b>  | 74,925,615  |

- b. Trade payable and purchases of the Parent Company to/from the subsidiaries:

|                         | 2020            | 2019        |
|-------------------------|-----------------|-------------|
| Cost of sales           | <b>P112,195</b> | P58,839,910 |
| Merchandise inventories | -               | 169,752     |
| Trade payable           | <b>112,195</b>  | 58,646,833  |

- c. Dividend receivable of the Parent Company from KMC:

|                     | Amount of Transaction | 2020                | 2019         |
|---------------------|-----------------------|---------------------|--------------|
| Dividend receivable | <b>P475,000,000</b>   | <b>P475,000,000</b> | P475,000,000 |

## **24. Retirement Benefits Liability**

The Parent Company and its subsidiaries has unfunded, noncontributory, defined benefit plan covering all of its permanent employees. Contributions and costs are determined in accordance with the actuarial studies made for the plan. Annual cost is determined using the projected unit credit method. The Group's latest actuarial valuation date is December 31, 2020. Valuations are obtained on a periodic basis.

### Salient Provisions of the Retirement Plan

#### *Normal Retirement (Minimum Retirement Law, RA 7641)*

The plan provides retirement benefits under Republic Act No. 7641 (the Act) upon compulsory retirement at the age of sixty five (65) or upon optional retirement at age sixty (60) or more but not more than age sixty five (65) with at least five (5) years in service. The benefits as required by the Act are equivalent to at least one-half month (1/2) month salary for every year of service, a fraction of at least six (6) months being considered as one (1) whole year. The term one-half (1/2) month salary shall mean: (a) 50% of the pay salary; (b) one-twelfth (1/12) of the thirteenth (13th) month pay; and (c) one-twelfth (1/12) cash equivalent of not more than five (5) days of service incentive leaves.

The reconciliation of the liability recognized in the statements of financial position as at December 31 is as follows:

|                                             | 2020                  | 2019         |
|---------------------------------------------|-----------------------|--------------|
| Present value of defined benefit obligation | <b>P1,413,074,310</b> | P947,535,634 |
| Fair value of plan assets                   | <b>(30,017,612)</b>   | (28,450,238) |
| Retirement benefits liability               | <b>P1,383,056,698</b> | P919,085,396 |

The following table shows reconciliation from the opening balances to the closing balances for present value of defined benefit obligation:

|                                               | 2020                  | 2019         |
|-----------------------------------------------|-----------------------|--------------|
| Balance at January 1                          | <b>P947,535,634</b>   | P504,207,438 |
| <b>Included in profit or loss</b>             |                       |              |
| Current service cost                          | <b>177,499,305</b>    | 95,464,319   |
| Interest cost                                 | <b>49,461,361</b>     | 37,966,821   |
|                                               | <b>226,960,666</b>    | 133,431,140  |
| <b>Benefits paid</b>                          | <b>(8,638,936)</b>    | (3,952,095)  |
| <b>Included in other comprehensive income</b> |                       |              |
| Remeasurements gain:                          |                       |              |
| Actuarial losses (gains) arising from:        |                       |              |
| Financial assumptions                         | <b>319,027,413</b>    | 338,118,445  |
| Experience adjustments                        | <b>(71,810,467)</b>   | (24,269,294) |
|                                               | <b>247,216,946</b>    | 313,849,151  |
| <b>Balance at December 31</b>                 | <b>P1,413,074,310</b> | P947,535,634 |

The movements in the fair value of plan assets are as follows:

|                       | 2020               | 2019        |
|-----------------------|--------------------|-------------|
| Beginning of the year | <b>P28,450,238</b> | P25,711,784 |
| Interest income       | <b>1,485,102</b>   | 1,936,097   |
| Remeasurement gain    | <b>82,272</b>      | 802,357     |
| End of the year       | <b>P30,017,612</b> | P28,450,238 |

The movements in cumulative actuarial gains or loss, before income tax effect, recognized in other comprehensive income are as follows:

|                               | 2020                 | 2019           |
|-------------------------------|----------------------|----------------|
| Beginning of year             | <b>(P77,605,077)</b> | (P390,651,871) |
| Actuarial losses for the year | <b>247,134,674</b>   | 313,046,794    |
| Ending balance                | <b>P169,529,597</b>  | (P77,605,077)  |

The cumulative actuarial gain or loss, net of income tax effect, amounted to P118.63 million and P54.47 million as at December 31, 2020 and 2019, which are presented as retirement benefits reserve in the equity section of the consolidated statements of financial position.

The Group's plan assets as at December 31 consist of the following:

|                                          | 2020               | 2019        |
|------------------------------------------|--------------------|-------------|
| Cash in banks                            | <b>P3,293,644</b>  | P2,460,784  |
| Debt instruments - government securities | <b>26,527,304</b>  | 25,725,898  |
| Trust fees payable                       | <b>(14,073)</b>    | (14,143)    |
| Other receivables                        | <b>210,737</b>     | 277,699     |
|                                          | <b>P30,017,612</b> | P28,450,238 |

On February 17, 2014, the Parent Company entered into a multi-employer retirement plan agreement with a trust Group. The Parent Company made an initial cash contribution of P25 million pesos.

The Group does not expect to contribute to the plan in 2021.

The following were the principal actuarial assumptions at the reporting date:

|                         | 2020  | 2019  |
|-------------------------|-------|-------|
| Discount rate           | 3.95% | 5.22% |
| Future salary increases | 8.00% | 8.00% |

Assumptions regarding future mortality have been based on published statistics and mortality tables.

The weighted average duration of the defined benefit obligation as at December 31, 2020 and 2019 is 21.5 years and 19.4 years, respectively.

#### *Sensitivity Analysis*

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

#### **2020**

|                                           | Increase       | Decrease      |
|-------------------------------------------|----------------|---------------|
| Discount rate (1% movement)               | (P194,736,750) | P331,024,709  |
| Future salary increase rate (1% movement) | 314,682,171    | (252,853,997) |

#### **2019**

|                                           | Increase       | Decrease      |
|-------------------------------------------|----------------|---------------|
| Discount rate (1% movement)               | (P215,392,002) | P169,071,712  |
| Future salary increase rate (1% movement) | 207,545,305    | (166,935,629) |

It should be noted that the changes assumed to be reasonably possible at the valuation date are open to subjectivity, and do not consider more complex scenarios in which changes other than those assumed may be deemed to be more reasonable.

These defined benefit plans expose the Group to actuarial risks, such as longevity risk, interest rate risk, and market (investment) risk.

Maturity analysis of the benefit payments:

|                            | 2020            |                        |               |                    |                     |
|----------------------------|-----------------|------------------------|---------------|--------------------|---------------------|
|                            | Carrying Amount | Contractual Cash Flows | Within 1 Year | Within 1 - 5 Years | Within 5 - 10 Years |
| Defined benefit obligation | P1,413,073,310  | P252,852,978           | P38,533,853   | P49,461,016        | P164,858,109        |
|                            | 2019            |                        |               |                    |                     |
|                            | Carrying Amount | Contractual Cash Flows | Within 1 Year | Within 1 - 5 Years | Within 5 - 10 Years |
| Defined benefit obligation | P947,535,634    | P209,175,795           | P35,986,562   | P34,030,679        | P139,158,554        |

## 25. Income Taxes

The components of income tax expense are as follows:

|                      | 2020                  | 2019           | 2018           |
|----------------------|-----------------------|----------------|----------------|
| Current tax expense  | <b>P3,700,122,821</b> | P3,119,379,310 | P2,803,076,753 |
| Deferred tax benefit | <b>(333,827,499)</b>  | (312,346,160)  | (299,892,203)  |
|                      | <b>P3,366,295,322</b> | P2,807,033,150 | P2,503,184,550 |

The reconciliation of the income tax expense computed at the statutory income tax rate to the actual income tax expense as shown in profit or loss is as follows:

|                                                      | 2020                   | 2019           | 2018           |
|------------------------------------------------------|------------------------|----------------|----------------|
| Income before income tax                             | <b>P11,433,123,679</b> | P9,579,820,928 | P8,702,684,843 |
| Income tax expense at the statutory income tax rate: |                        |                |                |
| 30%                                                  | <b>P3,560,797,495</b>  | P2,980,839,381 | P2,675,203,419 |
| 5%                                                   | <b>3,322,110</b>       | 5,887,079      | 6,946,902      |
| Income tax effects of:                               |                        |                |                |
| Dividend income exempt from tax                      | <b>(144,464,413)</b>   | (148,063,452)  | (142,703,852)  |
| Interest income subject to final tax                 | <b>(81,896,663)</b>    | (62,677,441)   | (42,854,455)   |
| Nondeductible interest expense                       | <b>33,782,374</b>      | 4,476,385      | 4,131,613      |
| Other income subject to final tax                    | <b>(10,868,986)</b>    | (1,700,063)    | (33,000,000)   |
| Nondeductible other expenses                         | <b>9,871,798</b>       | 28,025,380     | 34,203,912     |
| Changes in unrecognized DTA/DTL                      | -                      | 245,881        | 1,257,011      |
| Nontaxable income                                    | <b>(4,248,393)</b>     | -              | -              |
|                                                      | <b>P3,366,295,322</b>  | P2,807,033,150 | P2,503,184,550 |

The components of the Group's deferred tax liabilities (DTL) net of deferred tax assets (DTA) in respect to the following temporary differences are shown below:

|                                                           | 2020                   |                        | 2019            |                 |
|-----------------------------------------------------------|------------------------|------------------------|-----------------|-----------------|
|                                                           | Amount                 | DTA (DTL)              | Amount          | DTA (DTL)       |
| PFRS 16*                                                  | <b>P7,435,070,339</b>  | <b>P2,230,521,102</b>  | P6,535,411,179  | P1,960,623,354  |
| Retirement benefits liability                             | <b>1,213,527,101</b>   | <b>363,373,202</b>     | 996,690,473     | 298,465,692     |
| Actuarial loss                                            | <b>169,529,597</b>     | <b>50,869,693</b>      | -               | -               |
| Allowance for impairment losses on receivables            | <b>7,462,327</b>       | <b>2,238,698</b>       | 7,462,327       | 2,238,698       |
| Recognition of DTA due to Merger                          | <b>389,731</b>         | <b>116,919</b>         | 389,731         | 116,919         |
| DTA                                                       | <b>8,825,979,095</b>   | <b>2,647,119,614</b>   | 7,539,953,710   | 2,261,444,663   |
| Fair value of intangible assets from business combination | <b>(4,599,113,528)</b> | <b>(1,379,734,058)</b> | (4,599,113,528) | (1,379,734,058) |
| Actuarial gains                                           | -                      | -                      | (77,605,077)    | (23,163,254)    |
| Accrued rent income                                       | <b>(32,619,452)</b>    | <b>(9,785,836)</b>     | (33,966,325)    | (8,808,077)     |
| DTL                                                       | <b>(4,631,732,980)</b> | <b>(1,389,519,894)</b> | (4,710,684,930) | (1,411,705,389) |
| Net                                                       | <b>P4,194,246,115</b>  | <b>P1,257,599,720</b>  | P2,829,268,780  | P849,739,274    |

\*Excluding net lease liabilities of PPCI Subic which is subject to SBMA tax rules

The realization of these deferred tax assets is dependent upon future taxable income that temporary differences and carry forward benefits are expected to be recovered or applied.

*Corporate Recovery and Tax Incentives for Enterprise Act (CREATE) Bill*

On March 26, 2021, the President of the Philippines has approved the Corporate Recovery and Tax Incentives for Enterprises or the CREATE Act, with nine (9) provisions vetoed by the President. Below are the salient features of the Act that are relevant to the Group.

- a) Corporate income tax rate is reduced from 30% to 20% for domestic corporations with net taxable income not exceeding P5million and with total assets not exceeding P100 million. All other domestic corporations and resident foreign corporations will be subject to 25% income tax. Said reductions are effective July 01, 2020.
- b) Minimum corporate income tax (MCIT) rate is reduced from 2% to 1% effective July 01, 2020 to 30 June 2023.
- c) The imposition of improperly accumulated earnings tax has been repealed.

On April 8, 2021, the Bureau of Internal Revenue issued the following implementing revenue regulations that are effective immediately upon publication:

- BIR RR No. 2-2021, Amending Certain Provisions of Revenue Regulations No. 2-98, As Amended, to Implement the Amendments Introduced by Republic Act No. 11534, or the "Corporate Recovery and Tax Incentives for Enterprise Act" (CREATE), to the National Revenue Code of 1997, as Amended, Relative to the Final Tax on Certain Passive Income
- BIR RR No. 3-2021, Rules and Regulations Implementing Section 3 of Republic Act (RA). No. 11534, Otherwise Known as the "Corporate Recovery and Tax Incentives for Enterprises Act" or "CREATE", Amending Section 20 of the National Internal Revenue Code of 1997, As Amended
- BIR RR No. 4-2021, Implementing the Provisions on Value-Added Tax (VAT) and Percentage Tax Under Republic Act (RA) No. 11534, Otherwise Known as the "Corporate Recovery and Tax Incentives for Enterprises Act" (CREATE) Which Further Amended the National Revenue Code of 1997, as Amended, as Implemented by Revenue Regulations (RR) No. 16-2005 (Consolidated Value-Added Tax Regulations of 2005), As Amended
- BIR RR No. 5-2021, Implementing the New Income Tax Rates on the Regular Income of Corporations, on Certain Passive Incomes, Including Additional Allowable Deductions from Gross Income of Persons Engaged in Business or Practice of Profession Pursuant to Republic Act (RA) No. 11534 or the "Corporate Recovery and Tax Incentives for Enterprises Act" (CREATE), Which Further Amended the National Revenue Code (NIRC) of 1997

The enactment of CREATE Law is a non-adjusting subsequent event thus, the current and deferred income taxes as of December 31, 2020 are measured using the applicable income tax rates as of December 31, 2020.

Further, the Bureau of Internal Revenue has issued its Revenue Regulation No. 5-2021 to promulgate the implementation of the new income tax rates on the regular income of corporations, on certain passive incomes and additional allowable deductions of persons engaged in business or practice of profession as provided for in CREATE Law. The corporate income tax of the Company will be lowered from 30% to 25% for large corporations, on which the Group would qualify, effective July 1, 2020.

Presented below is the estimated effect of changes in tax rates under the CREATE ACT.

|                                          | As at<br>December 31, 2020 | Effect of Changes<br>in Tax Rates | Amounts Based on the<br>Reduced Tax Rates |
|------------------------------------------|----------------------------|-----------------------------------|-------------------------------------------|
| <b>Statement of Comprehensive Income</b> |                            |                                   |                                           |
| Current tax expense                      | P1,095,973,519             | (P309,025,395)                    | P786,948,124                              |
| Deferred tax benefit                     | (135,343,792)              | 35,693,491                        | (99,650,301)                              |
| Net income for the year                  | (8,066,828,357)            | (273,331,904)                     | (8,340,160,261)                           |
| <b>Statement of Financial Position</b>   |                            |                                   |                                           |
| Deferred tax asset - net                 | P1,257,599,720             | (P17,844,933)                     | P1,239,754,787                            |
| Income tax payable                       | (1,304,529,529)            | 309,025,395                       | (995,504,134)                             |
| <b>Statement of Changes in Equity</b>    |                            |                                   |                                           |
| Deferred tax asset - net                 | P118,634,185               | 11,946,113                        | P130,580,298                              |

## 26. Equity

### Capital Stock and Additional Paid-in Capital

The Parent Company's authorized, issued and outstanding common shares as at December 31 are as follows:

|                             | 2020          | 2019          | 2018          |
|-----------------------------|---------------|---------------|---------------|
| Common shares- P1 par value |               |               |               |
| Authorized                  | 5,000,000,000 | 5,000,000,000 | 3,000,000,000 |
| Issued                      | 2,904,214,086 | 2,904,214,086 | 2,799,914,086 |

The initial public offering of the Parent Company's shares with an offer price of P12.50 per share resulted in the issuance of 500,000,000 common shares in 2011. The additional paid-in capital net of direct transaction costs amounted to P5,168.82 million.

On May 28, 2012, the Parent Company issued 766,406,250 of its common shares in exchange for 100% equity interest in Kareila. The fair value of the shares at acquisition date was P21.50 per share. The additional paid-in capital net of direct transaction costs amounted to P15,661.57 million.

On January 16, 2019, the Parent Company conducted a P4,693,500,000 top up placement of 104,300,000 million common shares at a price of P45.00 per share. The Parent Company completed the placement upon approval of the BOD. The additional shares were issued on March 5, 2019.

On February 20, 2019, the BOD approved the increase in the authorized capital stock of the Parent Company from 3 billion shares to 5 billion shares with par value of P1 per share. The shareholders approved the amendment to the articles of incorporation on May 14, 2019.



As at December 31, 2020 and 2019, the number of issued and outstanding common shares is 2,904,214,086 and 2,869,681,406 (P1.00 per share par value), respectively.

#### Treasury Stock

The Group's treasury shares as at December 31 are as follows:

|                              | 2020              | 2019       | 2018       |
|------------------------------|-------------------|------------|------------|
| Balance at beginning of year | <b>34,532,680</b> | 34,532,680 | 19,981,471 |
| Additions                    | -                 | -          | 14,551,209 |
| Balance at end of year       | <b>34,532,680</b> | 34,532,680 | 34,532,680 |

On February 26, 2013, the SEC approved the application for merger of the Parent Company, PJSI and Gant. As a consideration for the said merger, the Parent Company issued shares of stocks equivalent to 16,911,162 shares at P26.55 per share. As a result, 16,911,006 shares of the total shares issued held by the Parent Company were recognized as treasury stock.

On December 18, 2014, the BOD approved to buy back the Parent Company's shares up to P1 billion or approximately 30 million shares within one year from the approval or until November 4, 2015. The Parent Company bought 1,025,000 shares with acquisition cost of P37.75 million as treasury stock.

On March 12, 2015, the SEC approved the application of merger of the Parent Company and Company E. As a consideration for the said merger, the Parent Company issued shares of stocks equivalent to 2,045,465 shares at par value. Considering that the ultimate owner of Company E is the Parent Company, the shares issued were recognized as treasury stock.

On November 22, 2017, SEC approved the application of the merger of Parent Company, Goldtempo Group Incorporated, Daily Commodities, Inc., and First Lane Super Traders Co., Inc. As a consideration for the merger, the Parent Company issued shares of stocks equivalent to 14,551,209 shares at P39.00 per share. Considering that the ultimate owner is the Parent Company, the shares issued were recognized as treasury stock.

#### Retained Earnings

On December 15, 2017, the Group's BOD approved the declaration of a regular dividend of P0.20 per share and special dividend of P0.20 per share on record date of January 2, 2018 and payment date of January 26, 2018. The total amount of dividends is P1.1 billion.

On February 1, 2019, the Group's BOD approved the declaration of a regular dividend of P0.20 per share and special dividend of P0.20 per share on record date of February 15, 2019 and payment date of March 1, 2019. The total amount of dividends is P1.1 billion.

On December 10, 2019, the Group's BOD approved the declaration of a regular dividend of P0.20 per share and special dividend of P0.20 per share on record date of December 27, 2019 and payment date of January 24, 2020. The total amount of dividends is P1.2 billion.

On December 18, 2020, the Group's BOD approved the declaration of a regular dividend of P0.25 per share and special dividend of P0.20 per share on record date of January 8, 2021 and payment date of January 29, 2021. The total amount of dividends is P1.3 billion.

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## 27. Segment Information

The Group operates through stores in several locations. The combined financial statements of all stores are reviewed by the Chief Operating Decision Maker on a monthly basis and assesses the Group's profitability and financial position of the whole retail business. The Group is engaged in the retail and wholesale trading of merchandise such as dry goods, food and other merchandise.

Accordingly, management has assessed that the Group, as a whole, is considered as a single business and hence there are no operating segments required to be disclosed under PFRS 8, *Operating Segments*.

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## 28. Basic/Diluted EPS

Basic/Diluted EPS is computed as follows:

|                                                | 2020                  | 2019           | 2018<br>(Restated) |
|------------------------------------------------|-----------------------|----------------|--------------------|
| Net income (a)                                 | <b>P8,066,828,357</b> | P6,772,787,778 | P6,199,500,293     |
| Weighted average number of ordinary shares (b) | <b>2,869,681,406</b>  | 2,860,989,739  | 2,765,381,406      |
| Basic/diluted EPS (a/b)                        | <b>P2.81</b>          | P2.37          | P2.24              |

As at December 31, 2020, 2019 and 2018, the Group has no dilutive debt or equity instruments.

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## 29. Financial Risk and Capital Management Objectives and Policies

### Objectives and Policies

The Group has significant exposure to the following financial risks primarily from its use of financial instruments:

- Credit Risk
- Liquidity Risk
- Interest Rate Risk
- Other Market Price Risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risks, and the Group's management of capital.

The Group's principal financial instruments include cash and cash equivalents and investments in trading securities. These financial instruments are used to fund the Group's operations and capital expenditures.

The BOD has overall responsibility for the establishment and oversight of the Group's risk management framework. They are responsible for developing and monitoring the Group's risk management policies.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. All risks faced by the Group are incorporated in the annual operating budget. Mitigating strategies and procedures are also devised to address the risks that inevitably occur so as not to affect the Group's operations and detriment forecasted results. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

#### Credit Risk

Credit risk represents the risk of loss the Group would incur if credit customers and counterparties fail to perform their contractual obligations.

Exposure to credit risk is monitored on an ongoing basis. Credit is not extended beyond authorized limits. Credit granted is subject to regular review, to ensure it remains consistent with the customer's credit worthiness and appropriate to the anticipated volume of business.

Receivable balances are being monitored on a regular basis to ensure timely execution of necessary intervention efforts.

The credit risk for due from related parties and security deposits was considered negligible since these accounts have high probability of collection and there is no current history of default.

Financial information on the Group's maximum exposure to credit risk without considering the effects of collaterals and other risk mitigation techniques is presented below.

|                                                       | <i>Note</i> | <b>2020</b>            | <b>2019</b>     |
|-------------------------------------------------------|-------------|------------------------|-----------------|
| Cash in banks and cash equivalents                    | 4           | <b>P31,949,238,169</b> | P15,709,624,745 |
| Receivables - net                                     | 5           | <b>2,676,254,583</b>   | 2,675,551,867   |
| Financial assets at fair value through profit or loss | 7           | <b>2,411,375,234</b>   | 34,920,601      |
| Security deposits*                                    | 13          | <b>2,091,761,905</b>   | 2,072,158,962   |
|                                                       |             | <b>P39,128,629,891</b> | P20,492,256,175 |

*\*Included under noncurrent assets.*

The credit quality of the Group's financial assets based on its historical experience is as follows:

|                                                       | As of December 31, 2020 |                       |            | Total                  |
|-------------------------------------------------------|-------------------------|-----------------------|------------|------------------------|
|                                                       | Grade A                 | Grade B               | Grade C    |                        |
| At amortized cost:                                    |                         |                       |            |                        |
| Cash in banks and cash equivalents                    | P31,949,238,169         | P -                   | P -        | P31,949,238,169        |
| Receivables - net                                     | 486,169,184             | 2,190,085,399         | -          | 2,676,254,583          |
| Financial assets at fair value through profit or loss | 2,411,375,234           | -                     | -          | 2,411,375,234          |
| Security deposits*                                    | -                       | 2,091,761,905         | -          | 2,091,761,905          |
|                                                       | <b>P34,846,782,587</b>  | <b>P4,281,847,304</b> | <b>P -</b> | <b>P39,128,629,891</b> |

\*Included under noncurrent assets.

|                                                       | As of December 31, 2019 |                       |            | Total                  |
|-------------------------------------------------------|-------------------------|-----------------------|------------|------------------------|
|                                                       | Grade A                 | Grade B               | Grade C    |                        |
| At amortized cost:                                    |                         |                       |            |                        |
| Cash in banks and cash equivalents                    | P15,709,624,745         | P -                   | P -        | P15,709,624,745        |
| Receivables - net                                     | 280,616,651             | 2,394,935,216         | -          | 2,675,551,867          |
| Financial assets at fair value through profit or loss | 34,920,601              |                       |            | 34,920,601             |
| Security deposits*                                    | -                       | 2,072,158,962         | -          | 2,072,158,962          |
|                                                       | <b>P16,025,161,997</b>  | <b>P4,467,094,178</b> | <b>P -</b> | <b>P20,492,256,175</b> |

\*Included under noncurrent assets.

The Group has assessed the credit quality of the following financial assets that are neither past due nor impaired as high grade:

- Cash in bank and cash equivalents were assessed as high grade since these are deposited in reputable banks with good credit standing, which have a low probability of insolvency and can be withdrawn anytime. The credit quality of these financial assets is considered to be high grade.
- Trade receivables were classified as standard grade, since these pertain to receivables considered as unsecured from third parties with good paying habits. Non-trade receivables from suppliers relating to rental, display allowance and concession and advances to contractors were assessed as standard grade since these are automatically deducted from the outstanding payables to suppliers and contractors. Advances to employees were assessed as standard grade as these are paid through salary deductions and have a high probability of collections.
- Financial assets at fair value through profit or loss were assessed as high grade since these are government securities and placed in entities with good favorable credit standing.

- d. Security deposits were assessed as high grade since these have a high profitability of collection and there is no history of default.

The Group applies the simplified approach using provision matrix in providing for ECL which permits the use of the lifetime expected loss provision for trade and other receivables. The expected loss rates are based on the Group's historical observed default rates. The historical rates are adjusted to reflect current and forward looking macroeconomic factors affecting the customer's ability to settle the amount outstanding. However, given the short period exposed to credit risk, the impact of this macroeconomic factor identified has not been considered significant within the reporting period.

The aging of receivables at the reporting date is as follows:

|                     | 2020                  |                   | 2019           |            |
|---------------------|-----------------------|-------------------|----------------|------------|
|                     | Gross Amount          | Impairment        | Gross Amount   | Impairment |
| Current             | <b>P1,251,150,122</b> | <b>P -</b>        | P1,125,529,821 | P -        |
| Past due 1-30 days  | <b>1,010,270,542</b>  | -                 | 981,590,990    | -          |
| Past due 31-60 days | <b>115,867,940</b>    | -                 | 110,353,261    | -          |
| More than 60 days   | <b>306,428,306</b>    | <b>7,462,327</b>  | 465,540,122    | 7,462,327  |
|                     | <b>P2,683,716,910</b> | <b>P7,462,327</b> | P2,683,014,194 | P7,462,327 |

#### Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages liquidity risk by forecasting projected cash flows and maintaining balance between continuity of funding and flexibility in operations. Treasury controls and procedures are in place to ensure that sufficient cash is maintained to cover daily operational working capital requirements. Management closely monitors the Group's future and contingent obligations and sets up required cash reserves as necessary in accordance with internal requirements.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

|                                          | As at December 31, 2020 |                        |                        |                            |                       |
|------------------------------------------|-------------------------|------------------------|------------------------|----------------------------|-----------------------|
|                                          | Carrying Amount         | Contractual Cash Flows | 1 Year or Less         | More than 1 Year - 5 Years | More than 5 Years     |
| <b>Financial Liabilities</b>             |                         |                        |                        |                            |                       |
| Trade and other payables*                | <b>P14,064,447,767</b>  | <b>P14,064,447,767</b> | <b>P14,064,447,767</b> | <b>P -</b>                 | <b>P -</b>            |
| Short-term loans payable                 | -                       | -                      | -                      | -                          | -                     |
| Due to related parties                   | <b>49,568,517</b>       | <b>49,568,517</b>      | <b>49,568,517</b>      | -                          | -                     |
| Lease liabilities                        | <b>33,627,625,966</b>   | <b>43,172,117,981</b>  | <b>2,379,735,845</b>   | <b>9,505,471,439</b>       | <b>31,286,910,697</b> |
| Long-term debt including current portion | <b>11,875,122,322</b>   | <b>16,216,500,000</b>  | <b>42,137,500</b>      | <b>168,550,000</b>         | <b>16,005,812,500</b> |
| Other current liabilities**              | <b>226,965,736</b>      | <b>226,965,736</b>     | <b>226,965,736</b>     | -                          | -                     |

\*excluding statutory payables to the government

\*\*excluding promotion fund, loyalty and rewards, unredeemed gift certificates VAT payable and other current liabilities of Kareila

|                                          | As at December 31, 2019 |                        |                        |                            |                       |
|------------------------------------------|-------------------------|------------------------|------------------------|----------------------------|-----------------------|
|                                          | Carrying Amount         | Contractual Cash Flows | 1 Year or Less         | More than 1 Year - 5 Years | More than 5 Years     |
| <b>Financial Liabilities</b>             |                         |                        |                        |                            |                       |
| Trade and other payables*                | <b>P12,932,251,118</b>  | <b>P12,932,251,118</b> | <b>P12,932,251,118</b> | <b>P -</b>                 | <b>P -</b>            |
| Short-term loans payable                 | 501,570,353             | 501,570,353            | 501,570,353            | -                          | -                     |
| Due to related parties                   | 47,117,438              | 47,117,438             | 47,117,438             | -                          | -                     |
| Lease liabilities                        | <b>30,415,745,177</b>   | <b>46,958,229,466</b>  | <b>2,336,995,275</b>   | <b>9,672,106,532</b>       | <b>34,949,127,659</b> |
| Long-term debt including current portion | <b>400,000,000</b>      | <b>536,533,333</b>     | <b>25,600,000</b>      | <b>510,933,333</b>         | -                     |
| Other current liabilities**              | <b>197,167,114</b>      | <b>197,167,114</b>     | <b>197,167,114</b>     | -                          | -                     |

\*excluding statutory payables to the government

\*\*excluding promotion fund, loyalty and rewards, unredeemed gift certificates VAT payable and other current liabilities of Kareila

### Interest Rate Risk

Interest rate risk is the risk that future cash flows from a financial instrument (cash flow interest rate risk) or its fair value (fair value interest rate risk) will fluctuate because of changes in market interest rates. The Group is exposed to interest rate risk on interest earned on cash deposits in banks. Cash deposits with variable rates expose the Group to cash flow interest rate risk. The Group is not exposed to interest rate risk since its short and long-term loans with fixed rates are carried at amortized cost. The Group's policy is to obtain the most favorable interest available without increasing its foreign currency exchange exposure.

The interest rate profile of the Group's interest-bearing financial instruments is as follows:

|                         | 2020                   | 2019            | 2018           |
|-------------------------|------------------------|-----------------|----------------|
| Financial assets:       |                        |                 |                |
| Cash in banks           | <b>P10,281,958,993</b> | P5,280,614,006  | P2,327,340,011 |
| Money market placements | <b>21,667,279,176</b>  | 10,429,010,739  | 7,183,756,488  |
| Government securities   | <b>2,383,862,048</b>   | -               | -              |
|                         | <b>P34,333,100,217</b> | P15,709,624,745 | P9,511,096,499 |

### Sensitivity Analysis

A 2% increase in interest rates would have increased equity and net income by P46.60 million, P21.40 million and P13.96 million in 2020, 2019 and 2018, respectively. A 2% decrease in interest rates would have had the equal but opposite effect. Assuming a 10% interest rate and on the basis that all other variables remain constant.

### Other Market Price Risk

The Group's market price risk arises from its investments in trading securities carried at fair value. The Group manages its risk arising from changes in market price by monitoring the changes in the market price of the investments.

### Capital Management

The Group's objectives when managing capital are to increase the value of shareholders' investment and maintain steady growth by applying free cash flow to selective investments. The Group set strategies with the objective of establishing a versatile and resourceful financial management and capital structure.

The Group's President has overall responsibility for monitoring of capital in proportion to risk. Profiles for capital ratios are set in the light of changes in the Group's external environment and the risks underlying the Group's business operations and industry.

The Group defines capital as paid-up capital, additional paid-in capital, remeasurements and retained earnings as shown in the consolidated statements of financial position.

There were no changes in the Group's approach to capital management during the year.

The Group is not subject to externally imposed requirements.

#### Fair Values of Financial Assets and Liabilities

The methods and assumptions used by the Group in estimating the fair value of financial asset and other financial liabilities are:

#### *Cash and Cash Equivalents, Receivables, Accounts Payable and Accrued Expenses, Short-term Loans, Due to Related Parties and Other Current Liabilities*

The carrying amounts approximate their fair values due to the relatively short-term maturities of these instruments.

#### *Financial Assets at FVPL*

The fair values are based on observable market inputs for government securities and quoted market prices in an active market for equity securities.

#### *Security Deposits*

The carrying amount approximates its fair value as the effect of discounting is not considered material.

#### *Long-term Loans and Lease Liabilities*

The carrying amounts approximate their fair values because the difference between the interest rates of these instruments and the prevailing market rates for similar instruments is not considered significant.

#### Fair Value Hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at December 31, 2020 and 2019, the Group's investment in financial assets at FVPL for equity securities and government securities are classified as Level 1 and 2, respectively.



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## **REPORT OF INDEPENDENT AUDITORS TO ACCOMPANY SUPPLEMENTARY INFORMATION FOR FILING WITH THE SECURITIES AND EXCHANGE COMMISSION**

The Board of Directors and Stockholders  
**Puregold Price Club, Inc. and Subsidiaries**  
900 Romualdez Street  
Paco, Manila

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of **Puregold Price Club, Inc. and Subsidiaries** (the "Group") as at December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020 included in this Form 17-A, and have issued our report thereon dated April 15, 2021.

Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements of the Group taken as a whole. The supplementary information included in the following accompanying additional components is the responsibility of the Group's management. Such additional components include:

- Supplementary Schedules of Annex 68-J
- Map of Conglomerate
- Reconciliation of Retained Earnings Available for Dividend declaration of the Company

### Firm Regulatory Registration & Accreditation:

PRC-BOA Registration No. 0003, valid until November 21, 2023

SEC Accreditation No. 0003-SEC, Group A, valid for five (5) years covering the audit of 2020 to 2024

financial statements (2019 financial statements are covered by SEC Accreditation No. 0004-FR-5)

IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024

financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)

BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024

financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)





This supplementary information is presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and is not a required part of the basic financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

**R.G. MANABAT & CO.**

A handwritten signature in black ink, appearing to read 'Dindo Marco M. Dioso', followed by a checkmark.

DINDO MARCO M. DIOSO

Partner

CPA License No. 0095177

SEC Accreditation No. 95177-SEC, Group A, valid for five (5) years  
covering the audit of 2019 to 2023 financial statements

Tax Identification No. 912-365-765

BIR Accreditation No. 08-001987-030-2019

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

PTR No. MKT 8533899

Issued January 4, 2021 at Makati City

April 15, 2021

Makati City, Metro Manila



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Email [ph-inquiry@kpmg.com](mailto:ph-inquiry@kpmg.com)

## **INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS**

The Board of Directors and Stockholders  
**Puregold Price Club, Inc. and Subsidiaries**  
900 Romualdez Street  
Paco, Manila

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of Puregold Price Club, Inc. and Subsidiaries (the "Group") as at December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020, and have issued our report thereon dated April 15, 2021.

Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule of Financial Soundness Indicators, including their definitions, formulas, calculations, 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.

### **Firm Regulatory Registration & Accreditation:**

PRC-BOA Registration No. 0003, valid until November 21, 2023

SEC Accreditation No. 0003-SEC, Group A, valid for five (5) years covering the audit of 2020 to 2024

financial statements (2019 financial statements are covered by SEC Accreditation No. 0004-FR-5)

IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024

financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)

BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024

financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)



This schedule is presented for the purpose of complying with the Revised Securities Regulation Code (SRC) Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the 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 at December 31, 2020 and 2019 and for each of three years in the period ended December 31, 2020 and no material exceptions were noted (see Annex A).

**R.G. MANABAT & CO.**

DINDO MARCO M. DIOSO

Partner

CPA License No. 0095177

SEC Accreditation No. 95177-SEC, Group A, valid for five (5) years  
covering the audit of 2019 to 2023 financial statements

Tax Identification No. 912-365-765

BIR Accreditation No. 08-001987-030-2019

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

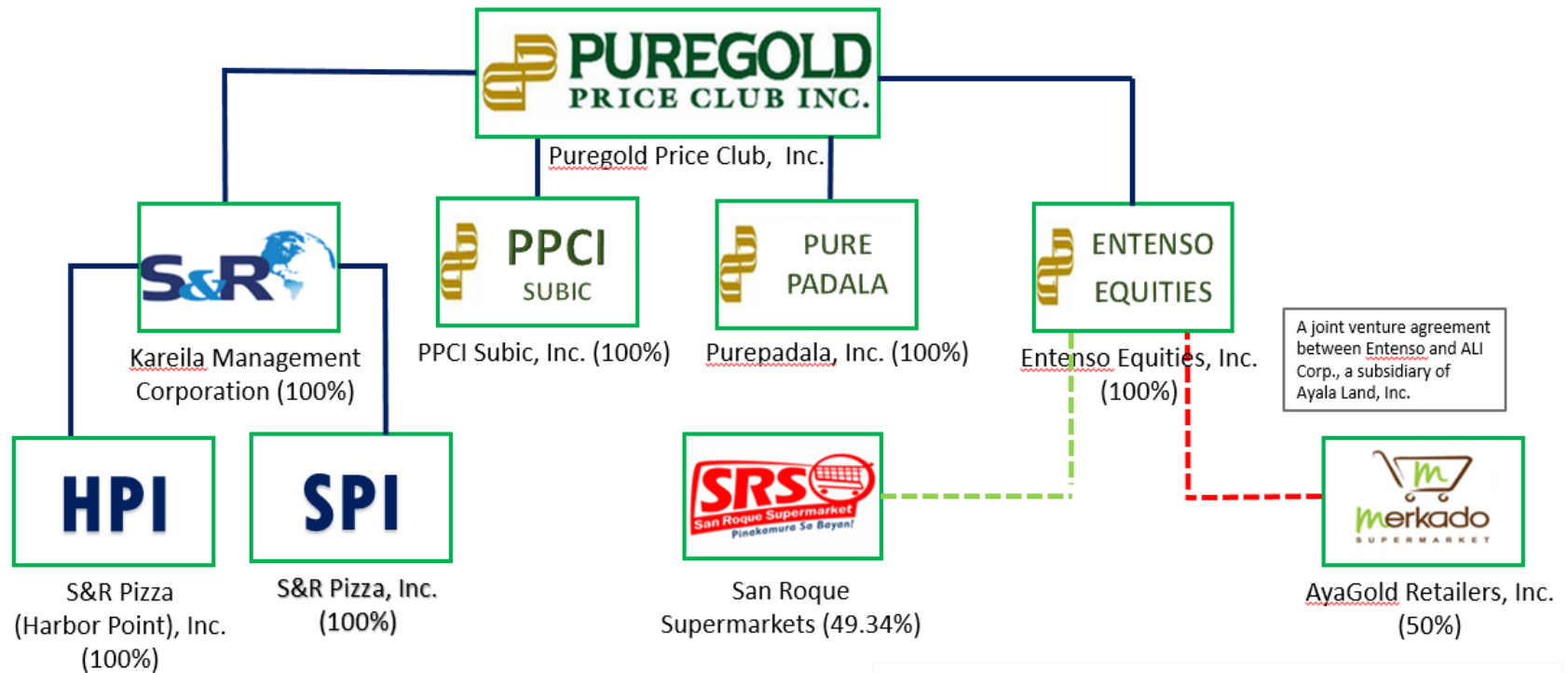
PTR No. MKT 8533899

Issued January 4, 2021 at Makati City

April 15, 2021

Makati City, Metro Manila

**PUREGOLD PRICE CLUB, INC. AND SUBSIDIARIES**  
**Map of Group of Companies Within which the Company Belongs**  
**As at December 31, 2020**



**Notes:**

Purepadala, Inc. – Recently incorporate in October 2018

NE Budget Land and Goldtempo Stores previously under Entenso Equities, Inc. have been merged with PPCI-Parent effective January 1, 2018

All shares in investment in Joint Venture PG Lawson Inc. have also been sold in 2018

**PUREGOLD PRICE CLUB, INC. AND SUBSIDIARIES**  
**SCHEDULE A. FINANCIAL ASSETS**

| Name of Issuing entity and association of each issue          | Number of shares or principal amount of bonds and notes | Amount shown in the balance sheet | Valued based on market quotation at balance sheet date | Income received and accrued |
|---------------------------------------------------------------|---------------------------------------------------------|-----------------------------------|--------------------------------------------------------|-----------------------------|
| Various banks / Cash and cash equivalents                     | N/A                                                     | P32,724,093,663                   | P32,724,093,663                                        | P270,451,378*               |
| Various customers and suppliers / Receivables - net           | N/A                                                     | 2,676,254,583                     | 2,676,254,583                                          | -                           |
| Various lessors / Security deposit Bureau of Treasury (BTR) / | N/A                                                     | 2,091,761,905                     | 2,091,761,905                                          | -                           |
| Government securities                                         | 2,290,000,000                                           | 2,383,862,048                     | 2,383,862,048                                          | 2,537,500*                  |
| Various publicly-listed companies / Equity securities         | 1,002,192                                               | 27,513,186                        | 27,513,186                                             | (7,407,415)**               |
|                                                               |                                                         | <b>P39,903,485,385</b>            | <b>P39,903,485,385</b>                                 | <b>P265,581,463</b>         |

**Notes:**

\*This represents interest income earned, net of final tax.

\*\* This represents unrealized valuation loss on trading securities.

**PUREGOLD PRICE CLUB, INC. AND SUBSIDIARIES****SCHEDULE B. AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND  
PRINCIPAL STOCKHOLDERS (OTHER THAN AFFILIATES).**

| Name and Designation<br>of debtor | Balance at beginning<br>of period | Additions          | Amounts<br>collected | Amounts written<br>off | Current            | Not<br>Current | Balance at end<br>of period |
|-----------------------------------|-----------------------------------|--------------------|----------------------|------------------------|--------------------|----------------|-----------------------------|
| Mr. Lucio L. Co -<br>Chairman     | P5,844,653                        | P34,660,289        | (P5,835,412)         | P -                    | P34,669,530        | P -            | P34,669,530                 |
| Various employees                 | 12,757,783                        | 6,544,568          | (8,169,934)          | -                      | 11,132,417         | -              | 11,132,417                  |
|                                   | <b>P18,602,436</b>                | <b>P41,204,857</b> | <b>(P14,005,346)</b> | <b>P -</b>             | <b>P45,801,947</b> | <b>P -</b>     | <b>P45,801,947</b>          |

**PUREGOLD PRICE CLUB, INC. AND SUBSIDIARIES****SCHEDULE C. AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE  
CONSOLIDATION OF SEPARATE FINANCIAL STATEMENTS**

| Name and Designation of debtor | Balance at beginning of period | Additions           | Amounts collected     | Amounts written off | Current             | Not Current | Balance at end of period |
|--------------------------------|--------------------------------|---------------------|-----------------------|---------------------|---------------------|-------------|--------------------------|
| Kareila Management Corporation | P475,000,000                   | P475,000,000        | (P475,000,000)        | P -                 | P475,000,000        | P -         | P475,000,000             |
| Puregold Price Club, Inc.      | 74,925,615                     | 11,326,461          | (74,925,615)          | -                   | 11,326,461          | -           | 11,326,461               |
|                                | <b>P549,925,615</b>            | <b>P486,326,461</b> | <b>(P549,925,615)</b> | <b>P -</b>          | <b>P486,326,461</b> | <b>P -</b>  | <b>P486,326,461</b>      |

**PUREGOLD PRICE CLUB, INC. AND SUBSIDIARIES**  
**SCHEDULE D. LONG TERM DEBT**

| Title of Issue and type of obligation | Lender                                   | Outstanding Balance    | 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 Rates | Number of Periodic Installments | Final Maturity   |
|---------------------------------------|------------------------------------------|------------------------|-----------------------------------------------------------------------------------------|----------------------------------------------------------------------|----------------|---------------------------------|------------------|
| Long-term debt                        | China Banking Corporation                | P3,442,718,750         | P -                                                                                     | P3,442,718,750                                                       | 4.5%           | N/A                             | October 10, 2030 |
|                                       | Development Bank of the Philippines      | 2,975,410,714          | -                                                                                       | 2,975,410,714                                                        | 4.0%           | N/A                             | October 10, 2027 |
|                                       | Keb Hana Bank                            | 496,383,929            | -                                                                                       | 496,383,929                                                          | 4.0%           | N/A                             | October 10, 2027 |
|                                       | Land Bank of the Philippines             | 1,487,705,357          | -                                                                                       | 1,487,705,357                                                        | 4.0%           | N/A                             | October 10, 2027 |
|                                       | Land Bank of the Philippines             | 1,487,850,000          | -                                                                                       | 1,487,850,000                                                        | 4.5%           | N/A                             | October 10, 2030 |
|                                       | Metropolitan Bank & Trust Co.            | 992,285,714            | -                                                                                       | 992,285,714                                                          | 4.0%           | N/A                             | October 10, 2027 |
|                                       | Shinhan Bank                             | 496,383,929            | -                                                                                       | 496,383,929                                                          | 4.0%           | N/A                             | October 10, 2027 |
|                                       | The Insular Life Assurance Company, Ltd. | 496,383,929            | -                                                                                       | 496,383,929                                                          | 4.0%           | N/A                             | October 10, 2027 |
| <b>Totals</b>                         |                                          | <b>P11,875,122,322</b> | <b>P -</b>                                                                              | <b>P11,875,122,322</b>                                               |                |                                 |                  |



**PUREGOLD PRICE CLUB, INC. AND SUBSIDIARIES**

**SCHEDULE E. INDEBTEDNESS TO RELATED PARTIES (LONG TERM LOANS FROM RELATED PARTIES)**

| Name of Related Parties | Balance at beginning of period | Balance at end of period |
|-------------------------|--------------------------------|--------------------------|
|-------------------------|--------------------------------|--------------------------|

**NOT APPLICABLE**

**PUREGOLD PRICE CLUB, INC. AND SUBSIDIARIES**

**SCHEDULE F. GUARANTEES OF SECURITIES OF OTHER ISSUERS**

---

| Name of issuing entity of securities guaranteed by the company for which this statement is filed | Title of issue of each class of securities guaranteed | Total amount guaranteed and outstanding (i) | Amount owned by person for which statement is filed | Nature of guarantee |
|--------------------------------------------------------------------------------------------------|-------------------------------------------------------|---------------------------------------------|-----------------------------------------------------|---------------------|
|--------------------------------------------------------------------------------------------------|-------------------------------------------------------|---------------------------------------------|-----------------------------------------------------|---------------------|

**NOT APPLICABLE**

**PUREGOLD PRICE CLUB, INC. AND SUBSIDIARIES**  
**SCHEDULE G. CAPITAL STOCK**

---

| Title of Issue | Number of Shares<br>authorized | Number of shares issued<br>and outstanding at shown<br>under related balance<br>sheet caption | Number of<br>treasury common<br>shares | Number of shares<br>held by affiliates | Directors,<br>officers and<br>employees | Others   |
|----------------|--------------------------------|-----------------------------------------------------------------------------------------------|----------------------------------------|----------------------------------------|-----------------------------------------|----------|
| Common Shares  | <b>3,000,000,000</b>           | <b>2,904,214,086</b>                                                                          | <b>(34,532,680)</b>                    | <b>1,425,418,397</b>                   | <b>451,644,740</b>                      | <b>-</b> |

**PUREGOLD PRICE CLUB, INC.**  
**SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS AVAILABLE**  
**FOR DIVIDEND DECLARATION**  
**For the Year Ended December 31, 2020**

*Figures are based from Parent  
Company's Financial  
Statements*

|                                                                                                                                       |                        |
|---------------------------------------------------------------------------------------------------------------------------------------|------------------------|
| <b>Unappropriated Retained Earnings, as adjusted,<br/>beginning</b>                                                                   | <b>P21,740,454,119</b> |
| <b>Net Income based on the face of audited financial<br/>statements</b>                                                               | <b>4,485,496,106</b>   |
| Less: Non-actual/unrealized income net of tax                                                                                         |                        |
| Equity in net income of associates                                                                                                    |                        |
| Unrealized foreign exchange gain - net<br>(except those attributable to Cash and Cash<br>Equivalents)                                 |                        |
| Equity in net income of a joint venture                                                                                               |                        |
| PFRS 16 adjustment on DTA                                                                                                             |                        |
| Deferred tax benefit                                                                                                                  | (P214,139,190)         |
| Fair value adjustments (M2M gains)                                                                                                    | 7,407,415              |
| Fair value adjustments of Investment Property<br>resulting to gain                                                                    | -                      |
| Adjustment due to deviation from PFRS/GAAP -<br>gain                                                                                  |                        |
| Other unrealized gains or adjustments to the<br>retained earnings as a result of certain<br>transactions accounted for under the PFRS | <b>(206,731,775)</b>   |
| Sub-total                                                                                                                             | <b>4,278,764,331</b>   |
| Add: Non-actual losses                                                                                                                |                        |
| Unrealized loss on fair value adjustment of<br>investment through P/L                                                                 |                        |
| Deferred tax expense                                                                                                                  |                        |
| Depreciation on revaluation increment<br>(after tax)                                                                                  |                        |
| Adjustment due to deviation from PFRS/GAAP -<br>loss                                                                                  |                        |
| Loss on fair value adjustment of investment<br>property (after tax)                                                                   |                        |
| <b>Net income actually earned during the period</b>                                                                                   | <b>4,278,764,331</b>   |
| Add (Less):                                                                                                                           |                        |
| Dividends declared during the year                                                                                                    | <b>(1,303,725,160)</b> |
| Appropriations of Retained Earnings during the<br>year                                                                                |                        |
| Treasury shares                                                                                                                       | <b>(56,702,280)</b>    |
| <b>Unappropriated Retained Earnings, as adjusted,<br/>ending</b>                                                                      | <b>P24,658,791,010</b> |

COSCO CAPITAL, INC. SUSTAINABILITY REPORT

Contextual Information

| COMPANY DETAILS                                                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|-------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Name of Organization                                                          | Cosco Capital, Inc.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| Location of Headquarters                                                      | No. 900 Romualdez St., Paco Manila 1007                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| Location of Operations                                                        | Nationwide – Philippines                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| Reports Boundary: Legal entities (e.g. subsidiaries) included in this report* | <p>Cosco Capital Inc,</p> <p>Including all its subsidiaries namely;</p> <p><b>Retail</b></p> <p>Puregold Price Club, Inc. (and its subsidiaries):</p> <ul style="list-style-type: none"><li>• Kareila Management Corporation<ul style="list-style-type: none"><li>▪ S&amp;R Warehouses</li><li>▪ S&amp;R Pizza, Inc.</li><li>▪ Entenso Equities, Inc.</li></ul></li></ul> <p><b>Liquor Distribution</b></p> <p>Montosco, Inc.</p> <p>Meritus Prime Distribution, Inc.</p> <p>Premier Wine and Spirits, Inc.</p> <p><b>Real Estate and Property Leasing</b></p> <p>Nation Realty, Inc.</p> <p>Patagonia Holdings Corp.</p> <p>Ellimac Prime Holdings, Inc. (EPHI)</p> <p>Fertuna Holdings Corp.</p> <p>Pure Petroleum Corp.</p> <p>NE Pacific Shopping Centers Corporation (NPSCC)</p> <p><b>Specialty Retail</b></p> <p>Office Warehouse, Inc.</p> |
| Business Model, including Primary Activities, Brands, Products, and Services. | <p>Cosco Capital, Inc. is an investment holding company. It has a diversified portfolio of business interests in retail, real estate, liquor distribution, and other specialty business.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| Reporting Period                                                              | 2020                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| Highest Ranking Person responsible for this report                            | Atty. Candy H. Dacanay – Datuon Compliance Officer                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |

*\*If you are a holding company, you could have an option whether to report on the holding company only or include the subsidiaries. However, please consider the principle of materiality when defining your report boundary.*

MATERIALITY PROCESS

| Explain how you applied the materiality principle (or the materiality process) in identifying material topics.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>The company identifies its principal business activities that contribute a significant impact on the environment, economic, and social phases of our society. Its principal business activities include logistics in the delivery of products in and out of stores, employing hundreds of employees, supermarket operations from the display of products to check them out in the cash registers, among others.</p> <p>This report is a consolidation of all available data on specific relevant and material sustainability topics. It provides detailed performances of the entire organization that has an impact on the environment, economy, and society.</p> <p>The adaptation of sustainability reporting is relatively new to the organization. We considered all the best practices and standards to disclose our non-financial information, and we also have monitored our progress on the material issues that are most relevant to our stakeholders. The opportunity to analyze business risks and opportunities, to eventually improve and readjust our business strategy, and to allow our organization to focus our efforts on allocating the resources better are the benefits that we see on taking a materiality analysis. In this report, the guiding principle of SASB (Sustainability Accounting Standards Boards) for sustainability reporting was used. The SASB guidelines and standards are found to be more practical and straightforward for us as a new company to implement sustainability reporting. The Securities and Exchange Commissions (SEC) Memorandum Circular 2020-04 was also utilized as guidelines.</p> <p>Our management’s goals and targets are also presented to help achieve the UN Sustainability Development Goals. An ad-hoc team was created to gather data, monitor and identify materiality topics, and approved by the top executives of the company.</p> |

ECONOMIC

Economic Performance  
Direct Economic Value Generated and Distributed

| Disclosure                                                                 | Amount          | Units |
|----------------------------------------------------------------------------|-----------------|-------|
| Direct economic value generated (revenue)                                  | 180,474,149,423 | PhP   |
| Direct economic value distributed:                                         |                 |       |
| a. Operating costs                                                         | 20,147,712,147  | PhP   |
| b. Employee wages and benefits                                             | 2,804,785,115   | PhP   |
| c. Payments to suppliers, other operating costs                            | 145,021,699,420 | PhP   |
| d. Dividends given to stockholders and interest payments to loan providers | 1,480,137,972   | PhP   |
| e. Taxes given to government                                               | 5,291,596,005   | PhP   |
| f. Investments to community (e.g. donations, CSR)                          | 25,125,192      | PhP   |

| What is the impact and where does it occur? What is the organization’s involvement in the impact?                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Which stakeholders are affected?                                               | Management Approach                                                                                                                                                                                                                                                                                          |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| The organization’s rapidly growing operations and sustained expansion through establishing new supermarkets and warehouse clubs in various geographic locations nationwide serve as a catalyst to directly generate new and incremental economic activities to the local communities by generating employment opportunities, financial boost to the local government unit’s revenue, enhanced shopping experience of customers, incremental business & opportunities for local producers & suppliers, and enhanced livelihood opportunities for small and medium-sized enterprises through its reseller TNAP and ka-industriya programs. | Customers<br>Suppliers<br>Employees<br>Community<br>Government<br>Shareholders | <p>The company plans to further expand our operations in areas of the country where it is not yet present to serve more communities.</p> <p>Creating improvements in the existing market are also observed to be able to generate more economic activities that will positively impact our stakeholders.</p> |
| What are the Risk/s Identified?                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Which stakeholders are affected                                                | Management Approach                                                                                                                                                                                                                                                                                          |
| (a) Market risk which includes competition, supply, credit, and pricing.<br><br>(b) Regulatory and compliance risk<br><br>(c) Environmental risk                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Customers<br>Suppliers<br>Employees<br>Community<br>Government<br>Shareholders | To maintain its dominance in the grocery retail industry and its sustained growth and profitability, the company will continue to manage and monitor its operations to mitigate the risks and challenges associated with its business.                                                                       |

|  |  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|--|--|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|  |  | <p>1 – We consider innovation as a way to address the issue towards the changing behaviors of our customers. We will ensure to be more effective in providing services to meet our customer’s satisfaction and valuable shopping experience in our stores and online platforms.</p> <p>2 – Strengthening our relationship with our national and local suppliers through more robust and pro-active collaborations in promoting their products will guarantee us to remain a reliable business partners. We will continue to pursue a more efficient supply chain across all our stores and enable a strategic control on logistics costs in moving around products to counter relative price pressures due to logistical costs.</p> <p>3- The company will be more conscientious in compliance with regulatory measures as we see more government interventions in the future.</p> <p>4 – To become more active in serving the community, we are planning to strengthen our Tindahan ni Aling Puring (TNAP) and ka-industriya reseller programs as well as our Perks program for direct customers.</p> <p>5 – To ensure that our investments to be always value-accretive, the company will continue giving cash dividends to our shareholders.</p> |
|--|--|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|



| What are the Opportunity/ies Identified?                                                                                                | Which stakeholders are affected?                                               | Management Approach                                                                                                                                                                                                                                                                                                                                                     |
|-----------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| The company sees an excellent opportunity to invest in technology platforms such as online grocery shopping and store-to-door delivery. | Customers<br>Suppliers<br>Employees<br>Community<br>Government<br>Shareholders | <p>The company will heavily invest both in technology and human capital.</p> <p>The company sees the combination of reliable technology and trained employees to be a competitive advantage in any industry, but most especially now in the retail industry, as customer behaviors are changing rapidly and the competition is getting more aggressive than before.</p> |

Climate-related risks and opportunities:

The company identifies the following as the climate-related risks that are most material in its retail operation:

1. The use of plastic bags as a package container of our customers when they buy items from our stores. Out of more than 400 stores, few stores are using recyclable cartons for packaging in compliance with the regulations of local government units having jurisdiction of the area.
2. Food wastes and other solid waste from our stores. Most of our stores have food and fresh section where we process meat, fish, and other poultry products. The scraps coming from preparing this food goes to containers of third-party accredited solid waste haulers to the landfill.
3. The energy consumption of our stores and the fleet of vehicles we use to transfer our merchandise, including the vehicles used by our third-party logistics and suppliers, are vital in our operation. Still, they cause or contribute to various levels in releasing climate-damaging emissions. The company uses gas and diesel to run its vehicles, and only three out of more than 400 stores are getting sources from renewable solar energy.

The company is not unmindful of the effects of its operation on our environment. The company produces wastes that, if not disposed of properly, will further contribute to the worsening pollution in the land, the water and in the air.

Also, the company is not oblivious to the fact that it is benefitting from the use of fossil fuels in running its vehicles and electricity sources to energize its stores without accounting for the environmental impact or costs.

We recognize that changing our practice to be sustainable may cause additional costs in our operation and may affect the reputation of the company if we don't.

We see climate change as a global problem but has a local effect. Like any other business, the company will thrive only in a society that is healthy and growing and will perish if the community where it operates crumples. The effects of climate change will be experienced first in the city and municipality level, where the majority of our business activity takes place. It thus makes a good case that we level up our response from regulatory compliance into taking initiatives in reducing factors that could worsen the current climate problems.

The company is looking at mitigation and adaptation as the primary strategy in addressing these climate risks. In the next 24 to 36 months, the company will come up with its comprehensive “Climate Change Response Program” that will lay down the company’s initiatives, strategies, assessment, and targets in response to this global call for all corporate citizens to act in keeping global warming well below 2°C.

**Procurement Practices**

Proportion of spending on local suppliers

| Disclosure                                                                                                     | Quantity      | Units |
|----------------------------------------------------------------------------------------------------------------|---------------|-------|
| Percentage of procurement budget used for significant locations of operations that is spent on local suppliers | Not Monitored | %     |

*\*Vulnerable sector includes, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E).*

| What is the impact and where does it occur? What is the organization’s involvement in the impact?                                                                                                                                                                                                                                                    | Which stakeholders are affected?    | Management Approach                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| The company is working with over 2,000 merchandise suppliers and third-party service providers to keep more than 400 stores operating daily. The company helps small and medium suppliers bringing their produce to the supermarket. The company and the entire supply chain produce more than 60,000 livelihoods and employment across the country. | Suppliers<br>Customers<br>Community | <p>The company aims to be more efficient and sustainable in its supply chain by providing adequate training to its employees and through effective technology.</p> <p>The company will keep on assisting small and medium entrepreneurs and suppliers to make their products available to all our store networks by providing them more access to our various distribution channels.</p> <p>The company aims to maintain healthy and strong collaboration with its suppliers. The more efficient we become in our supply chain, the better we can reduce our costs and improve our product mix. All of that will give our customers a better shopping experience.</p> |

| What are the Risk/s Identified?                                                                                                                                                                                                                                                                               | Which stakeholders are affected  | Management Approach                                                                                                                                                               |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>(1) Inaccurate forecasting and monitoring of products.</p> <p>(2) Delay in the delivery of products and services.</p> <p>(3) Lack of capacity to check the quality of products and services.</p>                                                                                                           | Suppliers<br>Customers           | The company will continue to improve supplier selection to ensure that it is dealing with suppliers that produce quality products and its stock monitoring to optimize inventory. |
| What are the Opportunity/ies Identified?                                                                                                                                                                                                                                                                      | Which stakeholders are affected? | Management Approach                                                                                                                                                               |
| <p>To improve the packaging of products offered by small and medium suppliers to make them more sustainable and enticing to customers.</p> <p>To build stronger relationships with our service providers by assisting them with training and technology support to make them more effective in their job.</p> | Suppliers<br>Customers           | The management will continue to collaborate with our small and medium suppliers and assist them in growing their business with us.                                                |

**Anti-corruption**  
 Training on Anti-Corruption Policies and Procedures

| Disclosure                                                                                                                   | Quantity | Units |
|------------------------------------------------------------------------------------------------------------------------------|----------|-------|
| 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                                           | No data  | %     |
| Percentage of employees that have received anti-corruption training                                                          | No data  | %     |

| What is the impact and where does it occur? What is the organization’s involvement in the impact?                                               | Which stakeholders are affected? | Management Approach                                                                                                                                                                                                                                                          |
|-------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| The impact of corruption may happen within the organization, especially between suppliers and the employees working closely with our suppliers. | Suppliers<br>Employees           | <p>The company shall make controls effective by simplifying them and making all processes more transparent to both suppliers and employees.</p> <p>The company shall continue with the orientation and strict implementation of anti-corruption policies and procedures.</p> |
| What are the Risk/s Identified?                                                                                                                 | Which stakeholders are affected  | Management Approach                                                                                                                                                                                                                                                          |
| Employees may commit fraud or corruption due to a lack of control and transparency in recording of transactions with suppliers.                 | Employee<br>Supplier             | The company shall revise the anti-corruption policy and procedure and re-orient the employees and suppliers.                                                                                                                                                                 |
| What are the Opportunity/ies Identified?                                                                                                        | Which stakeholders are affected? | Management Approach                                                                                                                                                                                                                                                          |
| None                                                                                                                                            | None                             | None                                                                                                                                                                                                                                                                         |

Incidents of Corruption

| Disclosure                                                                                                         | Quantity | Units |
|--------------------------------------------------------------------------------------------------------------------|----------|-------|
| Number of incidents in which directors were removed or disciplined for corruption                                  | 0        | #     |
| Number of incidents in which employees were dismissed or disciplined for corruption                                | 29       | #     |
| Number of confirmed incidents when contracts with business partners were terminated due to incidents of corruption | 0        | #     |

| What is the impact and where does it occur? What is the organization’s involvement in the impact?                                                        | Which stakeholders are affected? | Management Approach                                                                                                                                                                                                                                                                                              |
|----------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| The impact of corruption may happen within the organization as we observed an increase in the number of incidents of corruption recorded in the company. | Employees                        | <p>The company shall revisit its anti-corruption policies and procedures and train employees to abide by it.</p> <p>Stricter implementation of workplace policies will be observed to prevent incidents of corruption to happen. Discussion of workplace policies should also take place on a regular basis.</p> |

| What are the Risk/s Identified?                                                                     | Which stakeholders are affected  | Management Approach                                                                                                        |
|-----------------------------------------------------------------------------------------------------|----------------------------------|----------------------------------------------------------------------------------------------------------------------------|
| Employees are at risk of corruption as long as the opportunity to do so exists in the organization. | Employees                        | The company commits to being more effective in its internal controls to purge opportunities to commit corruption or fraud. |
| What are the Opportunity/ies Identified?                                                            | Which stakeholders are affected? | Management Approach                                                                                                        |
| None                                                                                                | None                             | None                                                                                                                       |

ENVIRONMENTAL

Resource Management

Energy consumption within the organization:

| Disclosure                               | Quantity       | Units |
|------------------------------------------|----------------|-------|
| Energy consumption (renewable resources) | 13,025.59      | GJ    |
| Energy consumption (gasoline)            | 4,794.28       | GJ    |
| Energy consumption (LPG)                 | 191,240.39     | GJ    |
| Energy consumption (diesel)              | 3,759.29       | GJ    |
| Energy consumption (electricity)         | 331,177,376.16 | kWh   |

Reduction of energy consumption

| Disclosure                               | Quantity      | Units |
|------------------------------------------|---------------|-------|
| Energy consumption (renewable resources) | Not monitored | GJ    |
| Energy consumption (gasoline)            | Not monitored | GJ    |
| Energy consumption (LPG)                 | Not monitored | GJ    |
| Energy consumption (diesel)              | Not monitored | GJ    |
| Energy consumption (electricity)         | 3,618,220.00  | kWh   |

| What is the impact and where does it occur? What is the organization’s involvement in the impact?                                                                                                                                                                                             | Which stakeholders are affected?                  | Management Approach                                                                                                                                                                                                                         |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| The company’s store operations depend heavily on the use of electrical grid available in the area where we operate. The logistics of our merchandise throughout the supply chain use either gasoline or diesel to run the vehicles and LPG are consumed by the tenants on our store branches. | Employees<br>Customers<br>Community<br>Government | The company will establish an Energy Management Program that will tackle how the company will address this material topic.                                                                                                                  |
| What are the Risk/s Identified?                                                                                                                                                                                                                                                               | Which stakeholders are affected                   | Management Approach                                                                                                                                                                                                                         |
| With our rapid expansion, we may not be able to catch up, including the suppliers in the supply chain, in making our energy use efficient and sustainable.                                                                                                                                    | Employees<br>Customers<br>Community<br>Government | The company will establish an Energy Management Program that will tackle how the company will address this material topic.                                                                                                                  |
| What are the Opportunity/ies Identified?                                                                                                                                                                                                                                                      | Which stakeholders are affected?                  | Management Approach                                                                                                                                                                                                                         |
| Taking responsibilities and taking on an active step to have a healthy environment by establishing greener store structures to conserve the use of fossil fuels or non-renewable resources.                                                                                                   | Employees<br>Customers<br>Community<br>Government | <div>The company will establish an Energy Management Program that will tackle how the company will address this material topic.</div> <div>We support an undertake initiatives that promotes greater environmental responsibility and</div> |

|  |  |                                                                                                                                                                                                                                                             |
|--|--|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|  |  | <p>implement solutions to reduce our carbon footprint and as well as conserving our non-renewable and natural resources.</p> <p>The company records and monitors its carbon footprint to create solutions on how to reduce our fossil fuel consumption.</p> |
|--|--|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

Water consumption within the organization

| Disclosure                | Quantity      | Units        |
|---------------------------|---------------|--------------|
| Water withdrawal          | Not monitored | Cubic meters |
| Water consumption         | 1,622,648.49  | Cubic meters |
| Water recycled and reused | 720.00        | Cubic meters |

| What is the impact and where does it occur? What is the organization’s involvement in the impact?                                                | Which stakeholders are affected?    | Management Approach                                                                                                                                                                                                              |
|--------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Depletion of water resources as many users are competing, especially in the highly urbanized areas where the majority of our stores are located. | Employees<br>Customers<br>Community | <p>The company has existing programs in water conservation, water re-use program of treated wastewater, and the use of rainwater for cleaning our facilities.</p> <p>The company plans to expand and enhance those programs.</p> |
| What are the Risk/s Identified?                                                                                                                  | Which stakeholders are affected     | Management Approach                                                                                                                                                                                                              |
| Water scarcity                                                                                                                                   | Employees<br>Customers<br>Community | The company shall launch extensive water conservation programs involving as much as possible all stores and offices.                                                                                                             |
| What are the Opportunity/ies Identified?                                                                                                         | Which stakeholders are affected?    | Management Approach                                                                                                                                                                                                              |
| <p>(1) Reduction of water consumption through water conservation programs.</p> <p>(2) Adopting technologies to enhance existing waste</p>        | Employees<br>Customers<br>Community | The company shall launch extensive water conservation programs involving as much as possible all stores and offices.                                                                                                             |

Materials used by the organization

| Disclosure                                                                                                  | Quantity | Units     |
|-------------------------------------------------------------------------------------------------------------|----------|-----------|
| Materials used by weight or volume                                                                          | N/A      |           |
| <ul style="list-style-type: none"><li>Renewable</li></ul>                                                   |          | kg/liters |
| <ul style="list-style-type: none"><li>Non-renewable</li></ul>                                               |          | kg/liters |
| Percentage of recycled input materials used to manufacture the organization’s primary products and services |          | %         |

|                                                                                                          |                                         |                            |
|----------------------------------------------------------------------------------------------------------|-----------------------------------------|----------------------------|
| <b>What is the impact and where does it occur? What is the organization’s involvement in the impact?</b> | <b>Which stakeholders are affected?</b> | <b>Management Approach</b> |
| Not Applicable                                                                                           | Not Applicable                          | Not Applicable             |
| <b>What are the Risk/s Identified?</b>                                                                   | <b>Which stakeholders are affected</b>  | <b>Management Approach</b> |
| Not Applicable                                                                                           | Not Applicable                          | Not Applicable             |
| <b>What are the Opportunity/ies Identified?</b>                                                          | <b>Which stakeholders are affected?</b> | <b>Management Approach</b> |
| Not Applicable                                                                                           | Not Applicable                          | Not Applicable             |

Ecosystems and biodiversity (whether in upland/watershed or coastal/marine)

| Disclosure                                                                                                                                | Quantity | Units |
|-------------------------------------------------------------------------------------------------------------------------------------------|----------|-------|
| Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas | N/A      |       |
| Habitats protected or restored                                                                                                            | N/A      | ha    |
| IUCN Red list species and national conservation list species with habitats in areas affected by operations                                | N/A      |       |

|                                                                                                          |                                         |                            |
|----------------------------------------------------------------------------------------------------------|-----------------------------------------|----------------------------|
| <b>What is the impact and where does it occur? What is the organization’s involvement in the impact?</b> | <b>Which stakeholders are affected?</b> | <b>Management Approach</b> |
| Not Applicable                                                                                           | Not Applicable                          | Not Applicable             |
| <b>What are the Risk/s Identified?</b>                                                                   | <b>Which stakeholders are affected</b>  | <b>Management Approach</b> |
| Not Applicable                                                                                           | Not Applicable                          | Not Applicable             |
| <b>What are the Opportunity/ies Identified?</b>                                                          | <b>Which stakeholders are affected?</b> | <b>Management Approach</b> |
| Not Applicable                                                                                           | Not Applicable                          | Not Applicable             |



Environmental Impact Management

Air Emissions

GHG

| Disclosure                                    | Quantity      | Units                    |
|-----------------------------------------------|---------------|--------------------------|
| Direct (scope 1) GHG Emissions                | 13,914.21     | Tonnes CO <sub>2</sub> e |
| Energy indirect (scope 2) GHG Emissions       | 102,382.52    | Tonnes CO <sub>2</sub> e |
| Emissions of ozone-depleting substances (ODS) | Not monitored | Tonnes                   |

| What is the impact and where does it occur? What is the organization’s involvement in the impact?                                                                                                          | Which stakeholders are affected? | Management Approach                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Transport fleets, energy consumption, and vehicles used to deliver grocery items to sari-sari stores of the company are the main sources and direct contributor to greenhouse gas emissions.               | Community                        | <p>The company will identify sources of emissions and implement programs to reduce greenhouse gas emission’s contribution.</p> <p>The vehicles used to deliver groceries to sari-sari stores should be at least 80% or in the full capacity before the delivery to minimize the consumption of fuel which contributes to the emission of greenhouse gas.</p> <p>Software systems like Mother PO and Vendor Portal is introduced to fully maximize and utilize our supply chain operations and also help aid to minimize our GHG emissions.</p> |
| What are the Risk/s Identified?                                                                                                                                                                            | Which stakeholders are affected  | Management Approach                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| <p>(1) The possible penalty for non-compliance with government environmental laws and regulations.</p> <p>(2) Phasing out of obsolete equipment that directly contributes to greenhouse gas emissions.</p> | Community<br>Government          | The company will continue to comply with Republic Act No. 6969 or the Toxic Substances and Hazardous Wastes and Nuclear Wastes Control Act, Republic Act No. 9275 or the Clear Water Act and Republic Act No. 8749 or the Clean Air Act.                                                                                                                                                                                                                                                                                                       |

|                                                                                                                                                                                              |                                         |                                                                                                                                                               |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------|
| (3) Changing customer behavior or shift in consumer preferences due to increasing awareness of the importance of sustainability.<br><br>(4) Extreme weather events<br><br>(5) Water shortage |                                         | The company will be more active in participating in renewable energy programs and adopting energy – efficiency measures promoted by the Department of Energy. |
| <b>What are the Opportunity/ies Identified?</b>                                                                                                                                              | <b>Which stakeholders are affected?</b> | <b>Management Approach</b>                                                                                                                                    |
| None                                                                                                                                                                                         | None                                    | None                                                                                                                                                          |

**Air Pollutants**

| Disclosure                           | Quantity      | Units |
|--------------------------------------|---------------|-------|
| NO <sub>x</sub>                      | 1.66          | MT    |
| SO <sub>x</sub>                      | Not monitored | kg    |
| Persistent organic pollutants (POPs) | Not monitored | kg    |
| Volatile organic compounds (VOCs)    | Not monitored | kg    |
| Hazardous air pollutants (HAPs)      | Not monitored | kg    |
| Particulate matter (PM)              | Not monitored | kg    |

|                                                                                                          |                                         |                                                                                                |
|----------------------------------------------------------------------------------------------------------|-----------------------------------------|------------------------------------------------------------------------------------------------|
| <b>What is the impact and where does it occur? What is the organization’s involvement in the impact?</b> | <b>Which stakeholders are affected?</b> | <b>Management Approach</b>                                                                     |
| The company’s transport fleets contribute to air quality degradation.                                    | Community                               | The company will adequately operate and maintain all emission sources.                         |
| <b>What are the Risk/s Identified?</b>                                                                   | <b>Which stakeholders are affected</b>  | <b>Management Approach</b>                                                                     |
| The company’s possible violation of Republic Act No. 8749 or the Clean Air Act.                          | Community<br>Government                 | The company will abide by the provisions of Republic Act No. 8749 or the Clean Air Act.        |
| <b>What are the Opportunity/ies Identified?</b>                                                          | <b>Which stakeholders are affected?</b> | <b>Management Approach</b>                                                                     |
| The use of more efficient transport systems.                                                             | Community<br>Employees<br>Supplier      | The company will assess the means of how it can implement the opportunities herein identified. |

Solid and Hazardous Wastes

Solid Waste

| Disclosure                  | Quantity      | Units |
|-----------------------------|---------------|-------|
| Total solid waste generated | 3,807,924.33  | kg    |
| Reusable                    | 16,562,812.78 | kg    |
| Recyclable                  | Not monitored | kg    |
| Composted                   | 576,421.99    | kg    |
| Incinerated                 | Not monitored | kg    |
| Residuals/Landfilled        | 675.18        | kg    |

| What is the impact and where does it occur? What is the organization’s involvement in the impact?                                           | Which stakeholders are affected? | Management Approach                                                                                                                                                                                                                                                                                                                                                                                                                                |
|---------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| The company and the rest of its supply chain produce solid waste that directly goes to landfills and may have an impact on bodies of water. | Community                        | The company shall implement activities such as recycling and reusing waste and be stricter in paper solid waste disposal.                                                                                                                                                                                                                                                                                                                          |
| What are the Risk/s Identified?                                                                                                             | Which stakeholders are affected  | Management Approach                                                                                                                                                                                                                                                                                                                                                                                                                                |
| The improper solid waste disposal affects the environment and may affect the company’s reputation.                                          | Community                        | <p>The company shall implement activities such as recycling and reusing waste and be stricter in paper solid waste disposal.</p> <p>The company shall adhere to the standards set by the Republic Act 9003 or the Ecological Solid Waste Management Act, adopting a systematic, comprehensive and ecological waste management program to guarantee the protection of the environment and public health through proper disposal of solid waste.</p> |
| What are the Opportunity/ies Identified?                                                                                                    | Which stakeholders are affected? | Management Approach                                                                                                                                                                                                                                                                                                                                                                                                                                |
| Adopt a proper solid waste management program, which includes recycling that can be an additional source of income.                         | Community                        | The company shall implement activities such as recycling and reusing waste and be stricter in paper solid waste disposal.                                                                                                                                                                                                                                                                                                                          |

Hazardous Waste

| Disclosure                            | Quantity   | Units |
|---------------------------------------|------------|-------|
| Total weight of hazardous waste       | 175,405.08 | kg    |
| Amount of hazardous waste transported | 12,756.38  | kg    |

| What is the impact and where does it occur? What is the organization’s involvement in the impact?                               | Which stakeholders are affected? | Management Approach                                                                            |
|---------------------------------------------------------------------------------------------------------------------------------|----------------------------------|------------------------------------------------------------------------------------------------|
| Improper disposal of hazardous waste can affect the environment, the health, and the safety of the employees and the community. | Employees<br>Community           | The company shall have a stricter policy on proper handling and disposal of hazardous waste.   |
| What are the Risk/s Identified?                                                                                                 | Which stakeholders are affected  | Management Approach                                                                            |
| Possible violation of Republic Act No. 6969 or the Hazardous Waste Act                                                          | Employees<br>Community           | The company shall abide by the provisions of Republic Act No. 6969 or the Hazardous Waste Act. |
| What are the Opportunity/ies Identified?                                                                                        | Which stakeholders are affected? | Management Approach                                                                            |
| Conversion from hazardous to non-hazardous materials or equipment such as regular bulbs to led lights.                          | Employee                         | The company shall assess and find the means to implement the opportunities herein identified.  |

Effluents

| Disclosure                       | Quantity     | Units        |
|----------------------------------|--------------|--------------|
| Total volume of water discharges | 1,290,322.90 | Cubic meters |
| Percent of wastewater recycled   | 2.80         | %            |

| What is the impact and where does it occur? What is the organization’s involvement in the impact?                                    | Which stakeholders are affected? | Management Approach                                                                        |
|--------------------------------------------------------------------------------------------------------------------------------------|----------------------------------|--------------------------------------------------------------------------------------------|
| If no treatment facility, the company water discharges will contribute to water quality degradation in the community where it opens. | Community                        | The company shall have more wastewater treatment facility.                                 |
| What are the Risk/s Identified?                                                                                                      | Which stakeholders are affected  | Management Approach                                                                        |
| Possible violation of Republic Act No. 9275 or the Clean Water Act.                                                                  | Community<br>Employees           | The company shall abide by the provisions of Republic Act No. 9275 or the Clean Water Act. |

| What are the Opportunity/ies Identified?                                 | Which stakeholders are affected? | Management Approach                        |
|--------------------------------------------------------------------------|----------------------------------|--------------------------------------------|
| Water reduction by maximizing the STP’s capability through water re-use. | Employees<br>Community           | The company shall adopt wastewater re-use. |

**Environmental compliance**  
Non-compliance with Environmental laws and regulations

| Disclosure                                                                                   | Quantity | Units |
|----------------------------------------------------------------------------------------------|----------|-------|
| Total amount of monetary fines for non-compliance with environmental laws and/or regulations | 180,000  | PhP   |
| No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations  | 1        | #     |
| No. of cases resolved through dispute resolution mechanism                                   | 3        | #     |

| What is the impact and where does it occur? What is the organization’s involvement in the impact?          | Which stakeholders are affected? | Management Approach                                                                                                      |
|------------------------------------------------------------------------------------------------------------|----------------------------------|--------------------------------------------------------------------------------------------------------------------------|
| Violation of environmental laws is just a consequence of damage already committed against the environment. | Community<br>Government          | The company shall keep on identifying the cause of the violation and resolve it with immediate and permanent compliance. |
| What are the Risk/s Identified?                                                                            | Which stakeholders are affected  | Management Approach                                                                                                      |
| Damage to environment and damage to the company’s reputation.                                              | Community<br>Government          | The company shall comply with environmental laws and enhance its environmental policies and practices.                   |
| What are the Opportunity/ies Identified?                                                                   | Which stakeholders are affected? | Management Approach                                                                                                      |
| No opportunity identified                                                                                  | None                             | None                                                                                                                     |

SOCIAL

EMPLOYEE MANAGEMENT

Employee Hiring and Benefits  
Employee Data

| Disclosure                                         | Quantity | Units |
|----------------------------------------------------|----------|-------|
| Total number of employees                          | 11,331   | #     |
| a. Number of female employees                      | 6,383    | #     |
| b. Number of male employees                        | 4,948    | #     |
| Attrition rate                                     | 14.98%   | %     |
| Ratio of lowest paid employee against minimum wage | 0        | %     |

Employee benefits

| List of benefits                         | Y/N                                                      | % of female employees who availed for the year | % of male employee who availed for the year |
|------------------------------------------|----------------------------------------------------------|------------------------------------------------|---------------------------------------------|
| SSS                                      | Y                                                        | Maternity: 5.71%                               | N/A                                         |
|                                          |                                                          | Sickness: 2.75%                                | Sickness: 2.86%                             |
|                                          |                                                          | Loan: 13.74%                                   | Loan: 11.41%                                |
| PhilHealth                               | Y                                                        | 2.12%                                          | 0.65%                                       |
| Parent leaves                            | Y                                                        | Solo Parent Leave: 1.98%                       | Solo Parent Leave: 0.16%                    |
|                                          |                                                          |                                                | Paternity Leave: 1.96%                      |
| Vacation leaves                          | Y                                                        | 93.80%                                         | 90.17%                                      |
| Sick leaves                              | Y                                                        | 93.80%                                         | 89.83%                                      |
| Medical benefits (aside from PhilHealth) | Y                                                        | 55.12%                                         | 27.25%                                      |
| Housing assistance (aside from Pag-Ibig) | Y                                                        | 0%                                             | 0%                                          |
| Retirement fund (aside from SSS)         | Y                                                        | 0%                                             | 0%                                          |
| Further education support                | Y                                                        | 0.26%                                          | 0.04%                                       |
| Company stock options                    | N                                                        | 0%                                             | 0%                                          |
| Telecommuting                            | Y                                                        | 0.02%                                          | 0%                                          |
| Flexible-working hours                   | Y                                                        | 33.94%                                         | 32.05%                                      |
| (Others)                                 | Y – Compressed workweek for HO female and male employees |                                                |                                             |

|                                                                                                                                                                                                                                                                                                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>What is the impact and where does it occur? What is the organization’s involvement in the impact?</b>                                                                                                                                                                                                      | <b>Management Approach</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <p>The employees’ over-all welfare is crucial as they are primarily involved in the daily operation of the business. We cannot operate our business without our employees.</p> <p>The employees rely on the company as a source of their livelihood. All employees are working full-time for the company.</p> | <p>The company ensures that employees can avail of the benefits guaranteed to them under the law.</p> <p>The company ensures the safety and health of employees by complying with the labor and welfare standards and policies implemented by Department of Labor and Employment such as the Occupational Safety and Health Standards, Minimum Wage Law, Anti-sexual Harassment Policy, Company Policy &amp; Rule on STD/HIV/AIDS and Drug-Free Workplace among others.</p> |
| <b>What are the Risk/s Identified?</b>                                                                                                                                                                                                                                                                        | <b>Management Approach</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <p>The risk of not being able to retain and attract the right talents.</p>                                                                                                                                                                                                                                    | <p>The company shall improve its employee training and development programs and performance-based merit increase in ensuring that compensation of employees remains to be competitive.</p>                                                                                                                                                                                                                                                                                  |
| <b>What are the Opportunity/ies Identified?</b>                                                                                                                                                                                                                                                               | <b>Management Approach</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <p>To engage the working force that is in their optimal health state.</p>                                                                                                                                                                                                                                     | <p>To adopt policies that can develop a more profound sense of belongingness and commitment for this generation’s younger employees.</p>                                                                                                                                                                                                                                                                                                                                    |

**Employee Training and Development**

| Disclosure                                   | Quantity | Units          |
|----------------------------------------------|----------|----------------|
| Total training hours provided to employees   | 65,152   | Hours          |
| A. Female employees                          | 36,800   | Hours          |
| B. Male employees                            | 28,352   | Hours          |
| Average training hours provided to employees |          |                |
| A. Female employees                          | 112      | hours/employee |
| B. Male employees                            | 112      | hours/employee |

|                                                                                                                                                                                             |                                                                                                                                                                       |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>What is the impact and where does it occur? What is the organization’s involvement in the impact?</b>                                                                                    | <b>Management Approach</b>                                                                                                                                            |
| <p>There is no formal education or course that teaches retail operations; thus, the training of our employees is vital in keeping them knowledgeable and efficient in store operations.</p> | <p>The company shall enhance the quality and quantity of its existing employees’ training and development program and expand the same to all levels of employees.</p> |

| What are the Risk/s Identified?                                                          | Management Approach                                                                                                                                                                                                                   |
|------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Rapid expansion may limit the employees’ required training in store operations.          | <p>The company plans to expand the coverage of the training of its employees.</p> <p>The training of employees shall be ahead of store openings.</p>                                                                                  |
| What are the Opportunity/ies Identified?                                                 | Management Approach                                                                                                                                                                                                                   |
| Expansion of mandatory training courses and development of assessment for these courses. | <p>The company will support more employee training programs and the use of technology in the training of employees.</p> <p>The company will conduct a regular assessment to monitor the effectiveness of theses training courses.</p> |

Labor- Management Relations

| Disclosure                                                                            | Quantity | Units |
|---------------------------------------------------------------------------------------|----------|-------|
| % of employees covered with Collective Bargaining Agreement                           | N/A      | %     |
| Number of consultations conducted with employees concerning employee-related policies | 2        | #     |

| What is the impact and where does it occur? What is the organization’s involvement in the impact?                                                                                                                 | Management Approach                                                                                                                                                                                                                                                                                                                                                     |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Harmony between the management and employees is vital in achieving company goals and targets and being consulted about important decisions in the workplace can improve an employee’s engagement with their work. | <p>The company shall create a policy that will foster a stronger bond between labor and management.</p> <p>The company shall maintain its strong and effective leadership to manage a large organization like ours.</p> <p>The harmonious relationship between management and employees has always been a vital element in achieving our company goals and targets.</p> |
| What are the Risk/s Identified?                                                                                                                                                                                   | Management Approach                                                                                                                                                                                                                                                                                                                                                     |
| The failure of the management to act on employees’ grievances may lead to their non-productivity and lack of initiative. being consulted about <b>important</b> decisions in the workplace can improve            | The company has an existing Employee Relation/Industrial Relation section, where employees and management can discuss their issues or differences.                                                                                                                                                                                                                      |



|                                                                                                                                                                  |                                                                                                                                                                           |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| an <b>employee's</b> engagement with their work.                                                                                                                 |                                                                                                                                                                           |
| <b>What are the Opportunity/ies Identified?</b>                                                                                                                  | <b>Management Approach</b>                                                                                                                                                |
| <p>Increase in management engagement with employees’ activities.</p> <p>Monitor consultations conducted with employees concerning employee-related policies.</p> | <p>The company shall develop a positive and productive organizational culture that creates a climate for harmonious interaction between the management and employees.</p> |

| Disclosure                                                               | Quantity                     | Units |
|--------------------------------------------------------------------------|------------------------------|-------|
| % of female workers in the workforce                                     | 56.33%                       | %     |
| % of male workers in the workforce                                       | 43.67%                       | %     |
| Number of employees from indigenous communities and/or vulnerable sector | 24 - PWD<br>99 - Solo Parent | #     |

|                                                                                                                                                                                                                                                                                                                                                                                                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>What is the impact and where does it occur? What is the organization’s involvement in the impact?</b>                                                                                                                                                                                                                                                                                                       | <b>Management Approach</b>                                                                                                                                                                                                                                                                                                                                                                                                                       |
| <p>As a company engaged in a highly competitive field, Puregold supports a diverse workforce and aims to achieve a fair work environment and opportunities for both male and female employees and as well as the vulnerable sector.</p> <p>More than half of the workforce of the company are female and our company promotes, observes, and values diversity in the composition of the Board of Directors</p> | <p>The company will maintain its culture of diversity and inclusion in selecting its employees.</p> <p>The company shall have programs that understand females’ various needs and supportive of their role as mothers.</p> <p>Diversity in the workforce and leadership roles are encouraged to ensure an appropriate mix of employees, officers, and directors since the company has a diverse set of stakeholders, customers, and clients.</p> |
| <b>What are the Risk/s Identified?</b>                                                                                                                                                                                                                                                                                                                                                                         | <b>Management Approach</b>                                                                                                                                                                                                                                                                                                                                                                                                                       |
| No identified risks.                                                                                                                                                                                                                                                                                                                                                                                           | Not Applicable                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>What are the Opportunity/ies Identified?</b>                                                                                                                                                                                                                                                                                                                                                                | <b>Management Approach</b>                                                                                                                                                                                                                                                                                                                                                                                                                       |
| To be more productive and creative as the workforce become more diverse and gender-inclusive.                                                                                                                                                                                                                                                                                                                  | The company shall set avenues for employees to collaborate and discuss ideas freely.                                                                                                                                                                                                                                                                                                                                                             |

Workplace Conditions, Labor Standards, and Human Rights

Occupational Health and Safety

| Disclosure                     | Quantity   | Units     |
|--------------------------------|------------|-----------|
| Safe Man-Hours                 | 42,997,803 | Man-hours |
| No. of work-related injuries   | 7          | #         |
| No. of work-related fatalities | 0          | #         |
| No. of work-related ill-health | 0          | #         |
| No. of safety drills           | 420        | #         |

| What is the impact and where does it occur? What is the organization’s involvement in the impact?                                                                                                                                                                                                                                                           | Management Approach                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Our workforce is vital in our operation. Maintaining a safe working place and keeping them fit is a necessary condition in having a smooth business operation especially during the time of pandemic.</p>                                                                                                                                                | <p>The company complies with labor standards set by the Department of Labor and Employment that ensure occupational health and safety of employees. A safe and healthy workforce is an asset to any company.</p> <p>A safe working place also eliminate the company’s potential expense in paying for injuries and damages and the incalculable loss in time and money brought by the interruption in the store operation.</p> <p>The company issues a Workplace Policy in the Prevention and Control of Covid-19 based on government guidelines as part of the health and precautionary measures to prevent the spread of Covid-19 in the workplace.</p> |
| What are the Risk/s Identified?                                                                                                                                                                                                                                                                                                                             | Management Approach                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| <p>Our employees are at risk due to the continuous threat of Covid-19 in the workplace.</p> <p>The company has a risk of having a second-rate store structure caused by subcontracting store constructions and leasing store premises from third-parties and the risk of fire that may cause damage to our property and severe injury to our employees.</p> | <p>The Workplace Policy covers guidelines on employees’ and employer’s responsibility on matters of workplace safety &amp; health, management of symptomatic &amp; asymptomatic, notification, reporting, and implementation. It is made available in employer’s portal (MyPortal) so that workers may be visit it from time to time. Included in the policy is the appointment of a Department Representative not only to serve as the point person but with the aim to provide immediate response to employees’ concerns.</p> <p>The company is engaging the services of construction companies with reliable</p>                                       |

|                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|-------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                 | <p>experience and classified as triple-A or having good standing with the Philippine Construction Accreditation Board.</p> <p>Structures of leased premises are being examined before using them.</p> <p>A safe working place also eliminate the company’s potential expense in paying for injuries and damages and the incalculable loss in the time and money brought by the interruption in the operations of the stores.</p> <p>The company is compliant with the fire regulations issued by local government units where stores are located.</p> |
| <b>What are the Opportunity/ies Identified?</b> | <b>Management Approach</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| None                                            | None                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |

**Labor Laws and Human Rights**

| Disclosure                                                                  | Quantity | Units |
|-----------------------------------------------------------------------------|----------|-------|
| No. of legal actions or employee grievances involving forced or child labor | 0        | #     |

| Topic        | Y/N | If Yes, cite reference in the company policy                                                         |
|--------------|-----|------------------------------------------------------------------------------------------------------|
| Forced Labor | N   |                                                                                                      |
| Child Labor  | N   |                                                                                                      |
| Human Rights | Y   | Anti-sexual Harassment Policy<br>Company Policy & Rule on STD/HIV/AIDS<br>Drug-Free Workplace Policy |

| What is the impact and where does it occur? What is the organization’s involvement in the impact?                                                                                                                                                                                           | Management Approach                                                                                                                                                                                                                                                                                                                                                                                                     |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>All employees of the company are of legal age. No employee is below 18 years old. And all employees are literate.</p> <p>We ensure that we have an existing policies regarding the welfare of our employees and we also ensure that the policies are being communicated accordingly.</p> | <p>The company shall keep on complying with the provisions of the Labor Code of the Philippines and maintain its good standing with the Department of Labor and Employment.</p> <p>The company shall reinforce the implementation of its whistleblowing policy to protect its employees against any human rights violation.</p> <p>The company shall provide a harassment-free work environment and shall provide a</p> |

|                                                                                                                                                                                                                                                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                                                                                                                                                                                                                                             | mechanism in addressing sexual harassment in a confidential and sensitive manner after a complaint has been filed.                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| <b>What are the Risk/s Identified?</b>                                                                                                                                                                                                                                                      | <b>Management Approach</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| <p>The company’s operations are present across the islands of the Philippines. The occurrence of human rights violations might be happening in far branches without the management immediately knowing it.</p> <p>Violation of workplace policies are still present in the organization</p> | <p>The company shall strictly implement its whistleblowing policy in all stores of the company.</p> <p>The company shall integrate human rights courses in the training module of employees.</p> <p>The company shall establish a well-constructed and well-implemented plan within an organization may stop an inappropriate conduct before it creates a problem for individual employees of the company.</p> <p>All workplace policies shall be communicated via employees’ orientation and should be discuss on a regular basis to avoid incidents of violations.</p> |
| <b>What are the Opportunity/ies Identified?</b>                                                                                                                                                                                                                                             | <b>Management Approach</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| None                                                                                                                                                                                                                                                                                        | None                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |

**Supply Chain Management**

Do you have a supplier accreditation policy? If yes, please attach the policy or link to the policy. Yes, please see attached.

Do you consider the following sustainability topics when accrediting suppliers?

| Topic                     | Y/N | If yes, cite a reference in the supplier policy |
|---------------------------|-----|-------------------------------------------------|
| Environmental performance | N   |                                                 |
| Forced labor              | N   |                                                 |
| Child labor               | N   |                                                 |
| Human Rights              | N   |                                                 |
| Bribery and corruption    | N   |                                                 |

|                                                                                                                                                                                                   |                                                                                                                                                                                                                                        |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>What is the impact and where does it occur? What is the organization’s involvement in the impact?</b>                                                                                          | <b>Management Approach</b>                                                                                                                                                                                                             |
| We have more than 2,000 suppliers of merchandise and several third-party providers whom we all consider our partners in our business. Like our employees, their roles are vital in our operation. | The company works with suppliers with efficiency. It has several methods of delivery or logistics that vary depending on the size and capacity of the suppliers to ensure their timely delivery to us and their profitability as well. |

|                                                                                                                                                                                                                                                                                                                                                                                              |                                                                                                                                                                                                                                                                                                                                |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                                                                                                                                                                                                                                                                                                                                              | <p>A significant portion of the management team is working closely with our suppliers. The company gives close attention to our suppliers to ensure stock availability and services in our stores.</p> <p>The company will keep on ensuring that company values are aligned with the values or practices of our suppliers.</p> |
| <b>What are the Risk/s Identified?</b>                                                                                                                                                                                                                                                                                                                                                       | <b>Management Approach</b>                                                                                                                                                                                                                                                                                                     |
| <p>There are many suppliers in the supply chain and that the company cannot possibly monitor each one of them if they are sustainable in their processes.</p> <p>The supply chain is exposed to several factors like government regulations, scarcity of raw materials, traffic congestion, climate change. All of these may affect the delivery of products and services to our stores.</p> | <p>The company is relying on reliable technology to monitor the suppliers, and it established its distribution centers to stock up its merchandise if needed.</p>                                                                                                                                                              |
| <b>What are the Opportunity/ies Identified?</b>                                                                                                                                                                                                                                                                                                                                              | <b>Management Approach</b>                                                                                                                                                                                                                                                                                                     |
| <p>To build our house brands for some merchandise.</p>                                                                                                                                                                                                                                                                                                                                       | <p>The company is meticulously balancing its act of offering its house brands to customers taking into consideration the reputation risk embedded into it and the possible protest from existing suppliers.</p>                                                                                                                |

Relationship with Community

Significant Impacts on Local Communities

| Operations with significant (positive or negative) impacts on local communities (exclude CSR projects; this has to be business operations) | Location               | Vulnerable groups (if applicable) | Does the particular operation have an impact on indigenous people? (Y/N) | Collective or individual have been identified that or particular concern for the community | Mitigating measures (if negative) or enhancement measures (if positive)                                                                                                                                                                                            |
|--------------------------------------------------------------------------------------------------------------------------------------------|------------------------|-----------------------------------|--------------------------------------------------------------------------|--------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Use of plastic                                                                                                                             | All stores             | N                                 | N                                                                        | N                                                                                          | <p>We comply with LGUs regulations that prohibit the use of plastic as packaging for items brought from the supermarkets.</p> <p>We are also promoting the use of recyclable bags in our stores.</p> <p>We are studying more ways we can address this problem.</p> |
| Food Waste                                                                                                                                 | All stores             | N                                 | N                                                                        | N                                                                                          | <p>The company is complying with the Solid Waste Act.</p> <p>But it is in the process of establishing its Food Waste Management Program to address this material topic.</p>                                                                                        |
| Water Usage                                                                                                                                | All stores and offices | N                                 | N                                                                        | N                                                                                          | <p>The company is complying with the Philippine Clean Water Act of 2004.</p>                                                                                                                                                                                       |

|                                                                    |                        |   |   |   |                                                                                                                                                                              |
|--------------------------------------------------------------------|------------------------|---|---|---|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                    |                        |   |   |   | The company has existing programs in water conservation, water re-use program of treated wastewater, and the use of rainwater for cleaning our facilities.                   |
| Food Safety                                                        | All stores             | N | N | N | <p>The company has a systematic way of tracking expired or near expiry merchandise.</p> <p>However, we are drafting a Food Safety Policy to address this material topic.</p> |
| Fleet Fuel Management                                              | All stores and offices | N | N | N | The company is preparing an Energy Management Policy to address this topic.                                                                                                  |
| Management of Environmental and Social Impacts in the supply chain | All stores             | N | N | N | The company will adopt an effective Supply Chain Management Policy to address this material topic.                                                                           |
| Data Security                                                      | All stores and offices | N | N | N | The company has a Data Privacy Policy, but it needs to be re-addressed to check its effectiveness.                                                                           |
| Air Emissions for Refrigeration                                    | All stores and offices | N | N | N | The company is preparing an Environmental Compliance Policy to address this topic.                                                                                           |

|                   |                        |   |   |   |                                                                                                                                                         |
|-------------------|------------------------|---|---|---|---------------------------------------------------------------------------------------------------------------------------------------------------------|
| Labor Practices   | All stores and offices | N | N | N | The company is compliant with labor laws. But the company is still preparing for a comprehensive Labor Practices Manual to address this material topic. |
| Energy Management | All stores and offices | N | N | N | The company is preparing an Environmental Compliance Policy to address this topic.                                                                      |

\*Vulnerable sector included children and youth, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents and the poor, or the base of the pyramid (BOP; Class D and E).

For operations that are affecting Ips, indicate the total number of Free and Prior Informed Consent (FPIC) undergoing consultations and Certification Preconditions (CPs) secured and still operational and provide a copy or link to the certificates if available:  
None

| Certificates                     | Quantity | Units |
|----------------------------------|----------|-------|
| FPIC process is still undergoing | N/A      | #     |
| CP secured                       | N/A      | #     |

| What are the Risk/s Identified?          | Management Approach |
|------------------------------------------|---------------------|
| N/A                                      | N/A                 |
| What are the Opportunity/ies Identified? | Management Approach |
| N/A                                      | N/A                 |



Customer Management

Customer Satisfaction

| Disclosure            | Score | Did a third party conduct the customer satisfaction study (Y/N)? |
|-----------------------|-------|------------------------------------------------------------------|
| Customer satisfaction | N/A   | N                                                                |

| What is the impact and where does it occur? What is the organization’s involvement in the impact?                                                                                                                                                                                                                                                                          | Management Approach                                                                                                                                                                                                                                                                                                                                                                   |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Our stores serve millions of customers daily. We are their source of basic needs and other essential supplies.                                                                                                                                                                                                                                                             | We must build a good relation and impression on our customers. Happy customers are most likely to return and shop for more with us.                                                                                                                                                                                                                                                   |
| What are the Risk/s Identified?                                                                                                                                                                                                                                                                                                                                            | Management Approach                                                                                                                                                                                                                                                                                                                                                                   |
| (1) Failure to meet customer’s expectations, serve their demands, or attend to their complaints may reduce sales for the company.<br><br>(2) Mistakes or errors of suppliers in their products may be regarded as caused by the company.<br><br>(3) Exposure to social media can easily affect our reputation.<br><br>(4) Increased competition vying for the same market. | Customer service has always been part of the training of our store employees.<br><br>The company needs to provide a quick feedback mechanism for our customers.<br><br>The company is preparing a Customer Service Program that will demonstrate how we can monitor the satisfaction level of our customers and how we should respond to their expectations, demands, and complaints. |
| What are the Opportunity/ies Identified?                                                                                                                                                                                                                                                                                                                                   | Management Approach                                                                                                                                                                                                                                                                                                                                                                   |
| To lead our customers to become sustainable shoppers and choose healthy and more nutritious food.                                                                                                                                                                                                                                                                          | The company is preparing a Food Safety Program and other Sustainable programs that will cover taking care of the health of our customers and teaching them top contribute in the fight against climate change by recycling and properly disposing or segregating their wastes at home.                                                                                                |

Health and Safety

| Disclosure                                                              | Quantity | Units |
|-------------------------------------------------------------------------|----------|-------|
| No. of substantiated complaints on product or service health and safety | 120      | #     |
| No. of complaints addressed                                             | 120      | #     |

\*Substantiated complaints from customers that went through the organization’s formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.

| What is the impact and where does it occur? What is the organization’s involvement in the impact?                                                                                                                                                                                                                                                                          | Management Approach                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>(1) Our retail establishments are strongly encouraged to operate during the time of pandemic to attend to the needs of our customers.</p> <p>(2) Thousands of customers visit our stores daily. It is expected that we not only provide our customers with what they want and need it is much more expected that our stores are safe and our employees are healthy.</p> | <p>The company ensure its compliance with the guidelines and protocols set by the Inter-Agency Task Force (IATF) to effectively lessen the transmission of Covid-19 in all our stores and offices.</p> <p>Our stores structures are compliant with the Building Code and other regulations issued by local government units regulating concrete structures. Likewise, all our employees are fit to work and always ready to serve the customers.</p> <p>To further ensure safety in our stores, the company is preparing a Store Safety Program that will provide for more stringent safety measures across our stores.</p>                                                                                                            |
| What are the Risk/s Identified?                                                                                                                                                                                                                                                                                                                                            | Management Approach                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| <p>(1) Increasing numbers of Covid-19 cases in the country and the threat of transmission of the virus in our employees and customers that may affect our daily operations.</p> <p>(2) Any injury to customers while in store premises may cause expense to the company, and that social media may augment its effect and create damage to company’s reputation.</p>       | <p>Our retail establishments followed all the Inter-Agency Task Force (IATF) guidelines and protocols. During ECQ, we strictly limited the numbers of customers who can enter the establishment to practice strict health protocols and avoid overcrowding inside the store. We also implemented the wearing of face mask and face shield inside our stores to avoid or to lessen the transmission of the virus. Foot bath, alcohols, digital scanner/thermometers, and personal information questionnaire for contact tracing are present upon entry of the establishment. We frequently disinfect surfaces repeatedly touches by employees or customers such as equipment handles, check-out counters, and grocery cart handles.</p> |

|                                                 |                                                                                                                                                                                                             |
|-------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                 | <p>We are keeping all stores insured against damages and injuries.</p> <p>We have safety policies that provide more stringent measures than the safety standards prescribed by the government agencies.</p> |
| <b>What are the Opportunity/ies Identified?</b> | <b>Management Approach</b>                                                                                                                                                                                  |
| No identified opportunity                       | Not Applicable                                                                                                                                                                                              |

Marketing and labeling

| Disclosure                                                | Quantity | Units |
|-----------------------------------------------------------|----------|-------|
| No. of substantiated complaints on marketing and labeling | 172      | #     |
| No. of complaints addressed                               | 172      | #     |

\*substantiated complaints include complaints from customers that went through the organization’s formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.

|                                                                                                                                                                                                                                                   |                                                                                                                                                                                                                           |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>What is the impact and where does it occur? What is the organization’s involvement in the impact?</b>                                                                                                                                          | <b>Management Approach</b>                                                                                                                                                                                                |
| <p>Our customers rely on the marketing and labeling of the products we display in our stores for its safety, nutrition, taste, or effectiveness.</p> <p>The company is at the forefront of persuading customers to purchase certain products.</p> | <p>The company is preparing a Food Safety Program that will define the role of the suppliers and the company in ensuring that our customers are given correct information about the products they see on our display.</p> |
| <b>What are the Risk/s Identified?</b>                                                                                                                                                                                                            | <b>Management Approach</b>                                                                                                                                                                                                |
| <p>Customers might suffer an injury caused by incorrect labeling or expired products still for sale in our stores.</p> <p>Social media may augment its effect and create damage to the company’s reputation.</p>                                  | <p>To have a systematic way of monitoring the expiration dates of our merchandise and train our employees to identify incorrect labeling of products quickly.</p>                                                         |
| <b>What are the Opportunity/ies Identified?</b>                                                                                                                                                                                                   | <b>Management Approach</b>                                                                                                                                                                                                |
| No identified                                                                                                                                                                                                                                     | Not Applicable                                                                                                                                                                                                            |

Customer privacy and Data security

| Disclosure                                                                                    | Quality | Units |
|-----------------------------------------------------------------------------------------------|---------|-------|
| No. of substantiated complaints on customer privacy                                           | 1       | #     |
| No. of complaints addressed                                                                   | 1       | #     |
| No. of customers, users, and account holders whose information is used for secondary purposes | 0       | #     |

\*substantiated complaints include complaints from customers that went through the organization’s formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.

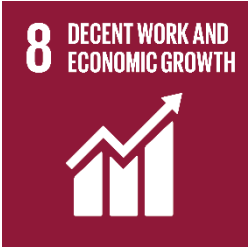
| Disclosure                                                        | Quantity | Units |
|-------------------------------------------------------------------|----------|-------|
| No. of data breaches, including leaks, thefts, and losses of data | 1        | #     |

| What is the impact and where does it occur? What is the organization’s involvement in the impact?                                                                     | Management Approach                                                                                                                                                                                                                                                                                                                          |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Customers’ data are shared with the company when they purchased goods using credit or debit cards or apply for membership in S&R or any perks programs with Puregold. | <p>The company complies with Data Privacy Act of 2012, which enumerates the rights of the data subjects.</p> <p>The company has to strengthen the practice and the mindset of its employees in considering personal data as property owned by the data subjects. Like any other property, it cannot be used without the owner’s consent.</p> |
| What are the Risk/s Identified?                                                                                                                                       | Management Approach                                                                                                                                                                                                                                                                                                                          |
| <p>(1) Data breach may expose the company to government sanctions.</p> <p>(2) Loss of important data or information brought by technical glitches.</p>                | The company will keep on investing in the training of employees and reliable technology to protect its data and to avoid a data breach.                                                                                                                                                                                                      |
| What are the Opportunity/ies Identified?                                                                                                                              | Management Approach                                                                                                                                                                                                                                                                                                                          |
| No identified opportunity                                                                                                                                             | Not applicable                                                                                                                                                                                                                                                                                                                               |

UN SUSTAINABLE DEVELOPMENT GOALS

| Key Products and Services | Societal Value/Contribution to UN SDGs                                              | Potential Negative Impact of Contribution                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Management Approach to Negative Impact                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|---------------------------|-------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Retail Operation          |    | <p>Cosco’s retail sector continues to touch the lives of countless people by introducing inclusive social programs for small and medium-sized enterprises (SMEs) across the country. Not only does the programs generate a sustainable means of livelihood for members, it also supports the micro-economy where these businesses thrive. With the absence of the programs, the possibility to nurture their livelihood opportunities may no longer be achieved and might eliminate the possibilities to create an improvement in their businesses.</p> | <p>The company will continue to provide programs that will generate a sustainable means of livelihood for TNAP (Tindahan ni Aling Puring) members such as educational programs that will serve as an avenue for the company to share its expertise to small business owners.</p> <p>Puregold will ensure that they will also support the micro-economy where a large percentage of TNAP members thrive their businesses.</p> <p>Puregold will continue to hosts annual conventions for Tindahan ni Aling Puring (TNAP) and KAINdustriya members to learn, collaborate, and even elevate their business goals. .</p> |
| Retail Operation          |  | <p>LCCK Foundation Inc. created scholarship programs for gifted but underprivileged and deserving students. The company strongly believes that they can make a difference to the lives of the youth through the education programs developed under the foundation. If the foundation stops providing scholarship to its beneficiaries, students won’t be able to have an access to quality education and quality life.</p>                                                                                                                              | <p>The foundation will ensure that the beneficiaries will be able to recognize the value of education by being a ticket to a better life and future by continue providing scholarships to them.</p> <p>Strengthen the partnership with the Universities and Local State Colleges to reach out the youth. Strengthening the commitment will also be observed by implementing and supporting activities set</p>                                                                                                                                                                                                       |

|                                                                                            |                                                                                     |                                                                                                                                                                                                                                                                                                                                                                  |                                                                                                                                                                                                                                                                                                             |
|--------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                                            |                                                                                     |                                                                                                                                                                                                                                                                                                                                                                  | by the foundation to provide the beneficiaries a quality education and a quality life.                                                                                                                                                                                                                      |
| Retail Operation, Liquor Distribution, Real Estate & Property Leasing and Specialty Retail |    | As a company engaged in a highly competitive field, Puregold supports a diverse workforce and aims to achieve a fair work environment and opportunities for both male and female employees. Even if the company practices and observes gender equality within the workplace, it is still unavoidable and might create more problems if not resolved immediately. | <p>Encourage and ensure women’s full and effective participation and equal opportunities within the company to promotes diversity in the workplace.</p> <p>All employees should have an access and enjoy the same rewards, resources and opportunities regardless of its gender.</p>                        |
| Retail Operation                                                                           |  | The company’s retail sector has made an enormous investment in promoting clean water and sanitation in most of its branches. Without access to clean water and sanitation, employees and customers might link to a transmission of several diseases, which are among the leading causes of mortality and morbidity.                                              | <p>Improve the water treatment, and the industrial water recycling by establishing a sewage treatment plants compliant with the standards set by the Department of Environment and Natural Resources.</p> <p>The company shall abide by the provisions of Republic Act No. 9275 or the Clean Water Act.</p> |
| Retail Operation                                                                           |  | <p>(1) The production process of solar energy which generates a small amount of hazardous materials.</p> <p>(2) Refrigerants and AC used in branches that emits hazardous elements that might contribute to climate change.</p>                                                                                                                                  | <p>Activities will be implemented in order to manage the amount of hazardous material carefully to prevent health and environmental problems.</p> <p>In terms of reducing greenhouse gas emissions, ACs and refrigeration are being converted and upgraded to climate-friendly refrigerants.</p>            |

|                                                                                             |                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|---------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Retail Operation, Liquor Distribution, Real Estate & Property Leasing, and Specialty Retail |    | As the Covid-19 pandemic took over the world, Cosco Capital, Inc. continues to provide their employees with decent work opportunities since thousands of its employees depend on the company for their jobs and livelihoods. If the company does not provide them with decent work, the lives of these employees and their families will not improve, and they will be most likely to suffer from poverty, inequalities, and even abuse during the time of pandemic.                                     | <p>The company will continue providing decent jobs for all of its employees by developing their skills, paying them a living wage so that they can have the capability to provide the needs of their families.</p> <p>The company will ensure all employees are covered with benefits mandated by law, and their safety and security are protected.</p> <p>The company will continue to expand and create more decent jobs to help the economy to grow further.</p> |
| Retail Operation, Liquor Distribution, Real Estate & Property Leasing, and Specialty Retail |  | Inequality is a major obstacle to a sustainable economic growth. The company is working on ways to contribute to reducing inequalities by hiring employees from vulnerable sector such as Person with Disabilities (PWD) and Single-Parents. If the company does not provide them the opportunity to have work, they won't be able to provide the needs for their families and as if you are depriving them to become part of an inclusive culture where they can show their full potential as a person. | The company should provide the vulnerable sector with an access to same rewards, benefits, resources, and opportunities to promote equality in the workplace.                                                                                                                                                                                                                                                                                                       |



|                                                                                             |                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|---------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Retail Operation, Liquor Distribution, Real Estate & Property Leasing, and Specialty Retail |    | <p>(1) The company potentially contributes to the world’s problems of food waste, greenhouse gas emissions, and even the increasing cases of obesity.</p> <p>(2) Considering its rapidly growing operations, Puregold recognizes the impact it has on the environment. The company has taken measures to prioritize the efficient management of its resources. Converting lighting to Light Emitting Diode (LED) lighting fixtures is one of the activities that the company does to ensure our sustainable consumption. There are several others properties that has not been converted yet to eco-friendlier alternative lights so it still contributes to greenhouse gas emissions.</p> | <p>(1) Our company is the market for manufacturers and consumers. We are in position to demand or influence responsible and sustainable consumption and production from each side.</p> <p>The company shall take an advantage of such a role to promote responsible consumption and production. It is in a position to require its suppliers to be sustainable and encourage its consumers to change their shopping and eating behavior and make them more inclined to support sustainable products and to eat healthier food.</p> <p>(2) The company is taking on an active step to convert its properties with Light Emitting Diode (LED) to reduce its carbon footprint and contribution to greenhouse gas emissions.</p> |
| Retail Operation, Liquor Distribution, Real Estate & Property Leasing, and Specialty Retail |  | <p>(1) The use of plastic bags as a package container of our customers when they buy items from our store;</p> <p>(2) Food waste and other solid waste from processing food in our stores;</p> <p>(3) Fuel consumption of our stores and the fleet of vehicles we use to transfer our merchandise, including the vehicles used by</p>                                                                                                                                                                                                                                                                                                                                                      | <p>The company is in a position to require its suppliers to be sustainable and encourage its consumers to change their shopping and eating behavior and make them more inclined to support sustainable products and to eat healthier food.</p> <p>As our business is located in a third-world country and even along the path of several storms every year; it is very vulnerable to experience the effects of climate change.</p>                                                                                                                                                                                                                                                                                           |



|                                                                                                        |                                                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                                                                                                                                                                                                                                                                                                                                                                      |
|--------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                                                        |                                                                                    | <p>our third-party logistics and suppliers.</p> <p>All contribute to various levels of air, water, and land pollution.</p>                                                                                                                                                                                                                                                                                                                                                                                                                        | <p>Thus, we must manage our business activities to a level that has the minimum damaging impact on our environment by investing in low-carbon development and practicing recycling and even promote recycling to its customers, suppliers, and in the communities where it operates.</p>                                                                                             |
| <p>Retail Operation, Liquor Distribution, Real Estate &amp; Property Leasing, and Specialty Retail</p> |  | <p>Puregold supports the concept of having a good corporate governance to support the long-term success and sustainability of the business. There has been no record of any incident of corruption or bribery involving the company's directors which proves that it has good corporate governance since its policies regarding corruption haven been communicated properly to the directors and employees of the company. But, high rank employees are at risk of corruption as long as the opportunity to do so exists in the organization.</p> | <p>The company should commit to being more effective in its internal controls to purge opportunities to commit corruption or fraud.</p> <p>The company shall revise its anti-corruption policies and procedures and train employees to abide by it.</p> <p>The company shall continue with the orientation and strict implementation of anti-corruption policies and procedures.</p> |

**SUBJECT TITLE:**

**SUPPLIER ACCREDITATION POLICIES & PROCEDURES**

|                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|----------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1.0 OBJECTIVES | <p>1.1 To provide policies and processes for supplier selection and requirement for accreditation to be strictly complied with by the authorized company personnel.</p> <p>1.2 To ensure to establish lasting relationship with the accredited suppliers who are capable to maintain the standard quality of products and services.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| 2.0 SCOPE      | <p>2.1 This document covers the policies and processes for SUPPLIERS OF TRADE MERCHANDISE particularly on the:</p> <p>2.1.1 Selection and Accreditation</p> <p>2.1.2 Information Updates and Maintenance</p> <p>2.1.3 Performance Evaluation</p> <p>2.2 This is applicable only to all Puregold Price Club, Inc. stores.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| 3.0 POLICIES   | <p>3.1 The Company upholds honesty, integrity, and fairness in all aspects of its business and expects the same in its relationships with its Suppliers. The highest ethical standards shall be employed in all procurement transactions, and Suppliers shall be chosen based on procurement policies and defined selection criteria.</p> <p>3.2 The responsibility in inspection, appraisal and accreditation of potential Supplier shall be carried out by Merchandising Department. The Personnel In-Charge shall have the qualifications and capabilities to evaluate the eligibility of the suppliers to be accredited.</p> <p>3.3 Merchandising Manager is expected to select the best possible sustainable supplier and to effectively achieve the set objectives. Selection of potential suppliers are determined and identified based on a set of parameters. These parameters include but are not limited to the following factors:</p> <p>3.3.1 Quality of Product</p> <p>3.3.2 Logistics Service (supply chain, delivery methods and timeframe)</p> <p>3.3.3 Competitive pricing</p> <p>3.3.4 Communication</p> <p>3.3.5 Safety requirements</p> <p>3.3.6 Marketing / promotional activities</p> <p>3.4 Results of the assessment based on the defined criteria and agreed terms and conditions for selected supplier shall be documented in Product Evaluation Form (PEF). The PEF indicating the selected supplier shall be approved by the authorized Approver from the President’s office.</p> <p>3.5 For suppliers under Consignment or Concessionaire terms, Offer and Acceptance Sheet must be accomplished and approved by the authorized approver from the President’s Office. The sheet must be duly signed by the Consignment/Concessionaire supplier representative.</p> <p>3.5.1 All signed acceptance sheet must also have an attached signed Rules and Regulations on Consignors or Concessionaires. A copy of Acceptance sheet and rules and regulation should be given to Concessionaire/Consignor for guidance.</p> <p>3.6 All accredited suppliers should have a Vendor Information Sheet (VIS), completely accomplished by the Supplier’s Authorized Representative and duly approved by the corresponding Senior Merchandising Manager. Approval from the Senior Merchandising Manager assures that the supplier information and details written in VIS are valid and required documents are completely obtained.</p> |

SUBJECT TITLE:

SUPPLIER ACCREDITATION POLICIES & PROCEDURES

- The following are the required documents from the selected supplier of which photocopies are required to be submitted and attached on the VIS:
- 3.6.1

BIR Certificate of Registration (COR)
- 3.6.2

Business Permit
- 3.6.3

Company Profile
- 3.6.4

Sales Invoice with Authority to Print (ATP)
- 3.6.5

Collection Receipt or Official Receipt with ATP
- 3.6.6

Other documents required by Finance Department
- 3.7

A vendor code is created in the system by the Personnel In-Charge assigned in Finance Department which shall serve as a unique reference number that the supplier has gone through the accreditation process. Details and profile of supplier are based on the submitted approved VIS by Merchandising Department.
- 3.7.1

All accredited suppliers shall be included and maintained in the Vendor Master file for management of supplier information. The Vendor Master file contains the company information and product listings of all accredited suppliers where the items will be purchased.
- 3.8

Only accredited suppliers shall provide required goods and services for the company. Only those items that has approved accreditation shall only be ordered from the accredited supplier.
- 3.9

For any changes or updates on Supplier's details, supplier must give information and submit necessary documents to Merchandising Department at least fifteen (15) working days before the effectivity of change.

VIS shall be accomplished based on the required updates and must be submitted to Finance Department:

| UPD<br>ATES                                                                                                                                                              | SUPPORTING<br>DOCUMENTS<br>REQUIRED                                                | SYSTEM UPDATE                                                                                                                                                                                                            |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Change of name of existing vendor <i>(same vendor but registered under a new name)</i>                                                                                   | <ul style="list-style-type: none"><li>Taxpayer Record Update</li><li>COR</li></ul> | Edit the name of existing vendor to name of new vendor.                                                                                                                                                                  |
| Revisions in the previous set-up or defaults <i>(changes in the vendor information except that information that can be overridden during Purchase Order preparation)</i> | Change in address –<br>COR Change in TIN –<br>Taxpayer Record Update               | Edit the information based on approved request of existing vendor.                                                                                                                                                       |
| Replacement of Old Vendor to New Vendor <i>(Transactions will be made to the newly set-up vendor instead of previously maintained supplier.)</i>                         | Same requirement for New Vendor                                                    | <div><div>➤</div>For the Old Vendor – encode 'NTBU' <i>(Not to be used)</i> prefix on the vendor name and tagged as 'I' <i>(Inactive)</i></div> <div><div>➤</div>Create new vendor code for the replaced supplier.</div> |
| Deactivation of Supplier <i>(No replacement vendor)</i>                                                                                                                  |                                                                                    | Encode 'NTBU' (Not to be used) prefix on the vendor name and tagged as 'I' (Inactive).                                                                                                                                   |

SUBJECT TITLE:

SUPPLIER ACCREDITATION POLICIES &  
PROCEDURES

- 3.9.1

Merchandising Department shall provide written document to Supply Chain Dept., Finance Division and Store Operation of supplier's inactivity.
- 3.9.2

Supplier's account related to inventory and financials must be cleared first prior to deactivation by Merchandising Department and Finance Division.
- 3.9.3

Personnel In-charge in Finance Department shall update the supplier's information in the system on the effectivity date written on VIS and with complete required supporting documents.
- 3.10

Review of accredited suppliers shall be performed three (3) months after PO creation for new supplier and on a periodic basis for existing suppliers. Merchandising Department and Supply Chain Department shall assess the supplier's performance based on set metrics and compliance on company's standard.
- 3.11

Merchandising Department and Supply Chain Department shall communicate to supplier through online vendor management system provided on the criteria that has poor performance or does not able to meet the agreed standards on a monthly basis. Marketing strategies or programs or corrective actions from the supplier must be required to improve the key processes related to company's operations.