

COVER SHEET

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SEC Registration Number

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(Company's Full Name)

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[illegible][illegible][illegible]

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

CANDY H. DACANAY-DATUON

(632) 8523-3055

(Company Telephone Number)

1	2
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Month

3	1
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Day

SEC FORM 17-A

(Form Type)

0	5
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Month

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Day

(Secondary License Type, If Applicable)

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Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Total Amount of Borrowing

11/11/2016

Domestic

Foreign

' SEC Personnel concerned

[illegible]

File Number

LCU

[illegible]

Document ID

Cashier

STAMPS

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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. **December 31, 2022**
For the fiscal year ended December 31, 2022
2. **A199813754**
SEC Identification Number 24015
3. **201-277-095**
BIR Tax Identification No.
4. **PUREGOLD PRICE CLUB, INC.**
Exact name of the issuer as specified in its charter
5. **Manila, Philippines**
Province, Country or other jurisdiction of incorporation or organization
6. (SEC Use Only)
Industry Classification Code
7. **No. 900 Romualdez St., Paco, Manila**
Address of principal office
- 1007**
Postal Code
8. **09178612459**
Issuer's telephone number, including area code
9. **None**
Former name, former address, and former fiscal year, if changed since the 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 |
|-------------------------------|--|
| <u>Common Stocks</u> | <u>2,880,137,615</u> |
| <u>Treasury Shares</u> | <u>24,076,471</u> |
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:
Philippine Stock Exchange, Common Stock
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 December 31, 2022	Market Value per Share as of December 31, 2022	Total Market Value as of December 31, 2022
1,001,801,749	P34.90	P100,516,802,763

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. Management Discussion and Analysis (Annex "A") – incorporated as reference for Item 6.
- b. 2022 Consolidated Audited Financial Statements (Annex "B") – incorporated as reference for Items 2 (viii), 7, and 12.
- c. 2022 Sustainability Report (Annex "C") - incorporated as reference for Item 2 (xiii).



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PART I: BUSINESS AND GENERAL INFORMATION

Item 1. Business

(A) Description of Business

PUREGOLD PRICE CLUB, INC. (*"Puregold" or the "company"*) operates various retail formats throughout the Philippines. It started to operate on September 8, 1998, in its first store in Mandaluyong City, Philippines. Currently, it has 525 retail stores carrying the brand names, *"Puregold"* or *"S&R"*, and present in 83 cities and 112 municipalities, with a combined 632,990 square meters of net selling area. Aside from physical stores, Puregold maintains two online platforms called, *"Sally"* and *"Rappit"*, and is affiliated with other online delivery platforms like Pick-a-roo, Metromart, Lazada, and Shopee.

Puregold also has several joint ventures with third parties operating other types of supermarkets, namely, *"San Roque Supermarkets"*, *"Merkado"* and *"Rappit"*.

Puregold's 525 retail stores consist of the following:

- 452 Puregold Stores
- 22 S&R Membership Shopping Warehouses
- 51 S&R New York Style Pizza (QSRs)

Puregold stores are divided into four store models:

- 283 Hypermarket
- 101 Supermarket
- 29 Extras
- 39 Minimart

Puregold has a joint venture agreement with the original owners of San Roque supermarkets to operate 30 San Roque supermarkets located in Metro Manila, Rizal, and Bulacan province, with Ayala Land for three mall-based supermarkets called *"Merkado"*, and with 917Ventures, Inc. for *"Rappit"*.

As of December 31, 2022, Puregold has a total of 532 total store networks:

- 452 Puregold Stores
- 22 S&R Membership Shopping Warehouses
- 51 S&R New York Style Pizza (QSR)
- 30 San Roque Supermarkets
- 3 Mercado Supermarkets

Puregold stores are located all over the Philippines:

- 165 stores or 31% in National Capital Region
- 130 stores or 25% in North Luzon
- 160 stores or 30% in South Luzon
- 54 stores or 10% in Visayas
- 16 stores or 3% in Mindanao

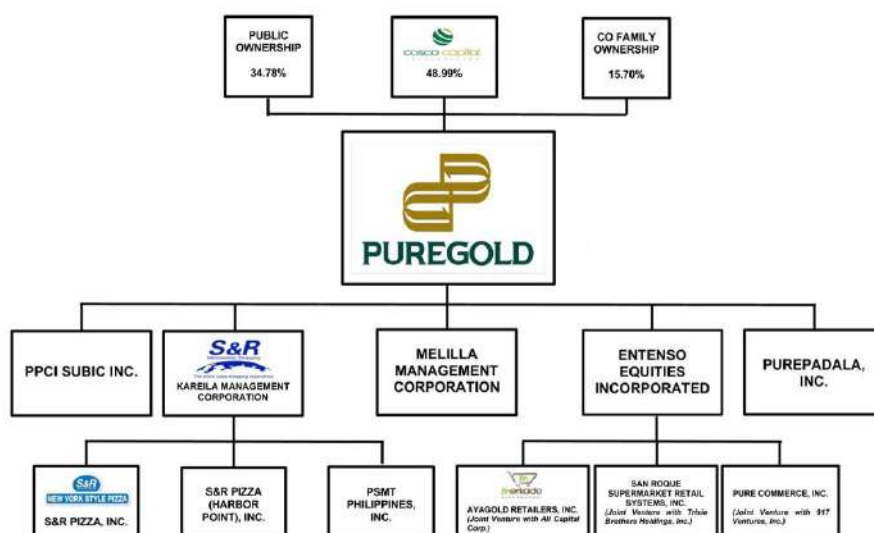
Puregold's wholly-owned subsidiaries are:

- **Kareila Management Corporation** was incorporated on July 6, 2004 with SEC Registration No. CS200410268, and has a principal office at 32nd Street, 5th Avenue, Bonifacio Global City, Taguig City, 1630. Kareila operates 22 S&R Membership warehouses and 51 quick-service restaurants (*"QSR"*). Mr. Anthony G. Sy heads Kareila.
- **Entenso Equities, Inc.** was incorporated on May 22, 2013 with SEC Registration No. CS201309444 and has a principal office at No. 900 Romualdez St., Paco, Manila 1007. Mr. Ferdinand Vincent P. Co. Entenso heads Entenso has joint venture

agreements with San Roque operating 30 San Roque supermarkets, with Ali Capital Corp. operating three “Merkado” supermarkets, and with 917Ventures, Inc. operating “Rappit” online delivery platform.

- **PPCI Subic, Inc.** operates a Puregold store inside Subic Bay Economic Zone, Olongapo City, Zambales. It was incorporated on May 31, 2012 with SEC Registration No. CS201210170, and has a principal office at Fertuna Anchor Mall, Subic Bay Freeport Zone, Zambales 2200.
- **Purepadala, Inc.** was incorporated on October 19, 2018 with SEC Registration No. CS201823695, and has a principal office at No. 900 Romualdez St., Paco, Manila 1007. It was established in 2018 with P50 million capital stock. It is intended to operate the remittance service within the network and platform of Puregold.
- **Melilla Management Corporation** was incorporated on November 11, 2013 with SEC Registration No. CS201321607 and has a principal office at No. 900 Romualdez St., Paco, Manila 1007. Melilla holds leasehold rights to operate supermarkets in various locations in Cebu—Linao, Talisay City, Cebu City, Guadalupe City, and Consolacion, Cebu.

Puregold's Corporate Map is presented below:



After 13 years in operation and 72 stores, Puregold went public on October 5, 2011, with an IPO price of P12.50 per share.

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

Puregold and its subsidiaries were not involved in any material reclassification, merger, consolidation, or purchase or sale of significant assets not in the ordinary course of business in 2022.

In 2022, Puregold received the # 1 rank as the Most Preferred Retailer in the Philippines by Kantar Media Philippines.

(2) Business of Issuer

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

Hypermarkets

- primarily located in major commercial centers and transportation hubs
- offers a wide variety of food and non-food products
- caters to retail customers and resellers
- caters to *Tindahan ni Aling Puring* ("TNAP") members
- with 2,000 to 2,500 average net selling space
- offers more than 25,000 stock-keeping units (SKU)

Supermarket

- primarily located in residential areas
- offers a higher proportion of food to non-food products
- smaller stores than a hypermarket
- with 800 square meter average net selling space
- 8,000 to 12,000 SKU product assortment

Minimart

- smallest store format, serves as a community store
- selling fast-moving essential goods to high-density neighborhoods
- offers a more limited number of products
- selling top-selling SKUs ranging from 4,000 to 5,000
- around 250 square meters of average net selling space

S&R Exclusive Membership Warehouse

- adopted a warehouse club concept
- most of the products are offered in club packs
- majority of the merchandise is imported brand names mainly sourced from the United States
- with 2,000 to 2,500 average net selling space

Merkado

- with up to 2,000 square meters of the selling area
- offers up to 16,000 SKUs product assortment
- mall-based hypermarkets

San Roque Supermarkets

- located in the Metro Manila area, Rizal and Bulacan provinces
- with up to 1,500 selling area
- offers up to 16,000 SKUs of product assortment

(ii) Percentage of Sales or Revenues from Foreign Sales

The company or its subsidiaries has no branch or sale outside the Philippines.

(iii) Distribution Method

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

- a. Direct-to-store delivery – about 68% of the inventory is delivered directly to the stores by the suppliers, 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 stores directly deliver their products to two outsourced cross-dock facilities for onward distribution to Puregold stores.
- c. Store-to-store transfer – as needed, Puregold transfers goods from a large store to a small store.

d. Importation - S&R imports 45% to 55% of its products. It currently operates four distribution centers.

(iv) New Products or Services

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, Shopee, Zalora, Grab Food, Food Panda, and Metromart.

Landers has the same membership shopping format as S&R. It offers imported as well and caters to the "A" and "B" class segments 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 Colgate.

(vii) Customers

The company is not reliant on a single or few customers but on the buying public in general. The company divides its customers into retail consumers and resellers:

- a. Retail consumers – Puregold targets consumers with an average income of P12,000 to P80,000 per month, Class "C" and "D", while S&R is targeting the "A" and "B" market segments with an average income of over P80,000 per month.
- b. Resellers are small to medium-sized sari-sari stores and canteens, restaurants, caterers, bakeries, convenience, and drug stores.

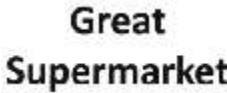
(viii) Related Party Transactions

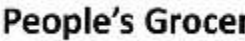
Please refer to the 2022 Consolidated Audited Financial Statements (Annex "B") for the Related Party Transactions of the company.

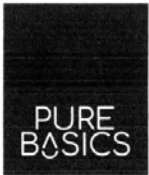
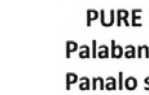
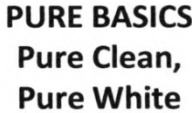
(ix) Trademarks

As of December 31, 2022, the company has secured the registration of 81 tradenames and trademarks from the Intellectual Property Office of the Philippines. All the registration of tradenames and brands, including the expiration dates, are in accordance with the pertinent laws on intellectual property rights.

No.	Tradenames	Trademarks	Date of Registration	Date of Expiration
1.	ALWAYS PANALO		April 23, 2007	April 23, 2027
2.	ANYWEAR		November 12, 2009	November 12, 2026
3.	AQUALIFE		February 09, 2009	February 09, 2029
4.	AQUALIZED		September 09, 2010	September 09, 2030
5.	ATLANTIC		September 22, 2008	September 22, 2028
6.	BELLOTA		September 09, 2009	September 09, 2029
7.	CATTLEYA		June 04, 2021	June 04, 2031
8.	CLIQUE Logo		March 25, 2010	March 25, 2030
9.	COFFEE MATCH		October 18, 2017	October 18, 2027
10.	COFFEE MAX		January 12, 2009	January 12, 2029
11.	DFP		August 18, 2016	August 18, 2026
12.	DISTRITO		October 19, 2017	October 19, 2027
13.	DRY PLUS		February 27, 2020	February 27, 2030
14.	EASY DEPOT	HOME 	September 22, 2008	September 22, 2028
15.	EQUAL		October 16, 2014	October 16, 2024
16.	EQUAL		July 23, 2007	July 23, 2027
17.	EQUIVALENT		July 23, 2007	July 23, 2027
18.	EZEE		April 29, 2010	April 29, 2030

19.	FRESH & EASY		February 08, 2018	February 08, 2028
20.	FRESH N FREE		October 13, 2008	October 13, 2028
21.	GOLD YARN		January 01, 2016	January 01, 2026
22.	GOPURE		October 14, 2016	October 14, 2026
23.	GRAND P		April 22, 2010	April 22, 2030
24.	GREAT SUPERMARKET		May 28, 2015	May 28, 2025
25.	HER COLLECTION/HIS COLELCTION		October 26, 2017	October 26, 2027
26.	HER KIDS		October 3, 2022	October 3, 2032
27.	HIS KIDS KIDS/HER		October 26, 2017	October 26, 2027
28.	HOME CLEAN		November 25, 2018	November 25, 2028
29.	JOOZY		October 13, 2018	October 13, 2028
30.	KA-ASENSO		December 16, 2010	December 16, 2030
31.	KAINDUSTRIYA		May 17, 2012	May 17, 2032
32.	KITANG-KITA CASE		July 24, 2014	July 24, 2024
33.	KOBE CHICKEN		May 04, 2017	May 04, 2027
34.	LA FLOR DE LA ISABELA		October 19, 2017	October 19, 2027

35.	LA FLOR DE LA ISABELA		January 10, 2021	January 10, 2031
36.	LA FLOR DE LA ISABELA		May 14, 2021	May 14, 2031
37.	MAGIC GLOW		December 29, 2011	December 29, 2031
38.	MARKET 999		December 22, 2016	December 22, 2026
39.	MINI MART BY PUREGOLD		August 18, 2016	August 18, 2026
40.	MOMMY MARKET		January 19, 2017	January 19, 2027
41.	MR. PAPER		June 04, 2015	June 04, 2025
42.	MY BABY PLANET		January 19, 2017	January 19, 2027
43.	NE KAYA 'YAN CABAYAN!		August 11, 2016	August 11, 2026
44.	NEGOSYO MO CABAYAN CARD		October 14, 2016	October 14, 2026
45.	PANALO KARD		September 22, 2008	September 22, 2028
46.	PEOPLE'S GROCER		February 26, 2015	February 26, 2025
47.	PEOPLE'S RICE		December 29, 2019	December 29, 2029
48.	PERFECT MATE		February 11, 2008	February 11, 2028
49.	PERKS LOYALTY CARD		May 28, 2015	May 28, 2025
50.	PISO GARANTISADO		November 20, 2014	November 20, 2024
51.	POSITIVE 99		May 18, 2017	May 18, 2027
52.	PREM		April 2, 2021	April 2, 2031
53.	PREMIUM GOLD		October 15, 2015	October 15, 2025
54.	PUHUNAN PLUS		May 26, 2019	May 26, 2029
55.	PURE BASICS		December 23, 2018	December 23, 2028

56.	PURE LOGO	BASICS		March 12, 2020	March 12, 2030
57.	PURE BASICS			March 12, 2020	March 12, 2030
58.	PURE Panlaban sa Sebo, Panalo sa Presyo	BASICS		March 28, 2020	March 28, 2030
59.	PURE BASICS Pure Clean, Pure White			March 12, 2020	March 12, 2030
60.	PURE BASICS Pure Freshness, Pure Softness			July 13, 2020	July 13, 2030
61.	PURE CARE	HEALTH		December 23, 2018	December 23, 2028
62.	PURE PADALA			October 29, 2015	October 29, 2025
63.	PURE PHARMACY			December 29, 2016	December 29, 2026
64.	PURE PLUS			January 20, 2019	January 20, 2029
65.	PURECART			February 14, 2019	February 14, 2029
66.	PURECASH			September 15, 2016	September 15, 2026
67.	PUREGLIDE			December 15, 2016	December 15, 2026
68.	PUREGOLD HOME OFFICE			April 12, 2018	April 12, 2028
69.	PUREGOLD NUTRITIONISCOOL			September 15, 2016	September 15, 2026
70.	PUREPLEASURE			June 19, 2014	June 19, 2024
71.	PUREPLUS			January 20, 2019	January 20, 2029
72.	REACH Touch & Device	Softest		October 23, 2009	October 23, 2029
73.	SA ALWAYS PANALO	PUREGOLD,		August 11, 2016	August 11, 2026
74.	STACK & STOCK RIGHT			April 22, 2010	April 22, 2030

75.	TINDAHAN NI ALING PURING (Super SIM and Device)		December 16, 2010	December 16, 2030
76.	TABACALERA	TABACALERA	August 11, 2016	August 11, 2026
77.	Tindahan ni Aling Puring	TINDAHAN NI ALING PURING ABOT KAYA ANG ASENSO!	January 19, 2017	January 19, 2027
78.	TIPPTOES		July 10, 2014	July 10, 2024
79.	TWIN ELEPHANT	TWIN ELEPHANT	June 27, 2019	June 27, 2029
80.	VIPuring	VIPuring	February 26, 2015	February 26, 2025
81.	WRAP & SEAL	Wrap & Seal	May 28, 2015	May 28, 2025

(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

Unlike in 2020 and 2021, more people started to go out of their houses in 2022 mainly due to fewer COVID-19 restrictions from the government. The company's stores went back to operating their usual store hours and accepting more customers. Liquor bans were lifted and the supply of cleansing materials such as alcohol and tissues normalized.

(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 its existing stores to be about P33 million.

For more details on the company's compliance with environmental laws, please refer to the company's Sustainability Report (Annex "C").

(xiv) Employees

The company has around 12,167 employees as of December 31, 2022. The following table sets out specific details of the employees by location and functions:

Location	Puregold	S&R	Merkado	San Roque	Entenso
Stores	6,957	3,653	35	79	0
Head Office	830	496	0	112	5

Total	7,787	4,149	35	191	5
Rank	Puregold	S&R	Merkado	San Roque	Entenso
Executive	9	23	0	4	0
Senior Manager	25	107	0	0	0
Manager	355	258	2	8	2
Officer	731	0	4	0	1
Supervisor	3,274	1,135	10	12	0
Rank & File	3,393	2,616	19	167	2
Consultant	0	10	0	0	0
Total	7,787	4,149	35	191	5

Puregold anticipates employing approximately 1,000 employees within the next 12 months for the planned 25 to 30 Puregold stores. S&R plans to hire 256 new employees for the planned 12 QSRs and 360 employees for 2 S&R warehouses. The company does not expect to encounter any difficulty sourcing the workforce for these additional positions.

The company believes that its relations with its employees are generally good. The company did not experience work stoppages or strikes in 2022 and in the past five years due to 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:

(a) 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 other things that can make their store experience appealing to them. However, due to social changes like the emergence of online sellers and other community stores, worsening traffic, widespread diseases, and the effects of natural calamities like volcano eruptions, floods, and storms, customers may not visit our stores as frequently as they used to. 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.

(b) 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.
- the ability to successfully address competitive merchandising, distribution, and other challenges 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 the 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 organized store formats such as hypermarkets and supermarkets.

(c) 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.

(d) 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 high demands could cause the company to operate the business less effectively, which 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 the quality of its customer service and may materially affect its financial condition and results of operations.

(e) 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 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. 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 platforms and delivery services to respond to the social changes brought about by the 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, now sell basic

commodities and groceries on 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 suitable for different localities, such as commercial 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 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.

- (f) 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. Suppose the company's management cannot quickly identify and adapt to such changes in consumer preferences. In that case, 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.

- (g) The success of the company's business depends partly on its ability to develop and maintain good relationships with its current and future suppliers.*

The sourcing of the company's products depends partly on its relations with its suppliers. The company has had long working relationships with many multinational companies such as Procter & Gamble, Unilever, Nestlé, Del Monte, and other global 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 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, 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.

(h) *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. Due to local requirements and process differences, the company may find it difficult to obtain regulatory or local government approvals for new stores in these areas. The company may also experience difficulty 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 the 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 the 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, 2022, the company owns or leases the following properties:

(a) Puregold’s properties:

	Owned parcels of land	Owned buildings	Leased parcels of land	Leased buildings
North Luzon	2	26	27	102
South Luzon	8	30	33	97
Metro Manila	2	32	39	116
Visayas	2	0	2	48
Mindanao	0	3	3	12
Total Number	14	91	104	375
Total Square Meters	37,328.57	337,169.22	327,152.52	745,685.21

(b) Kareila Management Corporation’s properties:

	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	12	12	0
Visayas	0	2	2	0
Mindanao	0	2	2	0
Total Number	0	22	22	0
Total Square Meters	0	247,341.30	382,780.58	0

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 are based on the company's general standards regarding 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 to 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 May 10, 2022, there are no other matters submitted to a vote of security holders in 2022.

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 on the Philippine Stock Exchange under "PGOLD." The quarterly high and low of stock prices (in Philippine Peso) for the last two fiscal years and in 2022 are stated below:

Period	2020		2021		2022	
	High	Low	High	Low	High	Low
1 st Quarter	40.05	29	41.05	34.20	39.35	31.80
2 nd Quarter	47.25	43.50	40.90	31.65	37.75	30.10
3 rd Quarter	54.00	46.30	44.50	37.90	36.00	28.25
4 th Quarter	48.50	40.35	44.50	36.35	35.50	26.70

As of March 31, 2023, the company's share is trading at P31.30 per share.

(B) Stockholders

As of December 31, 2022, the company has 39 stockholders on record, 2,904,214,086 issued, shares, 2,880,137,615 outstanding capital stock, and 24,076,471 treasury shares.

The company's Top 20 Stockholders as of December 31, 2022:

1	COSCO CAPITAL, INC.	1,410,867,188	48.99%
2	THE HONGKONG AND SHANGHAI BANKING CORP. LTD. - CLIENTS' ACCT.	308,419,587	10.71%
3	STANDARD CHARTERED BANK	217,788,586	7.56%
4	LUCIO L. CO	211,088,022	7.33%
5	SUSAN P. CO	178,242,585	6.19%
6	CITIBANK N.A	130,410,457	4.53%
7	GOVERNMENT SERVICE INSURANCE SYSTEM	68,480,242	2.38%
8	DEUTSCHE BANK MANILA-CLIENT A/C	44,980,082	1.56%
9	SOCIAL SECURITY SYSTEM	39,475,090	1.37%
10	REGIS PARTNERS, INC.	33,678,996	1.17%
11	COL FINANCIAL GROUP, INC.	31,082,606	1.08%
12	BANCO DE ORO - TRUST BANKING GROUP	30,593,644	1.06%
13	FERDINAND VINCENT P. CO	26,709,460	0.93%
14	PAMELA JUSTINE P. CO	26,709,460	0.93%
15	BDO SECURITIES CORPORATION	15,922,366	0.55%
16	FIRST METRO SECURITIES BROKERAGE CORP.	13,848,381	0.48%
17	MBTC TRUST BANKING GROUP	10,615,206	0.37%
18	ABACUS SECURITIES CORPORATION	10,597,410	0.37%
19	BPI SECURITIES CORPORATION	8,767,470	0.30%
20	CAMILLE CLARISSE P. CO	8,155,288	0.28%
		2,826,432,126	98.14%

(C) Dividends

The company's dividends from 2012 to 2022:

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
December 21, 2021	R – 0.25 / S – 0.25 per share	January 10, 2022	February 1, 2022
December 20, 2022	R – 0.86 per share	January 10, 2023	January 20, 2023

**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 Securities and Exchange Commission.

(4) Recent Sales of Securities

None.

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

Please refer to the Management's Discussion and Analysis or Plan of Operation of the company (Annex "A").

Item 7. Financial Statements

Please refer to the 2022 Consolidated Audited Financial Statements of the company (Annex "B").

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 company's directors, executive officers, and key officers' business profiles.

(i) Directors

The Board of Directors of the company is composed of nine members, six are male, 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:

Lucio L. Co, Filipino, 68 years old

Mr. Co has been the Chairman of the Board of the company 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., Makabayan Holdings Incorporated, Union Energy Corporation, and Union Equities, Inc. He is a Director of these companies: Bacolod Real Estate Development Corporation, Catuiran Hydropower Corporation, Cleangreen Energy Corporation, Forbes Corporation, Grass Gold Renewable Energy (G2REC) Corporation, Karayan Hydropower Corporation, Kareila Management Corporation, LCKK & 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, Illido Management Corporation, KMC Realty Corporation, Negros Water Company, Patagonia Holdings Corp., PPCI Subic, Inc., S&R Pizza Harbor Point, Inc., S&R Pizza, Inc., and VS Grial 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 of The Keepers Holdings, Inc. Mr. Co has been an entrepreneur for the past 40 years.

Susan P. Co, Filipino, 65 years old

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 Kareila Management Corporation, Tower 6789 Corporation, President of Makabayan Holdings Incorporated, and Director of Bellagio Holdings, Inc., Blue Ocean Holdings, Inc., Canaria Holdings Corporation, Ellimac Prime Holdings, Inc., 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., Blue Origin Holdings Incorporated, Illido Management Corporation, 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 the Philippine Bank of Communications. Mrs. Co received a Bachelor of Science degree in Commerce from the University of Santo Tomas.

Ferdinand Vincent P. Co, Filipino, 41 years old

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., Filmore Holdings Incorporated, Illido Management Corporation, Azora Holdings Incorporated, SPC Resources Inc.; Chairman of Pinehurst Creek Holdings

Corporation, South Coast Automotive Group, Inc. and Pure Commerce, Inc.; President of Ayagold Retailers, Inc., Entenso Equities, Inc., Union Equities, Inc., Aracena Holdings Corporation, Blue Origin Holdings Incorporated, Imperium Holdings, Inc.; and 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, Cassina Creek Holdings Corporation, Makabayan Holdings Incorporated, Maxent Investment, Inc. 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.

Pamela Justine P. Co, Filipino, 38 years old

Ms. Pamela Co has been a Director of the company since 2003. Ms. Pamela Co is concurrently the President of Pajusco Holdings Corporation, Pinehurst Creek Holdings Corporation, and Aracena 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., Azora Holdings Incorporated, Cassina Creek Holdings Corporation, Fillmore Holdings Incorporated, Illido Management Corporation, Imperium Holdings, Inc., Kalayaan Lakeview Corp., Makabayan Holdings Incorporated, Maxent Investment, 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.

Leonardo B. Dayao, Filipino, 79 years old

Mr. Dayao was the President of the company 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, Karayan Hydropower Corporation, Grass Gold Renewable Energy (G2REC) 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 Alcorn Petroleum and Minerals Corporation, K4 Water Resources Corporation, NE Pacific Shopping Centers Corporation, Puregold Duty Free (Subic), Inc., Puregold Finance, Inc., San Jose City I Power Corp., Southern Utility Management and Services, Inc. (SUMSI), 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, Kareila Management Corporation, KMC Realty 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 the 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.

Jack E. Huang, Filipino, 69 years old

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.

Edgardo G. Lacson, Filipino, 79 years old

Mr. Lacson has been an Independent Director of the company since 2012. Mr. Lacson also serves as Chairman of Metrostores, Inc., President of MIS Maritime Corp., Safeseas Shipping Agency Services, and Independent Director of Zestpower, Inc. He is a member of the Philippine Chamber of Commerce and Industry, Employers Confederation of the Philippines, and Confederation of Asia Chamber of Commerce and Industry. He is a recipient of a 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: Independent Director of Global Ferronickel Inc. and Double Dragon Meridian Park REIT. He graduated from the Dela Salle College in 1965 with a degree of Bachelor of Science, a major in Accounting, and an MBA candidate. Mr. Lacson is a Certified Public Accountant.

Marilyn V. Pardo, Filipino, 84 years old

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.

Jaime S. Dela Rosa, Filipino, 78 years old

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 Global Financial System, Structures, Crises, and Reform program 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 an Alabang Country Club, Inc. Free Masonry member. 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.

Levi B. Labra, Filipino, 65 years old

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

(ii) Corporate Officers and Key Officers**Grace E. Sy, Filipino, 58 years old**

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.

Baby Gerlie I. Sacro, Filipino, 44 years old

Ms. Sacro has been the Corporate Secretary of the company since 2000. She is a graduate of the 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.

Candy H. Dacanay, Filipino, 44 years old

Atty. Dacanay is the company's Assistant Corporate Secretary and Compliance Officer. She 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 her Bachelor of Laws

from the University of Santo Tomas in 2003 and was 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. Concurrently, she is the Assistant Corporate Secretary and Compliance Officer of Cosco Capital, Inc. and The Keepers Holdings, Inc. (both PSE-listed companies), Corporate Secretary of Kareila Management Corporation (S&R warehouse), and Corporate Secretary and Compliance Officer of League One Finance and Leasing Corporation. She completed the Harvard Business School Online Certificate Program, "Sustainable Business Strategy", in 2020.

Edgar T. Tacorda, Filipino, 46 years old

Mr. Tacorda is the company's Internal Auditor. He started as Auditor Staff in 2007 and became Senior Audit Manager in 2017. He graduated from Catanduanes State Colleges with a degree of Bachelor of Science major in Accountancy in 1998. He is a Certified Public Accountant.

Antonio E. Delos Santos, Filipino, 50 years old

Mr. Delos Santos is one of the Vice-Presidents for Operations of the company. He joined the company in 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 Bachelor of Arts in Economics degree in 1993.

Joseph U. Sy, Filipino, 59 years old

Mr. Sy is one of the Vice-Presidents for Operations of the company. He is one of the pioneer employees in the company. He was the first store manager in the company's first branch in Mandaluyong City. Because of his long retail experience, Mr. Sy manages the big store of Puregold in Metro Manila and the operation of three Merkado stores. He graduated from the Philippine School of Business Administration with a Bachelor of Science degree, major in Accountancy in 1983. Mr. Sy is a Certified Public Accountant.

Renato T. Bechayda, Filipino, 55 years old

Mr. Bechayda is one of the Vice-Presidents for Operations of the company. He started in the company as Store Manager in 1999 and was promoted to Regional Manager in 2013, and Vice-President for Operations in 2022. He graduated from International Electronics and Technical Institute with a Bachelor of Science degree, major in Computer Management, in 1992.

Maricel R. Cambe, Filipino, 49 years old

Ms. Cambe is the Senior Finance Manager of the company. She joined the company in 2019. She used to be working as an accountant at 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.

Kenneth N. Tiu, Filipino, 47 years old

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

Denise Maria D. Carolino, Filipino, 59 years old

Ms. Carolino is the company's Vice-President for Administration. She 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 Leadership Management Development Program at the Ateneo De Manila University.

Elvira D. Gutierrez, Filipino, 52 years old

Ms. Gutierrez is the company's Vice-President for Human Resources. She started in the company as Human Resource Manager in 2003 and became a 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 with a degree of Bachelor of Arts in Psychology, in 1991.

Victor John G. Dizon, Filipino, 44 years old

Mr. Victor John G. Dizon is the Investor Relations Officer of the company. Mr. Dizon has been a finance professional for twenty years. He started his career in financial markets with First Metro Investment Corp., where he ended up as the Head of Equities Trading. As a trader and strategist with a solid track record, he gave clients valuable advice and contributed considerable profits to the company. He also served in Philippine Government as Head of the Financial Audit and Asset Monitoring Department of the Metropolitan Waterworks and Sewerage System Regulatory Office. He was involved with the financial regulatory aspects of Metro Manila's water utilities-balancing overall consumer interests with the financial health of the water utilities. Mr. Dizon is a graduate of the University of the Philippines with a bachelor's degree in Business Administration and Accountancy.

Anthony G. Sy, Filipino, 62 years old

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

Gisela R. Altura, Filipino, 52 years old

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

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, 2022, and in 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 the company's 2022 Consolidated Audited Financial Statements (Annex "B").

No director has resigned or declined to stand for re-election to the board of directors since 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 reviews. The board members receive per diem allowances of P50,000.00 per board meeting and P20,000 per committee meeting.

The total annual compensation of the President and the four most highly compensated officers amounted to P15,849,416 in 2020, P16,635,807 in 2021, and P17,075,532 in 2022. Please see the table below:

(A) Summary Compensation Table

Name and Position	Year	Salary	Bonus	Other Annual Compensation
Lucio L. Co (Chairman)				
Susan P. Co (Vice-Chairman)				
Ferdinand Vincent P. Co (President)				
Antonio E. Delos Santos (Vice-President)				
Jenny L. Jacintos (Senior Merchandising Manager)				
Aggregate compensation of the President and the four most highly compensated officers	2020	15,849,416		
	2021	16,635,807		
	2022	17,075,532		
	2023 Projected	17,900,000		
Aggregate compensation paid to all other officers and managers	2020	144,199,144		
	2021	139,784,073		
	2022	162,355,052		
	2023 Projected	170,500,000		

(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, consistent with the country's existing labor laws. The company has a retirement plan consistent with current labor laws.

Item 11. Security Ownership of Certain Records and Beneficial Owners and Management

1. Security ownership of more than 5% of the stock of the company as of December 31, 2022:

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. No. 900 Romualdez St., Paco, Manila	Stockholder/ Parent Company	Parent Company	Filipino	1,410,867,188	48.99%
Common	Lucio L. Co, No. 22 Pili Avenue, South Forbes Park, Makati City	Stockholder/ Chairman	Record owner himself	Filipino	211,088,022	7.33%
Common	Susan P. Co No. 22 Pili Avenue, South Forbes Park, Makati City	Stockholder/ Vice-Chairman	Record owner herself	Filipino	178,242,585	6.19%
Common	PCD Nominee Corp. (Non-Filipino)	Stockholder/ Not related	Acting for various clients	Non-Filipino	558,981,930	19.41%
Common	PCD Nominee Corp. (Filipino)	Stockholder/ Not related	Acting for various clients	Filipino	476,360,632	16.54%

2. Security Ownership of Directors and Executive Officers of the company as of December 31, 2022:

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	7.33%
Common	Susan P. Co Vice-Chairman	Direct	Filipino	178,242,585	6.19%
Common	Ferdinand Vincent P. Co President	Direct	Filipino	26,709,460	0.93%
Common	Leonardo B. Dayao Executive Director	Direct	Filipino	779,925	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%
Common	Kenneth Tiu	Direct	Filipino	10,000	0.00%

3. Mr. and Mrs. Lucio and Susan Co do not have any voting trust agreement for their ownership of more than 5% of the company's stock.
4. There has been no change in the control of the company in the last fiscal period.
5. Foreign ownership level as of December 31, 2022:
558,981,930 common shares, or 19.41% of the outstanding capital stock

Item 12. Certain Relationships and Related Transactions

Please refer to 2022 Consolidated Audited Financial Statements (Annex "B") for the company's Related Party Transactions.

PART IV: CORPORATE GOVERNANCE

- (a) The company ensures that it is compliant with its Corporate Governance Manual. The company has a Corporate Governance Committee, headed by an Independent Director, that oversees its general obedience to the Manual from the board level down to the managers and officers of the subsidiaries.

The company will adopt a specific evaluation system that will establish or determine the level of compliance of the Board of Directors and top-level management with the Corporate Governance Manual.

- (b) On May 26, 2017, the company adopted a Corporate Governance Manual, incorporated therein are the leading practices on good corporate governance. On September 22, 2020, the company also adopted a Material Related Party Transaction Policy, which guides the Board and the management in its dealings with related parties. The Corporate Governance Committee ensures adherence with the Revised Corporate Governance Manual, while the Audit Committee guarantees the company's compliance with the Material Related Party Transaction Policy.

The company annually submits a Corporate Governance Report (I-ACGR) to the Securities and Exchange Commission and Philippine Stock Exchange and posts it on its website. The I-ACGR details how the board and management operate the company with integrity, transparency, and accountability.

- (c) There were no deviations from the Revised Corporate Governance Manual.
- (d) The company will continue to strengthen its compliance with the principles and leading practices of good corporate governance.

PART V: EXHIBITS AND SCHEDULES

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

Please see the below Annexes:

Annex “A” - Management Discussion and Analysis of Financial Position
Annex “B” – 2022 Consolidated Audited Financial Statements
Annex “C” – 2022 Sustainability Report

Summary of 2022 material Board Resolutions and Management Actions reported through SEC Form 17-C:

<u>Date of Board Meeting</u>	<u>Items Approved by the Board of Directors</u>
March 8, 2022	Appointment of Mr. Victor John G. Dizon as Investor Relations Officer of the company
March 29, 2022	Approval of (1) Details for 2022 Annual Stockholders’ Meeting (2) List of nominees for Election of Directors (3) Board endorsement to extend the term of Mr. Edgardo Lacson and Mrs. Marilyn Pardo as Independent Directors.
April 11, 2022	Approval of the 2021 Consolidated Audited Financial Statements
April 22, 2022	Approval of the Amendment of company’s Bylaws
May 6, 2022	Approval of the 1 st Quarter Financial Performance – 2022 of the company and Promotion of Mr. Joseph Sy and Mr. Antonio Delos Santos as Vice-Presidents for Operation and Ms. Elvira Gutierrez as Vice-President for Human Resources
May 10, 2022	Result of the Annual Stockholders Meeting: (1) Election of Mr. Lucio Co, Ms. Susan Co, Mr. Ferdinand Vincent Co, Ms. Pamela Justine Co, Mr. Leonardo Dayao, and Mr. Jack Huang as Regular Directors (2) Election of Mr. Edgardo Lacson, Mr. Jaime dela Rosa and Ms. Marilyn Pardo as Independent Directors. (3) Approval of the 2021 Annual Report and Consolidated Audited Financial Statements (4) Approval of the Amendment of Bylaws Result of the Organizational Meeting and Appointment of Committee Memberships. Election/Appointment of the following officers: Chairman: Mr. Lucio L. Co Vice-Chairman: Mrs. Susan P. Co President: Mr. Ferdinand Vincent P. Co Treasurer: Mrs. Grace E. Sy Corporate Secretary: Ms. Baby Gerlie I. Sacro Assistant Corporate Secretary and Compliance Officer: Atty. Candy H. Dacanay Lead Independent Director: Mr. Edgardo G. Lacson Internal Audit and Risk Officer: Ms. Maria Teresa S. Lontoc Legal Counsel: Atty. Andres Santos Board Consultant: Mr. Levi Labra Investor Relations Officer: Mr. Victor John Dizon Sustainability Officer: Mr. John Marson T. Hao Executive Committee: Chairman: Mr. Lucio Co Members: Ms. Susan P. Co, Mr. Ferdinand Vincent P. Co, Ms. Pamela Justine P. Co, Mr. Leonardo B. Dayao

Ex - Officio Members: Mr. Antonio Delos Santos, Mr. Joseph Sy and Mr. Anthony Sy

Audit Committee:

Chairman: Mr. Edgardo G. Lacson (Independent Director)

Members: Mr. Jaime S. Dela Rosa (Independent Director), Ms. Marilyn V. Pardo (Independent Director) Ms. Susan P. Co and Mr. Leonardo B. Dayao

Ex - Officio Members: Ms. Maria Teresa Lontoc, Mrs. Maricel Cambe

Corporate Governance Committee:

Chairman: Mrs. Marilyn V. Pardo (Independent Director)

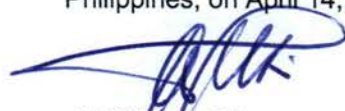
Members: Mr. Jaime S. Dela Rosa (Independent Director), Mr. Edgardo G. Lacson (Independent Director), Mr. Lucio L. Co and Mr. Leonardo B. Dayao

Ex - Officio Members: Atty. Candy H. Dacanay, Ms. Denise Maria D. Carolino and Ms. Elvira D. Gutierrez

August 2, 2022	Approval of the 2 nd Quarter Financial Performance – 2022 of the company
August 5, 2022	Approval of the Election of Three Independent Directors into the Board of Directors of Kareila Management Corporation
October 6, 2022	Buy Back of 1,000,000 Puregold shares
November 8, 2022	Approval of the 3 rd Quarter Financial Performance – 2022 of the company and Promotion of Mr. Renato S. Bechayda as Vice-President for Operations and Mr. Edgar Tacorda as Internal Auditor
November 25, 2022	Ratification of Kareila's Board to purchase 100% of PSMT Philippines Inc.
December 20, 2022	Approval of the following: (1) 2022 Audit Plan of the External Auditor (2) 5 Billion Buy Back Program (3) Regular Cash Dividend Declaration of P0.86 per share (4) Adoption of New Cash Dividend Policy - an Annual Cash Dividend Payout Ratio of at least 30% of consolidated core net income from the preceding year, subject to the requirements of applicable laws and regulations and the absence of circumstances that may restrict the payment of such dividends.

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this **Annual Report (SEC 17-A) of Puregold Price Club, Inc.** is signed on behalf of the issuer by the undersigned officers, thereunto duly authorized, in the City of Manila, Philippines, on April 14, 2023.



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

SUBSCRIBED AND SWORN to before me this 17 APR 2023 in the
City of Manila, Philippines, affiants exhibited to me competent proof of their
respective identities.

LUCIO L. CO
FERDINAND VINCENT P. CO
MARICEL R. CAMBE
GRACE E. SY
BABY GERLIE I. SACRO
CANDY H. DACANAY – DATUON

TIN ID No. 108-975-971
TIN ID No. 208-381-185
TIN ID No. 184-996-223
TIN ID No. 101-306-940
TIN ID No. 201-538-302
TIN ID No. ~~233~~-200-394

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Book No. XX
Series of 2023


CAROLINE B. EXCONDE
Notary Public for the City of Manila
Commission No. 022-010 until December 2024
Attorney's Roll No. 65882 / 05-02-2008
IBP No. 242257 / 05-04-22
PTR No. IALA0830194 / 01-10-23
MCLE Compliance No. VII-0019300 / 05-27-22
No. 900 Romualdez St., Paco, Manila 1007

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

The following discussion and analysis of the Group's results of operations, financial condition and certain trends, risks and uncertainties that may affect the Group's business should be read in conjunction with the auditors' reports and the Group's 2022 audited consolidated financial statements and notes attached herewith as Annex "B".

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:

	2022	2021	2020
Current Ratio ⁽¹⁾	2.64:1	3.84:1	3.47:1
Asset to Equity Ratio ⁽²⁾	1.98:1	1.85:1	1.92:1
Debt to Equity Ratio ⁽³⁾	0.98:1	0.85:1	0.92:1
Debt to Total Assets ⁽⁴⁾	0.50:1	0.46:1	0.48:1
Book Value per Share ⁽⁵⁾	P28.84	P26.31	P23.87
	2022	2021	2020
Earnings per Share ⁽⁶⁾	P3.24	P2.85	P2.81
Price Earnings Ratio ⁽⁷⁾	10.77x	13.78x	14.59x
Return on Assets ⁽⁸⁾	6.1%	6.0%	6.7%
Return on Equity ⁽⁹⁾	11.7%	11.4%	12.4%

(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, 2022, the Group earned a consolidated net income of P9,287 million at 5.0% net margin and an increase of 13.5% from P8,180 million at 5.0% net margin in 2021. This was principally driven by the continuous organic expansion of the Group's grocery retail outlets, management effort to improve gross margins and sustained strategic cost and expense management.

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

<i>(In millions)</i>	2022			2021			2020	
		% to Sales	% Change		% to Sales	% Change		% to Sales
Net Sales	P184,303	100.0%	12.3%	P164,125	100.0%	-2.7%	P168,632	100.0%
Cost of Sales	150,483	81.6%	12.3%	134,042	81.7%	-3.9%	139,476	82.7%
Gross Profit	33,820	18.4%	12.4%	30,083	18.3%	3.2%	29,156	17.3%
Other Operating Income	3,184	1.7%	-0.8%	3,210	2.0%	1.7%	3,155	1.9%
Gross Income	37,003	20.1%	11.1%	33,293	20.3%	3.0%	32,311	19.2%
Operating Expenses	22,522	12.2%	10.7%	20,350	12.4%	7.4%	18,953	11.2%
Operating Income	14,481	7.9%	11.9%	12,942	7.9%	-3.1%	13,358	7.9%
Other income(expenses)	(2,257)	-1.2%	-1.5%	(2,290)	-1.4%	19.0%	(1,925)	-1.1%
Net Income before tax	12,225	6.6%	14.8%	10,652	6.5%	-6.8%	11,433	6.8%
Income tax expense	2,937	1.6%	18.8%	2,472	1.5%	-26.6%	3,366	2.0%
Net Income after tax	P9,287	5.0%	13.5%	P8,180	5.0%	1.4%	P8,067	4.8%

Comparative years 2022 and 2021

Net Sales

For the year ended December 31, 2022, the Group posted a consolidated net sales of P184,303 million for an increase of P20,178 million or 12.3% compared to P164,125 million in 2021. Net sales grew due to sales contribution from full operation of 2021 new stores and revenue contribution from 2022 newly opened stores of both Puregold and S&R.

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

	PGOLD	S&R
Net Sales	4.5%	11.2%
Net Ticket	-4.3%	7.9%
Traffic	9.2%	3.1%

Gross Profit

For the year ended December 31, 2022, the Group realized an increase of 12.4% in consolidated gross profit from P30,083 million in 2021 at 18.3% margin to P33,820 million at 18.4% margin in 2022, driven by strong and continuing suppliers' support through trade discounts in the form of rebates and conditional discounts granted during the year.

Other Operating Income

Other operating income slightly decreased by P26 million or 0.8% from P3,210 million in 2021 to P3,184 million in 2022. This is attributable to decline in concession income due to lower concession sales during the year.

Operating Expenses

Operating expenses increased by P2,172 million or 10.7% from P20,350 million in December 31, 2021 to P22,522 million in 2022. Increase in the account is primarily due to full operation of 2021 new stores and expenses from the 2022 newly opened stores, specifically manpower, utilities, supplies, transportation, fuel and advertising expenses.

Other Expense - net

Other expenses net of other income amounted to P2,257 million and P2,290 million in December 31, 2022 and 2021, respectively. This includes interest on bank loans and accretion of interest on leased assets in compliance with PFRS 16 – Leases, and net of interest income.

Net Income

For the year ended December 31, 2022, the Group earned a consolidated net income of P9,287 million at 5.0% net margin and an increase of 13.5% from P8,180 million at 5.0% net margin in 2021. This was principally driven by the continuous organic expansion of the Group's grocery retail outlets, management effort to improve gross margins and sustained strategic cost and expense management.

Comparative years 2021 and 2020

Net Sales

For the year ended December 31, 2021, the Group posted a consolidated net sales of P164,125 million for a decrease of P4,507 million or 2.7% compared to P168,632 million in 2020. The decrease in net sales was primarily driven by a decline in customer's visits particularly for the Puregold stores, with the government implementing health protocols in 2021 and people cautious of contracting the virus. Also, base sales is higher than usual in 2020 specially in the first quarter, with people buying in panic, due to the looming lockdown brought about by the pandemic.

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

	PGOLD	S&R
Net Sales	-9.7%	4.7%
Net Ticket	8.0%	2.6%
Traffic	-16.4%	2.1%

Gross Profit

For the year ended December 31, 2021, the Group realized an increase of 3.2% in consolidated gross profit from P29,156 million in 2020 at 17.3% margin to P30,083 million at 18.3% margin in 2021, driven by strong and continuing suppliers' support through trade discounts in the form of rebates and conditional discounts granted during the year.

Other Operating Income

Other operating income slightly increased by P55 million or 1.7% from P3,155 million in 2020 to P3,210 million in 2021. With the lockdown restrictions starting to loosen up, some tenants resume operation which resulted to increase in rent income.

Operating Expenses

Operating expenses increased by P1,397 million or 7.4% from P18,953 million in December 31, 2020 to P20,350 million in 2021. This is mainly driven by the increase in operating expenses of Kareila both from newly opened stores and old stores. In addition, operating expenses in prior period were partly lower driven by lockdown period in the first half of 2020.

Other Expense - net

Other expenses net of other income amounted to P2,290 million and P1,925 million in December 31, 2021 and 2020, respectively. The increase is primarily due to interest expense on corporate notes issued by the Parent Company in the last quarter of 2020.

Net Income

For the year ended December 31, 2021, the Group earned a consolidated net income of P8,180 million at 5.0% net margin and an increase of 1.4% from P8,067 million at 4.8% net margin in 2020.. Despite the decline in revenues, this was principally driven by the continuous management effort to improve gross margins, sustained strategic cost and expense management as well as the effect of the reduced corporate income tax with the implementation of the CREATE Law.

Financial Position

The Group's consolidated financial position as at December 31, 2022, 2021 and 2020 are presented below:

	2022			2021			2020	
(In millions)		% to Total Assets	% Change		% to Total Assets	% Change		% to Total Assets
Cash & Cash Equivalents	P39,345	24.0%	-4.8%	P41,312	29.6%	26.2%	P32,724	24.9%
Receivables – net	3,529	2.2%	61.9%	2,179	1.6%	-18.6%	2,676	2.0%
Merchandise inventory	28,215	17.2%	30.9%	21,559	15.5%	3.1%	20,918	15.9%
Investments in trading securities	4,299	2.6%	13892.7%	31	0.0%	-98.7%	2,411	1.8%
Prepaid expenses and other current assets	3,610	2.2%	324.3%	851	0.6%	29.3%	658	0.5%
Total Current Assets	78,998	48.2%	19.8%	65,931	47.3%	11.0%	59,388	45.1%
Investments in associate and joint ventures	662	0.4%	4.0%	637	0.5%	0.0%	637	0.5%
Property and equipment- net	30,235	18.5%	31.1%	23,070	16.5%	5.0%	21,966	16.7%
Intangibles and goodwill	19,690	12.0%	-0.1%	19,703	14.1%	-0.1%	19,716	15.0%
Right-of-use assets – net	29,950	18.3%	14.2%	26,217	18.8%	0.3%	26,137	19.9%
Deferred tax assets – net	1,515	0.9%	13.5%	1,334	1.0%	6.0%	1,258	1.0%
Other noncurrent assets	2,748	1.7%	8.1%	2,543	1.8%	2.0%	2,492	1.9%
Total Noncurrent Assets	84,799	51.8%	15.4%	73,503	52.7%	1.8%	72,205	54.9%
	P163,798	100.0%	17.5%	P139,434	100.0%	6.0%	P131,594	100.0%
Accounts payable and accrued expenses	P26,793	16.4%	85.8%	P14,423	10.3%	0.6%	P14,342	10.9%
Short-term loans payable	-	0.0%	0.0%	-	0.0%	0.0%	-	0.0%
Income tax payable	866	0.5%	1.5%	854	0.6%	-34.5%	1,305	1.0%
Due to related parties	49	0.0%	7.9%	46	0.0%	-7.5%	50	0.0%
Current maturities of long - term loans, net of debt issue costs	120	0.1%	0.0%	120	0.1%	0.0%	120	0.1%
Lease liabilities due within one year	1,323	0.8%	21.2%	1,092	0.8%	21.8%	897	0.7%
Other current liabilities	726	0.4%	11.6%	651	0.5%	27.6%	510	0.4%
Total Current Liabilities	29,877	18.2%	73.9%	17,185	12.3%	-0.2%	17,222	13.1%
Long-term loans - net of current maturities and debt issue costs	11,546	7.0%	-0.9%	11,650	8.4%	-0.9%	11,755	8.9%
Lease liabilities	37,897	23.1%	12.0%	33,827	24.3%	3.3%	32,731	24.9%
Other noncurrent liabilities	1,833	1.1%	41.5%	1,295	0.9%	-6.3%	1,383	1.1%
Total Noncurrent Liabilities	51,276	31.3%	9.6%	46,773	33.5%	2.0%	45,869	34.9%
Total Liabilities	81,153	49.5%	26.9%	63,958	45.9%	1.4%	63,092	47.9%
Capital stock	2,904	1.8%	0.0%	2,904	2.1%	0.0%	2,904	2.2%
Additional paid in capital	25,374	15.5%	0.0%	25,362	18.2%	0.0%	25,362	19.3%
Remeasurements of retirement liability - net of tax	582	0.4%	284.8%	151	0.1%	-227.5%	(119)	-0.1%
Treasury stock, at cost	(210)	-0.1%	86.2%	(113)	-0.1%	58.0%	(71)	-0.1%
Retained earnings	53,994	33.0%	14.5%	47,171	33.8%	16.7%	40,426	30.7%
Total Equity	82,645	50.5%	9.5%	75,476	54.1%	10.2%	68,502	52.1%
	P163,798	100.0%	17.5%	P139,434	100.0%	6.0%	P131,594	100.0%

Comparative Years 2022 and 2021

Current Assets

As at December 31, 2022 and 2021, total current assets amounted to P78,998 million or 48.2% of total assets and P65,931 million or 47.3% of total assets, respectively, for an increase of P13,067 million or 19.8% as at December 31, 2022.

Cash and cash equivalents as at December 31, 2022 amounted to P39,345 million or 24.0% of total assets and decreased by P1,966 million or 4.8% compared to previous year-end balance. Decrease in the Group's cash position was attributable mainly to the net settlement of trade and non-trade payables, payment for cash dividend, investment on government securities and capital expenditures for 2022 new organic stores.

Receivables amounted to P3,529 million and P2,179 million as at December 31, 2022 and 2021 or 2.2% and 1.6% of total assets, respectively. The increase was due to increase in sales during the year.

Merchandise inventory amounted to P28,215 million or 17.2% of total assets at the end of 2022 and P21,559 million or 15.5% of total assets in 2021. Total inventory increased by P6,656 million or 30.9% principally due to increase in Puregold and S&R stores stocking requirements for existing and new operating stores.

Investments in trading securities amounted to P4,299 million and P31 million as at December 31, 2022 and 2021, respectively. The increase of P4,269 million was due to purchase of government bonds during the year.

Prepaid expenses and other current assets amounted to P3,610 million and P851 million as at December 31, 2022 and 2021, respectively. The increase was mainly due to advance payment to suppliers and prepayment on tax expenses.

Noncurrent Assets

As at December 31, 2022 and 2021, total noncurrent assets amounted to P84,799 million or 51.8% of total assets and P73,503 million or 52.7% of total assets, respectively, for an increase of P11,296 million or 15.4% as at December 31, 2022.

Investments in associate and joint ventures amounted to P662 million and P637 million as at December 31, 2022 and 2021, respectively.

Net book values of property and equipment increased by P7,166 million or 31.1% from P23,070 million in December 2021 to P30,235 million in December 2022. The increase was mainly due to additions made during the year intended for newly established/operating stores. This also includes the net book value of property and equipment from the acquisition of PSMT amounting to P4.3 billion.

Right-of-use asset amounted to P29,950 million or 18.3% of total assets and P26,217 million or 18.8% of total assets as at December 31, 2022 and 2021, respectively. The increase was mainly due to new lease contracts for newly opened stores as well as the acquired assets from the acquisition of PSMT.

Deferred tax assets – net amounted to P1,515 million or 0.9% of total assets and P1,334 million or 1.0% of total assets as at December 31, 2022 and 2021, respectively, for an increase of 13.5% or P180 million. The increase was due to recognition of deferred tax in retirement expense and compliance with PFRS 16 – Leases.

Intangibles and goodwill amounted to P19,690 million as at December 31, 2022 and P19,703 million as at December 31, 2021.

Other noncurrent assets amounted P2,748 million as at December 31, 2022 and P2,543 million as at December 31, 2021.

Current Liabilities

As at December 31, 2022 and 2021, total current liabilities amounted to P29,877 million or 18.2% of total assets and P17,185 million or 12.3% of total assets, respectively, for an increase of P12,692 million or 73.9% as at December 31, 2022.

Accounts payable and accrued expenses amounted to P26,793 million and P14,423 million as at December 31, 2022 and 2021, respectively, and increased by P12,370 million or 85.8% as of December 2022. The increase was mainly due to increase in inventory and dividend payable as of December 2022 and consolidation of outstanding payables from the acquisition of PSMT.

Income tax payable amounted to P866 million and P854 million as at December 31, 2022 and 2021, respectively.

Due to related parties, representing royalty fees, amounted to P49 million for the year ended December 2022 and P46 million for the year ended December 2021.

Lease liabilities due within one year amounted to P1,323 million and P1,092 million as at December 31, 2022 and 2021, respectively. This pertains to current portion of lease liabilities.

Other current liabilities increased by P75 million or 11.6% from P651 million in December 2021 to P726 million in December 2022. The increase was mainly due to recognition of deferred income from suppliers intended for future promotional activities.

Noncurrent Liabilities

As at December 31, 2022 and 2021, total noncurrent liabilities amounted to P51,276 million or 31.3% of total assets and P46,773 million or 33.5% of total assets, respectively, for an increase of P4,503 million or 9.6% as at December 31, 2021.

Lease liabilities amounted to P37,897 million or 23.1% of total assets and P33,827 million or 24.3% of total assets as at December 31, 2022 and 2021, respectively, or an increase of P4,070 million or 12.0% due to new stores opened during the year and consolidation of acquired lease contracts from PSMT.

Long-term debt – net of current maturities and debt issue costs amounted to P11,546 million and P11,650 million as at December 31, 2022 and 2021, respectively, for a decrease of

P105 million. In 2020, the Group issued a P12 billion long-term notes payable to various banks with interest rates ranging from 4.00% to 4.51% and terms of 7 and 10 years.

Other noncurrent liabilities amounted to P1,833 million and P1,295 million as at December 31, 2022 and 2021, respectively. The increase was due recognition of unpaid noncurrent portion of purchased asset. This was partially offset by the decrease in retirement liabilities due to recognition of gain on changes in financial assumptions recognized under other comprehensive income as of December 2022.

Equity

As at December 31, 2022 and 2021, total equity amounted to P82,645 million and P75,476 million, respectively, for an increase of P7,169 million or 9.5%.

Capital stock amounted to P2,904 million as at December 31, 2022 and 2021.

Additional paid in capital amounted to P25,374 million and P25,362 million as at December 31, 2022 and 2021, respectively.

Retained earnings amounted to P53,994 million and P47,171 million as at December 31, 2022 and 2021, respectively, or an increase of P6,823 million or 14.5% due to income made during the year, net of dividend payments

Comparative Years 2021 and 2020

Current Assets

As at December 31, 2021 and 2020, total current assets amounted to P65,931 million or 47.3% of total assets and P59,388 million or 45.1% of total assets, respectively, for an increase of P6,543 million or 11.0% as at December 31, 2021.

Cash and cash equivalents as at December 31, 2021 amounted to P41,312 million or 29.6% of total assets and increased by P8,588 million or 26.2% compared to previous year-end balance. The account increase is attributable mainly to cash generated from operations. This is partially offset by payment for cash dividend and capital expenditures for 2021 new organic stores

Receivables amounted to P2,179 million and P2,676 million as at December 31, 2021 and 2020 or 1.6% and 2.0% of total assets, respectively. The decrease was due to collections made during the period, bulk of which came from the high year end receivables.

Merchandise inventory amounted to P21,559 million or 15.5% of total assets at the end of 2021 and P20,918 million or 15.9% of total assets in 2020. Total inventory increased by P641 million or 3.1% principally due to increase in Puregold and S&R stores stocking requirements for existing and new operating stores.

Investments in trading securities amounted to P31 million and P2,411 million as at December 31, 2021 and 2020, respectively. The decrease of P2,380 million was due to net sale of government bonds during the period.

Prepaid expenses and other current assets amounted to P851 million and P658 million as at December 31, 2021 and 2020, respectively. The increase was mainly due to payment on insurance premiums and advertising and promotion expenses.

Noncurrent Assets

As at December 31, 2021 and 2020, total noncurrent assets amounted to P73,503 million or 52.7% of total assets and P72,205 million or 54.9% of total assets, respectively, for an increase of P1,298 million or 1.8% as at December 31, 2021.

Investments amounted to P637 million as at December 31, 2021 and 2020, respectively.

Net book values of property and equipment increased by P1,104 million or 5.0% from P21,966 million in December 2020 to P23,070 million in December 2021. The increase was mainly due to additions made during the year intended for newly established/operating stores.

Right-of-use asset amounted to P26,217 million or 18.8% of total assets and P26,137 million or 19.9% of total assets as at December 31, 2021 and 2020, respectively.

Deferred tax assets – net amounted to P1,334 million or 1.0% of total assets and P1,258 million or 1.0% of total assets as at December 31, 2021 and 2020, respectively, for an increase of 6.0% or P76 million. The increase was due to recognition of deferred tax in retirement expense and compliance with PFRS 16 – Leases.

Intangibles amounted to P19,703 million as at December 31, 2021 and P19,716 million as at December 31, 2020.

Other noncurrent assets amounted P2,543 million as at December 31, 2021 and P2,492 million as at December 31, 2020.

Current Liabilities

As at December 31, 2021 and 2020, total current liabilities amounted to P17,185 million or 12.3% of total assets and P17,222 million or 13.1% of total assets, respectively, for a decrease of P37 million or 0.2% as at December 31, 2021.

Accounts payable and accrued expenses amounted to P14,423 million and P14,342 million as at December 31, 2021 and 2020, respectively, and increased by P81 million or 0.6% as of December 2020.

Income tax payable decreased by P451 million from P1,305 million in December 2020 to P854 million in December 2021 due to the reduced corporate income tax with the implementation of the CREATE Law.

Due to related parties, representing royalty fees, amounted to P46 million for the year ended December 2021 and P50 million for the year ended December 2020. The decrease was due to decrease in net sales and settlement 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 P141 million or 27.6% from P510 million in December 2020 to P651 million in December 2021. The increase on the account was due to increase in output vat during the year.

Noncurrent Liabilities

As at December 31, 2021 and 2020, total noncurrent liabilities amounted to P46,773 million or 33.5% of total assets and P45,869 million or 34.9% of total assets, respectively, for an increase of P904 million or 2.0% as at December 31, 2021.

Lease liabilities amounted to P33,827 million or 24.3% of total assets and P32,731 million or 24.9% of total assets as at December 31, 2021 and 2020, respectively, or an increase of P1,096 million or 3.3% due to new stores opened during the year.

Long-term debt – net of current maturities and debt issue costs amounted to P11,650 million and P11,755 million as at December 31, 2021 and 2020, respectively, for a decrease of P105 million. In 2020, the Group issued a P12 billion long-term notes payable to various banks with interest rates ranging from 4.00% to 4.51% and terms of 7 and 10 years.

Retirement benefits liability amounted to P1,295 million and P1,383 million as at December 31, 2021 and 2020, respectively. The decrease was due to gain on changes on financial assumptions recognized under other comprehensive income as of December 2021.

Equity

As at December 31, 2021 and 2020, total equity amounted to P75,476 million and P68,502 million, respectively, for an increase of P6,974 million or 10.2%.

Capital stock amounted to P2,904 million as at December 31, 2021 and 2020.

Additional paid in capital amounted to P25,362 million as at December 31, 2021 and 2020.

Retained earnings amounted to P47,171 million and P40,426 million as at December 31, 2021 and 2020, respectively, or an increase of P6,745 million or 16.7% due to income made during the year, 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>	2022	2021	2020
Net cash provided by operating activities	P13,215	P14,996	P14,703
Net cash used in investing activities	(9,186)	(1,337)	(5,756)
Net cash used in financing activities	(5,996)	(5,072)	6,694
Net increase in cash and cash equivalents	(P1,967)	P8,587	P15,641

Cash flows from operating activities

Net cash provided by operating activities amounted to P13,215 million, P14,996 million and P14,703 million for the years ended December 31, 2022, 2021 and 2020, 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 P9,186 million, P1,337 million and P5,756 million for the years ended December 31, 2022, 2021 and 2020, respectively. Capital expenditures for acquisitions of equipment, furniture & fixtures, lands, construction of buildings and improvements on leased assets amounted to P5,269 million in 2022 and P3,682 million in 2021.

Cash flows from (used in) financing activities

Net cash used in financing activities amounted to P5,996 million for the year ended December 2022 and P5,702 million for the year ended December 2021, pertaining to lease payments and dividend payable.. Net cash provided by financing activities amounted to P6,694 million in 2020.

Capital Expenditures

The table below sets out the Group's capital expenditures in 2022, 2021 and 2020 (note 10 of AFS).

	For the years ended December 31,		
<i>(In millions)</i>	2022	2021	2020
Office and store equipment	P692	P841	P748
Furniture and fixtures	199	203	209
Leasehold improvements	337	843	943
Building	211	130	105
Land	1,442	320	501
Construction in progress	2,388	1,345	702
Total	P5,269	P3,682	P3,208

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 29 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.

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GROUP INFORMATION

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May 2

December 31

CONTACT PERSON INFORMATION

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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, 2022, 2021 and 2020

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, 2022 and 2021, 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.

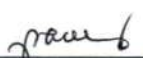
R. G. Manabat & Co., the independent auditor appointed by the Board of Directors, has audited the financial statements of the Group in accordance with Philippine Standards on Auditing, and in its report to the Board of Directors, has expressed its opinion on the fairness of presentation upon completion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



LUCIO L. CO
Chairman



FERDINAND VINCENT P. CO
President



GRACE E. SY
Treasurer

Signed this APR 12 2023
th day of _____ 2023

SUBSCRIBED AND SWORN to before me this day of APR 12 2023 2023, 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. 67
Book No. XIX
Series of 2023



EMMA RHEA B. SADURAL-CAPISTRANO
Notary Public for the City of Manila
Commission No. 2023-102 until Dec. 31, 2024
Roll No. 55724
IBP Lifetime Member No. 07476
PTR No. 0862254/01-03-2023/Manila
MCLE No. VII-0007124/11-22-2021
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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, 2022 and 2021, 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, 2022, 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, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2022, 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 (P186.7 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 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 and value-added-tax returns, as applicable, to ascertain that the revenue recognition criteria are met.
- We tested all manual 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, 2022, 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, 2022 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, actions taken to eliminate threats or safeguards applied.

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

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Issued January 3, 2023 at Makati City

April 12, 2023

Makati City, Metro Manila

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

		December 31	
	Note	2022	2021
ASSETS			
Current Assets			
Cash and cash equivalents	4	P39,345,261,577	P41,311,594,337
Receivables - net	5	3,528,534,693	2,178,899,221
Merchandise inventories	6	28,214,691,119	21,558,632,962
Financial assets at fair value through profit or loss	7	4,299,380,312	30,725,784
Prepaid expenses and other current assets	8	3,610,192,152	850,856,380
Total Current Assets		78,998,059,853	65,930,708,684
Noncurrent Assets			
Investment in associate and joint ventures	9	661,884,696	636,548,430
Property and equipment - net	10	30,235,011,571	23,069,507,813
Goodwill and other intangibles	12	19,690,050,733	19,703,406,518
Right-of-use assets - net	11	29,949,574,410	26,216,543,708
Deferred tax assets - net	25	1,514,818,425	1,334,336,861
Other noncurrent assets	13, 19	2,748,114,642	2,542,755,204
Total Noncurrent Assets		84,799,454,477	73,503,098,534
		P163,797,514,330	P139,433,807,218
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	14, 23, 26	P26,792,821,120	P14,422,700,429
Lease liabilities due within one year	19	1,322,639,880	1,091,723,186
Income tax payable		866,441,753	853,926,473
Current portion of long-term loans	15	120,000,000	120,000,000
Due to related parties	23	49,497,532	45,868,433
Other current liabilities	16	725,857,583	650,596,842
Total Current Liabilities		29,877,257,868	17,184,815,363
Noncurrent Liabilities			
Lease liabilities	19	37,897,091,551	33,827,242,904
Noncurrent portion of long-term loans	15	11,545,793,200	11,650,457,761
Other noncurrent liabilities	24	1,832,770,412	1,295,298,962
Total Noncurrent Liabilities		51,275,655,163	46,772,999,627
Total Liabilities		81,152,913,031	63,957,814,990
Equity			
Capital stock	26	2,904,214,086	2,904,214,086
Additional paid-in capital		25,373,547,130	25,361,670,581
Retirement benefits reserve		581,938,236	151,224,280
Treasury stock		(209,597,201)	(112,593,218)
Retained earnings		53,994,499,048	47,171,476,499
Total Equity		82,644,601,299	75,475,992,228
		P163,797,514,330	P139,433,807,218

See Notes to the Consolidated Financial Statements.

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

		Years Ended December 31		
	Note	2022	2021	2020
NET SALES	17	P184,302,944,650	P164,124,835,299	P168,632,328,716
COST OF SALES	6, 18	150,483,272,460	134,042,067,009	139,476,212,627
GROSS INCOME		33,819,672,190	30,082,768,290	29,156,116,089
OTHER REVENUE	17, 19, 20	3,183,788,425	3,209,751,218	3,154,798,784
TOTAL GROSS INCOME AND OTHER REVENUE		37,003,460,615	33,292,519,508	32,310,914,873
OPERATING EXPENSES	21	22,522,133,140	20,350,317,319	18,953,230,825
INCOME FROM OPERATIONS		14,481,327,475	12,942,202,189	13,357,684,048
OTHER CHARGES				
Interest expense	10, 15, 19	2,907,818,153	2,784,113,290	2,268,551,686
Interest income	4, 7	(678,357,411)	(399,200,942)	(272,988,877)
Share in loss (income) of associate and joint ventures	9	37,163,734	-	(9,520,123)
Others - net	22	(9,827,933)	(94,528,066)	(61,482,317)
		2,256,796,543	2,290,384,282	1,924,560,369
INCOME BEFORE INCOME TAX		12,224,530,932	10,651,817,907	11,433,123,679
PROVISION FOR INCOME TAX				
Current		3,192,461,050	2,649,687,385	3,700,122,821
Deferred		(255,356,976)	(177,891,241)	(333,827,499)
	25	2,937,104,074	2,471,796,144	3,366,295,322
NET INCOME		9,287,426,858	8,180,021,763	8,066,828,357
OTHER COMPREHENSIVE INCOME				
<i>Item that will not be reclassified subsequently to profit or loss</i>				
Remeasurements of retirement benefits	24	560,492,711	371,012,567	(247,134,673)
Tax effect		(129,778,755)	(101,154,102)	74,032,947
		430,713,956	269,858,465	(173,101,726)
TOTAL COMPREHENSIVE INCOME		P9,718,140,814	P8,449,880,228	P7,893,726,631
Basic and diluted earnings per share	28	P3.24	P2.85	P2.81

See Notes to the Consolidated Financial Statements.

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

Years Ended December 31							
	Note	Capital Stock	Additional Paid-in Capital	Retirement Benefits Reserve	Treasury Stock	Retained Earnings	Total Equity
Balance at January 1, 2020		P2,904,214,086	P25,361,670,581	P54,467,541	(P71,253,489)	P33,650,251,214	P61,899,349,933
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
Transactions with Owners of the Parent Company							
Cash dividends	26	-	-	-	-	(1,291,356,632)	(1,291,356,632)
Balance at December 31, 2020		2,904,214,086	25,361,670,581	(118,634,185)	(71,253,489)	40,425,722,939	68,501,719,932
Total Comprehensive Income for the Year							
Net income for the year		-	-	-	-	8,180,021,763	8,180,021,763
Other comprehensive income		-	-	269,858,465	-	-	269,858,465
		-	-	269,858,465	-	8,180,021,763	8,449,880,228
Transaction with Owners of the Parent Company							
Treasury shares - at cost	26	-	-	-	(41,339,729)	-	(41,339,729)
Cash dividends		-	-	-	-	(1,434,268,203)	(1,434,268,203)
		-	-	-	(41,339,729)	(1,434,268,203)	(1,475,607,932)
Balance at December 31, 2021		2,904,214,086	25,361,670,581	151,224,280	(112,593,218)	47,171,476,499	75,475,992,228
Total Comprehensive Income for the Year							
Net income for the year		-	-	-	-	9,287,426,858	9,287,426,858
Other comprehensive income		-	-	430,713,956	-	-	430,713,956
		-	-	430,713,956	-	9,287,426,858	9,718,140,814
Transaction with Owners of the Parent Company							
Treasury shares - at cost	26	-	-	-	(97,003,983)	-	(97,003,983)
Cash dividends		-	-	-	-	(2,464,404,309)	(2,464,404,309)
		-	-	-	(97,003,983)	(2,464,404,309)	(2,561,408,292)
Other							
Effect of acquisition of a subsidiary	1	-	11,876,549	-	-	-	11,876,549
Balance at December 31, 2022		P2,904,214,086	P25,373,547,130	P581,938,236	(P209,597,201)	P53,994,499,048	P82,644,601,299

See Notes to the Consolidated Financial Statements.

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

		Years Ended December 31		
	Note	2022	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		P12,224,530,932	P10,651,817,907	P11,433,123,679
Adjustments for:				
Depreciation and amortization	10, 11, 12, 21	4,564,410,149	4,633,632,273	4,282,164,425
Interest expense	10, 15, 19	2,907,818,153	2,784,113,290	2,268,551,686
Retirement benefits cost	21, 24	272,768,815	286,572,205	225,475,564
Interest income	4, 7	(678,357,411)	(399,200,942)	(272,988,877)
Share in loss (income) of associate and joint ventures	9	37,163,734	-	(9,520,123)
Gain from lease terminations	19, 22	(4,593,117)	(27,660,711)	(29,810,766)
Gain (loss) from insurance claims	22	1,587,440	(6,378,701)	(513,124)
Dividend income	7, 22	(1,119,623)	(983,255)	(676,873)
Unrealized valuation loss (gain) on financial assets at fair value through profit or loss	22	323,662	(3,212,598)	7,407,415
Loss (gain) on sale of financial assets	7	-	5,291,597	(36,229,953)
Gain from rent concessions	19, 20	-	(61,760,915)	-
Operating income before changes in working capital		19,324,532,734	17,862,230,150	17,866,983,053
Decrease (increase) in:				
Receivables		(1,282,972,367)	497,355,362	(702,716)
Merchandise inventories		(6,656,058,157)	(640,312,675)	(1,392,123,583)
Prepaid expenses and other current assets		(3,079,418,919)	(610,673,562)	(319,692,742)
Increase (decrease) in:				
Trade and other payables		7,060,636,322	37,376,057	1,156,968,755
Due to related parties		3,629,099	(3,700,084)	2,451,079
Other current liabilities		75,260,741	140,217,186	75,575,990
Cash generated from operations		15,445,609,453	17,282,492,434	17,389,459,836
Income taxes paid		(2,898,180,651)	(2,682,366,321)	(2,951,059,552)
Interest received		678,357,411	399,200,942	272,988,877
Retirement benefits paid	24	(10,401,509)	(3,317,374)	(8,638,936)
Net cash provided by operating activities		13,215,384,704	14,996,009,681	14,702,750,225
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to:				
Financial assets at fair value through profit or loss	7	(4,268,978,190)	-	(2,347,632,095)
Property and equipment	10, 24	(4,147,357,466)	(3,665,291,732)	(3,205,692,561)
Intangibles	12	(36,962,943)	(32,665,649)	(28,678,027)
Investment in associate and joint ventures	9	(62,500,000)	-	-
Other noncurrent assets	13	(169,342,638)	(50,798,935)	(176,461,823)
Payment of direct costs on leases	11	(400,000,000)	-	-
Acquisition of subsidiary, net of cash acquired	1	(102,918,152)	-	-
Insurance claims	22	(1,587,440)	6,378,701	513,124
Proceeds from disposal of:				
Property and equipment	10	2,707,372	25,993,167	1,402,111
Computer software	12	71,512	-	-
Financial assets at fair value through profit or loss		-	2,378,570,451	-
Dividends received	7	1,119,623	983,255	676,873
Net cash used in investing activities		(9,185,748,322)	(1,336,830,742)	(5,755,872,398)

Forward

Years Ended December 31				
	Note	2022	2021	2020
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayments of lease:	19			
Interest expense		(P2,389,133,602)	(P2,269,146,910)	(P2,121,718,052)
Principal amount		(1,452,214,242)	(834,868,613)	(856,361,903)
Payments of:				
Cash dividends	26	(1,434,268,203)	(1,291,356,633)	(1,147,872,562)
Interest expense		(503,349,112)	(514,966,380)	(149,720,724)
Debt issuance cost		-	-	(129,000,000)
Repayments of:	15			
Long-term loans		(120,000,000)	(120,000,000)	(400,000,000)
Short-term loans		-	-	(501,570,353)
Acquisition of treasury shares	26	(97,003,983)	(41,339,729)	-
Availment of long-term loans	15	-	-	12,000,000,000
Net cash from (used in) financing activities		(5,995,969,142)	(5,071,678,265)	6,693,756,406
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(1,966,332,760)	8,587,500,674	15,640,634,233
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		41,311,594,337	32,724,093,663	17,083,459,430
CASH AND CASH EQUIVALENTS AT END OF YEAR	4	P39,345,261,577	P41,311,594,337	P32,724,093,663

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:

	Percentage of Ownership	
	2022	2021
Kareila Management Corporation	100	100
S&R Pizza (Harbor Point), Inc. ^(a)	100	100
S&R Pizza, Inc. ^(a)	100	100
PSMT Philippines Inc. ^(a)	100	-
PPCI Subic, Inc.	100	100
Entenso Equities Incorporated	100	100
Melilla Management Corporation	100	-
Purepadala, Inc. ^(b)	100	100

(a) Indirect subsidiaries through Kareila Management Corporation

(b) Not yet started operations

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

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.

Melilla's primary purpose is to act as managers or managing agents of persons, firms, associations, corporations, partnership and other entities; to provide management, investment and technical advice for commercial, industrial, manufacturing and other kinds of enterprises; undertake, carry on, assist or participate in the promotion, organization, management liquidation or reorganization of corporations, partnership and other entities, except the management of funds, securities, portfolio or similar asset and managed entities or corporation without acting as: broker or dealer in securities, government securities eligible dealer (GSED), investment adviser of an investment company, closed-end or open-end investment company, investment house, transfer agent, commodity/ financial futures exchange/ broker / merchant, financing company.

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.

PSMT was incorporated in the Philippines and registered with the SEC on September 29, 2000. Its primary purpose is to conduct and carry on the business of establishing and operating membership supermarket shopping and engage in the business of directly selling to its members all kinds of goods, commodities, wares, and merchandise. PSMT's registered address is at 32nd Street, 5th Avenue, Fort Bonifacio Global City, Taguig City.

On December 1, 2022, Kareila Management Corporation acquired 100% ownership in PSMT for a cash consideration of P112.5 million. The acquisition was accounted for under the pooling of interest method, which resulted in the recognition of additional paid-in capital ("APIC") amounting to P11.9 million in the consolidated financial statements. This represents mainly the excess of the P124 million net assets acquired over the cash consideration..

The financial information of PSMT as at the date of acquisition and for the eleven months period ending December 1, 2022 are as follows:

Current assets	P103,628,388
Noncurrent assets	5,564,215,023
Current liabilities	4,027,564,579
Noncurrent liabilities	1,516,245,211

Majority of PSMT's assets pertain to property and equipment amounting to P4.3 billion and right-of-use asset amounting to P1.2 billion while majority of its liabilities pertain to advances from a stockholder amounting to P4 billion and lease liability amounting to P1.5 billion.

For the month ended December 31, 2022, PSMT contributions to the Group's revenue and net income are negligible. If the acquisition had occurred on January 1, 2022, the effect on consolidated revenue net income is also negligible.

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 and Sustainability Reporting Standards Council (FSRSC), 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 March 28, 2023.

Historical cost is used as the measurement basis except for:

Items	Measurement Bases
Financial assets at FVTPL	Fair value
Financial assets at FVOCI	Fair value
Retirement benefits liability	Present value of defined benefit obligation less fair value of 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 operating lease agreements as a lessor which portions of its stores are leased out to various lessees. The Group has determined that it retains all significant risks and rewards of ownership of these properties.

Rent income recognized in profit or loss amounted to P501.3 million, P364.5 million and P277.0 million in 2022, 2021 and 2020, 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 P3.5 billion and P2.2 billion as at December 31, 2022 and 2021, respectively.

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 P28.2 billion and P21.6 billion as at December 31, 2022 and 2021, 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, 2022 and 2021.

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, 2022 and 2021.

As at December 31, 2022 and 2021, the following are the carrying amounts of nonfinancial assets:

	Note	2022	2021
Right-of-use assets - net	11	P29,949,574,410	P26,216,543,708
Property and equipment - net	10	30,235,011,571	23,069,507,813
Investment in associate and joint ventures	9	661,884,696	636,548,430
Computer software and licenses, and leasehold rights	12	188,513,884	201,869,669

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, 2022 and 2021, the Group recognized deferred tax assets amounting to P1.5 billion and P1.3 billion, 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 P1.0 billion and P1.3 billion as at December 31, 2022 and 2021, respectively.

3. Summary of Significant Accounting Policies

The Company has consistently applied the accounting policies to all years presented in these separate financial statements, except for the changes below.

Adoption of Amendments to Standards, and Frameworks

The Company adopted the following relevant amendment to standards and frameworks starting January 1, 2022 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption did not have any significant impact on the Company's separate financial statements.

- *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 company's ordinary activities, the amendments require the company 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.

- *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 comprise both incremental costs and an allocation of other direct costs.
- *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 the parent, based on the parent's date of transition to PFRS.
 - *Fees in the '10 per cent' Test for Derecognition of Financial Liabilities (Amendment to PFRS 9 Financial Instruments)*. The amendment clarifies that for the purpose of performing the '10 per cent' 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 in PFRS 16.
- 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.
- *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.

Standards Issued but Not Yet Adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2022. 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 January 1, 2023

- *Definition of Accounting Estimates (Amendments to PAS 8 Accounting Policies, Changes in Accounting Estimates and Errors)*. To clarify the distinction between changes in accounting policies and changes in accounting estimates, the amendments introduce a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an accounting estimate is developed to achieve the objective set out by an accounting policy. Developing an accounting estimate includes both selecting a measurement technique and choosing the inputs to be used when applying the chosen measurement technique. The effects of changes in such inputs or measurement techniques are changes in accounting estimates. The definition of accounting policies remain unchanged. The amendments also provide examples on the application of the new definition.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the amendments are applied.

- *Disclosure of Accounting Policies (Amendments to PAS 1 Presentation of Financial Statements and PFRS Practice Statement 2 Making Materiality Judgements).* The amendments are intended to help companies provide useful accounting policy disclosures. The key amendments to PAS 1 include:
 - requiring companies to disclose their material accounting policies rather than their significant accounting policies;
 - clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
 - clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

The amendments to PFRS Practice Statement 2 includes guidance and additional examples on the application of materiality to accounting policy disclosures.

The amendments are effective from January 1, 2023. Earlier application is permitted.

- *Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to PAS 12 Income Taxes).* The amendments clarify that the initial recognition exemption does not apply to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning obligations. The amendments apply for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted. For leases and decommissioning liabilities, the associated deferred tax assets and liabilities will be recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or other appropriate component of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

Effective January 1, 2024

- *Lease Liability in a Sale and Leaseback (Amendments to PFRS 16 Leases).* The amendments confirm the following:
 - On initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale-and-leaseback transaction.
 - After initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognises no gain or loss relating to the right of use it retains.

A seller-lessee may adopt different approaches that satisfy the new requirements on subsequent measurement. For example, the seller-lessee could determine the lease payments to be deducted from the lease liability as expected lease payments or as equal periodic payments over the lease term, with the difference between those payments and amounts actually paid recognized in profit or loss.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024, with earlier application permitted. Under PAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, a seller-lessee will need to apply the amendments retrospectively to sale-and-leaseback transactions entered into or after the date of initial application of PFRS 16.

- *Classification of Liabilities as Current or Non-current - 2020 amendments and Non-Current Liabilities with Covenants - 2022 amendments (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 noncurrent, 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 only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current and covenants with which the entity must comply after the reporting date do not affect a liability's classification at that date;
 - provided additional disclosure requirements for non-current liabilities subject to conditions within twelve months after the reporting period to enable the assessment of the risk that the liability could become repayable within twelve months; and
 - clarified that settlement of a liability includes transferring an entity'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 noncurrent.

The amendments will apply retrospectively for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted. Entities that have early applied the 2020 amendments may retain application until the 2022 amendments are applied. Entities that will early apply the 2020 amendments after issue of the 2022 amendments must apply both amendments at the same time.

Deferral of the local implementation of Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

- *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to PFRS 10 Consolidated Financial Statements and PAS 28 Investments in Associates and Joint Ventures).* The amendments address an inconsistency between the requirements in PFRS 10 and in PAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

Originally, the amendments apply prospectively for annual periods beginning on or after January 1, 2016 with early adoption permitted. However, on January 13, 2016, the Financial Reporting Standards Council decided to postpone the effective date of these amendments until the International Accounting Standards Board has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

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.

Common Control Business Combinations

Business combinations involving entities under common control are business combinations in which all of the entities are controlled by the same party both before and after the business combination. The Group accounts for such business combinations in accordance with the guidance provided by the Philippine Interpretations Committee Question and Answer (PIC Q&A) No. 2011-02, *PFRS 3.2 Common Control Business Combinations*. The purchase method of accounting is used, if the transaction was deemed to have commercial substance from the perspective of the reporting entity. In determining whether the business combination has commercial substance, factors such as the underlying purpose of the business combination and the involvement of parties other than the combining entities such as the non-controlling interest, shall be considered. In cases where the transaction has no commercial substance, the business combination is accounted for using the pooling of interests method.

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

- The assets and liabilities of the acquired company for the reporting period in which the common control business combinations occur, are included in the Group's consolidated financial statements at their carrying amounts from the actual date of the acquisition. No adjustments are made to reflect the fair values or recognize any new assets or liabilities at the date of the combination. The only adjustments would be to harmonize accounting policies between the combining entities;

- No 'new' goodwill is recognized as a result of the business combination. The excess of the cost of business combinations over the net carrying amounts of the identifiable assets and liabilities of the acquired company is considered as equity adjustment from business combinations, included under "Additional Paid-in Capital" account in the equity section of the statements of financial position; and
- As a policy, no restatement of financial information in the Group's consolidated financial statements for periods prior to the transaction is made.

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.

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, 2022 and 2021.

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, 2022 and 2021, 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 gain (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, 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 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 is 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, whichever is shorter

The useful lives and depreciation 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 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 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.

The cost and accumulated depreciation and impairment losses, if any, of fully depreciated assets that are used in operations are retained in the accounts.

Investment 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.

Investment in joint arrangements is 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, investment in associates and joint ventures is 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 are 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. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years.

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. Additional paid-in capital also includes excess of book value of the net assets acquired over the consideration paid for acquired entity.

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.

COVID-19-Related Rent Concessions

The Group elected to apply an optional practical expedient for rent concessions that are a direct consequence of COVID-19. The lessee 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 to 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.

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 consolidated 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 "Trade and other payables" 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.

4. Cash and Cash Equivalents

This account consists of:

	<i>Note</i>	2022	2021
Cash on hand		P1,706,298,317	P567,049,234
Cash in banks	29	12,567,230,455	8,298,899,619
Money market placements	29	25,071,732,805	32,445,645,484
		P39,345,261,577	P41,311,594,337

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 annual interest rates ranging from 0.2% to 7.0% in 2022, 0.3% to 3.1% in 2021, and 0.8% to 3.4% in 2020.

Interest income earned from cash in banks and money market placements totaled P563.1 million, P383.6 million and P270.5 million in 2022, 2021 and 2020, respectively.

5. Receivables

This account consists of:

	<i>Note</i>	2022	2021
Trade receivables	23	P2,303,649,634	P1,325,601,037
Less allowance for impairment losses		7,462,327	7,462,327
		2,296,187,307	1,318,138,710
Nontrade receivables	23	1,232,347,386	860,760,511
	29	P3,528,534,693	P2,178,899,221

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.

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 P28.2 billion and P21.6 billion as at December 31, 2022 and 2021, respectively.

Inventory charged to the cost of sales amounted to P150.5 billion, P134 billion and P139.5 billion in 2022, 2021 and 2020, respectively (see Note 18).

7. Financial Assets at Fair Value through Profit or Loss

This account consists of:

	Note	2022	2021
Held-for-trading:	22, 29		
Government securities		P4,268,095,378	P -
Equity securities		31,284,934	30,725,784
		P4,299,380,312	P30,725,784

The Group recognized a loss on sale of government securities amounting to P5.3 million in 2021 (see Note 22).

Interest income on government securities amounted to P115.2 million, P15.6 million and P2.5 million in 2022, 2021 and 2020, respectively.

Dividend income on equity securities amounted to P1.1 million, P1 million and P0.7 million in 2022, 2021 and 2020, respectively (see Note 22).

8. Prepaid Expenses and Other Current Assets

This account consists of:

	2022	2021
Advances to suppliers	P2,836,388,000	P -
Prepaid expenses	479,578,036	403,698,352
Deferred input VAT	209,036,870	395,379,462
Input VAT	83,642,167	50,271,451
Creditable withholding tax	1,547,079	1,507,115
	P3,610,192,152	P850,856,380

Advances to suppliers will be applied in full against the inventory purchases in 2023.

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

The details of prepaid expenses are as follows:

	2022	2021
Taxes and licenses	P226,139,184	P123,525,428
Insurance	134,310,071	133,452,127
Advertising and promotion	65,622,592	68,827,919
Supplies	8,855,876	57,886,375
Repairs and maintenance	1,778,528	7,160,720
Others	42,871,785	12,845,783
	P479,578,036	P403,698,352

9. Investment in Associate and Joint Ventures

The details of this account are as follows:

	2022	2021
Associate	P446,276,872	P461,152,697
Joint ventures	215,607,824	175,395,733
	P661,884,696	P636,548,430

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:

	2022	2021
Balance at beginning of the year	P461,152,697	P461,152,697
Share in net loss	(14,875,825)	-
Balance at end of year	P446,276,872	P461,152,697

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.

	2022	2021*
Percentage of ownership	49.34%	49.34%
Current assets	P588,231,947	P824,252,714
Noncurrent assets	788,394,248	773,700,796
Current liabilities	(515,403,272)	(643,647,604)
Noncurrent liabilities	(555,578,813)	(615,854,604)
Net assets	305,644,110	338,451,302
Group's share in net assets	150,804,804	166,991,872
Goodwill	276,058,136	276,058,136
Unrecognized share in net loss during the year	-	5,307,278
Unrecognized share in net loss in prior years	19,413,932	12,795,411
Carrying amount of interest in associate	P446,276,872	P461,152,697
Net sales	P3,778,025,380	P4,655,176,247
Net loss	(30,149,625)	(10,756,543)
Group's share in net loss	(P14,875,825)	(P5,307,278)

*Unrecognized prior period adjustments based on unaudited amounts

*Investment in Joint Venture**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 P60.0 million or acquired 50% interest in AyaGold by subscribing to 6,000,000 common shares at P1.0 par value and 54,000,000 redeemable preferred shares at P1.0 par value. In February 2018, each party invested additional P32.5 million for 32,500,000 common shares at P1.0 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.

Pure Commerce, Inc.

In 2022, the Group through Entenso partnered with 917Ventures Inc., to incorporate a new company, Pure Commerce, Inc. (Pure Commerce). This is the joint venture vehicle for the operation of an online grocery and e-commerce platform.

The Group and its partner each initially invested P62.5 million or acquired 50% interest in Pure Commerce by subscribing to 62,500,000 common shares at P1.0 par value.

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

	2022	2021
Balance at beginning of year	P175,395,733	P175,395,733
Cost of investment during the year	62,500,000	-
Share in net loss	(22,287,909)	-
Balance at end of year	P215,607,824	P175,395,733

	2022	2021
Unrecognized share in net loss current year	P47,321,164	P9,871,558
Unrecognized share in net loss prior years	43,211,692	33,340,134

10. Property and Equipment

The movements in this account are as follows:

	<i>Note</i>	Building	Furniture and Fixtures	Office and Store Equipment	Leasehold Improvements	Land	Construction in Progress	Total
Cost								
Balance, January 1, 2021		P6,820,320,834	P3,228,194,008	P10,841,270,901	P13,673,716,119	P936,891,845	P1,246,821,130	P36,747,214,837
Additions		130,218,312	202,821,027	840,831,202	843,286,303	320,424,960	1,344,729,226	3,682,311,030
Reclassifications		71,329,253	39,067,907	563,288,067	1,290,288,896	-	(1,963,974,123)	-
Disposals		(8,051,221)	(9,069,339)	(53,847,865)	(18,182,021)	(683,516)	-	(89,833,962)
Balance, December 31, 2021		7,013,817,178	3,461,013,603	12,191,542,305	15,789,109,297	1,256,633,289	627,576,233	40,339,691,905
Additions	24	210,570,302	199,333,598	692,164,763	336,504,272	1,441,751,941	2,388,359,571	5,268,684,447
Transfer in	1	-	219,459,884	143,357,231	907,108,385	4,000,000,000	-	5,269,925,500
Reclassifications		310,238,096	12,221,396	222,060,344	311,515,463	-	(928,219,359)	(72,184,060)
Disposals		-	(1,774,873)	(20,883,461)	(14,334,133)	-	-	(36,992,467)
Balance, December 31, 2022		7,534,625,576	3,890,253,608	13,228,241,182	17,329,903,284	6,698,385,230	2,087,716,445	50,769,125,325
Accumulated Depreciation								
Balance, January 1, 2021		1,728,864,652	1,802,445,671	7,857,992,548	3,391,735,470	-	-	14,781,038,341
Depreciation		232,193,504	269,354,497	1,147,810,844	903,627,701	-	-	2,552,986,546
Reclassifications		5,248,757	(765,302)	208,081	(4,691,536)	-	-	-
Disposals		(1,878,618)	(5,986,684)	(48,758,136)	(7,217,357)	-	-	(63,840,795)
Balance, December 31, 2021		1,964,428,295	2,065,048,182	8,957,253,337	4,283,454,278	-	-	17,270,184,092
Depreciation		250,038,745	202,719,652	1,011,450,433	828,477,154	-	-	2,292,685,984
Transfer in	1	-	219,442,922	143,334,810	644,004,835	-	-	1,006,782,567
Reclassifications		1,027,662	(1,213,381)	(6,253,715)	5,185,640	-	-	(1,253,794)
Disposals		-	(1,759,691)	(20,836,360)	(11,689,044)	-	-	(34,285,095)
Balance, December 31, 2022		2,215,494,702	2,484,237,684	10,084,948,505	5,749,432,863	-	-	20,534,113,754
Carrying Amount								
December 31, 2021		P5,049,388,883	P1,395,965,421	P3,234,288,968	P11,505,655,019	P1,256,633,289	P627,576,233	P23,069,507,813
December 31, 2022		P5,319,130,874	P1,406,015,924	P3,143,292,677	P11,580,470,421	P6,698,385,230	P2,087,716,445	P30,235,011,571

Interest expense on loans capitalized as part of property and equipment amounted to P10.9 million, P17.0 million and P2.9 million in 2022, 2021 and 2020, respectively (see Note 15).

The cost of fully depreciated property and equipment that are still being used in the Group's operations amounted to P8.3 billion and P5.6 billion as at December 31, 2022 and 2021, respectively.

The unpaid balance for the additions to the cost of property and equipment pertains mainly to the accrued fixed assets discussed in Note 24.

11. Right-of-Use Assets

The movements in this account are as follows:

	<i>Note</i>	2022	2021
Cost			
Balance at January 1		P39,180,627,913	P37,169,222,475
Additions		5,007,531,886	2,901,842,690
Transfer in	1	1,538,374,493	-
Modifications to leases		(167,530,577)	36,872,615
Terminated leases		(89,464,681)	(809,971,135)
Derecognition of right-of-use assets		(217,124,890)	(117,338,732)
Balance at December 31		45,252,414,144	39,180,627,913
Accumulated Depreciation			
Balance at January 1		12,964,084,205	11,032,039,521
Depreciation		2,243,691,702	2,066,919,205
Transfer in	1	339,773,660	-
Modifications to leases		-	(9,620,289)
Terminated leases		(27,584,943)	(7,915,503)
Derecognition of right-of-use assets		(217,124,890)	(117,338,729)
Balance at December 31		15,302,839,734	12,964,084,205
Carrying Amount at December 31		P29,949,574,410	P26,216,543,708

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

The ROU additions include payments totaling P400 million for leasehold rights on a number of properties in the Central Visayas region where some of the new stores are situated. These are considered direct costs in obtaining the lease agreements.

12. Goodwill and Other Intangibles

This account consists of:

	2022	2021
Goodwill	P14,902,423,321	P14,902,423,321
Trademark	3,709,660,547	3,709,660,547
Customer relationships	889,452,981	889,452,981
Computer software and licenses - net	147,196,673	156,704,708
Leasehold rights - net	41,317,211	45,164,961
	P19,690,050,733	P19,703,406,518

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:

	2022	2021
Kareila	P12,079,473,835	P12,079,473,835
Budgetlane Supermarkets	837,974,199	837,974,199
Gant	742,340,804	742,340,804
Daily Commodities, Inc. and First Lane Super Traders Co., Inc. (DCI and FLSTCI)	685,904,317	685,904,317
Company E	358,152,015	358,152,015
Black & White (B&W) Supermart	187,203,888	187,203,888
Puregold Junior Supermarket, Inc. (PJSI)	11,374,263	11,374,263
	P14,902,423,321	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.

The Company believes that there is currently no foreseeable limit to the period over which the trademark and customer relationships are expected to generate net cash inflows, and therefore they are assessed to have an indefinite useful life.

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 10.6% and 11.11% in 2022 and 6.6% to 8.7% in 2021. 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 5.0% and 6.0% for the CGUs. The average operating margins applied in the projected periods ranged between 2.0% and 6.0% for the CGUs. The terminal value to extrapolate cash flows beyond the explicit forecast period is 5.4% 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 (Terminal Value)	
	2022	2021	2022	2021
Kareila	11.1%	6.6%	5.4%	3.6%
Budgetlane Supermarkets	11.1%	6.6%	5.4%	3.6%
Gant	11.1%	6.6%	5.4%	3.6%
DCI and FLSTCI	11.1%	6.6%	5.4%	3.6%

As at December 31, 2022, management assessed that a reasonably possible change in key assumptions of B&W Supermart would result in the headroom being reduced to nil if growth rate decreased by 0.2%.

Computer Software and Licenses

The movements in computer software and licenses are as follows:

	2022	2021
Cost		
Balance at January 1	P477,456,094	P445,836,801
Additions	36,962,943	32,665,649
Disposal/adjustments	(112,500)	(1,046,356)
Balance at December 31	514,306,537	477,456,094
Accumulated Amortization		
Balance at January 1	320,751,386	278,824,811
Amortization*	46,399,465	42,580,888
Disposal/adjustments	(40,988)	(654,313)
Balance at December 31	367,109,863	320,751,386
Carrying Amount At December 31	P147,196,674	P156,704,708

*Presented as part of "Depreciation and amortization" under "Operating expenses" in the consolidated statements of comprehensive income

Leasehold Rights

The movements in leasehold rights are as follows:

	2022	2021
Cost	P75,355,005	P75,355,005
Accumulated Amortization		
Balance at January 1	30,190,044	28,008,960
Amortization*	3,847,750	2,181,084
Balance at December 31	34,037,794	30,190,044
Carrying Amount at December 31	P41,317,211	P45,164,961

*Presented as part of "Depreciation and amortization" under "Operating expenses" in the consolidated statements of comprehensive income.

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:

	<i>Note</i>	2022	2021
Security deposits	29	P2,322,579,554	P2,131,956,985
Advances to contractors		397,317,446	375,610,840
Accrued rent income	20, 25	20,338,482	27,308,219
Others		7,879,160	7,879,160
		P2,748,114,642	P2,542,755,204

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>	2022	2021
Trade	23, 29	P16,511,333,099	P10,123,667,767
Nontrade	23, 29	1,137,842,437	1,198,824,060
Advances from a stockholder	23, 29	4,000,000,000	-
Dividends payable	26, 29	2,464,404,309	1,434,268,203
Withholding taxes payable		279,208,001	136,252,126
Accrued expenses:	29		
Manpower agency services		920,481,837	772,940,468
Fixed assets	10, 24	568,897,009	200,869,378
Utilities		224,156,868	162,755,182
Rent		155,371,231	91,670,579
Supplies		116,091,602	79,447,463
Others		415,034,727	222,005,203
		P26,792,821,120	P14,422,700,429

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. These include mainly unreleased checks, reward points liability, and retention payable.

Advances from a stockholder pertain to cash advances made to PSMT for the purchase of a parcel of land. The outstanding amount is non-interest bearing, payable on demand and will be settled in cash. There are no guarantees (see Note 23).

15. Long-term Loans

This account consists of:

	Note	2022	2021
Unsecured Peso Denominated			
Fixed-rate Notes of Parent Company		P11,760,000,000	P11,880,000,000
Unamortized Debt Issue Cost		(94,206,800)	(109,542,239)
	29	11,665,793,200	11,770,457,761
Less current portion		(120,000,000)	(120,000,000)
Noncurrent portion		P11,545,793,200	P11,650,457,761

Fixed-rate Notes of Parent Company

On September 30, 2020, the Parent Company raised P12.0 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 rate of 4.0% and 4.5%, respectively. The notes are payable annually at 1.0% of the original amount or P120.0 million and the remainder payable upon maturity.

The notes are subject to certain affirmative and negative covenants such as those relating to merger and consolidation, declaration of dividends and maintenance of financial ratios of at least 1.0x current ratio and not more than 2.5x debt-to-equity ratio, among others. The Company is compliant with the loan covenants as at December 31, 2022 and 2021.

The contractual maturities of the long-term loans are discussed in Note 29.

The movements in debt issue cost are as follows:

	2022	2021
Balance at beginning of the year	P109,542,239	P124,877,678
Additions	-	-
Amortization	(15,335,439)	(15,335,439)
Balance at end of the year	P94,206,800	P109,542,239

Fixed-rate Note of Kareila

On July 23, 2013, Kareila obtained a P500.0 million unsecured loan from a local bank. The loan is payable after 5 years and bears interest at 3.5% per annum. The interest is due every month.

In 2015, partial principal payment was made amounting to P100.0 million and on May 2, 2018, the maturing P400.0 million remaining balance was rolled over for 7 years at 6.4% interest rate per annum. In 2020, Kareila fully paid the outstanding balance.

Interest expense charged to profit or loss amounted to P518.7 million, P515.0 million and P146.8 million in 2022, 2021 and 2020, 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:

	Long Term Loans Payable	Dividend Payable (Notes 14 and 26)	Lease Liabilities	Total
Balance at January 1, 2022	P11,770,457,761	P1,434,268,203	P34,918,966,090	P48,123,692,054
Changes from financing cash flows:				
Payment of loans	(120,000,000)	-	-	(120,000,000)
Lease payments	-	-	(3,841,347,844)	(3,841,347,844)
Payment of dividends	-	(1,434,268,203)	-	(1,434,268,203)
Total changes from financing cash flows	(120,000,000)	(1,434,268,203)	(3,841,347,844)	(5,395,616,047)
Other changes:				
<i>Liability-related</i>				
Additions	-	-	4,535,955,067	4,535,955,067
Transfer in	-	-	1,513,818,279	1,513,818,279
Amortization of debt issue cost	15,335,439	-	-	15,335,439
Other lease adjustments	-	-	2,092,339,839	2,092,339,839
Declaration of dividends	-	2,464,404,309	-	2,464,404,309
Total liability-related changes	15,335,439	2,464,404,309	8,142,113,185	10,621,852,933
Balance at December 31, 2022	P11,665,793,200	P2,464,404,309	P39,219,731,431	P53,349,928,940

	Long Term Loans Payable	Dividend Payable (Notes 14 and 26)	Lease Liabilities	Total
Balance at January 1, 2021	P11,875,122,322	P1,291,356,633	P33,627,625,966	P46,794,104,921
Changes from financing cash flows:				
Payment of loans	(120,000,000)	-	-	(120,000,000)
Lease payments	-	-	(3,104,015,523)	(3,104,015,523)
Payment of dividends	-	(1,291,356,633)	-	(1,291,356,633)
Total changes from financing cash flows	(120,000,000)	(1,291,356,633)	(3,104,015,523)	(4,515,372,156)
Other changes:				
<i>Liability-related</i>				
Additions	-	-	2,784,955,014	2,784,955,014
Amortization of debt issue cost	15,335,439	-	-	15,335,439
Other lease adjustments	-	-	1,610,400,633	1,610,400,633
Declaration of dividends	-	1,434,268,203	-	1,434,268,203
Total liability-related changes	15,335,439	1,434,268,203	4,395,355,647	5,844,959,289
Balance at December 31, 2021	P11,770,457,761	P1,434,268,203	P34,918,966,090	P48,123,692,054

16. Other Current Liabilities

This account consists of:

	Note	2022	2021
Deposits from tenants	19, 29	P251,437,954	P240,107,291
Unearned income from suppliers		215,824,384	10,024,461
Unredeemed gift certificates		189,892,979	204,842,310
Commission payable	29	62,659,291	-
VAT payable		5,896,011	192,310,210
Others	29	146,964	3,312,570
		P725,857,583	P650,596,842

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.

Unearned income from suppliers represents payments received in advance for rebates and allowances which are recognized over the period of benefit.

Contract Liabilities

The Group identified its unredeemed gift certificates as contract liabilities as of December 31, 2022 and 2021. 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 roll-forward of contract liabilities as at December 31:

	2022	2021
Beginning balance	P204,842,310	P210,388,129
Add receipts	382,653,710	578,632,574
Less sales recognized	397,603,041	584,178,393
Ending balance	P189,892,979	P204,842,310

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	2022	2021	2020
Net sales from stores		P184,302,944,650	P164,124,835,299	P168,632,328,716
Concession fee income	20	1,743,522,470	2,030,608,968	2,095,903,559
Membership fee income	20	670,476,386	617,841,418	628,621,259
Revenue from contract with customers		P186,716,943,506	P166,773,285,685	P171,356,853,534

18. Cost of Sales

This account for the years ended December 31 consists of:

	Note	2022	2021	2020
Beginning inventory	6	P21,558,632,962	P20,918,320,287	P19,526,196,704
Add purchases		157,139,330,617	134,682,379,684	140,868,336,210
Total goods available for sale		178,697,963,579	155,600,699,971	160,394,532,914
Less ending inventory	6	28,214,691,119	21,558,632,962	20,918,320,287
		P150,483,272,460	P134,042,067,009	P139,476,212,627

19. Leases

Lessee

The Group leases parcels of land, stores, warehouses, distribution centers, and parking spaces. The lease terms range from 3 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 1.0%-10.0% 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 consolidated statements of financial position are as follows:

	2022	2021
Due within one year	P1,322,639,880	P1,091,723,186
Due beyond one year	37,897,091,551	33,827,242,904
	P39,219,731,431	P34,918,966,090

The movements in lease liabilities are as follows:

	Note	2022	2021
Balance at January 1		P34,918,966,090	P33,627,625,966
Additions		4,535,955,067	2,751,144,650
Transfer in		1,513,818,279	-
Accretion of interest expense		2,389,133,602	2,269,146,910
Repayments		(3,841,347,844)	(3,104,015,523)
Terminations		(72,013,313)	(593,507,335)
Modifications		(224,780,450)	(31,428,578)
Balance at December 31	29	P39,219,731,431	P34,918,966,090

The maturity analysis of the undiscounted lease payments as at December 31:

	2022	2021
Less than one year	P3,765,152,786	P3,208,819,204
One to five years	14,926,559,695	13,796,000,532
More than five years	51,611,205,935	43,357,516,379
	P70,302,918,416	P60,362,336,115

The following are the amounts recognized in profit or loss:

	2022	2021
Variable lease payments not included in the measurement of lease liabilities*	P655,173,058	P556,044,854
Expenses related to leases of low-value assets	29,537,679	30,573,214
Expenses related to short-term leases	8,571,885	9,416,424
Total rent expense	693,282,622	596,034,492
Interest accretion on lease liabilities	2,389,133,602	2,269,146,910
Depreciation charge for right-of-use assets	2,243,691,702	2,066,919,205
Gain from lease terminations	(4,593,117)	(27,660,711)
Gain from rent concessions	-	(61,760,915)

Low-value assets pertain mainly to credit card terminals and G4s cash solutions technology.

Security deposits under “Other noncurrent assets” in the consolidated statements of financial position amounted to P2.3 billion and P2.1 billion as at December 31, 2022 and 2021, respectively.

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 P501.3 million, P364.5 million and P277.0 million in 2022, 2021 and 2020, respectively (see Note 20).

The scheduled maturities of non-cancellable minimum future rental collections:

	2022	2021
Less than one year	P273,377,461	P233,940,919
One to two years	129,561,045	150,572,921
Two to three years	90,247,977	91,346,459
Three to four years	61,240,232	62,197,152
Four to five years	49,216,568	44,192,547
More than five years	974,404,082	958,246,823
	P1,578,047,365	P1,540,496,821

20. Other Revenue

This account consists of:

	Note	2022	2021	2020
Concession fee income	17	P1,743,522,470	P2,030,608,968	P2,095,903,559
Membership fee income	17	670,476,386	617,841,418	628,621,259
Rent income	19	501,337,594	364,546,034	277,001,663
Miscellaneous		268,451,975	196,754,798	153,272,303
		P3,183,788,425	P3,209,751,218	P3,154,798,784

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>	2022	2021	2020
Depreciation and amortization	10,11, 12	P4,564,410,149	P4,633,632,273	P4,282,164,425
Manpower agency services		3,764,669,180	3,510,188,962	3,512,779,356
Communication, light and water		3,172,571,318	2,415,601,655	2,140,040,278
Salaries and wages		2,683,910,259	2,337,430,784	2,210,844,220
Security services		1,040,650,849	1,065,779,102	972,188,423
Taxes and licenses		1,018,664,555	962,824,841	922,497,350
Store and office supplies		819,558,765	636,149,811	584,431,644
Rent	19	693,282,622	596,034,492	708,260,887
Repairs and maintenance		706,700,802	685,309,791	532,075,409
Credit card charges		585,387,582	479,227,953	447,035,439
Advertising and marketing		564,778,557	464,246,519	470,763,449
Transportation		507,247,761	426,350,865	239,442,584
Retirement benefits cost	24	272,768,815	286,572,205	225,475,564
Insurance		249,498,342	232,779,599	221,397,715
SSS/Medicare and HDMF contributions		247,187,601	213,835,772	183,505,374
Janitorial and messengerial services		199,832,069	195,688,239	197,998,039
Input VAT on exempt sales		206,969,582	203,180,491	229,374,260
Other selling expenses		191,829,474	178,727,573	165,536,591
Fuel and oil		175,771,439	97,327,650	73,245,310
Representation and entertainment		152,851,109	132,869,776	133,164,444
Royalty	23	61,871,915	57,335,542	61,960,646
Donations and contributions		55,763,357	1,000,000	25,125,192
Professional fees		43,684,770	32,197,150	27,728,325
Miscellaneous		542,272,268	506,026,274	386,195,901
		P22,522,133,140	P20,350,317,319	P18,953,230,825

22. Others

This account consists of:

	<i>Note</i>	2022	2021	2020
Foreign exchange gains (losses)		P8,333,528	P2,087,451	P2,431,444
Gain from lease terminations	19	4,593,117	27,660,711	29,810,766
Bank charges		(2,307,233)	(2,263,968)	(4,819,458)
Gain (loss) from insurance claims		(1,587,440)	6,378,701	513,124
Dividend income	7	1,119,623	983,255	676,873
Unrealized valuation gain (loss) on financial assets at FVTPL	7	(323,662)	3,212,598	(7,407,415)
Gain from rent concessions	19	-	61,760,915	-
Gain (loss) from sale of financial assets	7	-	(5,291,597)	36,229,953
Others		-	-	4,047,030
		P9,827,933	P94,528,066	P61,482,317

23. Related Party Transactions

Other than the items disclosed in Note 1, 9,10,11 and 14, the Group's significant transactions and balances with related parties are as follows:

Related Party	Year	Note	Amount of Transactions for the Year	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
Parent										
Dividends	2022		P1,213,345,782	P -	P -	P -	P1,213,345,782	P -	Due and demandable	Unsecured
	2021		705,433,594	-	-	-	705,433,594	-	Due and demandable	Unsecured
Entities under Common Control										
Leases	2022		1,330,904,364	-	2,775,453	-	5,970,886,420	-	Due and demandable	Unsecured;
	2021	a	1,258,258,892	-	997,211	-	5,727,874,802	-	demandable	no impairment
Short-term investments	2022		-	-	-	-	-	-	Original maturity of less than 3 months	
	2021	4	-	-	-	-	-	-		
Purchase of (advances for) inventories	2022		4,097,690,503	-	-	(10,615,529)	-	-	Due and demandable	Unsecured
	2021		3,310,393,196	-	-	843,725,582	-	-		
Sale of merchandise	2022		67,484,602	67,578,142	-	-	-	-	Due and demandable	Unsecured;
	2021		93,015,565	93,323,089	-	-	-	-		no impairment
Security deposits	2022		13,833,993	-	39,603	-	216,738	-	Due and demandable	Unsecured;
	2021	a	9,219,373	-	29,786	-	201,275	-		no impairment
Advances	2022		116,000,000	-	-	-	-	-	Due and demandable	Unsecured;
	2021		-	-	116,000,000	-	-	-		no impairment
Management fee	2022		13,457,786	-	-	-	2,023,780	-	Due and demandable	Unsecured
	2021		10,754,262	-	-	-	1,815,380	-		
Fixed asset	2022		17,526,059	-	140,920,710	-	-	-	Due and demandable	Unsecured
	2021		438,965	-	123,043,049	-	34,588	-		
Loans	2022		2,496,492	-	-	-	2,496,492	-	Due and demandable	
	2021	c	4,522,871	-	-	-	4,522,871	-		
Expense reimbursement	2022		241,874,471	-	11,988,770	-	21,372,305	-	Due and demandable	Unsecured
	2021		228,675,392	-	8,634,799	-	12,107,587	-		
Stockholder										
Advances	2022	d	-	-	-	-	4,000,000,000	-	Due and demandable	Unsecured
	2021		-	-	-	-	-	-		
Royalty expense	2022		61,871,915	-	-	-	-	49,497,532	30 years and subject to renewal	Unsecured
	2021	b	57,335,542	-	-	-	-	45,868,433		
Leases	2022		26,396,704	-	-	-	-	-		
	2021	a	25,381,446	-	-	-	2,192,417	-		
Key Management Personnel										
Short-term benefits	2022		44,947,303	-	-	-	-	-		
	2021		39,630,329	-	-	-	-	-		
Total	2022			P67,578,142	P155,724,536	(P10,615,529)	P11,210,341,517	P49,497,532		
Total	2021			P93,323,089	P248,704,845	P843,725,582	P6,454,182,514	P45,868,433		

a. Leases - Group as a Lessee

The Group leases certain stores from related parties. Lease terms range from 3 to 42 years, which are generally renewable based on certain terms and conditions. Rental payments are fixed monthly or per square meter subject to 1.0%-7.0% escalation.

b. 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.

c. Loans

Cosco

In 2018 and 2017, Kareila obtained unsecured short-term loans from COSCO amounting to P300.0 million at 2.5% interest per annum and P600.0 million at 5.0% interest per annum, respectively. The 2017 loan was rolled over in 2018 for six months. These loans matured and were fully paid in 2019.

In 2019, Kareila obtained an unsecured short-term loan from Cosco amounting to P1.4 billion at 5.5% interest per annum, which was fully paid in 2020.

Puregold Finance

In 2019 and 2018, the Parent Company obtained unsecured short-term loans from Puregold Finance amounting to P9.0 million and P8.8 million, respectively, which were fully paid in 2019.

d. Advances from a Stockholder

This amount pertains to the advances from a stockholder to PSMT which were used for the acquisition of three (3) parcels of land located in Brgy. Tambo, Paranaque City with an aggregate area of 10,913.59 square meters.

The amount outstanding is non-interest bearing, payable on demand and will be settled in cash.

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:

	2022	2021
Sales	P192,000	P47,758,068
Trade receivable	192,000	47,758,068

b. Trade payable and purchases of the Parent Company to/from the subsidiaries:

	2022	2021
Cost of sales	P -	P192,404
Trade payable	-	192,404

- c. Dividend receivable of the Parent Company from KMC:

	Amount of Transaction	2022	2021
Dividend receivable	P1,238,459,174	P1,238,459,174	P671,838,000

24. Other Noncurrent Liabilities

This account consists of:

	Note	2022	2021
Retirement benefits liability		P999,821,130	P1,295,298,962
Accrued fixed assets - net of current	10, 14	832,949,282	-
		P1,832,770,412	P1,295,298,962

a. Retirement Benefits

The Parent Company and its subsidiaries has a funded, 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, 2022. 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 consolidated statements of financial position as at December 31 is as follows:

	2022	2021
Present value of defined benefit obligation	P1,029,323,469	P1,325,171,983
Fair value of plan assets	(29,502,339)	(29,873,021)
Retirement benefits liability	P999,821,130	P1,295,298,962

The following table shows reconciliation from the opening balances to the closing balances for present value of defined benefit obligation:

	2022	2021
Balance at January 1	P1,325,171,983	P1,413,074,310
Included in Profit or Loss		
Current service cost	205,938,976	233,246,502
Interest cost	68,347,388	54,511,399
	274,286,364	287,757,901
Benefits paid/Transfer to Affiliated Company	(8,636,498)	(5,977,948)
Included in Other Comprehensive Income		
Remeasurements gain:		
Actuarial losses (gains) arising from:		
Financial assumptions	(457,870,576)	(331,499,339)
Demographic assumptions	-	(45,071,487)
Experience adjustments	(103,627,804)	6,888,546
	(561,498,380)	(369,682,280)
Balance at December 31	P1,029,323,469	P1,325,171,983

The movements in the fair value of plan assets are as follows:

	2022	2021
Beginning of the year	P29,873,021	P30,017,612
Interest income	1,517,549	1,185,696
Remeasurement gain (loss)	(1,888,231)	(1,330,287)
End of the year	P29,502,339	P29,873,021

The movements in cumulative actuarial gains or loss, before income tax effect, recognized in other comprehensive income are as follows:

	2022	2021
Beginning of year	(P201,508,686)	P169,503,881
Actuarial losses for the year	(560,492,711)	(371,012,567)
Ending balance	(P762,001,397)	(P201,508,686)

The cumulative actuarial gain or loss, net of income tax effect, amounted to P562.6 million and P151.2 million as at December 31, 2022 and 2021, respectively, 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:

	2022	2021
Cash in banks	P14,821	P292,755
Debt instruments - government securities	15,743,510	15,826,727
Trust fees payable	(8,547)	(47,797)
Other receivables	13,752,555	13,801,336
	P29,502,339	P29,873,021

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 P25.0 million pesos.

The Group does not expect to contribute to the plan in 2023.

The following were the principal actuarial assumptions at the reporting date:

	2022	2021
Discount rate	7.22%	5.08%
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, 2022 and 2021 is 17.6 years and 20.2 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:

2022

	Increase	Decrease
Discount rate (1% movement)	(P128,857,791)	P103,606,529
Future salary increase rate (1% movement)	126,515,768	(103,797,515)

2021

	Increase	Decrease
Discount rate (1% movement)	(P198,310,547)	P156,203,548
Future salary increase rate (1% movement)	190,313,842	(153,711,388)

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. The Retirement Plan Trustee has no specific matching strategy between the plan assets and the plan liabilities.

The 10-year maturity analysis of the benefit payments:

	2022				
	Carrying Amount	Contractual Cash Flows	Within 1 Year	Within 1 - 5 Years	Within 5 - 10 Years
Defined benefit obligation	P1,046,524,524	P393,224,101	P64,802,941	P81,466,610	P246,954,550

	2021				
	Carrying Amount	Contractual Cash Flows	Within 1 Year	Within 1 - 5 Years	Within 5 - 10 Years
Defined benefit obligation	P1,325,171,983	P316,849,599	P63,848,622	P63,498,751	P189,502,226

b. Accrued Fixed Assets

Accrued fixed assets pertains to the remaining obligations for the purchase of a parcel of land amounting to P1.12 billion (see Note 10) as at December 31, 2022 and payable until 2027. The current portion amounting to P288.38 million is included in "Trade and other payables" account (see Note 14).

25. Income Taxes

The components of income tax expense are as follows:

	2022	2021	2020
Current tax expense	P3,192,461,050	P2,649,687,385	P3,700,122,821
Deferred tax benefit	(255,356,976)	(177,891,241)	(333,827,499)
	P2,937,104,074	P2,471,796,144	P3,366,295,322

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:

	2022	2021	2020
Income before income tax	P12,224,530,932	P10,651,817,907	P11,433,123,679
Income tax expense at the statutory income tax rates:			
Regular - 25% in 2022 and 2021 and 30% in 2020	P3,352,341,131	P2,820,882,695	P3,560,797,495
Special - 5%	3,048,313	2,838,680	3,322,110
Income tax effects of:			
Dividend income exempt from tax	(313,023,209)	(170,455,314)	(144,464,413)
Interest income subject to final tax	(167,896,798)	(99,014,425)	(81,896,663)
Nondeductible other expenses	16,224,388	8,667,030	9,871,798
Nondeductible interest expense	36,097,624	22,329,670	33,782,374
Nontaxable income	(2,485,932)	(5,165,428)	(4,248,393)
Changes in unrecognized DTA/DTL	12,798,557	-	-
Effect of change in tax rate	-	(108,286,764)	-
Other income subject to final tax	-	-	(10,868,986)
	P2,937,104,074	P2,471,796,144	P3,366,295,322

Changes in unrecognized DTA/DTL pertains to the unrecognized DTA related to PFRS 16 - net of Melilla.

The components of the Group's deferred tax assets (DTA) net of deferred tax liabilities (DTL) in respect to the following temporary differences are shown below:

	2022		2021	
	Amount	DTA (DTL)	Amount	DTA (DTL)
PFRS 16*	P9,667,413,096	P2,416,853,273	P8,663,720,544	P2,165,930,136
Retirement benefits liability	1,762,485,397	440,621,349	1,493,334,225	373,333,557
Allowance for impairment losses on receivables	7,462,327	1,865,582	7,462,327	1,865,582
Recognition of DTA due to Merger	389,731	97,433	389,731	97,433
Actuarial loss	-	-	-	-
DTA	11,437,750,551	2,859,437,637	10,164,906,827	2,541,226,708
Fair value of intangible assets from business combination	(4,599,113,528)	(1,149,778,382)	(4,599,113,528)	(1,149,778,382)
Actuarial gain	(759,024,837)	(189,756,209)	(201,137,638)	(50,284,410)
Accrued rent income	(20,338,482)	(5,084,621)	(27,308,219)	(6,827,055)
DTL	(5,378,476,847)	(1,344,619,212)	(4,827,559,385)	(1,206,889,847)
Net	P6,059,273,704	P1,514,818,425	P5,337,347,442	P1,334,336,861

*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.

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:

	2022	2021	2020
Common shares- P1 par value			
Authorized	3,000,000,000	3,000,000,000	3,000,000,000
Issued	2,904,214,086	2,904,214,086	2,904,214,086
Treasury shares	(38,627,680)	(35,677,680)	(34,532,680)
	2,865,586,406	2,868,536,406	2,869,681,406

The initial public offering of the Parent Company's shares with an offer price of P12.5 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 P5.2 billion.

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 P21.5 per share. The additional paid-in capital net of direct transaction costs amounted to P15.7 billion.

On January 16, 2019, the Parent Company conducted a P4.7 billion top up placement of 104,300,000 million common shares at a price of P45.0 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 3,000,000,000 shares to 5,000,000,000 shares with par value of P1.0 per share. The shareholders approved the amendment to the articles of incorporation on May 14, 2019.

Treasury Stock

The Group's treasury shares as at December 31 are as follows:

	2022	2021	2020
Balance at beginning of year	P35,677,680	P34,532,680	P34,532,680
Additions	2,950,000	1,145,000	-
Balance at end of year	P38,627,680	P35,677,680	P34,532,680

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 P26.6 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 1,000,000,000 or approximately 30,000,000 shares within one year from the approval or until November 4, 2015. The Parent Company bought 1,025,000 shares with acquisition cost of P37.8 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 P39.0 per share. Considering that the ultimate owner is the Parent Company, the shares issued were recognized as treasury stock.

During 2021, the Company reacquired 1,145,000 of its shares with acquisition cost of P41.3 million as treasury stock.

During 2022, the Company reacquired 2,950,000 of its shares with acquisition cost of P97.0 million as treasury stock.

Retained Earnings

On December 15, 2017, the Group's BOD approved the declaration of a regular dividend of P0.2 per share and special dividend of P0.2 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 P0.2 per share and special dividend of P0.2 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 P0.2 per share and special dividend of P0.2 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 P0.3 per share and special dividend of P0.2 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.

On December 21, 2021, the Group's BOD approved the declaration of a regular dividend of P0.3 per share and special dividend of P0.3 per share on record date of January 10, 2022 and payment date of February 1, 2022. The total amount of dividends is P1.4 billion.

On December 20, 2022, the Group's BOD approved the declaration of a regular dividend of P0.86 per share on record date of January 10, 2023 and payment date of January 20, 2023. The total amount of dividends is P2.5 billion.

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*.

28. Basic/Diluted EPS

Basic/Diluted EPS is computed as follows:

	2022	2021	2020
Net income (a)	P9,287,426,858	P8,180,021,763	P8,066,828,357
Weighted average number of ordinary shares (b)	2,866,536,406	2,869,095,989	2,869,681,406
Basic/diluted EPS (a/b)	P3.24	P2.85	P2.81

As at December 31, 2022, 2021 and 2020, the Group has no dilutive debt or equity instruments.

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 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.

	Note	2022	2021
Cash in banks and cash equivalents	4	P37,638,963,260	P40,744,545,103
Receivables - net	5	3,528,534,693	2,178,899,221
Financial assets at fair value through profit or loss	7	4,299,380,312	30,725,784
Security deposits*	13	2,322,579,554	2,131,956,985
		P47,789,457,819	P45,086,127,093

*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, 2022			Total
	Grade A	Grade B	Grade C	
At amortized cost:				
Cash in banks and cash equivalents	P37,638,963,260	P -	P -	P37,638,963,260
Receivables - net	1,117,240,088	2,411,294,605	-	3,528,534,693
Financial assets at fair value through profit or loss	4,299,380,312	-	-	4,299,380,312
Security deposits*	2,322,579,554	-	-	2,322,579,554
	P45,378,163,214	P2,411,294,605	P -	P47,789,457,819

*Included under noncurrent assets.

	As of December 31, 2021			Total
	Grade A	Grade B	Grade C	
At amortized cost:				
Cash in banks and cash equivalents	P40,744,545,103	P -	P -	P40,744,545,103
Receivables - net	-	2,178,899,221	-	2,178,899,221
Financial assets at fair value through profit or loss	30,725,784	-	-	30,725,784
Security deposits*	2,131,956,985	-	-	2,131,956,985
	P42,907,227,872	P2,178,899,221	P -	P45,086,127,093

*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:

- a. 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 profitability of insolvency and can be withdrawn anytime. The credit quality of these financial assets is considered to be high grade.

- b. 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.
- c. 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:

	2022		2021	
	Gross Amount	Impairment	Gross Amount	Impairment
Current	P2,067,455,493	P -	P1,091,371,294	P -
Past due 1 - 30 days	868,450,913	-	549,937,776	-
Past due 31 - 60 days	150,171,047	-	201,250,818	-
More than 60 days	449,919,567	7,462,327	343,801,660	7,462,327
	P3,535,997,020	P7,462,327	P2,186,361,548	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, 2022				
	Carrying Amount	Contractual Cash Flows	1 Year or Less	More than 1 Year - 5 Years	More than 5 Years
Financial Liabilities					
Trade and other payables*	P26,225,235,420	P26,225,235,420	P26,225,235,420	P -	P -
Due to related parties	49,497,532	49,497,532	49,497,532	-	-
Lease liabilities	39,219,731,431	70,302,918,416	3,765,152,786	14,926,559,695	51,611,205,935
Long-term loans including current portion**	11,665,793,200	14,619,020,133	506,389,883	8,874,812,000	5,237,818,250
Accrued fixed assets	1,121,326,981	1,361,806,080	320,424,960	1,041,381,120	-
Other current liabilities***	314,097,245	314,097,245	314,097,245	-	-

*excluding statutory payables to the government and current portion of accrued fixed assets (see Note 24)

**contractual cash flows include future interest payment

***excluding deferred income, unredeemed gift certificates and VAT payable

As at December 31, 2021					
	Carrying Amount	Contractual Cash Flows	1 Year or Less	More than 1 Year - 5 Years	More than 5 Years
Financial Liabilities					
Trade and other payables*	P14,286,448,303	P14,286,448,303	P14,286,448,303	P -	P -
Due to related parties	45,868,433	45,868,433	45,868,433	-	-
Lease liabilities	34,918,966,090	60,362,336,115	3,208,819,204	13,796,000,532	43,357,516,379
Long-term loans including current portion**	11,770,457,761	14,979,154,108	619,750,750	1,875,722,867	12,483,680,491
Other current liabilities***	243,419,861	243,419,861	243,419,861	-	-

*excluding statutory payables to the government

**contractual cash flows include future interest payment

***excluding deferred income, unredeemed gift certificates and VAT payable

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 and money market placements. The cash deposits and money market placement with variable rates expose the Group to cash flow interest rate risk. The Group is not exposed to interest rate risk on long-term loans with fixed rates which are carried at amortized cost. The Group's policy is to obtain the most favorable interest available and effectively managing the interest rate risk.

The interest rate profile of the Group's interest-bearing financial instruments is as follows:

	2022	2021	2020
Financial assets:			
Cash in banks	P12,567,230,455	P8,298,899,619	P10,281,958,993
Money market placements	25,071,732,805	32,445,645,484	21,667,279,176
Government securities	4,268,095,378	-	2,383,862,048
	P41,907,058,638	P40,744,545,103	P34,333,100,217

Sensitivity Analysis

A 2.0% increase in interest rates would have increased equity and net income by P62.9 million, P61.1 million and P46.6 million in 2022, 2021 and 2020, respectively. A 2.0% decrease in interest rates would have had the equal but opposite effect. Assuming a 10.0% 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, Trade and Other Payables, 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 FVTPL

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, Lease Liabilities and Accrued Fixed Assets

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, 2022 and 2021, the Group's investment in financial assets at FVTPL 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, 2022 and 2021 and for each of the three years in the period ended December 31, 2022 included in this Form 17-A, and have issued our report thereon dated April 12, 2023.

Our audits were made for the purpose of forming an opinion on the 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 consolidated financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

R.G. MANABAT & CO.

A handwritten signature in black ink, appearing to be 'D. Dioso', written over a light blue grid background.

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. 08-001987-030-2022

Issued June 27, 2022; valid until June 27, 2025

PTR No. MKT 9563826

Issued January 3, 2023 at Makati City

April 12, 2023

Makati City, Metro Manila

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	P37,638,963,260	P37,638,963,260	P383,626,730*
Various customers and suppliers/Receivables - net	N/A	3,497,525,491	3,497,525,491	-
Various lessors/Security deposit	N/A	2,322,579,554	2,322,579,554	-
Bureau of Treasury (BTR)/Government securities	4,268,095,378	4,268,095,378	4,230,504,690	115,202,545*
Various publicly-listed companies/Equity securities	1,041,078	31,284,934	31,284,934	323,622**
		P47,758,448,617	P47,720,857,929	P499,152,897

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 of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not Current	Balance at end of period
Mr. Lucio L. Co - Chairman	P125,973	P176,070	(P125,973)	P -	P176,070	P -	P176,070
Various employees	11,132,417	108,388	(11,132,417)	-	108,388	-	108,388
	P11,258,390	P284,458	(P11,258,390)	P -	P284,458	P -	P284,458

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	P671,838,000	P1,238,459,174	(P671,838,000)	P -	P1,238,459,174	P -	P1,238,459,174
Puregold Price Club, Inc.	47,758,068	192,000	(47,758,068)	-	192,000	-	192,000
	P719,596,068	P1,238,651,174	(P719,596,068)	P -	P1,238,651,174	P -	P1,238,651,174

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	P3,384,468,750	P35,000,000	P3,349,468,750	4.5%	N/A	September 30, 2030
	Development Bank of the Philippines	2,922,696,429	30,000,000	2,892,696,429	4.0%	N/A	September 30, 2027
	Keb Hana Bank	487,455,357	5,000,000	482,455,357	4.0%	N/A	September 30, 2027
	Land Bank of the Philippines	1,461,348,214	15,000,000	1,446,348,214	4.0%	N/A	September 30, 2027
	Land Bank of the Philippines	1,460,342,308	15,000,000	1,445,342,308	4.5%	N/A	September 30, 2030
	Metropolitan Bank & Trust Co.	974,571,428	10,000,000	964,571,428	4.0%	N/A	September 30, 2027
	Shinhan Bank	487,455,357	5,000,000	482,455,357	4.0%	N/A	September 30, 2027
	The Insular Life Assurance Company, Ltd.	487,455,357	5,000,000	482,455,357	4.0%	N/A	September 30, 2027
Totals		P11,665,793,200	P120,000,000	P11,545,793,200			

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

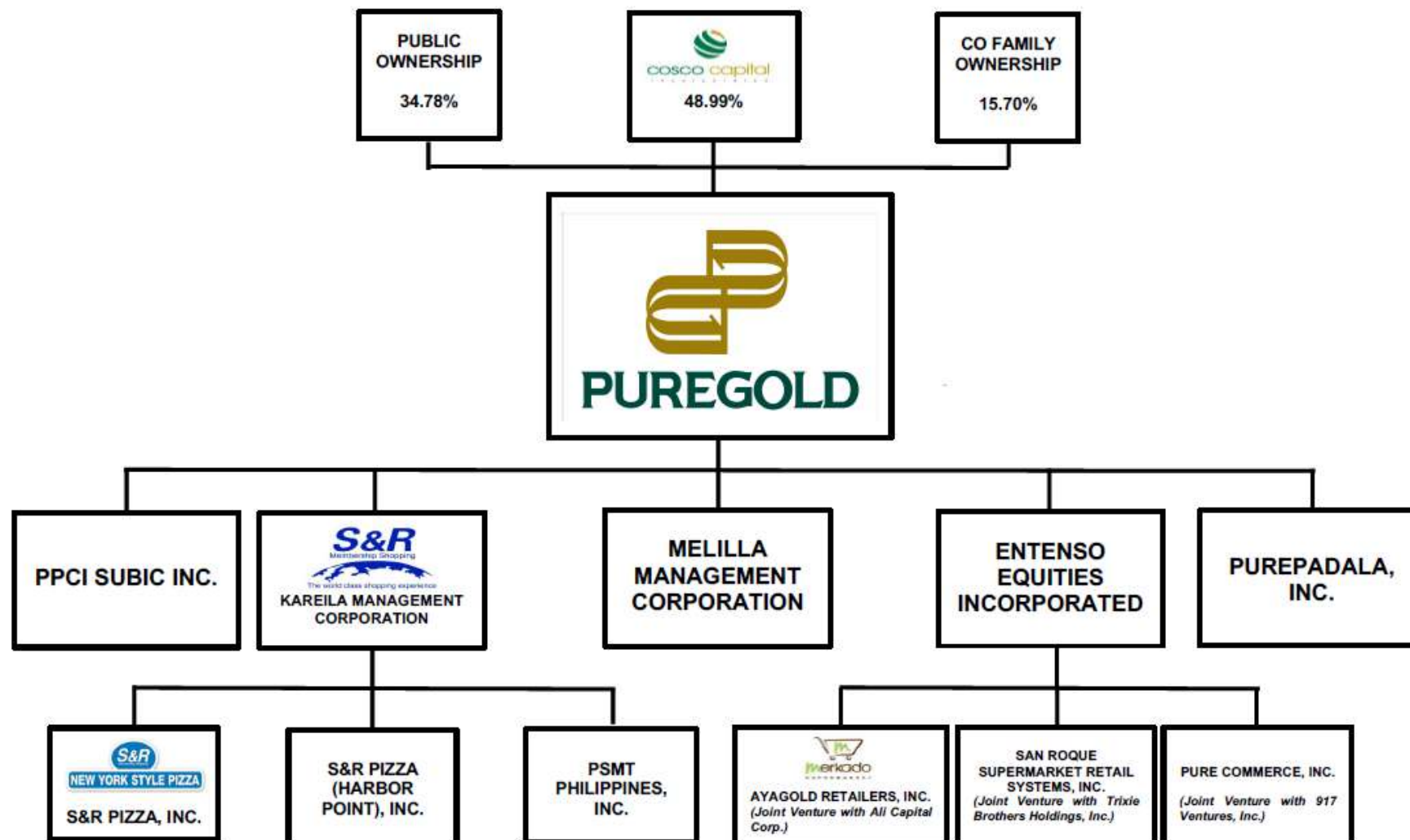
PUREGOLD PRICE CLUB, INC. AND SUBSIDIARIES

SCHEDULE G. CAPITAL STOCK

Title of Issue	Number of Shares authorized	Number of shares issued and outstanding at shown under related balance sheet caption	Number of treasury common shares	Number of shares held by affiliates	Directors, officers and employees	Others
Common Shares	3,000,000,000	2,865,586,406	(38,627,680)	1,425,418,397	443,514,455	-

PUREGOLD PRICE CLUB, INC. AND SUBSIDIARIES

Map of Group of Companies Within which the Company Belongs
As at December 31, 2022



**RECONCILIATION OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
AS OF DECEMBER 31, 2022**

PUREGOLD PRICE CLUB, INC.
900 Romualdez Street, Paco, Manila

Unappropriated Retained Earnings, as adjusted, beginning		P27,655,971,017
Net Income actually closed to Retained Earnings		5,565,982,111
Less: Non-actual/unrealized income net of tax	P	-
Equity in net income of associates		-
Unrealized foreign exchange gain - net (except those attributable to Cash and Cash Equivalents)		-
Equity in net income of a joint venture		-
PFRS 16 adjustment on DTA		-
Deferred tax benefit	214,021,670	
Fair value adjustments (M2M gains)		-
Fair value adjustments of Investment Property resulting to gain		-
Adjustment due to deviation from PFRS/GAAP - gain		-
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS		-
Sub-total		214,021,670
Add: Non-actual losses		
Unrealized loss on fair value adjustment of investment through P/L		-
Deferred tax expense		-
Depreciation on revaluation increment (after tax)		-
Adjustment due to deviation from PFRS/GAAP - loss		-
Loss on fair value adjustment of investment property (after tax)		-
Sub-total		-
Net income actually earned during the period		5,351,960,441
Add (Less):		
Dividends declared during the year		(2,476,918,356)
Adjustment in previous year's reconciliation		45,654,485
Movement in treasury shares		(97,003,983)
Unappropriated Retained Earnings, as adjusted, ending		P30,479,663,604



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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, 2022 and 2021 and for each of the three years in the period ended December 31, 2022, and have issued our report thereon dated April 12, 2023.

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)

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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 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, 2022 and 2021 and for each of three years in the period ended December 31, 2022 and no material exceptions were noted (see Annex A).

R.G. MANABAT & CO.

A handwritten signature in black ink, appearing to be 'D.M. Dioso', written over a horizontal line.

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

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PTR No. MKT 9563826

Issued January 3, 2023 at Makati City

April 12, 2023

Makati City, Metro Manila

PUREGOLD PRICE CLUB, INC. AND SUBSIDIARIES
SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS FOR
ALL SECONDARY LICENSEES AND PUBLIC COMPANIES
DECEMBER 31, 2022 AND 2021

	2022	2021
Current Assets	P78,998,059,853	P65,930,708,684
Current Liabilities	29,877,257,868	17,184,815,363
Current Ratio	2.64:1.00	3.84:1.00
Total Liabilities	P81,152,913,032	P63,957,814,990
Shareholder's Equity	82,644,601,299	75,475,992,228
Debt to Equity Ratio	0.98:1.00	0.85:1.00
Total Asset	P163,797,514,330	P139,433,807,218
Total Liabilities	81,152,913,032	63,957,814,990
Solvency Ratio	2.02:1.00	2.18:1.00
Total Assets	P163,797,514,330	P139,433,807,218
Shareholder's Equity	82,644,601,299	75,475,992,228
Asset to Equity Ratio	1.98:1.00	1.85:1.00
Earnings before Interest Expense and Taxes	P14,481,327,474	P12,942,202,189
Interest Expense	2,907,818,153	2,784,113,290
Interest Rate Coverage Ratio	4.98: 1.00	4.65: 1.00
Net Income	P9,287,426,858	P8,180,021,763
Average Total Assets	151,615,660,775	135,513,658,337
Return on Asset Ratio	0.06:1.00	0.06:1.00
Net Income	P9,287,426,858	P8,180,021,763
Average Shareholder's Equity	79,060,296,764	71,988,856,080
Return on Equity	0.12: 1.00	0.11: 1.00
Gross Profit	P33,819,672,189	P30,082,768,290
Net Sales	184,302,944,649	164,124,835,299
Gross Profit Ratio	0.18: 1.00	0.18: 1.00
Net Income	P9,287,426,858	P8,180,021,763
Net Sales	184,302,944,649	164,124,835,299
Net Profit Ratio	0.05: 1.00	0.05: 1.00



Sustainability as a Lifestyle

2022 Sustainability Report



About the Report

Welcome to our sustainability report for the year 2022, which outlines our performance and achievements on economic, environmental, and social sustainability and our ESG commitments for the future. The data in this year’s report was collected between January 2022 and December 2022. Our sustainability reports thus far were based on the Philippines SEC guidelines; this is our first report that has been prepared in accordance with the Global Reporting Initiative (GRI) Standards (2021). The current report covers performance of all the diversified business segments under Cosco Capital Inc., including:



Grocery Retail
Puregold Price Club Inc.



Kareila Management Corporation
(S&R Membership Shopping and
S&R New York Style Pizza QSR)



Specialty Retail
Office Warehouse



Wine & Liquor Distribution
The Keepers Holdings Inc.
(Montosco Inc., Meritus Prime Distributions Inc.,
Premier Wine & Spirits Inc., Fertuna Distributions,
Inc. and Bodegas Williams & Humbert SA)



Real Estate
Ellimac Prime Holdings, Inc., Fertuna
Holdings Corp., Patagonia Holdings Corp.,
Nation Realty Inc., Canaria Holdings
Corporation, NE Pacific Shopping Centers
Corp., Pure Petroleum Corp.



Oil & Minerals
Alcorn Petroleum and Minerals Corp.



For questions and clarifications regarding the contents of the report, please contact:

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Cosco Capital Inc.
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Rey Arr L. Cahaponon
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Cosco Capital Inc.
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Statement from the Leadership

We are very pleased to present our first GRI standards-based sustainability report for the year 2022. Having the experience from reporting using the Sustainability reporting guidelines of the Philippines Securities Exchange Commission (SEC), this was a good level-up for us as an organization. We cherish every moment spent understanding the guidelines in detail and in assimilating data in accordance with the requirements of GRI. While this report is the end product, the reporting process has greatly helped us reflect on our sustainability priorities, performance, and goals allowing us to formulate a corporate sustainability framework – one that is cognizant of the needs of all our stakeholders.

Cosco Capital's business portfolio is largely retail as well as store-front oriented and we have always accorded immense priority to our customers and other key stakeholders while running the operations. This has led to the adoption of environmental and social sustainability practices alongside our growth journey since 1988. Our recent endeavour towards disclosing our economic, environmental, and social performance has helped us assign more structure to these initiatives. With the learnings from such ESG performance disclosures, we hope to integrate sustainability as a culture into our way of business in the coming years.

2022 was a landmark year in many ways, with several laurels coming our way. Puregold was named as the "Most Chosen Retailer" in the "Fast Moving Consumer Goods" segment in 2022 by Kantar. Cosco received the Golden Arrow Award in the ASEAN Corporate Governance Scorecard Award for 2022 by the Institute of Corporate Directors. In 2021, the S&R Group was recognised among the top 12 companies in the 2021 Search for Sustainable and Eco-Friendly Business Establishments by the City Government of San Fernando.

The total amount we spent on community development projects in the reporting year was around 202.1 Million Philippine Pesos, of which 126.2 million was spent on infrastructure development, 65.4 million was spent on educational scholarships, and 10.5 million on COVID-19 vaccine donations. Over the past couple of years, local hiring by Puregold and S&R have been at 98% and 95% respectively – which has ensured fostering of skills and livelihood promotion among the local communities. Our workforce at Puregold and S&R already comprise an average of 51% women, which reflects the degree of importance we give to gender diversity at the workplace. Moreover, 99% of the employees at Puregold, and 95% of the employees at S&R earn monthly salaries that are well over the prescribed minimum wages.

On the environmental front, Office Warehouse launched the Puno ng Pag-ibig Program in 2022 (a Tree Planting Project partnership with the Department of Environment and Natural Resources). Puregold has implemented a "No Plastic Use" program nationwide called the "Walastik Plastik Program" that is rolled out every Monday and Wednesday, when customers are required to bring their own reusable bags. As of 2022, 63% of our Puregold stores are using paper bags, and 37% are using biodegradable plastic bags. We are still advocating for the use of eco-bags at these stores as well.

The above figures represent a few highlights based on our sustainability performance in the year 2022. A more detailed account of our economic, environmental, and social performance in the year 2022 is provided in further sections of this report. We hope you enjoy reading and gain a deeper understanding of our efforts toward making sustainability integral to our work. Happy reading!

About Cosco Capital

Cosco Capital was incorporated on January 19, 1988 as Alcorn Petroleum and Minerals Corporation. On January 13, 2000, we diversified our business into many segments (described below) and got incorporated as a retail holding company. Our company's vision is to be a leading retail and investment holding company providing quality products and services to communities where we operate, while also pursuing a growth journey that benefits all our stakeholders. We seek to do this through ensuring the affordability and accessibility of products and services that contribute to the healthy lifestyles of our customers (mainly Filipinos). Our core values are encapsulated in the infographic below:



Integrity and Accountability
by ensuring transparency in disclosure on our ESG performance and fostering regular communications with our stakeholders



Genuine Partnership
with regular and global partners who share our values and principles on ESG and general conduct of business



Customer Satisfaction
through regular and frequent communication with customers and emphasis on quality of products and services



Social Responsibility
through our community engagement endeavours and efforts to improve the lives of the communities surrounding our operations



Choose Pick-up Or Delivery



Grocery Retail Puregold Price Club Inc.

Puregold is Cosco's flagship grocery retail chain, which was opened in Mandayulong City in 1998. Currently, Puregold has 452 grocery stores across the country. The retail chain operates across three store formats:

Apart from this, an online shopping option and an option to pre-book products and pick them up later are available on the Puregold website. Customers can also shop using their mobile phones through the Puregold mobile app.

Puregold's flagship programmes are described below:

Tindahan ni Aling Puring (TNAP)

This program was introduced in 2003 - customized membership program designed specifically for Puregold's primary customers from the Micro, Small and Medium Enterprises (MSME) segment such as the sari-sari stores, minimarts, karinderyas, catering and other types of resellers. Green and Gold Cards are provided under this programme; the former for new and active members of TNAP, and the latter for members who make minimum purchases of 1.3 million annually.

The Puregold "Perks" Card

is a loyalty card program that rewards shoppers with points every time they shop at Puregold Price Club, Puregold Supermarket and Puregold Minimart.

Puregold Price Club

Hypermarkets offering food and non-food products to retail customers and small business owners (stores include mini marts, cafeterias, restaurants, bakeries, pharmacies).

Selling space: between 2,000 to 2,500 sqm



Puregold Supermarket

Smaller stores offering targeted consumer items and a limited variety of general merchandise, with focus on food and fresh products.

Selling space: average 500 sqm



Puregold Minimart

Sale of top-selling brands and products across all categories, with limited number of consumer goods

Selling space: average 250 sqm





Specialty Retail Office Warehouse

This segment mainly deals in products such as office and school supplies, modern functional furniture pieces, and technology used in everyday office functioning. There are a total of 94 stores operating under this segment, offering home delivery and store pick-up services. The Points Plus Loyalty Program is present, which customers can subscribe to exclusive perks and privileges. Our key customers are small and medium businesses, small offices, home offices, and the education market. Our diverse range of products is listed in the table below:

Furniture

Chairs, tables, cabinets & shelves, and safes

Office & School Supplies

Copy & printer paper, Paper supplies, Filing & storage, Writing instruments, Tapes & adhesives, Desk accessories, Art & craft, General supplies, Display boards

Technology

Printers, Ink & toner, Computer accessories, Data storage, Calculators, Biometrics, Paper shredders, Office machines, Thermal & sanitizing equipment

S&R Membership Shopping

S&R membership shopping club's primary aim is to deliver significant value to member-customers based on a system driven by aggressive buying, low-cost distribution, and streamlined operations. S&R started functioning in 2006 with four warehouses. The current number of warehouses is 22. Products from S&R are offered in "club packs", and are mostly sourced from the United States of America. Our product offerings under S&R include:



Fresh produce and fruits

Australian / New Zealand beef
Cereals / Snacks
Soap / Sundries



Imported chocolates

Imported wine and spirits
Consumer electronics and appliances
Health and Beauty Products

In 2014, S&R opened its first four quick service restaurants (QSRs) named S&R New York Style Pizza. As of the end of 2022, there are 51 S&R New York Style Pizza QSRs all over the Philippines.



Wine and Liquor Distribution The Keepers Holdings Inc.

The Keepers owns three of the major players in the Philippine liquor, wine, and specialty beverage distribution industry – Montosco, Inc., Meritus Prime Distributions, Inc., and Premier Wine and Spirits, Inc. Collectively, our group continue to be the largest distributor of imported spirits in the Philippines as of 2022. In 2020, we had a market share of 74.0% based on volume and 66.9% based on retail sales value according to IWSR. A snapshot of the brands that the group imports and distributes is presented below:



Montosco Inc.

Montosco, Inc. is a liquor importer and distributor. Under this segment, we import a range of products including affordable and premium quality labels.

Aside from this, we are exclusive importers and distributors of the brands Gilbey's, Islands, Vino Fontana, Alfonso Brandy, Muga Wines, Diageo, Castel Wines, and Pegoes Seagrams 7 in the Philippines.

Meritus Prime Distributions Inc.

This company is also an exclusive distributor for many international liquor brands in the Philippines. Meritus has put in gradual efforts towards expanding the business, and now also distributes products in the Premium wine category. The brands that we import under this segment are: Beam, Jim Beam, Courvoisier, Sauza Tequila, Pinnacle Vodka, Maker's Mark, Beam Suntory, Auchentoshan, Hibiki, Laphroaig, The Hakushu Single Malt Whisky, The Yamazaki Single Malt Whisky, Suntory Whisky, Treasury Wine Estates, The Little Penguin, Rosemount Estate, William Grant & Sons, Glenfiddich, Grants Blended Scotch Whisky, The Balvenie Single Malt Scotch Whisky, Hendrick's Gin, DGB, Bellingham, Tree Series, Mill Stream, The Saints, Honey Badger, Strawberry Lips, Familia Zuccardi, Santa Julia, and others.

Premier Wine & Spirits Inc.

Premier Wine & Spirits engages in distribution and marketing of imported wine, spirits, beer, and specialty beverage brands. PWSI caters to the premium segment of liquor buyers and has been operating in the Philippines for 20 years. The products distributed by this company include Absolut Vodka, Chivas, Distell, The Glenlivet, Gruppo Campari, Heaven Hill Distilleries, Jagermeister, Jose Cuervo, Marques de Riscal, Martell Cognac, Perrier, Red Bull, Ruffino Dal 1877, Santa Carolina, and Wolf Blass.

Fertuna Distributions, Inc.

Bodegas Williams and Humbert SA

Real Estate

Ellimac Prime Holdings Inc.

Ellimac Prime Holdings, Inc. is the flagship company of Cosco's real estate group. It was formed through the merger of four property companies in December 2012, namely: PILGOR Development Services Corporation, 514 Shaw Property Holdings Inc., Cosco Prime Holdings, Inc. and Pajusco Realty Corporation.

The company owns and operates a portfolio of 55 properties in Metro Manila, Bulacan, Nueva Ecija, Quezon, and Cagayan, mainly serving the commercial retail building segment.

Fertuna Holdings Corp.

Fertuna Holdings has established a 6.5-hectare land as a commercial retail complex called "Harbour Point", which Puregold has occupied since 2012. This is located inside the Subic Bay Metropolitan Authority special economic zone in the Central Luzon region, and has tax and duty free importation privileges under the Republic Act 7277.



Patagonia Holdings Corp.

Patagonia owns a total of 1.3 hectares, out of which an S&R Membership has been operating since 2000 with a steady stream of customers visiting the outlet owing to its prime location. This outlet is located at the Bonifacio Global City (BGC).

Nation Realty Inc.

This company engages in mall development. The main project that we run under this brand name is the "999 Shopping Mall" which is located in Binondo. It seeks to provide affordable and quality products to Filipinos who live in this locality.

NE Pacific Shopping Centers Corp.

This company owns and operates the NE Pacific Mall, which is a family shopping and entertainment destination in Nueva Ecija. It is a 12.5-hectare commercial property housing supermarkets, departmental stores, hardware, appliance centres and restaurants. A Puregold Supermarket as well as an S&R Warehouse Club are among its anchor tenants. Regular marketing and promotional events are conducted at the mall along with scouting for more food and retail tenants to make it a preferred destination for customers.

Canaria Holdings Corporation

Oil and Minerals

Alcorn Petroleum and Minerals Corporation

This is a wholly owned subsidiary of Cosco Capital Inc. organized in 2013 to hold and operate its legacy oil and mining exploration assets and related activities. APMC's current projects include:



Service Contract (SC) 14-C2 in the West Linapacan Area and Service Contract 6B in the Bonita-Cadlao Area, are the operational blocks granted by the Department of Energy. These projects are still in the project development stage.



Limestone exploration and development project located in Merida and Isabel Leyte. The renewal of the Mineral Production Sharing Agreement for 25 years was approved on June 14, 2022.

Awards and Recognitions



Puregold was named as the "Most Chosen Retailer" in the "Fast Moving Consumer Goods" segment in 2022 by Kantar.



Cosco received the Golden Arrow Award in the ASEAN Corporate Governance Scorecard Award for 2022 by the Institute of Corporate Directors.



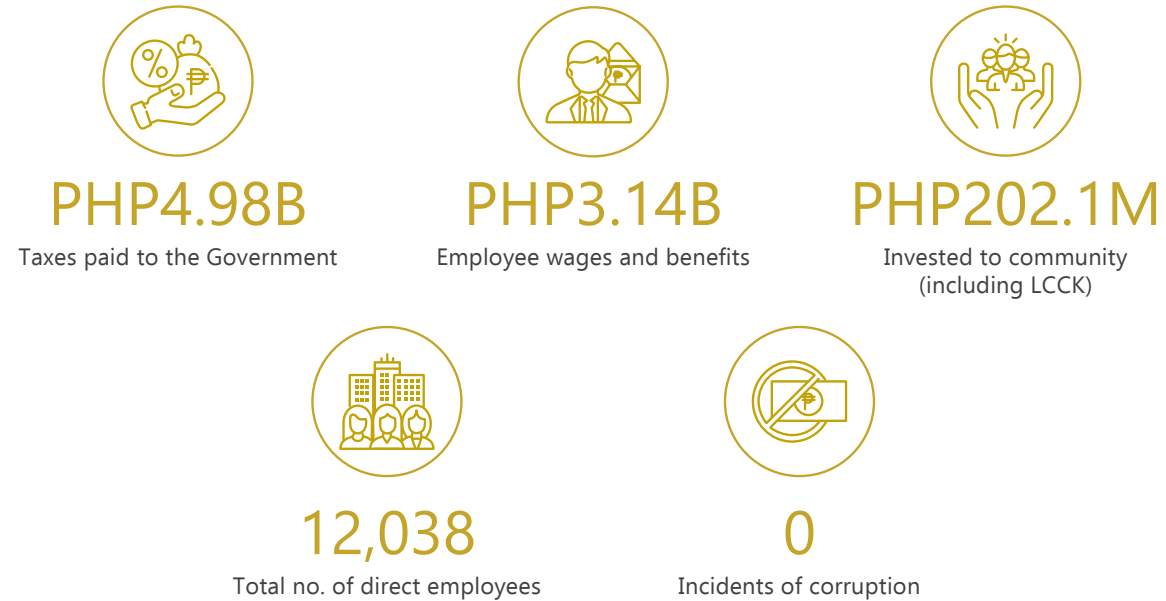
In 2021, the S&R Group was recognized among the top 12 companies in the 2021 Search for Sustainable and Eco-Friendly Business Establishments by the City Government of San Fernando.



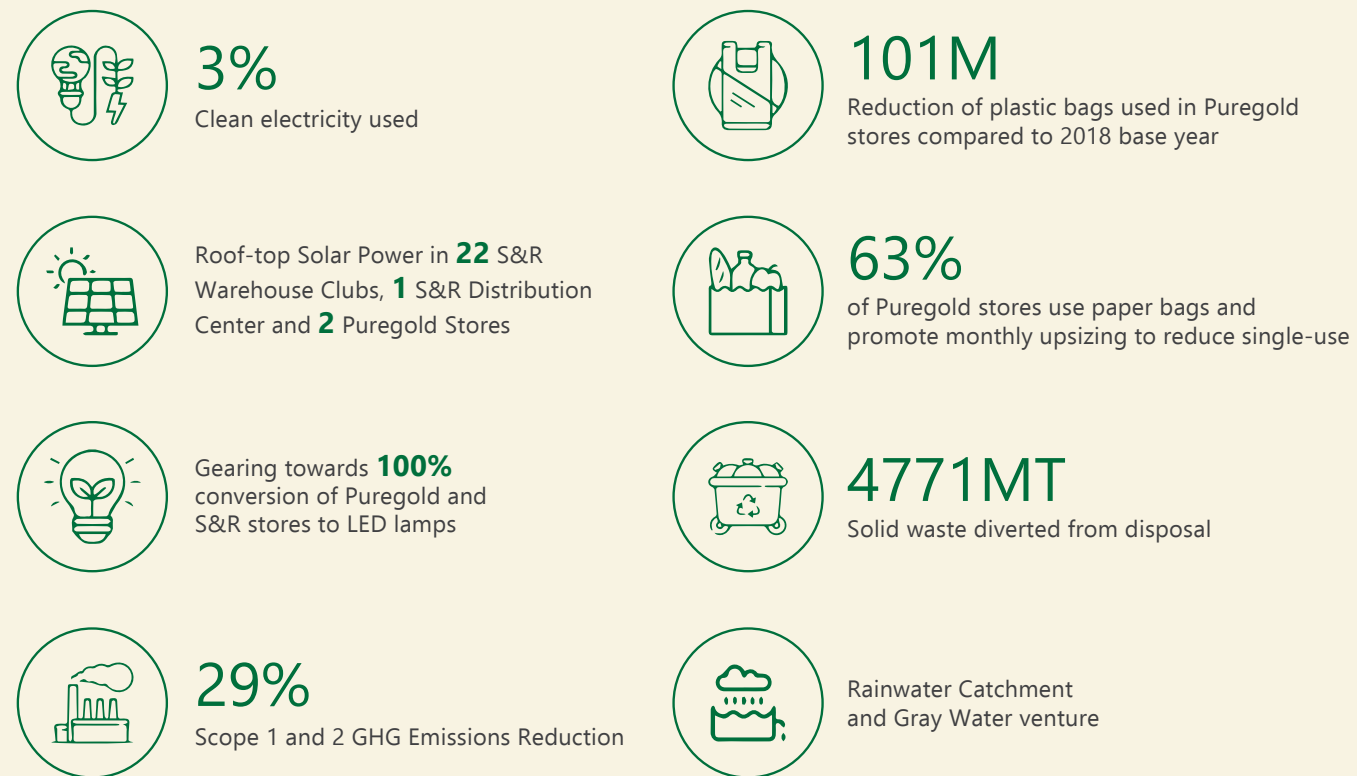
Sustainability at a Glance



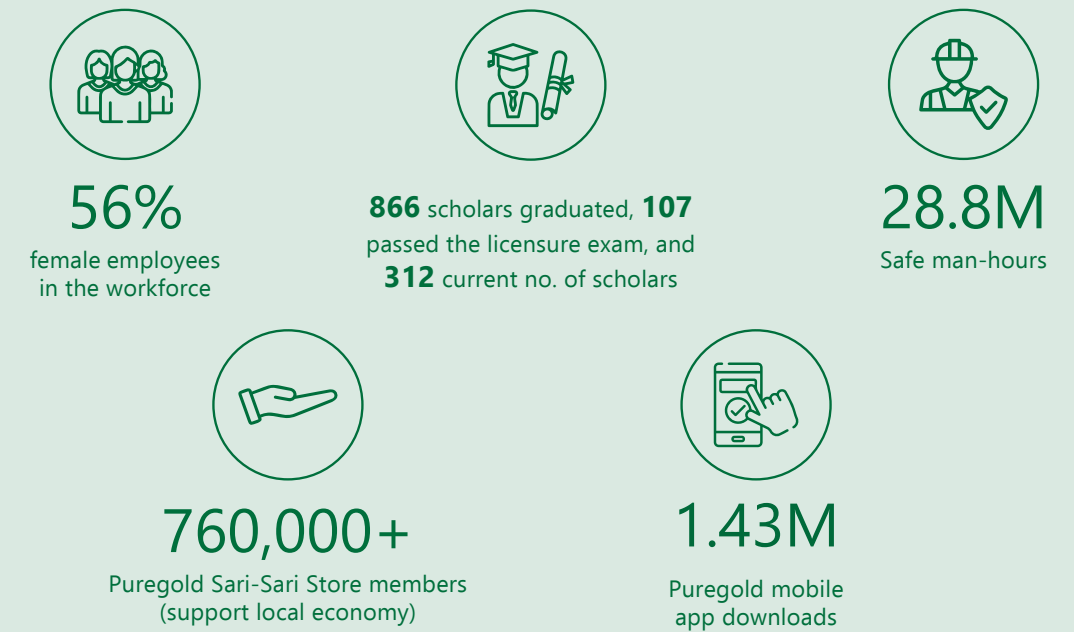
Economic



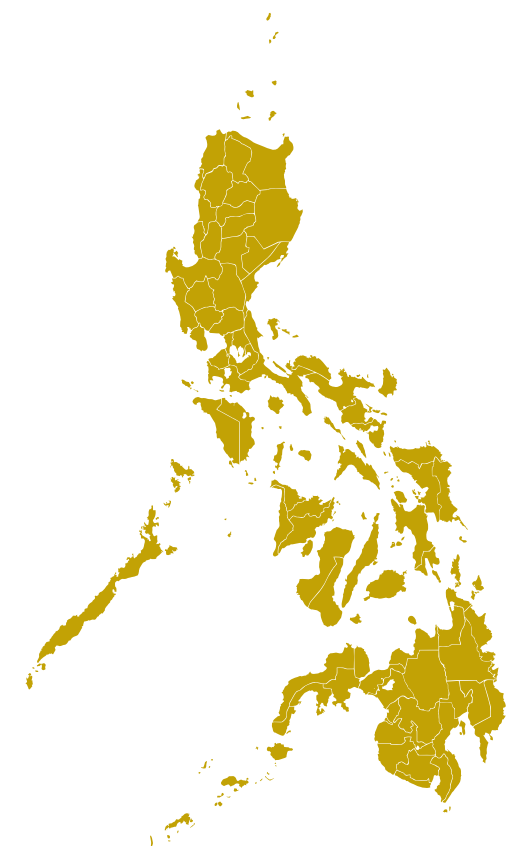
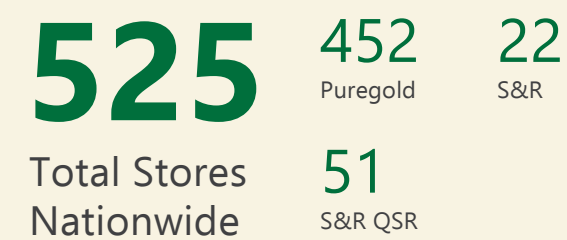
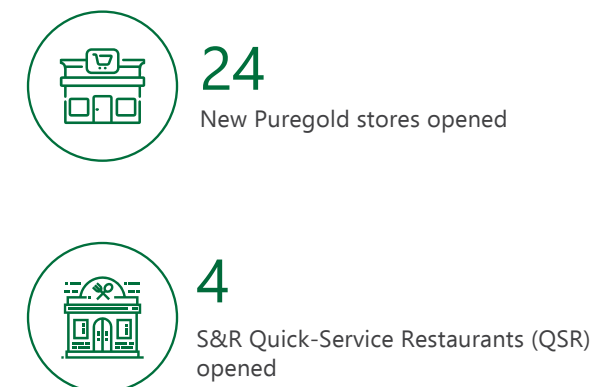
Environmental



Social



Store Network Expansion



Our Sustainability Strategy

At Cosco Capital, our sustainability strategy is driven by four critical areas of focus, which together form our sustainability framework. We use this framework to define key priorities and actions on sustainability going forward.

Business and ecosystem viability

Economic advancement and resilience.

Conscious conduct of operations

Climate change
Sustainable production
Sustainability outside operations



Value for people

Looking after our people
Sustained customer relationships
Ethical practices
Engagement with the community.

Respect to the rule of the land

Governance and Anti-Corruption
compliance to the law



Business and ecosystem viability

The sustained survival of our business and the long-term value creation for all stakeholders in our ecosystem is a primary significant area of focus. We strongly believe that pursuing the achievement of our financial goals in an ethical manner will not only increase our profits, but also improve the livelihoods of people associated with us and contribute to regional economic development. This is because the retail sector is driven by interactions with multiple stakeholders at various touch points along our value chain.

Focus Area	Material Topics	GRI/Non-GRI Disclosures
Economic advancement and Resilience	Economic Growth	GRI 201: Economic performance 202: Market Presence 203: Indirect Economic Impacts 204: Procurement Practices
	Disaster Preparedness	Non-GRI Disaster management frameworks or policies in the company
	Technology & Innovation	Non-GRI Successful initiatives by the company that employ advanced technology



Conscious conduct of operations

As a retail business, the footprint of our operations is extremely widespread, with the presence of multiple branches, warehouses, and locations. Therefore, it is very important for us to adopt sustainable consumption and production practices across our operations and the supply chain, ensure effective waste management practices and align with the need to respond to the climate change crisis. While we already comply with all regulatory requirements in this respect, we seek to go a step further in the next couple of years by adopting industry-leading resource efficient practices on operational sustainability.

Focus Area	Material Topics	GRI/Non-GRI Disclosures
Climate Change	Energy and Emissions	GRI 302: Energy 305: Emissions Non-GRI Any initiatives on energy saving
	Waste and Recycling of Packaging waste	GRI 301: Materials 306: Waste 2020, Effluents and Waste 2016 Non-GRI Waste recycling / treatment initiatives
Sustainable production	Food Waste	GRI 306: Waste 2020, Effluents and Waste 2016 Non-GRI Waste recycling / treatment initiatives
	Optimising Water Use	GRI 303: Water and Effluents Non-GRI Water recycling / saving initiatives
	Sustainable Supply Chain	GRI 303: Water and Effluents 301: Materials 308: Supplier Environmental Assessment
Sustainability outside operations	Sustainable Product Mix	GRI 416: Customer Health & Safety Non-GRI Initiatives to introduce sustainable products



Value for people

As highlighted above, Cosco's very fabric of existence is based on interactions with multiple stakeholders throughout our value chain. Since the inception of our business, we have taken utmost care to ensure the presence of sustained and healthy relationships with all our internal and external stakeholders. With the onset of our ESG journey, we have identified an entirely new host of opportunities to enhance such relationships. In the near future, we aim to promote the adoption of sustainability in the business and lives of our stakeholders – through a combination of capacity building activities and handholding support.

Focus Area	Material Topics	GRI/Non-GRI Disclosures
Climate Change	Employee engagement & diversity	GRI 401: Employment 402: Labour / Management Relations 403: Occupational Health & Safety 404: Training and Education 405: Diversity and Equal Opportunity 406: Non-discrimination 407: Freedom of Association and Collective Bargaining 408: Child Labour 409: Forced / Compulsory Labour 410: Security Practices 411: Rights of Indigenous Peoples Non-GRI Employee engagement practices
	Customer health and safety	GRI 416: Customer Health and Safety
Sustained customer relationships	Promoting sustainable lifestyles	Non-GRI Initiatives to promote sustainable lifestyles among customer groups
	Customer Privacy & Cybersecurity	GRI 418: Customer Privacy
	Fair Marketing and Labelling Practices	GRI 417: Marketing and Labelling
Engagement with the Community	Communities and Livelihoods	GRI 413: Local Communities



Respect for the Rule of the Land

As a business, we have a watertight commitment towards respecting the law of the land. We believe that this will aid business survival and goodwill in the long run, and also that it will help us maintain healthy relationships with the government in the future. This could also help us contribute in a significant manner to local policy dialogue through advocacy endeavours in the future.

Focus Area	Material Topics	GRI/Non-GRI Disclosures
Adhering to the Law	Governance and Anti-Corruption	GRI 205: Anti-corruption 206: Anti-competitive behaviour
	Compliance to the Law	Non-GRI Governance structure for handling compliance management



Stakeholder Engagement

Key Stakeholders	Key Topics/Concerns	Engagement Platforms/Channels	Frequency
Investors	Growth Opportunities	Investors Meetings (Virtual and In-person)	Quarterly As needed
	ESG Performance	Company Website	
	Financial Performance	Emails and Calls	
	Corporate Updates and Strategies	Store Visits	
		Quarterly Briefings	
		Conferences and Non-deal Roadshow	
Shareholders	Transfer of shares	Philippine Stock Exchange	Annual, Quarterly As needed
	Annual Operational and Financial Review	Annual Stockholders Meetings	
	Inquiry on Cash Dividend	Investors Meeting	
	Product availability	Company Website	
	Supply chain resilience	Quarterly Briefings	
	Policy and advocacy, governance	Emails and Calls	
Government / Regulatory Bodies	Compliance	Direct interactions with government agency	As needed, Regular
	Taxes	Periodic Reporting	
	Community Development	Emails and Company Website	
		Store Visits	
		Meetings	

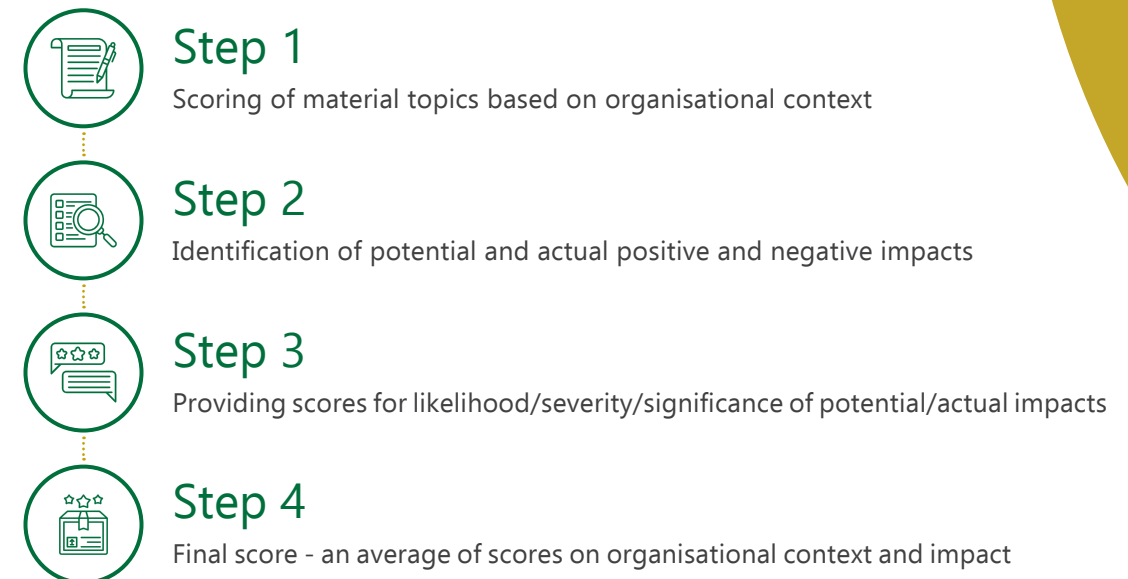
Stakeholder Engagement

Key Stakeholders	Key Topics/Concerns	Engagement Platforms/Channels	Frequency
Customers	Affordability of products	Emails and Calls	As needed, Annually
	Convenient buying options and experiences	In-store customer service/ Membership counter	
	Healthy and safe product options	Social Media	
	Product availability	Company Events or Conventions	
	Data security and cybersecurity		
	Plastic waste		
Suppliers/Vendors	Consumer protection	Meetings	As needed, Regular
	Data security and cybersecurity	Emails and Calls	
	Supply chain transparency		
Employees	Benefits and Compensations	Emails and Chats	Annually, Daily, As needed
	Health and Safety	Meetings	
	Engagement and Retention	Performance Appraisal	
	Training and Development	Periodic Orientation/Seminar	
Local Communities	Job Creation	Emails and Social Media	As needed
	Community Development	Meetings	
Media	Events	Emails and Calls	As needed
	Company Press Release	Meetings	
		Company Events or Conventions	

Materiality Assessment

For the year 2022, we initially conducted an extensive and comprehensive materiality assessment involving key internal stakeholders from all our subsidiaries. Since this is the first time, we are using the new guidance based on GRI Standards 2021 for the materiality assessment, we have collected the views of only those within our company – however, we have ensured that we have fully and fairly considered the welfare of all our stakeholders listed above while conducting the assessment. The assessment was conducted online (through Google Forms), after a detailed workshop for all members on how to fill the materiality assessment questionnaire.

The material topics were identified based on in-depth research on our industry peers, and were prioritised based on the process below:



The output of this materiality assessment was the prioritization of material topics. The table and graph below indicate which are our high, medium, and low-priority material topics:

High Priority	Medium Priority	Low Priority
Economic Growth	Energy and Emissions	Food Waste
Disaster Preparedness	Optimising Water Use	Fair Marketing and Labelling Practices
Technology and Innovation	Waste & Recycling of Packaging Waste	Sustainable product mix
Customer Health and Safety	Communities and Livelihoods	
Customer Privacy, Cybersecurity	Promoting sustainable lifestyles	
Employee Health and Safety	Sustainable supply chain	
Employee Engagement, Diversity		
Governance, Anti-Corruption		
Compliance to the Law		

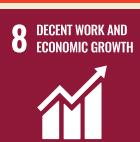
Our Material Topics

Material Topic	Description	Relevant Indicators	Impact Boundary	SDGs
Economic Advancement and Resilience				
Economic Growth	Sustained economic performance drives better sales, revenue, and profits for the company. Apart from ensuring business survival in the long run, focusing on economic growth could also improve the livelihoods of our employees and workers.	GRI 201: Economic performance 202: Market Presence 203: Indirect Economic Impacts 204: Procurement Practices 207: Tax	Within Cosco	 
Disaster Preparedness	Cosco mainly operates within the Philippines, which is a country prone to typhoons and related natural calamities owing to its geography. Fostering preparedness for disasters helps us sustain our performance even during emergencies, while also ensuring that we lend our hand towards helping out communities who suffer during these times.	Non-GRI Disaster management frameworks or policies in the company	Within and outside Cosco	
Technology and Innovation	As a company mainly operating in the retail industry, employing the latest technology for upgrading our offerings is essential so that we stay relevant. We also continuously seek to introduce new and innovative ways of promoting customer retention and loyalty.	Non-GRI Successful initiatives by the company that employ advanced technology	Within Cosco	
Climate Change				
Energy and Emissions	Cosco operates a vast network of retail stores, which consume energy for everyday operations. We believe that making concerted efforts towards reducing energy consumption / replacing with cleaner alternatives in all these stores could contribute significantly to the reduction of GHG emissions and natural resource usage.	GRI 302: Energy 305: Emissions Non-GRI Any initiatives on energy saving	Within and outside Cosco	 

Our Material Topics

Material Topic	Description	Relevant Indicators	Impact Boundary	SDGs
Sustainable Production				
Waste & Recycling of Packaging Waste	Throughout our business segments, packaging is a critical element and its reduction could also minimise waste generation by our customers. We seek to come up with a structured packaging reduction plan in the future, and working towards this is a chief priority for us.	GRI 301: Materials 306: Waste 2020, Effluents and Waste 2016 Non-GRI Waste recycling/treatment initiatives	Within and outside Cosco	 
Food Waste	We aim to target our food (quick service restaurants and bakery) business as a vehicle for minimising and optimising waste generation by using green alternatives to cutlery. In the future, we also aim to redirect our food waste to more environmentally friendly channels such as composting or socially beneficial avenues such as donation.	GRI 306: Waste 2020, Effluents and Waste 2016 Non-GRI Waste recycling/treatment initiatives	Within and outside Cosco	  
Optimising water use	Water consumption at our stores is monitored regularly. Even though our store operations are not water intensive, we have always accorded priority to sensitise our employees on the importance of water conservation.	GRI 303: Water and Effluents Non-GRI Water recycling/saving initiatives	Within and outside Cosco	 

Our Material Topics

Material Topic	Description	Relevant Indicators	Impact Boundary	SDGs
Sustainability outside operations				
Sustainable supply chain	Our supply chain is complex, since we import and source products from multiple international and local suppliers. It is a challenging task to implement sustainable supply chain practices since we stock multiple brands. However, we aim to build internal capacity and awareness on this front and incrementally implement supplier ESG screening as far as possible.	GRI 301: Materials 308: Supplier Environmental Assessment	Within and outside Cosco	 
Sustainable product mix	We always stock products based on our customer needs and preferences. Recent times have seen consumer preferences tilting towards sustainable / organic options that improve customer lives, and our proportion of sustainable products has also increased. We plan to combine advocacy for sustainable products along with increasing green choices so that supply and demand work together to promote customer preference for sustainability.	GRI 416: Customer Health & Safety Non-GRI Initiatives to introduce sustainable products	Within and outside Cosco	 
Looking after our people				
Employee engagement and diversity	Our employees are at the centre of our growth strategy. We have always believed that supporting their individual growth leads to overall productivity and organisational growth. Therefore, we have always accorded maximum importance to treating employees fairly and equally and the workplace, and will continue to explore avenues to improve their experience with us.	GRI 401: Employment 402: Labour/ Management Relations 403: Occupational Health & Safety 404: Training and Education 405: Diversity and Equal Opportunity 406: Non-discrimination 407: Freedom of Association and Collective Bargaining 408: Child Labour 409: Forced/Compulsory Labour 410: Security Practices 411: Rights of Indigenous Peoples Non-GRI Employee engagement practices	Within Cosco	   

Our Material Topics

Material Topic	Description	Relevant Indicators	Impact Boundary	SDGs
Sustained customer relationships				
Customer Health and Safety	Since we engage in the sale of products that are sometimes directly consumed by our customers, we have a critical responsibility towards ensuring watertight quality standards in all the products we stock. Customer health and safety is hence at the heart of our operations, and we always strive to improve our quality monitoring endeavours.	GRI 416: Customer Health and Safety	Within and outside Cosco	
Promoting sustainable lifestyles	As a direct customer-facing business, we realise that we have immense power to influence our customers' choices. While we have already started holding awareness campaigns and programmes on sustainability, we seek to formalise our approach towards promoting sustainability among customers through a structured program.	Non-GRI Initiatives to promote sustainable lifestyles among customer groups	Within and outside Cosco	 
Customer privacy and Cybersecurity	Our grocery retail segment considers the use of customer data to optimize their experience with us as vital to its business. Therefore, we also have a responsibility towards protecting their data against potential cybersecurity risks and related privacy breaches. We are constantly on our toes with regard to compliance with data privacy regulations, and are implementing continuous improvements to our existing data storage security and controls.	GRI 418: Customer Privacy	Within and outside Cosco	
Ethical Practices				
Fair Marketing and Labelling Practices	Marketing and labelling of the products that we sell are largely the onus of our suppliers, even though we ensure that they adhere to all regulatory norms with respect to the labels on our products.	GRI 417: Marketing and Labelling	Within and outside Cosco	

Our Material Topics

Material Topic	Description	Relevant Indicators	Impact Boundary	SDGs
Engagement with the Community				
Communities and Livelihoods	Maintaining healthy relationships with local communities is key to sustained growth and progressive positive reputation. We seek to combine our technical expertise with the monetary / in-kind support we provide to communities surrounding our stores, so that our CSR initiatives are effective.	GRI 413: Local Communities	Within and outside Cosco	
Adhering to the Law				
Governance and Anti-Corruption	Since our inception, we have accorded utmost importance to anti-corruption training among our employees as well as execution of anti-corruption practices and controls. We also prioritise the upholding of our values and principles throughout the course of our everyday operations.	GRI 205: Anti-corruption 206: Anti-competitive behaviour	Within and outside Cosco	
Compliance to the Law	In due course, we seek to contribute to regulatory discourse on sustainability and climate change and act as a policy advocate for ESG. To do this, we understand that strict regulatory compliance and monitoring of breaches is the best way to earn goodwill and reputation for engagement with the government in the future.	Non-GRI Governance structure for handling compliance management	Within and outside Cosco	

Impact Summary Material Topics

Economic Growth

Long-Term:

The pursuit of economic growth and business expansion by Cosco group could foster local employment and income promotion in communities where we operate. Additionally, stable economic performance also ensures sustained, regular payment of taxes from our end to the government. On the flipside, economic growth may also cause erosion of resources from promoting agricultural economy, increased possibilities of pollution without proper focus on sustainability practices.

Short-Term:

One of our main target customer groups is the small and medium enterprise (SME) segment, whom we seek to support by offering products / membership at affordable rates. We believe that our efforts help MSMEs venture and expand; and as an extension, attract investments into the Philippines. The opening of new stores by Cosco group each year also promotes employment opportunities in local regions, and increased tax payments to the government. Currently, we are in a transition period in which we are trying to make our business more sustainable than it already is. This means that our supply chain is an open loop system wherein we still have a significant environmental footprint.

Governance and Anti-Corruption

Long-Term:

Over a period of time, strengthening governance practices could drive better corporate accountability and transparency, lead to zero incidents of corruption, and create a conflict-free workplace. However, poor monitoring of adherence to anti-corruption could lead to reduced stakeholder trust, and frequent conflicts within the workforce.

Short-Term:

Currently, our governance practices promote organisational discipline and contribute to building our reputation, which leads to better productivity / performance of the business. The Cosco group reported no incident of corruption for the reporting year 2022.

Compliance to the Law

Long-Term:

Continued adherence to national and local laws and regulations promotes not only a culture of compliance but primarily harmonious conduct of our business operations within the society we operate. It could likewise result in avoidance of fines and penalties in the near future, in addition to augmenting the incomes of local and national governments in the long run due to regular tax payments. Accumulation of goodwill for the company among investors, customers, and suppliers is also a potential impact of unwavering compliance to the law. On the other hand, gaps in compliance management could lower employee morale and damage relationships with local governments.

Short-Term:

Due to our existing, watertight commitment towards regulatory compliance, we pay no fines/penalties towards non-adherence on any count. This has resulted in continued renewal of customer, investor, and supplier trust. Strict adherence to rules and regulations has also boosted employee confidence in us, and improved our employee retention. A practical challenge we face while updating our compliance registry is the risk of oversight due to too many compliance requirements.

Disaster Preparedness

Long-Term:

We feel that having a proper disaster preparedness plan in place could provide an effective risk management framework for us to follow. It could increase overall organizational efficiency in the long run, and creates a market edge for Cosco. However, poor disaster management practices could lead to human, physical, and opportunity losses, in addition to higher costs of managing inadequate practices and poor technologies that reach obsolescence in a short time.

Short-Term:

Our emergency response plan supported by recent technology updates helps us mitigate losses, promotes faster communication and efficiency. We ensure that proper training and awareness of our emergency response plan and practices are being conducted for new and existing employees of the company. Furthermore, all of the stores and properties are fully insured to cover the risks of financial losses of the company in case of natural calamities or disasters.

Technology and Innovation

Long-Term:

Adoption of new technologies and brainstorming for new ideas from time to time could lead to employee motivation and productivity improvement. However, plans on shifting to technology-based alternatives could also lead to fears about manpower replacement, data security (virus attacks) threats, and extended periods of return or reduced return based on the success of its implementation. This could affect employee confidence.

For the past years, refrigeration and air conditioning technology has become far more advanced than the Freon-powered clunkers of the 1960s. Businesses can significantly increase both their energy efficiency and sustainability by implementing new technologies when it comes to managing, maintaining and retiring refrigeration systems. It's important to consider prioritizing sustainable refrigeration because it can help reduce energy consumption, decrease the risk of global warming and potentially saves lives due to food spoilage.

A few of the most promising, environmentally conscious refrigeration technologies on the horizon that are worth considering are CO2 refrigerant, thermoelectric cooling and magnetic refrigeration

Short-Term:

The efforts that we have taken so far to adopt technology where possible has led to tangible benefits including lesser power consumption due to energy efficiency, improved cost efficiency of operations because of regular data monitoring, and smoother communications through technology-driven platforms. We have also faced issues in this regard, including occasional connectivity problems, and awareness gaps in using the technologies introduced.

Waste and Recycling of Packaging Waste

Long-Term:

With proper planning on recycling of packaging waste and reducing waste generation in general, we could conserve resources over a period of time and also obtain financial gains through reclaimed waste, in addition to preventing health issues among communities located close to landfills. Poor monitoring of such initiatives could lead to improper / inconsistent waste practices due to the possibility of higher priority being accorded to earning from waste.

Short-Term:

Through our existing initiatives on waste management, we have achieved packaging cost reduction and reduced plastic waste through recycling, and reduced hazardous waste generation in general. We regularly monitor our waste disposal practices and seek to continuously improve them by ensuring to comply with all government regulations on waste management.

Food Waste

Long-Term:

Lower food wastes and consequent cost savings are positive impacts that we could garner over time, as a result of implementing an effective strategy for food waste management.

Short-Term:

Our attempts to forecast food waste and efforts to promote paperless transactions at our food joints lead to significant cost savings and a reduction in the amount of waste that we generate.

Energy and Emissions

Long-Term:

With a comprehensive energy management and conservation strategy, we could contribute to reduced emissions and pollution, and reduced consumption of electricity (including added income from selling power back to grids). If energy conservation is not prioritized it could lead to multiple repercussions, including increased pollution, wear and tear on machines not inspected for energy efficiency and increased carbon footprint.

Short-Term:

Our existing energy savings initiatives promote cost efficiency, in addition to helping us reduce carbon emissions and pollution from our end. It also leads to improved air quality and thereafter, a conducive working environment for employees. We have also realized that lack of a structured energy management plan leads to higher operational expenditure, emissions from a diesel-fuelled delivery fleet, increased costs from using non-inverter air conditioners and refrigeration, and more environmental pollution.

Optimising Water Use

Long-Term:

Concerted efforts by businesses such as Cosco to optimize water use could lead to water savings in reserves in the Philippines that are dependent on rainfall. This could lead to an increase in the availability of water for communities that depend on the same source, in addition to reducing water bills for the company. Lesser focus on water efficiency could lead to more operational expenditure and increased water demand. Another potential impact is resistance to adoption of water efficient fixtures due to high capital expenditure on them.

Short-Term:

Our current water conservation and water use reduction initiatives have led to improved cost efficiency, and the availability of additional water for plant and toilet maintenance. Another impact is employee satisfaction as a result of smooth and efficient functioning of water equipment due to regular checks. In the past, our water conservation efforts have been impacted due to increased water demand from new store openings and consumer foot traffic inside the stores.

Sustainable Product Mix

Long-Term:

Over time, consistent endeavours towards creating a sustainable product mix could drive customer preferences towards cleaner and greener alternatives. It could also improve Cosco's brand image and promote customer health and safety. However, the availability of more affordable alternatives could also affect the sales of sustainable products if customers choose the former.

Short-Term:

In the current scenario, we have observed that making sustainable products (such as organic ones) available in our stores helps in satisfying health-conscious customers, and promotes the use of sustainable products within our customer community. However, we have also observed limited sales of sustainable products, stocking issues with products that are demanded more, and higher cost of promotions.

Sustainable Supply Chain

Long-Term:

Though our supply chain is complex, attempting to integrate sustainable supply chain practices could open avenues for more partnerships in the future, improve our ability to meet customer demands on sustainability, and reduce pressure on the environment. However, shifting to sustainable supply chain management could also entail higher costs in the process of supplier adaptation, challenges in monitoring ESG performance across the supply chain, and in finding ESG compliant suppliers.

Short-Term:

Currently, our efforts towards creating a greener and low-waste supply chain has led to the use of more recyclable material in our stores, more planned stock replenishment, more efficient deliveries, and better revenue as a result. An existing challenge that we face is supplier resistance to ESG-related requirements, in addition to higher costs of sustainable raw materials.

Promoting Sustainable Lifestyles

Long-Term:

Over the long term, promoting sustainable choices by customers could promote customer loyalty and improve brand reputation. It could also motivate more customers to save resources in their everyday lives. Yet, promoting behaviour and lifestyle changes among employees and consumers is a challenging and time-consuming process given that sustainable products are priced higher, and also because it is essential to keep up with changing trends.

Short-Term:

Our sustainability advocacy efforts so far have helped customers realize the value of optimal resource use, and have also helped employees be more productive as a result of living sustainably. However, the lack of a regulatory framework to promote sustainability among communities makes it difficult to create change. Moreover, additional time taken to conduct sustainability awareness sessions among employees cuts into their time for working and pushes them to work more hours to compensate for the actual tasks required in their roles.

Employee Engagement and Diversity

Long-Term:

Building on our current emphasis on employee engagement and prioritising diversity and inclusion among employees could promote equal employment opportunities for those who wish to join Cosco group, better engagement and creativity of employees, a diverse talent pool, and better retention and productivity. However, if less attention is paid to engagement and diversity, it could lead to incidents of discrimination, low morale, high employee turnover, and additional costs of team building activities.

Short-Term:

Our existing team-building activities are leading to more involved, engaged, and creative employees who are more productive. It has also led to the creation of a gender-equal workforce. But in instances where there was poor employee communication due to unavoidable reasons, this has led to low employee morale. Additionally, we face higher financial costs as a result of more employee engagement activities implemented by us.

Employee Health and Safety

Long-Term:

Over a period of time, high priority to employee health and safety will eventually increase employee satisfaction and security, and improve employee morale and accountability. Not managing occupational health and safety matters well could lead to more injuries, disabilities, and a high attrition rate.

Short-Term:

Our attention to detail with respect to occupational health and safety has led to better employee efficiency, productivity, lesser instances of absenteeism, and better awareness of health protocols among employees. However, an existing challenge with respect to health and safety restrictions is lower opportunities for engagement by employees. Higher costs of obtaining and maintaining OHS management systems certifications are also a challenge.

Fair Marketing and Labelling Practices

Long-Term:

Ensuring that all products we source follow strict standards on marketing and labelling increases customer satisfaction in the long run, and promotes a safe customer experience at stores due to public confidence in products. Not including quality checks in place (for marketing and labelling) could affect customer loyalty and lead to regulatory issues, in addition to posing challenges in meeting changing government regulations.

Short-Term:

Our strict adherence to quality requirements on marketing and labelling has led to customer loyalty, minimal customer complaints, and no regulatory fines / penalties in this regard.

Customer Privacy and Cybersecurity

Long-Term:

We realise that ensuring strict protocols on data security could increase customer trust and help us use the data better and form partnerships driven by the use of data. However, leaving gaps in cybersecurity practices could make our data prone to hacking, phishing, and identity theft.

Short-Term:

With strict protocols in place, we have been able to use customer data for improving the membership shopping experience, our online and mobile sales have improved, and better communication protocols have been established with customers.

Communities and Livelihoods

Long-Term:

The creation of shared value in the long term through our community support initiatives helps more and more SME entrepreneurs venture and expand, promotes job creation among local communities, and leads to lessened income inequalities. If CSR programs are not managed properly, this could affect relations with local communities.

Short-Term:

Our CSR initiatives have promoted job creation among local communities, and ensured the availability of affordable office and school supplies to members of the local community.

Business and Ecosystem Viability

This thematic area concerns our economic and financial performance over a period of time, considering all factors in the ecosystem that influence this – including natural calamities and disasters, procurement practices, latest technologies, and others. We believe that maintaining sustained financial performance is the first step towards being able to ensure the welfare of our stakeholders. Our performance in this regard is outlined in the sections below.



Economic Growth

At Cosco Capital, finance teams in individual subsidiaries are responsible for overseeing matters related to financial reporting, budgeting, and setting revenue targets. We also have an internal audit mechanism to monitor our performance. Our economic performance for the year is encapsulated in the table below:

Particulars	2022 (Philippine Peso in Million)	2021 (Philippine Peso in Million)	2020 (Philippine Peso in Million)
Direct Economic Value Generated			
Revenues	200,324,008,737	177,670,401,306	180,474,149,423
Revenue from financial investments and other sources	805,978,804	494,616,068	696,109,532
Grand Total	201,129,987,541	178,165,017,374	181,170,258,955
Direct Economic Value Distributed			
Operating costs	23,574,161,211	21,461,844,669	20,147,712,147
Employee wages and benefits	3,139,628,016	3,038,541,961	2,571,143,840
Payment to provider of funds	None	None	None
Interest payment made to provider of loans	527,169,296	697,383,984	440,335,510
Dividends to all shareholders	2,791,727,089	1,669,896,000	1,865,088,832
Sub total	30,032,685,612	26,867,666,614	25,024,280,329
Payments to government (taxes)	4,981,210,761	4,253,790,186	5,291,309,846
Community Investments	202,100,000	10,670,000	25,125,192
Reinvested to maintain and develop operations:			
Depreciation and amortisations	4,315,783,633	4,624,580,000	4,152,877,300
Retained profit	71,597,332,975	65,943,338,000	58,915,686,000
Deferred Tax	1,245,673,897	882,764,000	758,131,000
Sub total	82,342,101,266	75,715,142,186	69,143,129,338
Grand Total	313,504,774,419	280,747,826,174	275,337,668,623

With respect to salaries and wages, we always set a competitive hiring rate based on the region’s minimum wage law and industry rate. 99% of the employees at Puregold, and 95% of the employees at S&R earn monthly salaries higher than the minimum wage prescribed. This convention is followed across our subsidiaries. Our local hiring rates stand at 100% for Puregold and The Keepers Holdings, for whom “local” means native Filipinos. 68.5% of the senior management were hired locally by S&R, wherein “local” refers to areas surrounding the stores.

In 2022, the Cosco group spent Php 9.2 billion for infrastructure investments on capital expenditure for new store openings, repairs and maintenance, and IT investment (this is a 100% increase from the year 2021). These investments impact communities in a positive manner given the opening of new stores creates more local employment, and improves the standards of living of our employees and their families.

Local procurement is always prioritized by Cosco Capital, across our subsidiaries. We try to go local in order to support the regional economy; however, in our retail stores, we include a lot of imported brands as well to satisfy the wants of our customers. Our local procurement data (for 2022) is provided in the table below:

Subsidiary	% of spending on local suppliers
Puregold Price Club Inc.	90%
S&R Membership Shopping	60%
The Keepers’ Holdings	8%
Real Estate Group	100%
Office Warehouse	90%

We also contribute to local economic growth by paying our taxes in full and on-time, in accordance with our tax strategy that is applicable for all subsidiaries. Our strategy is based on tracking and payment of whatever taxes are applicable to us. The President of the group reviews every tax payment that is made, ensuring accountability in this regard. We embed the principle of on-time tax payments amidst our employees by regularly tracking the websites of Tax Authorities for new policies and regulations, and encouraging them to attend seminars related to these. Once tax payments are processed, these are evaluated for gaps / improvements needed, if any. All our tax obligations and payments are properly disclosed in the audited financial statements.



Disaster Preparedness

Given the widespread footprint of our operations that could be affected in case natural calamities occur, we have a group contingency plan that outlines procedures to be followed in such situations. The guidelines describe how the security team, employees, and civilians should respond to emergency situations during the occurrence of various disasters (the definitions for which are also provided in the plan). A snapshot of these points is provided in the table below:

Calamity / Disaster	Response Plan
Earthquake	Security team to secure access points, guide civilians and employees, and stay alert; employees to exit based on company’s instructions; civilians to exit calmly.
Storm, Typhoon and Flood	Since these disasters usually have forewarnings, security teams stay in for prolonged periods to protect life and property, and respond according to pre-planned contingency plans for such situations.
Fire	Preventive measures outlined: smoking prohibition, checking flickering lights, not storing disposable materials unnecessarily, making firefighting accessories available, firefighting personnel / staff to be trained. In case of fire occurrence, the security team follows a contingency plan, calls the fire department immediately, decides on evacuation only if needed, and evacuates employees through designated points.
Sabotage & Bomb Threat	Nature of such incidents are outlined, along with procedures on how to respond in case threats are received on the phone.

Apart from this, Puregold also has a separate Critical Incident Management manual outlining guidelines on the role of the Critical Incident Management Committee, activities of the Emergency Operation Center, evacuation and relocation, damage assessment and recovery, and the emergency management cycle.




Conscious Conduct of Operations

The sheer number of stores that we operate means that we create significant environmental impact through our resource consumption for everyday activities. We recognise the multiple opportunities to reduce our resource use and recycle waste at all our stores. Our actions in this regard influence many stakeholders including our employees and our customers; therefore, we hold ourselves responsible for setting the right example.

Technology and Innovation

As a customer-facing business, we are constantly on the mission to innovate and improve our methods of engagement and diversify the products that we offer. Technology has been a key enabler in this process, especially after the pandemic. The top management constantly drives the group towards market expansion and innovation by encouraging the establishment of new supermarkets and warehouse clubs nationwide, helping the group gradually expand its footprint to reach out to more customers. Our recent innovations to improve customer satisfaction (some of them integrating technology) are listed below:

Puregold mobile application, which addressed customer concerns on safety and mobility during the pandemic. As of 2022, 1.43 million users have downloaded this application.

Tindahan ni Aling Puring program, that provides market offers and best value on money deals for supporting small businesses local to the Philippines. 760,000+ TNAP members are a part of this program, offered through the "Sari-Sari" stores of Puregold.

Puregold Perks Program, provision of access to groceries for 1.5 million Puregold Perks customers even during the pandemic, through online shopping, door-to-door delivery delivery options and other methods (through caravans / shopping on wheels).

Our initiatives led to Puregold winning the **"Most Chosen Retailer"** award in 2022 for the FMCG sector, based on the consumer reach points method.

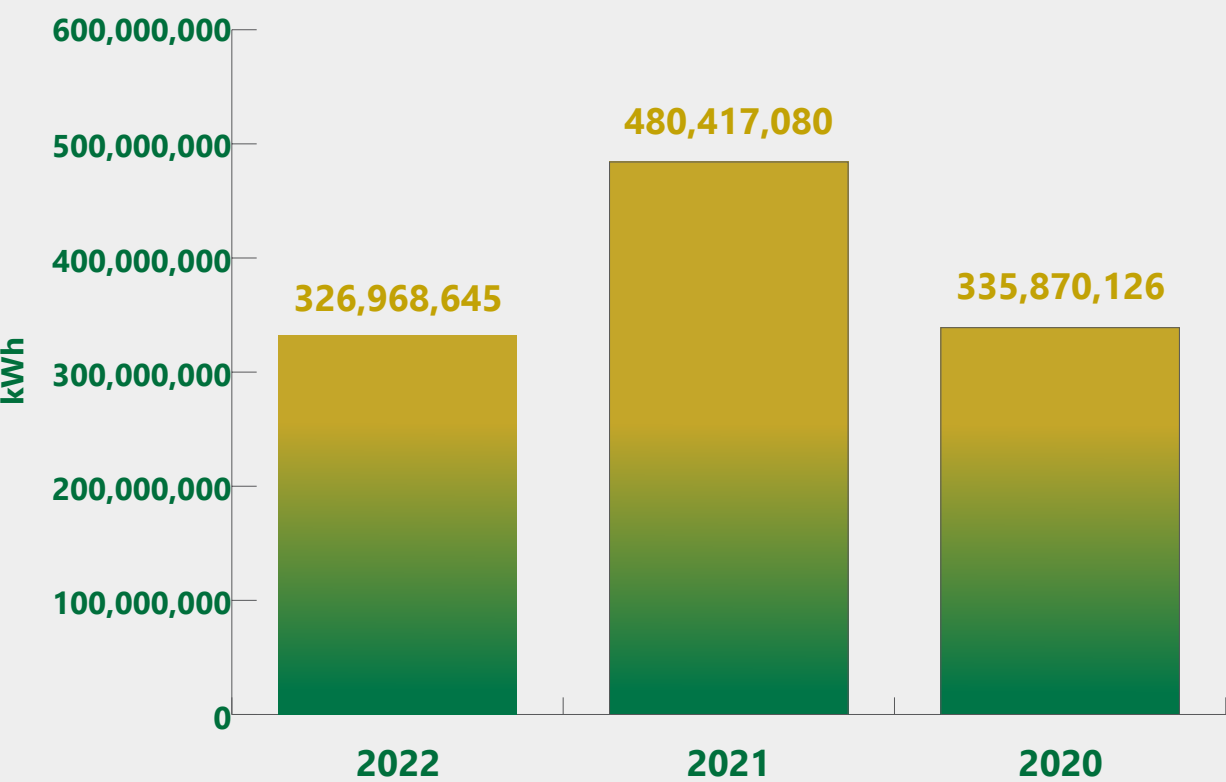
Energy and Emissions

Our operations team in each subsidiary is responsible for energy management and monitoring energy data. Our energy consumption is mainly from diesel and gasoline for power generators and for trucks that load / unload our sticks, and liquified petroleum gas for cooking in the stores that sell food.

Our total energy consumption over the past three years is presented in the table below:

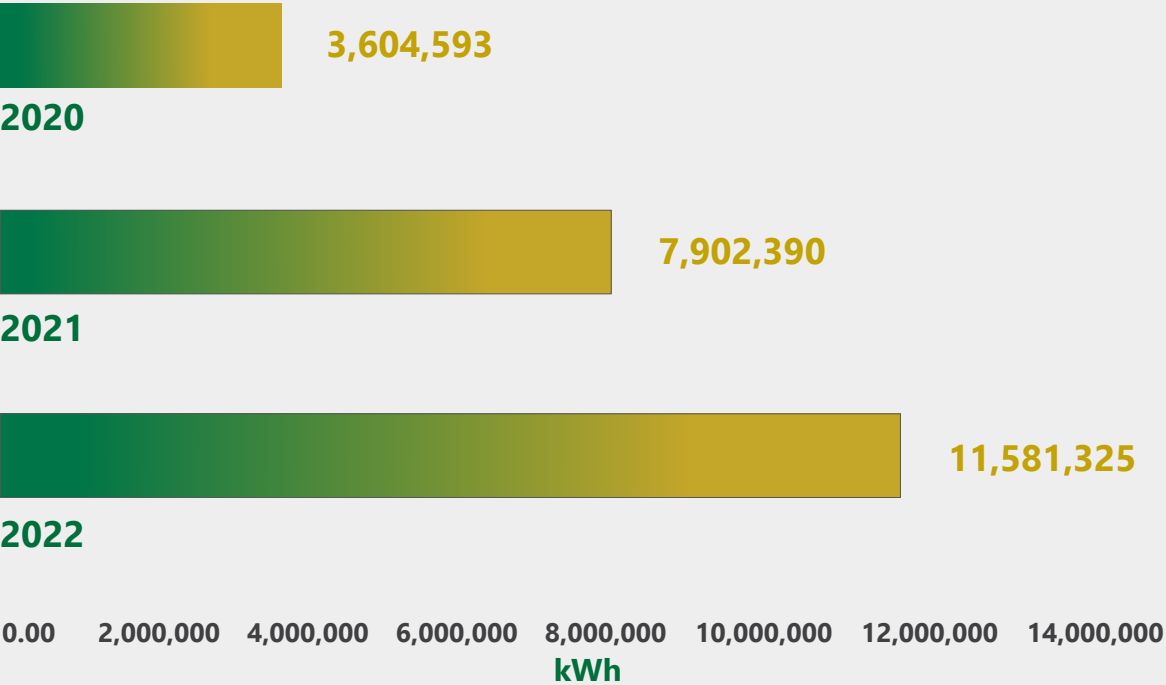
	Sources of Energy within the organization	Unit	2022	2021	2020
1	Diesel	GJ	2,115,266	5,794	3,759
2	Gasoline	GJ	178,913	9,205	4,794
3	LPG Gas used in Canteen in KG	GJ	2,016,683	69,355	191,240
4	Renewable energy	kWh	11.58 million	7.9 million	3.6 million
5	Electricity from Grid	kWh	326.97 million	480.42 million	335.87 million

Data on electricity purchased is provided in the graph below (we purchase from Meralco electricity):



There has been a decrease in electricity purchased in 2022 as compared to 2021, the reduction in energy consumption can be attributed to the implementation of energy conservation programs and the company's growing production of renewable energy despite new store expansion, resumption of normal operations, and increased foot traffic inside the stores.

As for energy produced by us, we have started installing rooftop solar facilities in 24 stores and 1 distribution center. This has led to a marked increase in the solar energy produced by us, mainly due to the rooftop solar units introduced by Puregold in 2022, in addition to S&R's solar energy production. This is represented in the graph below (in kWh):



We have implemented several initiatives towards energy conservation in 2022, which are listed below

- Strict implementation of energy conservation programs such as turning off the lights during lunch break, maintaining room temperature 25+/-1 degree celsius in air conditioners, by Cosco Group.
- Incandescent bulbs were converted to LED bulbs, neon building ID signage were converted to LED signage by Puregold, S&R and Office Warehouse, in addition to specifying guidelines and procedures for switching off lights and air conditioners as per schedule.
- Solar PV panels have been installed in 22 S&R warehouse and 1 S&R distribution center since 2018, of which 41,027.48 GJ of energy has been saved to date.
- Puregold is gearing towards 100% LED main lighting in all stores.
- Conversion of water-cooled ACU using R22 refrigerant to Air-cooled Inverter type using R410 refrigerant.
- Installation of solar photovoltaic panels in 2 stores of Puregold in September 2022 led to 315,780 kWh of electricity being saved. The details are provided in the below two tables:

Particulars (completed projects)	Phase 1	
	North Commonwealth Store	Sucat Store
System Size (Solar Capacity, KWp)	366.24	296.4
Project Completion	Sep 2022	Sep 2022
No. of Days of Operation	168	159
Total Generated from Solar Facility (Kwh)	156,406	159,374
Average Daily Savings (KwH)	931	1,002

Particulars (completed projects)	Phase 2	
	Qi – Central Store	Taguig Store
System Size (Solar Capacity, KWp)	752.40	673.20
Project Start Date	December 2022	December 2022
Targeted Completion Date	Apr 2nd week 2023	Apr 4th week 2023
Projected % Savings upon completion	23%	20%

Our GHG emissions for the reporting year and the previous two years are shown in the table below:

Carbon Emissions	2022	2021	2020
Total Scope 1 Emissions in tCO2e	13,586	5,977	5,577
Total Scope 2 Emissions in tCO2e	232,868	342,155	239,206

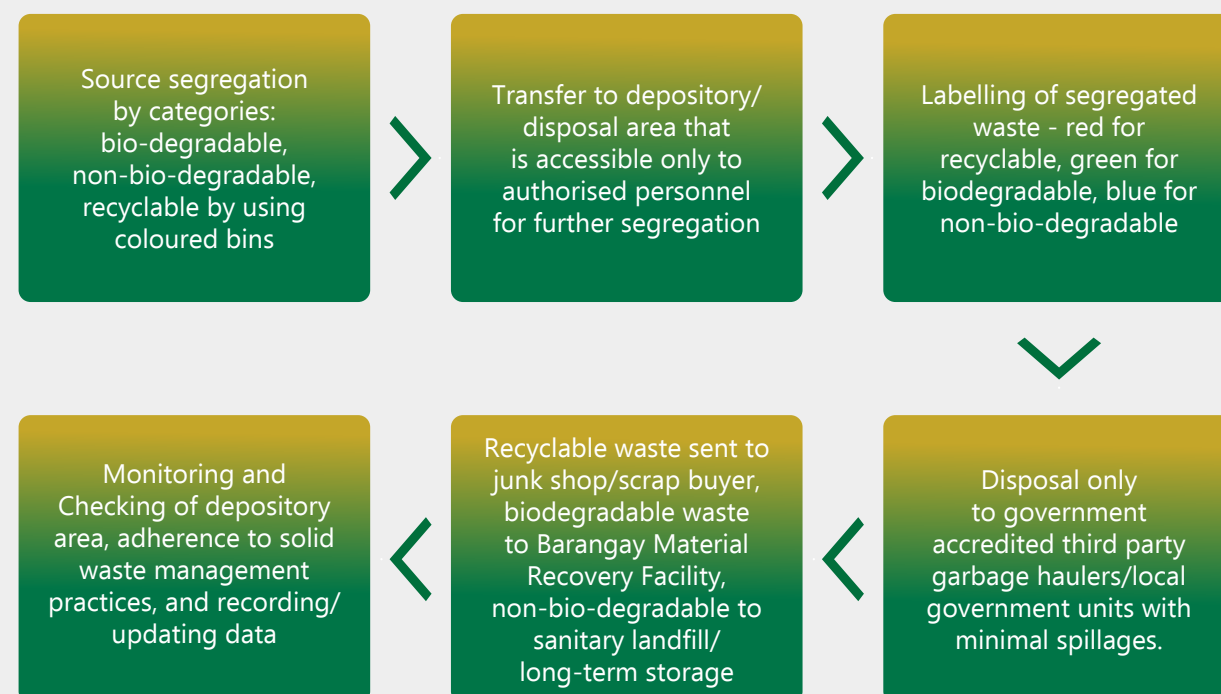
Our Scope 1 emissions are mainly from our energy consumption, and this has increased in 2022 compared to the previous years 2021 and 2020. Scope 2 emissions are from electricity purchased. While we have not tracked Scope 3 emissions in 2022, we intend to identify priority categories under Scope 3 and implement appropriate practices to include them in the GHG inventory and sustainability accounting process moving forward. In 2021, Puregold reduced its CO2 emissions by 36% as a result of 25% of business being handled by cross-dock operations, which led to distribution efficiency. Between 60-80% of Puregold's refrigeration/chillers/ACUs have now been converted to R400 series, which is the more environmentally-friendly HCFC. Our emissions intensity for 2022 is 0.0015%.

Waste and Recycling of Packaging Waste



At Cosco, we believe in reducing the amount of materials used in our operations and thereafter. Reducing the amount of waste that we generate could be beneficial for building a closed loop system wherever possible, thereby advancing our part in promoting a circular economy. We do not track data on raw materials for most of our subsidiaries since we import various brands and resell them in the local market. We record material consumption data for S&R since they source plastic packaging in pieces. The amount of plastic packaging sourced in 2022 was 45,751,274 pieces, as compared to 52,064,567 pieces in 2021 – a 12% decrease in 2022 relative to 2021. The procurement team is responsible for matters related to material sourcing. Waste management is according to our Hazardous Waste Management Plan and the Solid Waste Management Plan.

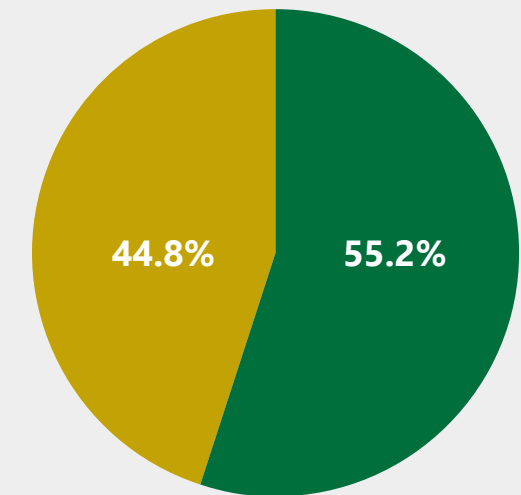
Our solid waste management process is rigorous and comprehensive. An outline of this process (at Puregold) is presented in the infographic below:



The operations team is responsible for tracking waste data, which is shown in the chart and paragraph below (in metric tons):

Non Hazardous Waste

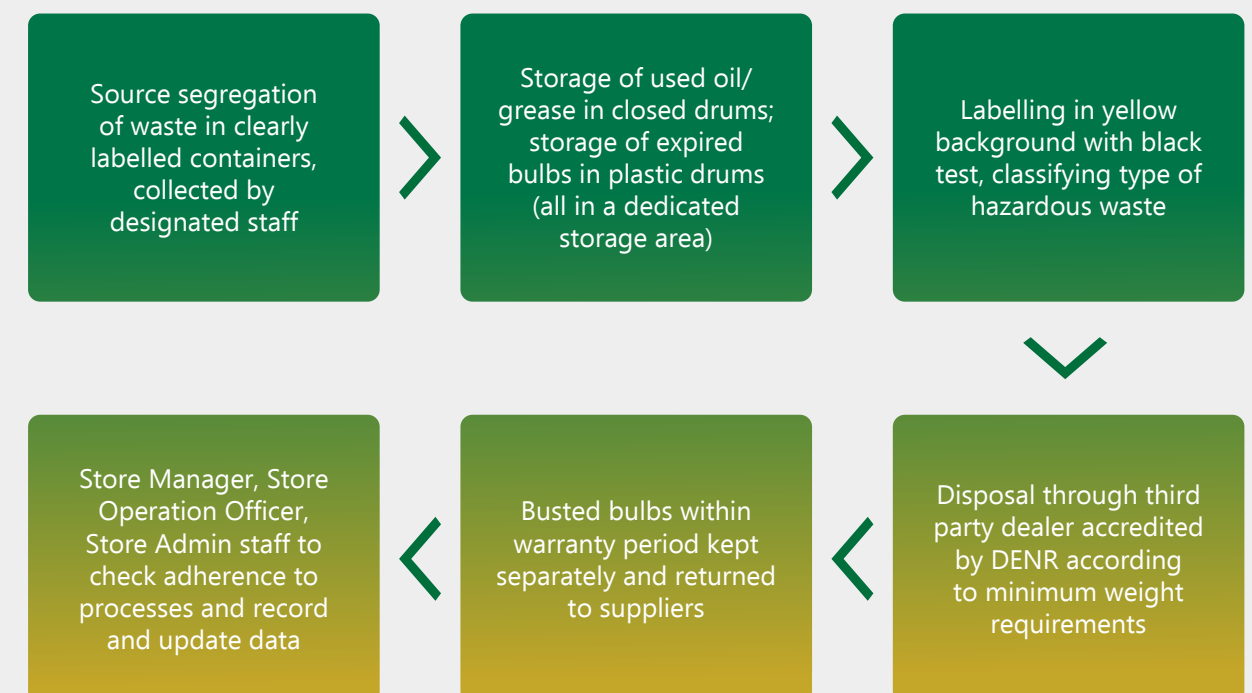
- Waste directed to disposal
- Waste diverted/reused on-site/recycled



Of the total non-hazardous waste generated by NE Pacific, Puregold, and S&R Membership Club, the majority comes from food, metal, glass, plastic, and paper. Most of it is directed to disposal (for recycling by a third party), while some of it is reused on-site for packaging of purchased goods by consumers (i.e. use of cartons as packaging).

Hazardous waste is mainly generated from Puregold and S&R (busted fluorescent lamps, used oils from generator sets, busted LED lamps, genset batteries, and grease wastes). In 2022, 536.72 MT of hazardous waste was generated and sent to an accredited third party that collects hazardous wastes. Puregold generates a small amount of electronic waste due to printers, copies, and credit card machines. 2.34 MT of electronic waste was generated in 2022 (this was sent to junk shops).

The hazardous waste management process followed by Puregold is outlined in the infographic below:





We are constantly on the lookout for new and unique initiatives to manage and reduce waste generated by us, apart from ensuring compliance to the local Solid Waste Act. Some of our initiatives implemented in 2021 and 2022 are listed below:

- Puregold aims to reduce its plastic use by launching a “No Plastic Use” program nationwide called Walastik Plastik Program that is applicable every Monday and Wednesday, where customers can bring their own reusable bags. Through this and other initiatives, Puregold and S&R have achieved a reduction of 100 million plastic bags in 2021 itself. Compared to five years ago, Puregold has reduced its plastic shopping bags usage by almost 50% despite the addition of more than 150 stores for the same period. Currently, 65% of Puregold stores use paper bags and promote monthly upsizing to reduce single-use plastic. S&R, as of 2022, has completely stopped the purchase of plastic bags.
- Reviving Puregold’s recycling program, where customers can exchange their recyclable materials such as plastic bottles, cans, cartons, and newspapers for Puregold gift certificates.
- S&R group introduced a recycling program to reuse and resell carton boxes and plastics, use of recyclable containers for oils, reusable plates, and cutlery in the food service program, and has stopped the purchase of plastic since the second half of 2021.
- As of 2022, 1,203 tonnes of solid waste generated was reused on site, while 900 tonnes was composted (for Cosco Capital as a whole).

Food Waste

Food wastes and other solid waste are generated from the food and fresh section of S&R, where the group processes meat, fish, and other poultry products. The scraps coming from the preparation of this food are sent to third-party accredited solid waste haulers, who send this waste to the landfill.

Optimising Water Use

Our water use is also monitored by the Operations team. While our activities are not water intensive, we consume water for drinking, cleaning, and washing – across our subsidiaries. We source our water from a third party, and our total water consumption for the year 2022 was 1914.2 megalitres. 90% of Puregold’s water consumed is later discharged into septic tanks and sewage treatment plants. 157 wastewater treatment facilities of Puregold are compliant with the Clean Water Act with respect to effluent release. Additionally, Puregold also implements water conservation measures such as rainwater harvesting, water recycling, and low-flow fixtures and waterless urinals. Puregold’s grey water strategy aims to reduce the potable water demand of the operation by using the treated wastewater for flushing and cleaning.



Case Study

Puregold's Building Sustainability Initiatives

Apart from all the above initiatives, we have a building design and material optimisation policy that seeks to reduce resource consumption in all our Puregold stores. Some aspects of this policy are outlined below:

Design

- Site potential optimisation which includes assessing a potential side for maintaining vegetation, for solar viability, reuse potential of existing fixtures, and proximity of customers / residents / employees to the site
- Energy Use Optimisation through use of LED lighting, high efficiency IE2 in water pump motors for energy efficiency
- Recycled STP water and recycled rain water to be used for flushing, gardening, landscape irrigation
- Use of concrete and steel for strong and solid buildings that can withstand extreme temperatures, severe storms, floods and other natural disasters.

Materials

- EIFS (Exterior Insulation and Finish System) - Reduces solar heat gain on walls and leads to approximately a 25% improvement in cooling within the building
- Double bubble double foil roof insulation with high R-value - Reduces solar heat by an estimated 15%.
- White roof coating, which has a solar reflective index of 80-90%
- HVLS (High-Volume, Low-Speed) Fans - They require little energy/electricity for large commercial and warehouse areas.
- Waterless urinals - They save an estimated 30,000 to 40,000 gallons of water per year, per urinal, compared to the standard flush-valve type.
- Use of water efficient toilet fixtures such as self-closing faucets that regulate the flow and release of water and low-capacity flush tanks.
- Use of cement/concrete - Provides long-life cycle, lower life-cycle costs and resilience following natural and man-made disasters.
- ACP (Aluminum Composite Panels) -. Recycling aluminium saves 95% of the energy required to produce Aluminum from raw materials.
- Use of steel, which is 100% recyclable.

Equipment

- Refrigeration Equipment - R404 Freon used is non-CFC (Ozone layer friendly)
- Use of inverter type air conditioning units, refrigeration equipment, and inverter type escalators, moving walks, and passenger elevators for lower energy consumption and lower electricity bill.

Aside from these, new stores being identified are structurally designed to carry solar panels, and to accommodate sewage treatment plants.

Sustainable Supply Chain

The group-wide supplier code of conduct outlines principles and guidelines to be followed by suppliers while engaging with us. The procurement team is responsible for promoting adherence among the suppliers. Though we do not conduct full-fledged vendor assessments on environmental and social aspects, we administer a supplier self-assessment questionnaire that covers environmental and social aspects including their taxpaying record, SEC registration, and other such aspects. Logistically, it is a challenge for us to implement supplier screening on ESG even for our Tier 1 suppliers, given the number of brands we import (for our retail store and liquor segments).

However, we seek to explore this option for our real estate and office supplies segment in the near future. 21 new suppliers were added in 2022 (for the S&R membership shopping club).



Value for People

The stakeholders that we are associated with throughout the course of our value chain are crucial elements to the success of our business. The commitment of our employees to organisational values and principles, customer loyalty and trust, and cooperation from the community that surrounds our operations are indispensable to the long term survival of Cosco Capital. We therefore have a host of programs and policies in place to ensure the wellbeing of these stakeholders, outlined in the sections below.

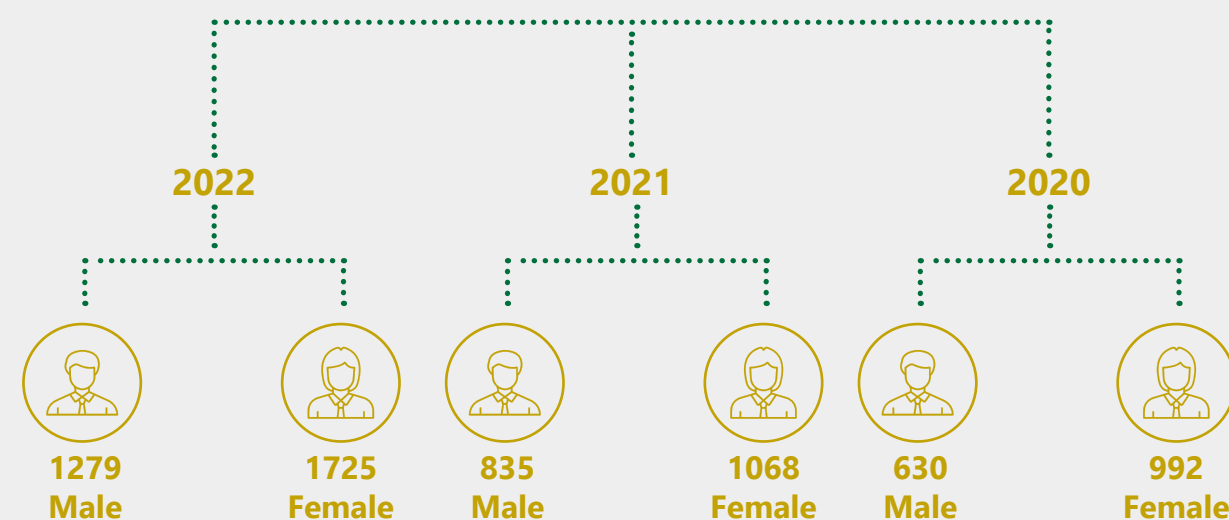


Employee Engagement and Diversity

Our group HR manual covers all matters with respect to our employees at all subsidiaries of Cosco Capital. The manual covers the following policies:

- **Company Safety Policies:** Outlines guidelines for observation of safety regulations, safety responsibilities of the employee and supervisor, worksite precautions for the entire company, offices and stockroom areas, and SOPs for safety inspection.
- **Drug-Free Workplace Policy:** Provides definitions of different types of illegal and legal drugs, norms for drug testing at the workplace (to prevent the use of illegal drugs at the workplace), and guidelines on disciplinary action against unauthorised use of illegal drugs.
- **Rules and Regulations against Sexual Harassment:** Description of what could constitute sexual harassment, guidelines on maintaining proper decorum, and investigation procedures for cases of sexual harassment (if any).
- **Workplace Policy and Program on Paternal Leave:** The policy covers all married male employees – 7 days for the first four deliveries with full pay.
- **Company Policy and Rule on STD / HIV / AIDS:** Mentions that the company will fully extend all rights and liberties of people tested with such diseases, and a strict stand against discrimination based on these aspects will be adopted.
- **Workplace Policy and Program for Special Leave for Women:** Outlines instances in which women can be granted special leave – for procedures that could include, but are not limited to dilation and curettage, and those involving reproductive organs.
- **Workplace Policy and Program on Maternity Leave:** A maternity leave of 105 days is granted for normal or caesarean delivery and additional 15 days for single mothers.
- **Workplace Policy and Program on Solo Parents:** Benefits that single parents (who turned single due to many possible causes) are entitled to, are outlined in this policy. Flexible work arrangements are also outlined.
- **Workplace Policy and Program on Hepatitis B:** Covers company's goals on education, preventive strategies, non-discriminatory policies and practices, confidentiality, work accommodation and arrangements, screening, diagnosis, test referrals, and compensation for affected employees.
- **Workplace Policy and Program on Tuberculosis Prevention and Control:** Guidelines are similar to the Hepatitis B policy – seeking to prevent and control cases of tuberculosis at the workplace, and to support those with TB.
- **Worksite Lactation Program and Policy:** To reduce barriers in breastfeeding for employees and their family members. This includes awareness programs, a culture of support for breastfeeding employees, and making private areas available for breastfeeding.

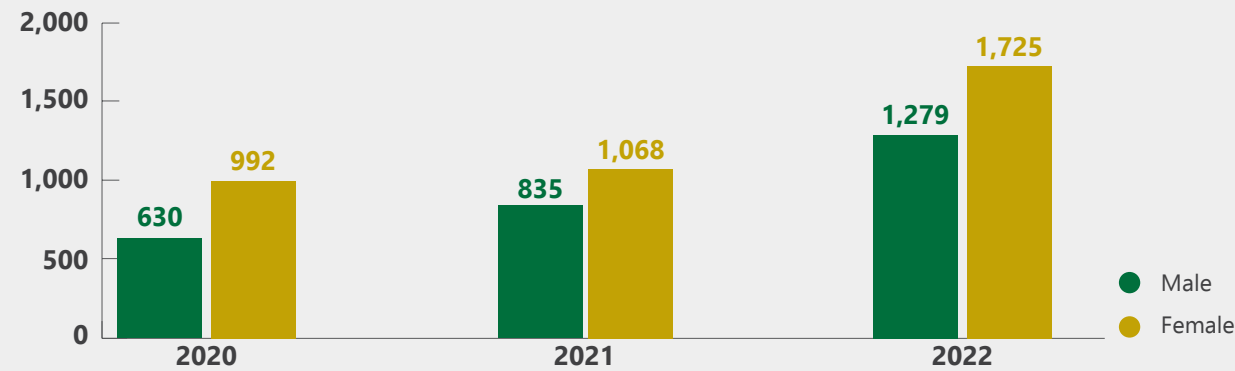
Employee Turnover



Our employee turnover by gender is represented in the figure above. The high turnover numbers (around 91% of the total turnover) can be attributed to junior staff members and non-supervisors, most of them who work on these jobs part-time, alongside their education. Challenges associated with handling customers and low possibilities of career growth in these roles are also potential reasons for employee turnover.

As of 2022, around 50.7% of our workforce is less than 30 years old, and around 48% is between the ages of 30 and 50 years old. Around 1.11% is greater than 50 years old. In 2021, 59% belonged to the less than 30 years old category, 38.4% belonged to the 30-50 years old category, and around 1.7% belonged to the >50 years category. These percentages were around 58%, 38%, and 4% respectively in 2020.

Our new joinee data is represented in the figure below:

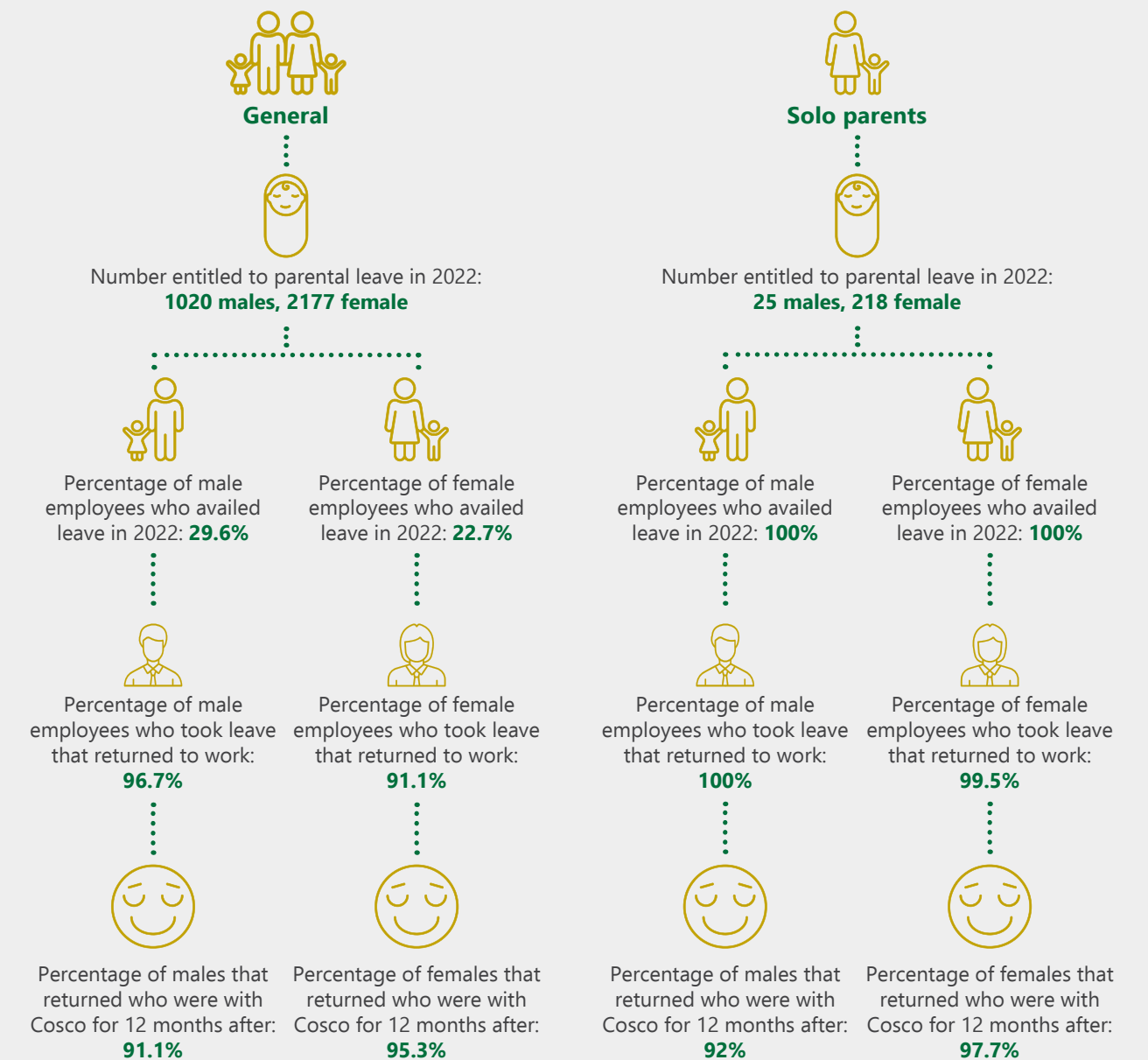


New Joinees	2022	Turnover %	2021	Turnover %	2020	Turnover %
By gender						
Male	1366	23.6	898	17.1	757	17.7
Female	1687	21.2	1167	17.3	944	22.7
By age						
<30 years	1973	20.2	1371	18.5	1084	20.8
30 - 50 years	1073	26	691	14.9	573	15.4
>50 years	7	2.1	6	2.2	4	1.4

The opening up of more stores and revival of the economy post pandemic has increased the number of new joinees in 2022, as compared to 2021 and 2020. The number of female new joinees is higher than males, and the maximum number of joinees was in the lesser than 30 years age category.

Parental leave policies are applicable to married men and women, and for solo parents. A paternity leave period of 7 days is allowed for the first four deliveries. For women, a maternity leave of 105 days is given for normal and C-section delivery with an additional 15 days for single mothers. 100% of the benefits are provided in all cases. Parental leave of 7 days is provided to solo parents, in addition to being able to access flexible work schedules.

This year's parental leave data is presented in the chart below:



For workers, the minimum number of weeks' notice typically provided to employees and their representatives prior to the implementation of significant operational changes that could substantially affect them ranges between 1 week and 1 month depending on the situation.

The benefits provided to our full-time employees are different for various subsidiaries, as shown below:

Puregold

Applicable Benefits	Employment Category			
	Senior Management	Middle Management	Junior Management	Workers
Health Insurance	✓	✓	✓	✓
Personal Accident Insurance /Group Personal Accident	✓	✓	✓	✓
Life Insurance	✓	✓	✓	✓
Dependent Insurance	✗	✗	✗	✗
Employees' Pension Scheme (EPS) - Part of PF	✗	✗	✗	✗
Employees' Provident Fund Scheme (EPFS) - Part of PF	✗	✗	✗	✗
Employees' Deposit Linked Insurance Scheme (EDLIS) - Part of PF	✗	✗	✗	✗
Bonus (if any)	✗	✗	✗	✗
Car Lease - (OYCS)	✗	✗	✗	✗
Employee Stock Option	✗	✗	✗	✗

Applicable Benefits	Employment Category			
	Senior Management	Middle Management	Junior Management	Workers
Employees State Insurance - Applicable as per ESI act at covered units	✗	✗	✗	✗
Group Life Insurance - Employee Contribution Scheme)	✗	✗	✗	✗
Health Maintenance Insurance	✓	✓	✓	✓
Meal Allowance (applicable to Operations employees and management initiated transfers/in cases of Official Business)	✓	✓	✓	✓
Transportation Allowance (applicable to Operations employees and management initiated transfers/in cases of Official Business)	✓	✓	✓	✓
Laundry Allowance	✗	✗	✗	X
Uniform Allowance	✗	✗	✗	✗
Benovalant Fund - Employee Contribution Scheme)	✗	✗	✗	✗
Scholarship of employee's children	✓	✓	✓	✓

Minimum benefits that are standard for full-time employees of the organization, but are not furnished to temporary or part-time employees by significant locations of operation	Unit
Group Personnel Accident Policy	All direct employees, upon hiring
Group Health Insurance Policy	Upon regularization
Joint Group Personnel Accident Policy	N/A
Stock ownership	N/A
Retirement provision	Upon retirement
Any other benefits - Group Life Insurance	Upon regularization

S&R

Applicable Benefits	Employment Category			
	Senior Management	Middle Management	Junior Management	Workers
Health Insurance	✓	✓	✓	✓
Personal Accident Insurance /Group Personal Accident	✓	✓	✓	✓
Life Insurance	✓	✓	✗	✗
Dependent Insurance	Voluntary (Charge to Employee)	Voluntary (Charge to Employee)	Voluntary (Charge to Employee)	Voluntary (Charge to Employee)
Employees' Pension Scheme (EPS) - Part of PF	✗	✗	✗	✗
Employees' Provident Fund Scheme (EPFS) - Part of PF	✗	✗	✗	✗

Applicable Benefits	Employment Category			
	Senior Management	Middle Management	Junior Management	Workers
Employees' Deposit Linked Insurance Scheme (EDLIS) - Part of PF	✗	✗	✗	✗
Bonus (if any)	✓	✓	✗	✗
Car Assignment	✓	✗	✗	✗
Employee Stock Option	✗	✗	✗	✗
Employees State Insurance - Applicable as per ESI act at covered units	✗	✗	✗	✗
Group Life Insurance - Employee Contribution Scheme)	✗	✗	✗	✗
Health Maintenance Insurance	✗	✗	✓	✓
Meal Allowance	✓	✓	✓	✓
Transportation Allowance	✓	✓	✓	✓
Laundry Allowance	✗	✗	✗	✗
Uniform Allowance	✗	✗	✗	✗
Benovalant Fund - Employee Contribution Scheme)	✗	✗	✗	✗
Bereavement Fund	Voluntary Contribution	Voluntary Contribution	Voluntary Contribution	Voluntary Contribution

Minimum benefits that are standard for full-time employees of the organization, but are not furnished to temporary or part-time employees by significant locations of operation	Unit
Group Personnel Accident Policy	Regular employees
Group Health Insurance Policy	Regular employees
Joint Group Personnel Accident Policy	no
Stock ownership	no
Retirement provision	Regular Employees 60 Y.O - Voluntary 62 Y.O - Mandatory

The Keepers Holdings

Applicable Benefits	Employment Category			
	Senior Management	Middle Management	Junior Management	Workers
Health Insurance	✓	✓	✓	✓
Personal Accident Insurance /Group Personal Accident	✓	✓	✓	✓
Life Insurance	✓	✓	✓	✗
Dependent Insurance	✗	✗	✗	✗
Employees' Pension Scheme (EPS) - Part of PF	✗	✗	✗	✗

Applicable Benefits	Employment Category			
	Senior Management	Middle Management	Junior Management	Workers
Employees' Provident Fund Scheme (EPFS) - Part of PF	✗	✗	✗	✗
Employees' Deposit Linked Insurance Scheme (EDLIS) - Part of PF	✗	✗	✗	✗
Bonus (if any)	✓	✓	✓	✓
Car Lease - (OYCS)	✗	✗	✗	✗
Employee Stock Option	✗	✗	✗	✗
Employees State Insurance - Applicable as per ESI act at covered units	✗	✗	✗	✗
Group Life Insurance - Employee Contribution Scheme)	✗	✗	✗	✗
Health Maintenance Insurance	✗	✗	✗	✗
Meal Allowance	✓	✓	✓	✓
Transportation Allowance	✓	✓	✓	✓

Real Estate

Applicable Benefits	Employment Category			
	Senior Management	Middle Management	Junior Management	Workers
Health Insurance	✓	✓	✓	✓
Personal Accident Insurance /Group Personal Accident	✓	✓	✓	✓
Life Insurance	✓	✓	✓	✓
Dependent Insurance	✗	✗	✗	✗
Employees' Pension Scheme (EPS) - Part of PF	✗	✗	✗	✗
Employees' Provident Fund Scheme (EPFS) - Part of PF	✗	✗	✗	✗
Employees' Deposit Linked Insurance Scheme (EDLIS) - Part of PF	✗	✗	✗	✗
Bonus (if any)	✗	✗	✗	✗
Car Lease - (OYCS)	✗	✗	✗	✗
Employee Stock Option	✗	✗	✗	✗
Employees State Insurance - Applicable as per ESI act at covered units	✗	✗	✗	✗

Applicable Benefits	Employment Category			
	Senior Management	Middle Management	Junior Management	Workers
Group Life Insurance - Employee Contribution Scheme)	✗	✗	✗	✗
Health Maintenance Insurance	✓	✓	✓	✓
Meal Allowance	✗	✗	✗	✗
Transportation Allowance	✓	✓	✗	✗
Laundry Allowance	✗	✗	✗	✗
Uniform Allowance	✗	✗	✗	✗
Benovalant Fund - Employee Contribution Scheme)	✗	✗	✗	✗
Minimum benefits that are standard for full-time employees of the organization, but are not furnished to temporary or part-time employees by significant locations of operation				Yes / No
Group Personnel Accident Policy				✓
Group Health Insurance Policy				✓
Joint Group Personnel Accident Policy				✗
Stock ownership				✗
Retirement provision				✗
Any other benefits				✓

NE Pacific

Applicable Benefits	Employment Category			
	Senior Management	Middle Management	Junior Management	Workers
Health Insurance	✓	✓	✓	✓
Personal Accident Insurance /Group Personal Accident	✓	✓	✓	✓
Life Insurance	✓	✓	✓	✓
Dependent Insurance	✗	✗	✗	✗
Employees' Pension Scheme (EPS) - Part of PF	✗	✗	✗	✗
Employees' Provident Fund Scheme (EPFS) - Part of PF	✗	✗	✗	✗
Employees' Deposit Linked Insurance Scheme (EDLIS) - Part of PF	✗	✗	✗	✗
Bonus (if any)	✗	✗	✗	✗
Car Lease - (OYCS)	✗	✗	✗	✗
Employee Stock Option	✗	✗	✗	✗
Employees State Insurance - Applicable as per ESI act at covered units	✗	✗	✗	✗

Applicable Benefits	Employment Category			
	Senior Management	Middle Management	Junior Management	Workers
Group Life Insurance - Employee Contribution Scheme)	✗	✗	✗	✗
Health Maintenance Insurance	✗	✗	✗	✗
Meal Allowance	✓	✓	✓	✓
Transportation Allowance	✗	✗	✗	✗
Laundry Allowance	✗	✗	✗	✗
Uniform Allowance	✗	✗	✗	✗
Benovalant Fund - Employee Contribution Scheme)	✗	✗	✗	✗
Minimum benefits that are standard for full-time employees of the organization, but are not furnished to temporary or part-time employees by significant locations of operation				Yes / No
Group Personnel Accident Policy				✓
Group Health Insurance Policy				✓
Joint Group Personnel Accident Policy				✗
Stock ownership				✗
Retirement provision				✗
Any other benefits				✗

Office Warehouse

Applicable Benefits	Employment Category			
	Senior Management	Middle Management	Junior Management	Workers
Health Insurance	✓	✗	✗	✗
Personal Accident Insurance /Group Personal Accident	✓	✓	✓	✓
Life Insurance	✓	✗	✗	✗
Dependent Insurance	✗	✗	✗	✗
Employees' Pension Scheme (EPS) - Part of PF	✗	✗	✗	✗
Employees' Provident Fund Scheme (EPFS) - Part of PF	✗	✗	✗	✗
Employees' Deposit Linked Insurance Scheme (EDLIS) - Part of PF	✗	✗	✗	✗
Bonus (if any)	✗	✗	✗	✗
Car Lease - (OYCS)	✗	✗	✗	✗
Employee Stock Option	✗	✗	✗	✗

Applicable Benefits	Employment Category			
	Senior Management	Middle Management	Junior Management	Workers
Employees State Insurance - Applicable as per ESI act at covered units	✗	✗	✗	✗
Group Life Insurance - Employee Contribution Scheme)	✗	✗	✗	✗
Health Maintenance Insurance	✗	✗	✗	✗
Meal Allowance	✗	✗	✗	✗
Transportation Allowance	✗	✗	✗	✗
Laundry Allowance	✗	✗	✗	✗
Uniform Allowance	✗	✓	✓	✓
Benovalant Fund - Employee Contribution Scheme)	✗	✗	✗	✗

Occupational Health and Safety

As outlined above, the company safety policy outlines guidelines for safety management for the entire group. The HR department is primarily responsible for implementing guidelines in this regard. The occupational health and safety practices followed by our various subsidiaries are summarized below:



Puregold

PPCI is committed to comply with the requirements of RA 11058 and DOLE Department Order 198-18 (its Implementing Rules and Regulations) and the applicable provisions of the Occupational Safety and Health Standards (OSHS) (for all workers across all stores, including agency and indirect workers). PPCI ensures a safe and healthful workplace for all working people by affording them full protection against all hazards in their work environment. The following initiatives are implemented according to compliance requirements:

- All workers including new hires are provided with orientation and information on all types of hazards in the workplace.
- Provision for, and use of personal protective equipment
- Safety signage and devices that warn workers and the public on hazards at the workplace
- Implementation of Occupational Safety & Health Program
- Presence of a structured Safety & Health Committee (comprising a Safety Officer, a First Aider, a Chairperson, a Secretary, and Members). The Safety Officer is chiefly responsible for OHS-related offers.
- Safety Officer of the company attends a mandatory forty (40)-hour basic OSH training course as prescribed in the OSH standard.
- Trained First Aider is certified to administer first aid by the Philippine Red Cross
- Regular submission of Occupational Safety & Health Reports
- Free welfare facilities for employees and workers all workers, including agency and indirect workers
- Workers are not required to return to work if they feel imminent danger exists in their jobs
- Frequent monitoring and inspection of health or safety aspects of the store operations being undertaken with the participation of the officers and the employees
- Assistance to government inspectors in the conduct of safety and health inspection
- Transport is available on standby to transport injured personnel to the nearest clinic/hospital
- Regular direct employees are provided with HMO and accident, health insurance benefits
- Only authorized personnel have access to employee health records
- Issuance of Work Stoppage Order when necessary, based on the requirements and procedures provided by the OSH standards

S&R

S&R also follows local compliance requirements with respect to OHS. Continued improvement is pursued on OHS related matters by conducting regular trainings, seminars and drills annually. Periodic safety assessments are also conducted. Hazards and risk management processes are based on recognized standards. Recommendations based on incident investigation are made to eliminate hazards and minimize the risk of their occurrence, in addition to spot audits. Occupational health seminars are conducted according to legal requirements, and partnerships are built with health clinics to facilitate annual check-ups (for which transport is also arranged for employees if required). S&R adheres to the regulations under the Data Privacy Act, which requires maintaining confidentiality of personal information about workers, including their medical records. Workers are required to participate in all awareness activities with relation to occupational health and safety, which includes orientation, trainings, and drills. Employees exercise their respective functions and duties in formal committee meetings, and any disputes in related processes should be resolved by the officers of the committee. There are two OHS trainings that are provided regularly by S&R to all employees, which are described below:

- **The Basic Occupational Safety and Health Training (BOSH)** is a 40-hour course providing safety officers with a clear and concise explanation of their various responsibilities with regard to Occupational Safety and Health Standards. Trainees participate in a group discussion, a workshop and perform case analyses. Furthermore, the program aims to equip employees with detailed knowledge on OSH concepts, principles and practices applicable to the S&R clubs. Written and practical exams were administered and certificates of completion are awarded, which are valid for 5 years.
- **Basic Life Support and First Aid Training** is a 16-hour course. This training provides trainees with the knowledge and skills necessary to respond to breathing and cardiac emergencies. First Aid training teaches employees to recognize and care for a variety of first aid emergencies such as burns, cuts, scrapes, sudden illnesses, head, neck, back injuries, heat and cold emergencies. The employees who successfully passed and completed the course receive a first aider license valid for 2 years.

Real Estate Group

- The real estate segment follows rules set by the Department of Labor and Employment for the Occupational Safety & Health Standards. A Safety Officer and First Aider is present, who are trained on being certified first aid providers and safety officers. These employees usually belong to the Administrative, or Engineering & Maintenance Department. BOSH for SO1 is an 8-hour OSH orientation plus 2-hour Training of Trainers designed to impart knowledge and skills on basic concepts and principles of occupational safety and health to enable potential safety officers (SO1-certification) to implement their respective company’s safety and health program.
- For NE Pacific mall, there are two safety officers (full-time employees of Cosco) and an accredited Pollution Control Officer (PCO) (on contract). This segment adheres to the guidelines of the Department of Labor and Employment, and the Department of Environment and Natural Resources. The safety officers are from the Operations Department, and the first aider is from the Leasing Department. Daily inspection and monitoring of all restricted areas of establishment are carried out. Workers also have the right to discuss any assignment that the feel are unsafe performing, with their supervisors. Since medical files of employees contain sensitive and confidential information, the files are saved appropriately with access only available for the HR staff. Workers’ access to non-occupational medical services is facilitated through accident and health insurance provided by the company.

The possibility of safety incidents at Office Warehouse and The Keepers Holdings is negligible. At a group level, 51,838 employees and workers are not employed by Cosco, but are in the system because their work is controlled by Cosco.

Our OHS data (at a group level) is provided in the tables below:

Safety Data for Employees				
Description	Unit	Male*	Female*	Total
Fatalities as a result of work related-injury	Number	0	0	0
Fatalities as a result of work related-injury	Rate	0	0	0
High consequence of work-related injuries (excluding fatalities)	Number	1	0	0
High consequence of work-related injuries (excluding fatalities)	Rate	1	0	0
Recorded work related injuries	Number	12	1	13
Recorded work related injuries	Rate	12	1	13
Man-hours worked	Hours	12,655,200	16,212,000	28,867,200

*Except for S&R, all subsidiaries have zero work-related injuries

*Zero work-related injuries for contract workers

Safety Data for Employees					Description about main type of work-related ill health
Description	Unit	Male*	Female*	Total	
Fatalities as a result of work related-ill health	Number	0	0	0	
Cases of recordable work-related ill health	Number	0	0	0	

*Zero work-related ill health for contract workers



Training and Education

At Cosco, training and education for all our employees and workers is one of the top priorities. The group focuses on keeping both employees and workers enabled with the skills required to ensure their maximum productivity at work, while also keeping in mind that it should improve their knowledge and professional expertise in the long run. In a nutshell, the focus is not only on improving their performance at Cosco, but also on furthering their careers.

Our training data for the year is represented in the table above. Average number of training hours has increased in 2022 from 2021, given the opportunities for in-person and online training.

Average hours of training			
	2022	2021	2020
Male employees	239,514	140,480	267,406
Female employees	201,439	221,615	249,362
Senior management	49	19	36
Middle management	188	77	136
Junior management	927	376	675
Workers (Permanent)	1,103	440	825
Non Supervisors	3,431	1,401	2,541
Contractual workers	0	0	0
Overall average training hours	55,831	45,551	65,123

The list of trainings provided by the group include:

Type and scope of programs implemented and assistance provided to upgrade employee skills	
Puregold	
Onboarding programs	New employee orientation program, Customer Service Standards, Departmental training course, Training course for section supervisor, management trainee, store managers, area managers,
Technical programs	HR upskilling program, Basic accounting for store operations, Supply Chain Module, Basic Work Management, People Management Coaching, Reliability (for accountability), Conversation Matters (for communication)
Essential Skills	Laws of Leadership, Managing your Team, Customer Service Program, "The Leader in Me", Internal Theft, Shoplifting
S&R	
Internal Developmental Trainings	Professional Image, Improving member service experience, Actions by Staff at touchpoints
Communication	Basic Grammar, Effective Presentation
Leadership	Effective Leadership, Basic Supervisory Skills, Basic Managerial Skills, On-the-job orientation
Customer Engagement Programs	Ring the Bell (during Christmas season) and Star Magic board (to build relationships with customers)
Technical Trainings	Front end Trainers Certification program, Touch points trainer certificate program, Membership trainers' certification program, Bakery training, CCTV Operators Certification Training, Fire Safety Training, Forklift Operators Training, Wholesale Telemarketers' Training
External Trainings	Basic OHS training, Red Cross First Aid with Basic Life Support Training, Forklift training (TESDA Certificate NCII), Tire Training
Apart from this, an official newsletter, " S&R Connect ", is issued twice a year to employees	
Office Warehouse	
Technical trainings	Product Knowledge Training, Furniture and Assembly Training, Customer Service Training, Sales Audit Training, Inventory Training, Safety Training, First Aid Training, Earthquake and Fire Drill Training, Team Building Training, Supervisory Training, Leadership Training, Financial Literacy Training

Transition assistance programs provided to facilitate employability and the management of career endings resulting from retirement or termination of employment	
Office Warehouse	Job Orientation Training
	Turnover training
	Coaching and counselling

All our employees undergo performance appraisals, which follow different conventions for various subsidiaries as follows:

- **Puregold:** Twice a year, the performance of regular employees is evaluated by their immediate supervisor. The assessment is in July for the period of January to June, and in January for the period of July to December. Web-based performance reviews are conducted through an online portal, with the intent of providing timely performance feedback, and for promoting communication and healthy working relationships that will improve productivity and efficiency.
- **S&R:** Performance appraisals are issued to regular employees on a semi-annual basis, similar to Puregold's procedure. For probationary employees, performance appraisal is done in the 3rd and 5th month of joining.
- **Real Estate and NE Pacific:** The performance review schedule begins after the probation period (in the 4th month of hiring). Annual performance reviews are conducted in November each year.
- **Office Warehouse:** All employees undergo performance reviews every year. Key performance indicators include job knowledge / productivity, communication, affiliation, organizational sensitivity, work traits, sales, inventory, product knowledge, merchandise display, stock ordering and arrangement, store policy compliance, grooming, attendance, work attitude, customer service.

The group HR policies reflect Cosco's commitment towards diversity and inclusion at the workplace. The number of women in the group's governance body and employee payroll has consistently been higher than the number of men. Data in this regard is presented in the table below:

Diversity of governance bodies and employees			
Year	2022	2021	2020
Male	5273	4834	4739
Female	6755	6409	6178
Total Employees	12,028	11,243	10,917
% of Female Employee	56%	57%	57%
<30 years	4566	4545	4188
30 - 50 years	7141	6431	6446
> 50 years	321	267	294

The male-female remuneration ratio is 1:1 for Cosco Group.

Moreover, as highlighted above in the list of policies, there is a strict stand against discrimination on any grounds across the group. In the year 2022, there were no incidents of discrimination at Cosco, and there were no instances of child labour or forced / compulsory labour. At the time of recruitment, the age of applicants is scrutinized closely. In the reporting year, workers' rights to exercise freedom of association or collective bargaining were not violated or at significant risk, and there were no incidents signifying violation of indigenous rights.

Customer Health and Safety

As a business operating in the retail industry, we recognize the immense responsibility we have towards ensuring the highest quality and safety standards in the products that we sell since these are sometimes directly consumed/used by customers. We have strict quality standards in place that are supposed to be met by our suppliers, and we closely monitor complaints/issues raised by our customers, if any, in this regard.

None of our products is currently assessed for health and safety impacts since they are all supplied by top multinational and local suppliers and they already possess the required certifications. There were no incidents of non-compliance with customer health and safety standards in the reporting year.



Promoting Sustainable Lifestyles

Cosco Group recognize the importance of promoting sustainable lifestyle to our customers, employees and all stakeholders. The following programs and initiatives are implemented and highly encouraged within the group:

- Bring your own eco-bag
- No plastic days on Mondays and Wednesday on all Puregold Stores.
- Eliminate use of single plastics by encouraging purchase bigger size SKUs rather than sachets.
- Promote cash for trash by exchanging recyclable packaging materials for cash rebates.
- Selling energy-efficient and solar powered products in our stores.

Relevant GRI Indicators: 3-3: Management of material topic

Non-GRI: Initiatives to promote sustainable lifestyles among customer groups

Customer Privacy and Cybersecurity

Collecting customers data is an integral part of Cosco's operation, especially for membership shopping and retail store businesses. Customer data helps us optimize the products and experience we offer to them. In this process, we ensure we adhere to the highest accountability standards with respect to maintaining the confidentiality of this data. Across the group, we adhere to the local Data Privacy Act. All employees across all stores are trained on data security practices by the HR department. In the year 2022, there were no complaints received from outside parties and from regulatory bodies, and no identified threats, leaks, or losses of customer data. The respective IT Heads and data privacy officers per business unit are in-charge for the customer privacy and cybersecurity.



Fair Marketing and Labelling Practices

Many of the products that Cosco sources for all its subsidiaries are imported from external brands, who all follow local and (in some cases) international regulations on marketing and labelling. Adherence in this respect is closely monitored by the procurement team whenever Cosco engages with new suppliers, and also during the course of regular interactions with suppliers. All products that are being sold at Puregold and S&R stores comply with food and drug regulations in the Philippines. There were no incidents of non-compliance with marketing / labelling regulations in the year 2022.

Communities and Livelihoods

Co-existence with communities surrounding our operations is an essential element of Cosco's stakeholder engagement strategy, since it is people from these communities that help us thrive by buying our products and coming back to our stores for the experience that we seek to provide. Therefore, Cosco has always sought to understand the needs of this community to give back to them in ways that help them achieve collective advancement as a society. Our CSR initiatives in the year 2022 are listed below:

- Office Warehouse has launched the Puno ng Pag-ibig Program that staged the Tree Planting Project partnership with DENR and the Essay Writing Contest for students on September 30, 2022.
- Cosco Group has donated money for setting up a school in the University of Calocan with 15 classrooms and 5 laboratories, at a total cost of Php 68 Million.
- Cosco Group has also donated money to Laoag – for constructing school buildings and a fire protection building with total costs of Php 58.2 Million.
- Cosco Group has donated 10.5M Php for a total of 16,000 doses of COVID-19 vaccines
- A total of 1,178 scholarship grants was given through LCCK Foundation amounting to Php 65.4 million.

Our total CSR spending for the year 2022 was Php 202.1 million compared to Php 10.7 million in 2021.

Respect for the Rule of the Land

Since our inception, we have tracked changing regulatory requirements and ensured strict compliance with them. We believe that following local and national rules and regulations is essential for the smooth running of our operations and for maintaining good relationships with local authorities. This is an essential element in building our reputation and goodwill over a period of time, which establishes trust in our brand.



Governance and Anti-Corruption

Our corporate governance committee is composed of three members, all of whom are independent directors, including the Chairman. It is headed by an independent director, Mr. Oscar S. Reyes. The Corporate Governance Committee is responsible for nomination and selection of this director. The committee also nominates and selects and appoints a "Group Sustainability Officer" who is responsible for overseeing management of sustainability impacts (ESG) by identifying and managing climate risks. The Governance Committee is closely involved in the review of the sustainability report along with the IACGR (Integrated Annual Corporate Governance Report).

The Conflict-of-Interest Policy is applicable to the Directors, Officers and Employees of Cosco Capital, Inc., who are expected to act and perform their duties in the interest of the Company. They should not receive personal gain, benefit, grant, gift or any advantage by virtue of their position in the Company. They must immediately disclose to the Board or to their immediate superior any possible occurrence of conflict of interest or any offer of cash, gift or any benefit from customer, supplier or third-party contractor of the Company. Any violation of this policy invites serious disciplinary action and / or dismissal from work. Critical concerns or audit findings are raised during monthly risk management meetings before these are forwarded to the Board for action. Group-wide sustainability performance is evaluated through annual sustainability reports and reviewed during governance seminars which includes topics on sustainability.

Policy commitments made by Cosco Capital in 2022 are as follows:

- No plastic wastes in all S&R warehouse
- Reduce plastic consumption in all Puregold stores
- Promote recycling in all Puregold stores
- Increased reliance on solar energy consumption.

In order for employees to realise the importance of adhering to these commitments, we conduct training and awareness seminars for all employees such as anti-corruption policy training, health and safety training, disaster preparedness training, etc. In order to remediate negative ESG impacts, we are currently in the process of developing an ESG Policy Manual that is awaiting approval.

We have a simple mechanism in place for employees to report grievances, wherein they first talk to their immediate supervisor, who raises the concern with the human resources department or the corporate governance department. 100% of Cosco Group's employees have received communication on anti-corruption, and there were zero incidents of corruption / anti-competitive behaviour in the

reporting year. Our anti-corruption policies and clauses based on our code of conduct are outlined in the table below:

ANTI-CORRUPTION POLICIES BASED ON CODE OF CONDUCT	
Corruption is defined as abuse of entrusted power for private gain, as well as instances of dishonesty, deceit, fraud, misconduct, falsification, manipulation, bribery, crime, exploitation, extortion, fraud, graft, nepotism, and other similar violations.	
Article D - Misconduct Sanction - Suspension up to Dismissal	
Section 21	Using company time and/or use of company property to do an unauthorized work for personal or other's gain
Section 22	Engaging in any form of gambling/lottery/game of chance while on or off duty within the company premises
Section 32	Commission of any criminal offense against a customer or a non-company personnel
Section 36	Rendering services for another employer during working hours or while in active employment for the company without the knowledge or approval from Management
Section 39	Engaging in lending or personal business for profit within the company premises

ANTI-CORRUPTION POLICIES BASED ON CODE OF CONDUCT	
Section 44	Soliciting/accepting contribution or items for any purpose without prior authorization from the Management;
	Soliciting from any supplier, business/trade partner any gift, contribution or support in any form without prior approval from Management
Section 52	Malversation of company funds
Section 53	Abuse of position/authority for personal gain or advantage
Section 54	Stealing
Section 55	Commission of a crime or offense
Section 59	Fraud or wilful breach of the trust and confidence reposed by the Management
Section 61	Accepting or offering money, gift, anything of value, commission, preferential treatment, promise, in consideration of any act, contract, decision or service connected with the discharge of employee's work
Section 63	Using Company's name in personal transaction or business for personal profit/gain

Compliance to the Law

In case of instances related to fines/non-compliances that are to be reported, this is done with the Office of the Corporate Secretary for corporate matters, and with the Administrative Office and the EHS Department for environmental concerns.



Way Forward on Sustainability

We hope this sustainability report provides a reasonable insight into our sustainability performance for the year 2022, and our intent to pursue industry leadership in sustainability initiatives and disclosure in the future.

In order to identify our direction when it comes to sustainability initiatives in the next few years, we completed an internal assessment of our existing practices and priorities under each of our organizations. Based on this assessment, we have identified several actions to be pursued in the short term (less than 1 year), medium term (1-2 years) and long term (3+ years).

Below are a few select areas that will be pursued based on the assessment:

- Establishing effective data management practices for ESG performance
- Prioritizing GHG emissions and Energy efficiency measures across operations
- Adopting an enterprise-wide risk management framework that integrates ESG risks
- Promoting capacity building among key staff and top suppliers on sustainability practices
- Levelling up internal awareness on workplace sustainability actions
- Establishing a structured approach to CSR management for greater impact

Cosco Group commits to achieving net zero carbon emissions across its operation by 2050 in support of international agreements for climate action such as the United Nation's Paris Agreement and Glasgow Climate Pact.

In the next 5 years, we see ourselves working rigorously to scaling new heights when it comes to sustainability actions, performance and positive impact. Pursuing this journey could significantly improve our understanding of the ESG ecosystem, provide our employees and key stakeholders a rejuvenated purpose while staying within the Cosco Capital family and set an example for the rest to follow.

GRI Content Index

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			
			REQUIREMENT OMITTED	REASON	EXPLANATION	
General disclosures						
GRI 2: General Disclosures 2021	2-1 Organizational details	Pages 5 - 15	A gray cell indicates that reasons for omission are not permitted for the disclosure or that a GRI Sector Standard reference number is not available.			
	2-2 Entities included in the organization's sustainability reporting	Page 2				
	2-3 Reporting period, frequency and contact point	Page 2				
	2-4 Restatements of information	NA				
	2-5 External assurance	NA				
	2-6 Activities, value chain and other business relationships	Pages 5 – 15				
	2-7 Employees	pages 16-17, page 73				
	2-8 Workers who are not employees	pages 16-17, page 73				
	2-9 Governance structure and composition	Page 78				
	2-10 Nomination and selection of the highest governance body	Page 78				
	2-11 Chair of the highest governance body	Page 78				

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			
			REQUIREMENT OMITTED	REASON	EXPLANATION	
GRI 2: General Disclosures 2021	2-12 Role of the highest governance body in overseeing the management of impacts	Page 78	Omitted	Data not available since there are no sustainability focused training programs for the governance body at present	We have been adhering to local SEC guidelines for sustainability reporting. The past 2-3 years have helped us understand where we are on sustainability and through learnings from our first GRI based sustainability report, we have identified actions for the future which includes training programs on sustainability for all employees	
	2-13 Delegation of responsibility for managing impacts	Page 78				
	2-14 Role of the highest governance body in sustainability reporting	Page 78				
	2-15 Conflicts of interest	Page 78				
	2-16 Communication of critical concerns	Page 78				
	2-17 Collective knowledge of the highest governance body		Omitted	This data is confidential	This data is confidential	
	2-18 Evaluation of the performance of the highest governance body		Omitted	This data is confidential	This data is confidential	
	2-19 Remuneration policies		Omitted	This data is confidential	This data is confidential	
	2-20 Process to determine remuneration		Omitted	This data is confidential	This data is confidential	

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GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			
			REQUIREMENT OMITTED	REASON	EXPLANATION	
GRI 2: General Disclosures 2021	2-21 Annual total compensation ratio	Page 73				
	2-22 Statement on sustainable development strategy	Pages 18 - 22				
	2-23 Policy commitments	Page 78				
	2-24 Embedding policy commitments	Page 78				
	2-25 Processes to remediate negative impacts	Throughout the report				
	2-26 Mechanisms for seeking advice and raising concerns	Page 78				
	2-27 Compliance with laws and regulations	Pages 78 - 80				
	2-28 Membership associations	None				
	2-29 Approach to stakeholder engagement	Pages 23, 24				
	2-30 Collective bargaining agreements	Page 73				
Material topics						
GRI 3: Material Topics 2021	3-1 Process to determine material topics	Pages 25-30	A gray cell indicates that reasons for omission are not permitted for the disclosure or that a GRI Sector Standard reference number is not available.			
	3-2 List of material topics	Pages 25-30				
Economic performance						
GRI 3: Material Topics 2021	3-3 Management of material topics	Page 38				

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			
			REQUIREMENT OMITTED	REASON	EXPLANATION	
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	Pages 38, 39				
	201-2 Financial implications and other risks and opportunities due to climate change	NA	Omitted	Not currently tracked	Planned to be tracked in the next 2 years	
	201-3 Defined benefit plan obligations and other retirement plans	Page 40				
	201-4 Financial assistance received from government	None				
	Market presence					
GRI 3: Material Topics 2021	3-3 Management of material topics	Page 38				
GRI 202: Market Presence 2016	202-1 Ratios of standard entry level wage by gender compared to local minimum wage	Page 73				
	202-2 Proportion of senior management hired from the local community	Page 40				
Indirect economic impacts						
GRI 3: Material Topics 2021	3-3 Management of material topics	NA				

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GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION		
			REQUIREMENT OMITTED	REASON	EXPLANATION
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	None			
	203-2 Significant indirect economic impacts	None			
Procurement practices					
GRI 3: Material Topics 2021	3-3 Management of material topics	Page 40			
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	Page 40			
Anti-corruption					
GRI 3: Material Topics 2021	3-3 Management of material topics	Page 78			
GRI 205: Anti- corruption 2016	205-1 Operations assessed for risks related to corruption	Page 78			
	205-2 Communication and training about anti- corruption policies and procedures	Pages 78, 79, 80			
	205-3 Confirmed incidents of corruption and actions taken	Pages 78, 79			

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			
			REQUIREMENT OMITTED	REASON	EXPLANATION	
Anti-competitive behavior						
GRI 3: Material Topics 2021	3-3 Management of material topics	Pages 78, 79				
GRI 206: Anti- competitive Behavior 2016	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	Pages 78, 79				
Tax						
GRI 3: Material Topics 2021	3-3 Management of material topics	Pages 39, 40				
GRI 207: Tax 2019	207-1 Approach to tax	Page 40				
	207-2 Tax governance, control, and risk management	Page 40				
	207-3 Stakeholder engagement and management of concerns related to tax	Page 40				
	207-4 Country- by-country reporting	NA				
Materials						
GRI 3: Material Topics 2021	3-3 Management of material topics	Page 46				

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GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION		
			REQUIREMENT OMITTED	REASON	EXPLANATION
GRI 301: Materials 2016	301-1 Materials used by weight or volume	Page 46	Omitted	Data not tracked	Sourced from multiple brands
	301-2 Recycled input materials used	Page 46			
	301-3 Reclaimed products and their packaging materials	Page 46			
Energy					
GRI 3: Material Topics 2021	3-3 Management of material topics	Page 43			
GRI 302: Energy 2016	302-1 Energy consumption within the organization	Page 43			
	302-2 Energy consumption outside of the organization	Not tracked	Omitted	Not tracked	We currently do not have the infrastructure in place to track energy data outside our operations
	302-3 Energy intensity	Page 44			
	302-4 Reduction of energy consumption	Page 45			
	302-5 Reductions in energy requirements of products and services	None			
Water and effluents					
GRI 3: Material Topics 2021	3-3 Management of material topics	Page 49			

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION		
			REQUIREMENT OMITTED	REASON	EXPLANATION
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	Page 49			
	303-2 Management of water discharge-related impacts	Page 49			
	303-3 Water withdrawal	Page 49			
	303-4 Water discharge	Page 49			
	303-5 Water consumption	Page 49			
Biodiversity					
GRI 3: Material Topics 2021	3-3 Management of material topics	Not applicable			
GRI 304: Biodiversity 2016	304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Not applicable			
	304-2 Significant impacts of activities, products and services on biodiversity	Not applicable			
	304-3 Habitats protected or restored	Not applicable			
	304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations	Not applicable			

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GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			
			REQUIREMENT OMITTED	REASON	EXPLANATION	
Emissions						
GRI 3: Material Topics 2021	3-3 Management of material topics	Page 45				
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	Page 45				
	305-2 Energy indirect (Scope 2) GHG emissions	Page 45				
	305-3 Other indirect (Scope 3) GHG emissions		Omitted	Not calculated yet	We currently do not track the data but plan to do so in the next couple of years	
	305-4 GHG emissions intensity	Page 45				
	305-5 Reduction of GHG emissions	Page 45	Omitted	Not calculated yet	We currently do not track the data but plan to do so in the next couple of years	
	305-6 Emissions of ozone- depleting substances (ODS)	Not available	Omitted	Not tracked	Insignificant	
	305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	Not available	Omitted	Not tracked	Insignificant	
Waste						
GRI 3: Material Topics 2021	3-3 Management of material topics	Page 46				

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			
			REQUIREMENT OMITTED	REASON	EXPLANATION	
GRI 306: Waste 2020	306-1 Waste generation and significant waste- related impacts	Pages 46-48				
	306-2 Management of significant waste- related impacts	Pages 46-48				
	306-3 Waste generated	Pages 46-48				
	306-4 Waste diverted from disposal	Pages 46-48				
	306-5 Waste directed to disposal	Pages 46-48				
Supplier environmental assessment						
GRI 3: Material Topics 2021	3-3 Management of material topics	Page 51				
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	Page 51				
	308-2 Negative environmental impacts in the supply chain and actions taken	Page 51				
Employment						
GRI 3: Material Topics 2021	3-3 Management of material topics	Page 52				

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GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION		
			REQUIREMENT OMITTED	REASON	EXPLANATION
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	Page 53			
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Pages 56-67			
	401-3 Parental leave	Page 55			
Labor/management relations					
GRI 3: Material Topics 2021	3-3 Management of material topics	Page 55			
GRI 402: Labor/ Management Relations 2016	402-1 Minimum notice periods regarding operational changes	Page 55			
Occupational health and safety					
GRI 3: Material Topics 2021	3-3 Management of material topics	Page 68			
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	Pages 68-70			
	403-2 Hazard identification, risk assessment, and incident investigation	Pages 68-70			
	403-3 Occupational health services	Pages 68-70			

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION		
			REQUIREMENT OMITTED	REASON	EXPLANATION
GRI 403: Occupational Health and Safety 2018	403-4 Worker participation, consultation, and communication on occupational health and safety	Pages 68-70			
	403-5 Worker training on occupational health and safety	Pages 68-70			
	403-6 Promotion of worker health	Pages 68-70			
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Pages 68-70			
	403-8 Workers covered by an occupational health and safety management system	Pages 68-70			
	403-9 Work-related injuries	Pages 68-70			
	403-10 Work-related ill health	Pages 68-70			
Training and education					
GRI 3: Material Topics 2021	3-3 Management of material topics	Page 71			

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GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION		
			REQUIREMENT OMITTED	REASON	EXPLANATION
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	Page 71			
	404-2 Programs for upgrading employee skills and transition assistance programs	Page 72			
	404-3 Percentage of employees receiving regular performance and career development reviews	Page 73			
Diversity and equal opportunity					
GRI 3: Material Topics 2021	3-3 Management of material topics	Page 73			
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	Page 73			
	405-2 Ratio of basic salary and remuneration of women to men	Page 73			
Non-discrimination					
GRI 3: Material Topics 2021	3-3 Management of material topics	Page 73			
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	Page 73			

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			
			REQUIREMENT OMITTED	REASON	EXPLANATION	
Freedom of association and collective bargaining						
GRI 3: Material Topics 2021	3-3 Management of material topics	Page 73				
GRI 407: Freedom of Association and Collective Bargaining 2016	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Page 73				
Child labor						
GRI 3: Material Topics 2021	3-3 Management of material topics	Page 73				
GRI 408: Child Labor 2016	408-1 Operations and suppliers at significant risk for incidents of child labor	Page 73				
Forced or compulsory labor						
GRI 3: Material Topics 2021	3-3 Management of material topics	Page 73				
GRI 409: Forced or Compulsory Labor 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	Page 73				
Security practices						
GRI 3: Material Topics 2021	3-3 Management of material topics	NA				
GRI 410: Security Practices 2016	410-1 Security personnel trained in human rights policies or procedures	NA				

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GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			
			REQUIREMENT OMITTED	REASON	EXPLANATION	
Rights of indigenous peoples						
GRI 3: Material Topics 2021	3-3 Management of material topics	Page 73				
GRI 411: Rights of Indigenous Peoples 2016	411-1 Incidents of violations involving rights of indigenous peoples	Page 73				
Local communities						
GRI 3: Material Topics 2021	3-3 Management of material topics	Page 77				
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	Page 77				
	413-2 Operations with significant actual and potential negative impacts on local communities	Page 77				
Supplier social assessment						
GRI 3: Material Topics 2021	3-3 Management of material topics	Page 51				
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	Page 51				
	414-2 Negative social impacts in the supply chain and actions taken	Page 51				

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			
			REQUIREMENT OMITTED	REASON	EXPLANATION	
Public policy						
GRI 3: Material Topics 2021	3-3 Management of material topics	NA				
GRI 415: Public Policy 2016	415-1 Political contributions	NA				
Customer health and safety						
GRI 3: Material Topics 2021	3-3 Management of material topics	Page 74				
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	Page 74				
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	Page 74				
Marketing and labeling						
GRI 3: Material Topics 2021	3-3 Management of material topics	Page 76				

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GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION		
			REQUIREMENT OMITTED	REASON	EXPLANATION
GRI 417: Marketing and Labeling 2016	417-1 Requirements for product and service information and labeling	Page 76			
	417-2 Incidents of non-compliance concerning product and service information and labeling	Page 76			
	417-3 Incidents of non-compliance concerning marketing communications	Page 76			
Customer privacy					
GRI 3: Material Topics 2021	3-3 Management of material topics	Page 76			
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	Page 76			



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Sustainability as a Lifestyle

2022 Sustainability Report

