COVER SHEET
for
Audited Financial Statements

SEC Registration Number

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COMPANY NAME

EMPERADOR INC. AND
SUBSIDIARIES

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

7TH FLOOR, 1880 EASTWOOD
AVENUE, EASTWOOD CITY
CYBERPARK, 188 E. RODRIGUEZ,
JR. AVENUE, BAGUMBAYAN
QUEZON CITY, METRO MANILA

Form Type	Department requiring the report	Secondary License Type, If Applicable
17-A	SEC	Certificate of Permit to Offer Securities for Sale

(for December 31, 2023)

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
dinainting@emperadorinc.com	8709-2038 to 41	N/A

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
131	3rd Monday of May	DECEMBER 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
DINA INTING	dinainting@emperadorinc.com	8709-2038 to 41	N/A

Contact Person's Address

7th Floor, 1880 Eastwood Avenue, Eastwood City Cyberpark, 188 E. Rodriguez, Jr. Avenue, Bagumbayan, Quezon City

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

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

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

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

1. For the fiscal year ended: **December 31, 2023**

2. SEC Identification Number: **A200117595**

3. BIR Tax Identification No. **214-815-715-000**

4. Exact name of issuer as specified in its charter: **EMPERADOR INC.**

5. **Metro Manila, Philippines**
Province, Country or other jurisdiction of incorporation or organization

6. (SEC Use Only)
Industry Classification Code:

7. **7th Floor, 1880 Eastwood Avenue, Eastwood City CyberPark, 188 E. Rodriguez Jr. Avenue, Bagumbayan, Quezon City** — **1110**
Address of principal office — Postal Code

8. **(632) 8709-2038 to 41**
Issuer's telephone number, including area code

9. **N/A**
Former name, former address, and former fiscal year, if changed since last report.

10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common issued	**16,242,391,176**
Treasury	**505,919,938**
Outstanding as of December 31, 2023	**15,736,471,238**

11. Are any or all of these securities listed on a Stock Exchange.
Yes [✓] No [ ] **Philippine Stock Exchange**

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 [✓] No [ ]

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

Yes [/✓] No [ ]

13. The aggregate market value of the voting stock held by non-affiliates as of December 31, 2023 is P59,464,977,724, based on the closing price of P18.80 per share on April 2, 2024 at the Philippine Stock Exchange.

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PART I - BUSINESS AND GENERAL INFORMATION

1. BUSINESS

BUSINESS DEVELOPMENT

Overview

EMPERADOR INC. ("**the Company**" or "**the Parent Company**" or "**EMI**" or "**Emperador**") is a holding company which operates an integrated global business of manufacturing, bottling and distributing distilled spirits and other alcoholic beverages from the Philippines, United Kingdom, Spain and Mexico through its subsidiaries.

At present, EMI and its subsidiaries (collectively referred to as "**the Group**") has a wide range of products in its portfolio across multiple price segments – from accessible to luxury – and an international reach to at least 114 countries. The Group's brandy and Scotch Whisky portfolios include some of the oldest and best-recognized brands in the world, including brands with centuries-old legacies. The Group has acclaimed renown as the world's largest brandy producer, leading the brandy segment in the Philippines and Spain, and the world's fifth largest Scotch whisky producer *(Scotch Whisky Industry Review 2023)*.

Emperador has established its identity in the Philippine alcoholic beverages business as producer of high-quality liquor and innovative products – predominated by its own brand 'Emperador Brandy' which was introduced in 1990 through **Emperador Distillers, Inc.** ("**EDI**"), the Philippines' largest liquor company and the world's largest brandy producer (Source: 2023 International Wines and Spirits Record or **"IWSR"**). This strong presence was further fortified by ensuing offshore acquisitions.

EMI has grown from a Philippine company to a global player with heritage brands under its portfolio. It has enriched its heritage through the acquisition of century-old businesses in Jerez, Spain (known as the world capital of sherry wine and home of the Brandy De Jerez) and in Scotland, United Kingdom (home of Scotch whisky), which themselves were acclaimed as being the first and oldest facility in Spain and the fifth largest Scotch whisky manufacturer in the world, respectively. These were immediately followed by the acquisition of popular brands and half-century-old business in Mexico that traced its roots in Jerez.

Currently, the Group is organized into two business segments –Brandy and Scotch Whisky.

The Company first listed its shares in the Philippine Stock Exchange, Inc. ("**PSE**") on December 19, 2011. On July 14, 2022, the Company successfully listed on the Main Board of the Singapore Exchange Securities Trading Ltd. (**"SGX-ST"**) - the first PSE-primary listed company to conduct a secondary listing on the SGX-ST. This secondary listing marked the latest step in its ambitious plans for future international growth. The Company's shares are currently trading in both exchanges under the symbol 'EMI'.

The Group belongs under the umbrella of **Alliance Global Group, Inc.** ("**AGI**"), the ultimate holding company, a Philippine publicly-listed company trading under the symbol 'AGI'. AGI is a conglomerate with diversified businesses in real estate development, food and beverage, quick-service restaurants, and leisure-tourism-entertainment. As of December 31, 2023, AGI directly holds 79.48% ownership interest in Emperador.

Transformation

The Company was incorporated in the Philippines on November 26, 2001.[1] In 2013, the Company

[1] *Incorporated under the name of Touch Solutions, Inc. which was a shell company prior to AGI acquisition. On August 28, September 16 and September 27, 2013, the Board of Directors, stockholders and Philippine Securities and Exchange Commission ("**SEC**") respectively approved the change in corporate name to 'Emperador Inc.'.*

transformed into a holding company and increased its capitalization base to P20 billion.[2] In a series of transactions in August and September 2013, AGI acquired majority control (88% ownership interest at that time) and the Company concurrently acquired 100% ownership in EDI from AGI. Consequently, the Company became a subsidiary of AGI and the immediate parent of EDI (see Note 24.1 to the Consolidated Financial Statements). This acquisition was accounted for as a reverse acquisition of a non-operating shell company[3] wherein the legal subsidiary EDI is deemed as the acquirer and Company, which is the legal parent, is deemed as the acquired. The Company's consolidated financial statements, thus, became a continuation of EDI and its subsidiaries[4]. As of December 31, 2023, AGI directly holds 79.48% ownership interest in Emperador.

International Expansion

On October 31, 2014, Emperador, through its indirect wholly-owned subsidiary, **Emperador UK Limited** ("**EUK**"), completed a deal signed on May 9, 2014, for the acquisition of the entire issued share capital of **Whyte and Mackay Group Limited** ("**WMG**" or "**Whyte and Mackay**") from United Spirits (Great Britain) Limited, an indirect wholly-owned subsidiary of United Spirits Limited ("USL"), at an enterprise value of £430 million. Emperador took the reins from the world's liquor giants - USL of India (the world's largest spirits company by volume) which was forced to put Whyte and Mackay up on sale because of UK anti-trust concerns, when London-based Diageo Plc (the world's leading premium drinks manufacturer) gained controlling interest in USL.

On December 4, 2014, with the completion of the Whyte and Mackay acquisition as a condition precedent to its entry, Singapore sovereign wealth fund **GIC Private Ltd**. ("**GIC**"), through its private equity arm, **Arran Investment Pte. Ltd.** ("**Arran**"), initially invested P17.6 billion in the Company split into 70%-equity and 30%-equity-linked securities ("**ELS**"), which is convertible to equity between 2 to 7 years. Through this initial investment, Arran acquired 7% ownership interest in EMI and AGI's interest was diluted to 81%. In 2017, additional new shares were issued to Arran in consideration for the three-year accrued interest on the ELS. On February 5, 2020, Arran partly converted a portion of its ELS into EMI shares ("Tranche 1 Shares") which EMI issued from its treasury. On December 3, 2021, Arran elected to exercise its conversion right in respect of the remaining balance of the ELS ("Tranche 2 Shares"). The Company was given an initial period until 28 February 2022 to issue the Tranche 2 Shares ("Conversion Period"). The Conversion Period went through a number of modifications, the latest of which is its extension up to August 12, 2024. While the Tranche 2 shares remain unissued, they shall continue to earn variable interest which is at same rate and terms as the Company's dividends to shareholders. As of December 31, 2023, Arran held 9.5% of EMI's outstanding shares.

On February 29, 2016, EMI, through its indirect wholly-owned subsidiary **Bodegas Fundador S.L.U.** ("**Bodegas Fundador**"), acquired Beam Suntory's Spanish brandy and sherry business in Jerez de la Frontera, the brandy capital of Spain. The purchase included the iconic brands of 'Fundador', the Philippines' best-selling premium imported brandy; 'Terry Centenario', Spain's number one selling brandy; 'Tres Cepas', the number one brandy in Equatorial Guinea; and 'Harveys', the number one selling sherry wine in the United Kingdom. The all-cash offer was agreed at a value of €275 million. It also included production facilities, ageing cellars, vineyards and blending and bottling facilities. The completion of the purchase marked the birth of the world's biggest brandy company, and a new era began not only for Emperador and Fundador but for the whole brandy and sherry industry in Spain.

On December 1, 2016, **Bodega Las Copas S.L**. ("**BLC**"), a joint-venture company of Grupo Emperador Spain S.A.U. ("**GES**") and **Gonzalez Byass, S.A.** ("**Gonzalez Byass**"), signed an agreement to acquire the Domecq brandy and wine trademarks and related assets from the Mexican and Spanish subsidiaries of Pernod Ricard S.A. plus the Domecq inventories. The transaction included the Domecq brand portfolio of Mexican brandies 'Don Pedro', 'Presidente' (the first Mexican brandy) and 'Azteca de Oro'; and 'Domecq' and 'Brandy Domecq' brands for Brazil and Colombia (collectively, "**Domecq brand portfolio**") as well as the winery related to the production of Mexican

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[2] *On July 31, 2013 and September 5, 2013, the Philippine SEC approved the change in the Company's primary purpose to that of a holding company and the increase in its capitalization base to P20 billion, respectively.*

[3] *In line with its transformation into a holding company, the Company disposed of its assets in April 2013.*

[4] *Except for the capital structure which represents that of the Company.*

wines in Ensenada, Mexico, together with the relevant inventories related to the Domecq brands in markets, including Spain, the US, Belgium and the Netherlands. On March 30, 2017, BLC, and the Mexican subsidiaries **Pedro Domecq S.A. de C.V.** and **Bodega Domecq S.A. de C.V.,** completed the sale transaction for €81 million.

On December 20, 2017, with the aim of streamlining the group's structure and obtaining the greatest efficiency, GES and Gonzalez Byass approved the restructuring of BLC. This allowed the economic and organizational differentiation of the different lines of business by transferring the Domecq brand portfolio to a newly incorporated company, **Domecq Bodega Las Copas S.L.** ("**Domecq BLC")**, effective September 1, 2017. The restructuring was implemented by means of, on the one hand, the partial spin-off of BLC, under which BLC transferred to Domecq BLC the majority stake in the Mexican company Pedro Domecq S.A. de C.V., and on the other hand, the acquisition by Domecq BLC of the majority stakes in two other Mexican companies, **Domecq Distribucion de Bebidas SA de CV** (*then known as* **Gonzalez Byass de Mexico S.A. de C.V**) and Bodega Domecq S.A. de C.V., and of the Domecq brand portfolio worldwide. In 2019, Pedro Domecq S.A. de C.V. absorbed Bodega Domecq S.A. de CV, due to synergies of merging both companies. In 2021, Pedro Domecq, S.A. de C.V. merged with Domecq Distribución de Bebidas, S.A. de C.V. to maximize the synergies for both companies.

On June 4, 2022, BLC approved the split-off of its assets and liabilities related to the planting, cultivation and operation of vineyards, the production, ageing and manufacturing of wine, and the provision of vineyard planting and management services in favor of its fully owned subsidiary in Spain, **Viñedos del Río Tajo, S.L.U.** ("**Viñedos**"). For its part, BLC keeps its activity regarding the distillation of wines and carries out the distribution of distilled wines through its fully owned Spanish subsidiary **Alcoholera de la Mancha Vinícola, S.A.U.** ("**Alcomasa**")

SUBSIDIARIES

EDI

EDI is the leading brandy manufacturer and distributor in the Philippines, and the largest brandy producer in the world.

It was incorporated on June 6, 2003 and it acquired the brandy manufacturing assets and related brands led by 'Emperador' Brandy, from **Consolidated Distillers of the Far East, Inc**. ("**Condis**") in January 2007. AGI subsequently acquired full ownership of EDI from **The Andresons Group, Inc.** (''**TAGI**'') and the Tan Family in February 2007. In the second half of 2013, AGI transferred its full ownership in EDI to EMI. This acquisition of EDI by EMI is accounted for similar to a reverse acquisition of a non-operating shell company, wherein the legal subsidiary, which is EDI, is deemed as the acquirer and the legal parent, which is the Company, is deemed as the acquired. Thus, Emperador's consolidated financial statements prior to the acquisition date have been prepared as a continuation of the consolidated financial statements of EDI and its subsidiaries (collectively referred to as "**EDI Group**"), except for the capital structure which represent that of the Company.

It was in 1990 that 'Emperador Brandy', the Company's first brandy label, was launched in the Philippines. Since that time the 'Emperador' brand has become the number one local brandy in the Philippines and in the world based on volume according to the 2020, 2021 and 2022 IWSR data. Henceforth, the Company continues to innovate its Emperador brand offerings.

In April 2009, EDI launched flavored vodka and gin beverages under 'The BaR' brand. 'The BaR' became the first flavored vodka and gin products manufactured by a Philippine company. In the third quarter of 2012, EDI introduced 'The BaR' cocktails line primarily targeted at younger alcoholic beverage consumers and female customers. In mid-September 2018, EDI launched 'the gin for the new generation' 'The BaR Premium Gin' in Pink Green Lime and Premium Dry. These variants, especially the Pink Gin, are targeted towards a growing young and social media focused demographics of the country. This line took from a successful global trend of pink products and brought that trend into the Philippine context. In 2020, EDI launched 'The Bar Fruity Mix'.

In 2010, EDI introduced ‘Emperador Light’, in response to a growing market for alcoholic beverages with lower alcohol content. In March 2013, EDI began selling the ‘Emperador Deluxe’ brand which is being manufactured in Spain for export to Philippines under a supply agreement with Gonzalez Byass. A couple of months earlier, the acquisition of Bodega San Bruno from one of the largest and oldest liquor and wine conglomerates in Spain allowed Emperador to own one of the world’s best brandy stocks that are rare, high quality and aged for more than 40 years in Spain. In 2018, EDI takes on a promotional pair packaging of a mixer, ‘Club Mix Lime Juice’, a lime drink cordial, and ‘Emperador Light’ brandy that go perfectly well together as ‘LimeLight’ and ‘GreenLight’. In 2019, ‘Emperador Double Light’, a lower alcohol premium drink made from imported Spanish brandies finely aged in sherry casks, was launched. Despite having lower alcohol content, the product is positioned for social enjoyment, rather than to boost intake. In the same year, EDI also introduced another pair packaging of a mixer using Club Mix Apple Tea cordial and Emperador Light or Double Light or The Bar. In August 2021, ‘Emperador Coffee Brandy’ was launched bringing more fun to coffee and more enjoyment to brandy. It is a premium brandy liqueur that combines the smoothness of brandy and the rich aroma of coffee with low 40-proof or 20% alcohol by volume (ABV) content. This was launched in international markets in June 2022.

In April 2015, EDI launched the ready-to-drink ‘Smirnoff Mule’, which is being manufactured and distributed under license from Diageo North America, Inc. A few months later, in October, EDI reintroduced ‘Andy Player’ whisky. ‘Andy Player’ is a popular drink in the ‘80s. During the same year, EDI also began selling the Whyte and Mackay products locally.

In March 2016, EDI assumed the distribution of ‘Fundador’ brandy in the Philippines. It was also in 2016 when EDI launched ‘Tres Cepas Light’, a new product of Bodegas Fundador at that time, into the Philippine market. In 2017, EDI started distributing Bodegas Fundador’s ‘Harveys Bristol Cream’ and the then newly-developed ‘Fundador Double Light’.

In 2020, EDI launched ‘So Nice’ ultralight alcohol drink capitalizing on the strong Hallyu (Korean Wave) influence among Filipinos.

In 2022, EDI launched a line of innovative Emperador Premium Tower Cocktails at the on-trade channel expanding options on bar menus and offering a really exciting ingenuity of mixing a bottle of Emperador Light or Original with different flavors which drinkers can easily recreate at home.

EDI has established distribution footprint to at least sixty-one (61) countries since 2020. EDI is currently working with distributors in about seventy (70) countries.

EDI also distributes Ernest & Julio Gallo wines and Pik-Nik shoestring-shaped potato snacks (a product of its affiliate in AGI group**)** as well as New York Club No. 1 Vodka (another product from the said affiliate).

It operates two manufacturing plants in Laguna. The main plant is being leased from its wholly-owned subsidiary **Tradewind Estates, Inc**. (“**TEI**” or “**Tradewind**”) while the annex plant is owned by EDI. In 2020, EDI purchased several lots for its main warehouse in Cavite and completed construction in 2021.

EDI owns two distillery plants located in Balayan and Nasugbu, Batangas, both of which are being leased to and operated by its subsidiary ***Progreen Agricorp, Inc.*** (“**Progreen**”).

Emperador International

Emperador International Ltd. (“**EIL**”) is a business company incorporated in the British Virgin Islands on December 13, 2006. It is an investment and holding company which is the parent company of the Group’s offshore subsidiaries. Its group is primarily responsible for the offshore investments and properties in Spain and United Kingdom. At present, voting rights to EIL is 84% and 16% directly held by EMI and EDI, respectively. Thus, it is 100% beneficially owned by EMI.

Emperador Spain

Emperador Asia Pte Ltd. ("**EAsia**"), a wholly-owned subsidiary of EIL, was incorporated in Singapore. It wholly owns *GES*, a public liability company in Spain, incorporated on September 28, 2011.

GES main activities are the production of wines, fortified wines, brandies and all types of alcoholic drinks, as well as the purchase and operation of any type of land and, in particular, vineyards. In 2013, it acquired ***Bodega San Bruno, S.L.U.*** ("**BSB**"), a wholly-owned subsidiary, whose business activities involved the plantation, growing and operation of vineyards. BSB was incorporated on January 10, 2013.

The Spain group acquired vineyard estates in Toledo, called Daramezas and Bergonza, and in Madrid, called Monte Batres, in 2013-2014. And from hereon, the Spain group started growing.

In 2014, GES invested in ***BLC***, a 50%-50% joint venture with Gonzalez Byass. Presently, BLC and its wholly-owned subsidiaries are engaged in the planting, cultivation and operation of vineyards, and the conversion and production of alcohol and spirits. The main industrial facilities are located at Jerez de la Frontera in Cadiz and Tomelloso in Ciudad Real.

Bodegas Fundador, a wholly-owned subsidiary of GES, incorporated on September 28, 2011 under its former name Brandy Emperador Spain, acquired the Spanish brandy and sherry business from Beam Suntory Inc. on February 29, 2016. The purchase includes Spain's largest and oldest brandy cellars established in 1730 with sizeable brandy inventory aged more than 50 years; four iconic brands including 'Fundador Brandy de Jerez'; production and bottling facilities, vineyards, distillery and winery facilities. Bodegas Fundador was consolidated starting March 2016. Bodegas Fundador's wholly-owned subsidiary is **Harvey´s Cellars, S.L.U**. (formerly Destilados de la Mancha S.L.).

On January 19, 2017, GES through ***Complejo Bodeguero San Patricio, S.L.U. ("CBSP***"), a wholly-owned subsidiary of GES at that time, incorporated on October 11, 2016, acquired the Grupo Garvey brands and associated inventories and casks and real estate properties. Bodegas Garvey, founded in 1780 by the Irish aristocrat William Garvey and based in Jerez de la Frontera, is one of the ancient brandy and sherry companies in Spain. In October 2020, the merger of CBSP (absorbed company) and Bodegas Fundador (surviving company) was registered, the effectivity retroacts to the start of the year, given the confluence of activities of both companies, in order to facilitate the use of common resources, a significant reduction and simplification of operating, administrative and structural costs, thus achieving greater competitiveness in business traffic.

On March 30, 2017, BLC, Pedro Domecq S.A. de C.V. and Bodega Domecq S.A. de C.V. completed the acquisition of the Domecq brand portfolio and related assets, which was signed on December 1, 2016. During the last quarter of 2017, the Domecq brandy portfolio and wine business were integrated into **Domecq BLC**.

Domecq BLC, a subsidiary of GES incorporated on December 20, 2017, holds the spun-off Domecq brandy and wine portfolio and related assets and was consolidated starting September 1, 2017. Its wholly-owned subsidiaries in Mexico, ***Pedro Domecq SA de CV*** ("***Pedro Domecq***") and ***Bodega Domecq SA de CV*** (the latter was absorbed by Pedro Domecq in 2019) were incorporated on March 15, 2017 while ***Domecq Distribucion de Bebidas SA de CV*** (corporate name changed from ***Gonzales Byass de Mexico SA de CV*** in 2018) (absorbed by Pedro Domecq in 2021) was incorporated on October 2, 2001. The first is involved in the manufacturing, bottling and selling of spirits, the second was involved in business management which is now being done by the first, while the third was into the distribution and sale of foods and beverages, which at the time of the merger was mainly for Pedro Domecq. Pedro Domecq is the surviving subsidiary at end-2021.

Grupo Emperador Gestion, S.L.U., a wholly-owned subsidiary of GES, was incorporated on October11, 2016, with a share capital of €3,000. It provides consulting, management and administration services to the Spain group.

Stillman Spirits, S.L.U., a wholly-owned subsidiary of GES, was incorporated on March 20, 2019, with a share capital of €3,000. It imports UK products into Europe , following UK's exit from the European Union. It manages The Dalmore Boutique in Madrid (Spain), with a recently opened exclusive retail area which hosts some of the most exclusive whiskies in the world, and a soon to be opened Whisky Lounge for tastings where 66 VIP clients and their close guests will be able to enjoy their Dalmore whiskies.

Emperador Europe

Emperador Europe SARL ("**EES**"), a wholly-owned subsidiary of EIL, is a private limited liability company incorporated in Luxembourg in September 2014. The objective of the company is the holding of participations in any form whatsoever and all other forms of investments.

Emperador Holdings (GB) Limited ("**EHGB**" or "**EGB**"), the ultimate UK parent undertaking and controlling entity, is a wholly-owned subsidiary of EIL. EGB is a private company incorporated under the laws of England and Wales on June 19, 2014. It operates as an investment and holding company and wholly owns EUK. As of December 31, 2019, its authorized called-up share capital totaled 1 thousand shares at £1 per share, all of which were allotted and fully paid up by EIL.

Emperador UK Limited ("**EUK**"), a subsidiary of EGB, is a private limited company incorporated in Scotland on May 6, 2014. It is the immediate parent of WMG. As of December 31, 2019, it has authorized called up share capital of 1,250 shares at £1 per share, all of which were allotted and fully paid up.

Whyte and Mackay Group Limited ("**WMG**") is the smallest consolidating group under EGB. WMG was incorporated on August 7, 2001, in Scotland. It wholly owns ***Whyte and Mackay Global Limited*** ("**WM Global**") which was incorporated on December 4, 2018 in Scotland. The main trading entity is WM Global's wholly owned subsidiary, ***Whyte and Mackay Limited*** ("**WML**"), which was incorporated on January 20, 1927 in Scotland. WML's principal activity is the production, marketing and distribution of distilled potable alcoholic drinks which include Scotch whisky, vodka, liqueurs and other alcoholic drinks.

WM Global also wholly owns ***Whyte and Mackay Warehousing Ltd***. ("**WMW**"), incorporated in Scotland, and ***Whyte and Mackay Americas Ltd, LLC*** ("**WMA**"), incorporated in the United States of America. WMW's principal activity is the warehousing and blending of bulk whisky for related and third-party customers while WMA, a direct subsidiary of WML, was formed to handle Whyte and Mackay's business portfolio in US market. In 2022, WML acquired ***St Vincent Street (446) Limited*** , the landlord of its bottling premises at Grangemouth. There are also forty-six dormant companies within WMG Group that are retained for branding purposes.

Whyte and Mackay is the fifth largest producer of Scotch whisky in the world by capacity *(Source: Scotch Whisky Industry Review, 2023*) with a history of 175 years and ownership of some of the most iconic Scotch brands in the industry, including British luxury brands 'The Dalmore Single Highland Malt', 'Jura Single Malt', 'Tamnavulin Single Malt', 'Fettercairn Single Malt' and 'Whyte & Mackay Blended Scotch Whisky. The products are distributed in approximately 114 countries across the world including a strong presence in the global travel retail space. Some of these products are now being distributed in the Philippines by EDI.

Philippine Subsidiaries

Anglo Watsons Glass, Inc. ("**AWGI**"), a wholly-owned subsidiary of EDI, was incorporated in the Philippines on July 22, 1999. EDI acquired AWGI from its previous owner, AGI, in 2012. AWGI's business is the manufacture of flint glass containers.

AWGI operates a glass manufacturing plant at the Canlubang Industrial Estate in Canlubang, Laguna, Philippines which runs on a 24-hour shift and has a capacity of 200 metric tons per day. The manufacturing plant is being leased from AGI. It is generally running at full capacity. AWGI currently services mostly the Group's bottling requirements.

The Bar Beverage, Inc., a wholly-owned subsidiary of EDI, was incorporated in the Philippines on August 11, 2008 for the purpose of engaging primarily in the manufacturing, processing, importing and/or exporting, buying, selling, acquiring, holding or otherwise dealing in, any and all kinds of alcoholic beverage products, flavorings, essences, beverages, soft drinks, foodstuffs, goods, wares, merchandise and/or commodities of the same or similar kind as well as products, natural or artificial, of the Philippines or elsewhere.

Tradewind, a wholly-owned subsidiary of EDI, was incorporated in the Philippines on September 22, 2000. EDI acquired TEI from its previous owner, Alliance Global Brands, Inc. (a wholly-owned subsidiary of AGI), in March 2016. TEI owns and leases to EDI a manufacturing complex in Sta. Rosa, Laguna which serves as EDI's main plant. On July 4, 2018, TEI acquired controlling interest in ***Boozylife Inc*. ** ("**Boozy**"), a local e-commerce company engaged in the on-demand delivery of alcoholic and non-alcoholic beverages.

Alcazar De Bana Holdings Company, Inc. ("**Alcazar**"), a wholly-owned subsidiary of EDI, was incorporated in the Philippines on July 20, 2016. It currently wholly owns **Progreen**, a domestic corporation whose primary purpose is to engage in the production, distillation, distribution and trading of alcohol and all types of ethyl alcohol; raw materials including molasses, sugarcane and other agricultural products; alcohol co-products, by-products or end-products; and, in connection thereof, to conduct renewable energy activity; as well as alcoholic beverages, wines, liquors, among others. Progreen operates the two domestic distillery plants in Batangas that it leases from EDI. Progreen started its commercial operations in November 2016. It wholly owns ***South Point Science Park, Inc.***, a domestic corporation incorporated to engage in management and maintenance of office, commercial, industrial and institutional developments in a science park, which is engage in port operations.

The World's Finest Liquor Inc. (**"TWFLI"**), a wholly-owned subsidiary of EDI, was incorporated in the Philippines on May 17, 2022 to engage in, among others, the business of retailing, merchandising, marketing, warehousing, trading, e-commerce or otherwise dealing with all kinds of products, services, goods, chattels, wares, merchandise and commodities of all kinds, including but not limited to alcoholic and non-alcoholic beverages.

Ocean One Transport, Inc., a wholly-owned subsidiary of Progreen, was incorporated in the Philippines on January 11, 2023, for the purpose of engaging in ocean, coastwise and inland commerce, and generally in the carriage of freight, goods, cargo in bulk, passengers, mail and personal effects by water between various ports and to engage generally in waterborne commerce.

JOINT VENTURE

BLC is a corporation owned 50% by GES and 50% by Gonzales Byass. In February 2014, with the aim of improving and strengthening its worldwide presence and positioning on the wines and spirits' markets, GES entered into a business collaboration scheme with Gonzalez Byass, with the acquisition by GES of a 50% stake in BLC, with the remaining 50% in the hands of Gonzalez Byass. Later that year, BLC incorporated two fully-owned subsidiaries - **Alcomasa**, focused on the exportation of the distilled wine and **Viñedos**, devoted to the planting and farming of several vineyards in Toledo, Spain.

DESCRIPTION OF BUSINESS

Prior to the introduction of Emperador Brandy in 1990, the **Philippine spirits industry** was dominated by longstanding and well-established gin and rum manufacturers. Through dynamic marketing and by establishing a reputation for product quality, EDI created demand for brandy in the Philippine spirits market following the launch of Emperador Brandy, which has remained as the market leader among the local brandy brands in terms of sales volume since 1990. EDI continues to lead based on the national sales volume of top three domestic spirit manufacturers. Currently, 'Emperador' is the leading Philippine brand in the brandy segment.[5] EDI produces/distributes brandy products that had 98.1% share of the domestic brandy market in terms of sales volume, and 71.0% volume share in terms of total brandy segment in the Philippines (includes imported brandy).[6]

EDI keeps on innovating its product offerings with creative flavors and packaging to suit the discriminating taste of drinkers, especially the youthful ones who are generally seeking variety and sensory experiences. In particular, in 2010, the first light brandy, 'Emperador Light', was introduced to capture the taste preferences of Filipino consumers. In 2018, EDI added excitement to Emperador Light drinkers by pairing Emperador Light with Club Mix Lime Cordial, dubbed as 'LimeLight' and 'GreenLight', and in 2019 introduced another pairing with Club Mix Apple Cordial, which it called 'Apple of My Light'. Also in 2019, EDI launched a smooth and fruity "lighter" drink 'Emperador Double Light', the "*Doble Swabe, Doble Sarap"* drink. Its pleasantly sweet, caramel-vanilla notes become soft and mellow with the addition of ice, creating an unforgettable very smooth and suave sipping experience for younger and lighter drinkers. In August 2021, EDI launched 'Emperador Coffee Brandy', a premium brandy liqueur that combines the smoothness of brandy and the rich aroma of coffee and, in November, EDI rolled out as "*Sarap maka-Feel good*" on TV and digital-online and merchandising campaign at the stores. In 2022, with the gradual resumption of economic activities in first quarter, Emperador geared up for the 'revenge travel' - making up for the lost time and opportunities missed because of the pandemic. Emperador embarked on a "Travel Light with EMPI LIGHT" campaign encouraging consumers to leave behind worries and fears and instead make things in life 'Light', fun and enjoyable with Emperador Light. Emperador also launched a line of innovative **Premium Tower Cocktails** at the on-trade channel expanding options on bar menus and offering a really exciting ingenuity of mixing a bottle of Emperador Light or Original with different flavors which drinkers can easily recreate at home. Since its nationwide launched in August 2022, **Emperador Premium Cocktails** immediately gained encouraging feedbacks among bar owners and strong following among the young drinkers who are now appreciating the new and exciting ways of enjoying Emperador. Among the favorites that have been gaining traction are "***Empi Honeylemon", "Empi Lychee" and "Empi Cosmo"*** - *a mix of berries*. And to further dominate the drinking consumption during the holiday season, a line of **Festive Cocktails** was launched with "***Merri Berri"*** and "***Forever Fresh"*** - *our take on the popular-mojito drink* has now become another Emperador hit at the on-premise accounts.

In 2023, Emperador elevates its Tagumpay brand story to the next generation as it launched "Angat sa Tagumpay" advertising campaign with Emperador Original as its banner brand. The campaign with Daniel "DJ" Padilla as brand ambassador gets to inspire the younger generation to continue to celebrate their journey of successes, big or small, with Emperador. It resonated well and gained highly encouraging and overwhelming engagements online as more netizens shared their own Tagumpay stories #AngatSaTagumpay and expression of love towards Emperador. Moreso, with Emperador Original as banner brand, Emperador expanded availability of its "Lapad -375mL bottle" nationwide which gained entry in the smaller pack segment of the market with its affordable size and price. This was supported as well with Daniel "DJ" Padilla as endorser via "Sakto sa Bulsa" advertising and below-the-line campaign.

Emperador continues to create innovative product bundle that provides new drinking experience for the young drinkers. In second quarter of 2023, Emperador introduced EMPI + CHASER, a new and enjoyable way of drinking Emperador. CHASER Sparkling Apple Iced Tea drink delivers an exciting fizz that provides a cool and refreshing sensation as a chaser after drinking your favorite shot of Emperador. The available promo bundle in selected supermarkets and groceries is provided with free Chaser for trial and as an added value to consumers.

In fourth quarter of 2023i, Emperador released digitally an online video of Daniel "DJ" Padilla's proud Pinoy moment as he visited the largest vineyard of Emperador in Toledo, Spain. Salud! - From DJ as he made known to all about how the best-selling brandy is made from natural-high quality grapes using modern state-of-the art technology and highly automated electronic system that is untouched by human

[5] *EDI's calculation based in part on data reported by Nielsen through its Retail Index Service for Wines & Spirits Category for the period ending December 2023, for the Total Domestic Brandy and Total Brandy. (Copyright © 2023. The Nielsen Company)*
[6] *Ibid footnote* [7]

hands. DJ proudly ensures that every Emperador bottle delivered is blended and bottled with the highest quality and gold-standard, living up to being a World-Class Brandy.

With the increasing number of drinkers who were drinking multiple types of alcoholic beverages, EDI's 'The BaR' brand was born in 2009. The BaR is the first flavored vodka, gin and tequila beverages to be produced by a Philippine company. In 2018, 'The BaR Premium Gin' line came out in three variants infused with flavors and botanicals imported from Spain. The most exciting variant is the Pink Gin because of its very millenial pink color, a trend that is fast gaining popularity globally. In 2020, EDI introduced 'The Bar Fruity Mix' and 'So Nice' ultralight alcohol drink that capitalize on the strong Hallyu (Korean Wave) influence among Filipinos.

With the introduction of 'Emperador Deluxe' in 2013, EDI is the first to bring an imported liquor brand produced entirely in Spain that focuses on the Philippine market. And with the purchase of Bodegas Fundador in Spain, EDI took over the Philippine distribution of 'Fundador Brandy', the Philippine best-selling imported premium brandy, beginning March 2016 and launched locally 'Tres Cepas Light' in December 2016, 'Tres Cepas VS' and 'Harveys' in 2017, and 'Fundador Double Light' in 2018.

EDI continues premiumization of its product portfolio with the introduction of the higher-priced single-malt and blended Scotch whisky products in the local market. In October 2015, 'Andy Player Black Blended Whisky' was launched, with the aim of cultivating a whisky-drinking culture in the local market. Currently, the Philippine whisky sector is so small and Emperador believes, whisky can bring new business.

EDI has extensive nationwide distribution network that provides it with a distinct competitive advantage. Its distribution network is operated through sales offices and distribution outlets throughout the Philippines. In addition, EDI employs its own sales and distribution force and vehicles fleet. EDI employs a majority of its sales force in-house that enables EDI to work closely with its customers and develop strong relationships with them. It continually seeks ways to expand the reach of its distribution network.

The **Scotch Whisky industry** is a homegrown industry that dates back to the 15th Century and has long been considered a cornerstone of the UK economy. In 2022, the value of Scotch whisky exports grew 37% to reach £6.2 billion for the first time, up £1.68 billion compared to 2021 and £1.28 billion compared to pre-pandemic 2019. In 2023, Scotch whisky exports slid 9.5% to £5.6 billion Key markets continue to demonstrate sustained growth in 2023, with Taiwan up 21.4% to £149 million and China up 39.5% to £135 million. During a year of significant economic headwinds and global supply chain disruption, the Scotch Whisky industry continued to be an anchor of growth, supporting investment and job creation across Scotland and the UK - exceeding £6 billion in export value for the first time is a milestone – as the industry benefited from full re-opening of hospitality businesses in key global markets, the return of global travel retail and continued premiumization trend.[7] Scotch whisky is considered the world's number one internationally traded spirit. (Source: Scotch Whisky Association)

The Whyte and Mackay business traces its history to the docks of Glasgow, Scotland in 1844. By the late 19th century, Glasgow was famous for its shipbuilding, pioneering its craft all over the world. It was at this time that James Whyte and Charles Mackay began to marry the best whiskies of Scotland with the intention of creating the smoothest and most distinctive blend of Scotch Whisky. In 1960, the Dalmore distillery, which has been producing exceptional single malt whisky since 1839, was acquired; and by 1965 'Whyte & Mackay' became the fifth most popular brand in Scotland. This achievement was followed by a successful redoubling of efforts in the export markets. Whyte and Mackay is considered the fifth largest maker of Scotch whisky in the world and owns some of the most iconic Scotch brands in the industry. The products are sold in at least 102 countries mainly in Europe, Asia and North America, with presence in the global travel retail space.

Whyte and Mackay is headquartered in Glasgow and has significant malt and grain production capability from its four malt distilleries and one large grain distillery. It also owns a bottling facility with

[7] *According to Mr. Mark Kent, Chief Executive of SWA, on a February 10, 2023 article*.

a capacity of 7 million cases per annum. In 2019, Whyte and Mackay was again awarded with the International Wine and Spirits Competition ("IWSC") Scotch Producer of the Year; it also received the same award in 2017 highlighting the extremely high-quality for which the company is renowned. In 2023, Whyte and Mackay was awarded Production Team of the Year 2024 by Icons of Whisky Scotland, one of seven commendations including Communicator of the Year 2024, and Whisky Maker of the Year 2023. The new Jura 15 Sherry Cask was commended in the product category and The Dalmore Cask Curation in the creative category.

The year 2023 was another year of sustained growth for Whyte and Mackay with the business performing strongly. We navigated challenging international trading conditions including global supply chain disruptions and increasing costs. The business continued to grow internationally and it enjoyed exceptional growth led by four strategic brands – The Dalmore, Fettercairn, Jura and Tamnavulin. In the UK, Jura and Tamnavulin continue to lead category growth, with Jura ~1 Single Malt Brand by Volume and Value (Source: Neilsen).

Internationally, Asia Domestic and Travel Retail remain a strong driver of growth supported by strong performances through concentrated activation in Hub City markets.

'The Dalmore', its luxurious brand, was again the major growth driver as the brand continued to excel at the apex of the Single Malt category. The year 2023 saw more rare releases entering the market to allow consumers expanded opportunities to experience this brand and its exceptional liquids, together with the continued success of the core range. The launch of The Dalmore Cask Curation Series, a rare edition limited to 150 sets worldwide, led the 2023 release slate, and was the spearhead to growth in target markets. Cask Curation 1: Sherry Edition celebrated the exclusive access The Dalmore has to extremely rare casks from famed wine maker Gonzalez Byass of Jerez de la Frontera, a key feature in the exceptional whisky making for which The Dalmore has become known. The Dalmore 18 Year Old and 21 Year Old garnered attention as annual releases, alongside The Dalmore Vintages, which launched for the first time to the USA. The continued demand for these new releases demonstrates how highly this luxury brand is regarded.

'Jura', the second largest profit-contributor brand continues to show some real consumer momentum across UK, Europe and Global Travel Retail in particular.

Jura is now the largest Single Malt brand in the UK Grocery market, by both value and by volume. The signature series now features a new portfolio of Jura Bourbon and this, together with the 10 and 12 year-old age statement whiskies have consistently shown they can compete strongly in the very competitive mainstream chain retail. Jura 18 has earned endorsement from leading voices in the industry, and targets the specialist liquor store channel alongside Jura 21 Year Old. The second exclusive for Global Travel , Islanders' Expression No.2 launched, with stunning visibility in Hub City locations. The new product and its accompanying campaign were Double Award Winners at TWFA, the strategically important trade show for Travel Retail. A second exclusive for Asia Domestic Markets, Jura 15 Sherry Cask, joined Jura 12 Sherry Cask, building incremental distribution. Jura 15 Sherry Cask was commended by World Drinks Awards as Best In Class, Single Malt (Islands).

The third Single Malt brand, 'Tamnavulin', has enjoyed significant success, becoming the fastest growing Single Malt in the Top 25 (IWSR). This classic Speyside Single Malt has gained share across all the regions of the world where it has been launched and enjoyed particular success in UK and Europe with new products. Again, a number of special cask finish releases have supported the core range of Double Cask and Sherry Cask to gain shelf space within the competitive price point, and drive recruitment through a broad offer of flavour-led expressions. In 2023 the Cask Editions continued to roll out to additional European Markets, and select markets in Asia.

'Fettercairn' is the fourth single malt brand which was re-launched in 2019 – a Highland Single Malt Distillery, producing rare, limited edition expressions, alongside a permanent collection of 12, 28, 40 and 50 Year Old, and new in 2022 Fettercairn 18 Year Old, which won industry 2022-23 Production Innovation of the Year (Spirits Business), and led to our Master Whisky Maker being crowned 2023 Worldwide Distiller of the Year (Icons of Whisky), converting the commendation made for Scotland in 2022. Fettercarin 18 Scottish Oak, led three Limited Edition releases in 2023, created to drive excitement with curious whisky lovers. Subsequent releases were Fetterciarn 16 Year Old and Warehouse Collection, 14 – the fifth and final in the collectable series of releases.

.An ultra-premium proposition, reinforced by elevated packaging reflective of the exceptionally refined whisky continues to enjoy widespread acclaim. Each bottle bears the iconic Unicorn emblem, the crest of the Distillery's founders, and the brand represents significant growth potential. Fettercairn entered the worldwide Top 50 Single Malt Brands for the first time in 2023 (Source: IWSR).

The strategic Single Malt brands are supported by a portfolio of contemporary whisky brands, 'Whyte and Mackay' enjoyed another exceptional year – a stand out performer - in the highly competitive UK blended whisky market - as it continued to gain share across the critical Grocery and Convenience channels. 'John Barr' sustained momentum internationally with a particular focus on the US and chain liquor stores, which represents potential source of growth for the long-term. 'Woodsman' launched in 208, is a key growth driver in the UK Grocery and Convenience, and launched its first consumer campaign in 2023 to industry acclaim.

In summary, Whyte and Mackay continues to achieve sustained momentum and to trade very successfully despite the global challenges of 2023. The company is in a strong position and continues on its excellent long term growth trajectory.

In the extreme south of the Iberian Peninsula, between the Atlantic Ocean and the rivers Guadalquivir and Guadalete, lies the **Marco de Jerez**. More than 7,000 hectares of vineyards that for centuries have been the cradle of the wines and brandies of Jerez, jewels of universal oenology.

Jerez is known as the world capital of sherry wine. It has been a center of viniculture since winemaking was introduced to Spain by the Phoenicians in 1100 BC. The Moors conquered the region in 711 and introduced distillation which led to the development of brandy and fortified wine. Sherry became very popular in Great Britain. **Brandy de Jerez** is a brandy that is produced only in the region of Marco de Jerez, a small area that has a unique climate in terms of sun, wind, humidity and earth that enhance the production and ageing of our brandys and sherrys in the west side of Andalusia, Spain. The name brandy is derived from the Dutch word "brandewijn" which means burnt wine while the term "holanda" is derived from Holland where most of exports went. Brandy de Jerez is produced by distilling wine, and generally contains 35-60% alcohol per volume. The creation of brand names for Brandy de Jerez occurred during the nineteenth century on the initiative of Sherry firms who were pioneers in the sale of brands which exist today, not only in Spain but in other countries worldwide.

Founded in the year 1730, Bodegas Fundador is the oldest brandy and sherry company in Spain. Bodegas Fundador started with wine cellars that produced exceptional sherry wines for all over the world. In 1778, it expanded its vineyards by acquiring the historic Macharnudo Castle of the Macharnudo District in Jerez, home of 'El Majuelo' – a 268-hectare vineyard where the best quality of vines can be found. 'El Majuelo' has a special micro-climate that is the heart and the footstone for 'Fundador Brandy'. 'Fundador Brandy' was born in 1874 when Pedro Domecq aged exceptional quality holandas through the traditional criadera and solera system in sherry-soaked American oak barrels discovering a golden liquid with an incredible aroma. 'Fundador' was the pioneer of "Brandy de Jerez" and has grown, over the centuries, to be Spain's most recognized and largest export brandy. The versatility and size of Bodegas Fundador encompass a large and varied spectrum of well-known products aside from 'Fundador Brandy'. Bodegas Fundador also produces other brandies such as 'Terry Centenario', Spain's top-selling brandy, and 'Tres Cepas', Guinea's best-selling brandy, as well as 'Harveys', the number 1 sherry in the world.

Taking age-old traditions to contemporary markets worldwide, Bodegas Fundador through its vineyards and cellars in Jerez, Spain and its distillery in Tomelloso, Spain, produce around 2 million nine-liter cases yearly for different markets around the world. In 2005, they were recognized as the best winery of the year, and in 2017 and 2019, the best fortified wine producer of the year, both by the IWSC. The year 2019 has been another highlight year for Bodegas Fundador as it continues to reap awards. 'Fundador Supremo 18YO' was recognized as the "Best Brandy in the World", while 'Harveys Oloroso VORS' garnered the Best Sherry accolade, from IWSC for 2019. Bodegas Fundador has been nominated in 2020 and 2022 for the best brandy producing winery in the world by the IWSC, the annual wine and spirits competition founded in 1969 by German winemaker Anton Massel.

Bodegas Fundador continues to expand its foothold around the world, as it partners with distributors in key markets such as Spain, UK, USA, Mexico, Italy and Canada. In Spain, 'Terry Centenario' maintain its clear leadership, performing better in the category. Vermut Marinero also continues its expansion, increasing its distribution and visibility in the Spanish market, and bringing the winery closer to new market trends.

In 2022, Fundador completed the launch of the Fundador Sherry Cask Solera in the main countries, leveraging on the differential value of its Sherry Cask, a range of products that builds the premium image within the brandy segment with a contemporary liquid capable of satisfying the most demanding palates. In addition to completing the redesign of the Classic range with the adaptation of the new Doble Madera (Solera Reserva) and Triple Madera (Solera Gran Reserva) which has been launch in the key markets, completing the scale of DO de Jerez, and which will help to create a coherent image under the umbrella of Sherry Cask. Fundador Sherry Cask Solera, advance in the market bringing on new partners and distribution and assuring new news of the brand that generate visibility and word of mouth marketing.

Since 2020, despite the difficulties caused by the pandemic around the world, the brandy and sherry brands of Bodegas Fundador have continued to maintain their sales and leadership in some key markets. Covid-19 pandemic changed the alcohol consumption trend specially in territories where social drinking is not allowed. The brandy and sherry categories of Bodegas Fundador are aligned to this new demand space where the consumption at home is in full growth.

The strategy of linking 'Terry Centenario' with coffee in Spain is still helping the brand health. This campaign has positioned 'Terry Centenario' as the perfect drink to mix with coffee, putting the brand in the consumer´s mind. According to most recent Nielsen updated data released in November 2023 (MAT NOV'23 all channels Volume share), 'Terry Centenario' is the leading brand of the Brandy Category in Spain, with a market share of 25,2 %. In 2024, 'Terry Centenario' will be launched in the USA with the new and premiumize image.

'Harveys' maintains its position as the Best-Selling Sherry worldwide, leading the category and exploring new ways of consumption. Spain, UK, USA and Canada markets present a growth for Harveys in a Sherry Category.

'Fundador Sherry Cask Solera' is making success in some markets such as UK where the brand was officially launched in 2021 and continues to perform and rolls out in the following years within the brandy category in Mexico, where the product experience a double-digit growth and USA where the launch was delated but the roll up continuous during 2023. 'Fundador Light' is available now in some markets such as US and Canada. 'Fundador Supremo' continuous to build brand awareness in Asia, USA, and Spanish market through a premiumization communication plan.

For three consecutive years, the International Wine Challenge Competition awarded 'Harveys Very Old Amontillado V.O.R.S.' with a gold medal as well as 'Harveys Very Old Oloroso V.O.R.S' in 2023. For the fifth time, International Wines and Spirit Competition (**"IWSC"**) nominated Bodegas Fundador for the "World´s best Brandy Producer of the Year" award. Bodegas Fundador's Premium range also obtained a trophy for its Palo Cortado & a gold medal for Oloroso & Pedro Ximénez in the IWSC 2023 reinforcing the quality image of its sherries.

In 2023, the Decanter World Wine Awards ("**DWWA**")[8] declared 'Harveys Very Old Amontillado V.O.R.S' as the Best in Show. The 'Harveys Very Old Palo Cortado V.O.R.S' was awarded a platinum medal while 'Harveys Very Old Oloroso V.O.R.S' obtained a gold medal.

Fundador Sherry Cask continues to win awards in 2023. IWSC awarded a gold medal to 'Fundador Supremo 15 YO' Amontillado and another gold medal to 'Fundador Sherry Cask Double Madera'.

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[8] *The largest wine competition in the world founded in 2004 with over 15,000 entries per year.*

In 2023, the San Francisco World Spirits Competition ("**SFWSC**") – the most prestigious spirits competition in the United States and one of the most reputable in the world – awarded a Double Gold medal to 'Fundador Sherry Cask Solera', 'Fundador Triple Madera Solera Gran Reserva', and 'Fundador Supremo 18 YO Oloroso'; and a Gold medal to 'Fundador Double Madera Solera Reserva', 'Fundador Supremo 15 YO Amontillado', and 'Fundador Supremo 30 YO Palo Cortado'.

Bodegas Fundador premium and quality products are also celebrated in the China Wine & Spirit Competition ("**CWSA**"). CWSA awarded three gold for 'Fundador Supremo', '15 YO Amontillado', 'Fundador Supremo 18 YO Oloroso' and 'Fundador Supremo 30 YO Palo Cortado'.

Bodegas Fundador operates as a global brandy and sherry company. The global brandy and wine business is further fortified by the Domecq trademarks that fall under Spain and Mexico and have commercial reach to South America, particularly Brazil and Colombia, and USA. The group has more than 72% [80% in 2019] of revenues coming from Spain, Philippines and Mexico, and the rest coming from other European, American and African markets. Strategic growth will be brands-led but will be supported by private label business.

To improve and strengthen its worldwide presence and positioning on the wines and spirits' markets, GES, in 2014, entered into a business collaboration scheme with Gonzalez Byass, with the acquisition by GES of a 50% stake in BLC, with the remaining 50% in the hands of Gonzalez Byass, and later that year with the incorporation of two fully owned subsidiaries of BLC, Alcoholera de la Mancha Vinícola, S.A.U. (**"Alcomasa"**), focused on the exportation of distilled wines and Viñedos, devoted to the planting and farming of several vineyards in Toledo.

In 2017, once again a business collaboration with Gonzales Byass took place with the formation of a new company joint venture equally owned by GES and Gonzalez Byass, Domecq BLC, who manages the business related to the Pedro Domecq brand portfolio, and three (now two) Mexican subsidiaries called Pedro Domecq S.A. de C.V., Bodega Domecq S.A. de C.V. (absorbed in 2019 by Pedro Domecq S.A. de C.V.,) and Domecq Distribucion de Bebidas SA de CV (known as Gonzalez Byass de Mexico at that time and absorbed by Pedro Domecq, S.A. de C.V. in 2021).

The Emperador group's brand portfolio is well diversified and extends across a broad range of price points within both the Scotch whisky and brandy segments, from accessible and standard brands such as John Barr, Tamnavulin, Emperador and Presidente, to premium and super premium labels such as Fettercairn, Fundador Exclusivo and Supremo, and up to the luxury segment with The Dalmore, as shown below:

PRODUCTS / New Products

The Group manufactures its own brands:

'**Emperador Brandy**', the first brandy label, was launched in 1990 in the Philippines and is currently the leading local brandy in the country. In 2010, '**Emperador Light**' was introduced in response to a growing market for alcoholic beverages with lower alcohol content and targeted at younger alcoholic beverage consumers. '**Emperador Light Spanish Edition**' was launched in 2023 in UAE. In March 2013, EDI introduced '**Emperador Deluxe Spanish Edition**', a premium brandy imported from Spain that is created specifically to appeal to the Philippine palate. The sin tax regime on liquor, which started on January 1, 2013, leveled the playing field for imported liquors and provided a prime opportunity to introduce 'Emperador Deluxe' to the Philippine market. In June 2019, a lighter variant was introduced, the '**Emperador Double Light'** for that '*dobleng saya, dobleng tagumpay*' feeling. This lower alcohol, lower calories smooth fruity drink targets the younger generation of drinkers who are growing more mindful about health and wellness trends. From time to time, Emperador offers innovative products to add excitement in consumers' drinking. In August 2021, '**Emperador Coffee Brandy**' was launched bringing more fun to coffee and more enjoyment to brandy for that '*sarap maka-feel good*' feeling. In 2022, newly improved **Emperador Original** with a 58.72 proof was introduced offering the classic depth, richness, body, and strength for one's mouth feel but still within the smoothness range preferred by Filipinos. Currently, it has the strongest alcohol content in the Emperador portfolio. In second quarter of 2023, **Chaser Sparkling Apple Iced Tea** was launched as the perfect pair to the favorite Emperador. It highlights how versatile Emperador is enjoyed by Filipinos whether neat, on ice, mixed or with a chaser.

In 2019, 'Emperador Brandy' won the silver medal in the Distilled San Diego Spirits Competition, while 'Emperador Light' won the bronze medal. At the 2016 International Review of Spirits, organized by Beverage Testing Institute in Chicago, **Emperador Solera Brandy** won the silver award (highly-recommended), with added special recognition as "Best Buy", by garnering 89 points while 'Emperador Light' received the bronze award (recommended) with 83 points. The "Best Buy" recognition is an added excellence award given only to the spirits or wines that provide uncommon value. 'Emperador' is the only Filipino brandy to be included as one of the best brandies in the world with 'Solera' and 'Emperador Light'.

The premium and imported lines, '**Emperador Deluxe Special Reserve**' and '**Emperador Grand Supreme**' are retail store exclusives.

‘**Andy Player Whisky**’, a popular drink in the ‘80s, was revived in October 2015. The whisky blend has a unique character, rich aroma and complex taste which include orange marmalade and maple syrup.

‘**The BaR’** was initially launched in 2009. ‘The BaR’ is marketed as a ready-to-serve flavored alcoholic beverage with low alcohol content. In 2018, ‘**The BaR Premium Gin’**, infused with botanicals from Spain that gives it a delicious burst of flavor not found in local gin products, was launched. This world-class premium gin line comes in three variants: **Pink** with flavors of mixed berries, **Lime Gin** infused with lime flavors, and **Premium Dry** infused with imported botanicals. The Bar Premium Gin is not only far better but also different. It is dubbed as ‘the gin for the new generation’. In August 2020**, ‘The Bar Fruity Mix’** was launched as more young Filipino drinkers appreciate light alcoholic beverages, while recognizing the strong Hallyu (Korean Wave) influence as an opportunity to relate to these young drinkers. ‘The Bar Fruity Mix’ is a fruit-forward and ultra light alcohol that comes in two flavors – Pink Grapefruit and Green Grape.

‘So Nice’ is an ultralight alcohol that gives consumers a refreshing and flavorful drinking experience. This clear, colorless, distilled spirit is available in three variants – green grape, grapefruit and original. It was launched in November 2020 catering to Filipino youth who prefer a lighter drink at an affordable price.

‘The New York Club No. 1 Vodka’ is an extremely smooth vodka produced and bottled in the USA. Evoking the vibrancy of New York City’s nightlife, this vodka is so crisp, so clean, so smooth. It is distilled six times from the finest ingredients for that extra smoothness, and filtered to perfection, making a versatile drink for every occasion.

‘**Smirnoff Mule**’, is the number one ready-to-drink beverage in the category. A full-flavored blend of Smirnoff Vodka, ginger beer, and lime, Smirnoff Mule delivers a refreshingly smooth taste with a bold kick at 6% ABV. Smirnoff Mule is being manufactured and distributed by EDI under a licensing agreement with Diageo North America, Inc. To date, Smirnoff Mule is the number one product in the ready-to-drink category.

‘Charles & James Light’ was introduced to the Philippine market in August 2022. Imported from Scotland under Whyte and Mackay, Charles & James is a Light Blended Spirit that is distilled and aged in oak barrels and expertly crafted for exceptional richness. It is smooth and light at 25% ABV, specifically made for the Filipino palate. Charles and James Light is the stepping stone to the world of whisky.

‘Zabana Philippine Rum’ is an award-winning brand of rums created by Filipino master blenders from the purest sugarcane sourced across the country. Its rums range from entry level (Zabana 8 and Blanco), mid-level (Zabana XO and White), premium (Zabana Small Batch Tropical Spiced Rum, Sherry Oak Cask, and 1997), to ultra-premium (Zabana Single Barrel). Over the years, these rums have accumulated a number of recognition from award-giving bodies such as Cathay Pacific Hong Kong International Wine & Spirit Competition, International Spirits Challenge, Monde Selection, and SIP Awards.

EDI also imports and distributes the Group’s products from the distilleries in Spain and Scotland. In 2015, EDI introduced its Scotch Whisky variants in the local market. It also began distributing ‘Fundador Brandy’, the Philippine best-selling imported premium brandy, in March 2016 and launched locally ‘Tres Cepas Light’ in December 2016. EDI also started distributing ‘Harveys Bristol Cream’ and ‘**Fundador Double Light**’ in 2017\.

EDI also distributes ‘**Pik-Nik**’ brand shoestring potato snacks and **Ernest and Julio Gallo wines**. The ‘Pik-Nik’ brand is owned by AGI Group.

Scotch whisky is Scotland’s leading indigenous product and is now established as the leading international spirit drink, making it one of Britain’s most important exports. It is a distilled spirit made (distilled and matured) in Scotland using *only* cereals, water and yeast. Most whiskies mature far longer than the legal minimum of three years, and the maturation period varies for different whiskies.

The age statement on a bottle reflects the amount of time the youngest whisky in that bottle has spent maturing in a cask.

Whyte and Mackay has built on its foundations as a leader in the Scotch Whisky industry.

The award-winning whisky makers' collection now features 3 Single Malt Scotch brands with real momentum in their respective segments, ranked in the top twenty worldwide, by industry authority The IWSR. Worldwide, 'Tamnavulin' and 'Jura' are the number 1 and number 2 Fastest Growing Single Malt Scotch brands. In the UK - the home of Scotch Whisky - Jura became the Number 1 Single Malt Brand, by both volume and value (Neilsen). Whyte and Mackay became the Number 1 Scotch Whisky producer in the UK Off Trade (Neilsen).

'The Dalmore' continues to enjoy exceptional performance, a 'Masterpiece in the Making'. The Dalmore 'Decades' concluded in first quarter of 2022, having featured a once-in-a-lifetime collection of whiskies celebrating whisky making artistry across six decades. The campaign broke records for Sotheby's Asia, achieving $1.1M at auction. The collection secured prestigious features in Paris, Los Angeles, London, Taipei and Shanghai. The Dalmore 'Decades' set a new standard in luxury spirits marketing, with a boutique in Hainan, elite performance on Tmall and Whyte and Mackay's first Non-Fungible Tokens (NFTs) partnership. In 2022 The Dalmore launched The Luminary Collection, a partnership with renowned Japanese architect Kengo Kuma and design institution V&A Dundee – Scotland's first design museum. The innovative product harnessed Japanese and Scottish Oak Casks, to mature the rare 48 Year Old whisky, as a tribute to the two luminaries behind the project Kengo Kuma and Richard Paterson OBE. A collectible Limited Edition was developed by their proteges Master Whisky Maker Gregg Glass and Maurizio Mauciolla, which sold at pace in global outlets.

The Dalmore Master Whisky Maker Mr Gregg Glass, was awarded the honour of Distiller of the Year, Scotland, by the prestigious Icons of Whisky Awards 2023 (Awarded December 2022).

The Dalmore's Richard Paterson, was awarded as Officer of the Order of the British Empire (OBE) by Queen Elizabeth II celebrating his visionary contribution to the industry over the past five decades. The "Most Excellent Order of the British Empire" is an order of British Chivalry created in 1917 by King George V. Titles in the Order are awarded to members of the public for significant contributions in their field of work (Scotch Whisky Industry).

WMG offers Single Malt and Blended Scotch whiskies, liqueurs and vodkas, under the following key brands:

'**The Dalmore Single Malt Scotch Whisky**' sits at the apex of the category in which it competes. It is positioned as a luxury brand, at the pinnacle of the luxury spirits category. The Dalmore's powerful stag emblem is built on a heritage that is rooted in the saving of King Alexander III of Scotland from being gored by a raging stag with a single arrow in 1263 by an ancestor of Mackenzie clan. The grateful king granted him the right to bear a stag's head in his coat of arms and so every bottle of The Dalmore is adorned with this noble emblem: a stag's head with twelve points to its antlers, signifying 'royalty'. The Mackenzie family ran the Dalmore distillery from the mid 1800's until Whyte and Mackay took over. It is considered the most revered single malt whisky in the world. 'The Dalmore Principal Collection' consists of six expressions positioned as Accessible (The 12, Port Wood Reserve, The 15, Cigar Malt Reserve, The 18, King Alexander III) and Aspirational (The 25). Positioned at the apex is 'The Dalmore Constellation Collection' which is a rare ensemble of unique vintage single malts from the Highland distillery and the Dalmore Decades, a once-in-a-lifetime collection of whiskies. 'The Dalmore' is renowned for rare editions that have sold for industry redefining prices, including the most expensive bottle ever sold in a retail store. The rare and aged collection includes The Dalmore 20 Year Old, The Dalmore 21 Year Old, The Dalmore 30 Year Old, The Dalmore 35 Year Old, The Dalmore 40 Year Old, The Dalmore 45 Year Old, The Dalmore 50 Year Old, and The Dalmore 60 Year Old.

The Dalmore Vintage Collection launched, with an Asia Exclusive, in 2021, expanding to global markets in 2022. The Collection celebrates the whisky making artistry for which the brand has become renowned.

‘**The Dalmore Quintessence’** is the first and only single malt whisky in the world with five red wine cask finish. Master Distiller Richard Paterson travelled to California to hand select the five different casks in which this exceptional whisky would be matured; Zinfandel, Pinot Noir, Syrah, Merlot and Cabernet Sauvignon, each bringing their individual nuances to create a totally unique single malt.

‘Luminary’ collection of rare, limited-edition single malts presented by exceptional talent from the worlds of whisky and architectural design, curated in partnership with V&A Dundee, Scotland’s design museum was created and launched in 2022. In the same year, two limited editions were also released - **‘The Dalmore 2003 Vintage’** and **‘The Dalmore 2007 Vintage’**.

‘**Jura Single Malt Scotch Whisky**’ is a premium Scotch whisky that is considered an accessible single malt whisky. It is produced at the only distillery on the Isle of Jura, a very remote island off the west coast of Scotland. This brand is built upon a captivating island environment and its “A long way from ordinary” banner encapsulates the very special nature of this island single malt.

‘Jura 12 Sherry Cask’ is an Asian exclusive, initially launched in Taiwan. Casks are hand selected from Jerez for the very best Sherry casks. A full finish in our Oloroso Sherry combines well with our Jura Spirit and account for 75% of the balanced flavour of our ‘Jura Sherry Cask’. It is rich, fruity, and vibrant - with notes of chocolate, almond, and ripe plum.

‘Jura 12 Years’ A modern classic aged 12 years. Reassuringly rich with sherry sweetness. Matured in American white oak ex-bourbon barrels for 12 years and finished in Oloroso Sherry casks from Jerez, Spain. This 12-year old has refined succulent tropical aromas of chocolate, walnut, and citrus fruit.

‘**Jura 14 Year Old Rye Cask**’ is a 2022 release from Jura Whisky and celebrates Jura’s bright community spirit; a close-knit group of around 212 warm and welcoming individuals, inspired by life on their island and all those who have a hand in making it. Matured in American White Oak ex-bourbon barrels, this spirit was then further matured in hand selected American rye whisky barrels to add depth and complexity with layered spice, aromatic, herbal and floral characteristics. The rye casks add distinctive layers of cinnamon, vibrant vanilla, cacao and warm honey flavours.

‘**Tamnavulin Single Malt Scotch whisky**’ was launched in 2016, initially in the UK. The Tamnavulin Distillery was built in 1966 and was acquired by WMG in 1993. ‘Tamnavulin’ is the epitome of a Speyside malt; rich, smooth, elegant and refreshing. Tamnavulin is the Gaelic translation for ‘Mill on the Hill,’ named in part after the 16th century woollen mill which sits on the site of the distillery. This Speyside is double cask. Matured in American Oak Barrels and finished in Amoroso Oloroso Sherry casks for a rich, full-bodied, sweet and mellow taste. EDI started distributing this product in the Philippines in 2018. **‘Tamnavulin Single Malt Scotch Whisky Vintage Collection’** rare range with expressions from the years 2000, 1979, 1973 and 1970, together with a new Tempranillo finish was launched in 2018 for Global Travel Retail.

‘Tamnavulin Sherry Cask Edition’ is matured in American Oak Barrels and enhanced by a finesse in three different sherry casks. This classic revelation from the Speyside Valley is marked with notes of vanilla pod, glazed nectarines, and hints of sticky toffee pudding.

‘**Tamnavulin White Wine Cask Edition’** showcases the distinctive orchard fruit character of the Speyside distillery, which complements the flavours enhanced by the white wine finish. In line with Tamnavulin’s tradition of double matured whiskies, this expression began its life in American White Oak barrels, before undergoing its second maturation in Sauvignon Blanc white wine casks.

‘**Fettercairn**’ comes from Fettercairn Distillery which was founded in 1824 and acquired by WMG in 1973. The arch and the unicorn are two symbols that are heavily associated with the long history of the Fettercairn Distillery. This distillery has huge potential and over the coming years the range and distribution will be expanded. It will celebrate 200 years in 2024, and is enjoying significant success as an ultra-premium Single Malt Scotch Whisky. **‘Fettercairn Single Malt’** was re-launched in 2018 with a new packaging with the lead expression 12year old supported by rare releases of 28year old, a 40year old, and a 50year old, all four showcasing the iconic unicorn symbol. New expressions of 16 year old and 22 year old were successfully launched in 2020 as we build a full age range portfolio. **'Fettercairn Warehouse'** batches were launched in 2022.

'**Fettercairn 18 Years Old'** (ABV 46.8%) was awarded Industry Production Innovation of the Year (Spirits Business), as the first release 100% finished in responsibly sourced native Scottish Oak, an industry landmark.

'Whyte and Mackay Blended Scotch Whisky' is produced using a unique triple maturation process that ensures a smoother, richer taste. In 2019, a new innovative product, '**Whyte and Mackay Light**', was launched in the UK to allow consumers to enjoy a great whisky taste whilst consuming lower units of alcohol. At 21.5% ABV, this product is a first in the UK and it received widespread acclaim for quality and for the important messaging it represents. This new lighter spirit drink has been enriched by sweet Sherry casks and freshly emptied Bourbon barrels and tastes great – smooth with a subtle hint of smoke and perfectly enjoyed straight over ice, or with your favorite mixer.

'Woodsman Blended Scotch Whisky' was launched in 2018 as a more contemporary proposition for younger consumers. It was designed to work well with mixers and with its modern bottle design it has attracted new consumers into the Blended Scotch market. Woodsman invested in consumer marketing in 2022 with a creative targeted to recruit consumers from Bourbon and affordable Blended Whisky. The campaign was awarded Best Brand Partnership (Radio X) 2022.

'**Shackleton**' is a new Blended Malt brand launched in 2017. It was inspired by a 1907 whisky which was extracted after 100 years under ice. A conservation team carefully extracted crates of whisky left behind by renowned polar explorer Sir Ernest Shackleton. Whyte and Mackay master blender Richard Paterson carefully selected 20 of the finest highland malts to recreate the antique whisky supplied to the British Antarctic Expedition. It has hints of vanilla, ginger and licorice on the nose, with a taste of demirara sugar, manuka honey and dried pineapples, and a whisper of bonfire smoke in the finish.

John Barr, **Cluny** and **Claymore** are all blended Scotch whiskies, a combination of malt whiskies and grain whiskies from a number of different distilleries.

'**Glayva**', a liqueur made from a blend of aged Scotch whiskies, a selected range of spices, Mediterranean tangerines, cinnamon, almonds and honey. It has a deep golden colour and a distinctive flavor. In 2022 Glayva launched a new consumer campaign in the UK, driving consumer recruitment by putting the award-winning flavour proposition front and centre.

From ***Bodegas Fundador***, the following iconic brands manufactured and distributed from Spain are under EMI Group beginning March 1, 2016:

'**Fundador'** is a Brandy de Jerez, the brandy capital of Spain. Fundador means the 'founder', as it was the first Spanish brandy to be marketed, this happened in 1874 by Pedro Domecq Loustau. It is sold in over 70 countries worldwide, and the no. 1 imported premium brandy in the Philippines. The brand has an excellent range ending with the high premium brand '**Fundador Exclusivo**' and Sherry Cask Collection – The Fundador Supremo'.

'Fundador Supremo' is a Solera Gran Reserva Collection aged in our Sherry Cask, unique in the world and which has belonged to our winery for centuries. A unique creation which represents a true innovation within the category of Brandy de Jerez. The 'Sherry Cask Collection' by Fundador Supremo reveals the depth of the most luxurious flavours provided by time in wood, thus creating an Ultra-Premium category Brandy.

The ageing in Sherry Casks, unique in the world and of very high value, which have contained very old Oloroso, Amontillado or Pedro Ximénez, give the brand the exclusivity and originality it deserves. In 2023, the Fundador Supremo 30 YO Palo Cortado was launched to the market with only 30 bottles. It has been positioned at the top of the range due to its rarity. Fundador Supremo 30 YO Palo Cortado aged in casks that have previously contained a 30-year-old Palo Cortado wine. Of all sherry wines, Palo Cortado is the most famous and mysterious. Its uniqueness and exquisiteness have reached such an extent that it has been the subject of several documentaries that try to understand its origin and complexity. Palo Cortado is a type of fortified wine. What makes palo cortado special and unique are its nuances, as it is a generous wine with body, but with aromatic delicacy, freshness and a sharp touch that surprises everyone who tastes it. The name palo cortado comes from the way wine is catalogued in the wineries. In the past, the palomino grape was used to obtain fino wine, and when it was poured into the bota (the name given to the barrel in Jerez), it was marked with a chalk line to indicate that the next fino was fermenting there. However, if over time the wine lost its “velo de flor”, a layer of yeast on the surface of the wine, it could no longer be protected from oxygen and, therefore, another type of fortified wine was obtained from that must. The moment the foreman realized this, he would take the chalk and draw another line on the first one, making the drawing of a cut stick. This is how this generous wine came to be called palo cortado. A rarity that transmits all of its intensity to the brandies aged in their casks.

‘Fundador Light’ is currently the best-selling ‘Fundador’ in the Philippines, having a balanced and clean aroma with a fragrance of wood seasoned sherry and a smooth light taste of brandy from our cellars in Jerez.

‘Fundador Double Light’ is an exceptional spirit from sherry casks in our cellars in Jerez. It guarantees double smoothness and double satisfaction in every bottle with a lower alcohol by volume of 25.8% compared to 28% of ‘Fundador Light’. It is the ultimate expression of ‘Fundador Light’ with a different concept. It has more ageing profile and character that is an effect of the double casks.

‘Fundador Double Wood’ is a Brandy de Jerez Solera Reserve, inspired in the brandies originally crafted in the 19th century, where the prolonged aging makes the holandas acquire the most important and unique characteristics of wood.

‘Fundador Triple Wood’ is a Brandy de Jerez Solera Gran Reserve obtained through a very long ageing process that triples the standards of brandy production. A unique expression that reveals the depth of the elements contributed by the wood to a powerful bouquet from the long periods of aging.

’Fundador Sherry Cask’ is a Sherry Cask Solera and Solera Reserva, which is the classic Fundador version’s update. After almost 40 years, its image and liquid were refreshed in 2021 through a simultaneous launch in Spain, UK, Italy, México and USA, whose result is Brandy perfect to drink neat or mix with Cola or any other beverage. Aged in Sherry Casks that have previously contained Sherry wine, this Brandy is the combination of experience and innovation that has the credibility to reinvent the Brandy category.

‘**Terry Centenario**’ is the largest brandy in Spain. Centenario means centenary, and it evokes the change to the twentieth century when the Terry family started producing brandies in its bodegas in Puerto de Santa María. It is a premium and distinguished brand with the iconic net and the unique logo of the Terry Horse. ‘Terry Centenario’ is the leading brand of the Brandy Category in Spain, with 25,5% market share, twice the share of the second best-selling in the category (Nielsen MAT 2022).

‘**Terry White**’, a new expression, a new category, a new Classic “White Brandy” was born in 2017 to renew the brandy category in Spain by shaking the market though a modern concept of a white spirit. Through mixology platform, this disruptive concept was launched to a fashionable position for a spirit drink for a future halo of Brandy de Jerez.

‘**Tres Cepas’** is a market leader in Equatorial Guinea. In the beginning, Domecq had three brands, Una Cepa (One vine), Dos Cepas (Two vines) and Tres Cepas (Three vines), that were in increasing order of quality and age. It is a premium brand result of a special selection of wines distilled aged in sherry oak casks by the traditional Criadera and Solera system. In 1902, the brand Tres Cepas was launched in the market and started to be a successful brand. The year 2016 saw the renaissance of the brand in the Philippines, and a special expression of ‘**Tres Cepas Light**’, with a different concept and bottle, was launched in December at a very affordable introductory price. Tres Cepas Spirit is a delicate selection of wines distilled carefully aged in Bodegas Fundador’s wineries in Jerez, smooth with mineral notes and beautiful amber tone. In 2017, **‘Tres Cepas VS’** was launched. It is an ultimate expression, as the master blended carefully tasted the oldest soleras and selected barrels with special characters and notes to make a unique blend for this Very Special Tres Cepas.

'Harveys' is the number 1 selling Sherry Wine in the world and the leader in the UK (IWSR 2020). It is a recipient a Double Gold Medal award in CWSA in 2018. The CWSA is the biggest and most prestigious wine and spirits competition in Hong Kong. It holds Royal warrant in UK which distinguishes it as the only sherry wine that can be served to the Queen in Buckingham Palace since 1895. It is also the unique Spanish Company that supplies to the Royal Household. This brand was registered in Bristol by the Harvey family in 1886 and was the first cream Sherry to be marketed. '**Harveys Bristol Cream'** is a unique blend of sherries combining the character and body of aged olorosos with the aroma and finesse of finos and amontillados. A proprietary blend of three sherry types: Fino, Amontillado and Oloroso, all created from the Palomino grape. "Everyday's A Holiday" with Harveys Bristol Cream®, taken alone or with fruit or used as ingredient to desserts and baking.

'Harveys Very Old Amontillado 30-Year Old V.O.R.S' was awarded with a Amontillado Trophy in 2020 by the International Wine Challenge ("IWC"), by bagging the "The Best Wine in the world" in 2016.In 2023, it was awarded as Best in Show by DWWA. **'Harveys V.O.R.S. Palo Cortado'** was awarded by the IWC with a "Trophy Champion 2020 the Sherry". In 2023, it garnered a platinum medal from DWWA and won a trophy from IWSC. Also in 2019, the IWSC awarded as "The best Sherry in the world" to **'Harveys Rich Old Oloroso Sherry 30 Year Old V.O.R.S**.' and '**Harveys Pedro Ximenez 30 Year Old V.O.R.S**.'. Both obtained a gold medal from IWSC in 2023. Harveys launched in 2013 an ultimate expression Signature by Harveys which is a '**12-Year Old Cream Sherry**', this product was awarded the gold medal by the SFWSC in 2018. **'Harveys Aperitivo'** is a sherry-infused seasonal *tipple*. Exclusive to the UK, 'Aperitivo' comes in two flavors – Pink and Orange. Harveys Orange is a delicious blend of two grape varieties – Palomino and Muscatel – with an aroma of bitter orange, tangerine and aromatic herbs while Pink is made of three grape varieties – Palomino, Muscatel and Tintilla de Rota (a local rare red wine) – and has a subtle aroma of red fruits and flowers.

'Vermut Marinero by Garvey' was launched in Spain in 2021, entering a new unexplored category. This product proposal is very different from other competitors: a red vermouth with a touch of Atlantic salt, elaborated from the most selected sherry wines and characterized by a smoothness and a flavour resulting from the Palomino Fino grape macerated with seaweed. A product totally unique and 100% suited for the aperitif moment.

From the ***Domecq brands of brandies and wines*** come these Mexican brandies, which are also distributed in USA. In Brazil, 'Domecq Brandy' is a strong brand which covers all market in Brazil.

'**Presidente**' was the first Mexican brandy, launched in 1958. It is produced from a blend of the best grapes of the Hermosillo region of Mexico.

'**Presidente Light**' was brought in from Spain and launched in the Philippines in 2022. Presidente Light Brandy boasts of notes of caramel, toffee, dried raisins, orange marmalade with a very subtle hint of chocolate. A light brandy that is very smooth on the palate.

'**Don Pedro**' has been more than 50 years in the market, launched during the 1960s. Its name celebrates the company's founder, Don Pedro Domecq.

'**Azteca De Oro'** has been more than 36 years in the market. These brands are also distributed in USA. In Brazil, 'Domecq Brandy' is a strong brand which covers all market in Brazil.

Vendors may sell the products at higher or lower prices than EDI's suggested retail prices, depending on outlet margin requirements and their operating costs. The Government does not regulate the price of alcoholic beverages in the Philippines. However, manufacturers of alcoholic beverages in the Philippines are required to pay an excise tax on alcohol production based on the percentage of alcohol contained in the beverage and net retail price.

MARKETING, SALES AND DISTRIBUTION

The Group's products are distributed in at least 114 countries globally. Promotion strategy depends upon the brand and considers price, communication, and promotional activities.

EDI products are marketed, sold and distributed in the Philippines through its extensive nationwide distribution network that provides it with a distinct competitive advantage. In particular, EDI's grassroots selling and marketing network covers the plethora of hole-in-the-wall or mom-&-pop stores in the country. Marketing has also expanded outside the traditional platforms to reach into the digital space platform. EDI local products are now available in at least 70 countries outside the Philippines.

Bodegas Fundador operates as a global brandy and sherry company. The global brandy and wine business is further fortified by the Domecq trademarks that fall under Spain and Mexico and have commercial reach to South America, particularly Brazil and Colombia, and USA.

Whyte and Mackay's overriding objective is to operate as a global branded drinks company which delivers sustainable rates of growth and returns that increase overall shareholder value. The Group operates in the UK and increasingly in international markets including the Travel Retail sector. Whyte and Mackay continues to invest across the business for future growth. It maintains a strong level of Strategic Marketing support across its expanding brand portfolio and increased its commercial resources in key disciplines and geographies. Moreover, Whyte and Mackay invested in the assets of the business to improve efficiency and flexibility and has continued to invest in barrels, ensuring its spirit quality remains at the highest levels

The commercial activities of the beverage alcohol industry globally began reactivating in the second half of 2022 - at the cue of most geographies lifting Covid 19 restrictions. Both on- and off-trade establishments have reverted to pre-pandemic operations. Travel retail likewise has began servicing passengers gearing for long overdue overseas trips. Though very late, Mainland China eventually followed suit in the last quarter of 2022.

The Company attributes its leading position to: (i) strong brand equity gained through brand building; (ii) targeted marketing; and (iii) local distribution network and, now a global reach.

Brand Equity

The Company believes that branding is a critical factor in a consumer's choice of beverage. Active brand promotion and advertising are essential tools to build image and market share, and establish consumer brand loyalty. EDI continually increases its market share by promoting its brands as distinct and unique with the objective to convey its unique and enduring message to promote its image and products. Marketing strategies focus on emphasizing 'Emperador Brandy''s premium value image to consumers as well as the taglines: "*Sa Totoong Tagumpay*" ("*To true success*"), "*Gawin Mong Light" ("Make It Light"),* "*Tagumpay Araw-araw*" (*"Reward Every Day"),"Doble Swabe, Doble Sarap" ("Double the Smoothness" and Double the Character")* and *"Sarap maka-Feel Good" ("Good Vibes").* EDI markets its brandies as a drink for the celebration of life successes though values of diligence, perseverance and responsibility. Its labeling includes a lion and a bullfighter wherein the lion symbolizes power and success while the bullfighter symbolizes grace and superiority. Emperador Deluxe carries the imagery of luxury and class. It is marketed as an affordable luxury for everyday consumption.

In 2018, Emperador Light celebrated its success with the 'Galing ng Pilipino' thematic campaign that paid tribute to the enduring spirit of every Filipino and the qualities that make the Filipino truly a cut above the rest: *Magaling. Ibang Klase ang Talino. May sipag na angat sa iba*. The campaign was anchored on an original song entitled "*Ating Tagumpay*," and endorsed by one of the country's biggest celebrities. The song encouraged Filipinos to celebrate everyday milestones and to continue doing great things, the lyrics of which were even posted and has taken over EDSA Billboards during its launch. The campaign ran up to mid-2019.

In 2020 which was a time with so much uncertainty, the formidable 'Emperador Light' has stepped up and took a proactive stance utilizing purposeful platforms to spark hope and positivity and encourage everyone to celebrate life, that life will always continue to give us everyday moments—no matter how small or simple they may be—that are worth celebrating. As the lockdown eased,a jingle-based thematic campaign "*Mag-Cecelebrate Tayo Muli"* was released on television, radio airwaves and online platforms. The powerful and inspiring part of the song goes "*Ilang selebrayon na ang ating nalampasan. Pero heto tayo nagkakaisa pa rin, panatag ang loob na ito'y lilipas din. Magcecelebrate* *din tayo ng sama-sama".* This Emperador spirit of hope and good cheer went viral online as more people from social media were inspired to create their cover song of the jingle while many were enamored by the hopeful message of the campaign.

'Emperador Light' plays an active role digitally in amplifying WHO and DOH advisories on safety-precautions, social distancing and proper hygiene through creative posts and contents on Facebook tagged as #BeatCovid19 and #TagumpayNatinTo throughout the quarantine. Dr. Tan leads the pack with his MASK-Tagumpay social challenge tagged as #RockWithMasks and #WeHealAsOne calling everyone to wear-mask, practice social distancing and stay-at-home. 'Emperador Light' continues to uplift the human spirit amidst these tough times as more encouraging online posts via #BalitangTagumpay that spread good news, breakthroughs and positive vibes were put in place. The brand through its popular song "*Ating Tagumpay*" released a video honoring the courage and heroism of all frontliners in medical, police and military, delivery personnel and from other fields during this health crisis. It also pays tribute to the selfless sacrifice and commitment of these modern-day-heroes during the celebration of National Heroes Day. 'Emperador Light' continues to spread encouragement online as well as on-ground as it also extends free disinfectant alcohols and face shields through consumer promotions, a way to help manage the outbreak in the communities.

Towards the end of 2020, Emperador kept up in ensuring consumers' health and safety with the launch of a notable campaign "*Ingat-Angat, Drink Safely*" in collaboration with the government's Inter-Agency Task Force on the Management of Emerging Infectious Diseases (IATF-EID). This online video was a reminder to celebrate the holidays while ensuring strict safety standards on drinking safely and responsibly. With the reopening of the economy, this campaign is also geared for rebuilding consumer confidence and economic recovery with health and safety still as a priority. EDI continued to echo the same message for 2021.

The versatility and size of Bodegas Fundador encompasses a large and varied spectrum of well-known products, allowing it to take age old tradition to contemporary markets. 'Fundador', which means "Founder", is the first and original Spanish brandy. It is aged through the Criadera and Solera System in American Oak casks, previously seasoned with sherry and distilled alcohol. Legend tells that Pedro Domecq Lustau received an order of 500 barrels containing "Holanda". At the moment of the payment, the order was not attended and the "Holandas" were stored back in barrels that had previously contained sherry. After more than five years, it was discovered that the liquid's color had changed into a golden amber one and that it had gained in aroma due to the time spent in the barrels that had previously contained sherry. Out of this chance, and after improving the distillation and aging processes, the first Spanish brandy 'FUNDADOR' was born in 1874.

'Terry Centenario' is most important Spanish brandy, a symbolic legacy of its heritage. Terry Bodegas and Brandies currently enjoy great prestige and recognition at both an international and national level. With their yellow mesh and Carthusian horses emblem, 'Terry Centenario' and 'Terry 1900' are unmistakable symbols of the most traditional Brandy producers in the Jerez triangle. Centenario means centenary, and it evokes the change to the twentieth century when the Terry family started producing brandies in its bodegas in Puerto de Santa María. It is a premium and distinguished brand with the iconic net and the unique logo of the Terry Horse. A new expression and a new Classic White Brandy is created in 'Terry White', to renew the brandy category in Spain by shaking the market though a modern concept of a white spirit. Through mixology platform, 'Terry White' is launched in this disruptive concept to a fashionable position for a spirit drink for a future halo of Brandy de Jerez.

After many years, Terry Centenario, updates its image by entering the market with a more premium label in lighter and more elegant tones for both Spirit and Brandy, but retaining its hallmarks such as the logo Terry Horse and the color red. This change of image has already been implemented in Mexico and the USA and will soon be launched in Spain.

'Tres Cepas' is a particular brandy that was known as "One Vine" ("una cepa"), "Two Vines" ("dos cepas") and "Three Vines" ("tres cepas") that were increasing in quality, character and age. It is a premium brand result of a special selection of wines distilled aged in sherry oak casks by the traditional Criadera and Solera system.

‘Harveys’ is one of the largest wineries in Jerez and ‘Harveys Bristol Cream’ is its most famous brand worldwide. ‘Harveys’ was founded in 1796 in Bristol (England) by the merchant William Perry, who stored wines mainly imported from Spain and Portugal in some ancient cellars dating from the 13th century. In 1822 John Harvey joined the company as an apprentice and took control; to give it its current name; in 1871. Harveys Bristol Cream is the result of a meticulous selection comprised of 30 wines aged in American oak casks using the traditional system of soleras and criaderas.

It is the most sold brand of Jerez wine in the world, available in more than 70 countries and a market leader in the United Kingdom, USA and Canada. It is also the unique Spanish company supplying to Her Majesty The Queen Elizabeth II of England since 1895.

Very Old Rare Sherry (VORS) are the pinnacle of the sherry range; the most luxurious expressions, certified by Jerez’s Regulating Council to be over 30 years old, a distinction only given to Amontillado, Palo Cortado, and Pedro Ximénez.

Domecq brands are marketed by associating them with Mexican identity and emphasizing them with social history.

The key brands in Whyte and Mackay are well defined. The Dalmore Single Malt Scotch Whisky is a brand of supreme quality that is positioned at the apex of the category in which it competes. Truly a luxury brand, The Dalmore’s stag iconography is built on a heritage that is rooted in the saving of King Alexander III of Scotland from a raging stag in 1263 by an ancestor of the Mackenzie clan. The grateful king granted him the right to bear a stag’s head in his coat of arms and so every bottle of The Dalmore is adorned with this noble emblem: a stag’s head with twelve points to its antlers, signifying ‘royalty’.

For the past 180 years, The Dalmore has been a masterpiece in the making. Now led by 2023 Distiller of the Year (Scotland) Master Whisky Maker Mr Gregg Glass, the brand celebrates the illustrious moments in its continuing history as it unveiled a once-in-a-lifetime selection of six exceptional single malt whiskies that tell the story of The Dalmore’s relentless pursuit of excellence through six decades—The Dalmore Decades, the campaign for which concluded in first quarter of 2021. The Dalmore Decades No.6 Collection was auctioned by Sotheby’s in Hong Kong last October 2021 and was sold for a record-breaking amount of US$ 1.12 million especially setting the pace for the luxury spirits category. In 2022, the Dalmore and V&A Dundee partnered to create ‘The Luminary’ Series in World-First Collaboration In the same year, The Dalmore also launched two Limited Editions – Vintage 2003 and Vintage 2007.

Jura Single Malt Scotch Whisky’ is a premium Scotch whisky that is smooth, bright, and vibrant – just like the islanders who made it. The beachside distillery is located in the heart of a tiny island community of only 212 residents. Jura is reflective of the community that crafts exceptional whisky. It is "*more than a whisky*" - the banner that encapsulates the very special nature of this island single malt.

In 2021, Jura Whisky pledged support to the 28th Jura Music Festival through sponsorship. [Jura Music Festival is the annual celebration of traditional Scotch music which has been taking place on the island of Jura since 1994. It is a charitable organization and in line with its ‘constitution’ the Festival seeks to provide opportunities for young people to learn and improve their music based skill and help them refine and develop those skills in the future.]   The 2021 Jura Music Festival was very different from previous years and every effort ensured that it is brought to life and is much more than a festival.   There were opportunities to meet members of the Jura community and discover more about Jura Distillery and its remarkable whiskies.

In 2022 Jura launched a landmark Islanders’ Expression, a celebration of the creative spirit of the islanders. Acclaimed environmental artist Amy Dunnachie, resident on Jura, collaborated to create a Limited Edition, available exclusively in Global Travel Retail.

‘Tamnavulin Single Malt Scotch whisky’ is the epitome of a Speyside malt; rich, smooth, elegant and refreshing with a sherry finish. Tamnavulin is the Gaelic translation for ‘Mill on the Hill,’ named in part after the 16th century woollen mill which sits on the site of the distillery.

‘Fettercairn’ is a highland malt with the main brand symbol being the unicorn. This brand was re-launched in 2018 with new packaging and a new range of ages.

Fettercairn Distillery unveiled an exciting new project in 2021 to replant an ancient forest as it sets its sights on producing its own single estate Scottish oak matured malt whiskies. With over 13,000 sessile Quercus petraea and Quercus robur oak saplings planted next to the Distillery, the Fettercairn Forest is part of a wider commitment by Whyte & Mackay to develop a sustainable future for responsibly sourced Scottish oak for each Distillery. The Distillery laid down whiskies in responsibly sourced, native Scottish Oak. In 2022 the Scottish Oak Programme won the acclaimed Industry Production Innovation of the Year (Spirits Business), with its first commercial proposition: Fettercairn 18 Scottish Oak. Reflecting commitments to the local environment, and new unexpected journeys in flavour-led whisky making Fettercairn 18 is an annual release Limited Edition, and enjoyed commercial success on launch. It led to the Master Whisky Maker being crowned Distiller of the Year, Scotland 2023 (Icons of Whisky).

Fettercairn Distillery has unveiled the third and fourth releases in its hugely popular and sought-after Warehouse 2 Collection, an inspirated small batch series created to celebrate the hidden gems within its 14 dunnage warehouses and to showcase their commitment to enlightened whisky making.

The ‘Whyte & Mackay Blended Scotch whisky’ brand has had new packaging introduced and launched a new communication campaign to reinforce its unique Triple Maturation process that delivers a smoother, richer taste which have both been well received. Whisky & Mackay Blend continues to invest in consumer communication to drive consumer awareness in the UK, where it is a Top 3 Brand (Neilsen).

Targeted Marketing

To maximize market penetration, EDI supports both traditional advertising and marketing as well as proprietary market research tools. It uses multiple consumer research agencies and methodologies to assess consumer insight, trend, behavior and preferences, and markets its products accordingly. The brands are also marketed through an integrated 360-degree marketing campaign including the traditional above-the-line media, such as television and radio commercials, print and digital advertisements, including social media initiatives for Facebook and Twitter, below-the-line promotions, such as influencers, local events, tastings, fairs, and sponsorships. In addition, management supports creativity and innovation in product marketing by encouraging managers to take ownership of strategic geographic areas. Its creative consumer research has qualitative and quantitative aspects and includes face-to-face interviews and information gathering exercises with consumers at local neighborhood events and gatherings.

The Scotch single malts are marketed internationally designed to reinforce the brands’ core positioning, talking to a well-defined consumer target in each market.

Globally, the portfolio quickly adapted to the pandemic by shifting marketing activities online and developing series of campaigns focusing on engaging and connecting with consumers in the digital space. The brands held a series of online tastings, virtual distillery tours, and partnerships with e-commerce websites.

The flagship brands of Bodegas Fundador: ‘Fundador’, ‘Tres Cepas’ and ‘Terry’ brandies are marketed internationally using a combination of digital communication and activation, as well as more traditional ways of retail activations and marketing on site. Communication is driven to focus on the key positioning of the brands and the well-defined target consumers. On the other hand, ‘Harveys’ is marketed internationally adapting the range of products to the characteristics of each national market, using a combination of digital and traditional marketing approaches, focusing on the different core positioning of each range, that have specific target consumers.

Sales and Distribution Network

The Company has an extensive sales and distribution network which is one of its key strengths that will continue to drive its future growth. Products are sold through general trade, modern trade, on-premise, self-owned stores and online platforms.

EDI has a nationwide distribution network operated through sales offices and distribution outlets strategically located in the country, which supply national and regional customers, hypermarkets, supermarkets, wholesalers, traders, grocery outlets, convenient stores, and local neighborhood small sari-sari, stores. It continually seeks ways to expand the reach of its distribution network, especially in the fast-growing regions of Mindanao and the Visayas. It employs its own sales and distribution force and vehicles fleet for direct delivery service. It uses direct sales vehicles such as cash vans to cover sari-sari stores across the country. Cash vans sell the brands directly to these small retailers on a cash-only basis, where the average transaction is for two cases. Other accounts get credit terms which vary from the standard 30 days to 60 days for key accounts.

The Company believes that the day-to-day interaction its sales team has with its trade partners is essential to maintaining product availability as well as access to its consumers.

EDI builds its on-premise sales operations to expand its market to hotels and restaurant businesses in the Philippines, given the expansion of its pouring brands and world class brands. Considering the shift in purchasing behavior during the COVID-19 pandemic, EDI also made its products available in different e-commerce channels such as Lazada, Shopee and Panda Mart, to name a few.

The Company has a standard volume-based pricing model that is applied evenly across all customer segments and discounts are offered on large volume transactions.

Emperador local brands have established international distribution to at least 70 countries.

The WMG business has a strong, international Route to Market. In UK, a dedicated sales team covers all trade channels and customers. It also has a dedicated Global Travel Retail team which manages its brands in a channel that is critical for single malt whisky equity building and sales. In other markets Whyte and Mackay has established a network of distribution partners that represent the brands in each territory. The goal is to develop long term partnerships with a strong local distributor in every market, with selection based on strength and commitment in the channels offering the greatest opportunity in each market. In 2016, Whyte and Mackay appointed E&J Gallo as their exclusive importer into the USA for certain key brands.

The Dalmore opened its first flagship store in the Philippines in Uptown Bonifacio, an exclusive retail store that houses some of the rarest and most expensive whisky collection in the Philippines. The Keeper's Den, a by-invite only lounge within the store, is also open to its VVIPs to enjoy their 'Dalmore' bottles along with their guests. As of end 2023, there are nineteen (19) retail stores in the Philippines. The Dalmore also extended its flagship store and opened the Cigar Lounge. The Dalmore Cigar Lounge curates the 'Dalmore' classics: the King Alexander III (the only single malt in the world with six different finishes — spirits matured in ex-bourbon casks, Matusalem oloroso sherry butts, Madeira barrels, Marsala casks, Port pipes and Cabernet Sauvignon wine barriques); the Quintessence (with five wine finishes: Zinfandel, Merlot, Cabernet Sauvignon, Syrah and Pinot Noir); and The Dalmore 25. One can pair The Dalmore Cigar Malt Reserve with Cuban cigars (Cohiba Robusto, Cohiba Esplendidos, Hoyo de Monterrey Epicure No. 1, Montecristo No. 2, Partagas Serie E No. 2, and Romeo Y Julieta Short Churchill) which are also available at the lounge.

Bodegas Fundador has a small team that sells to distributors around the world. It partners with the best players in the distribution market, having long term agreements with country and regional wine and spirit distributors in place.

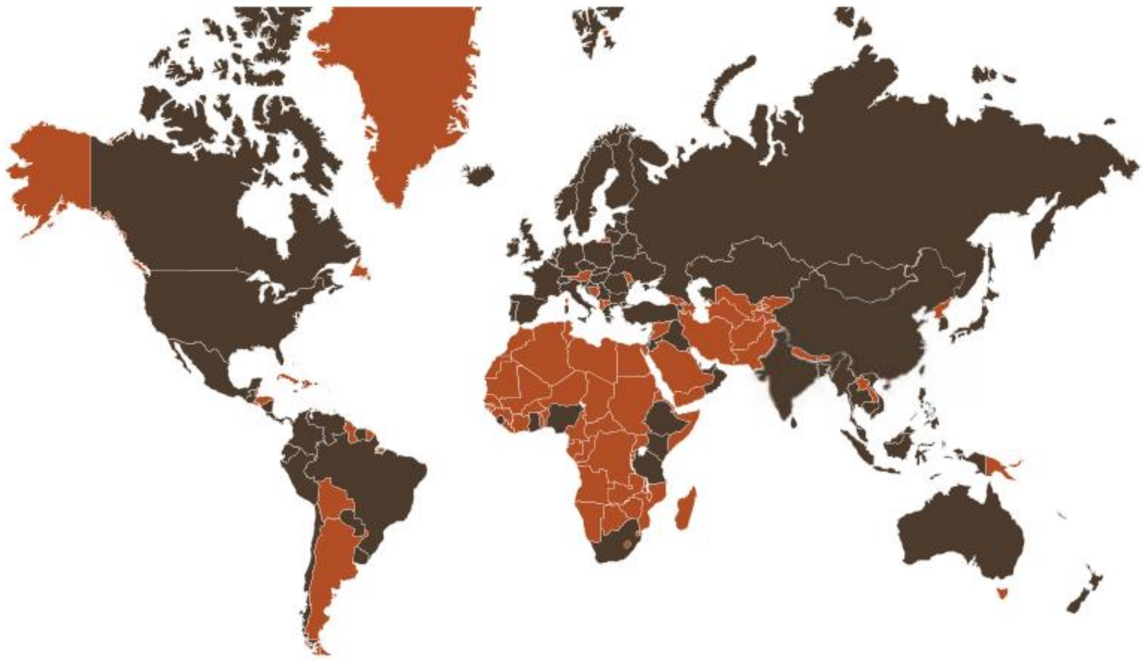
In 2016, EDI took over the distribution of Fundador in the Philippines, while Whyte and Mackay took over the distribution in UK and Canada. This combination assures a deep sell-out market presence around the world.

In 2018, the first Fundador Café was created in the Philippines which is located at Venice Grand Canal at McKinley Hill. It offers hot and cold drinks and blended ones infused with Fundador products and sweets with Harvey Bristol Cream variances.

In January 2022, Asia's first-ever brandy museum opened its doors in Iloilo City. It is an immersive museum where visitors will have a unique journey of senses through a faithful recreation of the Fundador bodega in Spain. The tour is capped at the museum cafe where guests can enjoy the barista's take on popular beverages spiked with Emperador Coffee Brandy.

In December 2022, the first outdoor liquor park of its kind in Asia opened in McKinley West in Taguig City, near Forbes Park. The 4,000sqm McKinley Whisky Park is bringing a whole new whisky experience to patrons through a curated selection of whisky products and concoctions, along with a wide array of food choices, games, and entertainment that could be enjoyed in an open-air setting.

The map below shows the Emperador group's global reach



COMPETITION

The Group competes against established spirits companies. The principal competitive factors with respect to the Company's products include brand equity, product range and quality, price, ability to source raw materials, distribution capabilities and responsiveness to consumer preferences, with varying emphasis on these factors depending on the market and the product. Our ability to strengthen the selling power and premium image of our brands and differentiate ourselves from our competitors affects our sales and profit margins. The Group believes it has a track record of proven strength on these areas.

The main competitors in the Philippine brandy market mainly comprise of 'Primera Brandy' manufactured by Ginebra San Miguel, Inc. (GSMI) and 'Alfonso Brandy' imported/distributed by Montosco Inc. With respect to gin, rum and other alcohol products, it primarily competes with other local gin and rum companies that also produce ready-to-serve alcoholic beverages as well as imported labels. The whisky segment in the Philippines is not well tapped at present, and the Company aims to revive this segment.

The Company believes that its products are strongly positioned within their respective markets, as measured by market share and brand recognition. The Company believes its ‘Emperador’ brand is a status brand in the Philippines, and is associated with a certain level of success and sophistication that its potential customers aspire to. The Company believes that its range of well-established and highly recognized brands present significant barriers to new competitors, and are particularly important to its ability to both attract and maintain consumers.

The Fundador brands face strong competition in the Spanish market and internationally in the brandy and sherry businesses, among which are Osborne and Torres. The management monitors the market and the strategies of the competitors to safeguard the overall competitive position.

WMG, on the other hand, competes in the UK market and internationally. Competitors use brand strength together with price and product range to compete. The major Scotch whisky brand owners are Diageo, Pernod Ricard, William Grant, Edrington and Bacardi who are all materially larger than WMG. Nevertheless, WMG can compete as it has differentiated brands in a fragmented Malt whisky market and its Blended Scotch brands are competitively priced. WMG management monitors market prices on an on-going basis and takes steps to safeguard the overall competitive position.

SOURCES AND AVAILABILITY OF RAW MATERIALS

The principal raw materials for the manufacture of the alcoholic beverage products are grapes from the Group’s vineyards and from various suppliers, wine, grain and malts, distilled neutral spirit, brandy distillates (made from grapes), and water. It also requires a regular supply of glass bottles and packaging materials. Raw materials are sourced from subsidiaries and third-party suppliers. All of the water for blending in our Philippine operations is sourced from two deep wells located in the Santa Rosa, Laguna manufacturing facility. The facilities in Laguna are located on top of one of the best fresh water supplies in the Philippines. There is also a filtration system for the water it uses at its Laguna facilities.

EDI sources its bottles from AWGI, which produces a majority of the new glass bottles while the rest are imported or sourced using recycled returned bottles. EDI sources final packing materials such as carton boxes and closures from at least three different suppliers. AWGI canvasses suppliers twice a year to seek the most competitive prices for its raw materials. While terms for different suppliers vary, AWGI generally orders raw materials to meet its projected supply requirements for one year and prices are subject to review on an annual basis. For imported raw materials, new purchase orders for supplies are generally sought two months prior to the expiration of existing purchase orders. For raw materials sourced in the Philippines, orders are finalized one month before existing orders terminate. At least three suppliers are maintained for major raw materials. In addition, major raw materials’ suppliers typically maintain a warehouse in close proximity to the plant to cover possible delays in shipments and to prevent delivery interruptions.

For production facilities in Scotland, the UK is the major source of cereals and dry goods such as bottles, labels, closures and cartons while casks are sourced from USA (previously used for bourbon maturation) and from Spain (previously used for sherry maturation).

For production facilities in Spain, grapes come from own vineyards and from third parties as needed. For Mexico, grapes are sourced from various suppliers and *aguardientes* from Spain, Chile, Argentina and Australia.

The Group has not experienced and does not anticipate any significant difficulty in obtaining adequate supplies of raw materials and dry goods at satisfactory prices under its supply arrangements. There have been recent disruptions in global supply chains that extended lead times but these do not have material adverse impact on operations. AWGI is able to manufacture enough glass bottles to meet the Company’s requirements. Whyte and Mackay and Bodegas Fundador have long-term relationships with their suppliers to meet the current business requirements or source new providers.

DEPENDENCE ON A SINGLE OR FEW CUSTOMERS

The Company is not dependent upon a single customer or a few customers, the loss of any or more of which would have a material adverse effect on the Company and its subsidiaries taken as a whole. There is also no single customer that accounts for, or based upon existing orders will account for, more than 10% of the total Group sales taken as a whole.

TRANSACTIONS WITH AND/OR DEPENDENCE ON RELATED PARTIES

The Group has transactions with related parties such as AGI, subsidiaries, key management and other related parties under common ownership. These transactions generally comprise:

- Purchase of raw materials – EDI imports raw materials and finished goods through Andresons Global, Inc., a company beneficially owned by the Tan family. EDI also imports from Alcoholera dela Mancha Vinicola, SL, a wholly owned subsidiary of BLC. These purchases are typically payable within 30 days.

- Leases of Properties -

    - EDI has a lease contract with its wholly-owned subsidiary TEI covering certain manufacturing facilities including, among others, production building, storage tanks for raw materials and a water treatment area. EDI paid TEI a refundable security deposit.

    - EDI and AWGI lease their head office spaces from Megaworld Corporation. EDI paid Megaworld a refundable security deposit.

    - EDI's subsidiary, AWGI, leases the glass manufacturing plant from AGI.

    - EDI leases out its distillery plants to Progreen.

    - TWFLI leases its retail stores from Megaworld Corporation.

- Management services – EDI has a management agreement with Great American Foods, Inc. ("GAFI"), a related party under common ownership and the manufacturer of PikNik, in relation to the rendering of management and administration services to GAFI.

- Sale of finished goods – These sales are done arms' length in the normal course of business and settled through cash within three to six months.

- Advances – EDI grants advances to officers and employees as well as to related parties. AGI also makes advances for offshore investment purposes. These advances are generally unsecured, and payable upon demand in cash.

For a more detailed discussion of related party transactions concerning the Group, see Note 23 to the Group's audited consolidated financial statements filed with this report.

INTERESTED PERSON TRANSACTIONS

In view of the secondary listing of the Company with the Singapore Exchange Securities Trading Limited ("SGX-ST") the Company adopts Interested Person Transactions Policy ("IPT Policy") to comply with Chapter 9 of the listing manual of the SGX-ST ("SGX Listing Manual"), relating to Interested Person Transactions ("IPTs").[9]

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[9] *EMI is subject to limited regulatory oversight by the SGX-ST. Under the Listing Manual, as a foreign issuer with a secondary listing on the SGX-ST, EMI is generally not be required to comply with the provisions of the SGX-ST Listing Manual, except for Chapter 9 on Interested Person Transactions, Chapter 10 on Significant Transactions and Chapter 13 on Trading Halt, Suspension and Delisting. Please see SGX Group website for a copy of the Rulebook at sgx.com.*

Pursuant to said policy, the Company must disclose the aggregate value of IPTs entered into during the financial year under review in its annual report. The Company is required to maintain a list of interested persons (which will be reviewed by a senior finance staff of the Company on a quarterly basis and updated as necessary) and will disclose the list to the relevant staff of the Group to enable the identification of the interested persons on a quarterly basis or as and when there are updates. Additionally, a register will be maintained to record all IPTs (incorporating the basis, amount and nature, on which they are entered into). The Related Party Transaction Committee will review all IPTs on at least a quarterly basis to ensure that the transactions are on arm's length commercial terms and are not prejudicial to the Company and minority Shareholders. The annual internal audit plan will also incorporate a review of all IPTs entered into. The Related Party Transaction Committee will review internal audit reports to ascertain that the guidelines and procedures established to monitor IPTs have been complied with.

The aggregate value of IPTs entered into the Company in 2023 (the financial year under review), excluding transactions less than SG$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920 of the SGX Listing Manual, is as follows:

During the financial year December 31, 2023, the following interested person transactions were entered into by the Group:

Name of Interested Person	**Nature of Relationship**	**Aggregate value of all interested person transactions during the financial year under review (excluding transaction less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)**	**Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 of the SGX Listing Manual (excluding transactions less than $100,00)**
		2023	**2023**
		PHP millions	**PHP millions**
Transactions with Associates of Dr. Tan	Entities are associates of Dr. Tan, our Chairman, Director and ultimate controlling shareholder	**100**	Not applicable
Purchase of Raw Materials & Spare Parts		*58*	Not applicable
Andresons Global, Inc.		58	Not applicable
			-
Purchase of Services		*42*	Not applicable
Andresons Global, Inc.		42	Not applicable

Transactions with AGI subsidiaries & associates	Alliance Global Group, Inc. is a controlling shareholder of the Company and an Associate of Dr. Andrew L. Tan.	**725**	Not applicable
			-
Sale of Services		*33*	Not applicable
Great American Foods, Inc.		33	Not applicable
			-
Sale of Finished Goods		*121*	Not applicable
Megaworld Corporation & Subsidiaries		82	Not applicable
Travellers International Hotel Group, Inc. & Subsidiaries		39	Not applicable
			-
Purchase of Finished Goods		*444*	Not applicable
Great American Foods, Inc.		444	Not applicable
			-
Lease Transactions		*127*	Not applicable
Megaworld Corporation & Subsidiaries		66	Not applicable
Empire East Land Holdings, Inc.		34	Not applicable
Alliance Global Group, Inc.		27	Not applicable
			-
Total Interested Person Transactions		**825**	**Not applicable**

INTELLECTUAL PROPERTY

EDI owns registered trademarks, which are of material importance to the success of its business since they have the effect of developing brand identification and maintaining consumer loyalty. EDI's principal trademark is 'Emperador', which it purchased from Condis in 2007, in addition to associated patents, copyrights and goodwill and bottle designs for its brandy products. Its trademark for 'Emperador' has a fresh period of ten years expiring in 2025 after its renewal in 2015 with the Philippine Intellectual Property Office ("**Philippine IPO**"). It also registered the trademark for 'The BaR' flavored alcoholic beverage products in2008, while the trademark for 'Emperador Deluxe' was registered with the Philippine IPO in 2015 for a period of ten years. The new Andy Player trademark is registered in 2015 for a period of ten years.

EDI trademarks for its brands, ‘Emperador’ brandy, ‘Andy Player’, ‘The Bar’ and ‘Zabana’, are also registered in more than 30 countries, including the European Union, USA, Canada, Australia, Japan, Vietnam, Taiwan, Hong Kong, Indonesia, Singapore, Laos, Cambodia, and Myanmar.

Whyte and Mackay owns approximately 700 trademarks worldwide, which include trademarks for its products: ‘The Dalmore’, ‘Isle of Jura’, ‘Whyte & Mackay’, ‘Shackleton’, ‘Tamnavulin’, ‘Glayva’, ‘Claymore’, ‘John Barr’ and ‘Cluny’ brands.

GES owns 9 registered trademarks in Spain and BFSL around 850 registered trademarks worldwide for its brands ‘Fundador’, ‘Tres Cepas’, ‘Terry Centenario’ and ‘Harveys’. On January 19, 2017, GES acquired trademarks of well-known brands ‘San Patricio’, a dry Fino Sherry, and ‘Espléndido’ brandy.

In 2017, DBLC acquired trademarks in two main geographies, Mexico and Spain. Registered in Mexico are trademarks for brandies ‘Presidente’, ‘Don Pedro’ and ‘Azteca de Oro’, wines and canes in Mexico and brandies in USA; and in Spain are trademarks for brandies ‘Brandy Domecq and ‘Don Pedro’ in Brazil and Colombia and sherry wine in Benelux.

Trademarks are typically renewed every 10 to 20 years cycles, depending on the validity term of the particular trademark.

REGULATORY AND ENVIRONMENTAL MATTERS

Philippine local government legislations require a license to sell alcoholic beverages and prohibit the sale of alcoholic beverages to persons under 18 years of age or within a certain distance from schools and churches.

Advertising and marketing of alcoholic beverages are regulated by the **Ad Standards Council (“ASC”),** the advertising industry body in-charge of screening and regulating content of advertising materials across all medium. The Company strictly follows the alcohol advertisement regulations issued by the ASC, in advertising its products in all platforms. The Company ensures that its communications target only those of legal drinking age and advocates to its consumers that the Company’s high-quality products should be enjoyed responsibly.

Approvals from the **Food and Drug Administration** (“**FDA**”) are required before the Company can manufacture a new product. In addition, all new products must be registered with the BIR prior to production.

The Company is in compliance, and not aware of any material deviation, with all applicable regulatory, environmental, health and safety regulations. All the products are registered and approved by FDA. The Company monitors compliance of all stages of its production process with pertinent hygiene practices to ensure the high quality of its finished products. The Biñan Laguna production plant has been issued with a Good Manufacturing Practice (“GMP”) certificate from the FDA on June 2, 2021(valid until October 3, 2025), while the Santa Rosa Laguna production plant received its GMP certificate on April 19, 2022 (valid until June 6, 2026).

WMG has an environmental policy which commits it to ensure that its activities are conducted in ways which comply with the law and, so far as is reasonably and commercially practicable, do not harm the environment. Its five distilleries and associated warehouses are extensively regulated under Customs and Excise licenses and regulations, Environmental Agency regulations on water abstractions, effluent discharges, air emissions and Health and Safety legislation.

Whyte and Mackay is in compliance, and not aware of any material deviation, with all applicable regulatory, environmental, health and safety regulations.

Bodegas Fundador has a firm commitment to guarantee the transformation and care of our planet based on respect for a sustainable economy, a lasting environment and a fair society. These principles are part of our Corporate Social Responsibility policy where, among other objectives, we intend to satisfy the needs of all our stakeholders such as shareholders, employees, customers, the environment, administrations, suppliers, etc., as the fundamental basis of our own process of transformation and, at the same time, collaborating to create a fairer and more sustainable environment and society.

Our commitment to the planet, the environment and society is solid and determined, as reflected in our own strategic plan, management systems, values, objectives and corporate policies, as well as most importantly: the participation, involvement and efforts of all the employees of Bodegas Fundador.

Bodegas Fundador is aware that its raw materials come from nature and its processes can result in environmental impacts on soil, water and air. Its activities would not be feasible without the support of the environment in which it operates and therefore consider it necessary to preserve the environment for its business to be viable long term. By that, it is its main interest to take care and respect the environment as one of the pillars of its business culture.

Bodegas Fundador builds this business culture through management systems that constitute the unifying axis from which it articulates a process of continuous improvement in key business aspects: the safety and health of employees, with the standard ISO 45001, quality of products with the standard ISO 9001, and the environment with the standard ISO 14001, corporate social responsibility, with IQnet SR10, food safety with three of the most demanding standards in the industry, FSSC 22000, IFS and BRC food safety management systems, providing consumers assurance that our products are made under the strictest of quality controls that guarantee safety, accumulating more than 20 years of experience in these standards.

In 2011, Bodegas Fundador began the implementation of its own Lean Management program. It was incorporated into Bodegas Fundador operations, a model of management born in Japanese automation industry, whose results have been such that the model has finished transcending the barriers of this industry to other sectors of activity with equally successful outcome. Through the implementation of Lean program, it gets continuous and sustainable improvement in (among others) aspects such as safety and health, quality, the environment, the commitment of employees, team work or the efficiency of the processes, which synergize with other management systems mentioned above.

ENVIRONMENTAL MATTERS IN THE PHILIPPINES

The operations of the businesses of the Company are subject to various laws, rules and regulations that have been promulgated for the protection of the environment

Philippine Environmental Impact Statement System

The Philippine Environmental Impact Statement System (the "**EISS Law**") established under **Presidential Decree No. 1586**, which is implemented by the DENR, is the general regulatory framework for any project or undertaking that is either (i) classified as environmentally critical or (ii) is situated in an environmentally critical area. The DENR, through its regional offices or through the Environmental Management Bureau ("**EMB"**), determines whether a project is environmentally critical or located in an environmentally critical area and processes all applications for an ECC.

The law requires an entity that will undertake any such declared environmentally critical project or operate in any such declared environmentally critical area to submit an EIS which is a comprehensive study of the significant impacts of a project on the environment. The EIS serves as an application for the issuance of an ECC, if the proposed project is environmentally critical or situated in an environmentally critical area; or for the issuance of a Certificate of Non-Coverage, if otherwise. An ECC is a Government certification that, among others: (i) the proposed project or undertaking will not cause significant negative environmental impact; (ii) the proponent has complied with all the requirements of the EISS Law in connection with the project; and (iii) the proponent is committed to implement its approved Environmental Management Plan ("**EMMP"**) in the EIS. The EMMP details the prevention, mitigation, compensation, contingency and monitoring measures to enhance positive impacts and minimise negative impacts and risks of a proposed project or undertaking.

Project proponents that prepare an EIS are required to establish an Environmental Guarantee Fund when the ECC is issued for projects determined by the DENR to pose a significant public risk to life, health, property and the environment or where the project requires rehabilitation or restoration. The Environmental Guarantee Fund is intended to meet any damage caused by such a project as well as any rehabilitation and restoration measures. Project proponents are also required to establish an EMF when an ECC is eventually issued. The EMF is to support the activities of the team monitoring the project proponent's compliance with ECC conditions, EMMP and applicable laws, rules and regulations.

The Clean Water Act

Republic Act No. 9275 or the Clean Water Act and its implementing rules and regulations provide for water quality standards and regulations for the prevention, control, and abatement of pollution of the water resources of the country. The Clean Water Act requires owners or operators of facilities that discharge regulated effluents (such as wastewater from manufacturing plants or other commercial facilities) to secure a discharge permit from the DENR which authorises the owners and operators to discharge waste and/or pollutants of specified concentration and volumes from their facilities into a body of water or land resource for a specified period of time.

The discharge permit specifies the quantity and quality of effluents that the holder of the permit is allowed to discharge as well as the validity of the permit. The discharge permit is valid for a maximum period of five years from the date of its issuance, renewable for five-year periods thereafter. The Department may, however, renew the discharge permit and keep it valid for a longer period if the applicant has adopted waste minimisation and waste treatment technologies, consistent with incentives currently provided, and has been paying the permit fees on time. The DENR, together with other Government agencies and the different local Government units, is tasked with implementing the Clean Water Act and with identifying existing sources of water pollutants, as well as strictly monitoring pollution sources which are not in compliance with the effluent standards provided in the law.

The Water Code

Presidential Decree No. 1067, or "The Water Code of the Philippines", requires a water permit for the appropriation or use of natural bodies of water. Use or appropriation of water includes, among others, the utilisation of water in factories, industrial plants and mines, including the use of water as an ingredient of a finished product. Appropriation of water without a water permit, when one is required, is subject to the imposition of the corresponding penalties imposed by the Water Code and its implementing rules and regulations.

The Clean Air Act

Pursuant to **Republic Act No. 8749** or the Clean Air Act of 1999 and its implementing rules and regulations, enterprises that operate or utilise air pollution sources are required to obtain a Permit to Operate from the DENR with respect to the construction or the use of air pollutants. Said permit shall cover emission limitations for the regulated air pollutants to help maintain and attain the ambient air quality standards. A permit duly issued shall be valid for the period specified therein but not beyond one year from the date of issuance unless sooner suspended or revoked. It may be renewed by filing an application for renewal at least thirty days before the expiration date and upon payment of the required fees and compliance with requirements. The issuance of the permit does not, however, relieve the permittee from complying with the requirements of the Clean Air Act and its implementing rules and regulations.

Other Environmental Laws

Other regulatory environmental laws and regulations applicable to the businesses of the Company include the following:

- **Republic Act No. 6969** or the **Toxic Substances and Hazardous and Nuclear Wastes Control Act of 1990**, which regulates, restricts or prohibits the (i) importation, manufacture, processing, handling, storage, transportation, sale, distribution, use and disposal of chemical substances and mixtures that present unreasonable risk or injury to health or the environment, and (ii) entry as well as transit into the Philippines, or the keeping or storage and disposal of hazardous wastes which include by-products, side-products, process residue, contaminated plant or equipment or other substances from manufacturing operations. Under this law, before any new chemical substance or mixture can be manufactured, processed or imported for the first time, the manufacturer, processor, or importer shall first submit information pertaining to the: (i) name of chemical substance or mixture; (ii) its chemical identity and molecular structure; (iii) proposed categories of use; (iv) estimate of the amount to be manufactured, processed or imported; (v) processing and disposal thereof; and (vi) any test date related to health and environmental effects which the manufacturer, processor or importer has. The said law is implemented by the DENR.

- **Republic Act No. 9003** or the **Ecological Solid Waste Management Act of 2000**, which provides for the proper management of solid waste which includes discarded commercial waste and non-hazardous institutional and industrial waste. The said law prohibits, among others, the transporting and dumping of collected solid wastes in areas other than prescribed centres and facilities. The National Solid Waste Management Commission, together with other Government agencies and the different local Government units, are responsible for the implementation and enforcement of the said law.

- **Republic Act No. 11898** or the **Extended Producer Responsibility (EPR) Act of 2022** lapsed into law on July 23, 2022, and amended Republic Act No. 9003 or the Ecological Solid Waste Management Act of 2000. It is an Act institutionalizing the extended producer responsibility on plastic packaging waste. Through EPR, "obliged enterprises," or through their Producer Responsibility Organizations, will have to recover or offset their generated plastic product footprint by 20 percent (20%) in 2023 to 80 percent (80%) by 2028. The EPR Law covers plastic packaging such as single or multi-layered plastics such as sachets, rigid plastic packaging products like food and drink containers, single use plastic bags, and polystyrene. Penalties for the non-compliance of EPR duties range from P5 million to P20 million, or "twice the cost of recovery and diversion of the footprint or its shortfall, whichever is higher".

- **Republic Act No. 4850** or the law creating the **LLDA** was issued to promote and accelerate the balanced growth of the Laguna de Bay Region. The LLDA is mandated to manage and protect the environmentally critical Laguna de Bay Region. It is empowered to pass upon and approve or disapprove all plans, programmes, and projects proposed by local government offices or agencies within the region, public corporations, and private persons or enterprises where such plans, programmes, and projects are related to the development of the region. The jurisdiction and scope of authority of the LLDA comprises the towns of Rizal and Laguna Provinces, the towns of Silang, General Mariano Alvarez, Carmona, Tagaytay City in Cavite, Lucban, Quezon, City of Tanauan, the towns of Sto. Tomas and Malvar in Batangas, Cities of Marikina, Pasig, Taguig, Muntinlupa, Pasay, Caloocan and Quezon, and the town of Pateros in Metro Manila. Accordingly, any person, natural and juridical, with existing and/or new development projects and activities within these areas is required to secure an LLDA clearance, which is issued upon submission of an application and the supporting financial documents.

- **Presidential Decree No. 856** or the Code on Sanitation of the Philippines (the "**Sanitation Code"**), which provides for sanitary and structural requirements in connection with the operation of certain establishments such as industrial and food establishments. Food establishment is defined as any establishment where food or drinks are manufactured, processed stored, sold, or served. Under the Sanitation Code, which is implemented by the Philippine Department of Health, no person, firm, corporation, or entity shall operate a food establishment without first obtaining a sanitary permit. The permit shall be valid for one year, and shall be renewed every year.

The following are the **significant applicable laws and regulations**, to all of which the Group is compliant:

PHILIPPINE REGULATIONS

Foods, Drugs and Cosmetics Act
Republic Act No. 3720 ("**R.A. No. 3720**"), known as the "Food, Drug, and Cosmetic Act", was passed into law on June 22,1963. Executive Order 175, series of 1987 later amended the title of the law to read, "*An Act To Ensure the Safety and Purity of Foods and Cosmetics, and the Purity, Safety, Efficacy and Quality of Drugs and Devices Being Made Available to the Public, Vesting the Bureau of Food and Drugs with Authority to Administer and Enforce the Laws Pertaining thereto, and for Other Purposes*". R.A. No. 3720 was further amended in 2009 by Republic Act No. ("**R.A. No. 9711**") or "The Food and Drug Administration (FDA) Act of 2009". R.A. No. 3720 was enacted as part of the government's policy of ensuring that safe and good quality of food is available to the people of the Philippines and to regulate the production, sale and trade of food in such a way as to protect the health of the people. **R.A. No. 3720, as amended**, establishes standards and quality measures in relation to the manufacturing and branding of food products to ensure the safe supply thereof to and within the Philippines.

The FDA under the DOH administers and enforces R.A. No. 3720, as amended, among other laws on safety and good quality of food. The FDA requires both a licence to manufacture food products, as well as individual certificates of registration for each product to be manufactured or sold in the Philippines.

R.A. No. 3720, as amended, defines "food" as any processed substance which is intended for human consumption and includes drink for man, beverages, chewing gum and any substances which have been used as an ingredient in the manufacture, preparation or treatment of food. Due to the nature of the business and operations of EDI, it is required to obtain a licence from the FDA.

R.A. No. 3720 covers both locally manufactured and imported products and establishes standards as well as quality measures for food. A comprehensive enforcement framework was set up, which is deemed as necessary to ensure a pure and safe supply of food in the country.

R.A. No. 3720 prohibits, among others, (i) the manufacture, importation, exportation, sale, offering for sale, distribution or transfer, non-consumer use, promotion, advertisement or sponsorship of food products which are adulterated or misbranded or which, although requiring registration pursuant to R.A. No. 3720, are not registered with the FDA; and (ii) the manufacture, importation, exportation, transfer or distribution of any food product by any person or entity without a licence to operate from the FDA. Any person found in violation of any of the provisions of R.A. No. 3720 shall be subject to administrative penalties or imprisonment or both. Furthermore, the FDA has the authority to seize such food products found in violation of R.A. No. 3720 as well as ban, recall and withdraw any food product found to be grossly deceptive, unsafe, or injurious to the consuming public.

Republic Act No. 11032 ("**R.A. No. 11032**"), known as "Ease of Doing Business and Efficient Government Service Delivery Act of 2018" may impact on the amount of time it takes to acquire Licences to Operate, Certificates of Product Registration, and any other permits and registrations relevant to the business which it will receive from the FDA. This law streamlines the systems and procedures of government services and prescribes processing time of three working days for simple transactions, seven working days for complex transactions, and 20 working days for highly technical applications. The maximum period set by this law for all government agencies is 20 working days for "applications or requests involving activities which pose danger to public health, public safety, public morals, public policy, and highly technical application" with one extension allowed, if the same is provided for in the citizen's charter of the relevant government agency.

FDA Rules and Regulations
Under Department of Health Administrative Order No. 0029-14 or the Rules and Regulations on the Licensing of Food Establishments and Registration of Processed Food, all food establishments are required to obtain a Licence to Operate ("**LTO**") from the FDA. An LTO and other requirements specified in the Food Safety Act and its implementing rules and regulations are necessary for

establishments engaged in the manufacturing, importation, exportation, sale, offer for sale, distribution, transfer, use, testing, promotion, advertisement, and/or sponsorship of alcoholic beverages. An initial LTO is valid for a period of two years, while a renewed licence is valid for five years. The FDA also requires a Certificate of Product Registration ("**CPR**") for the distribution, supply, sale, offer for sale, or use of processed food products. A CPR covering a particular health product constitutes prima facie evidence of the registrant's marketing authority for said health product in connection with the activities permitted pursuant to the registrant's LTO.

The operation of a food business without the proper authorisation from the FDA is prohibited and punishable with a fine. The closure of the establishment may also be imposed as a penalty upon the finding of a commission of a prohibited act.

Finally, the FDA issues authorisation based on the risk categorisation of food establishments and food products. It also conducts post-market surveillance and product monitoring based on the risks presented by the food products. In this regard, the FDA follows a classification list based on the Codex Alimentarius General Standard of Food Additives and the United Nations Food and Agriculture Organization Risk Categories, wherein processed food products are classified according to microbiological risk: (a) Low Risk Food — foods that are unlikely to contain pathogenic microorganisms and will not normally support their growth because of food characteristics, and foods that are unlikely to contain harmful chemicals; (b) Medium Risk Food — foods that may contain pathogenic microorganisms but will not normally support their growth because of food characteristics; or food that is unlikely to contain pathogenic microorganisms because of food type or processing but may support the formation of toxins or the growth of pathogenic microorganisms; and (c) High Risk Food — foods that may contain pathogenic microorganisms and will support the formation of toxins or the growth of pathogenic microorganisms, and foods that may contain harmful chemicals. Alcoholic beverages are classified as Low Risk Foods.

The Food Safety Act

Republic Act No. 10611 otherwise known as the Food Safety Act of 2013 ("**Food Safety Act**") aims to protect the public from food-borne and water borne illnesses and unsanitary, unwholesome, misbranded or adulterated foods; enhance industry and consumer confidence in the food regulatory system; and achieve economic growth and development by promoting fair trade practices and sound regulatory foundation for domestic and international trade. The same law created the Food Safety Regulation Coordinating Board responsible for monitoring and coordinating the performance and implementation of the mandates of the Department of Agriculture ("**DA**"), the DOH, the Department of Interior and Local Government and the local government units in food safety regulation.

Under the Food Safety Act, the DOH and DA set the mandatory food safety standards. Foods imported into the country must come from countries with an equivalent food safety regulatory system and shall comply with international agreements to which the Philippines is a party.

Food business operators are primarily responsible in ensuring that the food satisfies the requirements of food laws relevant to their activities in the food supply chain and that control systems are in place to prevent, eliminate or reduce risks to consumers. Non-compliance with the provisions of the Food Safety Act may result in the imposition of fine and a suspension of the appropriate authorisation, as warranted.

Consumer Act of the Philippines

Republic Act No. 7394, known as the Consumer Act of the Philippines (the "**Consumer Act**"), the provisions of which are principally enforced by the DTI, seeks to: (a) protect consumers against hazards to health and safety, (b) protect consumers against deceptive, unfair and unconscionable sales acts and practices; (c) provide information and education to facilitate sound choice and the proper exercise of rights by the consumer; (d) provide adequate rights and means of redress; and (e) involve consumer representatives in the formulation of social and economic policies.

This law imposes rules to regulate such matters as: (a) consumer product quality and safety; (b) the production, sale, distribution and advertisement of food, drugs, cosmetics and devices as well as substances hazardous to the consumer's health and safety; (c) fair and honest consumer transactions and consumer protection against deceptive, unfair and unconscionable sales acts or practices; (d) practices relative to the use of weights and measures; (e) consumer product and service warranties; (f) compulsory labelling and fair packaging; (g) liabilities for defective products and services; (h) consumer protection against false, deceptive and misleading advertisements and fraudulent sales promotion practices; and (i) consumer credit transactions.

The Consumer Act establishes quality and safety standards with respect to the composition, contents, packaging, labelling and advertisement of products and prohibits the manufacture for sale, offer for sale, distribution, or importation of products which are not in conformity with applicable consumer product quality or safety standards promulgated thereunder. Like Republic Act No. 8762, the Consumer Act also prohibits the manufacture, importation, exportation, sale, offering for sale, distribution or transfer of food products which are adulterated or mislabelled. In connection therewith, the Consumer Act provides for minimum labelling and packaging requirements for food products to enable consumers to obtain accurate information as to the nature, quality, and quantity of the contents of food products available to the general public. The Consumer Act likewise prohibits false, deceptive, or misleading advertisements and sales promotions and deceptive sales and acts and practices in connection with food products. Any person who violates the provisions of the Consumer Act shall be subject to administrative fines or imprisonment or both at the discretion of the court. Should the offence be committed by a juridical person, the chairman of the board of directors, the president, general manager, or the partners and/or the persons directly responsible therefor shall be penalised. Under the Consumer Act, the DOH also has the authority to order the recall, ban, or seizure from public sale or distribution of food products found to be injurious, unsafe or dangerous to the general public.

The Consumer Act provides for the following minimum labelling requirements for consumer products sold in the Philippines: (a) the correct and registered trade name or brand name; (b) the duly registered trademark; (c) the duly registered business name; (d) the address of the manufacturer, importer, and repacker of the consumer product in the Philippines; (e) the general make or active ingredients; (f) the net quantity of contents, in terms of weight, measure or numerical count rounded off to at least the nearest tenths in the metric system; (g) the country of manufacture, if imported; and (h) if a consumer product is manufactured, refilled or repacked under licence from a principal, the label shall so state the fact.

The DTI is tasked with implementing the Consumer Act with respect to labels and packaging of consumer products other than food products, and regulates product labeling, proper and correct description of goods, product labels with foreign characters/languages, data/information on product contents and origins and other similar matters. With respect to the packaging and repackaging of food products, such activities are regulated by the DOH and the FDA. Establishments engaged in these activities are required to comply with, among others, the current guidelines promulgated by the DOH on good manufacturing practice in manufacturing, packing, repacking, or holding food.

The Intellectual Property Code

To encourage the transfer and dissemination of technology, prevent or control practices and conditions that may in particular cases constitute an abuse of intellectual property rights having an adverse effect on competition and trade, all technology transfer arrangements shall comply with the provisions of **Republic Act No. 8293**, or the Intellectual Property Code of the Philippines. Technology transfer arrangements refer to contracts or agreements involving the transfer of systematic knowledge for the manufacture of a product, the application of a process, or rendering of a service including management contracts; and the transfer, assignment or licensing of all forms of intellectual property rights.

The law provides for several prohibited clauses in the technology transfer agreement which, on its face, may be considered to have an adverse effect on competition and trade. These include, among others, provisions such as: a) those which impose upon the licensee the obligation to acquire from a specific source capital goods, intermediate products, raw materials, and other technologies, or of permanently employing personnel indicated by the licensor; b) those pursuant to which the licensor reserves the right to fix the sale or resale prices of the products manufactured on the basis of the licence; c) those that contain restrictions regarding the volume and structure of production; and d) those which prevent the licensee from adapting the imported technology to local conditions, or introducing innovation to it, as long as it does not impair the quality standards prescribed by the licensor.

The law also provides for several mandatory provisions, to wit:
(1) That the laws of the Philippines shall govern the interpretation of the same and in the event of litigation, the venue shall be the proper court in the place where the licensee has its principal office;

(2) Continued access to improvements in techniques and processes related to the technology shall be made available during the period of the technology transfer arrangement;

(3) In the event the technology transfer arrangement shall provide for arbitration, the Procedure of Arbitration of the Arbitration Law of the Philippines or the Arbitration Rules of the United Nations Commission on International Trade Law or the Rules of Conciliation and Arbitration of the International Chamber of Commerce shall apply and the venue of arbitration shall be the Philippines or any neutral country; and

(4) The Philippine taxes on all payments relating to the technology transfer arrangement shall be borne by the licensor.

Technology transfer arrangements that conform to the foregoing need not be registered with the Documentation, Information and Technology Transfer Bureau. Non-conformance, however, shall automatically render the technology transfer arrangement unenforceable, unless said technology transfer arrangement is approved and registered with the Documentation, Information and Technology Transfer Bureau in exceptional or meritorious cases where substantial benefits will accrue to the economy, such as high technology content, increase in foreign exchange earnings, employment generation, regional dispersal of industries and/or substitution with or use of local raw materials, or in the case of Board of Investments, registered companies with pioneer status.

Data Privacy Act
RA No. 10173, otherwise known as the Data Privacy Act of 2012 or DPA, was signed into law on August 15, 2012, to govern the processing of all types of personal information (*i.e.* personal, sensitive, and privileged information) in the hands of the government or private natural or juridical person through the use of Information and Communications System or ICT, which refers to a system for generating, sending, receiving, storing or otherwise processing electronic data messages or electronic documents and includes the computer system or other similar device by or which data is recorded, transmitted or stored and any procedure related to the recording, transmission or storage of electronic data, electronic message, or electronic document. While the law expressly provides that it does not apply to certain types of information, including those necessary for banks and other financial institutions under the jurisdiction of BSP to comply with the AMLA and other applicable laws, the said law applies to all other personal information obtained by banks for other purposes.

It mandated the creation of a National Privacy Commission, which shall administer and implement the provisions of the DPA and ensure compliance of the Philippines with international standards set for data protection. The Philippines recognizes the need to protect the fundamental human right of privacy and of communication, while ensuring free flow of information to promote innovation and growth. It also identifies the vital role of information and communications technology in nation building and its inherent obligation to ensure that personal information in ICT in the government and in the private sector are secured and protected.

The DPA seeks to protect the confidentiality of “personal information”, which is defined as “any information, whether recorded in material form or not, from which the identity of an individual is apparent or can be reasonably and directly ascertained by the entity holding the information, or when put together with other information would directly and certainly identify an individual”. The law provides for certain rights of a data subject or an individual whose personal information is being processed. The law imposes certain obligations on “personal information controllers” and “personal information processors”. It also provides for penal and monetary sanctions for violations of its provisions.

Intended to protect the privacy of individuals, the DPA mandates companies to inform the individuals about how their personal information are collected and processed. It also ensures that all personal information must be (a) collected and processed with lawful basis, which includes consent, and only for reasons that are specified, legitimate, and reasonable; (b) handled properly, ensuring its accuracy and retention only for as long as reasonably needed; and (c) discarded properly to avoid access by un authorized third parties.

The DPA IRR took effect on September 9, 2016, mandating all Philippines companies to comply with the following: (a) appointment of a Data Protection Officer; (b) conduct of a privacy impact assessment; (c) adoption of a privacy management program and privacy policy; (d) implement privacy and data protection measures; and (e) establish a breach reporting procedure. In addition, companies with at least 250 employees or access to sensitive personal information of at least 1,000 individuals are required to register their data processing systems with the National Privacy Commission. The DPA IRR, furthermore provides the only instances when data sharing is allowed, to wit: (a) data sharing is authorized by law, provided that there are adequate safeguards for data privacy and security, and processing adheres to principles of transparency, legitimate purpose and proportionality; (b) in the private sector, data sharing for commercial purposes is allowed upon (i) consent of data subject, and (ii) when covered by a data sharing agreement; (c) data collected from parties other than the data subject for purpose of research shall be allowed when the personal data is publicly available; and (d) data sharing among government agencies for purposes of public function or provision of a public service shall be covered by a data sharing agreement.

Philippine Competition Act

Republic Act. No. 10667, or the Philippine Competition Act ("**PCA**"), is the primary competition policy of the Philippines. This is the first anti-trust statute in the Philippines and it provides the competition framework in the Philippines. The PCA was enacted to provide free and fair competition in trade, industry and all commercial economic activities. To implement its objectives, the PCA provides for the creation of a Philippine Competition Commission (the "**PCC**"), an independent quasi-judicial agency with powers to conduct investigations, issue subpoenas, conduct administrative proceedings, and impose administrative fines and penalties. To conduct a search and seizure, the PCC must apply for a warrant with the relevant court. It aims to enhance economic efficiency and promote free and fair competition in trade, industry and all commercial economic activities.

The PCA prohibits and imposes sanctions on:

(1) anti-competitive agreements between or among competitors, which restrict competition as to price, or other terms of trade and those fixing price at an auction or in any form of bidding including cover bidding, bid suppression, bid rotation and market allocation and other analogous practices of bid manipulation; and those which have the object or effect of substantially preventing, restricting or lessening competition;

(2) practices which are regarded as abuse of dominant position, by engaging in conduct that would substantially prevent, restrict or lessen competition; and

(3) merger or acquisitions which substantially prevent, restrict or lessen competition in the relevant market or in the market for goods or services, or breach the thresholds provided in the Implementing Rules and Regulations (**"IRR"**) without notice to the PCC.

The PCA provides for mandatory notification to the PCC when notification thresholds are met. Prior to Republic Act No. 11494 also known as the Bayanihan to Recover as One Act ("**Bayanihan 2 Act**"), when the value of a transaction exceeds ₱2.4 billion, and where the size of the ultimate parent entity of either party exceeds ₱6 billion, then such transaction must be notified to the PCC. Notification is also mandatory for joint venture transactions if either (a) the aggregate value of the assets that will be combined in the Philippines or contributed into the proposed joint venture exceeds ₱2.4 billion; or (b) the gross revenues generated in the Philippines by the assets to be combined in the Philippines or contributed into the proposed joint venture exceed ₱2.4 billion.

Under the PCA and the IRR, a transaction that meets the thresholds and does not comply with the notification requirements and waiting periods shall be considered void and will subject the parties to an administrative fine of 1% to 5% of the value of the transaction. Criminal penalties for entities that enter into these defined anti-competitive agreements include: (i) a fine of not less than ₱50 million but not more than ₱250 million; and (ii) imprisonment for two to seven years for directors and management personnel who knowingly and willfully participate in such criminal offences. Administrative fines of ₱100 million to ₱250 million may be imposed on entities found violating prohibitions against anti-competitive agreements and abuse of dominant position. Treble damages may be imposed by the **PCC** or the courts, as the case may be, where the violation involves the trade or movement of basic necessities and prime commodities.

Section 4(eee) of Republic Act No. 11494 or the Bayanihan 2 Act exempts from compulsory notification all mergers and acquisitions with transaction values below ₱50 billion if entered into within two years from the effectivity of Bayanihan 2 Act, or from 15 September 2020.

Under the PCC Resolution No. 22-2020 adopting the rules implementing Section 4 (eee) of the Bayanihan 2 Act, mergers and acquisitions shall still be subject to compulsory notification when: (a) both the transaction value and the size of the ultimate parent entity of either party is at least ₱50 billion; and (b) the transaction is entered into prior to the effectivity of the Bayanihan 2 Act and exceeds the thresholds applicable.

Additionally, the Bayanihan 2 Act suspends PCC's power to *motu proprio* review mergers and acquisitions for one year from the effectivity of the law. However, transactions entered into prior to the effectivity of the Bayanihan 2 Act which has not yet been reviewed by the PCC; and transactions pending review by the PCC prior to the effectivity of the Bayanihan 2 Act shall not be covered by the exemption from the PCC's power to review transactions *motu proprio*. Further, mergers and acquisitions entered into during the effectivity of the Bayanihan 2 Act may still be reviewed by the PCC *motu proprio* after one year from the effectivity of the law.

Any voluntary notification shall constitute a waiver to the exemption from review.

EMI, as a leading player in the Philippine alcohol industry, takes into account the provisions of RA 10667 and its implementing rules and regulations and ensures that its business decisions and operations are within the parameters set forth by the Philippine Competition Act and that its business objectives are aligned with the constitutional goals for the national economy.

Retail Trade Liberalization Act

On 10 December 2021, President Rodrigo Duterte signed into law **Republic Act (RA) No. 11595**, otherwise known as An Act amending Republic Act No. 8762 or the Retail Trade Liberalization Act of 2000 or RTLA which took effect on 21 January 2022. On 9 March 2022, the Department of Trade and Industry ("**DTI**"), in coordination with National Economic and Development Authority ("**NEDA**") and the Securities and Exchange Commission ("**SEC**"), issued the Implementing Rules and Regulations (IRR) to RA 11595. The new law lowers the required paid-up capital for foreign retail enterprises and eases restrictions on foreign retailers to engage in retail trade in the country. Foreign retailer means a foreign national, partnership, association, or corporation of which more than forty percent (40%) of the capital stock outstanding and entitled to vote is owned and held by such foreign national, engaged in retail trade.

Some of the salient provisions introduced by RA 11595 are:

- It removed the categories under the RTLA and lowered the minimum paid-up capital requirements for foreign retailers. The minimum paid-up capital required of a foreign retailer is Twenty-Five Million Pesos (Php25,000,000.00). Further, the foreign retailer's country of origin must provide reciprocity to Filipinos.
- For foreign retailers having more than one (1) physical store, the new law decreased the minimum investment per store to Ten Million Pesos (Php10,000,000.00)
- Foreign retailers that prequalified prior to the effectivity of the new law whose foreign ownership exceeds eighty percent (80%) are no longer required to publicly offer thirty percent (30%) of their shares of stocks in the Philippines.

- Foreign retailers should determine the nonavailability of a competent, able, and willing Filipino citizen before engaging the services of a foreign national. Foreign retailers are also encouraged to have a stock inventory of products that are made in the Philippines.

Occupational Safety and Health Standards Law
Republic Act No. 11058 or the Occupational Safety and Health Standards Law was signed into law on August 17, 2018. It mandates employers, contractors or subcontractors and any person who manages, controls or supervises the work, to furnish the workers a place of employment free from hazardous conditions that are causing or are likely to cause death, illness or physical harm to the workers. It also requires to give complete job safety instructions or orientation and to inform the workers of all hazards associated with their work, health risks involved or to which they are exposed, preventive measures to eliminate or minimize the risks and steps to be taken in cases of emergency. An employer, contractor or subcontractor who willfully fails or refuses to comply with the Occupational Safety and Health Standards shall be administratively liable for a fine. Further, the liability of the employer, project owner, general contractor, contractor or subcontractor, if any, and any person who manages, controls or supervises the work, shall be solidary.

Other Regulations Particular to the Alcoholic Beverage Industry

Presidential Decree No. 1619
The law prohibits the sale of volatile substances that induce intoxication, including alcoholic beverages, to minors without the consent of their parents or guardians. For alcoholic beverages that contain at least 30% alcohol (or 60 proof), it is entirely prohibited to sell to minors. Any person found in violation of the law may be punished by imprisonment and fine.

FDA Circular No. 2019-006
Pursuant to the provisions of the Food Safety Act, the FDA issued FDA Circular No. 2019-006 on the Guidelines on Commercial Display, Selling, Promotion, and Advertising of Alcoholic Beverages and Beverages that Contain Alcohol, providing for the following guidelines:

(1) All alcoholic beverages, regardless of type of packaging, shall only be displayed in designated conspicuous area in all convenience stores, supermarkets, hypermarkets, groceries and other food retailing stores with prominent signage "ALCOHOLIC BEVERAGES". Other beverages with alcohol regardless of level of alcohol content like alcopop (flavoured beverage with alcohol content) shall likewise be displayed in this same designated area. These beverages shall not be displayed together with other products like juice drinks and must not be accessible to children;

(2) Owners or operators of sari-sari stores which may not have enough space to designate an area for alcoholic beverages and other beverages with alcohol content shall be responsible to ensure that subject beverages as mentioned in Item no. (2) above are not sold to minors (below 18 years old); and

(3) Promotional and advertising materials on alcoholic beverages and beverages with alcohol content (regardless of amount) shall clearly state or inform consumers that such beverages contain alcohol, and therefore not to be promoted and advertised to be sold to and consumed by minors. Packaging and labelling materials shall not be appealing to children.

Sanctions and penalties over violations of any of the provisions of this FDA Circular shall follow the Food Safety Act and its implementing rules and regulations.

Excise Tax Law
The Company's alcohol products are subject to excise taxes which are currently substantially pass on to consumers and form part of the sales prices.

Excise taxes apply to alcohol products such as distilled spirits, wines and fermented liquors, which are manufactured or produced in the Philippines for domestic sales or consumption or for any other disposition, including imported items. The excise tax imposed by law is in addition to Value Added Tax ("**VAT**").

Spirits or distilled spirits are substances known as ethyl alcohol, ethanol or spirits of wine, including all dilutions, purifications and mixtures thereof, from whatever source, by whatever process produced, and includes whisky, brandy, rum, gin and vodka, and other similar products or mixtures. *Proof spirits* are liquors containing one-half of their volume of alcohol with a specific gravity of 0.7939 at 15°C. A *proof litre* is a litre of proof spirits.

On 22 January 2020, Republic Act No. 11467 (R.A. No. 11467), which amended certain provisions of the Philippine Tax Code including the provisions on excise taxes on alcohol products, was signed into law. Pursuant to R.A. No. *11467*, excise taxes on distilled spirits shall be levied, assessed and collected as follows:

1. Effective on January 1, 2020:
    - An ad valorem tax equivalent to 22.0% of the net retail price (excluding the excise tax and VAT) per proof; and
    - In addition to the ad valorem tax, a specific tax of P42.00 per proof liter.

2. Effective on January 1, 2021:
    - An ad valorem tax equivalent to 22.0% of the net retail price (excluding the excise tax and VAT) per proof; and
    - In addition to the ad valorem tax, a specific tax of P47.00 per proof liter.

3. Effective January 1, 2022:
    - An ad valorem tax equivalent to 22.0% of the net retail price (excluding the excise tax and VAT) per proof; and
    - In addition to the ad valorem tax, a specific tax of P52.00 per proof liter.

4. Effective January 1, 2023
    - An ad valorem tax equivalent to 22.0% of the net retail price (excluding the excise tax and VAT) per proof; and
    - In addition to the ad valorem tax, a specific tax of P59.00 per proof liter.

5. Effective January 1, 2024
    - An ad valorem tax equivalent to 22.0% of the net retail price (excluding the excise tax and VAT) per proof; and
    - In addition to the ad valorem tax, a specific tax of P66.00 per proof liter.

6. Effective January 1, 2025, the specific tax of P66.00 per proof liter shall be increased by six percent (6%) every year thereafter, while the ad valorem tax shall remain the same.

Medicinal preparations, flavoring extracts, and all other preparations, except toilet preparations, of which, excluding water, distilled spirits form the chief ingredient, are subject to the same tax as the chief ingredient.

The tax shall be proportionally increased for any strength of the spirits taxed over proof spirits, and the tax shall attach to this substance as soon as it is in existence as such, whether it be subsequently separated as pure or impure spirits, or transformed into any other substance either in the process of original production or by any subsequent process.

The net retail price shall mean the price at which the distilled spirits is sold on retail in at least five (5) major supermarkets in Metro Manila, excluding the amount intended to cover the applicable excise tax and the value-added tax. For distilled spirits which are marketed outside Metro Manila, the net retail price shall mean the price at which the distilled spirits is sold in at least five (5) major supermarkets in the region excluding the amount intended to cover the applicable excise tax and the value-added tax. This shall initially be provided by the manufacturer through a sworn statement and shall be validated by the Bureau of Internal Revenue (BIR) through a price survey. The net retail price shall be determined by the BIR through a biannual price survey under oath.

The suggested net retail price means the net retail price (excluding excise tax and value-added tax) at which locally manufactured or imported distilled spirits are intended by the manufacturer or importer to be sold in major supermarkets or retail outlets in Metro Manila for those marketed nationwide, and in other regions, for those with regional markets. At the end of three months from the product launch, the BIR will validate the suggested net retail price of the new brand against the net retail price and determine the correct tax on a newly introduced distilled spirits. After the end of nine months from such validation, the BIR shall revalidate the initially validated net retail price against the net retail price as of the time of revalidation in order to finally determine the correct tax on a newly introduced distilled spirits.

Understatement of the suggested net retail price by as much as 15.0% of the actual net retail price results in the manufacturer's or importer's liability for additional excise tax equivalent to the tax due and the difference between the understated suggested net retail price and the actual net retail price.

Wines are levied, assessed and collected an excise tax of P50 per liter effective January 1, 2020, increasing by 6% every year thereafter. [Previously, specific tax rate increased by 4% every year from January 1, 2014.]

Manufacturers and importers of distilled spirits and wines, within 30 days from the effectivity of R.A. No. 11467 and within the first five days of every third month thereafter, submit to the BIR a sworn statement of the volume of sales and removals for each particular brand of distilled spirits sold at their establishment for the three-month period immediately preceding.

Any manufacturer or importer who misdeclares or misrepresents in the sworn statement any pertinent data or information shall, upon final findings by the BIR that the violation was committed, be penalized by a summary cancellation or withdrawal of the permit to engage in business as a manufacturer or importer of distilled spirits or wines. Any corporation, association or partnership liable for any of the acts or omissions in violation of the provision on excise tax for distilled spirits or wines will be fined treble the amount of deficiency taxes, surcharges and interest which may be assessed. Any person liable for, or who wilfully aids or abets a personally liable for, any of the acts or omissions prohibited under the excise tax laws will be criminally liable and penalized under the National Internal Revenue Code of 1997, as amended (the "Philippine Tax Code"). Non- nationals will be deported immediately after serving the sentence.

Excise Tax on Sweetened Beverages

Republic Act 10963 or the Tax Reform for Acceleration and Inclusion ("TRAIN") Law, which amends certain provisions in the Philippine Tax Code, took effect on January 1, 2018.

Section 150-B of the Philippine Tax Code, as amended, imposes the following excise taxes on sweetened beverages effective January 1, 2018: (a) a tax of ₱6 per litre on sweetened beverages using purely caloric sweeteners, and purely non-caloric sweeteners, or a mix of caloric and non-caloric sweeteners; provided, that this tax rate shall not apply to sweetened beverages using high fructose corn syrup and sweetened beverages using purely coconut sap sugar and purely steviol glycosides; and (b) a tax of ₱12.00 per litre on sweetened beverages using purely high fructose corn syrup or in combination with any caloric or non-caloric sweetener.

On July 25, 2018, the BIR issued Revenue Regulations (RR) No. 20-2018, which seeks to implement the new taxes on sugar-sweetened beverages. Under RR 20-2018, sweetened beverages were defined as "non-alcoholic beverages of any constitution (liquid, powder, or concentrates) that are pre-packaged and sealed in accordance with the Food and Drug Administration standards that contain caloric and/or non-caloric sweeteners added by the manufacturers."

The particular products covered by the new excise tax were the following: sweetened juice drinks; sweetened tea; all carbonated beverages; flavored water; energy and sports drinks; other powdered drinks not classified as milk, juice, tea, and coffee; cereal and grain beverages; as well as other non-alcoholic beverages that contain added sugar, while products using purely coconut sap sugar and purely steviol glycosides were exempt from the excise tax, as long as these "comply with specifications as stated in the Philippine National Standard/Bureau of Agricultural and Fisheries Products Standards 76:2010 ICS 67.180 or latest updated standards.

The Company's sweetened non-alcoholic products, Club Mix Lime Juice and Club Mix Apple Tea, are covered.

Philippine BIR Issuances

To implement R.A. No. 10351, the BIR issued Revenue Regulation ("RR") No. 17-2012 on December 26, 2012. Among others, RR No. 17-2012 provides that for purposes of tax classification, alcohol or tobacco products, whether imported or domestically manufactured in the Philippines, shall be taxed according to their individual brand name (whether or not with prefix or suffix), color and/or design of label (such as logo, font, picturegram, and the like), manner and/or form of packaging or size of container of the product. RR No. 17-2012 also provides that all cigarettes whether packed by hand or packed by machine shall only be packed in twenties (20s), and through other packaging combinations which shall result to not more than 20 sticks of cigarettes: provided, that, in case of cigarettes packed in not more than 20 sticks, whether in five sticks, 10 sticks and other packaging combinations below 20 sticks, the net retail price of each individual package of 5s, 10s, etc. shall be the basis of imposing the tax rate prescribed under R.A. No. 10351.

The BIR also issued RMC No. 3-2013 on January 9, 2013, which clarified that "ethyl alcohol, ethanol, or spirits of wine, including all dilutions, purifications and mixtures thereof" were separate and distinct distilled spirits from "whisky, brandy, rum, gin and vodka." Consequently, both groups of distilled spirits should be subject to separate and distinct excise taxes. However, on February 15, 2013, the BIR issued RMC No. 18-2013, which amended RMC No. 3-2013 insofar as ethyl alcohol is concerned. RMC 18-2013 provides as follows:

The importation of ethyl alcohol or ethanol intended for re-sale or for the manufacture of compounded liquors shall be subject to excise tax unless the importer thereof is a holder of a Permit to Operate as importer of ethyl alcohol or ethanol or as a manufacturer of compounded liquors, as the case may be, duly issued by the BIR and has posted a surety bond, in addition to the importer's bond prescribed under Section 160 of the Philippine Tax Code;

In case of domestic sale of ethyl alcohol or ethanol by duly registered manufacturers thereof, otherwise known as distilleries, the sale and delivery of ethyl alcohol or ethanol directly to manufacturers of compounded liquors shall be subject to excise tax, unless a surety bond shall be posted by the distillery, in addition to the manufacturer's bond prescribed under Section 160 of the Philippine Tax Code. Moreover, the sale and delivery of ethyl alcohol or ethanol without the payment of the excise tax to be used as raw material in the manufacture of compounded liquors shall not be allowed unless the buyer thereof is a holder of a Permit to Operate as manufacturer of compounded liquors duly issued by the BIR;

The removal of ethyl alcohol or ethanol from distilleries for purposes of rectification shall be conditionally tax-exempt and the excise tax due on the rectified alcohol shall be paid by the rectifier pursuant to the provisions of Section 137 of the Philippine Tax Code and its implementing rules and regulations. In case the rectifier shall remove and deliver the rectified alcohol to manufacturers of compounded liquors, such removal shall not be subject to excise tax provided that a surety bond in an amount similar to that provided for distilleries shall have been posted by the rectifier;

The duly registered importer of ethyl alcohol or ethanol intended for resale shall be liable to the excise tax on sale and delivery thereof to persons or entity other than to manufacturers of compounded liquors;

All existing manufacturers of compounded liquors are now liable to pay the excise tax on every removal of compounded liquors from its place of production pursuant to R.A. No. 10351, and are required to post an initial manufacturer's bond prescribed under Section 160 of the Philippine Tax Code equivalent to the excise due on the total volume of compounded liquors that have been actually removed from the place of production in the immediately previous year of operation;

With respect to the tolling, bottling and other sub-contracting agreements prescribed under Section 21 of R.R. No. 03-2006, the owner of the alcohol products shall be the person liable to pay the excise tax before removal thereof from the place of production of the toller or sub-contractor; and

The excise tax that has already been paid on ethyl alcohol or ethanol pursuant to RMC No. 3-2013 shall not be entitled to tax credit/refund or shall not be deducted from the total excise tax due on compounded liquors.

Biofuels Act
In 2007, the Philippine enacted Republic Act No. 9367, entitled "An Act to Direct the Use of Biofuels, Establishing for this Purpose, The Biofuel Program, Appropriating Funds Therefor, and For Other Purposes", otherwise known as the Biofuels Act of 2006, which provides for the mandatory use of biofuels. RA 9367 mandates that there shall be a minimum 1% biodiesel blend and 5% bioethanol blend by volume in all diesel and gasoline fuels, being distributed and sold in the country, provided that the biodiesel and bioethanol blends conform to the standards set forth under the Philippine National Standards. In order to encourage investments in the biofuels industry, the government, in addition to applicable incentives and benefits under the existing laws, rules and regulations, provided for an incentive scheme which includes 0% specific tax on local and imported biofuels component per liter of volume, VAT exemption on the sale of raw material used in the production of biofuels, exemption from wastewater charges for water effluents for the production of biofuels and potential financial assistance from government financial institutions.

At present, the government, through the Sugar Regulatory Administration, Department of Energy, BIR and Bureau of Customs, is working hand in hand with the private sector to further develop the biofuels industry, with the vision of producing enough biofuels for local and international distribution.

Revised Corporation Code
Republic Act No. 11232 or the Revised Corporation Code ("**Revised Corporation Code**") was signed into law on February 20, 2019 and became effective on March 8, 2019. Among the salient features of the Revised Corporation Code are:

- corporations are granted perpetual existence, unless the articles of incorporation provide otherwise. Perpetual existence shall also benefit corporations whose certificates of incorporation were issued before the effectivity of the Code, unless a corporation, upon a vote of majority of the stockholders of the outstanding capital stock notifies the Philippine SEC that it elects to retain its specific corporate term under its current Articles of Incorporation;
- the Code allows the creation of a "One Person Corporation" ("**OPC**"), which is a corporation composed of a single stockholder, provided that, only a natural person, trust or an estate may form such. No minimum authorized capital stock is also required for an **OPC**, unless provided for under special laws;
- material contracts between the Corporation and its own directors, trustees, officers, or their spouses and relatives within the fourth civil degree of consanguinity or affinity must be approved by at least two-thirds of the entire membership of the Board, with at least a majority of the independent directors voting to approve the same;
- the right of stockholders to vote in the election of directors or trustees, or in shareholders meetings, may now be done through remote communication or *in absentia* if authorized by the corporate by-laws. However, as to corporations vested with public interest, these votes are deemed available, even if not expressly stated in the corporate by-laws. The shareholders who participate through remote communication or *in absentia* are deemed present for purposes of quorum. When attendance, participation and voting are allowed by remote communication or *in absentia,* the notice of meetings to the stockholders must state the requirements and procedures to be followed when a stockholder or member elects either option; and
- in case of transfer of shares of listed companies, the Commission may require that these corporations whose securities are traded in trading markets and which can reasonably demonstrate their capability to do so, to issue their securities or shares of stock in uncertificated or scripless form in accordance with the Rules of the Commission.

The Revised Corporation Code refers to the Philippine Competition Act in case of covered transactions under said law involving the sale, lease, exchange, mortgage, pledge, or disposition of properties or assets; increase or decrease in the capital stock, incurring creating or increasing bonded indebtedness; or mergers or consolidations covered by the Philippine Competition Act thresholds.

UK REGULATIONS

Scotch Whisky Regulations 2009

The Scotch Whisky Regulations 2009 ("SWR") came into force on November 23, 2009, replacing the Scotch Whisky Act 1988 and the Scotch Whisky Order 1990. Whereas the previous legislation had only governed the way in which Scotch Whisky must be produced, the SWR also set out rules on how Scotch Whiskies must be labelled, packaged and advertised, as well as requiring Single Malt Scotch Whisky to be bottled in Scotland, labelled for retail sale, from November 23, 2012. The SWR make clear that Scotch Whisky must be wholly matured in Scotland (i.e. it may not be matured in any country other than Scotland). They also require that all maturation must take place in an excise warehouse or in another permitted place regulated by Her Majesty's Revenue and Customs ("HMRC"). HMRC is appointed by the SWR as the competent authority for verification of Scotch Whisky.

Permitted place is defined in Regulation 4 of the SWR and includes any place to which spirits in an excise warehouse are moved for:

- Re-warehousing in another excise warehouse;
- Such temporary purposes and periods as HMRC allow;
- Scientific research and testing;
- Storage at other premises where under the Customs and Excise Acts goods of the same class or description may be kept without payment of excise duty; and
- Such other purpose as HMRC may permit.

It is only if all maturation of Scotch Whisky takes place under some form of HMRC control that they will be able to certify that the spirit is Scotch Whisky and, if any age is claimed, that the Scotch Whisky has been matured in the permitted size of oak casks for the period claimed.

The SWR also provide that the only type of whisky that may be manufactured in Scotland is Scotch Whisky. This is to prevent the existence of two "grades" of whisky in Scotland - one "Scotch Whisky" and the other "Whisky – product of Scotland". This is to ensure protection of "Scotch Whisky" as a distinctive product.

Regulation 3(2) defines five categories of Scotch Whisky. The relevant category description must appear clearly and prominently on every bottle of Scotch Whisky sold:

1. Single Malt Scotch Whisky – A Scotch Whisky distilled at a single distillery (i) from water and malted barley without the addition of any other cereals, and (ii) by batch distillation in pot stills. From 23 November 2012, Single Malt Scotch Whisky must be bottled in Scotland.
2. Single Grain Scotch Whisky - A Scotch Whisky distilled at a single distillery (i) from water and malted barley with or without whole grains of other malted or unmalted cereals, and (ii) which does not comply with the definition of Single Malt Scotch Whisky.
3. Blended Scotch Whisky - A blend of one or more Single Malt Scotch Whiskies with one or more Single Grain Scotch Whiskies.
4. Blended Malt Scotch Whisky - A blend of Single Malt Scotch Whiskies, which have been distilled at more than one distillery.
5. Blended Grain Scotch Whisky - A blend of Single Grain Scotch Whiskies, which have been distilled at more than one distillery.

Regulation 8 of the SWR makes it compulsory for every Scotch Whisky to bear on the front of the bottle and on any individual packaging the category to which the Scotch Whisky belongs. The category must appear as prominently as other description of the Scotch Whisky.

It an offence to promote a Scotch Whisky as belonging to a category to which it does not belong. Regulation 6 of the SWR makes it illegal to label, package, sell or advertise any drink as "Scotch

Whisky" or "Scotch" in such as way to suggest indirectly that the drink is Scotch Whisky when it does not qualify as such.

Regulation 7 of the SWR also makes it illegal to export any type of Scotch Whisky in an oak or other wooden cask. It is permitted to continue to export Scotch Whisky in bulk using inert containers such as appropriate plastic drums or steel containers.

However, Regulation 7 of the SWR also makes it illegal for Single Malt Scotch Whisky to be exported from Scotland other than in a bottle labelled for retail sale.

SWR provided added legal protection for the traditional regional names with Scotch Whisky production, i.e., 'Highland', 'Lowland', 'Speyside', 'Campbeltown', and 'Islay'. These names can only appear on whiskies wholly distilled in those regions. A distillery name must not be used as a brand name on any Scotch Whisky which has not been wholly distilled in the named distillery. Labelling must not by any other means mislead consumers as to where the Scotch Whisky has been distilled. It is permissible to use other Scottish locality or regional names provided the Scotch Whisky has been entirely distilled in that place.

The SWR maintain the long standing rule on the use of age statements, i.e. the only age which may be stated is the age of the youngest Scotch Whisky in the product. When distillation or vintage year will be used, then only one year may be mentioned together with the year of bottling or age statement which must appear in the same field of vision as the year of distillation or vintage, and all of the whisky in the product must have been distilled in that vintage year.

There are a range of enforcement measures available for breach of the SWR from warning notices to criminal prosecutions. Provisions are also included for civil enforcement by interested parties.

Excise duty
Up to August 2023, total duty and excise tax payment made up about 70% of the average price of a bottle of whisky, at a rate of £28.74 per litre of pure alcohol, and so the Spirit Duty you paid on a 1 litre bottle of 40% ABV is 40% of £28.74, or £11.50. In the Spring Budget of 2023, the Chancellor increased the duty rate on spirits[10] to £31.64 per litre of pure alcohol, meaning that of the £15.22 average price of a bottle of Scotch Whisky, £11.40 is collected in taxation through duty and VAT. The tax burden on the averaged priced bottle of Scotch Whisky has risen from 70% to 75% (Source: Scotch Whisky Association's Newsroom article dated March 15, 2023 in its website).

The Scottish Government has implemented a minimum price per unit of alcohol on product sold in Scotland[11], which resulted in a significant increase to the price of a standard blended Scotch Whisky. The minimum is 50p per unit of alcohol which means the minimum retail selling price ("RSP") for a 1L bottle of 40% ABV whisky is £20. A similar policy has been introduced in England and Wales.[12]. The Scotch Whisky Association continues to call for a review of the alcohol duty system to deliver fairness for Scotch Whisky which is a unique UK product.

USA Tariffs
On October 18, 2019, the U.S. began to impose additional tariffs on certain products imported from the European Union (including the UK). In particular, Single Malt Scotch Whisky imported into the U.S. had to pay an import tariff in addition to the existing ones of 25% ad valorem, that is, 25% of the value of the product declared in customs.

The U.S. suspended tariffs on UK goods, including Single Malt Scotch whisky, for four months starting March 4, 2021. In June 2021, a UK-U.S. deal on future aerospace subsidies was agreed which suspended the 25% tariff on single malt Scotch Whisky for a further five years. If the 25% tariff were

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[10] *On March 3, 2024, Chancellor announced a duty freeze across all four alcohol categories until February 2025. Duty rate on spirits remains at current level of £31.64 per liter of pure alcohol, meaning of £15.63 ave. bottle price of Scotch whisky, £11.40 is collected in taxation through duty and VAT, a tax burden of 73%. Source: Scotch Whisky Association newsroom.*

[11] *On Mary 1, 2018, Scotland became the first country to implement minimum unit pricing for alcoholic drinks aimed to curb alcohol-related harms, and will end on April 30, 2024 unless Parliament votes to keep it.. Source: mygov.scot ; gov.scot*

[12] *Minimum pricing of 50p per unit was introduced on March 2, 2020.*

re-imposed, we expect that its impact on our financial results would be limited and we would work with our importers and distributors to minimize disruption to our business.

Commercial and Cooperation Agreement between the European Union and the European Atomic Energy Community, on the one side, and the United Kingdom of Great Britain and Northern Ireland, on the other side

The EU and the UK signed a commercial and cooperation agreement on December 24, 2020 (the "**Commercial and Cooperation Agreement**"), in force on 1 January 2021, in order to regulate their relationships due to the Brexit, with regard to trade of goods and services, digital trade, intellectual property, public procurement, aviation and road transport, energy, fishing, coordination of social security, judicial cooperation and police in criminal matters, thematic cooperation and participation in European Union programmes.

As of January 1, 2021, the UK leaves has now left the Single Market and the Customs Union of the EU.

As a result, it no longer benefits from the principle of the free movement of goods. Even with the new agreement in place, companies will face new trade barriers, which will lead to increased costs, new controls and will require adjustments to integrate supply chains from the EU and UK.

Both Parties have agreed to create an ambitious free trade area without tariffs or quotas applied to products, with regulatory and customs cooperation mechanisms, as well as provisions to guarantee a level playing field for open and fair competition, as part of a larger partnership economical.

The provisions set out in the Commercial and Cooperation Agreement do not govern trade of goods between the EU and Northern Ireland, since these will be governed by the Protocol on Ireland and Northern Ireland included in the Exit Agreement of the UK ("**Brexit**").

In particular with regard to any pending applications for registered trademarks in the EU, as a result of Brexit, no corresponding UK rights will be automatically created from EU trademark applications, so it will be necessary to file a UK application.

UK Competition Act 1998

Our Company's activities in the UK are subject to the provisions of the Competition Act 1998 ("**CA 98**").

Consistent with the competition/antitrust laws of many other countries, the CA 98 prohibits:

- agreements between undertakings that have the object or effect of restricting competition; and
- the abuse of a dominant market position.

The CA 98 applies throughout the UK, including Scotland.

The prohibitions under the CA 98 are broadly the same as those that apply under European Union ("**EU**") competition law. As a result of Brexit, EU competition law no longer applies in the UK. However, the UK has retained into UK competition law various EU "block exemptions". These include the Vertical Agreements Block Exemption, which applies to distribution and other vertical agreements. The Vertical Agreements Block Exemption expires on 31 May 2022 and the UK's principal competition authority, the Competition and Markets Authority ("**CMA**"), is consulting on how competition law should apply to vertical agreements after that date.

Advertising

Advertising and marketing in the UK is subject to the **Advertising Codes of Practice**, which comprises the UK Code of Non-broadcast Advertising and Direct & Promotional Marketing, the rule book for non-broadcast advertisements, and The UK Code of Broadcast Advertising. The Advertising Codes of Practice applies to all advertisements (including teleshopping, content on self-promotional television channels, television text and interactive TV ads) and program sponsorship credits on radio and television services licensed by Ofcom.

WML is also bound by specific rules contained within the Advertising Codes of Practice that relate directly to marketing communications for alcoholic drinks (that is drinks with a strength above 0.5% ABV). The spirit, not just the letter, of the codes apply with the general principle being that marketing communications for alcoholic drinks should not be targeted at people under 18 and should not imply, condone, or encourage immoderate, irresponsible or anti-social drinking.

Breaching of the Advertising Codes of Practice can lead to a public adjudication by the regulator, the Advertising Standards Authority, as well as the removal or amendment of material and other trade related sanctions. In extreme circumstances, serious breaches can lead to referral to Trading Standards, the local authority departments within the UK that enforce consumer protection legislation.

WML also subscribes to voluntary codes that relate to social responsibility and self-regulation in the alcohol industry, including Drinkaware (an independent charity working to reduce alcohol misuse and harm in the UK that promotes information to consumers about consumption of alcohol) and the Portman Group (a voluntary code membership that promotes good practice and compliance with labelling and advertising of alcohol).

SPANISH REGULATIONS

Brandy de Jerez Regulations

The Andalusian Regional Department of Agriculture, Fisheries and Rural Development has approved the **Order dated June 28, 2018**, which contains the new Technical File regarding the Geographical Indication of “Brandy de Jerez”, replacing the former Order dated February 9, 2015. This regulation contains the technical specifications of the products, compliance with which, must be verified to enable use of the protected name. On the other hand, the new Operational Regulation of the Regulatory Board of “Brandy de Jerez” has been approved by an **Order dated February 16, 2018** issued by the Andalusian Regional Department of Agriculture, Fisheries and Rural Development, replacing the former Order dated June 13, 2005.

The Geographic Indication “Brandy de Jerez” is protected in the European Union, in accordance with its registration as a protected geographical indication, as per regulation (EU) no. 2019 /787 relating to the definition, description, presentation, labelling and protection of the geographic indication of spirit drinks.

The following EU Regulations amending Regulation (EU) 2019/787 have been adopted in 2021:

COMMISSION DELEGATED REGULATION (EU) 2021/1334 of May 27, 2021 amending Regulation (EU) 2019/787 of the European Parliament and of the Council as regards allusions to legal names of spirit drinks or geographical indications for spirit drinks in the description, presentation and labelling of other spirit drinks

COMMISSION DELEGATED REGULATION (EU) 2021/1335 of May 27, 2021 amending Regulation (EU) 2019/787 of the European Parliament and of the Council as regards the labelling of spirit drinks resulting from the combination of a spirit drink with one or more foodstuffs.

COMMISSION DELEGATED REGULATION (EU) 2021/1465 of July 6, 2021 amending Regulation (EU) 2019/787 of the European Parliament and of the Council as regards the definition of allusions to legal names of spirit drinks or geographical indications for spirit drinks and their use in the description, presentation and labelling of spirit drinks other than the spirit drinks to which allusion is made

The following EU Regulations amending Regulation (EU) 2019/787 have been adopted in 2022:

COMMISSION DELEGATED REGULATION (EU) 2022/1303 of 25 April 2022 amending Regulation (EU) 2019/787 of the European Parliament and of the Council as regards the definition of and requirements for ethyl alcohol of agricultural origin.

In order to be considered a Brandy de Jerez, it must be made according to the methods set down by the Regulating Council. The area of production and ageing of Brandy de Jerez must be exclusively within the Sherry triangle, which is defined by the boundaries of Jerez dela Frontera, Sanlucar de Barrameda and El Puerto de Santa Maria, and bottling must be carried out exclusively in the wineries that are registered and authorized by the Regulating Council. Its production process is based on the solera system (suelo or floor) in oak butts previously seasoned with sherry. Different types of sherry give the brandy a different flavor. The traditional ageing system of criaderas (nurseries) and soleras (suelo or floor) must be used.

In Jerez, it is possible to use wine spirits of a higher degree of alcoholic content provided that the distillate or holandas does not exceed a maximum of the 50% of the alcoholic content of the finished product. The holandas must always represent 50% minimum of the final brandy.

Brandy de Jerez can be classified into three categories as per its period of ageing:

1. Brandy de Jerez Solera – ageing for more than six months expressed in UBEs (Basic Ageing Unit)
2. Brandy de Jerez Solera Reserva - ageing for more than one year expressed in UBEs.
3. Brandy de Jerez Gran Reserva - ageing for more than three years expressed in UBEs.

Spanish Royal Decree 164/2014, of March 14, which establishes complementary rules for the production, designation, presentation and labeling of certain spirits.

Sherry Regulations
The Protected Designation of Origin Jerez-Xérès-Sherry is protected in the European Union, in accordance with its registration as a Protected Designation of Origin, as per regulation (EU) no 1308/2013 relating to establishing a common organisation of the markets in agricultural products.

The Delegated Regulation (EU) 2019/33 of the Commission, of October 17, 2018, which completes Regulation (EU) No. 1308/2013 of the European Parliament and the Council, regulates applications for protection of appellations of origin, geographical indications and traditional terms of the wine sector, the opposition procedure, restrictions on use, amendments to the specifications, cancellation of protection, as well as labeling and presentation.

The new Delegated Regulation (UE) 2019/934 of March 12, 2019 supplementing Regulation (EU) No 1308/2013 of the European Parliament and of the Council regarding wine-growing areas where the alcoholic strength may be increased, authorized oenological practices and restrictions applicable to the production and conservation of grapevine products, the minimum percentage of alcohol for by-products and their disposal, and publication of OIV files.

The Andalusian Regional Department of Agriculture, Fisheries and Rural Development has approved the Order dated August 2, 2013, which contains the Product Specification regarding the Protected Designation of Origin “Jerez-Xérès-Sherry”. This regulation contains the technical specifications of the products, compliance with which, must be verified to enable use of the protected name.

The Andalusian Regional Department of Agriculture, Fisheries, Water and Rural Development has approved by Order of 4 October 2022, the applications for ordinary amendments to the specifications of the Protected Designation of Origin 'Jerez-Xérès-Sherry'.

On December 8, 2023, the new European wine labelling regulation comes into force in accordance with Regulation (EU) 2021/2117 which amends the CMO (Regulation (EU) 1308/2013). It establishes as compulsory mentions the nutritional information on the physical and electronic label (except for the energy value, which must always be on the physical label) and the list of allergens, which must always be on the physical label.

Spanish excise duty
Total duty and excise tax payment made up about 60% of the average price of a bottle of brandy (which are in the range of more than 36º alcoholic degrees). For Spirits (less than 36º alcoholic degrees), taxes represent about 50% of the average price of a bottle. For Sherry Wines, we are in two

ranges again, less than 15º alcoholic degrees on 20% of the final prices and higher on 23% of a final price of a bottle of Sherry Wine. These ratios were updated at the end of 2016 by the Spanish Government, at a 5% increase from 2015.

The regulations governing special taxes are Law 38/1992, of December 28, on Special Taxes and Royal Decree 1165/1995, of July 7, which approves the Regulation on Special Taxes.

By order HAC / 998 of September 23,2019, the Spanish Ministry of Finance has modified the accounting of products subject to Special Manufacturing Taxes, whose entry into force was on January 1, 2020 with extension until December 31, 2020.

On the other hand, Order HAC/626 of July 6, 2020, has modified the Order HAC / 1271 of December 9, 2019, has approved the rules of development of the provisions of article 26 of the Regulation of Special Taxes, approved by Royal Decree 1165/1995, of July 7, on the new fiscal seals planned for derived beverages (Brandy and Spirits), whose entry into force has been on January 1, 2020.

Finally, Royal Decree 399/2021, of June 8 amends in its First Final Provision the Regulation on Excise Duties, approved by Royal Decree 1165/1995, of July 7. The first paragraph of letter a) of section 2 and section 11 are amended, and section 12 and the last paragraph of section 13 of article 26 of the Regulation of Excise Duties, approved by Royal Decree 1165/1995 are repealed: Placement of the seals in any visible place on the container in such a way that they cannot be reused and allowing the reading of the electronic security code that they incorporate, as well as the request for the electronic cancellation of the security codes for the deactivation of tax marks.

Amendment of the Food Chain Law
In 2021 the Spanish Food Chain Law has been amended by Law 16/2021 of December 14, in order to include the provisions of an EU Directive on unfair commercial practices in relations between companies in the agricultural and food supply chain. Among others, it requires from now onwards that the agreed price of the sale of products always covers production costs, to sign written contracts with regard to commercial transactions of more than 2,500 euros, broadens the catalog of prohibited unfair commercial practices and reinforces the sanctioning procedure.

Spanish Competition Act
Spanish Act 15/2007, of 3 July on the Defense of Competition ("**Spanish Competition Act**") and its regulation approved by Royal Decree 261/2008 of 22 February provides competition rules in Spain.

Royal Decree-Law 5/2023 introduced some changes to Spanish Act 15/2007. The amendments were mainly of a proceeding type.

Spanish Competition Act prohibits agreements between undertakings that have the object of effect of restricting competition and the abuse of a dominant market position which are consistent with the competition provisions included in Article 101, 102 et seq. of the Treaty on the Functioning of the European Union ("**TFEU**"). In particular, Article 1 of the Spanish Act 15/2007, of 3 July, on Defense of Competition has the same purpose than the article 101 of the TFEU, precluding all the agreements and concerted practices between undertakings, whether "horizontal" (between parties operating at the same level of the economy, often actual or potential competitors) or "vertical" (between parties operating at different levels), which may affect trade and which have as their objet or effect the prevention, restriction or distortion of competition within the Spanish market.

Agreements, decisions or concerted practices that are contrary to Article 1 of the Spanish Competition Act or Article 101 TFEU are illegal and void (unless an exemption applies).

In this regard, an agreement can be individually exempt from the general prohibition if it: (i) contributes to improving the production, commercialization, and distribution of goods and services, or to promoting technical or economic progress; (ii) allows consumers a fair share of benefits; (iii) does not impose on the undertakings concerned restrictions which are not indispensable to the attainment of these objectives; and (iv) does not provide the parties with the possibility of eliminating competition in respect of a substantial part of the products or services.

The Spanish Competition Act also introduces a leniency program in Spain, from which those companies that participate in a cartel can benefit.

As regards vertical agreements, in order to avoid the prohibition of such legal provision, and without prejudice of the singular application of the criteria of Article 1, paragraph 3 (equivalent to Article 101.3 TFEU), it is directly applicable the Block Exemption Regulation on Vertical restraints ("**BER**") approved by the Commission Regulation – 2022/720 of 10 May, on the application of Article 101(3) of the Treaty on the Functioning of the European Union to categories of vertical agreements and concerted practices.

Block Exemption applies to restrict sales by wholesalers to end users and to allow wholesalers to sell to certain end users in that territory. to agreements (i) where both parties, the supplier and the buyer, meet the market share threshold of 30%; and (ii) that do not contain hardcore restrictions.
As a general rule, the following constitute hardcore restrictions: prices fixing (except for recommendation prices), restrictions on passive sales (with some exceptions for selective distribution); restrictions on active sales (unless they concern the operation of an exclusive distribution system); restrictions of cross supplies; restrictions on components sales as spare parts to end-users. As regards territory restrictions, on the one hand, they are permitted in selective and exclusive distribution, on the other hand, suppliers are allowed.

Likewise, Spanish Competition Act sets out a merger control regime which is comparable in most respect to the Regulation (EC) no 139/2004 on the control of concentrations between undertakings ("**EUMR**"). In particular, each of them requires prior regulatory approval with respect to any concentration between undertakings that "*may potentially restrict competition*" (i.e. if certain turnover/market share thresholds are met).

As provided by both, Spanish Competition Act and EUMR, an economic concentration requires prior clearance by the relevant competition authority if the concentration "*may potentially restrict competition*" and, in particular, this requirement is deemed to be met if the concentration exceeds certain thresholds.

Pursuant to Spanish Competition Act, there are two alternative thresholds:

- Aggregate turnover of the Parties (as defined in paragraph 8(i)(a) above) in Spain exceeds €240 million in the last financial year, provided that each of at least two of such undertakings obtain in Spain a turnover exceeding €60 million; or
- The concentration results in an acquisition or increase of the Parties' market share of at least 30% in the relevant market, except where the aggregate turnover in Spain does not exceed €10 million and provided that the Parties do not have, in aggregate or separately, a market share of at least 50% in any of the affected markets.

Provisions of TFEU and EUMR are directly applied in Spain as it is a member state of the EU.
Finally, Article 3 of the Spanish Competition Act prohibits acts of unfair competition that affect public interest by distorting free competition.

Furthermore, the main Spanish trade practice rules are contained in the Act 7/1996 of 15 January, on Retail Trade Organization, and the Act 3/1991 of 10 January, on Unfair Competition, both amended by Act 29/2009 of 30 December, on implementation the Directive 2005/29/EC ("**Spanish Unfair Competition Act**").

Regardless the different types of unfair competition practices set forth by the Spanish Unfair Competition Act (i.e. confusion, discredit, comparative acts, imitation, etc.), in general any of the parties would have carried out an unfair practice if it had executed "*any conduct objectively contrary to the demands of good faith and fair dealing*", provided that: on the one hand, the conduct had been contrary to professional diligence; and on the other hand, the conduct had possessed the capacity to significantly or potentially distort the economic behaviour of the average member of the group targeted by the practice.

Advertising
The advertising activity in Spain is subject to a wide range of regulations, both at national and regional level. In particular, the alcoholic beverages industry is one of the most regulated sectors in terms of advertising, along with tobacco and underage advertising, aimed to protect public health, in an attempt to address the abuse of alcoholic beverages by promoting moderate and responsible consumption. Consequently, advertising alcoholic beverages has greater limitations when it comes to conducting advertising campaigns through the existing available media platforms.

The Spanish alcohol related advertising regulation applicable to all the Spanish territory are the following: (a) Law 34/1988, of November 11, 1988, on General Advertising ("**General Advertising Law**"); and (b) Law 13/2022, of 7 July 2022, on General Audio-visual Communication ("**General Audio-visual Communication Law**").

Both General Advertising Law and General Audio-Visual Communication Law include provisions for the purposes of (a) preventing the advertising of alcoholic beverages over 20º alcoholic degrees by television or were the sale or consumption of such alcoholic beverages is not allowed; (b) allowing the advertising of alcoholic beverages of 20º or under 20º alcoholic degrees by television only during the time
between 8:30 p.m. and 5 a.m. of the following day; and (c) preventing the advertising of alcoholic beverages under 20º alcoholic degrees by any advertising media platform when it is directed at minors, encourages immoderate consumption or associates consumption with improved physical performance, social success or health.

Any breach of the General Audio-visual Communication Law may result in fines depending on whether the relevant breach is deemed minor, serious or very serious. Likewise, pursuant to the General Advertising Law certain third parties will be entitled to claim, among others, the cessation of the advertising allegedly deemed as unlawful and also damages arising therefrom in case of willfull misconduct.

OTHER REGULATIONS

GDPR
The EU General Data Protection Regulation ("GDPR") replaces the Data Protection Directive 95/46/EC and is designed to: harmonize data privacy laws across Europe; protect and empower all European Union (EU) citizens data privacy; and reshape the way organizations across the region approach data privacy.

The GDPR was approved and adopted by the EU Parliament in April 2016. The regulation took effect after a two-year transition period and came into force on May 25, 2018. The GDPR not only applies to organizations located within the EU but also applies to organizations located outside of the EU if they offer goods or services to, or monitor the behavior of, EU data subjects. It applies to all companies processing and holding the personal data of data subjects residing in the EU, regardless of the company's location. Organizations can be fined up to 4% of annual global turnover for breaching GDPR or €20 Million for the most serious infringements.

Whyte and Mackay and Bodegas Fundador have put policies in place, consistent with GDPR requirements, well before the deadline of May 25, 2018, and these continue to be reviewed regularly.

In Spain, the Protection of Personal Data and the Guarantee of Digital Rights, which realigns the Spanish legal regime with the GDPR. The Company's Spanish group ensured that the company policy in place are consistent with the organic law and data protection audits are made every year.

In the UK, the **Data Protection Act 2018** realigns the UK legal regime with the GDPR and ensures that the UK continues to be compliant with GDPR post-Brexit.

RESEARCH AND DEVELOPMENT

The Group develops new products and regularly seeks to expand its existing product lines. The Group researches new processes and tests new equipment to maintain and improve the quality of its beverages. EDI has a research and development team who conducts extensive research and development for new products, line extensions for existing products and for improved production, quality control and packaging, as well as consumer preferences, habits and trends.

Likewise, WMG is committed to research and development activities in order to secure its position as one of the market leaders in the production, marketing and distribution of Scotch whisky, vodka, liqueurs and other alcoholic drinks.

Bodegas Fundador is deeply engaged on new product development worldwide succeeding in making its products adapt to specific market preferences.

While research and development is important to the Group, the amounts spent on research and development activities in percentage to total revenues in each of the last three years are minimal.

EMPLOYEES

The following table sets out the full-time employees of the Company as of December 31, 2023.

EDI Group (Philippines)	1,907
Whyte and Mackay (Scotland)	720
GES (Spain)	264
Domecq BLC (Mexico)	122
TOTAL	**3,013**

The Group intends to hire additional employees if the present workforce becomes inadequate to handle operations.

AWGI has a renewed five-year collective bargaining agreement with its production employees covering the period up to January 15, 2025, while Progreen entered into a five-year collective bargaining agreement with its rank-and-file employees assigned in the Balayan production plant covering the period up to October 31, 2025. In December 2023, Progreen's management and union successfully concluded the re-negotiation of the economic provisions of the CBA. The two-year re-negotiated CBA is effective beginning January 6, 2024 up to January 5, 2026. The employees also agree to follow certain grievance procedures and to refrain from strikes during the term of the agreement.

Whyte and Mackay have a Joint Negotiation Committee with both UNITE and GMB trade unions. This Joint Negotiation Committee covers wages and benefits for all operational/operator employees. The previous agreement ended in December 2023 and wage negotiations are ongoing for 2024.

Bodegas Fundador, along with the rest of the companies in the Jerez region, has a Collective Labor Agreement with the members of the union board and employees. In October 2022, an agreement was reached for a new Collective Labor Agreement 2021-23. Negotiations for another agreement, valid for the coming years, will begin in early 2024. The result of the negotiations is expected to obtain an agreement that provides stability and improvements to the sector.

The Group gives full and fair consideration to the employment of disabled persons and women for suitable jobs, as well as their training, career development and promotion within the Group.

The Group has not experienced any disruptive labor disputes, strikes or threats of strikes, and management believes that the Group's relationship with its employees in general is satisfactory.

RISKS ASSOCIATED WITH THE BUSINESS

The Company's businesses may be disrupted by natural disasters and outbreaks of infectious diseases or fears of such occurrences in its business areas.

It is not possible to predict the extent to which the Company's various businesses, in general, will be affected by any of the above occurrences or fears that such occurrences will take place, and there can be no assurance that any disruption to its businesses will not be protracted or that property will not be damaged, or that they could not materially and adversely affect their business, financial condition and results of operations.

Whyte and Mackay have a substantial inventory of aged stocks which mature over periods of up to 60 years. The maturing inventory is stored in various locations across Scotland, and the loss through contamination, fire or other natural disaster of all or a portion of the stock could result in a significant reduction in supply of products and consequently consumer demand for these products would not be met, and turnover and profitability would be adversely affected.

This risk is mitigated by appropriate physical protection and by insurance coverage.

The Group has navigated through the challenges brought by the COVID-19 pandemic by managing its costs and expenditures; maintaining supply of its products and capitalizing on off-premise and online sales when on-premise and travel retail were adversely affected by lockdowns, travel restrictions and liquor bans. The group immediately rolled out safety protocols to comply with regulations and protect its employees, suppliers and customers.

Demand for the Company's products may be adversely affected by changes in consumer preferences and tastes, product quality and reputation, or Company's reputation.

EDI currently sells the following brands of alcoholic beverages, 'Emperador Brandy', 'Emperador Light', 'Emperador Double Light', 'Emperador Deluxe', 'Emperador Coffee Brandy', 'Andy Player Whisky', 'The Dalmore', 'Jura' and 'Whyte & Mackay' Scotch Whisky, 'Fundador', 'Tres Cepas', 'Harveys Bristol Cream', 'Smirnoff Mule', 'The Bar' beverages and cocktails, and 'So Nice'. It also sells the special editions – Emperador Deluxe Special Reserve, Emperador Grand Supreme and Zabana Philippine Rum in its retail stores. Maintaining a competitive position depends on its continued ability to offer products that appeal to consumers. Consumer preferences may shift due to a variety of factors, including changes in demographic and social trends, leisure activity patterns and a downturn in economic conditions, which may reduce consumers' willingness to purchase premium branded products. The Company believes that its reputation for product quality is one of its principal competitive advantages and, as a result, any such damage to its reputation for quality could have a material adverse effect on the Company's business, financial condition and results of operation. In addition, concerns about health effects due to negative publicity regarding alcohol consumption, negative dietary effects, regulatory action or any litigation or customer complaints against companies in the industry may have an adverse effect on profitability.

Whyte and Mackay and Bodegas Fundador face competition from several international companies as well as local and regional companies in the countries in which it operates. They can effectively compete as they have differentiated brands which consumers choose.

The prices of the Company's brandy products have increased, and continue to increase, because of the Sin Tax Reform Law of 2012, as amended in 2020 by Republic Act No. 11467, which may result in decreased demand for, and sales of, its products.

EDI's products are subject to excise taxes levied on alcohol and tobacco producers by the Government which increase the cost and price of the products. The applicable duty on alcohol products will increase gradually every year – starting from specific tax of ₱42.00 per proof liter at January 1, 2020 to P66 per proof liter by year 2024 and further increasing 6% every year thereafter, plus an ad valorem tax equivalent to 22.0% of the net retail price per proof every year (20% in previous five years). Presently, EDI passes these increasing tax payments to consumers by increasing the prices of its products. However, there can be no assurance in the future that EDI will be able to continue to raise the prices of its products and pass on to its customers the higher excise taxes, which could result in lower sales volume or lower margin. Consequently, the Company's sales, result of operations and financial condition could be materially and adversely affected.

The Company's operating results may be adversely affected by increased costs or shortages of raw materials, packaging materials or labor.

The raw materials the Group use for the production of its beverage products are largely commodities that are subject to price volatility caused by changes in global and local supply and demand, weather conditions, agricultural uncertainty or governmental controls. If commodity price changes result in unexpected increases in raw materials cost or if the cost of packaging materials increase, the Group may not be able to increase its prices to offset these increased costs without suffering reduced volume, revenue and operating profit. The Group may be adversely affected by shortages of such raw materials or packaging materials. For example, we are currently experiencing some disruption and higher costs across our supply chains due to the ongoing Russia-Ukraine conflict. The Group mitigates this risk through effective supplier selection, procurement practices and effective monitoring of the commodity markets supplemented by making appropriate price increases wherever possible.

Similarly, the operating results could be adversely affected by labor or skill shortages or increased labor costs due to increased competition for employees, higher employee turnover or increased employee benefit costs. Success is dependent on the capability of its employees. There is no guarantee that the Group will continue to be able to recruit, retain and develop the capabilities that it requires to deliver its strategy, for example in relation to sales, marketing and innovation capability within markets or in its senior management.

The Company is subject to risks associated with growing its business through acquisitions, such as a failure to successfully integrate any acquired entity and its assets.

Growth through acquisitions involves business risks, including unforeseen contingent risks or latent business liabilities that may only become apparent after the acquisition is finalized, unsuccessful integration and management of the acquired entity with the Company, failure to retain key personnel and risks relating to management of a larger business, including diversion of management's attention from other on-going business concerns. If the Company is unable to manage these risks successfully, its results of operations and financial condition could be adversely affected.

Water is critical to the Company's operations and any shortage or contamination of its water supply source would adversely affect its operations.

EDI sources its water requirements for its beverage production from two deep wells located in its facility. The water then undergoes treatment at its in-house water filtration facility to ensure water safety and suitability for beverage production. The Philippines has from time-to-time experienced drought conditions and may continue to experience drought, for example, caused by El Niño. If the Company experiences a shortage of water for any reason, including competition from other users, drought or contamination, its beverage production business could be materially and adversely affected.

The Company is effectively controlled by the Tan Family and depends on their continued services.

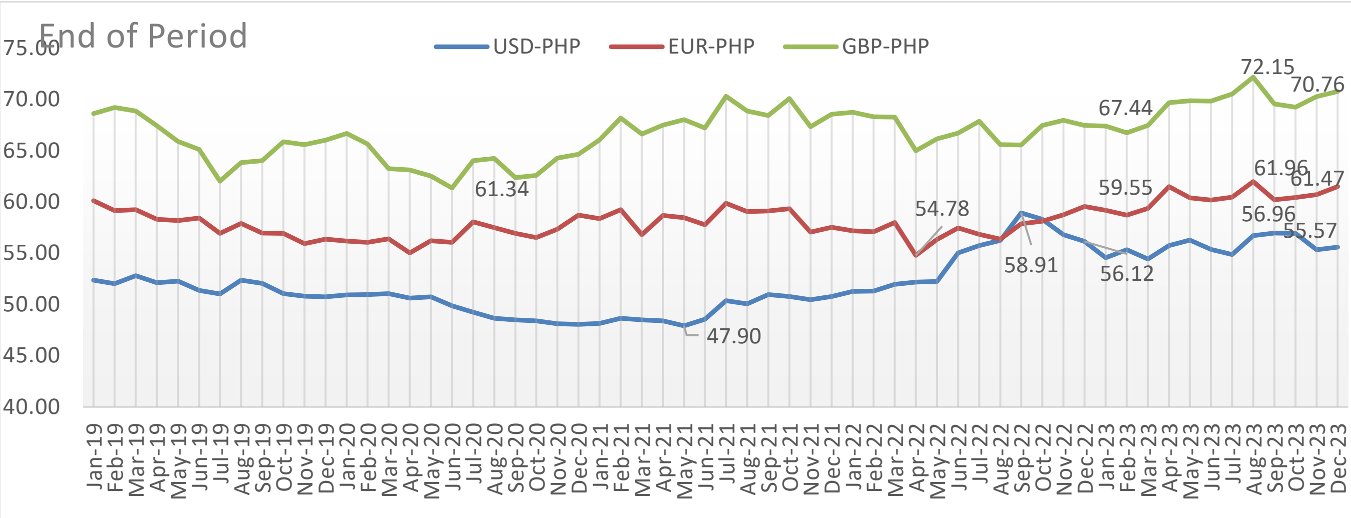
Through its direct interest in AGI, and in the companies that beneficially own shares in AGI and in AGI's subsidiaries, the Tan Family effectively controls the Company. Dr. Andrew Tan and his spouse, Mrs. Katherine Tan, both serve on AGI's and the Company's board of directors as Chairman and Treasurer, respectively. Their sons, Messrs. Kevin Andrew Tan and Kendrick Andrew Tan, are directors of EMI and EDI. Mr. Kevin is also the Vice Chairman and CEO of AGI. These positions allow the Tan Family to control shareholder decisions and exercise significant control over board decisions in AGI and in each of its major subsidiaries such as the Company. They are also an integral part of the Company's success, and the expertise, experience and business relationships that would be lost should any such persons depart could be difficult to replace and may result in a decrease in the Company's operating efficiency and financial performance. The respective businesses or activities of other Tan Family-related companies currently do not compete with the Company's businesses or activities, but they may do so in the future.

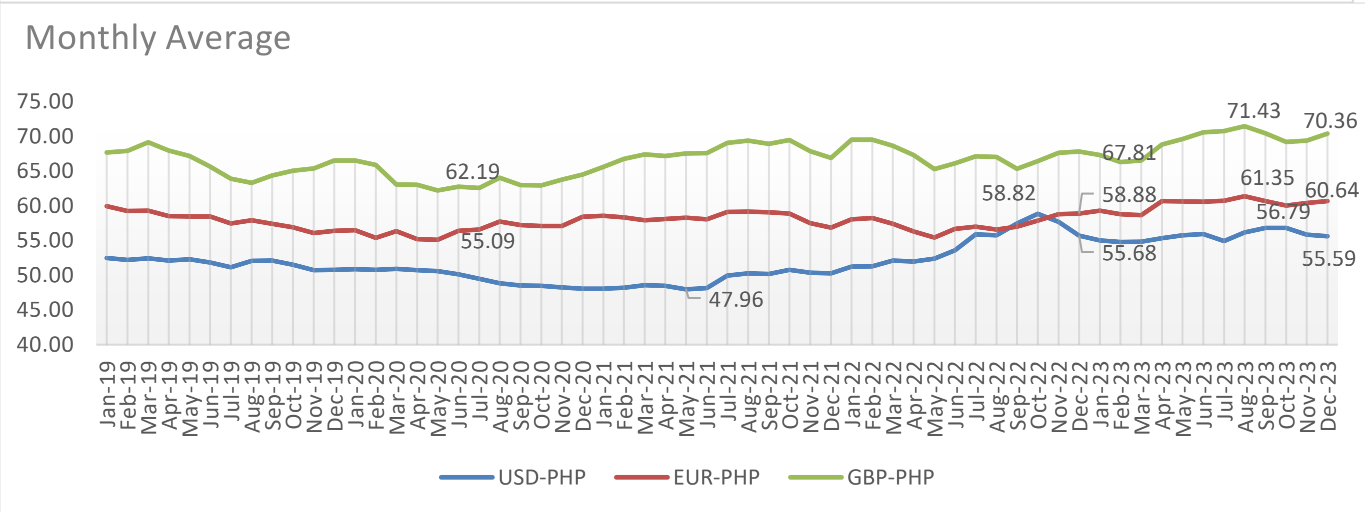
Volatility in the value of the peso against relevant foreign currencies could adversely affect the Company's business.

Exposures to currency exchange rates arise from the Group's foreign-currency-denominated transactions at each entity level. The Group operates internationally and is particularly exposed to volatility of UK pound, Euro and US dollar.

The Group reports its consolidated financial statements in Philippine pesos [see Note 2.1 (c) to Consolidated Financial Statements]. The translation differences arising from the translation of the foreign subsidiaries' financial statements into Philippine pesos are presented as other comprehensive income or loss and adjusted in Accumulated Translation Adjustments account in the Equity section. Such translation differences will be realized only, and reclassified to profit or loss, when the foreign subsidiaries are disposed of or sold. EMI, however, intends to keep those subsidiaries long-term and has no intention of liquidating any of them in the near future.

The following tables show the performance of the Philippine peso against the Sterling pound, Euro and the US dollar for the last 5 years:





Source: Bangko Sentral ng Pilipinas

Intervention in the currency markets as well as changes in demand for the peso could result in volatility in the value of the peso against other currencies.

RISKS MANAGEMENT AND BUSINESS STRATEGY

Risks are integral part of business. Opportunity for advancement cannot be achieved without taking risks. This is why the Company and its subsidiaries adopted a policy whereby risks are identified before they cause significant trouble for the business. They carefully prepare structured/strategic plans to anticipate the inherent risks in their activities and set up methods to mitigate the effects of these risks. Risks are prioritized based on their impact to business, and probability of occurrence. There is a monitoring system that keeps track of the indicators and the actions/corrections undertaken. Feedbacks, both internal and external, are important for current and emerging risks.

The Group's risk management is coordinated with the Board of Directors and focuses on actively securing short- to medium-term cash flows by minimizing the exposure to financial markets. Long-term financial investments are managed to generate lasting returns. The Group does not actively engage in the trading of financial assets for speculative purposes.

2. PRINCIPAL PROPERTIES

EDI produces its alcoholic beverage products at two facilities in the vicinity of Laguna, Philippines. The Company's main facility in Santa Rosa, Laguna is located on high ground that is well protected from flooding. It is also located on what the Company considers to be one of the best sources of fresh water in the Philippines. The other production facility is located at Laguna Technopark 1 in Biñan, Laguna, in close proximity to the main plant. EDI's head office is in Quezon City, Philippines and under a long-term lease arrangement with Megaworld Corp., expiring on May 31, 2024.

The glass manufacturing plant at Canlubang Industrial Estate in Calamba, Laguna is being leased from AGI.

EDI owns two distillery plants in Batangas, Philippines which are being leased to and operated by Progreen. The Nasugbu plant was acquired from Condis in February 2013 and leased to Progreen beginning January 2017. The Balayan plant is constructed in a lot acquired in 2015 and it began commercial operations in 2018. The distillery plants have capability of producing fuel ethanol and potable extra neutral alcohol as well.

In 2017, EDI purchased a land with an area of 49,667 square meters, more or less, located in Biñan, Laguna. This will be further developed to a production facility which includes a bottle washing facility, in line with the process improvement and sustainable objectives of the Group to increase recycled bottle usage. The building construction was completed in November 2023 and operation is yet to begin.

As of end-2023, EDI has 26 sales branches nationwide, majority of which are under lease except for Legazpi, Boracay, Cebu and Iloilo which EDI owns the property.

In 2020, EDI entered into a Contract to Sell with Suntrust Ecotown Developers, Inc. for the purchase of industrial lots with a total combined area of 50,523 sq. m. This serves as the main warehouse/hub for EDI. The sale and warehouse facility construction were completed in 2021, and EDI commenced operations shortly after its completion

Whyte and Mackay own four malt distilleries and one grain distillery in Scotland, a network of onsite warehouses and related plant and equipment within its facilities. Its distilleries which have a total capacity of almost 49 million liters of alcohol are: (i) Dalmore distillery built on a freehold 15-hectare site; (ii) Tamnavulin distillery built on a freehold 7-hectare site; (iii) Fettercairn distillery built on a freehold 14-acre site; (iv) Jura distillery built on a freehold 5-acre site; and (v) Invergordon (grain) distillery built on a freehold 112-acre site.

The Grangemouth bottling facility is owned by Whyte and Mackay and built on a 10-acre site. During 2016, Whyte and Mackay acquired the freehold of a cased goods warehouse in Grangemouth, which occupies 126,000 sqft.

The corporate headquarters of Whyte and Mackay is at 319 St Vincent St, Glasgow and is occupied under a 10-year lease. Whyte and Mackay has warehouses in Edinburgh that are leased under a 50-year term which started in 1979. There are properties that are no longer used by the business and have been partially subleased.

GES is headquartered in Torre Emperador, Madrid. The Spain group owns vineyard estates in Toledo, called 'Daramezas' and 'Bergonza', and in Madrid, called 'Monte Batres', acquired in 2013 and 2014. Bodegas Fundador owns the vineyards 'El Majuelo' and 'Santa Bárbara' in Jerez de la Frontera that have a surface area of 268 hectares and approximately 875 000 vines. In addition, Bodegas Fundador owns three vineyards called 'Cerro Viejo', 'La Loba 1' and 'La Loba 2' with a total arable area of 52 hectares.

Bodegas Fundador also owns a Bottling Center in Jerez de la Frontera where Brandies de Jerez, Sherry and Spirits are blended and bottled. It also owns Wineries located in San Ildefonso 3 where the offices, heritage center, touristic site and Sherry and Brandy maturing are located; and the Complex called 'Picadero' in Puerta de Rota no. 2 where the main activity is maturing and blending of Sherry and Brandy de Jerez.. It owns a Distillery in Tomelloso for the distillation of wines and the concentration of must. It also owns a finished goods warehouse located on the Jerez-Algeciras road, Km. 2,3

All its properties are equipped with the machinery and equipment needed to carry out its activities. Bodegas Fundador additionally owns other property in Jerez de la Frontera located in Pizarro 10, devoted to a Sherry maturing area, heritage center and a touristic site

In Mexico, Domecq BLC's subsidiary owns a winery located in the Guadalupe Valley, about 40km North of Ensenada Baja California and 140km from San Diego, California. The wine is produced (winemaking, ageing and bottled) in Ensenada.

BLC's main industrial facilities are located at Jerez de la Frontera in Cadiz and Tomelloso in Ciudad Real. BLC owns a production and bottling center in Jerez where vinegars, wines, brandies and spirits in general are distilled, matured, blended and bottled, and a distillation center in Tomelloso for the distillation and sale of spirits.

3. LEGAL PROCEEDINGS

The Company may be subject to various legal proceedings and claims that arise in the ordinary course of business. As of to-date, the Company is not engaged in or subject to any material pending legal proceedings to which the Company or any of its subsidiaries or affiliates is a party or of which any of its property is the subject.

4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

On May 15, 2023, the Company submitted for approval of its stockholders the Minutes of the Annual Meeting of Stockholders held on May 16, 2022; the appointment of Punongbayan & Araullo as the independent auditors of the Corporation's financial statements for the year ending December 31, 2023, and ratified the acts and resolutions of the Board of Directors, Board Committees and Officers from 16 May 2022 to 14 May 2023.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

5. MARKET FOR ISSUER'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

MARKET INFORMATION

The common shares of the Company are traded on the Philippine Stock Exchange ("PSE") under the symbol of EMI. The Company's common stock was first listed on the PSE on December 19, 2011. The closing price of the said shares on March 27, 2024 is P19.00.

The following table sets out, for the periods indicated, the high and low sales prices for the Company's common shares as reported on the PSE:

Year		First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2022	High	25.05	21.50	21.80	20.80
	Low	12.20	13.88	17.08	19.10
2023	High	21.40	21.85	21.70	21.10
	Low	20.00	20.60	20.60	20.60
2024	High	21.15			
	Low	16.18			

SHAREHOLDERS

As of March 31, 2024, the Company has 29 shareholders of record and 202 nominees holding 15,736,471,238 common shares. The following table sets forth the Top 20 shareholders of the Company with their holdings as of March 31, 2024:

Rank	Name of Stockholder	No. Of Shares Subscribed	% ownership
1	Alliance Global Group, Inc.	12,507,960,600[1]	79.48
2	PCD Nominee Corporation (Non-Filipino)	1,874,735,385[2]	11.91
3	PCD Nominee Corporation (Filipino)	1,353,611,876[3]	8.60
4	John T. Lao	60,000	-nil-
5	Eric U. Lim	40,000	-nil-
6	Marjorie Anne Lim Lee	30,000	-nil-
7	Edwin U. Lim	30,000	-nil-
8	Dondi Ron R. Limgenco	1,111	-nil-
9	Stephen G. Soliven	1,000	-nil-
10	Demetrio D. Mateo	500	-nil-
11	Bartholomew Dybuncio Young	200	-nil-
12	Christine F. Herrera	100	-nil-
13	Francis J. Ricamora	100	-nil-
14	Julius Victor Emmanuel D. Sanvictores	100	-nil-
15	Joseph A. Sy &/or Evangeline T. Sy	100	-nil-
16	Jesus San Luis Valencia	100	-nil-
17	Owen Nathaniel S. Au ITF: Li Marcus Au	50	-nil-
18	Joselito T. Bautista	9	-nil-
19	Winston S. Co	1	-nil-
20	Jesli A. Lapus	1	-nil-
	Others	5	-nil-
	TOTAL	**15,736,471,238**	**100%**

[1] Includes 678,057,400 shares lodged with PCD Nominee Corporation (Filipino) and 1,180,382,726 lodged with PCD Nominee Corporation (Non-Filipino).
[2] Excludes 1, 180,382,726 beneficially owned by AGI, which is added to AGI[1] above.

[3]Excludes 678,057,400 beneficially owned by AGI, which is added to AGI[1] above.

DIVIDEND POLICY

Under Philippine law, a corporation can only declare dividends to the extent that it has unrestricted retained earnings that represent the undistributed earnings of the corporation which have not been allocated for any managerial, contractual or legal purposes and which are free for distribution to the shareholders as dividends. If declared by the corporation's board of directors, a corporation may pay dividends in cash, by the distribution of property, by the issuance of shares or by a combination of the three, as the board of directors shall determine and subject to the approval of the SEC, as may be required by law. A cash dividend declaration does not require any further approval from shareholders. Stock dividends may be declared and paid with the approval of shareholders representing at least two-thirds of the issued and outstanding stock voting at a shareholders' meeting duly called for the purpose. The board of directors may not declare dividends which will impair its capital.

For the two most recent years, the Company declared a cash dividend per share of P0.29 on 30 March 2023, and none in 2022[13].

The Company may declare dividends when there are unrestricted earnings available, but any such declaration will take into consideration a number of factors including restrictions that may be imposed by current and prospective financial covenants, projected levels of operating results of its businesses/ subsidiaries, working capital needs and long-term capital expenditures of its businesses/subsidiaries; and regulatory requirements on dividend payments, among others. Pursuant to the provision in the Corporation Code of the Philippines, the Company can purchase or acquire its own shares provided that it has unrestricted retained earnings to cover the shares to be purchased or acquired.

The Company has declared approximately 40% of the preceding year's consolidated net profit to owners as dividends when practicable in the past three years.

RECENT SALES OF UNREGISTERED OR EXEMPT SECURITIES, INCLUDING RECENT ISSUANCE OF SECURITIES CONSTITUTING AN EXEMPT TRANSACTION, WITHIN THE PAST THREE YEARS

On February 5, 2020, the Company issued 253,275,862 shares from its treasury shares to Arran, as conversion of P1,836,250,000.00 portion of the ELS. (See Note15 to the Consolidated Financial Statements)

6. MANAGEMENT'S DISCUSSION AND ANALYSIS

This section must be read in conjunction with the audited financial statements of the Group, including the related notes thereto.

KEY PERFORMANCE INDICATORS

- Revenue growth – measures the percentage change in revenues over a designated period of time
- Net profit growth – measures the percentage change in net profit over a designated period of time.
- Gross profit margin ("GPR" or "GPM") – computed as percentage of gross profit [which is sales less cost of sales] to sales – gives indication of pricing, cost structure and production efficiency.
- Net profit rate ("NPR" or "NPM") – computed as percentage of net profit to revenues - measures the operating efficiency and success of maintaining satisfactory control of costs.
- Return on asets [or capital employed] ("ROA") – the ratio of net profit to total assets - measures the degree of efficiency in the use of resources to generate net income
- Current ratio – computed as current assets divided by current liabilities – measures the ability of the business to meet its current obligations. To measure immediate liquidity, quick assets [cash, marketable securities, accounts receivables] is divided by current liabilities.

[13] *The Company was not able to declare dividends in 2022 after its secondary listing in SGX-ST in July, because the process flow for dividends to stockholders in SGX-ST had not yet been finalized in consultation with SGX, CDP, PCD, and BSP, until March 29, 2023.*

In Million Pesos	**2023**	2022	2021	2020	% growth yoy **2023**	2022	2021	2020
Revenues and other income	₱ 65,644	₱ 62,767	₱ 55,936	₱ 52,834	4.6	12.2	5.9	2.5
Net profit ["NP"]*	₱ 8,944	₱ 10,212	₱ 10,148	₱ 8,037	-12.4	0.6	26.3	17.6
Net profit to owners ["NPO"]*	₱ 8,706	₱ 10,061	₱ 9,971	₱ 7,967	-13.5	0.9	25.2	18.5
Total assets	₱ 148,709	₱ 141,211	₱ 128,516	₱ 122,452		5.3	9.9	5.0
Total current assets	₱79,459	₱ 78,356	₱ 65,907	₱ 62,923		1.4	18.9	4.7
Quick assets	₱29,966	₱ 36,176	₱ 29,683	₱ 29,628		-17.2	21.9	0.2
Total current liabilities	₱29,232	₱ 28,350	₱ 23,523	₱ 25,808		3.1	20.5	-8.8
GPR %	32.8	31.5	36.5	31.1				
NPR %	13.6	16.3	18.1	15.2				
NPOR %	13.3	16.0	17.8	15.1				
ROA %	6.0	7.2	7.9	6.6				
Current ratio	2.7x	2.8x	2.8x	2.4x				
Quick ratio	1.0x	1.3x	1.3x	1.1x				

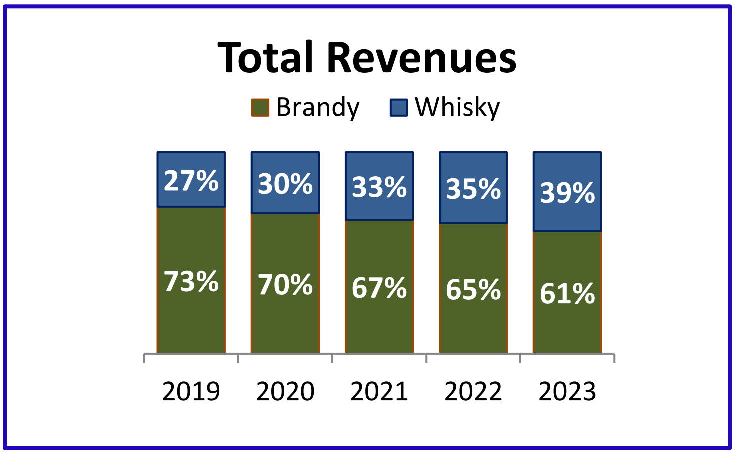
RESULTS OF OPERATIONS

The global economy had borne the impact of the challenges brought about by the COVID-19 pandemic since it started in March 2020, which brought about changes in consumer behavior and demand, purchasing platforms, market dynamics, supply chain rerouting, and government interventions particularly on health and safety protocols. As the pandemic situation was improving[14], global economy started recovering as well. And then Russia's unprovoked invasion of Ukraine happened in February 2022 that has caused disruptions in global supply chains and in availability of key commodities resulting in rising inflation and interest rates. From 3.1% contraction in 2020, global GDP jumped 5.9% in 2021 and eased to 3.1% in 2022 and 2023. Meanwhile, from 3.5% growth in 2021, global inflation rose to 8.8% in 2022 and 6.8% in 2023.

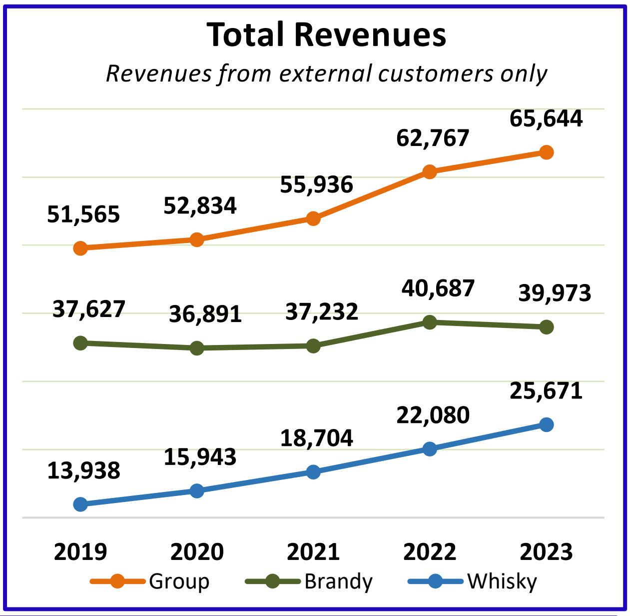
Overall, the Group's global businesses had remained strong despite these disruptions as our consolidated operating results in the past three years had grown from 2020.

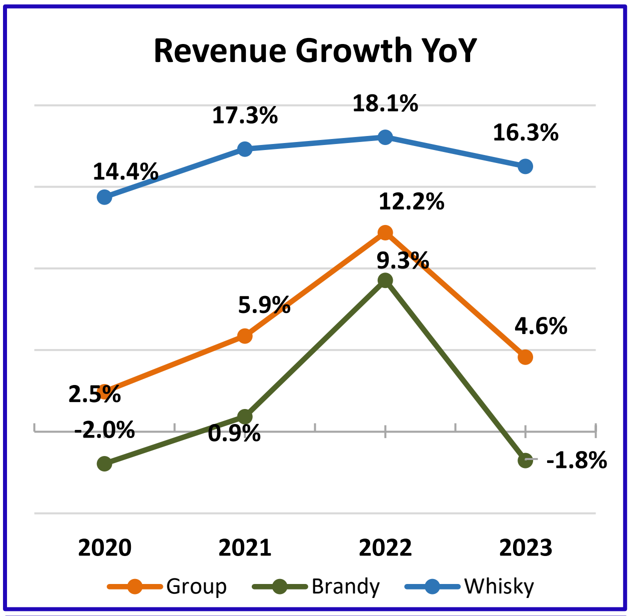
Both segments showed sturdy results with Scotch Whisky segment gaining traction in the revenue pie.

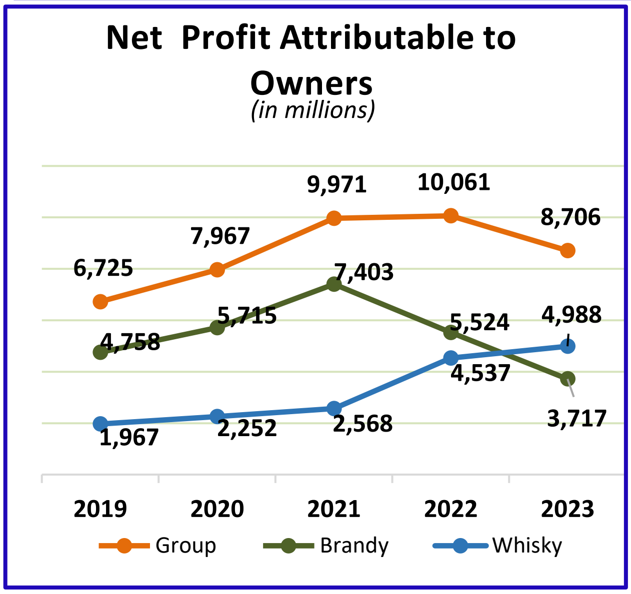
[14] *In the Philippines, Metro Manila and most parts of the country were already under Alert Level 1 (full capacity for business and transportation) from March 2022 while 26 areas were under Alert Level 2 (50% indoor, 70% outdoor) as of April 30, 2023. In Q1 2022, the Omicron variant surged globally which placed Metro Manila and other places under stricter levels – Alert Level 3 in January (10% indoor, 30% outdoor), Alert Level 2 in February and Alert Level 1 in March. As the pandemic situation improved due to vaccination, economic activities and travel resumed. The Philippine state of calamity ended on December 31, 2022. On May 5, 2023, WHO declared that COVID-19 pandemic is no longer a global health emergency, yet warning that the danger of the pandemic remains. In the Philippines, the state of public health emergency was lifted on July 22, 2023 throughout the country*

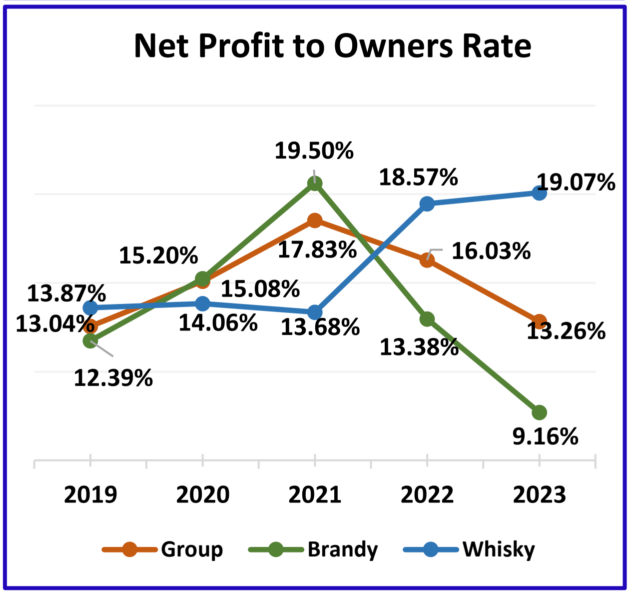


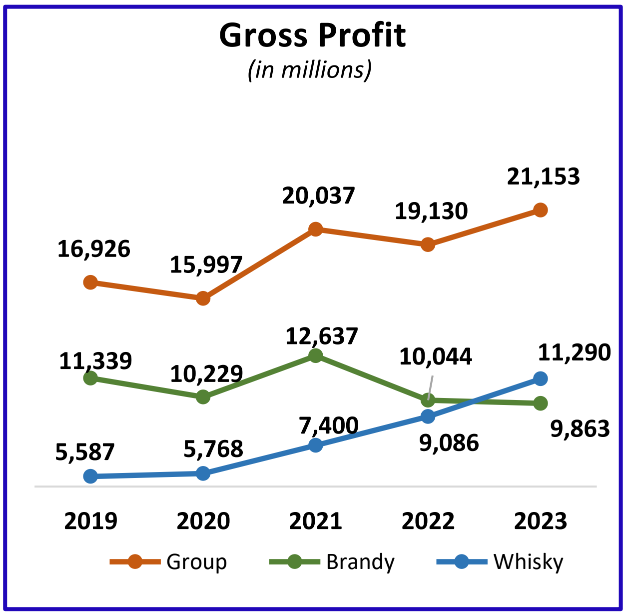
The Group is presented into two segments: Scotch Whisky (representing the UK operations) and Brandy (representing the Philippine, Spanish and Mexican operations and all the rest).

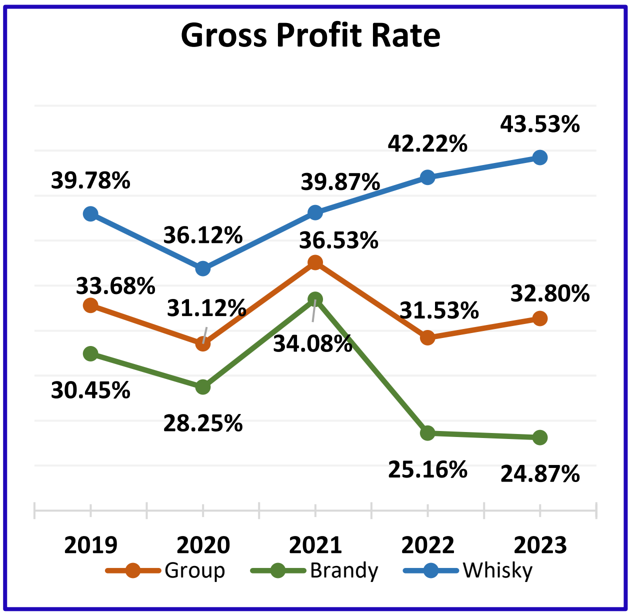

Total Revenues
Revenues from external customers only
51,565
52,834
55,936
62,767
65,644
37,627
36,891
37,232
40,687
39,973
13,938
15,943
18,704
22,080
25,671
2019
2020
2021
2022
2023
Group
Brandy
Whisky


Revenue Growth YoY
14.4%
17.3%
18.1%
16.3%
12.2%
9.3%
5.9%
4.6%
2.5%
-2.0%
0.9%
-1.8%
2020
2021
2022
2023
Group
Brandy
Whisky


Net Profit Attributable to Owners
(in millions)
6,725
7,967
9,971
10,061
8,706
4,758
5,715
7,403
5,524
4,988
4,537
3,717
1,967
2,252
2,568
2019
2020
2021
2022
2023
Group
Brandy
Whisky


Net Profit to Owners Rate
19.50%
18.57%
19.07%
15.20%
17.83%
16.03%
13.87%
15.08%
13.04%
14.06%
13.68%
13.26%
13.38%
12.39%
9.16%
2019
2020
2021
2022
2023
Group
Brandy
Whisky


Gross Profit
(in millions)
16,926
15,997
20,037
19,130
21,153
11,339
10,229
12,637
10,044
11,290
7,400
5,587
5,768
9,086
9,863
2019
2020
2021
2022
2023
Group
Brandy
Whisky


Gross Profit Rate
43.53%
42.22%
39.78%
39.87%
36.12%
36.53%
33.68%
31.12%
31.53%
32.80%
34.08%
30.45%
28.25%
25.16%
24.87%
2019
2020
2021
2022
2023
Group
Brandy
Whisky

In Million Pesos	**2023**	2022	2021	2020	YoY 2023	YoY %	YoY 2022	YoY %	YoY 2021	YoY %
Revenue and other income	65,644	62,767	55,936	52,834	2,877	4.6%	6,831	12.2	3,102	5.9
Brandy	39,973	40,687	37,232	36,891	(714)	(1.8)	3,455	9.3	341	0.9
Whisky	25,671	22,080	18,704	15,943	3,591	16.3	3,376	18.1	2,761	17.3
Gross profit ["GP"]	21,153	19,130	20,037	15,997	2,023	10.6	(907)	(4.5)	4,040	25.3
Brandy	9,863	10,044	12,637	10,228	(181)	(1.8)	(2,593)	(20.5)	2,409	23.5
Whisky	11,290	9,086	7,400	5,768	2,204	24.3	1,686	22.8	1,631	28.3
NP before tax	10,941	11,710	12,895	9,436	(769)	(6.6)	(1,185)	(9.2)	3,459	36.7
Brandy	4,955	6,568	8,894	6,777	(1,614)	(24.6)	(2,326)	(26.2)	2,117	31.2
Whisky	5,986	5,142	4,001	2,659	845	16.4	1,141	28.5	1,342	50.5
Tax expense	1,997	1,498	2,747	1,399	499	33.3	(1,248)	(45.4)	1,348	96.3
Brandy	999	893	1,314	992	106	11.8	(421)	(32.0)	321	32.4
Whisky	998	605	1,433	407	393	65.0	(828)	(57.8)	1,026	252.4
NP	8,944	10,212	10,148	8,037	(1,268)	(12.4)	63	0.6	2,112	26.3
Brandy	3,956	5,675	7,580	5,785	(1,719)	(30.3)	(1,906)	(25.1)	1,796	31.0
Whisky	4,988	4,537	2,568	2,252	452	10.0	1,969	76.7	316	14.0
NP to owners ["NPO"]	8,706	10,061	9,971	7,967	(1,355)	(13.5)	90	0.9	2,004	25.2
Brandy	3,717	5,524	7,403	5,716	(1,807)	(32.7)	(1,879)	(25.4)	1,688	29.5
Whisky	4,988	4,537	2,568	2,252	452	10.0	1,969	76.7	316	14.0
EBITDA	13,768	13,807	15,225	11,552	(39)	(0.3)	(1,418)	(9.3)	3,673	31.8
Brandy	7,279	8,090	10,713	8,473	(811)	(10.0)	(2,623)	(24.5)	2,241	26.4
Whisky	6,489	5,716	4,512	3,079	773	13.5	1,205	26.7	1,432	46.5
GP rate ["GPR"]	32.80%	31.53%	36.53%	31.12%						
Brandy	24.87%	25.16%	34.08%	28.25%						
Whisky	43.53%	42.22%	39.87%	36.12%						
NP rate ["NPR"]	13.62%	16.27%	18.14%	15.21%						
Brandy	9.75%	13.74%	19.97%	15.38%						
Whisky	19.07%	20.40%	13.68%	14.06%						
NPO rate ["NPOR"]	13.26%	16.03%	17.83%	15.08%						
Brandy	9.16%	13.38%	19.50%	15.20%						
Whisky	19.07%	20.40%	13.68%	14.06%						
EBITDA margin	20.97%	22.00%	27.22%	21.86%						
Brandy	17.94%	19.59%	28.22%	22.53%						
Whisky	24.81%	25.71%	24.04%	19.23%						

Notes: Numbers may not add up due to rounding. [1]Segment Revenues are from external customers only. [2]GPR is GP over Sales.

Brandy Segment										
In Million Pesos	2023	2022	2021	2020	YoY 2023	YoY %	YoY 2022	YoY %	YoY 2021	YoY %
REVENUES AND OTHER INCOME-External	39,973	40,687	37,232	36,891	(714)	(1.8)	3,455	9.3	341	0.9
Intersegment	600	609	730	714	(8)	(1.4)	(122)	(16.7)	16	2.3
Total	40,573	41,296	37,962	37,605	(722)	(1.7)	3,333	8.8	358	1.0
Cost of Goods Sold - External	29,301	29,717	24,378	25,913	(416)	(1.4)	5,340	21.9	(1,535)	(5.9)
Intersegment	486	157	64	70	330	210.5	92	143.8	(6)	(8.5)
Total	29,787	29,874	24,442	25,983	(86)	(0.3)	5,432	22.2	(1,541)	(5.9)
Gross Profit ["GP"]	9,863	10,044	12,637	10,228	(181)	(1.8)	(2,593)	(20.5)	2,409	23.5
Other operating expenses	4,578	4,472	3,621	4,432	105	2.4	851	23.5	(811)	(18.3)
Selling and distribution expense	3,158	3,147	2,546	3,321	11	0.4	601	23.6	(775)	(23.3)
General and administrative expense	1,420	1,325	1,075	1,111	94	7.1	250	23.3	(36)	(3.2)
Interest and other charges	1,253	382	1,005	413	872	228.8	(624)	(62.1)	593	143.6
NP before tax	4,955	6,568	8,894	6,777	(1,614)	(24.6)	(2,326)	(26.2)	2,117	31.2
Tax expense	999	893	1,314	992	106	11.8	(421)	(32.0)	321	32.4
NP	3,956	5,675	7,580	5,785	(1,719)	(30.3)	(1,906)	(25.1)	1,796	31.0
NPO	3,717	5,524	7,403	5,716	(1,807)	(32.7)	(1,879)	(25.4)	1,688	29.5

Brandy Segment										
In Million Pesos	2023	2022	2021	2020	YoY 2023	YoY %	YoY 2022	YoY %	YoY 2021	YoY %
EBITDA	7,279	8,090	10,713	8,473	(811)	(10.0)	(2,623)	(24.5)	2,241	26.4
GPR	24.87%	25.16%	34.08%	28.25%						
NPOR	9.16%	13.38%	19.50%	15.20%						
EBITDA Margin	17.94%	19.59%	28.22%	22.53%						

Scotch Whisky Segment										
In Million Pesos	2023	2022	2021	2020	YoY 2023	YoY %	YoY 2022	YoY %	YoY 2021	YoY %
REVENUES AND OTHER INCOME-External	25,671	22,080	18,704	15,943	3,591	16.3	3,376	18.1	2,761	17.3
Intersegment	486	157	64	70	330	210.5	92	143.8	(6)	(8.5)
Total	26,157	22,237	18,768	16,013	3,920	17.6	3,468	18.5	2,755	17.2
Cost of Goods Sold - External	14,045	11,824	10,431	9,486	2,221	18.8	1,393	13.4	945	10.0
Intersegment	600	609	730	714	(8)	(1.4)	(122)	(16.7)	16	2.3
Total	14,645	12,433	11,161	10,200	2,213	17.8	1,271	11.4	962	9.4
Gross Profit ["GP"]	11,290	9,086	7,400	5,768	2,204	24.3	1,686	22.8	1,631	28.3
Other operating expenses	5,202	4,364	3,425	2,939	839	19.2	939	27.4	485	16.5
Selling and distribution expense	3,600	3,058	2,294	1,942	542	17.7	764	33.3	352	18.1
General and administrative expense	1,602	1,306	1,131	997	297	22.7	175	15.5	133	13.4
Interest and other charges	323	298	181	215	24	8.1	117	64.5	(35)	(16.0)
NP before tax	5,986	5,142	4,001	2,659	845	16.4	1,141	28.5	1,342	50.5
Tax expense	998	605	1,433	407	393	65.0	(828)	(57.8)	1,026	252.4
NP	4,988	4,537	2,568	2,252	452	10.0	1,969	76.7	316	14.0
NPO	4,988	4,537	2,568	2,252	452	10.0	1,969	76.7	316	14.0
EBITDA	6,489	5,716	4,512	3,079	773	13.5	1,205	26.7	1,432	46.5
GPR	43.53%	42.22%	39.87%	36.12%						
NPOR	19.07%	20.40%	13.68%	14.06%						
EBITDA Margin	24.81%	25.71%	24.04%	19.23%						

Year Ended December 31, 2023 Compared With Year Ended December 31, 2022

The Group ended the year 2023 with revenues and other income growing 5% year-on-year (“YoY”) to record-high of P65.6 billion, driven by the sustained performance of its international business, owing to strong sales of its single-malt Scotch whisky. Gross profit rate (“GPR”) improved to 33% from 32% a year ago. Higher spends on advertising and promotions, interest, and income tax weighed down heavily on the bottom lines, resulting in net profit (“NP”) and net profit to owners (“NPO”) of P8.9 billion and P8.7 billion, respectively, behind 12% and 13% from a year ago. NP rate (“NPR”) and NPO rate (“NPOR”) were registered at 14% and 13% respectively The Group continues to pursue its strategic long-term CPI strategy – Contemporize offering, Premiumize portfolio and Internationalize business.

The **Brandy segment** maintained its revenues and other income from external customers at P40.0 billion from its global operations in Philippines, Spain and Mexico, yet lagging 2% behind last year. Consumers’ discretionary spending, as a result of inflation, caused general softening in spirits market globally. Nevertheless, GPR was maintained at 25%, same as last year. With increased operating expenses, interest and income tax expense, the segment realized NP and NPO of P4.0 billion and P3.7 billion, respectively, with NPR and NPOR of 10% and 9%, as compared to 14% and 13% a year ago,

The **Scotch Whisky segment** grew revenues and other income from external customers to P25.7 billion, up 16% YoY, driven by the single malt whiskies which continued to rank among the fastest growing single malts worldwide. Scotch Whisky sold strongly particularly in Asia, North America and travel retail. Supply chain challenges continued to affect the segment’s markets yet demand remained high as GPR reached almost 44%. With increased operating expenses, largely on strategic marketing spending, and higher tax expense[15], the segment realized NP of P5.0 billion for NPR of 19%, as compared to 20% a year ago.

Revenues and Other Income
Total revenues and other income grew 5% (+P2.9 billion) YoY to P65.6 billion in 2023 as compared to P62.8 billion in 2022 as external revenues from Scotch Whisky segment grew by 16% (+P3.6 billion) while Brandy segment slid 2% (-P0.7 billion). 'Emperador', 'Fundador' and 'El Presidente' remained to be the Group's top selling Philippine, Spanish and Mexican brands, respectively while single malts 'The Dalmore', 'Jura' and 'Tamnavulin' were the Group's top selling Scotch Whisky brands during the current year.

In Million Pesos	2023	2022	2021	2020	YoY 2023	YoY %	YoY 2022	YoY %	YoY 2021	YoY %
Other Income	1,145	2,096	1,091	1,439	(951)	(45.4)	1,005	92.1%	(348)	(24.2%)
Brandy	923	1,378	884	1,394	(455)	(33.0)	494	55.8%	(510)	(36.6%)
Whisky	222	718	207	45	(496)	(69.1)	511	247.1%	162	357.6%

Other income contracted 45% (-P1.0 billion) to P1.1 billion mainly due to unrealized foreign exchange gains reported last year (nil in 2023).

Costs and Expenses
Total costs and expenses went up 7% (+P3.6 billion) to P54.7 billion in 2023 from P51.1 billion in 2022, due to higher costs of sales, interest and operating expenses in both segments.

Cost of Goods Sold
Costs increased 4% (+P1.8 billion) to P43.3 billion from P41.5 billion a year ago, slightly slower than the growth in sales.

Gross Profit
Gross profit rate on consolidated level stood at 33% in 2023, an improvement from 32% in 2022, as the Group managed costs overall. The GPRs of the Brandy and Scotch Whisky segments were respectively posted at 25% and 44% in 2023 as compared to 25% and 42% in 2022.

Other operating expenses
Other operating expenses expanded 11% (+P0.9 billion) YoY to P9.8 billion from P8.8 billion due to increased business activities in global markets, which were prominent in increases in advertising and promotions (+P0.3 billion) and salaries and employee benefits (+P0.4 billion).

In Million Pesos	2023	2022	2021	2020	YoY 2023	YoY %	YoY 2022	YoY %	YoY 2021	YoY %
Selling and distribution	6,758	6,205	4,840	5,263	553	8.9	1,365	28.2	(423)	(8.0)
Brandy	3,158	3,147	2,546	3,321	11	0.4	601	23.6	(775)	(23.3)
Whisky	3,600	3,058	2,294	1,942	542	17.7	764	33.3	352	18.1
General and Administrative	3,022	2,631	4,840	2,108	391	14.9	425	19.3	97	4.6
Brandy	1,420	1,325	1,075	1,111	94	7.1	250	23.3	(36)	(3.2)
Whisky	1,602	1,306	1,131	997	297	22.7	175	15.5	133	13.4
Total Operating Expenses	9,780	8,836	7,046	7,371	944	10.7	1,791	25.4	(326)	(4.4)

Selling and distribution expenses increased 9% (+P0.6 billion) from a year ago, mainly from Scotch Whisky segment. Brandy segment just maintained its level of spending same as last year while Scotch Whisky segment increased spending 18% (+P0.5 billion) YoY, particularly on advertising and promotions and salaries and employee benefits.

General and administrative expenses increased 15% (+P0.4 billion) from a year ago. Brandy segment's expenses grew 7% (+P0.1 billion) YoY and Scotch Whisky segment's expenses grew 23% (+P0.3 billion), particularly on their salaries and employee benefits and depreciation.

[15] *Corporation tax rates increased from 19% to 25% effective April 1, 2023, by Royal Assent received on June 10, 2021.*

Interest and Other charges
Interest and other charges had gone up 132% (+P0.9 billion) YoY to P1.6 billion from P0.7 billion because of high interest costs and unrealized foreign exchange losses this year (gains in 2022). *Interest expense* shot up 125% (+P0.8billion) due to interest hikes in Euribor and SONIA while *Other charges* increased 195% (+P0.1 billion) from unrealized foreign exchange losses during the year.

In Million Pesos	2023	2022	2021	2020	YoY 2023	YoY %	YoY 2022	YoY %	YoY 2021	YoY %
Interest expense	1,372	611	783	549	762	124.8	(172)	(22.0)	234	42.6
Brandy	1,210	358	597	441	853	238.6	(239)	(40.1)	156	35.3
Whisky	162	253	186	108	(91)	(36.0)	67	36.1	78	72.1
In Million Pesos	2023	2022	2021	2020	YoY 2023	YoY %	YoY 2022	YoY %	YoY 2021	YoY %
Other Charges	203	69	404	80	134	194.7	(335)	(82.9)	324	407.4%
Brandy	43	24	409	(28)	19	81.2	(385)	(94.2)	437	(1545.2)
Whisky	161	45	(5)	108	115	253.9	50	(1104.7)	(108)	(100.0)

Profit before Tax
As a result of the foregoing, profit before tax slid 7% YoY to P10.9 billion from P11.7 billion a year ago.

Tax Expense
Tax expense escalated 33% (+P0.5 billion) to P2.0 billion from P1.5 billion a year ago due to higher corporation tax in UK that took effect in April 2023, and higher taxable income this year.

In Million Pesos	2023	2022	2021	2020	YoY 2023	YoY %	YoY 2022	YoY %	YoY 2021	YoY %
Tax Expense	1,997	1,498	2,747	1,399	499	33.3	(1,248)	(45.4)	1,348	96.3
Brandy	999	893	1,314	992	106	11.8	(421)	(32.0)	321	32.4
Whisky	998	605	1,433	407	393	65.0	(828)	(57.8)	1,026	252.4

Net Profit
As a result of the foregoing, NP and NPO this year declined 12% and 13%, respectively, to P8.9 billion and P8.7 billion, respectively. NP to non-controlling interest increased (+P0.1 billion) due to higher NP in Mexican subsidiaries.

EBITDA
EBITDA, which is computed as profit before interest expense, tax, depreciation and amortization, stood at P13.8 billion, same as last year's level, showing margin of 21% this year versus 22% a year ago.

Year Ended December 31, 2022 Compared With Year Ended December 31, 2021

The Group ended the year 2022 with revenues and other income growing 12% year-on-year ("YoY") to record-high of P62.8 billion, driven by the strong demand for the Group's diversified Scotch whisky and brandy products internationally. With higher-than-expected inflations, supply chain disruptions, logistics issues and increased advertising, strategic marketing and promotional spending, the Group realized a marginal increase of 1% year-on-year in both net profit ("NP") and net profit to owners ("NPO") reaching P10.2 billion and P10.1 billion, respectively. The Group kept its gross profit rate ("GPR") level at 32% with NPR and NPOR at 16%.,

The **Brandy segment** grew its revenues and other income from external customers by 9% YoY to P40.7 billion, attributable to a strong fourth quarter growth of 11% YoY and 54% quarter-on-quarter ("QoQ"). The easement of pandemic restrictions and resumption of travel from the second quarter helped improve sales results which remained strong in the Philippines, Mexico, Spain and North America. Higher costs, however, dampened the segment's GPR to 25%. With increased operating expenses and reduced tax expense, the segment realized NP and NPO of P5.7 billion and P5.5

billion, respectively, with NP rate ("NPR") and NPO rate ("NPOR") of 14% and 13%, respectively, as compared to profit rates of 20% of 2021.

The **Scotch Whisky segment** grew revenues and other income from external customers by 18% YoY to P22.1 billion, propelled by the high-margin single malt whiskies across most of its markets worldwide particularly in Europe, Asia and North America, following the easement of pandemic restrictions in most regions and opening of global travel retail trade. Supply chain challenges affected the segment's markets yet demand remained high as GPR reached 42%. With increased operating expenses, largely promotional spends, and lower tax expense[16], the segment realized NP of P4.5 billion for NPR of 20% in 2022, as compared to 14% a year ago.

Revenues and Other Income
Total revenues and other income grew 12% (+P6.8 billion) year-on-year to P62.8 billion in 2022 as compared to P55.9 billion in 2021 as external revenues from Scotch Whisky segment and from Brandy segment grew by 18% (+P3.4 billion) and 9% (+P3.5 billion), respectively. 'Emperador', 'Fundador' and 'El Presidente' remained to be the Group's top selling Philippine, Spanish and Mexican brands, respectively while single malts 'The Dalmore', 'Jura' and 'Tamnavulin' were the Group's top selling Scotch Whisky brands during the current year.

In Million Pesos	2022	2021	YoY 2022	YoY %	2020	YoY 2021	YoY %
Other Income	2,096	1,091	1,005	92.1%	1,439	(348)	(24.2%)
Brandy	1,378	884	494	55.8%	1,394	(510)	(36.6%)
Whisky	718	207	511	247.1%	45	162	357.6%

Other income shot up 92% (+P1.0 billion) to P2.1 billion mainly due to higher unrealized foreign exchange gains and other operating income during the year.

Costs and Expenses
Total costs and expenses went up 19% (+P8.01 billion) to P51.1 billion in 2022 from P43.0 billion in 2021, due to higher costs of sales and increased operating expenses in both segments.

Cost of Goods Sold
Costs jumped 19% (+P6.7 billion) to P41.5 billion from P34.8 billion a year ago, mainly due higher sales and inflationary pressures.

Gross Profit
Gross profit rate on consolidated level was at 32% in 2022 as compared to 36% in 2021. This is largely attributed to cost-of-goods-sold growth (+19%) outpacing sales growth (+11%), which is largely attributed to inflationary pressures of rising costs. The GPRs of the Brandy and Scotch Whisky segments were respectively posted at 25% and 42% in 2022 as compared to 34% and 40% in 2021.

Other operating expenses
Other operating expenses expanded 25% (+P1.8 billion) to P8.8 billion from P7.0 billion due to increased business activities in global markets, including resumption of on-premise and face-to-face activities, and travel, following the opening of economies and loosening of pandemic restrictions. Advertising and promotions (+P1.0 billion), professional fees and other services (+P0.2 billion), transportation and travel (+P0.2 billion) and impairment loss on inventory (+P0.2 billion) went up YoY.

In Million Pesos	2022	2021	YoY 2022	YoY %	2020	YoY 2021	YoY %
Selling and distribution	6,205	4,840	1,365	28.2%	5,263	(423)	(8.0%)
Brandy	3,147	2,546	601	23.6%	3,321	(775)	(23.3%)
Whisky	3,058	2,294	764	33.3%	1,942	352	18.1%
General and Administrative	2,631	4,840	425	19.3%	2,108	97	4.6%
Brandy	1,325	1,075	250	23.3%	1,111	(36)	(3.2%)

[16] *There was a tax adjustment made in 2021 on deferred tax assets and tax liabilities to effect the increase in corporation tax rates from 19% to 25% effective April 1, 2023, by Royal Assent received on June 10, 2021, resulting in increased deferred tax expense for 2021.*

Whisky	1,306	1,131	175	15.5%	997	133	13.4%
Total Operating Expenses	8,836	7,046	1,791	25.4%	7,371	(326)	(4.4%)

Selling and distribution expenses increased 28% (+P1.4 billion) from a year ago. Brandy segment spent 24% higher (+P0.6 billion) and Scotch Whisky segment 33% (+P0.8 billion) YoY, particularly on advertising and promotions, other services and travel and transportation for both segments. Salaries and employee benefits in Scotch Whisky segment also increased from last year.

General and administrative expenses increased 19% (+P0.4 billion) from a year ago. Brandy segment's expenses grew 23% (+P0.2 billion) YoY and Scotch Whisky segment's expenses grew 16% (+P0.2 billion), particularly on their professional fees and outside services, and transportation and travel expenses. There is also an impairment recognized on certain Scotch Whisky inventory during the year.

Interest and Other charges
Interest and other charges decreased 43% (-P0.5 billion) to P0.7 billion from P1.2 billion because there was no variable interest paid on the ELS this year [note: the Company was not able to declare dividends in 2022] and the unrealized foreign exchange losses in 2021 (gains in 2022).
Interest expense declined 22% (-P0.2billion) due to variable interest on ELS in 2021 (nil in 2022) while *Other charges* decreased 83% (-P0.3 billion) from unrealized foreign exchange losses of last year.

In Million Pesos	2022	2021	YoY 2022	YoY %	2020	YoY 2021	YoY %
Interest expense	611	783	(172)	(22.0%)	549	234	42.6%
Brandy	358	597	(239)	(40.1%)	441	156	35.3%
Whisky	253	186	67	36.1%	108	78	72.1%
In Million Pesos	2022	2021	YoY 2022	YoY %	2020	YoY 2021	YoY %
Other Charges	69	404	(335)	(82.9%)	80	324	407.4%
Brandy	24	409	(385)	(94.2%)	(28)	437	(1545.2%)
Whisky	45	(5)	50	(1104.7%)	108	(108)	(100.0%)

Profit before Tax
As a result of the foregoing, profit before tax slid 9% YoY to P11.7 billion from P12.9 billion a year ago.

Tax Expense
Tax expense deescalated 45% (-P1.2 billion) to P1.5 billion from P2.7 billion a year ago due to lower taxable income this year and the deferred tax adjustment last year, which was triggered by the Royal Assent increasing corporation tax in UK effective April 1, 2023.

In Million Pesos	2022	2021	YoY 2022	YoY %	2020	YoY 2021	YoY %
Tax Expense	1,498	2,747	(1,248)	(45.4%)	1,399	1,348	96.3%
Brandy	893	1,314	(421)	(32.0%)	992	321	32.4%
Whisky	605	1,433	(828)	(57.8%)	407	1,026	252.4%

Net Profit
As a result of the foregoing, NP and NPO this year increased 1% to P10.2 billion and P10.1 billion, respectively.

EBITDA
EBITDA, which is computed as profit before interest expense, tax, depreciation and amortization, went down 9% (-P1.4 billion) to P13.8 billion from P15.2 billion a year ago, showing respective margins of 22% and 27%, due to lower tax and interest expenses this year.

Year Ended December 31, 2021 Compared With Year Ended December 31, 2020

The Group performed better in 2021 amidst a still volatile environment[17], anchored on the strength of its diversified portfolio and international operations.

Net profit in 2021 surged 26% year-on-year to a record-high of P10.1 billion, as revenues and other income jumped 6% year-on-year to P55.9 billion. Net profit to owners accelerated to P10.0 billion, up 25% year-on-year. Gross profit rate ("GPR") improved to 36% from 31% a year ago, and net profit rate ("NPR") and net profit to owners rate ("NPOR") higher at 18% this year as compared to 15% a year ago.

The **Brandy segment** realized net profit of P7.6 billion during the year, up 31% year-on-year, as it turned over P37.2 billion revenues and other income from external customers, up 1% year-on-year. Brandy sales grew year-on-year at both the Philippine and international markets, particularly in Mexico, Spain and USA where restriction on on-trade business have loosened up. 'Emperador', 'Fundador', 'Presidente', and 'Terry' remained as the top-selling brandy brands, with sales increases registered during the year. Sales of 'Harveys Bristol Cream' also rose as it sold well in UK. Gross profit expanded 24% year-on-year to P12.6 billion with GPR improving to 34% from 28% of a year ago as more of high-margin products were sold in the current year. The higher GP and lower operating costs lifted both NP and NPO to P7.6 billion and P7.4 billion, respectively, with NPR and NPOR of 20% in the current year as compared to 15% a year ago.

The **Scotch Whisky segment** ended the year with P18.7 billion revenues and other income from external customers, a 17% jump year-on-year, with net profit [also its net profit to owners] growing at 14% year-on-year to P2.6 billion. Adding back a non-cash deferred tax expense, *normalized* net profit amounted to P3.2 billion which is up 44% from a year ago, buoyed by its single malt products. Single malts 'Dalmore', 'Jura', 'Tamnavulin' and 'Fettercairn' continued to post double-digit year-on-year growths in net net sales. There were large increases in Asia, UK, Europe, USA, Travel Retail, and practically all regions as economies began to bounce back against the pandemic although some countries were re-imposing restrictions in response to new COVID variants. UK off-trade and e-commerce continued to grow as demands remained high. Gross profit expanded 28% year-on-year to P7.4 billion with GPR improving to 40% from 36% last year as sales grew faster than cost of goods sold due mainly to product sales mix (sales of high-priced/ high-margin products increased). As markets opened up and sales grew, operating expenses increased. The segment ended with NPR of 14% and normalized NPR of 17% as compared to 14% of last year.

Revenues and Other Income

Total revenues and other income grew 6% (+P3.1 billion) year-on-year to P55.9 billion in 2021 as compared to P52.8 billion in 2020 as external revenues from Scotch Whisky segment and from Brandy segment grew by 17% (+P2.8 billion) and 1% (+P0.3 billion), respectively. 'Emperador', 'Fundador' and 'El Presidente' remained to be the Group's top selling Philippine, Spanish and Mexican brands, respectively while single malts 'The Dalmore', 'Jura' and 'Tamnavulin' were the Group's top selling Scotch Whisky brands in 2021.

In Million Pesos	2021	2020	YoY 2021	YoY %
Other Income	1,091	1,439	(348)	(24.2%)
Brandy	884	1,394	(510)	(36.6%)
Whisky	207	45	162	357.6%

Other income dipped 24%(-P0.3 billion) to P1.1 billion in 2021 from P1.4 billion a year ago due to lower share in net income of BLC, lower foreign exchange gains and lower interest income during the year.

[17] *The COVID-19 pandemic, as declared by WHO on March 11, 2020,wais continuing globally. Several variants were sprouting and causing spikes in certain areas globally. However, death tolls were not as high as before because many people were vaccinated and boosted already.*

Costs and Expenses

Total costs and expenses remained stable at P43.0 billion in 2021 from P43.4 billion a year ago, down 0.8% (-P0.4 billion) year-on-year, as Scotch Whisky business' costs and expenses, including intersegment purchases, expanded 11% (+P1.4 billion) and those of Brandy business contracted 6% (-P1.8 billion).

Cost of Goods Sold

Costs slid 2% (-P0.6 billion), to P34.8 billion from P35.4 billion a year ago due to product sales mix (sale of high-priced/high-margin products).

Gross Profit

Gross profit rates on consolidated level improved to 36% in 2021 as compared to 31% in 2020. This is largely attributed to sales growth (+7%) outpacing cost of goods sold (-2%), which is further attributed to sales product mix. The GPRs of the Brandy and Scotch Whisky segments were respectively posted at 34% and 40% in 2021 as compared to 28% and 36% in 2020.

Other operating expenses

Other operating expenses shrank 4% (-P0.3 billion) to P7.0 billion from P7.4 billion because of optimized spending in the current lockdown situation and travel restrictions, especially in the Philippines. Advertising and promotions (-P0.1 billion), freight and handling (-P0.1 billion), and other services (-P0.1 billion) were down year-on-year. Salaries and employee benefits, on the other hand, went up (+P0.1 billion) year-on-year due to increased business activity from a year ago.

In Million Pesos	2021	2020	YoY 2021	YoY %
Selling and distribution	4,840	5,263	(423)	(8.0%)
Brandy	2,546	3,321	(775)	(23.3%)
Whisky	2,294	1,942	352	18.1%
General and Administrative	4,840	2,108	97	4.6%
Brandy	1,075	1,111	(36)	(3.2%)
Whisky	1,131	997	133	13.4%
Total Operating Expenses	7,046	7,371	(326)	(4.4%)

Selling and distribution expenses decreased 8% (-P0.4 billion) in 2021 from a year ago. Brandy segment optimized its expenditures reflective of the current situation, and had spent 23% less (-P0.8 billion) year-on-year, particularly on Emperador's advertising and promotions, freight and handling, representation and merchandising service fees. On the other hand, Scotch Whisky segment had resumed its expenditures and spent 18% more (+P0.4 billion), particularly on strategic and promotional marketing and freight and handling in the light of its growing sales.

General and administrative expenses increased 5% (+P0.1 billion) from a year ago. Brandy segment's expenses remained stable while Scotch Whisky segment's expenses grew on its salaries and employee benefits from a year ago.

Interest and Other charges

Interest and other charges increased 89% (+P0.6 billion) to P1.2 billion from P0.6 billion due to higher interest expense and unrealized foreign exchange losses. *Interest expense* increased 43% (+P0.2billion) due to higher variable interest on ELS (due to 3 dividend declarations) during the year while *Other charges* increased 5times (+P0.3 billion) from unrealized foreign exchange losses.

In Million Pesos	2021	2020	YoY 2021	YoY %
Interest expense	783	549	234	42.6%
Brandy	597	441	156	35.3%
Whisky	186	108	78	72.1%

In Million Pesos	2021	2020	YoY 2021	YoY %
Other Charges	404	80	324	407.4%
Brandy	409	(28)	437	(1545.2%)

Whisky	(5)	108	(108)	(100.0%)

Profit before Tax
As a result of the foregoing, profit before tax in 2021 improved 37% to P12.9 billion from P9.4 billion a year ago.

Tax Expense
Tax expense went up 96% (+P1.3 billion) to P2.7 billion from P1.4 billion a year ago due to higher taxable income attributed to robust sales and the take-up of P0.7 billion deferred tax adjustment on intangible assets at consolidation level, which was triggered by the increase in corporation tax in UK (effective April 1, 2023)(that received Royal Assent in June 2021). The said tax adjustment is a non-cash item, does not affect UK stand-alone operating results and will never be paid in the far future unless the UK business is sold or liquidated.

In Million Pesos	2021	2020	YoY 2021	YoY %
Tax Expense	2,747	1,399	1,348	96.3%
Brandy	1,314	992	321	32.4%
Whisky	1,433	407	1,026	252.4%

Net Profit
As a result of the foregoing, net profit soared 26% (+P2.1 billion) to P10.1 billion in 2021 from P8.0 billion in 2020. Net profit to owners jumped 25% to P10.0 billion from P8.0 billion last year.

EBITDA
EBITDA, which is computed as profit before interest expense, tax, depreciation and amortization, went up 32% (+P3.7 billion) to P15.2 billion in 2021 from P11.6 billion in 2020, showing respective margins of 27% and 22%.

FINANCIAL CONDITION

December 31, 2023 and 2022

Total assets amounted to P148.7 billion as at December 31, 2023, up 5% (+P7.5 billion) from P141.2 billion as at December 31, 2022. The Group is strongly liquid with current assets exceeding current liabilities 2.7 times by the end of both years.

Cash and cash equivalents were depleted 17% (-P2.2 billion) mainly due to payment of dividends (P4.7 billion) and acquisitions of property, plant and equipment (P4.8 billion) that ate up net cash flows from operating activities.

Trade and other receivables went down 18% (-P4.1 billion) due to decreases in trade receivables (-P1.5 billion), advances to suppliers (-P2.2 billion) and advances to officers and employees (-P0.3 billion)..

Financial assets at fair value through profit or loss of P0.3 billion at the beginning of the year rose to P0.4 billion at the end of the year due to changes in marked-to-market valuation and translation adjustment.

Inventories swelled 18% (+P7.1 billion) primarily from the continuous laying of Scotch whisky liquids for ageing (under work-in-process) and advanced production to ensure continuity of dispatch..

Prepayments and other current assets soared 61% (+P1.2 billion) due mostly to timing of prepayments for overhead and general expenses (+P0.2 billion), taxes (+P0.8 billion) and deferred input vat (+P0.2 billion) at the end of 2023.

Property, plant and equipment ballooned 17% (+P5.0 billion) mainly from capital expenditures for machinery and equipment (+P2.7 billion), buildings (+P0.8 billion) and land (+P0.6 billion). Capital expenditures were regularly made to expand operations and efficiency as well as upgrade and improve manufacturing facilities and equipment. In 2023, about 80% of capital expenditures were in UK because of the ongoing expansion of Dalmore Distillery and at Invergordon site. The non-current assets classified as held for sale (+P1.0 billion) were also reclassified back to this account by the end of the year.

Investment in a joint venture increased 7% (+P0.2 billion) due to share in NP and translation gain adjustment recorded during the year.

Retirement benefit assets fell 52% (-P0.3 billion) due to changes in financial assumptions and foreign exchange adjustments.

Deferred tax assets surged 139% (+P0.1 billion) due to movements of timing differences.

Current Interest-bearing loans climbed 76% (+P2.9 billion) and the non-current portion fell 4% (-P0.8billion), for combined increase of P2.2 billion, due to additional drawdown of UK bank loan which was reduced by foreign exchange translation adjustment.

Trade and other payables decreased 11% (-P2.4 billion), mainly due to timing of purchases for production (-P6.0 billion) and expense accruals (+P2.6 billion), and utilization of output vat (+P0.8 billion).

Lease liabilities were accounts brought about by the adoption of PFRS 16-Leases beginning January 1, 2019. The current and non-current portions amounted to P0.2 billion and P0.4 billion, respectively, at end of 2023, down 22% (-P0.05 billion) and up 16% (+P0.1 billion), respectively, primarily due to translation adjustments.

Income tax payable increased 19% (+P0.4 billion) primarily from higher income taxes by the Group at current year-end.

Provisions refer to the amounts provided by WMG for leased properties located in Scotland. Provisions went up 21% (+P0.05 billion) mainly from additional provisions for dilapidations and onerous lease, net of utilisations.

Equity attributable to owners of the parent company increased by 7% (+P6.5 billion) mainly from net profit (+P8.7 billion) realized during the year, additional legal reserves (+P0.4 billion) and translation adjustments (+P2.5 billion), as reduced by dividends (-P4.7 billion) and revaluation reserves (-P0.2 billion)

Accumulated translation adjustments refer to the difference resulting in the translation of the foreign subsidiaries' financial statements to Philippine pesos. Monetary assets and liabilities are translated at the closing rate and income and expenses at average exchange rates. The accumulated balance of the account is reflective of the depreciation in the value of Philippine peso and/or foreign currencies.

Treasury shares pertain to the acquisition cost of the shares that have been brought back from the market pursuant to the Company's buyback program. The account also included shares held by a subsidiary.

Share options pertain to the options granted to qualified employees of the Group pursuant to an approved employee share option plan. The increment of 22% (+P58 million) was a result of recognition of additional share options expense under the employee share option plan during the year.

Revaluation reserves were reduced by P0.2 billion due to actuarial revaluation on retirement benefit obligations booked by WMG.

Other reserves include legal reserves that represent the statutory requirements in Luxembourg which comprise of net wealth tax reserve and capital reserve at year-end.

Non-controlling interest increased 24% (+P0.3 billion) mainly from net profit share (+P0.3 billion) realized by minority owners in DBLC, a foreign subsidiary consolidated by end-2017 and in Boozy, a local company consolidated starting in 2018.

December 31, 2022 and 2021

Total assets amounted to P141.2 billion as at December 31, 2022, up 10% (+P12.7 billion) from P128.5 billion as at December 31, 2021. The Group is strongly liquid with current assets exceeding current liabilities 2.8 times by the end of the current year.

Cash and cash equivalents increased 36% (+P3.4 billion) mainly from higher net cash from operating activities than net cash used in financing and investing activities, driven by the increase in net profit and in trade and other payables.

Trade and other receivables went up 14% (+P2.8 billion) due to increase in trade receivables (+P1.6 billion) from fourth quarter sales and advances to suppliers (+P0.9 billion).

Financial assets at fair value through profit or loss of P0.003 billion at the beginning of the year rose to P0.3 billion at the end of the year due to marketable securities held for trading acquired during the year.

Inventories expanded 16% (+5.3 billion) primarily from the continuous laying of Scotch whisky liquids for ageing (under work-in-process) and advanced production to ensure continuity of dispatch and purchases of raw materials and packaging materials to ensure continuity and availability of supply.

Prepayments and other current assets climbed 54% (+P0.7 billion) due mostly to timing of prepayments for overhead and general expenses (+P0.7 billion), taxes (+P0.1 billion) while and deferred input vat fell (-P0.2 billion) at the end of 2022.

Property, plant and equipment increased 5% (+P1.4 billion) mainly from capital expenditures for machinery and equipment (+P1.4 billion) and buildings (+P1.7 billion), which included a bottling hall property in UK. Capital expenditures were regularly made to expand operations and efficiency as well as upgrade and improve manufacturing facilities and equipment. In 2022, about 70% of capital expenditures were in UK.

Investment in a joint venture decreased 6% (-P0.2 billion) due to dividend received and translation gain adjustment recorded during the year.

Retirement benefit assets fell 45% (-P0.4 billion) due to changes in financial assumptions and foreign exchange adjustments.

Deferred tax assets decreased 35% (-P0.05 billion) due to movements of timing differences.

Other non-current assets went down 87% (-P0.7 billion) due to reversal of property mortgage receivable upon acquisition of the subject property and reduction in refundable security deposits.

Current Interest-bearing loans climbed 13% (+P0.4 billion) and the non-current portion fell 7% (-P1.5 billion), for combined decrease of P1.04 billion, due to net repayment of bank loans.

Trade and other payables increased 24% (+P4.2 billion), mainly due to timing of purchases for production (+P2.6 billion) and expense accruals (+P1.9 billion), reduced by utilization of output vat (-P0.5 billion).

Lease liabilities were accounts brought about by the adoption of PFRS 16-Leases beginning January 1, 2019. The current and non-current portions amounted to P0.2 billion and P0.4 billion, respectively, at end of 2022, up 3% (+P0.005 billion) and down 57% (-P0.5 billion), respectively, primarily due to reclassifications of current portion and reversal relating to an acquired leased property during the year. [See Notes 9.3 and 2.16(a) to the Consolidated Financial Statements]

Income tax payable increased 6% (+P0.1 billion) primarily from higher income taxes by the Group at current year-end.

Provisions refer to the amounts provided by WMG for leased properties located in Scotland. Provisions went down 38% (-P0.2 billion) mainly due to release of provision for dilapidations on the acquired bottling hall property [see Notes 17, 2.14 and 3.2(k) to the Consolidated Financial Statements]

Equity attributable to owners of the parent company increased by 12% (+P9.7 billion) mainly from net profit (+P10.1 billion) realized during the year and additional legal reserves (+P0.3 billion) as reduced by translation adjustments (-P0.4 billion) and revaluation reserves (-P0.3 billion)

Accumulated translation adjustments refer to the difference resulting in the translation of the foreign subsidiaries' financial statements to Philippine pesos. Monetary assets and liabilities are translated at the closing rate and income and expenses at average exchange rates. The accumulated balance of the account is reflective of the depreciation in the value of Philippine peso and/or foreign currencies.

Treasury shares pertain to the acquisition cost of the shares that have been brought back from the market pursuant to the Company's buyback program. The account also included shares held by a subsidiary.

Share options pertain to the options granted to qualified employees of the Group pursuant to an approved employee share option plan. The increment of 42% (+P76 million) was a result of recognition of additional share options expense during the year both from existing and additional employee granted under the employee share option plan during the year.

Revaluation reserves were depleted by P0.3 billion due to actuarial revaluation on retirement benefit obligations booked by WMG.

Other reserves include legal reserves that represent the statutory requirements in Luxembourg which comprise of net wealth tax reserve and capital reserve at year-end.

Non-controlling interest increased 20% (+P0.2 billion) mainly from net profit share (+P0.2 billion) realized by minority owners in DBLC, a foreign subsidiary consolidated by end-2017 and in Boozy, a local company consolidated starting in 2018.

LIQUIDITY AND CAPITAL RESOURCES

The Group sources funds principally from operations and loans and borrowings. The Company expects to meet its working capital requirements for the ensuing year primarily from available funds at year-end plus cash flows from operations. It may also from time to time seek other sources of funding, if necessary, which may include debt or equity financings, depending on its financing needs and market conditions.

PROSPECTS FOR THE FUTURE

The Group's renowned brandy and whisky products sold all over the world are the catalyst for continued growth and put the Group in best position, with its high-quality aged inventory, for premiumization and innovation opportunities, as well as to adapt to trends and consumer appetite.

OTHER MATTERS

Except for what have been noted:

There were no other known material events subsequent to the end of the year that would have a material impact in the current year being reported.

There are no other known trends or 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. The Group does not have nor anticipate having any cash flow or liquidity problems. The Group is not in default or breach of any note, lease or other indebtedness or financing arrangement requiring it to make payments.

There are no other known events that will trigger direct or contingent financial obligation that is currently considered material to the Group, including any default or acceleration of an obligation. There are no other material off-balance sheet transactions, arrangements, obligations, and other relationships with unconsolidated entities or other persons created during the reporting period.

There are no other known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations. There are also no known events that will cause material change in the relationship between costs and revenues.

There are no other significant elements of income or loss that did not arise from continuing operations.

There were no other material issuances, repurchases or repayments of debt and equity securities.

The business has no seasonal aspects that had a material effect on the financial condition and results of operations of the Group.

7. FINANCIAL STATEMENTS

The audited consolidated financial statements, together with Statement of Management's Responsibility and Auditors' Report, and supplementary schedules are attached and filed herewith.

The consolidated financial statements have been prepared in compliance with the Philippine Financial Reporting Standards ('PFRS), 'on the historical cost basis except for the measurement of certain financial assets and liabilities. The preparation of the consolidated financial statements in compliance with PFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the financial statements and related notes. The estimation and judgments are based upon management's evaluation of relevant facts and circumstances of the financial statements. Actual results may ultimately vary from those estimates.

8. INFORMATION ON INDEPENDENT ACCOUNTANT AND OTHER RELATED MATTERS

EXTERNAL AUDIT FEES AND SERVICES

Audit and audit-related services

Punongbayan & Araullo ("P&A") is the appointed principal auditor for 2023 and 2022. It audited the Group's consolidated financial statements for the years 2013 to 2023. In compliance with Revised Securities Regulation Code Rule 68, Part I, 3(B)(ix), Rotation of External Auditors, which adopted the provisions on long association of external auditors (including partner rotation) with public-interest-entity audit client as prescribed in the Code of Ethics for Professional Accountants in the Philippines, and as adopted by the Company, the engagement partners are rotated or changed every seven years ('time-on' period). Mr. Romualdo V. Murcia III was the lead engagement partner for 2017-2022. For 2023 audit, Mr. Ramilito L. Nañola is the lead engagement partner.

The combined fees billed by P&A for the audit of the 2023 and 2022 annual financial statements of the Company and its subsidiaries, excluding out-of-pocket expenses and VAT, totaled P6.3 million and P6.0 million , respectively. The services are those normally provided in connection with statutory and regulatory filings or engagements.

Tax fees and all other fees

In 2022, P&A was engaged to review the interim consolidated financial statements as of March 31, 2022 and for comparable period in 2021, for which P&A billed P3.5 million. It was also engaged for an expense verification and a vulnerability assessment and penetration testing in relation to EMI's listing in SGX-ST for which P&A separately billed P0.2 million and P0.4 million, respectively. P&A was also engaged for a tax assistance for which it billed P0.3 million.

In 2021, P&A was engaged to review the interim consolidated financial statements as of June 30 and September 30, 2021 and for the interim periods so ended in 2021 and 2020, for which P&A separately billed a total of P6.0 million. It was also engaged to make a tax study relating to its potential listing in Singapore Stock Exchange for which it has billed P0.7 million. There were no similar services in 2020.

Approval of services

The above services have been approved by the Audit Committee through the internal policies and procedures of approval. The Audit Committee is composed of Enrique M. Soriano III as Chairman, and Jesli A. Lapus and Kevin Andrew L. Tan as members. The auditors' appointments were endorsed to and approved by the Board of Directors, and then by the stockholders at the annual stockholders' meetings.

CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

P&A issued an unqualified opinion on the consolidated financial statements. There are no disagreements with them on any matter of accounting principles or practices, financial statement disclosures, and auditing scope or procedure which, if not resolved would have caused the auditors to make reference thereto in its reports.

PART III - CONTROL AND COMPENSATION INFORMATION

9. DIRECTORS AND EXECUTIVE OFFICERS OF THE ISSUER

The overall management and supervision of the Company is undertaken by the Board of Directors ("Board"). Currently, the Board consists of seven members, of which two are independent directors. All of the directors were elected at the Company's annual stockholders meeting on May 15, 2023 and will hold office until their successors have been duly elected and qualified.

The table below sets forth each member of the Company's Board as of February 29, 2024:

Name	Age	Gender	Citizenship	Type/Position	Date First Elected
Andrew L. Tan	74	Male	Filipino	Non-exec/ Chairman	Aug 28, 2013
Winston S. Co	66	Male	Filipino	Executive Director	Aug 28, 2013
Kendrick Andrew L. Tan	43	Male	Filipino	Executive Director	Aug 28, 2013
Kevin Andrew L. Tan	44	Male	Filipino	Non-Exec Director	Oct 04, 2017
Enrique M. Soriano III	56	Male	Filipino	Lead Independent Director	May 16, 2016
Jesli A. Lapus	74	Male	Filipino	Independent Director	May 17, 2021
Ho Poh Wah	61	Male	Singaporean	Independent Director	May 15, 2023

The table below sets forth the Company’s executive officers as of February 29, 2024:

Name	Age	Gender	Citizenship	Position
Winston S. Co	66	Male	Filipino	President and Chief Executive Officer
Katherine L. Tan	72	Female	Filipino	Treasurer
Kendrick Andrew L. Tan	43	Male	Filipino	Executive Director
Dina D.R. Inting	64	Female	Filipino	Chief Financial Officer, Compliance Officer and Corporate Information Officer
Anna Michelle T. Llovido	45	Female	Filipino	Corporate Secretary
Marydale C. Manato-Zoleta	34	Female	Filipino	Assistant Corporate Secretary
Mary Grace P. Maralit	43	Female	Filipino	Chief Audit Officer and Chief Risk Officer
Kenneth V. Nerecina	54	Male	Filipino	Investor Relations Officer

Andrew L. Tan
Chairman of the Board

Mr. Tan, was first elected as Director and Chairman of the Board on August 28, 2013. He holds position in the following other listed companies:

Listed Company	Position	Date First Elected	Date Last Elected	No. of Term/ Years
Alliance Global Group, Inc.	Chairman of the Board	September 2006	June 2023	17
	Chief Executive Officer	September 2006	September 2017	11
	Vice Chairman of the Board	August 2003	September 2006	3
Megaworld Corporation	Chairman and President	August 1989	June 2023	34
Global-Estate Resorts, Inc. (subsidiary of Megaworld	Chairman and CEO	January 2011	July 2023	12
Empire East Land Holdings, Inc. (subsidiary of Megaworld	Chairman	July 1994	June 2023	29

He is also the Chairman of Emperador Distillers, Inc. since its incorporation in 2003. He pioneered the live-work-play-learn model in the real estate development through the Megaworld Corporation’s integrated township communities, fueling the growth of the business process outsourcing (“BPO”) industry, food and beverage, and quick service restaurants industries. Mr. Tan is concurrently the Chairman of the Board and President of Progreen Agricorp, Inc., Zabana Rum Company, Inc., Megaworld Land, Inc., Megaworld Globus Asia, Inc., Manila Bayshore Property Holdings, Inc., Mactan Oceanview Properties and Holdings, Inc., Twin Lakes Corporation, Richmonde Hotel Group International Limited, The Bar Beverage, Inc. and Yorkshire Holdings, Inc. He is also the Chairman of Megaworld Newport Property Holdings, Inc., Alliance Global Group Cayman Islands, Inc., Alliance Global Brands, Inc., Suntrust Properties, Inc., Adams Properties, Inc., Cocos Vodka Distillers Philippines, Inc., Consolidated Distillers of the Far East, Inc., Megaworld Cayman Islands, Inc., Eastwood Cyber One Corporation, Gilmore Property Marketing Associates, Inc., Megaworld Central Properties, Inc., Raffles & Company, Inc. and Townsquare Development, Inc. He is the Chairman and Treasurer of The Andresons Group, Incorporated and sits in the boards of Travellers International Hotel Group, Inc., Alliance Global-Infracorp Development, Inc., Megaworld Cebu Properties, Inc., Fairways & Bluewater Resort Golf & Country Club, Inc., Anglo Watsons Glass, Inc. and Alcazar De Bana Holdings Company, Inc. He is also the Vice-Chairman and Treasurer of Golden Arches Development Corporation and Golden Arches Realty Corporation and a Director and Treasurer of Andresons Global, Inc. Mr. Tan graduated Magna Cum Laude from the University of the East with a degree of Bachelor of Science in Business Administration and was conferred Doctor of Philosophy in Humanities (Honoris Causa) in 2011 by the same university.

Winston S. Co
Director and President

Mr. Co was first elected as Director and President on 28 August 2013.He is also a Director and President of Emperador Distillers, Inc. since 2007 and Chairman of TWFLI since 2022. His field of expertise is in finance and marketing of consumer products. He is concurrently Chairman and President of New Town Land Partners, Inc.; Chairman of Anglo Watsons Glass, Inc.; Director and President of Cocos Vodka Distillers Philippines, Inc. and Alliance Global Brands, Inc., Director and Treasurer of Raffles & Company, Incorporated; Director of The Bar Beverage, Inc.; and Senior Vice President of The Andresons Group, Incorporated. Mr. Co is a Magna Cum Laude graduate of Jose Rizal College with a Bachelor of Science in Commerce.

Kendrick Andrew L. Tan
Director

Mr. Tan was first elected as Director on 28 August 2013. He is the Corporate Secretary and Executive Director of Emperador Distillers, Inc., and also its Vice President for New Products & Innovation and the Head for Research & Development. He is concurrently Chairman and President of Alcazar De Bana Holdings Company, Inc., Director and President of The World's Finest Liquor, Inc., Director and Treasurer of Anglo Watsons Glass, Inc.; Director and Corporate Secretary of Progreen Agricorp, Inc., Emperador Brandy, Inc. and Newport World Resorts Properties, Inc.; Director of The Bar Beverage, Inc., Alliance Global Brands, Inc., The Andresons Group, Incorporated, Yorkshire Holdings, Inc., Andresons Global, Inc., Cocos Vodka Distillers Philippines, Inc., Consolidated Distillers of the Far East, Inc. and Zabana Rum Company, Inc. Mr. Tan graduated from Southern New Hampshire University with a degree in Bachelor of Science in Accountancy.

Kevin Andrew L. Tan
Director

Mr. Tan, was first elected as Director on 04 October 2017. He holds position in the following other listed companies:

Listed Company	**Position**	**Date First Elected**	**Date Last Elected**	**No. of Term/Years**
Alliance Global Group, Inc.	Chief Executive Officer	June 2018	June 2023	5
	Vice Chairman	Sept 2018	June 2023	5
	Director	April 2012	June 2023	11
	Executive Director	Sept 2016	Sept 2017	1
Megaworld Corporation	Executive Vice President and Chief Strategy Officer	Nov 2018	June 2023	5
MREIT, Inc.	President and CEO	Oct 2020	June 2023	3
Global-Estate Resorts, Inc.	Director	June 2014	July 2023	9
Empire East Land Holdings, Inc.	Director	June 2015	June 2023	8

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

[Note: The tenure of an independent director is set to a cumulative term of nine years. Independent directors (IDs) who have served for nine years may continue as a non-independent director of the company. Reckoning of the cumulative nine-year term is from 2012, in connection with SEC Memorandum Circular No. 9, Series of 2011.]

Enrique M. Soriano III
Independent Director

Mr. Soriano was first elected as Independent Director of the Company on May 16, 2016. He holds position in the following other listed company:

Listed Company	Position	Date First Elected	Date Last Elected	No. of Term/Years
Alliance Global Group, Inc.	Independent Director	June 2022	June 2023	2

He is also an Independent Director of MREIT Fund Managers, Inc. Travellers International Hotel Group, Inc., P.A. Properties and GGTT Realty Corporation. He is currently the Executive Director of the Wong + Bernstein Group, an Asia Pacific based Strategic Advisory Firm that specializes on Family Governance and Next Generation Leadership, and of Family in Business Strategic Coaching, Inc. He is also a Senior Fellow on Governance at the IPMI International Business School in Jakarta and a Member of the Singapore Institute of Directors. He also sits as a Director and/or Board advisor to 25 UHNW (ultra-high net worth families) in the ASEAN region. He is also a Columnist and Book Author.

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

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

Jesli A. Lapus
Independent Director

Dr. Lapus has served as Independent Director since May 2021. He holds position in the following other listed company:

Listed Company	Position	Date First Elected	Date Last Elected	No. of Term/ Years
Alliance Global Group, Inc.	Independent Director	June 2021	June 2023	3

Dr. Lapus is currently Chairman and Independent Director of STI Education Services Group, Inc. since 2013 and Chairman of LSERV Corporation since 2012. He is a Governor of Information and Technology Academy (iAcademy) since 2010, Independent Director of Philippine Life Financial Assurance Corporation since 2012, STI Education Systems Holdings, Inc. since 2013 and STI West Negros University, Inc. since 2022. He is a former Chairman of the Board of Investments, Philippine Exports Zone Authority, National Development Corporation, Export Development Council, Export Development Council, Micro, Medium and Small Enterprises Council (MSMED), Summer Institute of Linguistics (SIL) and Manila Tytana Colleges. He is a former Board Member of Metrobank, Land Bank of the Philippines, Philippine Airlines, Meralco, and Union Bank of the Philippines; former Governor/Trustee of the Asian Institute of Management, Management Association of the Philippines, and Bankers Association of the Philippines; and former Advisor of Philplans First, Inc.

As a top executive in the private sector, he has successfully managed celebrated firms and a universal bank in attaining industry leadership. As the youngest President and CEO of the Landbank of the Philippines at 42 years old, Lapus steered the bank from number 18 to become the 3rd biggest in the banking industry. As the first Filipino and the youngest Managing Director of the German multinational company Triumph International (Phils.), Inc. from 1979-1985, he led it to become the biggest manufacturing operation of its kind in the world making it a top Philippine exporter and employer. At 23, he was the Chief Finance Officer (CFO) of the Ramcar Group where he engineered mergers and acquisitions which established Ramcar as the undisputed market leader in the country. At age 20, he was Auditor-in-Charge and Management Consultant at SGV & Co., CPA’s (1969-1973).

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

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

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

Ho Poh Wah (Jason Ho)
Independent Director

Mr. Ho, a resident of Singapore, was first elected as Director on May 15, 2023. He is an experienced Board Member and senior executive with years of experience as group chief human resources officer and global business leader in banking and finance industry. His areas of expertise are human capital strategy, business transformation, vision and mission advocacy, executive coaching, talent acquisition, corporate governance, risk management, shareholder relations, market alignment and regulatory compliance.

He is a Board Member of the Leap Philanthropy and Daughters of Tomorrow (DOT) since 2024. He was a Board member of the Institute of Human Resources Professionals from 2016 to 2022, OCBC Property Service Ltd. from 2020 to 2022 and MAS HR Industry Group Committee from 2021 to 2022. He was also the Group Chief Human Resources Officer (CHRO) from 2015 to 2022, Executive Vice President from 2015 to 2022, and Global Head – Asset and Liability Management from 2013 to 2014, of OCBC Bank Singapore. He also served as Treasurer of KBC Bank, Singapore from 1999 to 2012. Prior to these, he was also employed by Standard Chartered Bank, Volvo Group Treasury and Citibank. Mr. Ho earned his Bachelor of Business Administration from the National University of Singapore and Master of Applied Finance from Macquarie University in Sydney, Australia.

Katherine L. Tan
Treasurer

Ms. Tan was first elected as Treasurer on 28 August 2013. She also served as Director since August 2013 until May 2023. She holds position in the following other listed companies:

Listed Company	Position	Date First Elected	Date Last Elected	No. of Term/Years
Alliance Global Group, Inc.	Director and Treasurer	February 2007	June 2023	16
Megaworld Corporation	Director	August 1989	June 2023	34
	Treasurer	August 1989	June 1995	6
MREIT, Inc.	Director	May 2021	June 2023	3

She is a Director and Treasurer of Emperador Distillers, Inc. since 2003, and of Alliance Global Brands, Inc., Yorkshire Holdings, Inc., Emperador Brandy, Inc., Progreen Agricorp, Inc., Cocos Vodka Distillers Philippines, Inc., Zabana Rum Company, Inc. and The World's Finest Liquor, Inc. She is concurrently Chairman and President of Andresons Global, Inc. and Choice Gourmet Banquet, Inc.; Director and President of The Andresons Group, Incorporated, Consolidated Distillers of the Far East, Inc., and Raffles & Company, Inc.; Director and Corporate Secretary of The Bar Beverage, Inc., and Director of Anglo Watsons Glass, Inc., and Alcazar De Bana Holdings Company, Inc. Emperador International Limited, Kenrich Corporation, McKesterPik-Nik International Limited, Megaworld Cayman Islands, Inc., and Venezia Universal Limited. Mrs. Tan graduated from St. Scholastica's College with a degree in Nutrition.

Dina D.R. Inting
Chief Financial Officer, Corporate Information Officer
and Compliance Officer

Ms. Inting was first elected as Chief Financial Officer, Compliance Officer and Corporate Information Officer on 28 August 2013. She holds position in the following other listed company:

Listed Company	Position	Date First Appointed/ Elected	Date Last Appoint/Elected	No. of Term/ Years
Alliance Global Group, Inc.	Chief Financial Officer (Principal Financial Officer)	January 1995	June 2023	29
	Compliance Officer	August 2005	June 2023	18
	Corporate Information Officer	August 2002	June 2023	21

She is currently a director of Progreen Agricorp, Inc. She gained an extensive experience in the fields of audit, comptrollership, treasury, finance, branch operations and personnel management from her previous employments in SGV & Co., Raffles & Company, Inc. and First Oceanic Property Management, Inc. She is a Cum Laude graduate of Bachelor of Science in Commerce major in

Accounting, Honors Program, at the Philippine College of Commerce (Polytechnic University of the Philippines), holds a certificate in Organizational Development from the Ateneo de Manila University, and is a Certified Public Accountant.

Anna Michelle T. Llovido
Corporate Secretary

Ms. Llovido was first elected as Assistant Corporate Secretary on May 20, 2019 until her appointment as Corporate Secretary on April 30, 2020. She holds position in the following other listed company:

Listed Company	Position	Date First Elected	Date Last Elected	No. of Term/ Years
Megaworld Corporation	Corporate Secretary	August 2014	June 2023	9

Ms. Llovido concurrently serves as Chief Counsel for Corporate Affairs and EPR Officer of Emperador Distillers, Inc. She is an experienced in-house counsel with 18 years of practice in mergers and acquisitions, financing, regulatory compliance, transactional contracts negotiation, data privacy, litigation, labor and intellectual property law. She is the data protection officer of Emperador Inc. and Emperador Distillers, Inc., and the corporate secretary of The World's Finest Liquor Inc..

Prior to her employment in Emperador Distillers, Inc., Ms. Llovido was a Manager at Reeves & Associates International Corporation and was charged with the management of its Philippine representative office. She also served as Legal Counsel to Transnational Diversified Group, Inc. from May 2008 to September 2009 where she serviced the legal requirements of over 30 companies engaged in total logistics, ship management, air and travel services, and information and communications technology. She was an Associate Lawyer at Tantoco Villanueva De Guzman & Llamas law offices from April 2006 to April 2008. Ms. Llovido obtained her Juris Doctor in 2004 and Hotel and Restaurant Management in 1999 from the University of Santo Tomas.

Marydale C. Manato-Zoleta
Asst. Corporate Secretary

Ms. Manato-Zoleta was appointed as the Corporation's Assistant Corporate Secretary on May 15, 2023. Ms. Manato-Zoleta concurrently serves as Legal Counsel of Emperador Distillers, Inc. and the Data Protection Officer of The World's Finest Liquor Inc.

Prior to her employment in Emperador Distillers, Inc. she was the Data Protection Officer of Bank of Makati, Inc. and was responsible in ensuring the bank's compliance with data privacy laws. She also served as Senior Corporate Affairs Officer/Data Protection Officer of Anchor Land Holdings, Inc. from September 2019 to October 2021 and handled various regulatory compliance requirements, prepared, reviewed and negotiated contracts, rendered advisory opinions on day-to-day corporate and labor matters, drafted pleadings, and assisted in preparing cases for trial. She was a Junior Associate Lawyer at Dinsay Caguioa & Associates law offices from February 2018 to September 2019. She obtained her Juris Doctor degree in 2017 from the Pamantasan ng Lungsod ng Maynila and her undergraduate degree in Legal Management in 2011 from the San Beda College (now San Beda University).

Mary Grace P. Maralit
Chief Audit Executive and Chief Risk Officer

Ms. Maralit was appointed as the Corporation's Chief Audit Executive and Chief Risk Officer on May 15, 2023. Ms. Maralit concurrently serves as Corporate Audit Director of Emperador Distillers, Inc. She joined Emperador Distillers, Inc. in 2013. She is a Certified Public Accountant with 19 years of finance and audit experience. Prior to her employment in Emperador Distillers, Inc., she was an Audit Manager at Ernst & Young, Ltd. and KPMG Laya Mananghaya. She graduated from Far Eastern University in 2003 with the degree of Bachelor of Science in Accountancy.

Kenneth V. Nerecina, Filipino
Investor Relations Officer

Mr. Nerecina has been the Investor Relations Officer of Emperador Inc since 2013. Prior to that, he had years of experience as an equity analyst and head of equity research. Mr. Nerecina obtained his bachelor's degree in Mathematics in 1990 from the Ateneo de Manila University.

SIGNIFICANT EMPLOYEES

While the Company values its workforce, the business of the Company is not highly dependent on the services of personnel outside of Senior Management.

FAMILY RELATIONSHIPS

Chairman Andrew L. Tan is married to Treasurer Katherine L. Tan while their sons, Kendrick Andrew L. Tan and Kevin Andrew L. Tan, are also Directors. Kendrick is currently serving as director of Anglo Watsons Glass, Inc. and Executive Director and Corporate Secretary of EDI. Kevin is currently serving as Director of other listed companies: Alliance Global Group, Inc. (where he is the Vice-Chairman and CEO), MREIT, Inc. (where he is the President and CEO), Global-Estate Resorts, Inc. and Empire East Land Holdings, Inc, and EVP and CSO of Megaworld Corporation.

INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS

The Company is not aware of the occurrence during the past five (5) years up to the date hereof of any of the following events that are material to an evaluation of the ability or integrity of any director, any nominee for election as director, or executive officer:

1. Any bankruptcy petition filed by or against any business of a director, nominee for election as director, or executive officer who was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;

2. Any conviction by final judgment in a criminal proceeding, domestic or foreign, or a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;

3. Any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities; and

4. Being found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law of regulation, and the judgment has not been reversed, suspended, or vacated.

10. EXECUTIVE COMPENSATION

SUMMARY COMPENSATION TABLE

The following table identifies the Company's Chief Executive Officer and the four most highly compensated executive officers and summarize their aggregate annual compensation in the last two completed years and the estimated aggregate compensation for the ensuing year. Such compensation is received from EDI and none from the Company.

	Name and principal position	Year	Salary (P) '000	Bonus (P)	Other Annual Compensation
CEO	Winston S. Co, President				
A	Katherine L. Tan, Treasurer				
B	Kendrick Andrew L. Tan, Executive Director				
C	Glenn Manlapaz, Director for Asia and the Pacific				
D	Edwin Jaranilla, VP-Production				
	Total - President and four most highly compensated executive officer	2022 2023 (estimate) 2024	34,268 36,842 37,460		None None None

COMPENSATION OF DIRECTORS

The Company's By-Laws stipulates that, except for reasonable per diem, directors, as such, are entitled to receive only such compensation as may be granted to them upon the recommendation of the Corporate Governance Committee and subsequent approval by vote of stockholders representing at least a majority of outstanding capital stock at a regular or special meeting of stockholders. In no case shall the total yearly compensation of directors, as such, exceed 10% of the net income before tax of the Corporation for the preceding year. In the last two completed years, directors received per diem only from the Company.

	Name of Director	Per Diem 2021 (P) '000	Per Diem 2022 (P) '000	Per Diem 2023 (P) '000	Per Diem 2024 (P) '000 (estimate)
1	Andrew L. Tan, Chairman	75	75	75	75
2	Winston S. Co, Director	75	75	75	75
3	Kendrick Andrew L. Tan, Director	75	75	75	75
4	Kevin Andrew L. Tan, Director	75	75	75	75
5	Enrique M. Soriano III, Independent	390	225	1,060	1,000
6	Jesli A. Lapus, Independent Director	390	195	1,060	1,000
7	Ho Poh Wah (Jason Ho)	n/a	n/a	1,000	1,000
8	Katherine L. Tan, Director	75	75	75	n/a
[1to8]	Total – Directors' Per Diem	1,155	795	3,495	3,300

EMPLOYMENT CONTRACTS AND TERMINATION OF EMPLOYMENT AND CHANGE-IN-CONTROL ARRANGEMENT

There are no employment contract between the Company and a named executive officer; and no compensatory plan or arrangement, including payments to be received from the Company, with respect to a named executive officer, that results or will result from the resignation, retirement or any other termination of such executive's employment with the Company and its subsidiaries or from a change-in-control of the Company or a change in the named executive officer's responsibilities following a change-in-control and amount involved, including all periodic payments or installments, exceeds P2.5 million.

OUTSTANDING WARRANTS AND OPTION

On December 15, 2014, stockholders holding more than 2/3 of the subscribed and outstanding capital stock of the Company approved an Employee Stock Option Plan (the “Plan”) for qualified employees of the Company and its subsidiaries. On August 17, 2021, the Board of Directors (“**BOD**”) approved an Amended Plan which provided certain amendments. On March 26, 2024, the Philippine Securities and Exchange Commission confirmed that the issuance of One Hundred Seventy Million (177,000,000) common shares to eligible optionees is exempt from registration requirements pursuant to SRC Rule 10.2.

Under the Plan, and Amended Plan, stock options may be granted within ten (10) years from the approval of the Plan by stockholders of the Company owning at least 2/3 of its outstanding capital stock. The exercise price shall be at most a 15% discount from the volume weighted average closing price (“VWAP”) of the Company’s common shares for the nine months immediately preceding the date of grant; and, for the first batch of options granted, the exercise price shall be at P7.00/share. The Company shall reserve up to 1,000,000,000 common shares representing 5% of the authorized capital stock for issuance pursuant to the Plan.

The Plan shall be administered by the Corporate Governance Committee of the Board, which shall determine the eligible participants of the Plan for a particular calendar year as well as the number of shares to be covered by each option so granted, taking into consideration their position and responsibilities, nature and value of their services and accomplishments, and their present and potential contribution to the success of the Company and subsidiaries, and such other factors as the Committee may deem relevant.

The purpose of the Plan is to enable qualified employees of the Company and subsidiaries to participate in the growth of the group, thereby encouraging long-term commitment and to encourage senior management to develop and train future leaders that will continue business growth and success of the group.

The stock options shall generally vest on the 60th birthday or the date of retirement of the option holder (“Option Holder” or “grantee’), whichever is later, provided that the Option Holder had continuously served for 11 years after the Option Offer Date or 3 years from retirement date for Option Holder who has continuously served for at least 20 years before the Option Offer Date, and may be exercised within 5 years from vesting date, subject to the terms and conditions of the Amended Plan.

On November 6, 2015, stock options were granted to certain qualified executives giving them the right to subscribe to a total of 118 million common shares of the Parent Company at the exercise price of P7.00 per share, out of which a total of 9 million share options were cancelled as of December 31, 2022 due to resignations.

On March 15 and August 25, 2021, stock options were granted to qualified employees to subscribe to 20 million and 55 million common shares of the Parent Company at an exercise price of P10.10 and P10.65 per share, respectively.

On February 11, 2022, stock options were granted to a qualified employee of EDI to subscribe to 5 million shares of the Parent Company at an exercise price of P13.95 per share.

No stock options have vested nor exercised as of December 31, 2023.

11. SECURITY OWNERSHIP OF CERTAIN RECORD AND BENEFICIAL OWNERS AND MANAGEMENT

SECURITY OWNERSHIP OF CERTAIN RECORD AND BENEFICIAL OWNERS OF MORE THAN 5% AS OF MARCH 31, 2024

Title of Class	Name, address of Record Owner and Relationship with Issuer [Direct]	Name of Beneficial Owner and Relationship with Record Owner [Indirect]	Citizenship	No. of Shares Held	Percent
Common	Alliance Global Group, Inc., 7/F 1880 Eastwood Avenue, Eastwood City, E. Rodriguez Jr. Avenue, Bagumbayan, Quezon City, Parent of the Issuer	Alliance Global Group, Inc. Alliance Global Group, Inc., ultimate parent[1]	Filipino	10,649,520,474 1,858,440,126	67.67 11.81
Common	PCD Nominee Corporation (Non-Filipino)	Standard Chartered Bank. [2]	Non-Filipino	2,757,275,699	17.52

[1]AGI beneficially owns 1,858,440,126 shares lodged with PCD Nominee Corporation (Fil and Non-Fil)..
[2]CDP's account with the Philippines custodian. AGI is the beneficial owner of 1,180,382,726 shares; Arran is beneficial owner of 1,495,667,038 shares or 9.5% lodged with HSBC.

SECURITY OWNERSHIP OF MANAGEMENT AS OF MARCH 31, 2024

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percent of Class
Directors				
Common	Andrew L. Tan	1 (direct)	Filipino	Nil
Common	Winston S. Co	1 (direct)	Filipino	Nil
Common	Kendrick Andrew L. Tan	1 (direct)	Filipino	Nil
Common	Kevin Andrew L. Tan	1 (direct)	Filipino	Nil
Common	Enrique M. Soriano III	1 (direct)	Filipino	Nil
Common	Jesli A. Lapus	1 (direct)	Filipino	Nil
Common	Ho Poh Wah	1 (indirect)	Singaporean	Nil
Other Executive Officers				
Common	Winston S. Co	Same as above		
Common	Katherine L. Tan	1 (direct)	Filipino	Nil
Common	Kendrick Andrew L. Tan	Same as above		
Common	Dina D.R. Inting	0	Filipino	N/A
Common	Anna Michelle T. Llovido	0	Filipino	N/A
Common	Marydale C. Manato-Zoleta	0	Filipino	N/A
Common	Mary Grace P. Maralit	0	Filipino	N/A
Common	Kenneth V. Nerecina	0	Filipino	N/A

VOTING TRUST HOLDERS OF 5% OR MORE

The Company is not aware of the existence of persons holding more than five percent (5%) of the Company's common shares under a voting trust or similar agreement.

CHANGES IN CONTROL

The Company is not aware of any arrangement which may result in a significant change in control.

12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Except for the material related party transactions described in the notes to the consolidated financial statements of the Company for the years 2022 and 2021 (*please see as filed in here*), there has been no material transaction during the last two years, nor is there any material transaction currently proposed, to which the Company was or is to be a party, in which any director or executive officer, any nominee for election as director, stockholder of ten percent (10%) or more of the Company's voting shares, and any member of the immediate family (including spouse, parents, children, siblings, and in-laws) of any such director or officer or stockholder of ten percent (10%) or more of the Company's voting shares had or is to have a direct or indirect material interest.

PART IV - EXHIBITS AND SCHEDULES

13. EXHIBITS AND REPORTS ON SEC FORM 17-C

REPORTS ON SEC FORM 17-C FILED DURING THE LAST SIX-MONTH PERIOD COVERED BY THIS REPORT

Date	Disclosures
July 19, 2023	• Material Information - Emperador expands Whyte and Mackay Distillery in Scotland
July 19, 2023	• Press Release - Emperador expands Whyte and Mackay Distillery in Scotland
August 08, 2023	• Notice of Analysts' Briefing
August 11, 2023	• Update on Corporate Actions/Material Transactions – Update on Equity-Linked Securities Instrument
August 11, 2023	• Material Information – Emperador's Revenues Up 11% to P31 billion in H2023 Led by its Global Whisky Business
August 11, 2023	• Press Release – Emperador's Revenues Up 11% to P31 billion in H2023 Led by its Global Whisky Business
August 14, 2023	• Material Information - Investor Update (Presentation Materials)
November 10, 2023	• Material Information – EMI to guarantee loan by EIL
November 13, 2023	• Material Information – Emperador's Revenues Up 10% to P47 billion from January to September 2023
November 13, 2023	• Press Release – Emperador's Revenues Up 10% to P47 billion from January to September 2023

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized.

EMPERADOR INC.
Issuer Company

By:

WINSTON S. CO
President
(Principal Executive Officer)
(Principal Operating Officer)

DINA D.R. INTING
Chief Financial Officer
(Principal Financial Officer)
(as Principal Accounting Officer
and Comptroller)

ANNA MICHELLE T. LLOVIDO
Corporate Secretary

SUBSCRIBED AND SWORN to before me this _____ day of _________ 2024 affiants exhibiting to me their Passport/SSS No., as follows:

NAMES	Passport/SSS No./ DL No.	DATE OF ISSUE	PLACE OF ISSUE
Winston S. Co	N01-80-016240	valid until January 31, 2033	Manila
Dina D. R. Inting	SSS 03-5204775-3		
Anna Michelle T. Llovido	P6403359B	March 1, 2021 to Feb 28, 2031	DFA NCR East

Notary Public

ATTY. LORENZO V. MATIBAG
Notary Public for Makati City
Until December 31, 2024
Notarial Commission No. M-192
Roll No. 79395
IBP Number 383406 01/01/2024, Laguna
PTR No. 10077095MK 01/03/2024, Makati City
MCLE Compliance No. Admitted to the BAR on May 16, 2022
19th Flr., Tower 1, The Enterprise Center
6766 Ayala Avenue, Makati City

ATTY. LORENZO V. MATIBAG NOTARY PUBLIC ROLL NO. 79395 MAKATI CITY, PHILIPPINES

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Book No. VI
Series of 2024.

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

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The management of ***Emperador Inc. and Subsidiaries*** (the "Group") is responsible for the preparation and fair presentation of the consolidated financial statements, including the schedules attached therein, for the years ended December 31, 2023, 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 consolidated financial statements, management is responsible for assessing Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative to do so.

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

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

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

ANDREW L. TAN
Chairman of the Board

WINSTON S. CO
President/ Chief Executive Officer

DINA D.R. INTING
Chief Financial Officer

Signed this 23rd of April 2024

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

Names	Passport No./ SSS No./ DL No	Date	Place of Issue
Andrew L. Tan	P9281984A	Oct 24, 2018 to Oct 23,2028	Manila
Winston S. Co	N01-80-016240	valid until Jan. 31, 2033	Manila
Dina D.R. Inting	SSS 03-5204775-3		

Doc. No. 405
Page No. 82
Book No. II
Series of 2024

ATTY. LORENZO V. MATIBAG
NOTARY PUBLIC
ROLL NO. 79395
MAKATI CITY, PHILIPPINES

ATTY. LORENZO V. MATIBAG
Notary Public for Makati City
Until December 31, 2024
Notarial Commission No. M-192
Roll No. 79395
IBP Number 383406 01/01/2024, Laguna
PTR No. 10077095MK 01/03/2024, Makati City
MCLE Compliance No. Admitted to the BAR on May 16, 2022
19th Flr., Tower 1, The Enterprise Center
6766 Ayala Avenue, Makati City

P&A Grant Thornton

FOR SEC FILING

Consolidated Financial Statements and Independent Auditors' Report

Emperador Inc. and Subsidiaries

December 31, 2023, 2022 and 2021

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

T +63 2 8988 2288

Report of Independent Auditors

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

Opinion

We have audited the consolidated financial statements of Emperador Inc. and Subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2023 and 2022, 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, 2023, and notes to the consolidated financial statements, including material accounting policy 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, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2023 in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

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

Key Audit Matters

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

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

Description of the Matter

Under Philippine Accounting Standard 36, *Impairment of Assets,* the Group is required to annually test the carrying amounts of its goodwill and trademarks with indefinite useful lives for impairment. As of December 31, 2023, goodwill amounted to P9.9 billion, while the trademarks with indefinite useful lives amounted to P21.1 billion. We considered the impairment of these assets as a key audit matter because the amounts of goodwill and trademarks are material to the consolidated financial statements. In addition, management's impairment assessment process involved significant judgement and high estimation uncertainty based on the assumptions used. The significant assumptions include the determination of the discount rate, growth rate and cash flow projections used in determining the value-in-use of the trademarks and goodwill and the cash-generating units over which the goodwill was allocated. The assumptions used by management are generally affected by expected future market and economic conditions.

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

How the Matter was Addressed in the Audit

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

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

- Tested the calculation of valuation model for mathematical accuracy, validated the appropriateness and reliability of inputs and amounts used and recomputed the value-in-use of cash-generating units attributable to the trademarks and goodwill; and,

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

(b) Revenue Recognition

Description of the Matter

Revenue is one of the key performance measures used to assess business performance of the Group. There is a risk that the amount of revenues presented in the consolidated financial statements is higher than what was actually earned by the Group. Revenue from sales in 2023 amounted to P64.5 billion and represented 98% of the Group's total revenues during the same year. Revenue from sales is recognized when control over the goods has been transferred at a point in time to the customer, i.e., generally when the customer has acknowledged receipt of the goods.

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

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

How the Matter was Addressed in the Audit

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

- Tested the design and operating effectiveness of the Group's processes and controls over revenue recognition, approval and documentation, including the implemented information technology general and application controls over automated systems that process and record the revenue transaction as assisted by our own Information Technology specialists;

- Evaluated the appropriateness of the Group's revenue recognition policy in accordance with the requirements of PFRS 15, *Revenue from Contracts with Customers*;

- Tested, on a sample basis, sales invoices, delivery receipts and cash receipts of sales transactions throughout the current reporting period to determine whether sale of goods occurred;

- Confirmed trade receivables using positive confirmation, on a sample basis, and performed alternative procedures for non-responding customers, such as, examination of evidence of subsequent collections, or corresponding sales invoices and proof of deliveries;

- Tested sales invoices and delivery receipts immediately prior and subsequent to the current period to determine whether the related sales transactions are recognized in the proper reporting period; and,

- Performed substantive analytical review procedures over revenues such as, but not limited to, yearly and monthly analyses of sales per product/brand and location, and sales mix composition based on our expectations and following up variances from our expectations; and, verified that the underlying data used in the analyses are valid.

(c) Existence and Valuation of Inventories

Description of the Matter

Inventories as of December 31, 2023 amounts to P46.4 billion, which represent 31% of the Group's total assets as of that date. The valuation of inventories is at the lower of cost and net realizable value (NRV). The Group's core business is subject to changes in market factors that directly affect the demand for alcoholic beverages such as purchasing power of consumers, degree of competition, and other market-related factors. Future realization of inventories is affected by price changes and the costs necessary to complete and make a sale. Due to the significance of the volume of transactions and the balance of the carrying amount of inventories, and the high estimation uncertainty in determining its NRV, we considered the existence and valuation of inventories as significant to our audit.

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

How the Matter was Addressed in the Audit

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

On existence of inventories:

- Observed physical inventory count procedures, tested the design and operating effectiveness of processes and controls over inventory count, obtained relevant cut-off information and copy of count control documents, and verified inventory movements during the intervening periods between the actual count date and reporting date to further test the quantities of inventory items as of the end of the reporting date; and,

- Performed substantive analytical review procedures over inventory-related ratios such as, but not limited to, inventory turnover and current period's components of inventories; and, verified that the underlying data used in the analyses are valid.

On valuation of inventories:

- Tested the design and operating effectiveness of processes and controls over inventory costing, reconciliation, data entry and review, including the implemented information technology general and application controls over automated systems that process and record the inventory transaction as assisted by our own Information Technology specialists;

- Evaluated the appropriateness of the method used by management for inventory costing and valuation of the lower of cost and NRV and assessed the consistency of their application from period to period;

- Performed, on a sample basis, a price test of inventory items by examining supporting documents such as, but not limited to, purchase contracts, invoices and relevant importation documents, and by verifying movements affecting the inventory costing;

- Performed detailed analysis of the Group's standard costing of inventories through analytical review procedures of actual costs during the current period against the budgeted standard, and tested significant actual costs, on a sample basis, by agreeing with contracts and invoices; and,

- Evaluated the appropriateness and sufficiency of the amount of allowance for inventory write-down by testing the reasonableness of key assumptions used on the expected realization of inventories.

(d) Consolidation Process

Description of the Matter

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

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

How the Matter was Addressed in the Audit

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

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

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

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

- Performed analytical procedures at the consolidated level; and,

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

Other Information

Management is responsible for the other information. The other information comprises the information included in the Group's Securities and Exchange Commission (SEC) Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2023, but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 20-IS, SEC Form 17-A and Annual Report for the year ended December 31, 2023 are expected to be made available to us after the date of this auditors' report.

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audits resulting in this independent auditors' report is Ramilito L. Nañola.

PUNONGBAYAN & ARAULLO

By: Ramilito L. Nañola
Partner

CPA Reg. No. 0090741
TIN 109-228-427
PTR No. 10076148, January 3, 2024, Makati City
SEC Group A Accreditation
Partner - No. 90741-SEC (until financial period 2025)
Firm - No. 0002 (until financial period 2024)
BIR AN 08-002511-019-2023 (until Dec. 10, 2026)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

April 23, 2024

EMPERADOR INC. AND SUBSIDIARIES
(A Subsidiary of Alliance Global Group, Inc.)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2023 AND 2022
(Amounts in Philippine Pesos)

	Notes	2023	2022
A S S E T S			
CURRENT ASSETS			
Cash and cash equivalents	5	**P 10,513,125,613**	P 12,738,118,244
Trade and other receivables - net	6	**19,097,681,408**	23,160,326,014
Financial assets at fair value through profit or loss	7	**355,505,670**	277,586,460
Inventories - net	8	**46,393,208,336**	39,294,569,874
Prepayments and other current assets	11.1	**3,099,233,593**	1,923,237,471
		79,458,754,620	77,393,838,063
Non-current assets classified as held for sale	13	**-**	961,744,740
Total Current Assets		**79,458,754,620**	78,355,582,803
NON-CURRENT ASSETS			
Property, plant and equipment - net	9	**34,211,767,973**	29,256,020,632
Intangible assets - net	10	**30,985,814,991**	29,630,655,183
Investment in a joint venture	12	**3,504,392,773**	3,279,671,119
Retirement benefit asset - net	21.3	**241,317,197**	500,083,355
Deferred tax assets - net	22	**209,113,132**	87,395,081
Other non-current assets - net	11.2	**98,057,885**	101,715,988
Total Non-current Assets		**69,250,463,951**	62,855,541,358
TOTAL ASSETS		**P 148,709,218,571**	P 141,211,124,161
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Interest-bearing loans	14	**P 6,781,720,685**	P 3,851,103,435
Trade and other payables	16	**19,720,624,174**	22,139,323,271
Lease liabilities	9.3	**164,031,838**	210,555,356
Income tax payable		**2,565,374,355**	2,149,069,462
Total Current Liabilities		**29,231,751,052**	28,350,051,524
NON-CURRENT LIABILITIES			
Interest-bearing loans	14	**19,185,583,420**	19,950,084,000
Lease liabilities	9.3	**447,170,215**	383,822,672
Provisions	17	**306,194,770**	252,207,832
Deferred tax liabilities - net	22	**4,130,626,820**	3,685,535,017
Total Non-current Liabilities		**24,069,575,225**	24,271,649,521
Total Liabilities	30	**53,301,326,277**	52,621,701,045
EQUITY	24		
Equity attributable to owners of the parent company		**93,924,858,639**	87,391,939,223
Non-controlling interest		**1,483,033,655**	1,197,483,893
Total Equity	30	**95,407,892,294**	88,589,423,116
TOTAL LIABILITIES AND EQUITY		**P 148,709,218,571**	P 141,211,124,161

See Notes to Consolidated Financial Statements.

EMPERADOR INC. AND SUBSIDIARIES
(A Subsidiary of Alliance Global Group, Inc.)
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021
(Amounts in Philippine Pesos)

.	Notes	2023	2022	2021
REVENUES AND OTHER INCOME	18	**P 65,643,761,074**	P 62,767,070,369	P 55,936,272,323
COSTS AND EXPENSES				
Costs of goods sold	19	**43,346,168,289**	41,541,174,265	34,808,570,656
Selling and distribution expenses	20	**6,758,279,313**	6,205,108,294	4,840,055,978
General and administrative expenses	20	**3,022,236,234**	2,631,146,931	2,205,657,298
Interest expense	9.5, 14, 15, 21.3	**1,372,370,985**	610,430,573	782,713,575
Other charges - net	7	**203,455,451**	69,033,196	404,097,703
		54,702,510,272	51,056,893,259	43,041,095,210
PROFIT BEFORE TAX		**10,941,250,802**	11,710,177,110	12,895,177,113
TAX EXPENSE	22	**1,997,373,601**	1,498,453,879	2,746,817,808
NET PROFIT		**8,943,877,201**	10,211,723,231	10,148,359,305
OTHER COMPREHENSIVE INCOME (LOSS)				
Item that will be reclassified subsequently to profit or loss				
Translation gain (loss)		**2,593,026,410**	(387,641,985)	2,983,857,367
Items that will not be reclassified subsquently to profit or loss				
Net actuarial gain (loss) on retirement benefit plan	21	**(287,497,627)**	(440,349,605)	1,027,464,256
Tax income (expense) on remeasurement of retirement benefit plan	22	**71,874,407**	110,087,401	(262,686,166)
		(215,623,220)	(330,262,204)	764,778,090
Total Other Comprehensive Income (Loss)		**2,377,403,190**	(717,904,189)	3,748,635,457
TOTAL COMPREHENSIVE INCOME		**P 11,321,280,391**	P 9,493,819,042	P 13,896,994,762
Net profit attributable to:				
Owners of the parent company	25	**P 8,705,726,613**	P 10,060,876,272	P 9,971,065,303
Non-controlling interest		**238,150,588**	150,846,959	177,294,002
		P 8,943,877,201	P 10,211,723,231	P 10,148,359,305
Total comprehensive income attributable to:				
Owners of the parent company		**P 11,035,730,629**	P 9,296,504,643	P 13,675,336,895
Non-controlling interest		**285,549,762**	197,314,399	221,657,867
		P 11,321,280,391	P 9,493,819,042	P 13,896,994,762
Earnings Per Share for the Net Profit Attributable to Owners of the Parent Company - Basic	25	**P 0.56**	P 0.64	P 0.63
Earnings Per Share for the Net Profit Attributable to Owners of the Parent Company - Diluted	25	**P 0.53**	P 0.62	P 0.61

See Notes to Consolidated Financial Statements.

EMPERADOR INC. AND SUBSIDIARIES
(A Subsidiary of Alliance Global Group, Inc.)
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021
(Amounts in Philippine Pesos)

	Attributable to Owners of the Parent Company														
										Retained Earnings					
	Capital Stock (see Note 24.1)	**Additional Paid-in Capital** (see Note 24.1)	**Deposit on Future Stock Subscription - ELS** (see Note 15)	**Treasury Shares** (see Note 24.2)	**Conversion Options Outstanding** (see Note 15)	**Share Options Outstanding** (see Note 24.4)	**Accumulated Translation Adjustments** (see Note 2)	**Revaluation Reserves** (see Note 2)	**Other Reserves** (see Note 2)	**Appropriated** (see Note 24.5)	**Unappropriated** (see Note 24.5)	**Total**	**Total**	**Non-controlling Interest** (see Note 24.6)	**Total Equity**
Balance at January 1, 2023	P 16,242,391,176	P 23,106,377,832	P 3,443,750,000	(P 4,747,713,903)	P 88,498,401	P 260,187,993	(P 3,562,632,158)	(P 490,095,980)	P 435,975,889	P 1,200,000,000	P 51,415,199,973	P 52,615,199,973	P 87,391,939,223	P 1,197,483,893	P 88,589,423,116
Movements during the year	-	-	-	-	-	-	-	-	139,993,042	-	-	-	139,993,042	-	139,993,042
Issuances during the year	-	-	-	-	-	58,522,404	-	-	-	-	-	-	58,522,404	-	58,522,404
Transfer to equity reserves	-	-	-	-	-	-	-	-	252,352,226	-	(252,352,226)	(252,352,226)	-	-	-
Total comprehensive income for the year	-	-	-	-	-	-	2,545,627,236	(215,623,220)	-	-	8,705,726,613	8,705,726,613	11,035,730,629	285,549,762	11,321,280,391
Cash dividends declared during the year	-	-	-	-	-	-	-	-	-	-	(4,701,326,659)	(4,701,326,659)	(4,701,326,659)	-	(4,701,326,659)
Balance at December 31, 2023	**P 16,242,391,176**	**P 23,106,377,832**	**P 3,443,750,000**	**(P 4,747,713,903)**	**P 88,498,401**	**P 318,710,397**	**(P 1,017,004,922)**	**(P 705,719,200)**	**P 828,321,157**	**P 1,200,000,000**	**P 55,167,247,701**	**P 56,367,247,701**	**P 93,924,858,639**	**P 1,483,033,655**	**P 95,407,892,294**
Balance at January 1, 2022	P 16,242,391,176	P 23,106,377,832	P 3,443,750,000	(P 4,747,713,903)	P 88,498,401	P 183,769,571	(P 3,128,522,733)	(P 159,833,776)	P 142,402,572	P 1,200,000,000	P 41,346,946,733	P 42,546,946,733	P 77,718,065,873	P 1,000,169,494	P 78,718,235,367
Movements during the year	-	-	-	-	-	-	-	-	293,573,317	-	-	-	293,573,317	-	293,573,317
Issuances during the year	-	-	-	-	-	76,418,422	-	-	-	-	-	-	76,418,422	-	76,418,422
Transfer to equity reserves	-	-	-	-	-	-	-	-	-	-	7,376,968	7,376,968	7,376,968	-	7,376,968
Total comprehensive income for the year	-	-	-	-	-	-	(434,109,425)	(330,262,204)	-	-	10,060,876,272	10,060,876,272	9,296,504,643	197,314,399	9,493,819,042
Balance at December 31, 2022	P 16,242,391,176	P 23,106,377,832	P 3,443,750,000	(P 4,747,713,903)	P 88,498,401	P 260,187,993	(P 3,562,632,158)	(P 490,095,980)	P 435,975,889	P 1,200,000,000	P 51,415,199,973	P 52,615,199,973	P 87,391,939,223	P 1,197,483,893	P 88,589,423,116
Balance at January 1, 2021	P 16,242,391,176	P 23,106,377,832	P -	(P 3,745,584,182)	P 88,498,401	P 138,841,593	(P 6,068,016,235)	(P 924,611,866)	P 114,994,796	P 800,000,000	P 36,832,913,174	P 37,632,913,174	P 66,585,804,689	P 778,511,627	P 67,364,316,316
Issuances during the year	-	-	-	-	-	44,927,978	-	-	-	-	-	-	44,927,978	-	44,927,978
Transfer to DFFS-ELS	-	-	3,443,750,000	-	-	-	-	-	-	-	-	-	3,443,750,000	-	3,443,750,000
Movements during the year	-	-	-	-	-	-	-	-	27,407,776	-	-	-	27,407,776	-	27,407,776
Acquisition of treasury shares during the year	-	-	-	(1,002,129,721)	-	-	-	-	-	-	-	-	(1,002,129,721)	-	(1,002,129,721)
Reversal of appropriation										(800,000,000)	800,000,000	-	-		-
Appropriation during the year	-	-	-	-	-	-	-	-	-	1,200,000,000	(1,200,000,000)	-	-	-	-
Cash dividends declared during the year	-	-	-	-	-	-	-	-	-	-	(5,057,031,744)	(5,057,031,744)	(5,057,031,744)	-	(5,057,031,744)
Total comprehensive income for the year	-	-	-	-	-	-	2,939,493,502	764,778,090	-	-	9,971,065,303	9,971,065,303	13,675,336,895	221,657,867	13,896,994,762
Balance at December 31, 2021	P 16,242,391,176	P 23,106,377,832	P 3,443,750,000	(P 4,747,713,903)	P 88,498,401	P 183,769,571	(P 3,128,522,733)	(P 159,833,776)	P 142,402,572	P 1,200,000,000	P 41,346,946,733	P 42,546,946,733	P 77,718,065,873	P 1,000,169,494	P 78,718,235,367

See Notes to Consolidated Financial Statements.

EMPERADOR INC. AND SUBSIDIARIES
(A Subsidiary of Alliance Global Group, Inc.)
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021
(Amounts in Philippine Pesos)

	Notes	2023	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		**P 10,941,250,802**	P 11,710,177,110	P 12,895,177,113
Adjustments for:				
Depreciation and amortization	19, 20	**1,453,925,808**	1,484,594,487	1,545,528,317
Interest expense	9, 14, 15, 21	**1,372,370,985**	610,430,573	782,713,575
Interest income	5, 18	**(400,254,627)**	(141,756,928)	(86,442,812)
Impairment losses on trade and other receivables	6, 20	**120,264,334**	7,462,310	11,561,171
Share in net profit of a joint venture	12	**(111,644,188)**	(113,970,450)	(161,824,100)
Share option benefits expense	24	**58,522,404**	76,418,422	44,927,978
Impairment losses on inventories	8, 20	**54,588,118**	213,999,092	58,114,232
Provisions	17	**34,159,365**	41,117,103	38,060,790
Gain on sale of property, plant and equipment	9	**(7,300,670)**	(1,100,000)	(108,820)
Amortization of trademarks	10	**538,464**	1,615,392	1,615,391
Operating profit before working capital changes		**13,516,420,795**	13,888,987,111	15,129,322,835
Decrease (increase) in trade and other receivables		**4,194,325,883**	(2,752,728,750)	1,543,684,078
Decrease (increase) in financial instruments at fair value through profit or loss		**88,891,007**	(272,455,553)	62,713,243
Increase in inventories		**(5,938,000,189)**	(4,806,370,343)	(2,001,700,341)
Decrease (increase) in prepayments and other current assets		**(1,120,237,517)**	(617,468,642)	264,770,607
Increase in retirement benefit asset		**(53,153,154)**	(26,432,465)	(256,644,163)
Decrease (increase) in other non-current assets		**3,983,658**	39,619,264	(69,354,771)
Increase (decrease) in trade and other payables		**(2,241,226,941)**	4,006,404,781	3,046,172,296
Cash generated from operations		**8,451,003,542**	9,459,555,403	17,718,963,784
Cash paid for income taxes		**(1,300,999,863)**	(1,317,613,954)	(1,304,546,457)
Net Cash From Operating Activities		**7,150,003,679**	8,141,941,449	16,414,417,327
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of property, plant and equipment	9	**(4,784,942,658)**	(4,003,136,079)	(1,738,787,193)
Interest received	5	**394,361,781**	132,895,174	84,440,144
Proceeds from sale of property, plant and equipment	9	**17,105,661**	448,021,709	58,050,463
Dividends received from a joint venture	12	**-**	290,001,250	-
Net Cash Used in Investing Activities		**(4,373,475,216)**	(3,132,217,946)	(1,596,296,586)
CASH FLOWS FROM FINANCING ACTIVITIES	31			
Proceeds from interest-bearing loans	14	**24,454,462,162**	1,846,932,636	1,194,023,750
Repayments of interest-bearing loans	14	**(23,111,368,380)**	(2,866,909,770)	(6,732,937,709)
Dividends paid	24	**(4,701,326,659)**	-	(5,057,031,744)
Interest paid	31	**(1,426,792,902)**	(484,805,954)	(846,195,552)
Repayments of lease liabilities	9	**(216,495,315)**	(100,605,609)	(601,235,467)
Acquisition of treasury shares	24	**-**	-	(1,002,129,721)
Net Cash Used in Financing Activities		**(5,001,521,094)**	(1,605,388,697)	(13,045,506,443)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(2,224,992,631)**	3,404,334,806	1,772,614,298
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**12,738,118,244**	9,333,783,438	7,561,169,140
CASH AND CASH EQUIVALENTS AT END OF YEAR		**P 10,513,125,613**	P 12,738,118,244	P 9,333,783,438

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

See Notes to Consolidated Financial Statements.

EMPERADOR INC. AND SUBSIDIARIES
(A Subsidiary of Alliance Global Group, Inc.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023, 2022 AND 2021
(Amounts in Philippine Pesos)

1. CORPORATE INFORMATION

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

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

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

The common shares of EMI and AGI were first listed for trading in the Philippine Stock Exchange (PSE) on December 19, 2011 and April 19, 1999, respectively. The EMI shares were secondary listed and started trading on the Main Board of the Singapore Exchange Securities Trading Limited ("SGX-ST") on July 14, 2022.

1.1 Subsidiaries

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

Names of Subsidiaries	Explanatory Notes	Percentage of Effective Ownership 2023	2022
EDI and subsidiaries (EDI Group)			
Emperador Distillers, Inc. ("EDI")	(a)	**100%**	100%
Anglo Watsons Glass, Inc. ("AWGI")	(b)	**100%**	100%
Alcazar De Bana Holdings Company, Inc. ("Alcazar De Bana")	(c)	**100%**	100%
Progreen Agricorp Inc. ("Progreen")	(c)	**100%**	100%
South Point Science Park Inc. ("SSPI")	(c)	**100%**	100%
The Bar Beverage, Inc.		**100%**	100%
Tradewind Estates, Inc. ("TEI")	(d)	**100%**	100%
Boozylife Inc. ("Boozylife")	(d)	**62%**	62%
Cocos Vodka Distillers Philippines, Inc.		**100%**	100%
Zabana Rum Company, Inc.		**100%**	100%
The World Finest Liquor Inc. ("World Finest")	(r)	**100%**	100%

Names of Subsidiaries	Explanatory Notes	Percentage of Effective Ownership 2023	2022
EIL and offshore subsidiaries and joint venture:			
Emperador International Ltd. ("EIL")	(e)	**100%**	100%
Emperador Holdings (GB) Limited ("EGB")	(f)	**100%**	100%
Emperador UK Limited ("EUK")	(f)	**100%**	100%
Whyte and Mackay Group Limited ("WMG")	(g), 10	**100%**	100%
Whyte and Mackay Global Limited ("WMGL")	(g), (h)	**100%**	100%
Whyte and Mackay Limited ("WML")	(i)	**100%**	100%
Whyte and Mackay Warehousing Limited ("WMWL")	(j)	**100%**	100%
Emperador Asia Pte. Ltd. ("EA")	(k)	**100%**	100%
Grupo Emperador Spain, S.A. ("GES")	(l), 10	**100%**	100%
Bodega San Bruno, S.L. ("BSB")	(m)	**100%**	100%
Bodegas Fundador, S.L.U. ("BFS")	(l), (n), (o)	**100%**	100%
Grupo Emperador Gestion S.L. ("GEG")	(m)	**100%**	100%
Stillman Spirits, S.L. ("Stillman")	(s)	**100%**	100%
Domecq Bodega Las Copas, S.L. ("DBLC")	(p), 10	**50%**	50%
Bodegas Las Copas, S.L. ("BLC")	(q)	**50%**	50%
Emperador Europe Sarl ("EES")	(t)	**100%**	100%

Explanatory notes:

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

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

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

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

Alcazar De Bana's registered office and principal place of business is located at 7th Floor, 1880 Eastwood Avenue, Eastwood City CyberPark, 188 E. Rodriguez, Jr. Avenue, Bagumbayan, Quezon City .

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

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

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

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

EGB's registered office is located at Suite 1, 7th Floor, 50 Broadway, London SW1H 0BL.

(g) WMG is a foreign entity incorporated in the UK on August 7, 2001 and presently operating as an investment holding entity. WMG and its subsidiaries (collectively referred to as "WMG Group") are all engaged in businesses related to the main business of production, marketing and distribution of Scotch whisky, vodka, liqueurs and other alcoholic drinks. On September 5, 2019, the Group's Board of Directors ("BOD") approved WMG's restructuring by transferring its 100% direct ownership in WML and WMWL to its newly-incorporated wholly owned subsidiary, WMGL, through share exchange agreement [(see Note 1.1(h)]. The Group accounted for this business combination under common control using pooling-of-interests method [see Note 2.3(b)]. As a result of the restructuring, WMGL now holds 100% ownership in WML and WMWL while WMG holds 100% ownership in WMGL. EUK acquired WMG from United Spirits (Great Britain) Limited on a deal signed on May 9, 2014 and closed on October 31, 2014 for a total cash consideration of P30.3 billion.

WMG Group's registered office is located at St. Vincent Plaza, 4th Floor, 319 St. Vincent Street, Glasgow G2 5RG, Scotland.

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

(i) WML is a foreign entity incorporated in the UK to carry out the production, marketing and distribution of Scotch whisky, vodka, liqueurs and other alcoholic drinks. WML holds 100% ownership interest in 46 dormant companies, all incorporated in the UK, and one active company, Whyte and Mackay Americas LLC, which handles the distribution of Whyte and Mackay brands within the United States of America.

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

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

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

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

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

GES's registered office, which is also its principal place of business, is located at Torre Emperador Castellana – Paseo de la Castellana n° 259 D Planta 28, C.P. 28046, Madrid, Spain. GES currently holds direct interests in BSB, BFS, GEG, DBLC, Stillman, and BLC, which were established in Spain with activities similar or related to its main business.

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

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

(o) BFS has a wholly owned subsidiary, Harvey's Cellars S.L.U. (changed name from Destilados de la Mancha S.L. on February 12, 2021). On January 1, 2020, Complejo Bodeguero San Patricio SLU ("CBSP"), an existing subsidiary of GES at that time, was merged with BFS through merger by absorption wherein the latter was the absorbent or surviving entity. The Group accounted for this business combination under common control using pooling-of-interests method [see Note 2.3(b)].

CBSP acquired from the previous owners (collectively referred to as "Grupo Garvey") certain tangible assets in Spain, including trademarks of well-known brands ("Garvey Acquisition") on January 19, 2017. The Garvey Acquisition is treated as an asset acquisition [see Notes 2.3(c) and 3.1(d)].

(p) DBLC is a foreign entity incorporated in Spain in later part of 2017 to operate as an investment holding entity with registered office located at Manuel Calle Maria González 12, Jerez de la Frontera, Cadiz, Spain. It presently holds 100% ownership interest in Mexican entities namely: Pedro Domecq S.A. de C.V. ("Pedro Domecq") and Domecq Distribucion De Bebidas S.A. de C.V. ("DDDB"), with registered office at Avenida Presidente Masaryk 275, Colonia Polanco, Alcadia Miguel Hidalgo, C.P. 11560. Ciudad de México, México.

The acquisition of Domecq brand portfolio and its related assets in Mexico ("Domecq Acquisition") was signed by Pernod Ricard with BLC on December 1, 2016 and completed on March 30, 2017 by BLC and its two incorporated Mexican subsidiaries. The acquisition is treated as an asset acquisition [see Notes 2.3(c), 3.1(d) and 24.6]. Pedro Domecq and Bodega Domecq S.A. de C.V. ("Bodega Domecq") are foreign entities created by BLC on March 15, 2017 in relation to the Domecq Acquisition. These entities, together with DDDB, existing subsidiary of BLC, were subsequently transferred to DBLC effectively on September 1, 2017 through spin-off acquisition.

On June 30, 2019, Bodega Domecq was merged by absorption with Pedro Domecq wherein the latter is the absorbent or surviving entity. The Group accounted for this business combination under common control using pooling-of-interests method. On December 15, 2021, Pedro Domecq merged with DDDB with the former as the surviving entity [See Note 2.3(b)].

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

(r) World Finest was incorporated in 2022 to engage in among others, the business of retailing, merchandising, marketing, warehousing, trading, e-commerce or otherwise dealing with all kinds of products, services, goods, chattels, wares, merchandise and commodities of all kinds, including but not limited to alcoholic and non-alcoholic beverages. World's Finest has started its commercial operations in November 2022.

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

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

EES' registered office is located at 17 Boulevard F.W. Raiffeisen L-2411 Luxembourg.

1.2 Approval of the Consolidated Financial Statements

The consolidated financial statements of the Group as of and for the year ended December 31, 2023 (including the comparative consolidated financial statements as of December 31, 2022 and for the years ended December 31, 2022 and 2021) were authorized for issue by the Parent Company's BOD on April 23, 2024.

2. MATERIAL ACCOUNTING POLICY INFORMATION

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

2.1 *Basis of Preparation of Consolidated Financial Statements*

(a) Statement of Compliance with Philippine Financial Reporting Standards

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

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

(b) Presentation of Consolidated Financial Statements

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

(c) Functional and Presentation Currency

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

Items included in the consolidated financial statements of the Group are measured using the Parent Company's functional currency (see Note 2.12). Functional currency is the currency of the primary economic environment in which the Parent Company operates.

2.2 *Adoption of Amended Standards*

(a) Effective in 2023 that are Relevant to the Group

The Group adopted for the first time the following amendments to existing standards, which are mandatorily effective for annual periods beginning on or after January 1, 2023:

PAS 1 and PFRS Practice Statement 2 (Amendments)	:	Presentation of Financial Statements – Disclosure of Accounting Policies
PAS 8 (Amendments)	:	Definition of Accounting Estimates
PAS 12 (Amendments)	:	Deferred Tax Related to Assets and Liabilities from a Single Transaction
PAS 12 (Amendments)	:	International Tax Reform – Pillar Two Model Rules

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

(i) PAS 1 and PFRS Practice Statement 2 (Amendments), *Presentation of Financial Statements – Disclosure of Accounting Policies.* The amendments replaced the requirement for entities to disclose their significant accounting policies with the requirement to disclose their material accounting policy information. The amendments also include guidance to help entities apply the definition of 'material' in making decisions about accounting policy disclosures.

The amendments clarify that accounting policy information may be material because of its nature, even if the related amounts are immaterial, that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements and if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information. The application of these amendments is reflected in the Group's consolidated financial statements under Notes 2 and 3.

(ii) PAS 8 (Amendments), *Accounting Policies, Changes in Accounting Estimates and Error – Definition of Accounting Estimates.* The amendments introduced a new definition of accounting estimate which is a monetary amount in the financial statements that are subject to measurement uncertainty. It also clarifies that a change in accounting estimate that results from new information or new developments is not a correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. The application of these amendments had no material impact on the Group's consolidated financial statements.

(iii) PAS 12 (Amendments), *Income Taxes – Deferred Tax Related to Assets and Liabilities from a Single Transaction.* The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense). Management assessed that the application of such amendments had no material impact on the Group's consolidated financial statements.

(iv) PAS 12 (Amendments), *Income Taxes – International Tax Reform – Pillar Two Model Rules.* The amendments to PAS 12 add the exception to recognizing and disclosing information about deferred tax assets and deferred tax liabilities that are related to tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organization for Economic Co-operation and Development (the "Pillar Two legislation").

The amendments require that entities apply the amendments immediately upon issuance. The amendments also require that entities shall disclose separately its current tax expense or income related to Pillar Two income taxes, and the qualitative and quantitative information about its exposure to Pillar Two income taxes in periods in which the Pillar Two legislation is enacted or substantively enacted but not yet in effect in annual reporting periods beginning on or after January 1, 2023. The Group adopted the temporary recognition exception under PAS 12 and did not recognize any deferred taxes relating to legislated Pillar Two Model Rules.

In order to implement Pillar Two Model Rules, each member country has to enact the rules into its local legislation. In UK and Luxembourg, the related legislations were enacted in July and December 2023, respectively, and will apply to the Group effective accounting period beginning January 1, 2024.

As of the date of approval of the consolidated financial statements, management is reviewing the legislations and monitoring the status of Pillar Two Model Rules implementation and legislations in the jurisdictions where the Group operates. Due to the complexities of the legislations, the Group has ongoing engagement with tax specialists to assist in applying and assessing the impact of the enacted, and substantively enacted, legislations.

(b) Effective Subsequent to 2023 but not Adopted Early

There are amendments to existing standards effective for annual periods subsequent to 2023, which are adopted by the FSRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on the Group's consolidated financial statements:

(i) PAS 1 (Amendments), *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current* (effective from January 1, 2024)

(ii) PAS 1 (Amendments), *Presentation of Financial Statements – Non-current Liabilities with Covenants* (effective from January 1, 2024)

(iii) PAS 7 (Amendments), *Cash Flow Statements* and PFRS 7 (Amendments), *Financial Instruments: Disclosures – Supplier Finance Arrangements* (effective from January 1, 2024)

(iv) PFRS 16 (Amendments), *Leases – Lease Liability in a Sale and Leaseback* (effective from January 1, 2024)

(v) PAS 21 (Amendments), *The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability* (effective from January 1, 2025)

2.3 Basis of Consolidation

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

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

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

Acquired investment in the jointly controlled entity is subject to the purchase method.

The Parent Company holds interests in various subsidiaries and in a joint venture as presented in Notes 1.1 and 12, respectively.

Business acquisitions are accounted for using the acquisition or pooling-of-interest method of accounting.

(a) Accounting for Business Combination using the Acquisition Method

Business combinations arising from transfers of interests in entities that are not under the common control of the principal stockholder are accounted for under the acquisition method.

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

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

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

(c) *Accounting for Asset Acquisition*

Acquisition of assets in an entity, which does not constitute a business is accounted for as an asset acquisition.

2.4 Segment Reporting

Operating segments (see Note 4) are reported in a manner consistent with the internal reporting provided to the Group's strategic executive committee, its chief operating decision-maker. The strategic executive committee is responsible for allocating resources and assessing performance of the operating segments.

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

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

2.5 Financial Instruments

(a) *Financial Assets*

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

(i) *Classification and Measurement of Financial Assets*

The Group's financial assets include financial assets at amortized cost and at fair value though profit or loss.

- *Financial Assets at Amortized Cost*

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

- *Financial Assets at Fair Value through Profit or Loss ("FVTPL")*

  Financial assets at FVTPL (see Note 7) are held within a business model whose objective is to realize changes in fair values through the sale of the assets. These include financial assets that are held for trading, which are acquired for the purpose of selling or repurchasing in the near term; designated upon initial recognition as FVTPL; or mandatorily required to be measured at fair value. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments.

  The Group occasionally uses derivative financial instruments, such as foreign exchange forward contracts, to manage its risks associated with fluctuations in foreign currency. Derivative instruments arise from foreign exchange margins trading spot and forward contracts entered into by the Group. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative [see Note 2.5(b)(i)]. The term of these forward contracts is usually one month to one year.

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

(ii) Impairment of Financial Assets at Amortized Cost

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

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

(iii) Reclassification of Financial Assets

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

There were no reclassifications of financial assets in 2023 and 2022.

(b) Financial Liabilities

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

(i) Financial Liabilities at FVTPL

When the fair value of derivative financial instruments happens to be negative, these are presented as Financial Liabilities at Fair Value Through Profit or Loss account, in the consolidated statement of financial position [see Note 2.5(a)(i)].

(ii) Financial Liabilities at Amortized Cost

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

2.6 Inventories

The cost of inventories is determined using the first-in, first-out method.

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

2.7 Property, Plant and Equipment

Property, plant and equipment (see Note 9) are carried at acquisition cost and, except for land, less accumulated depreciation, amortization and any impairment losses (see Note 2.13). As no definite useful life for land can be determined, the related carrying amount (which is cost less any impairment losses) is not depreciated.

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

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

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

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

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

Construction in progress represents properties under construction and is stated at cost. The account is not depreciated until such time that the assets are completed and available for use.

2.8 Intangible Assets

Intangible assets include trademarks and goodwill, which are accounted for under the cost model (see Note 10). Capitalized costs for trademarks with definite lives are amortized on a straight-line basis over their estimated useful lives of ten years. Capitalized costs for trademarks with indefinite useful lives are not amortized. The useful lives are reviewed each reporting period to determine whether events and circumstances continue to support an indefinite useful life assessment. Changes in the useful life assessment from indefinite to definite, if any, are accounted for as change in accounting estimate.

2.9 Non-current Assets Classified as Held for Sale

Non-current assets classified as held for sale pertain to land and building previously classified as property, plant and equipment that the Group intends to sell within one year, except when delay is caused by events or circumstances beyond the Group's control, from the date of reclassification as held for sale (see Note 13).

Non-current assets classified as held for sale are measured at the lower of their carrying amounts, immediately prior to their classification as held for sale, and their fair value less costs to sell.

2.10 Revenue and Expense Recognition

Revenue arises mainly from the sales of goods and services, and other income such as interest income, dividend income and trading gains (see Note 18).

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

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

In obtaining customer contracts, the Group incurs incremental costs. When the expected amortization period of these costs if capitalized would be less than one year, the Group uses the practical expedient by recognizing such costs as incurred. The Group also incurs costs in fulfilling contract with customers (i.e., freight and handling), which are accounted for in accordance with accounting policies related to those assets (see Notes 2.6 and 2.7).

2.11 Leases – Group as Lessee

The Group depreciates the ROUA on a straight-line basis from the lease commencement date to the end of the lease term.

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

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

2.12 Foreign Currency Transactions and Translation

(a) Transactions and Balances

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

(b) Translation of Financial Statements of Foreign Subsidiaries

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

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

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

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

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

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

2.13 Impairment of Non-financial Assets

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

2.14 Employment Benefits

The Group provides post-employment benefits to employees through a defined benefit plan and defined contribution plans, bonus plans, and other employee benefits.

The Group's retirement cost accrual covers all regular full-time employees. The pension plan is tax-qualified, noncontributory and administered by a trustee. The defined benefit obligation is calculated regularly by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows for expected benefit payments using a discount rate derived from the interest rates of zero coupon government bonds, using the reference rates published by Bloomberg using its valuation technology, Bloomberg Valuation ("BVAL"), that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability. BVAL provides evaluated prices that are based on market observations from contributed sources.

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

2.15 Share-based Employee Remuneration

The Parent Company grants share options to qualified employees of the Group eligible under a share option plan. The services received in exchange for the grant, and the corresponding share options, are valued by reference to the fair value of the equity instruments granted at grant date. This fair value excludes the impact of non-market vesting conditions (e.g., profitability and sales growth targets and performance conditions), if any [see Note 3.2 (i)]. The share-based remuneration is recognized as an expense in the consolidated profit or loss with a corresponding credit to Share Options Outstanding account under the Equity section of the consolidated statement of financial position.

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

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

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

2.16 Related Party Transactions and Relationships

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

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

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

2.17 Equity

Deposit on future stock subscription – Equity-linked securities ("ELS") represents the remaining portion of ELS subject for future issuance of shares (see Note 15).

Conversion options represent the equity component of ELS. This will eventually be closed to APIC upon conversion of the ELS.

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

Accumulated translation adjustments represent the translation adjustments resulting from the translation of foreign currency-denominated financial statements of foreign subsidiaries into the Group's functional and presentation currency [see Note 2.12(b)(iii)].

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

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

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements in accordance with PFRS requires management to make judgments and estimates that affect the amounts reported in the consolidated financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately differ from these estimates.

3.1 Critical Management Judgments in Applying Accounting Policies

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

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

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

A business model for managing financial assets is typically observable through the activities that the Group undertakes to achieve the objective of the business model.

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

- how the performance of the business model and the financial assets held within the business model are evaluated and reported to key management personnel;

- the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed; and,

- how managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

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

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

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

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

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

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

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

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

(d) Distinction Between Business Combination and Asset Acquisition

The Group determines whether an acquisition of an entity constitute a business combination or an asset acquisition. The accounting treatment for the acquisition is determined by assessing whether the transaction involved a purchase of a "business" taking into consideration the substance of the transaction. Failure to make the right judgment will result in misstatement of assets and other accounts that could have been affected by the transactions (see Note 2.3).

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

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

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

(e) Determination of Control or Joint Control

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

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

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

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

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

In addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification, except when delay is caused by events or circumstances beyond the Group's control and there is sufficient evidence that the Group remains committed to its plan to sell the asset (or disposal group).

Based on management's assessment, the letters of intent dated December 27, 2022 and 2020, which provided the Group's commitment to sell certain land and buildings to a related party, were the main consideration for classifying these assets as non-current assets classified as held for sale as of December 31, 2022. In 2023, the sale did not materialize due to change in business plans in the use of the assets. Consequently, the assets are reclassified back as part of Property, Plant and Equipment, and adjusted for the amount of depreciation expense that would have been recognized had the asset not been classified as held for sale (see Note 13).

(g) Recognition of Provisions and Contingencies

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

Judgment is exercised by management to distinguish the difference between provisions and contingencies. Disclosures on relevant provisions and contingencies are presented in Notes 17 and 26.

3.2 Key Sources of Estimation Uncertainty

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

(a) Impairment of Financial Assets at Amortized Cost

In measuring ECL, the Group added significant assumptions about the future economic conditions and credit behavior (e.g., likelihood of counterparties defaulting and the resulting losses), as further detailed in Note 27.2. The Group evaluated impairment based on available facts and circumstances affecting collectability of accounts, including but not limited to, the length of the Group's relationship with the counterparties, counterparties' credit status, age of accounts and collection and historical loss experience. Based on the management's review, appropriate allowance for ECL has been recognized on the Group's financial assets in 2023, 2022 and 2021 [see Notes 2.5(a)(ii) and 6].

(b) Fair Value Measurement of Financial Instruments

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

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

(c) Determination of Net Realizable Values of Inventories

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

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

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

The estimated useful lives of property, plant and equipment, ROUA and trademarks are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets (see Notes 2.7, 2.8 and 2.11). The carrying amounts of property, plant and equipment, ROUA and trademarks are presented in Notes 9.1, 9.2 and 10, respectively.

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

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

(f) Determination of Realizable Amount of Deferred Tax Assets

The Group reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Management assessed that the deferred tax assets recognized as of December 31, 2023 and 2022 will be fully utilized in the subsequent reporting periods. The carrying value of deferred tax assets as of those dates is disclosed in Note 22.

(g) Impairment of Non-financial Assets

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

No additional impairment losses were recognized on non-financial assets in 2023, 2022 and 2021 based on management's assessment.

(h) Valuation of Post-employment Defined Benefit

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

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

(i) Fair Value Measurement of Share Options

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

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

(j) Determination of Provision for Onerous Lease

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

In 2023, 2022 and 2021, additional provisions for onerous lease were recognized. An analysis of the Group's provision for onerous lease is presented in Note 17.1.

(k) Determination of Provision for Restoration of Leased Property

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

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

4. SEGMENT INFORMATION

4.1 Business Segments

The Group is organized into two business segments, the Brandy and Scotch Whisky, which represent the two major distilled spirits categories where the Group operates. Scotch Whisky pertains to the UK operations and the rest fall under Brandy. This is also the basis of the Group's executive committee for its strategic decision-making activities, including the financial performance evaluation of the operating segments or resource allocation decisions. The Group disaggregates revenues recognized from contracts with customers into these two segments that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The same disaggregation is used in earnings releases, annual reports and investor presentations.

4.2 Segment Assets and Liabilities

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

4.3 Intersegment Transactions

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

4.4 Analysis of Segment Information

Segment information for the years ended December 31, 2023, 2022 and 2021 (in millions) are presented below.

	BRANDY			SCOTCH WHISKY			SEGMENT TOTALS		
	2023	2022	2021	**2023**	2022	2021	**2023**	2022	2021
REVENUES AND OTHER INCOME									
External customers	**P 39,973**	P 40,687	P 37,232	**P 25,671**	P 22,080	P 18,704	**P 65,644**	P 62,767	P 55,936
Intersegment sales*	**600**	609	730	**486**	157	64	**1,086**	766	794
	40,573	41,296	37,962	**26,157**	22,237	18,768	**66,730**	63,533	56,730
COSTS AND EXPENSES									
Costs of goods sold	**29,301**	29,717	24,378	**14,045**	11,824	10,431	**43,346**	41,541	34,809
Intersegment cost of goods sold*	**486**	157	64	**600**	609	730	**1,086**	766	794
Selling and distribution expenses	**3,158**	3,147	2,546	**3,600**	3,058	2,294	**6,758**	6,205	4,840
General and administrative expenses	**1,420**	1,325	1,075	**1,602**	1,306	1,131	**3,022**	2,631	2,206
Interest expense and other charges	**1,253**	382	1,005	**323**	298	181	**1,576**	680	1,186
	35,618	34,728	29,068	**20,170**	17,095	14,767	**55,788**	51,823	43,835
SEGMENT PROFIT BEFORE TAX	**4,955**	6,568	8,894	**5,986**	5,142	4,001	**10,941**	11,710	12,895
TAX EXPENSE	**999**	893	1,314	**998**	605	1,433	**1,997**	1,498	2,747
SEGMENT NET PROFIT	**P 3,956**	P 5,675	P 7,580	**P 4,988**	P 4,537	P 2,568	**P 8,944**	P 10,212	P 10,148
SEGMENT ASSETS*	**P150,747**	P147,349	P136,220	**P 67,607**	P58,148	P 54,471	**P218,354**	205,497	190,692
SEGMENT LIABILITIES*	**55,604**	54,274	50,855	**17,485**	12,994	11,864	**73,089**	67,269	62,718
Depreciation and Amortization	**1,114**	1,163	1,222	**341**	322	325	**1,455**	1,485	1,547
Interest Expense	**1,210**	358	597	**162**	253	186	**1,372**	611	783
Equity Share in Net Income of Joint Venture	**112**	114	162	**-**	-	-	**112**	114	162

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

The Group's revenues and other income in the years presented range from 62% to 65% from the Asia Pacific, 25% to 27% from Europe and the remaining portion from North and Latin Americas, Middle East and Africa and other countries.

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

4.5 Reconciliations

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

	Segment Totals	Intercompany Accounts	Consolidated Balances
2023			
Revenues and other income	**P 66,729**	**(P 1,086)**	**P 65,643**
Costs and expenses	**55,788**	**(1,086)**	**54,702**
Net profit	**8,944**	**-**	**8,944**
Total assets	**218,354**	**(69,645)**	**148,709**
Total liabilities	**73,089**	**(19,787)**	**53,301**
Other segment information:			
Interest expense	**1,372**	**-**	**1,372**
Depreciation and amortization	**1,455**	**-**	**1,455**
Share in net profit of joint venture	**112**	**-**	**112**
2022			
Revenues and other income	P 63,533	(P 766)	P 62,767
Costs and expenses	51,823	(766)	51,057
Net profit	10,212	-	10,212
Total assets	205,497	(64,286)	141,211
Total liabilities	67,269	(14,647)	52,622
Other segment information:			
Depreciation and amortization	1,485	-	1,485
Interest expense	611	-	611
Share in net profit of joint venture	114	-	114
2021			
Revenues and other income	P 56,730	(P 794)	P 55,936
Costs and expenses	43,835	(794)	43,041
Net profit	10,148	-	10,148
Total assets	190,692	(62,175)	128,516
Total liabilities	62,718	(12,920)	49,798
Other segment information:			
Depreciation and amortization	1,547	-	1,547
Interest expense	783	-	783
Share in net profit of joint venture	162	-	162

5. CASH AND CASH EQUIVALENTS

This account includes the following components:

	2023	2022
Cash on hand and in banks	**P 4,286,286,543**	P 2,702,645,383
Short-term placements	**6,226,839,070**	10,035,472,861
	P 10,513,125,613	P 12,738,118,244

Cash in banks generally earn interest at rates based on daily bank deposit rates. Short-term placements have an average maturity of 30 to 62 days and earn effective annual interest rates ranging from 5.3% to 6.3% in 2023, 0.5% to 5.8% in 2022, and from 0.5% to 0.6% in 2021. Interest earned amounted to P400.3 million, P141.8 million, and P86.4 million in 2023, 2022 and 2021, respectively, and is presented as Interest income under the Revenues and Other Income section of the consolidated statements of comprehensive income (see Note 18).

6. TRADE AND OTHER RECEIVABLES

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

	Notes	**2023**	2022
Trade receivables	23.3	**P 14,044,982,841**	P 15,533,051,986
Advances to suppliers	23.1	**4,843,852,140**	7,032,856,076
Advances to officers and employees	23.4	**359,591,136**	682,693,841
Accrued interest receivable		**15,133,067**	9,240,221
Other receivables	23.7	**131,711,247**	83,138,984
		19,395,270,431	23,340,981,108
Allowance for impairment	3.2(a)	**(297,589,023)**	(180,655,094)
		P 19,097,681,408	P 23,160,326,014

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

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

A reconciliation of the allowance for impairment at the beginning and end of 2023 and 2022 is shown below.

	2023	2022
Balance at beginning of year	**P 180,655,094**	P 192,652,354
Impairment losses	**120,264,334**	7,462,310
Recoveries	**(7,358,400)**	(17,889,000)
Translation adjustment	**4,027,995**	(1,570,570)
Balance at end of year	**P 297,589,023**	P 180,655,094

Recoveries pertain to collections of certain receivables previously provided with allowance, which are presented as part of Other income under Revenues and Other Income in the consolidated statements of comprehensive income (see Note 18). There were no write-offs of receivables in 2023 and 2022.

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

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group's financial instruments at FVTPL pertain to marketable equity securities classified as held for trading and derivative instruments amounting to P355.5 million and P277.6 million as of December 31, 2023 and 2022, respectively [see Note 2.5(a)(i)].

The net fair value gains and dividend income earned on these financial instruments are presented in the consolidated statements of comprehensive income as part of Other income under the Revenues and Other Income section (see Note 18) while the net fair value losses are presented as part of Other charges under the Costs and Expenses section. The Group recognized fair value losses amounting to P63.0 million in 2023, P25.9 million in 2022 and P52.5 million in 2021.

The fair value of the marketable equity securities and derivative financial instruments at FVTPL are measured through quoted market prices and valuation techniques using the net present value computation, respectively [see Notes 3.2(b) and 29.2].

8. INVENTORIES

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

	Notes	**2023**	2022
At cost:			
Finished goods	19, 23.1	**P 7,265,045,032**	P 5,903,047,585
Work-in-process	9.1, 19, 21.1	**30,562,603,015**	25,603,632,966
Raw materials	19, 23.1	**5,684,271,416**	5,332,535,042
Packaging materials	19	**462,510,960**	630,896,742
Machinery spare parts, consumables and factory supplies		**412,219,373**	359,707,090
		44,386,649,796	37,829,819,425
At net realizable value:			
Finished goods			
Cost	19, 23.1	**1,816,416,980**	1,241,383,504
Allowance for impairment		**(288,866,970)**	(230,995,029)
Packaging materials			
Cost	19	**613,129,580**	591,766,847
Allowance for impairment		**(134,121,050)**	(137,404,873)
		2,006,558,540	1,464,750,449
		P 46,393,208,336	P 39,294,569,874

WML has a substantial inventory of aged stocks, which mature over periods of up to 60 years. The maturing whisky stock inventory amounting to P25.2 billion and P21.1 billion as of December 31, 2023 and 2022, respectively, is presented as part of work-in-process inventories and is stored in various locations across Scotland.

An analysis of the cost of inventories included in costs of goods sold for 2023, 2022 and 2021 is presented in Note 19.

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

	Note	**2023**	2022
Balance at beginning of year		**P 368,399,902**	P 316,890,744
Impairment losses	19	**54,588,118**	51,509,158
Balance at end of year		**P 422,988,020**	P 368,399,902

The Group recognized losses on inventory write-down amounting to P54.6 million, P51.5 million and P58.1 million in 2023, 2022 and 2021, respectively, which are presented as Impairment losses under the Costs of Goods Sold account in the consolidated statements of comprehensive income (see Note 19). There were no reversals of impairment losses in 2023, 2022 and 2021.

In 2022, certain inventories amounting to P162.5 million were impaired, and is presented as Impairment losses on inventories under the General and Administrative Expenses account in the 2022 consolidated statement of comprehensive income (see Note 20). There was no similar transaction in 2023 and 2021.

9. PROPERTY, PLANT AND EQUIPMENT

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

	Note	**2023**	2022
Property, plant and equipment	9.1	**P 33,651,737,301**	P 28,859,820,438
Right-of-use assets	9.2	**560,030,672**	396,200,194
		P 34,211,767,973	P 29,256,020,632

No impairment losses were recognized in 2023, 2022 and 2021 for the Group's property, plant and equipment. As of December 31, 2023 and 2022, certain ROUA, which are considered as onerous lease were fully impaired through direct offset of portion of provision for onerous lease (see Notes 9.2 and 17.1).

9.1 Carrying Values of Property, Plant and Equipment

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

	Land	Land Improvements	Buildings and Improvements	Leasehold Improvements	Machinery and Equipment	Transportation Equipment	Office Furniture and Fixtures	Moulds and Dies	Construction in Progress	Total
December 31, 2023										
Cost	P 7,794,062,615	P 116,078,648	P15,886,689,753	P 478,838,745	P24,166,733,629	P 776,101,030	P 899,642,018	P 138,507,636	P 2,010,038,003	P 52,266,692,077
Accumulated depreciation and amortization	-	(57,639,829)	(4,089,130,038)	(149,482,423)	(13,159,785,751)	(486,786,220)	(583,164,327)	(88,966,188)	-	(18,614,954,776)
Net carrying amount	**P 7,794,062,615**	**P 58,438,819**	**P11,797,559,715**	**P 329,356,322**	**P11,006,947,878**	**P 289,314,810**	**P 316,477,691**	**P 49,541,448**	**P 2,010,038,003**	**P 33,651,737,301**
December 31, 2022										
Cost	P 6,941,328,737	P 29,078,186	P13,591,834,971	P 271,522,997	P21,012,556,591	P 743,962,398	P 855,108,227	P 116,062,252	P 1,651,252,196	P 45,212,706,555
Accumulated depreciation and amortization	-	(28,743,792)	(3,326,632,517)	(115,098,005)	(11,872,810,358)	(444,935,098)	(495,652,828)	(69,013,519)	-	(16,352,886,117)
Net carrying amount	P 6,941,328,737	P 334,394	P10,265,202,454	P 156,424,992	P 9,139,746,233	P 299,027,300	P 359,455,399	P 47,048,733	P 1,651,252,196	P 28,859,820,438
January 1, 2022										
Cost	P 6,934,892,520	P 29,078,186	P12,180,416,457	P 226,930,047	P19,340,430,582	P 582,039,725	P 903,353,870	P 85,754,687	P 1,270,268,607	P 41,553,164,681
Accumulated depreciation and amortization	-	(25,835,973)	(3,394,303,680)	(96,613,842)	(10,186,335,879)	(411,643,527)	(550,341,151)	(46,260,830)	-	(14,711,334,882)
Net carrying amount	P 6,934,892,520	P 3,242,213	P 8,786,112,777	P 130,316,205	P 9,154,094,703	P 170,396,198	P 353,012,719	P 39,493,857	P 1,270,268,607	P 26,841,829,799

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

	Land	Land Improvements	Buildings and Improvements	Leasehold Improvements	Machinery and Equipment	Transportation Equipment	Office Furniture and Fixtures	Moulds and Dies	Construction in Progress	Total
Balance at January 1, 2023, net of accumulated depreciation and amortization	P 6,941,328,737	P 334,394	P 10,265,202,454	P 156,424,992	P 9,139,746,233	P 299,027,300	P 359,455,399	P 47,048,733	P 1,651,252,196	P 28,859,820,438
Additions	604,790,288	4,484,050	813,255,788	207,315,748	2,676,662,296	49,194,753	68,978,828	22,445,384	337,815,523	4,784,942,658
Translation adjustment	41,045,209	1,973,882	457,096,974	-	309,844,358	394,032	(36,759,926)	-	85,153,641	858,748,170
Disposals	-	-	(1,277,080)	-	(8,423,012)	(62,000)	(42,899)	-	-	(9,804,991)
Reclassifications from non-current assets classified as held for sale	206,898,381	57,248,798	697,597,561	-	-	-	-	-	-	961,744,740
Reclassifications of construction in progress	-	-	-	-	64,183,357	-	-	-	(64,183,357)	-
Derecognition	-	-	(945,857)	-	-	-	-	-	-	(945,857)
Depreciation and amortization charges for the year	-	(5,602,305)	(433,370,125)	(34,384,418)	(1,175,065,354)	(59,239,275)	(75,153,711)	(19,952,669)	-	(1,802,767,857)
Balance at December 31, 2023, net of accumulated depreciation and amortization	**P 7,794,062,615**	**P 58,438,819**	**P11,797,559,715**	**P 329,356,322**	**P11,006,947,878**	**P 289,314,810**	**P 316,477,691**	**P 49,541,448**	**P 2,010,038,003**	**P 33,651,737,301**

	Land	Land Improvements	Buildings and Improvements	Leasehold Improvements	Machinery and Equipment	Transportation Equipment	Office Furniture and Fixtures	Moulds and Dies	Construction in Progress	Total
Balance at January 1, 2022, net of accumulated depreciation and amortization	P 6,934,892,520	P 3,242,213	P 8,786,112,777	P 130,316,205	P 9,154,094,703	P 170,396,198	P 353,012,719	P 39,493,857	P 1,270,268,607	P 26,841,829,799
Additions	2,800,717	-	1,736,254,644	46,877,701	1,402,516,845	179,645,316	59,805,632	30,307,564	724,677,895	4,182,886,314
Translation adjustment	3,635,500	-	12,254,550	-	(3,682,300)	(1,538,050)	6,272,950	-	116,700	17,059,350
Disposals	-	-	(312,319,607)	(165,338)	(134,035,489)	(372,601)	(28,674)	-	-	(446,921,709)
Reclassifications of construction in progress	-	-	340,328,864	-	3,482,142	-	-	-	(343,811,006)	-
Depreciation and amortization charges for the year	-	(2,907,819)	(297,428,774)	(20,603,576)	(1,282,629,668)	(49,103,563)	(59,607,228)	(22,752,688)	-	(1,735,033,316)
Balance at December 31, 2022, net of accumulated depreciation and amortization	P 6,941,328,737	P 334,394	P10,265,202,454	P 156,424,992	P 9,139,746,233	P 299,027,300	P 359,455,399	P 47,048,733	P 1,651,252,196	P 28,859,820,438
Balance at January 1, 2021, net of accumulated depreciation and amortization	P 6,073,906,086	P 6,150,031	P 8,150,225,737	P 121,900,722	P 9,361,340,077	P 226,852,366	P 314,092,676	P 39,813,402	P 1,170,778,831	P 25,465,059,928
Additions	651,867,406	-	720,871,296	23,768,992	353,379,618	11,888,358	99,283,149	13,784,550	465,898,035	2,340,741,404
Translation adjustment	209,119,028	-	226,829,824	-	336,402,873	618,003	17,521,541	-	(219,224)	790,272,045
Disposals	-	-	-	-	(18,689,007)	(24,365,439)	(104,949)	(3,147,696)	(11,634,552)	(57,941,643)
Reclassifications of construction in progress	-	-	343,299,083	-	11,021,850	-	233,550	-	(354,554,483)	-
Depreciation and amortization charges for the year	-	(2,907,818)	(655,113,163)	(15,353,509)	(889,360,708)	(44,597,090)	(78,013,248)	(10,956,399)	-	(1,696,301,935)
Balance at December 31, 2021, net of accumulated depreciation and amortization	P 6,934,892,520	P 3,242,213	P 8,786,112,777	P 130,316,205	P 9,154,094,703	P 170,396,198	P 353,012,719	P 39,493,857	P 1,270,268,607	P 26,841,829,799

In 2021, the Group wrote off certain fully-depreciated moulds and dies with original cost amounting to 20.1 million. There was no similar transaction in 2022 and 2023.

The amount of depreciation and amortization is allocated as follows:

	Notes	**2023**	2022	2021
Costs of goods sold	19	**P 1,029,742,303**	P 1,131,653,684	P 1,134,012,397
Selling and distribution expenses	20	**95,275,080**	86,925,872	74,964,770
General and administrative expenses	20	**225,321,154**	124,800,235	114,195,168
		1,350,338,537	1,343,379,791	1,323,172,335
Capitalized as part of work-in-process inventories	8	**452,429,320**	391,653,525	373,129,600
		P 1,802,767,857	P 1,735,033,316	P 1,696,301,935

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

In 2023, 2022 and 2021, certain property, plant and equipment with carrying amounts of P9.8 million, P446.9 million and P57.9 million, were sold for P17.1 million, P448.0 million, and P58.1 million, respectively. The resulting gain on disposals for 2023, 2022 and 2021 amounting to P7.3 million, P1.1 million and P0.1 million was recognized as part of Other income under the Revenues and Other Income section in the consolidated statements of comprehensive income (see Note 18).

9.2 Right-of-use Assets

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

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

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

	Number of right-of-use assets leased	Range of remaining term	Average remaining lease term	Number of leases with extension options	Number of leases with termination options
December 31, 2023					
Plant	1	3 years	3 years	1	-
Warehouses	26	1 to 5 years	2 years and 10 months	3	4
Building space	9	1 to 2 years and 5 months	1 to 2 years and 5 months	1	-
Buildings	4	1 year to 13 years and 9 months	1 year to 13 years and 9 months	-	1
Vehicles, fittings and equipment	72	1 to 3 years	1 to 3 years	-	-
December 31, 2022					
Plant	1	4 years	4 years	1	-
Warehouses	27	1 to 5 years	2 years and 10 months	3	4
Building space	9	2 to 3 years and 5 months	2 to 5 years and 5 months	1	-
Buildings	4	1 year to 14 years and 9 months	1 year to 17 years and 9 months	-	1
Vehicles, fittings and equipment	72	1 to 3 years	1 to 3 years	-	-

The carrying amounts of the Group's ROUA as at December 31, 2023 and 2022 and the movements during the period are shown below.

	Plant	Warehouses	Building Space	Buildings	Vehicles, Fittings and Equipment	Total
December 31, 2023						
Cost						
Balance at beginning of year	P 140,572,378	P 326,740,266	P 199,052,259	P 465,401,794	P 71,235,714	P 1,203,002,411
Additions	-	104,523,688	-	137,985,020	17,080,000	259,588,708
Translation adjustment	-	14,452,174	-	31,792,474	-	46,244,648
Termination	-	(15,823,718)	-	-	(5,110,000)	(20,933,718)
Balance at end of year	140,572,378	429,892,410	199,052,259	635,179,288	83,205,714	1,487,902,049
Accumulated amortization						
Balance at beginning of year	46,857,459	307,141,795	113,009,519	313,697,600	26,095,844	806,802,217
Amortization for the year	23,428,730	2,456,962	2,251,141	58,160,438	17,290,000	103,587,271
Translation adjustment	-	14,452,174	-	23,963,433	-	38,415,607
Termination	-	(15,823,718)	-	-	(5,110,000)	(20,933,718)
Balance at end of year	70,286,189	308,227,213	115,260,660	395,821,471	38,275,844	927,871,377
Carrying amount at December 31, 2023	**P 70,286,189**	**P 121,665,197**	**P 83,791,599**	**P 239,357,817**	**P 44,929,870**	**P 560,030,672**
December 31, 2022						
Cost						
Balance at beginning of year	P 155,173,656	P 309,034,604	P 199,052,259	P 997,271,834	P 71,235,714	P 1,731,768,067
Additions	-	23,353,768	-	5,290,588	-	28,644,356
Translation adjustment	-	-	-	(10,339,628)	-	(10,339,628)
Termination	(14,601,278)	(5,648,106)	-	(526,821,000)	-	(547,070,384)
Balance at end of year	140,572,378	326,740,266	199,052,259	465,401,794	71,235,714	1,203,002,411
Accumulated amortization						
Balance at beginning of year	38,030,007	281,018,917	101,144,028	266,954,727	19,781,502	706,929,181
Amortization for the year	23,428,730	31,770,984	11,865,491	68,806,306	5,343,185	141,214,696
Termination	(14,601,278)	(5,648,106)	-	-	-	(20,249,384)
Translation adjustment	-	-	-	(22,063,433)	971,157	(21,092,276)
Balance at end of year	46,857,459	307,141,795	113,009,519	313,697,600	26,095,844	806,802,217
Carrying amount at December 31, 2022	P 93,714,919	P 19,598,471	P 86,042,740	P 151,704,194	P 45,139,870	P 396,200,194

In 2023, 2022 and 2021, additional onerous lease provisions are recognized and is presented as part of Provisions under General and Administrative Expenses account in the consolidated statements of comprehensive income (see Note 17.1).

Provision for dilapidations amounting to P24.4 million and P19.3 million was capitalized as part of ROUA in 2023 and 2022, respectively (see Note 17.2).

The amount of amortization is allocated as follows:

	Notes	**2023**	2022
Costs of goods sold	19, 23.2	**P 18,714,962**	P 87,265,654
Selling and distribution expenses	20	**21,023,901**	13,888,327
General and administrative expenses	20	**63,848,408**	40,060,715
		P 103,587,271	P 141,214,696

9.3 Lease Liabilities

Lease liabilities are presented in the consolidated statements of financial position as at December 31, 2023 and 2022 as follows:

	2023	2022
Current	**P 164,031,838**	P 210,555,356
Non-current	**447,170,215**	383,822,672
	P 611,202,053	P 594,378,028

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

The lease liabilities are secured by the related underlying assets. The undiscounted maturity analysis of lease liabilities at December 31 is as follows:

	Within 1 year	**1 to 2 years**	**2 to 3 years**	**3 to 4 years**	**4 to 5 years**	**More than 5 years**	**Total**
December 31, 2023							
Lease liabilities	P 177,331,224	P 195,926,449	P 105,596,593	P 74,793,821	P 68,251,957	P 78,260,000	P 700,160,044
Finance charges	(13,299,386)	(37,629,422)	(14,225,863)	(10,415,118)	(7,088,202)	(6,300,000)	(88,957,991)
Net present values	**P 164,031,838**	**P 158,297,027**	**P 91,370,730**	**P 64,378,703**	**P 61,163,755**	**P 71,960,000**	**P 611,202,053**
December 31, 2022							
Lease liabilities	P 232,302,680	P 125,228,669	P 198,569,758	P 45,481,943	P 21,330,273	P 28,298,162	P 651,211,485
Finance charges	(21,747,325)	(13,957,948)	(9,345,775)	(5,685,409)	(3,484,000)	(2,613,000)	(56,833,457)
Net present values	P 210,555,355	P 111,270,721	P 189,223,983	P 39,796,534	P 17,846,273	P 25,685,162	P 594,378,028

9.4 Lease Payments Not Recognized as Liabilities

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

The expenses relating to short-term leases and low-value assets in 2023 and 2022 is allocated as follows:

	Notes	**2023**	2022
Costs of goods sold	19	**P 163,042,094**	P 179,002,426
Selling and distribution expenses	20	**46,602,302**	33,890,953
General and administrative expenses	20	**11,585,427**	14,884,794
		P 221,229,823	P 227,778,173

The future minimum rentals payable of the Group arising from short-term leases amounted to P71.0 million and P73.7 million as of December 31, 2023 and 2022, respectively.

9.5 Additional Profit or Loss and Cash Flow Information

The total cash outflows in respect of lease liabilities amounted to P216.5 million, P100.6 million and P601.2 million in 2023, 2022 and 2021, respectively. Interest expense in relation to lease liabilities amounted to P43.1 million, P47.8 million and P81.1 million in 2023, 2022 and 2021, respectively, and is presented as part of Interest Expense account under the Costs and Expenses section of the consolidated statements of comprehensive income.

10. INTANGIBLE ASSETS

This account is composed of the following:

	Note	**2023**	2022
Indefinite useful lives	2.8		
Trademarks – net		**P 21,125,928,781**	P 20,103,888,129
Goodwill		**9,859,886,210**	9,526,228,590
		30,985,814,991	29,630,116,719
Definite useful lives			
Trademarks – net	2.8	**-**	538,464
		P 30,985,814,991	P 29,630,655,183

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

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

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

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

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

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

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

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

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

	2023	2022
Goodwill breakdown:		
WMG	**P 8,172,302,000**	P 7,894,890,200
GES	**1,687,584,210**	1,631,338,390
	9,859,886,210	9,526,228,590
Trademarks with indefinite useful lives:		
WMG brands	**10,057,460,140**	9,626,426,134
Fundador and other brands	**7,687,438,148**	7,431,186,976
Domecq brands	**3,287,894,338**	2,956,243,442
Grupo Garvey brands - net	**93,136,155**	90,031,577
	21,125,928,781	20,103,888,129
	P 30,985,814,991	P 29,630,116,719

A reconciliation of the carrying amounts of intangible assets with indefinite useful lives at the beginning and end of 2023 and 2022 is shown below.

	Goodwill	Trademarks	Total
Balance at January 1, 2023	P 9,526,228,590	P 20,103,888,129	P 29,630,116,719
Translation adjustments	333,657,620	1,022,040,652	1,355,698,272
Balance at December 31, 2023	**P 9,859,886,210**	**P 21,125,928,781**	**P 30,985,814,991**
Balance at January 1, 2022	P 9,406,272,150	P 20,030,113,136	P 29,436,385,286
Translation adjustments	119,956,440	73,774,993	193,731,433
Balance at December 31, 2022	P 9,526,228,590	P 20,103,888,129	P29,630,116,719

The net carrying amount of trademarks with definite useful lives is as follows:

	Note	2023	2022
Balance at beginning of year		**P 538,464**	P 2,153,856
Amortization during the year	20	**(538,464)**	(1,615,392)
Balance at end of year		**P -**	P 538,464

As of December 31, 2022, the remaining useful life of the Group's "Emperador Deluxe" trademark with definite life is 0.5 years.

The "The BaR", and "Emperador Brandy" and "Generoso Brandy" trademarks were fully amortized since 2018 and 2017, respectively. Consequently, the Group renewed the trademark application of "Emperador Brandy" with the Intellectual Property Office of the Philippines in 2017.

The Group monitors goodwill and trademarks with indefinite useful lives on the cash generating units to which these assets were allocated. An analysis of how the value-in-use of each of the cash generating units to which these assets were allocated is presented in the succeeding page (amounts in billions of pesos).

	2023				2022			
	Allocated Intangible Assets*	**Value in Use**	**Terminal Growth Rate**	**Discount Rate**	Allocated Intangible Assets*	Value in Use	Terminal Growth Rate	Discount Rate
Goodwill:								
WMG	**P 8.17**	**P 36.34**	**3.54%**	**7.70%**	P 7.89	P 24.83	3.67%	9.32%
GES	**1.69**	**18.11**	**3.40%**	**6.21%**	1.63	16.49	2.60%	6.59%
Trademarks with indefinite lives:								
WMG brands	**10.06**	**237.17**	**3.54%**	**7.70%**	9.63	124.45	3.67%	9.32%
Fundador brands	**7.69**	**16.95**	**3.40%**	**6.21%**	7.43	21.53	2.60%	6.59%
Domecq brands	**3.29**	**3.99**	**1.50%**	**4.50%**	2.96	3.99	1.50%	4.50%
Grupo Garvey brands**	**0.09**	**0.10**	**0.50%**	**7.65%**	0.09	0.10	0.50%	7.65%

* *Amounts are translated at closing rates as of the end of the reporting periods in accordance with PAS 21, The Effects of Changes in Foreign Exchange Rates.*

** *Management believes that, after the impairment provided for Grupo Garvey brands in 2019, the value-in-use as of December 31, 2023 and 2022 approximates its carrying value.*

The value-in-use of each group of cash generating unit was determined using cash flow projections for five years, and extrapolating cash flows beyond the projection period using a perpetual terminal growth rate. The discount rates and growth rates are the key assumptions used by management in determining the value-in-use of the cash generating units.

Management believes that both the goodwill and trademarks, except for certain trademarks identified above, are not impaired as of December 31, 2023 and 2022 as the Group's products that carry such brands and trademarks are performing very well in the market; hence, no impairment is necessary to be recognized in the periods presented.

No trademarks have been pledged as security for liabilities.

11. OTHER ASSETS

11.1 Prepayments and Other Current Assets

This account is composed of the following:

	2023	2022
Prepaid taxes	**P 1,770,166,012**	P 971,311,123
Prepaid expenses	**1,071,452,939**	827,384,320
Deferred input VAT	**163,328,227**	7,158,647
Refundable security deposits	**16,439,451**	14,508,692
Others	**77,846,964**	102,874,689
	P 3,099,233,593	P 1,923,237,471

Prepaid expenses include prepayments of rentals, insurance and general prepayments.

Prepaid taxes pertain to payments made by the Group for the withholding taxes and other government-related obligations. It also includes purchase of labels and advance payment of excise tax for both the local production and importation of alcoholic beverage products.

11.2 Other Non-current Assets

This account is composed of the following:

	Note		2023		2022
Refundable security deposits	23.2	**P**	**40,479,622**	P	27,100,599
Advances to suppliers			**19,022,978**		33,612,706
Deferred input VAT			**17,437,970**		27,058,990
Others			**21,117,315**		13,943,693
		P	**98,057,885**	P	101,715,988

In 2016, the Group purchased from one of its property lessors an outstanding mortgage debt on one of the Group's leased properties. The purchased mortgage asset entitled the Group to full security over the leased property and the monthly interest payments from the property lessor. However, the Group remained as lessee over the property; hence, it was still required to make monthly lease payments to the property lessor until 2036. Following the adoption of PFRS 16, the Group recognized ROUA and lease liabilities from this leased property (see Notes 9.2 and 9.3).

In 2022, the property mortgage receivable was reversed upon the Group's acquisition of the subject property, which was classified as part of Buildings and improvements under Property, Plant and Equipment in the 2022 consolidated statement of financial position (see Note 9.1), and the related ROUA and lease liabilities were also derecognized. The resulting gain on lease termination is presented as part of Other income – net under Revenues and Other Income in the 2022 consolidated statement of comprehensive income (see Notes 9.2, 18 and 31.1).

Refundable security deposits were paid by the Group to various lessors for lease agreements covering certain office spaces, manufacturing facilities and storage tanks for raw materials.

12. INVESTMENT IN A JOINT VENTURE

On February 2, 2014, GES entered into an agreement with Gonzales Byass, S.A. ("Gonzalez"), for the joint control of BLC for 50% equity interest for each venturer. The 50% participation cost of P3.7 billion is based on the fair valuation of the assets. An amount withdrawn from this investment of P858.4 million was used by the Group as part of the 50% capitalization of DBLC in 2017.

BLC was incorporated on March 19, 2013. Its primary business consists of the planting and growing of wine grapes and the exploitation of vineyards, the production, ageing and preparation of wines and vinegars; the production of alcohol; the production, preparation and ageing of brandy, aguardientes, compounds, liquors and in general, all kinds of spirits.

As of December 31, 2023 and 2022, the carrying amount of the investment in a joint venture, which is accounted for under the equity method (see Note 2.3) in these consolidated financial statements, are as follows:

	2023	2022
Acquisition costs	P 2,845,367,065	P 2,845,367,065
Accumulated share in net profit:		
Balance at beginning of year	434,304,054	637,277,552
Share in net profit for the year	111,644,188	113,970,450
Dividend received during the year	-	(290,001,250)
Balance at end of year	545,948,242	461,246,752
Translation gain (loss)	113,077,466	(26,942,698)
	P 3,504,392,773	P 3,279,671,119

The share in net profit is recorded as Equity in net profit of joint venture in the Revenues and Other Income section of the consolidated statements of comprehensive income (see Note 18).

The summarized financial information of the joint venture as of December 31, 2023 and 2022 and for the years then ended are as follows (in thousands):

	2023	2022
Cash and cash equivalents	P 85,163	P 559,940
Trade and other receivables	685,289	765,039
Financial assets	P 770,452	P 1,324,979
Current assets	P 1,642,671	P 2,068,571
Non-current assets	1,997,943	1,952,519
Total assets	P 3,640,614	P 4,021,090
Current financial liabilities (excluding tax payables and provisions)	P 52,475	P 465,465
Non-current financial liabilities	2,229	2,992
Financial liabilities	P 54,704	P 468,457
Current liabilities	P 439,855	P 835,549
Non-current liabilities	2,229	2,992
Total liabilities	P 442,084	P 838,541
Revenues	P 1,515,214	P 3,357,931
Depreciation and amortization	P 32,516	P 64,193
Net profit for the year	P 223,288	P 227,941

A reconciliation of the above summarized financial information to the carrying amount of the investment in BLC is shown below (in thousands):

		2023		2022
Net assets of BLC	**P**	**3,198,530**	P	3,182,549
Proportion of ownership interest by the Group		**50.0%**		50.0%
Ownership share of the Group in net assets of BLC		**1,599,265**		1,591,275
Fair value and translation adjustments		**1,905,128**		1,688,396
Carrying amount of investment	**P**	**3,504,393**	P	3,279,671

The Group has no commitments or other contingent liabilities with regard to this joint venture or has assessed that the probability of loss that may arise from contingent liabilities is remote.

13. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

Non-current assets classified as held for sale consisted of land and buildings called as "Complejo Bellavista" and "Cerro Viejo Vineyards" previously occupied by a business unit and classified under property, plant and equipment that the Group has discontinued use and, on December 27, 2020, management approved their sale through the signed letter of intent with a related party under common ownership. The letter of intent stated that the assets would be sold at a purchase price of €16.6 million (equivalent to P994.9 million), which was equivalent to the net book value of the property, at any time from the date of signature of the letter of intent until three years after COVID-19 pandemic has ended. On December 27, 2022, the parties renewed their commitment and the term to complete the sale and purchase of properties was set until December 31, 2023. In 2023, the sale did not materialize due to change in business plans in the use of the assets. Consequently, the related assets are reclassified back as part of Property, Plant and Equipment, and adjusted for the amount of depreciation expense that would have been recognized had the asset not been classified as held for sale, which is lower than the recoverable amount at the date of subsequent decision not to sell [see Note 3.1(f)].

The carrying value of these assets immediately prior to their classification as held for sale is lower than their fair value less cost to sell. Accordingly, the Group did not recognize any loss in connection with the reclassification of the assets as held for sale. There were also no revenues recognized in 2023, 2022 and 2021 that were associated with the assets. Depreciation expense amounting to €1.0 million (approximately P58.5 million) was incurred prior to reclassification of the assets on December 27, 2020. In 2023, the depreciation adjustment amounted to P56.1 million and is presented as part of General and Administrative Expenses account in the 2023 consolidated statement of comprehensive income (see Note 20).

14. INTEREST-BEARING LOANS

The composition of the Group's outstanding bank loans is shown below [see Note 2.5(b)(ii)].

	2023	2022
Current:		
Foreign	**P 6,781,720,685**	P 3,451,103,435
Local	**-**	400,000,000
	6,781,720,685	3,851,103,435
Non-current –		
Foreign	**19,185,583,420**	19,950,084,000
	P 25,967,304,105	P 23,801,187,435

The summarized terms and conditions of each availed loan as at December 31, 2023 and 2022 are as follows:

Outstanding Balance		**Explanatory Notes**	**Interest Rate**	**Security**	**Maturity date**
2023	2022				
P 18,600,000,161	P -	(a)	Margin of 0.825% plus EURIBOR	Unsecured	2028
5,881,165,150	2,748,115,215	(b)	0.85% over SONIA	Secured	2024
1,486,138,794	1,512,989,720	(c)	Fixed at 1.6%	Unsecured	2027
- **-**	19,140,082,500	(d)	Fixed at 4% in 2021; Margin of 1.05% plus EURIBOR	Unsecured	2024
-	400,000,000	(e)	Fixed at 4.25% latest	Unsecured	2023
P 25,967,304,105	P 23,801,187,435				

(a) In 2023, EIL obtained a €310.0 million unsecured five-year bank loan from a syndicate of foreign financial institutions to pay its existing loan obtained in 2019. The loan is payable in full at maturity and so is presented under the Non-current Liabilities section of the 2023 consolidated statement of financial position.

(b) WMG has an existing asset-based-lending facility with a foreign bank up to June 2026, where it had drawn down P5.4 billion, P1.4 billion and P1.1 billion in 2023, 2022 and 2021, respectively. The loan is secured by way of floating charge against WMG's inventories. The interest and the principal can be paid anytime up to, or balloon payment at, maturity, and WMG has made payments during each year. Since this is a revolver, the drawn amount plus the accrued interest thereon is presented under the Current Liabilities section of the consolidated statements of financial position.

(c) In 2017, DBLC assumed from BLC unsecured, interest-bearing and foreign-currency-denominated loans totalling P3.0 billion from certain financial institutions relating to Domecq Acquisition (see Note 10). In 2023, 2022 and 2018, DBLC acquired additional loans amounting to P464.5 million, P467.9 million and P0.1 million, respectively. In 2023, 2022 and 2021, DBLC paid portion of the loans amounting to P543.5 million, P636.5 million and P535.3 million, respectively.

(d) In 2019, EIL obtained a €405.0 million unsecured five-year bank loan from a syndicate of foreign financial institutions at a lower margin, to prepay existing loans. In 2023, EIL paid the said loan in full. The loan is presented under the Non-current Liabilities section of the 2022 consolidated statement of financial position.

(e) In 2020, PAI obtained short-term unsecured, interest-bearing revolving loan at a total amount of P400.0 million from a local commercial bank for working capital purposes. The loan was fully paid as of December 31, 2023.

Interest expense on loans for 2023, 2022 and 2021 amounted to P1.3 billion, P292.8 million and P539.1 million, respectively, and is presented as part of Interest Expense account under the Costs and Expenses section of the consolidated statements of comprehensive income.

Accrued interest payable as of December 31, 2023 and 2022 amounted to P94.5 million and P22.0 million, respectively, and presented as part of Accrued expenses under the Trade and Other Payables account in the consolidated statements of financial position (see Note 16).

The Group complied with the financial and non-financial covenants on these loans and borrowings as of December 31, 2023 and 2022.

15. EQUITY-LINKED DEBT SECURITIES

On November 7, 2014, EMI, as the Issuer, entered into a subscription agreement with Arran Investment Private Limited ("Arran" or "the Holder") for the issuance of 1.1 billion common shares at a total subscription price of P12.3 billion (see Note 24.1) and an ELS amounting to P5.3 billion ("Issue Price"). The shares and the ELS were issued on December 4, 2014 ("Issue Date"). The ELS may be converted into a fixed number of common shares ("Conversion Shares").

The ELS bore fixed interest rate compounded annually, which the parties formally agreed to remove on June 15, 2017. The Accrued Interest Payable amounting to P832.3 million was applied as consideration for 122,391,176 common shares ("Accrued Interest Shares") (see Note 24.1).

On December 23, 2019, the parties formally to the following amendments:

(a) The Holder was given the right to request conversion of:

   (i) P1,836,250,000 into 253,275,862 shares, which should come from the Parent Company's treasury shares ("Tranche 1 Conversion Shares") ("Tranche 1 Conversion"); and,
   (ii) P3,443,750,000 into 475,000,000 shares ("Tranche 2 Shares") ("Tranche 2 Conversion").

(b) The Holder was allowed to transfer the ELS to an affiliate of EMI.

On February 5, 2020, the Holder exercised its right to Tranche 1 Conversion. Pursuant to this conversion (see Note 24.2), the Group also reclassified a portion of the Conversion Options amounting to P47.7 million to APIC in 2020 (see Note 2.17).

On December 3, 2021, the Holder exercised its right to Tranche 2 Conversion. Pursuant to this, EMI derecognized the financial liability component of the ELS and recognized an equity component amounting to P3.4 billion, which is presented as Deposit on Future Stock Subscription – Equity-linked Securities under the Equity section of the consolidated statements of financial position (see Note 2.17).

In 2022, EMI and the Holder mutually agreed to several conversion periods up to August 12, 2023. On August 11, 2023, the parties agreed to extend the Conversion Period until August 12, 2024 or such other date as may be mutually agreed in writing between the Holder and EMI. Upon the actual conversion, EMI will reclassify the remaining portion of the Conversion Options amounting to P88.5 million to APIC (see Note 2.17).

The ELS also bears variable interest in an amount equal to the dividend rate applied to the number of Conversion Shares and at same time as when dividends were paid to stockholders. Variable Interest amounting to P137.8 million and P152.0 million were respectively incurred in 2023 and 2021 (no declaration in 2022) and are presented as part of Cash Dividends Declared and Paid in the Equity section of the 2023 consolidated statement of financial position and as part of Interest Expense account under the Costs and Expenses section of the 2021 consolidated statement of comprehensive income, respectively.

In 2023, EMI and Arran executed formally to agree and clarify the continuation of Variable Interest on the Tranche 2 Shares effective until August 12, 2024 or the issuance of the Tranche 2 Shares, whichever comes earlier.

There were no related collaterals on the ELS.

16. TRADE AND OTHER PAYABLES

The breakdown of this account is as follows [see Note 2.5(b)(ii)]:

	Notes	**2023**	2022
Trade payables	23.1, 23.7	**P 7,669,062,776**	P 13,665,800,379
Accrued expenses	14, 23.2(b)	**10,834,307,832**	8,203,975,699
Output VAT payable		**887,752,755**	123,149,878
Advances from related parties	23.5	**-**	3,070,715
Others		**329,500,811**	143,326,600
		P 19,720,624,174	P 22,139,323,271

Trade payables arise mostly from purchases of raw materials such as alcohol, molasses, flavorings and other supplies.

Accrued expenses significantly include various accruals relating to interest on interest-bearing loans, marketing, operations, and other activities. The accrued interest is expected to be paid subsequently based on the scheduled interest payment date (see Note 14).

17. PROVISIONS

The breakdown of this account as of December 31, 2023 and 2022 is as follows:

	Onerous Lease (see Note 17.1)	Dilapidations (see Note 17.2)	Total
Balance at January 1, 2023	P 62,872,465	P 189,335,367	P 252,207,832
Additional provisions	34,159,365	24,430,748	58,590,113
Utilized amounts	(3,240,930)	(1,362,245)	(4,603,175)
Balance at December 31, 2023	**P 93,790,900**	**P 212,403,870**	**P 306,194,770**
Balance at January 1, 2022	P 29,061,092	P 375,358,504	P 404,419,596
Additional provisions	41,117,103	19,345,607	60,462,710
Utilized amounts	(7,305,730)	(11,068,744)	(18,374,474)
Reversal of provisions	-	(194,300,000)	(194,300,000)
Balance at December 31, 2022	P 62,872,465	P 189,335,367	P 252,207,832

17.1 Provision for Onerous Lease

WML has existing non-cancellable lease agreements on leasehold properties located in Glasgow and Edinburgh, Scotland, covering manufacturing plant facilities, buildings and parking spaces, which are vacant or subleased at a discount. The provisions take account of current market conditions, expected future vacant periods, expected future sublet benefits and are calculated by discounting expected net cash outflows on a pre-tax basis over the remaining period of the lease, which as of December 31, 2023 and 2022, is between one to seven years and one to eight years, respectively.

In 2023, 2022 and 2021, the Group recognized additional provision amounting to P34.2 million, P41.1 million and P38.1 million, respectively [see Note 3.2(j)]. The additional provision is presented as Provisions under General and Administrative Expenses account in the consolidated statements of comprehensive income since the related ROUA were fully impaired as of December 31, 2023 and 2022 (see Notes 9.2 and 20).

17.2 Provision for Dilapidations

WML is a party to lease agreements for properties located in Glasgow and Edinburgh, Scotland, which provide for tenant repairing clauses. The lease agreements require the Group to restore the leased properties to a specified condition at the end of the lease term in 2029. A provision was recognized for the present value of the costs to be incurred for the restoration of the leased properties. Additional provisions are capitalized as part of ROUA in 2023 and 2022 (see Note 9.2).

In 2022, the provision relating to the property in Grangemouth was reversed upon purchase of the site. There was no similar transaction in 2023.

18. REVENUES AND OTHER INCOME

The details of revenues and other income are shown below.

	Notes	2023	2022	2021
Sale of goods and services	2.10	**P 64,498,870,885**	P 60,671,033,945	P 54,845,254,471
Others:				
Interest income	5	**400,254,627**	141,756,928	86,442,812
Equity in net profit of joint venture	12	**111,644,188**	113,970,450	161,824,100
Unrealized foreign currency gains – net		**-**	989,702,796	350,480,854
Other income – net	6, 7, 9.1 11.2, 23.7	**632,991,374**	850,606,250	492,270,086
		1,144,890,189	2,096,036,424	1,091,017,852
		P 65,643,761,074	P 62,767,070,369	P 55,936,272,323

19. COSTS OF GOODS SOLD

The details of costs of goods sold for the years ended December 31, 2023, 2022 and 2021 are shown below.

	Notes	2023	2022	2021
Finished goods at beginning of year	8	**P 7,144,431,089**	P 5,574,742,812	P 5,159,455,789
Finished goods purchased	23.1	**3,120,744,509**	2,532,488,773	3,748,405,320
Costs of goods manufactured				
Raw and packaging materials at beginning of year	8	**6,555,198,631**	4,209,746,983	4,700,265,220
Net raw material purchases during the year	23.1	**40,378,613,757**	37,564,990,740	29,109,202,427
Raw and packaging materials at end of year	8	**(6,759,911,956)**	(6,555,198,631)	(4,209,746,983)
Raw materials used during the year		**40,173,900,432**	35,219,539,092	29,599,720,664
Work-in-process at beginning of year	8	**25,603,632,966**	24,225,660,910	21,071,773,814
Direct labor	21.1	**1,908,522,779**	1,599,672,660	1,353,455,527
Manufacturing overhead:				
Depreciation and amortization	9.1, 9.2, 23.2	**1,048,457,265**	1,218,919,338	1,226,142,057
Taxes and licenses		**534,473,819**	354,562,526	129,038,067
Repairs and maintenance		**523,610,200**	431,130,827	325,965,699
Communication, light and water		**386,091,428**	551,953,927	359,775,061
Outside services	23.7	**362,140,147**	319,568,784	266,880,588
Fuel and lubricants		**339,579,578**	510,611,788	342,040,077
Labor	21.1	**276,378,513**	239,301,197	145,330,862
Consumables and supplies		**168,155,858**	211,353,831	161,066,562
Commission		**167,987,820**	132,760,500	24,830,090
Rentals	9.4, 23.2	**163,042,094**	179,002,426	158,095,637
Insurance		**62,275,991**	61,223,282	46,405,030
Balance carried forward		**P 71,718,248,890**	P 65,255,261,088	P 55,210,519,735

	Note	2023	2022	2021
Balance brought forward		**P 71,718,248,890**	P 65,255,261,088	P 55,210,519,735
Gasoline and oil		**59,474,337**	60,521,652	10,522,542
Impairment losses	8	**54,588,118**	51,509,158	58,114,232
Transportation		**53,386,002**	84,488,511	37,655,344
Meals		**45,270,003**	44,487,066	43,865,468
Waste disposal		**41,064,647**	73,552,868	51,080,702
Miscellaneous		**753,025,721**	612,186,392	289,355,246
Work-in-process at end of year	8	**(30,562,603,015)**	(25,603,632,966)	(24,225,660,910)
		42,162,454,703	40,578,373,769	31,475,452,359
Finished goods at end of year	8	**(9,081,462,012)**	(7,144,431,089)	(5,574,742,812)
		P 43,346,168,289	P 41,541,174,265	P 34,808,570,656

20. OTHER OPERATING EXPENSES

The details of other operating expenses are shown below.

	Notes	2023	2022	2021
Advertising and promotions		**P 3,984,658,903**	P 3,657,157,560	P 2,647,160,744
Salaries and employee benefits	21.1	**2,367,825,882**	1,924,975,169	1,838,913,379
Professional fees and outside services		**581,728,814**	636,031,839	497,690,753
Travel and transportation		**532,616,404**	437,492,251	280,013,671
Freight and handling		**477,553,250**	491,265,922	415,133,136
Depreciation and amortization	9.1, 9.2, 13, 23.2	**405,468,543**	265,675,149	319,386,260
Representation		**224,433,322**	180,616,284	152,345,821
Repairs and maintenance		**130,757,757**	125,068,566	130,536,682
Impairment losses on financial assets	6	**120,264,334**	7,462,310	11,561,171
Fuel and oil		**75,723,111**	106,330,378	64,279,067
Supplies		**64,813,081**	59,024,047	48,332,763
Taxes and licenses		**60,907,959**	126,188,743	112,953,861
Rentals	9.4, 23.2	**58,187,729**	48,775,747	36,232,064
Other services		**55,580,481**	143,953,103	28,271,691
Insurance		**51,624,349**	41,109,267	36,558,396
Communication, light and water		**39,303,618**	32,841,938	34,823,961
Provisions	17.1	**34,159,365**	41,117,103	38,060,790
Meals		**23,833,707**	21,542,293	26,610,043
Amortization of trademarks	10	**538,464**	1,615,392	1,615,391
Impairment losses on inventories	8	**-**	162,489,934	-
Others		**490,536,474**	325,522,230	325,233,632
		P 9,780,515,547	P 8,836,255,225	P 7,045,713,276

Others include royalty fees, subscription and association dues, postal services and other incidental expenses under the ordinary course of business.

These expenses are classified in profit or loss in the consolidated statements of comprehensive income as follows:

	2023	2022	2021
Selling and distribution expenses	**P 6,758,279,313**	P 6,205,108,294	P 4,840,055,978
General and administrative expenses	**3,022,236,234**	2,631,146,931	2,205,657,298
	P 9,780,515,547	P 8,836,255,225	P 7,045,713,276

21. EMPLOYEE BENEFITS

21.1 Salaries and Employee Benefits Expense

The expenses recognized for salaries and employee benefits are summarized below.

	Notes	**2023**	2022	2021
Salaries and wages		**P 3,816,782,498**	P 3,168,150,371	P 2,947,114,125
Post-employment defined contribution		**326,760,138**	255,534,650	260,707,191
Social security costs		**280,627,234**	230,517,804	194,555,334
Share options	21.2, 24.4	**58,522,404**	76,418,422	44,927,978
Post-employment defined benefit	21.3	**31,610,481**	39,385,934	46,936,416
Other short-term benefits		**672,308,719**	512,976,239	320,902,636
	19, 20	**P 5,186,611,474**	P 4,282,983,420	P 3,815,143,680

Other short-term benefits represent other employee benefits that were incurred during the reporting periods in which the employees render the related service.

The amount of salaries and employee benefits expense is allocated as follows:

	Notes	**2023**	2022	2021
Costs of goods sold (inventoriable costs)	19	**P 2,184,901,292**	P 1,838,973,857	P 1,498,786,389
General and administrative expenses	20	**1,062,993,954**	848,402,793	810,425,862
Selling and distribution expenses	20	**1,304,831,928**	1,076,572,376	1,028,487,517
		4,552,727,174	3,763,949,026	3,337,699,768
Capitalized as part of work-in-process inventories	8	**633,884,300**	519,034,394	477,443,912
		P 5,186,611,474	P 4,282,983,420	P 3,815,143,680

In 2023, 2022 and 2021, salaries and wages, post-employment benefits and other short-term benefits totaling P633.9 million, P519.0 million and P477.4 million, respectively, were capitalized to form part of the work-in-process inventory (see Note 8). Such capitalized amount represents salaries and employee benefits of personnel directly involved in the production of whisky.

21.2 Employee Share Option

Employee share option expense, included as part of Salaries and employee benefits expense under the General and Administrative Expenses account in the consolidated statements of comprehensive income, amounted to P58.5 million, P76.4 million and P44.9 million in 2023, 2022 and 2021, respectively, while the corresponding cumulative credit to Share Options Outstanding account was presented under the Equity section of the consolidated statements of financial position (see Note 24.4).

21.3 Post-employment Defined Benefit Plan

(a) Characteristics of the Defined Benefit Plan

Except for GES, which provides employee benefits through a defined contribution plan, the Group maintains a funded, tax-qualified, noncontributory retirement benefit plan which is being administered by a trustee bank that is legally separated from the Group.

The post-employment plan covers all regular full-time employees of EDI, AWGI, TEI, PAI and certain employees of WMG, and provides a retirement benefit ranging from 85% to 150% of plan salary for every year of credited service.

The normal retirement age is 60 with a minimum of five years of credited service. The plan provides for an early retirement at the age of 50 with a minimum of ten years of credited service and likewise a late retirement age that is not beyond 65, with a minimum of five years of credited service both subject to the approval of the Parent Company's BOD.

(b) Explanation of Amounts Presented in the Consolidated Financial Statements

Actuarial valuations are made regularly to update the post-employment benefit costs and the amount of contributions. All amounts presented below and in the succeeding pages are based on the actuarial valuation reports obtained from independent actuaries.

The amounts of retirement benefit asset recognized in the consolidated statements of financial position are determined as follows:

	2023	2022
Fair value of plan assets	**P 10,375,850,622**	P 9,748,643,491
Present value of the obligation	**(10,134,533,425)**	(9,248,560,136)
	P 241,317,197	P 500,083,355

The movements in the present value of the retirement benefit obligation recognized in the books are as follows:

	2023	2022
Balance at beginning of year	**P 9,248,560,136**	P 15,318,015,379
Benefits paid	**(486,139,743)**	(457,233,354)
Interest expense	**450,109,565**	279,316,466
Foreign exchange adjustment	**400,434,000**	(220,039,000)
Current service costs	**31,610,481**	39,385,934
Remeasurements –		
Actuarial losses (gains) arising from:		
Experience adjustments	**530,262,146**	(205,205,974)
Changes in demographic assumptions	**(328,060,840)**	562,214,687
Changes in financial assumptions	**287,757,680**	(6,067,894,002)
Balance at end of year	**P 10,134,533,425**	P 9,248,560,136

The movements in the fair value of plan assets are presented below.

	2023	2022
Balance at beginning of year	**P 9,748,643,491**	P 16,232,015,874
Foreign exchange adjustment	**436,009,089**	(238,539,000)
Benefits paid	**(481,002,500)**	(455,442,961)
Return on plan assets (excluding amounts included in net interest)	**202,461,359**	(6,151,234,894)
Contributions to the plan	**1,852,650**	76,985,032
Interest income	**467,886,533**	284,859,440
Balance at end of year	**P 10,375,850,622**	P 9,748,643,491

The net effect of the foreign exchange adjustment in the present value of the retirement obligation and the fair value of plan assets amounted to P35.6 million in 2023 and P18.5 million in 2022.

The composition and the fair value of plan assets as at December 31, 2023 and 2022 by category and risk characteristics are shown below.

	2023	2022
Cash and cash equivalents	**P 93,279,060**	P 87,637,840
Quoted equity securities	**4,468,176,822**	4,198,247,782
Diversified growth fund	**663,317,760**	623,202,324
	5,131,494,582	4,821,450,106
Debt securities:		
Corporate bonds	**2,021,046,300**	1,898,819,580
Liability driven instrument	**1,865,581,200**	1,752,756,535
Index-linked gilts	**766,961,160**	720,577,687
	4,653,588,660	4,372,153,802
Property	**497,488,320**	467,401,743
	P 10,375,850,622	P 9,748,643,491

Other than the fair value of property investment, which is classified as Level 3 in the fair value hierarchy, the fair values of the above quoted securities and instruments are determined based on quoted market prices in active markets; hence, classified as Level 1 in the fair value hierarchy.

Plan assets do not comprise any of the financial instruments of the Group or its related parties, or any of its assets occupied and/or used in its operations.

The components of amounts recognized in profit or loss and other comprehensive income or loss in respect of the retirement benefit asset (obligation) are as follows:

	2023	2022	2021
Reported in profit or loss:			
Current service costs	**P 31,610,481**	P 39,385,934	P 46,936,416
Interest expense (income)	**(17,776,968)**	(5,542,974)	10,578,978
	P 13,833,513	P 33,842,960	P 57,515,394
Reported in other comprehensive income or loss:			
Return (loss) on plan assets (excluding amount included in net interest)	**P 202,461,359**	(P 6,151,234,894)	P 462,875,778
Actuarial gains (losses) arising from:			
Changes in financial assumptions	**(287,757,680)**	6,067,894,002	398,201,782
Changes in demographic assumptions	**328,060,840**	(562,214,687)	159,193,525
Experience adjustments	**(530,262,146)**	205,205,974	7,193,171
	(P 287,497,627)	(P 440,349,605)	P 1,027,464,256

The amounts of post-employment benefits expense recognized in profit or loss are presented as part of General and Administrative Expenses for current service costs and as part of Interest Expense for net interest expense (income) accounts under the Costs and Expenses section in the consolidated statements of comprehensive income.

Amounts recognized in other comprehensive income or loss were included within items that will not be reclassified subsequently to profit or loss.

In determining the amounts of the retirement benefit obligation, the following actuarial assumptions were used:

	2023	2022	2021
Discount rate	**6.08%-6.12%**	7.00%-7.50%	3.95%-5.09%
Expected rate of salary increase	**4.00%-5.00%**	5.00%-6.00%	5.00%-7.00%

Assumptions regarding future mortality are based on published statistics and mortality tables. The average remaining working life of an individual retiring at the age of 60 is 23 years for both males and females. These assumptions were developed by management with the assistance of independent actuaries. Discount factors are determined close to the end of each reporting period by reference to the interest rates of zero coupon government bonds with terms to maturity approximating to the terms of the retirement benefit obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

(c) Risks Associated with the Retirement Benefit Obligation

The Group is exposed to actuarial risks such as interest rate risk, longevity risk and salary risk.

(i) Investment and Interest Rate Risks

The present value of the defined benefit obligation is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of reference government bonds will increase the retirement benefit obligation. However, this will be partially offset by an increase in the return on the plan's investments in debt securities and if the return on plan asset falls below this rate, it will create a deficit in the plan. Currently, the plan has relatively balanced investment in equity securities and debt securities. Due to the long-term nature of the plan obligation, a level of continuing debt and equity investments is an appropriate element of the Group's long-term strategy to manage the plan efficiently.

(ii) Longevity and Salary Risks

The present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of the participants during their employment and to their future salaries. Consequently, increases in the life expectancy and salary of the participants will result in an increase in the retirement benefit obligation.

(d) Other Information

The information on the sensitivity analysis for certain significant actuarial assumptions and the timing and uncertainty of future cash flows related to the retirement plan are described below.

(i) Sensitivity Analysis

The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the retirement benefit obligation as of the end of the reporting periods:

	Impact on Retirement Benefit Obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
December 31, 2023			
Discount rate	**+0.25%/-0.25%**	**(P 692,010,626)**	**P 700,131,690**
Salary growth rate	**+1.00%/-1.00%**	**206,011,064**	**(114,163,919)**
December 31, 2022			
Discount rate	+0.25%/-0.25%	(P 619,838,391)	P 193,148,924
Salary growth rate	+1.00%/-1.00%	88,809,847	(72,216,702)

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. This analysis may not be representative of the actual change in the retirement benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the above sensitivity analysis, the present value of the retirement benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the retirement benefit obligation recognized in the consolidated statements of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous years.

(ii) Asset-liability Matching Strategies

To efficiently manage the retirement plan, the Group through its Management Committee, ensures that the investment positions are managed in accordance with its asset-liability matching strategy to achieve that long-term investments are in line with the obligations under the retirement scheme. This strategy aims to match the plan assets to the retirement obligations by investing in long-term fixed interest securities (i.e., quoted equity securities and corporate bonds) with maturities that match the benefit payments as they fall due and in the appropriate currency. The Group actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the retirement obligations.

In view of this, investments are made in reasonably diversified portfolio, such that the failure of any single investment would not have a material impact on the overall level of assets. A large portion of the plan assets as at December 31, 2023 and 2022 consists of quoted equity securities, corporate bonds and other instruments, although the Group also invests in funds.

The expected maturity of undiscounted expected benefits payments within 10 years is as follows:

	2023	2022
Within one year	**P 405,300,076**	P 360,143,400
More than one but less than five years	**1,100,330,136**	1,096,813,638
More than five years but less than 10 years	**97,766,014**	106,659,498
	P 1,603,396,226	P 1,563,616,536

The weighted average duration of the retirement benefit obligation at the end of the reporting period is 23.13 years.

22. CURRENT AND DEFERRED TAXES

In UK, an increase in corporation tax rates from 19% to 25% shall take effect on April 1, 2023 by the Royal Assent received on June 10, 2021. Accordingly, deferred tax assets and deferred tax liabilities were re-measured at the new tax rate, which resulted in additional tax expense of which P672.4 million pertains principally to intangibles at the consolidation level in 2021. This deferred tax adjustment was taken up in the consolidated financial statements only, does not affect the stand-alone operating results of UK business, and it would not be realized or paid unless the business is liquidated or sold in the far future.

The components of tax expense as reported in the consolidated statements of comprehensive income are as follows:

	2023	2022	2021
Reported in profit or loss			
Current tax expense:			
Regular corporate income tax (RCIT) at 30%, 25%, 20%, 19% and 17%	**P 1,561,968,539**	P 1,188,912,294	P 1,896,097,043
Final tax on interest income at 20% and 15%	**35,352,149**	19,887,193	2,212,068
Minimum corporate income tax (MCIT) at 1.5%	**4,804,754**	-	-
Adjustment in 2020 income tax due to change in tax rate	**-**	-	(136,421,080)
	1,602,125,442	1,208,799,487	1,761,888,031
Deferred tax expense (income):			
Relating to origination and reversal of other temporary differences	**395,248,159**	289,654,392	292,845,452
Relating to effect of change in income tax rate on fair value of assets/intangibles	**-**	-	672,384,000
Due to the effect of change in income tax rate	**-**	-	19,700,325
	395,248,159	289,654,392	984,929,777
	P 1,997,373,601	P 1,498,453,879	P 2,746,817,808

	2023	2022	2021
Reported in other comprehensive income or loss			
Deferred tax expense (income):			
Relating to remeasurements of retirement benefit obligation	**(P 71,874,407)**	(P 110,087,401)	P 255,965,063
Due to the effect of change in income tax rate	**-**	-	6,721,103
	(P 71,874,407)	(P 110,087,401)	P 262,686,166

A reconciliation of tax on pretax profit computed at the applicable statutory rates to tax expense is as follows:

	2023	2022	2021
Tax on pretax profit at 25%	**P 2,735,312,701**	P 2,927,544,278	P 3,223,794,278
Adjustments in claiming optional standard deduction (OSD)	**(315,071,759)**	(212,330,067)	(485,960,848)
Adjustment for income subjected to different tax rates	**(8,852,683)**	(79,244,706)	(74,807,073)
Tax effects of:			
Non-taxable income	**(461,817,030)**	(1,122,903,079)	(626,756,835)
Non-deductible expenses	**41,508,461**	12,927,911	86,350,753
Accelerated capital allowances and other short-term temporary differences	**32,202,903**	(337,912)	(43,850,259)
Equity in net income of joint venture	**(27,911,047)**	(28,492,613)	(40,456,025)
Unrecognized deferred tax asset on net operating loss carry-over (NOLCO)	**2,002,055**	1,290,067	1,523,708
Adjustments to current tax for prior years due to change in tax rate	**-**	-	823,700,864
Change in income tax rate	**-**	-	(116,720,755)
	P 1,997,373,601	P 1,498,453,879	P 2,746,817,808

EMI and its Philippine subsidiaries are subject to the higher of RCIT at 25% in 2023, 2022 and 2021 of net taxable income or MCIT at 1.5% in 2023, and 1% in 2022 and 2021 of gross income, as defined under the Philippine tax regulations

EMI's foreign subsidiaries are subject to income and other taxes based on the enacted tax laws of the countries and/or jurisdictions where they operate.

The deferred tax assets and liabilities as of December 31 relate to the following:

	2023	2022
Brand valuation	**(P 3,063,799,036)**	(P 2,524,261,489)
Lease liabilities	**639,477,772**	87,072,265
ROUA	**(627,897,092)**	(69,697,085)
Fair value adjustment	**(475,193,974)**	(391,511,922)
Short-term temporary differences	**(372,747,454)**	(343,609,823)
Retirement benefit asset	**(60,329,300)**	(339,645,280)
Allowance for impairment	**52,740,218**	22,674,134
Capitalized borrowing costs	**(37,380,745)**	(39,249,784)
NOLCO	**23,615,923**	-
Unamortized past service costs	**-**	89,048
Net deferred tax liabilities	**(P 3,921,513,688)**	(P 3,598,139,936)

These are presented in the consolidated statements of financial position as follows:

	2023	2022
Deferred tax liabilities – net	**(P 4,130,626,820)**	(P 3,685,535,017)
Deferred tax assets – net	**209,113,132**	87,395,081
	(P 3,921,513,688)	(P 3,598,139,936)

Movements in net deferred tax liabilities for the years ended December 31 are as follows:

	Consolidated Profit or Loss			**Consolidated Other Comprehensive Income or Loss**		
	2023	2022	2021	**2023**	2022	2021
ROUA	**P 558,200,007**	(P 95,026,781)	(P 278,049,024)	**P -**	P -	P -
Lease liabilities	**(552,405,507)**	126,848,009	300,258,055	**-**	-	-
Brand valuation	**539,537,547**	32,269,966	684,637,361	**-**	-	-
Retirement benefit obligation (asset)	**(207,441,573)**	221,100,366	68,753,919	**(71,874,407)**	(110,087,401)	262,686,166
Fair value adjustment	**83,682,052**	5,005,059	106,186,974	**-**	-	-
Allowance for impairment	**(30,066,084)**	(59,827)	(326,599)	**-**	-	-
Short-term temporary differences	**29,137,631**	1,297,591	113,793,224	**-**	-	-
NOLCO	**(23,615,923)**	-	-	**-**	-	-
Capitalized borrowing costs	**(1,869,039)**	(1,869,036)	(10,466,609)	**-**	-	-
Unamortized past service costs	**89,048**	89,045	142,476	**-**	-	-
Deferred tax expense (income)	**P 395,248,159**	P 289,654,392	P 984,929,777	**(P 71,874,407)**	(P 110,087,401)	P 262,686,166

In 2023, 2022 and 2021, the Group opted to claim itemized deductions in computing its income tax due, except for EDI, PAI and AWGI, which opted to claim OSD during the same taxable years.

23. RELATED PARTY TRANSACTIONS

The Group's related parties include the ultimate parent company, stockholders, officers and employees, and other related parties under common ownership as described in the succeeding pages.

The summary of the Group's transactions with its related parties in 2023, 2022 and 2021 and the related outstanding balances as of December 31, 2023 and 2022 are presented below.

Related Party Category	Notes	Amount of Transaction 2023	Amount of Transaction 2022	Amount of Transaction 2021	Outstanding Balance Receivable (Payable) 2023	Outstanding Balance Receivable (Payable) 2022
Ultimate Parent Company:						
Dividends	24.3	**P 3,627,308,574**	P -	P 4,252,534,514	**P -**	P -
Lease of properties:	23.2(a)					
Rentals paid		**26,500,000**	26,500,000	26,500,000	**-**	-
Right-of-use assets		**23,428,730**	23,428,730	23,428,730	**70,286,190**	93,714,920
Lease liabilities		**2,467,060**	3,121,304	3,420,712	**(76,209,954)**	(100,242,894)
Advances collected	23.6	**-**	-	(2,178,819,411)	**-**	-
Related Parties Under Common Ownership:						
Purchase of raw materials	23.1	**1,042,687,767**	2,512,076,307	1,414,490,208	**(176,251,132)**	(319,428,263)
Purchase of finished goods	23.1	**518,268,767**	545,924,474	16,516,490	**(78,257,097)**	-
Sale of goods	23.3	**120,700,996**	249,936,592	93,930,713	**141,254,679**	209,950,624
Lease of properties:	23.2(b & c)					
Rentals paid		**99,982,087**	79,914,394	70,722,430	**(1,026,000)**	-
Right-of-use assets		**74,574,703**	76,462,471	73,691,945	**199,445,728**	80,323,776
Lease liabilities		**8,044,065**	9,653,620	17,604,151	**(189,295,176)**	(69,020,986)
Refundable security deposits		**1,937,585**	-	(1,123,845)	**8,418,273**	6,480,688
Management services earned	23.7	**32,654,283**	23,550,611	-	**-**	33,000,000
Management services incurred	23.7	**-**	60,000,000	60,000,000	**-**	(82,500,000)
Advances obtained	23.1	**-**	3,067,622	-	**-**	210,678,177
Advances for land purchase	23.10	**-**	-	10,172,131	**-**	-
Stockholder –						
Advances paid	23.5	**3,070,715**	-	-	**-**	(3,070,715)
Officers and Employees:						
Advances granted (collected)	23.4	**(323,102,705)**	579,247,811	59,146,778	**359,591,136**	682,693,841
Employee share option	24.4	**58,522,404**	76,418,422	44,927,978	**-**	-
Key Management Personnel –						
Compensation	23.8	**293,226,301**	236,421,058	232,092,594	**-**	-

The outstanding balances from the above transactions with related parties are unsecured, noninterest-bearing and payable or collectible on demand, unless otherwise stated. No impairment loss was recognized, and none is deemed necessary, in 2023, 2022 and 2021 for the related party receivables.

23.1 Purchase of Goods

The Group imports raw materials such as alcohol, flavorings and other items, and finished goods through Andresons Global, Inc. ("AGL"), a related party under common ownership. These transactions are generally being paid directly to the suppliers within 30 to 90 days. The Group also imports raw materials from Alcoholera dela Mancha Vinicola, S.L., a wholly owned subsidiary of BLC, which is considered a related party under joint control, and finished goods from Great American Foods, Inc. ("GAFI"), a related party under common ownership and the manufacturer of Piknik (see Note 8).

The related unpaid purchases as of December 31, 2023 and 2022 are shown as part of Trade payables under the Trade and Other Payables account in the consolidated statements of financial position (see Note 16).

23.2 Lease of Properties

The Group recognized ROUA and lease liabilities from lease agreements in accordance with PFRS 16, which will be amortized and paid, respectively, over the lease term in lieu of the annual rent expense. Amortization of ROUA and interest expense recognized from the lease liabilities are presented as part of Depreciation and amortization under Costs of Goods Sold account (see Note 19) and as part of Interest Expense account in the consolidated statements of comprehensive income, respectively.

The outstanding ROUA and lease liabilities from these lease agreements are presented as part of Property, Plant and Equipment – net account and Lease Liabilities account, respectively, in the consolidated statements of financial position (see Note 9).

(a) AGI

AWGI leases the glass manufacturing plant located in Laguna from AGI for a period of 10 years. The amount of rental is mutually agreed upon by the parties at the start of each year, as provided in their lease contract. In 2021 and 2020, AWGI and AGI agreed to amend the terms in the lease agreement by increasing the amount of annual rent. This is accounted for as a lease modification, which resulted in the remeasurement of ROUA and lease liabilities during the same year.

Amortization of ROUA amounted to P23.4 million in 2023, 2022 and 2021. Interest expense recognized from the lease liabilities amounted to P2.5 million in 2023, P3.1 million in 2022 and P3.4 million in 2021.

AWGI paid P26.5 million in 2023, 2022 and 2021, and there were no outstanding balances arising from this lease agreement with AGI as of December 31, 2023 and 2022.

(b) Megaworld Corporation

EDI, PAI and AWGI entered into lease contracts with Megaworld Corporation ("Megaworld"), a related party under common ownership, for their head office spaces for a period of five years, subject to 5% increase in annual rent.

Amortization of ROUA amounting to P32.5 million in both 2023 and 2022, and P31.1 million in 2021 are presented as part of Depreciation and amortization under the Costs of Goods Sold account while amortization of ROUA amounting to P5.3 million in 2023 and 2022 and 2021 are presented under the General and Administrative Expenses account (see Notes 19 and 20). Interest expense from the lease liabilities amounted to P3.8 million, P7.1 million and P12.8 million in 2023, 2022 and 2021, respectively.

The Group paid P49.5 million in 2023, P47.1 million in 2022, and P40.1 million in 2021 and there were no outstanding balances arising from these lease agreements as of December 31, 2023 and 2022.

The refundable security deposits paid to the lessors are shown as part of Other Non-current Assets account in the consolidated statements of financial position (see Note 11.2).

AWGI and EDI also lease the parking spaces, and World Finest leases the building space of Megaworld, which are considered as low value assets based on the provision of PFRS 16. The related rent expense amounting to P16.3 million in 2023, and P0.1 million in both 2022 and 2021 is presented as part of Rentals under the General and Administrative Expenses account in the consolidated statements of comprehensive income. The outstanding liability arising from this as of December 31, 2023 is presented as part of Accrued expenses under the Trade and Other Payables account in the 2023 consolidated statement of financial position (see Note 16). There was no outstanding liability as of December 31, 2022.

(c) *Empire East Land Holdings, Inc.*

EDI entered into a lease contract with Empire East Land Holdings, Inc., a related party under common ownership, for the Company's office and warehouse both for a period of four years. The lease contract is not subject to any escalation clause.

Amortization of ROUA amounted to P36.8 million in 2023, and P38.7 million in both 2022 and 2021. Interest expense from the lease liability amounted to P4.2 million, P2.6 million, and P4.8 million in 2023, 2022 and 2021, respectively.

EDI paid P34.2 million in 2023, P32.1 million in 2022 and P30.6 million in 2021 and there are no unpaid rentals relating to this lease agreement as of December 31, 2023 and 2022.

23.3 Sale of Goods

The Group sold finished goods to related parties. Goods are sold on the basis of the price lists in force and terms that would be available to non-related parties. The outstanding receivables from sale of goods are generally noninterest-bearing, unsecured and settled through cash within three to six months. These receivables are presented as part of Trade receivables under the Trade and Other Receivables account in the consolidated statements of financial position (see Note 6).

23.4 Advances to Officers and Employees

In the normal course of business, the Group grants noninterest-bearing, unsecured, and payable on demand or subject to liquidation cash advances to certain officers and employees. The outstanding balance arising from these transactions is presented as Advances to officers and employees under the Trade and Other Receivables account in the consolidated statements of financial position (see Note 6).

The movements in the balance of Advances to Officers and Employees account are as follows:

	2023	2022
Balance at beginning of year	**P 682,693,841**	P 103,446,030
Additions	**1,126,387,308**	726,908,169
Payments	**(1,449,490,013)**	(147,660,358)
Balance at end of year	**P 359,591,136**	P 682,693,841

23.5 Advances from Related Parties

AGI and other entities within the AGI Group, and other related parties grant cash advances to the Group for its working capital, investment and inventory purchases requirements. These advances are unsecured, noninterest-bearing and repayable in cash upon demand. The outstanding balance as of December 31, 2022 amounting to P3.1 million is presented as Advances from related parties under the Trade and Other Payables account in the 2022 consolidated statement of financial position (see Note 16). This was fully paid in 2023.

23.6 Advances to Ultimate Parent Company

The Group made an unsecured cash advance to AGI for its investment activities, which was fully collected in 2021. There were no similar cash advances in 2023, 2022 and 2021.

23.7 Management Services

Progreen has a management agreement with Condis for consultancy and advisory services in relation to the operation, management and development of the distillery plant, which was terminated beginning 2023. This was presented as part of Outside services under the Costs of Goods Sold account in the 2022 and 2021 consolidated statements of comprehensive income (see Note 19). The outstanding liability as of December 31, 2022, which was presented as part of Trade payables under the Trade and Other Payables account in the 2022 consolidated statement of financial position (see Note 16), was paid in 2023.

EDI has a management agreement with GAFI for the rendering of management and administration services presented as part of Other income under the Revenues and Other Income section of the 2023 and 2022 consolidated statements of comprehensive income (see Note 18).

23.8 Key Management Personnel Compensation

The compensation of key management personnel for employee services is shown below.

		2023		2022		2021
Short-term benefits	**P**	**239,108,010**	P	213,069,672	P	212,314,988
Share options		**26,901,466**		20,242,399		10,022,174
Post-employment defined benefits		**27,216,825**		3,108,987		9,755,432
	P	**293,226,301**	P	236,421,058	P	232,092,594

23.9 Retirement Plan

The Group's retirement funds for its post-employment defined benefit plan is administered and managed by a trustee bank. The fair value and the composition of the plan assets as of December 31, 2023 and 2022 are presented in Note 21.3. These plan assets do not include EMI Group's own financial instruments nor any financial instruments issued by its related parties. The retirement fund neither provides any guarantee or surety for any obligation of the Group nor its investments covered by any restrictions or liens.

23.10 Purchase of Land

In 2016, the Group entered into a contract to purchase certain parcels of land located in Iloilo and Cebu from Megaworld for a total consideration of P206.0 million, inclusive of VAT, which was initially recognized as part of advances to suppliers. In 2021, the legal title and the risks and rewards of ownership over the parcels of land have been transferred to the Group; hence, the cost of related properties was recorded as Land acquisition by the Group.

In 2014, the Group made cash payments to certain related party under common ownership for the acquisition of certain parcels of land located in Davao. However, the planned acquisition was temporarily suspended by both parties. The advance payment amounting to P144.8 million was presented as part of advances to suppliers. In 2021, the sales was finalized for total consideration of P153.0 million, inclusive of VAT, and titles of ownership over the said parcels of land were transferred to the Group; hence, the cost of related properties was reclassified as Land acquisition.

In 2020, the Group purchased a parcel of land located in Tanza, Cavite from a related party for a total consideration of P273.2 million, excluding VAT. The Group already paid P271.2 million, which was presented as part of advances to suppliers. In 2021, the acquisition was fully paid and titles of ownership over the said parcels of land were transferred to the Group; hence, the related properties were reclassified as Land acquisition.

23.11 Purchase and Sale Commitment

On December 27, 2020, the Group signed a letter of intent with a related party under common ownership, for the sale of its land and building for a total purchase price of €16.6 million, which did not materialize in 2023 (see Note 13).

24. EQUITY

24.1 Capital Stock

Capital stock consists of:

	Shares			Amount		
	2023	2022	2021	**2023**	2022	2021
Common shares – P1 par value Authorized – 20.0 billion shares Issued and outstanding:						
Balance at beginning of year	**15,670,991,338**	15,670,991,338	15,772,710,138	**P 11,494,677,273**	P 11,494,677,273	P12,496,806,994
Treasury shares – at cost (Notes 2.25 and 24.2)	**-**	-	(101,718,800)	**-**	-	(1,002,129,721)
Balance at end of year	**15,670,991,338**	15,670,991,338	15,670,991,338	**P 11,494,677,273**	P 11,494,677,273	P11,494,677,273

The BOD of the PSE approved the listing of the common shares of the Parent Company on October 16, 2011.

On December 19, 2011, the Parent Company issued through initial public offering ("IPO") an additional 22.0 million shares with an offer price of P4.50 per share. The Parent Company incurred P10.9 million IPO-related costs, P4.2 million of which was charged against APIC and the balance of P6.7 million was recognized as part of other operating expenses. Net proceeds from the IPO amounted to P90.8 million.

On December 27, 2012, the Parent Company issued additional 6.0 million shares with an offer price of P5.50 per share through a private placement.

On June 19, August 27 and September 5, 2013, the Parent Company's BOD, stockholders, and SEC, respectively, approved the increase in authorized capital stock of EMI from P100.0 million divided into 100.0 million shares to P20.0 billion divided into 20.0 billion shares both with par value of P1.00 per share. On July 4, 2013, the Parent Company's BOD approved the issuance of 6.5 million shares at par value to two foreign investors.

On August 28, 2013, AGI and other investors subscribed to an aggregate of 14.9 billion shares. Under the terms of AGI's subscription, the Parent Company acquired all of EDI shares held by AGI.

On September 17, 2013, AGI launched an offering of 1.8 billion EMI shares, which is approximately 12.0% of the total issued shares. The said offering was priced at P8.98 per share. On September 25, 2013, the settlement date, the amount of P11.2 billion out of the net proceeds was directly remitted to EMI as an additional subscription price from AGI under the terms of the amended agreement with AGI; such amount is recorded as APIC in EMI's books. Costs related to the issuances amounting to P176.3 million were deducted from APIC.

On September 25, 2013, AGI beneficially acquired two of EMI's minority corporate stockholders which held a combined 9.55% of the total issued shares. Thus, AGI beneficially owned 87.55% of EMI as of December 31, 2013.

On December 4, 2014, the Parent Company issued additional 1.1 billion common shares with an offer price of P11.0 per share through private placement (see Note 15). This resulted to a decrease in AGI's ownership from 87.55% to 81.46% as of December 31, 2014. The excess of the subscription price over the par value amounting to P11.2 billion was recorded as APIC.

On November 28, 2017, the Parent Company issued 122.4 million common shares at P6.80 per share in consideration of the accrued interest on ELS amounting to P832.3 million (see Note 15). The excess of accrued interest over the par value amounting to P709.9 million was recorded as part of APIC (see Note 2.17).

On February 5, 2020, the Parent Company issued 253.3 million shares for the Tranche 1 Conversion of the ELS (see Notes 15 and 24.2). Consequently, Conversion Options amounting to P47.7 million was transferred to APIC.

On December 3, 2021, Tranche 2 Conversion of the ELS amounting to P3,443.8 million was transferred into equity with the Tranche 2 shares to be issued in 2023. Consequently, the ELS is reported as Deposit on Future Subscription – Equity-Linked Securities (see Note 15).

On July 14, 2022, the Parent Company secondary listed its shares on the Main Board of the SGX-ST.

As of December 31, 2023 and 2022, the quoted closing price per share is P20.85 and P20.60, respectively, and there are 131 and 134 holders in 2023 and 2022, respectively, which include nominee accounts, of the Parent Company's total issued and outstanding shares. The percentage shares of stock owned by the public are 20.10% as of December 31, 2023 and 2022.

24.2 Treasury Shares

A series of buy-back programs were authorized by the Parent Company's BOD that lasted from May 16, 2017 up to December 31, 2021. The allotment was fully used up by the end of June 30, 2021.

The Parent Company had spent P6.1 billion, including trading charges, to purchase a total of 759.20 million shares under the buy-back program. In 2021 and 2020, the Parent Company has repurchased 101.7 million and 174.2 million shares for P1.0 billion, and P2.1 billion, respectively (nil in 2022).

Out of these, a total of 253.3 million shares had been issued to Arran for the Tranche 1 Conversion pursuant to the exercise of its right to convert under Second Amendment of the ELS (see Note 15). As of December 31, 2023 and 2022, there were 505,919,938 shares costing P4.3 billion that were reported under Treasury Shares account in the consolidated statements of changes in equity.

Under the Revised Corporation Code of the Philippines, a stock corporation can purchase or acquire its own shares provided that it has unrestricted retained earnings to cover the cost of the shares to be purchased or acquired (see Note 24.3). Nevertheless, the Parent Company has sufficient retained earnings available for dividend distribution.

There are 65,479,900 shares held by a subsidiary at a total cost of P0.5 billion that are also reported as part of Treasury Shares.

24.3 Declaration of Dividends

The Parent Company's cash dividend declarations in the years reported are as follows:

Date of Declaration	Date of Stockholders' Record	Payable Date	Dividend per Share	Total
March 30, 2023	**May 2, 2023**	**May 25, 2023**	**P 0.2900**	**P4,563,567,659**
August 2, 2021	August 13, 2021	September 8, 2021	0.1100	1,731,011,836
March 8, 2021	March 19, 2021	April 15, 2021	0.0900	1,425,437,103
January 4, 2021	January 15, 2021	February 3, 2021	0.1200	1,900,582,805

The amount of the Parent Company's retained earnings available for dividend distribution is restricted by the cost of the treasury shares that the Parent Company hold (see Note 24.2).

There were no dividends declared in 2022. There were no unpaid dividends as of December 31, 2023 and 2022 (see Note 32).

24.4 Employee Share Option

On November 7, 2014, the BOD approved an employee share option plan ("ESOP") for qualified employees of the Group. The ESOP was adopted by the shareholders on December 15, 2014 ("Plan Adoption Date"). On August 17, 2021, the BOD approved certain amendments to the plan.

The options shall generally vest on the 60th birthday or the date of retirement of the option holder, whichever is later, provided that the option holder had continuously served as an employee for eleven years after the option offer date or three years from retirement date for option holder who has continuously served for at least 20 years before the option offer date, and may be exercised within five years from vesting date, subject to the terms and conditions of the amended ESOP. The exercise price shall be at most a 15% discount from the volume weighted average closing price of the Parent Company's shares for nine months immediately preceding the date of grant.

Pursuant to this ESOP, on November 6, 2015, share options were granted to certain key executives of EDI to subscribe to 118.0 million common shares of the Parent Company, at an exercise price of P7.00 per share.

On March 15, 2021 and August 25, 2021, share options were granted to certain qualified grantees to subscribe to 20.0 million and 55.0 million common shares of the Parent Company, at an exercise price of P10.10 and P10.65 per share, respectively.

On February 11, 2022, share options were granted to a qualified employee of EDI to subscribe to 5.0 million common shares of the Parent Company at an exercise price of P13.95 per share.

As of December 31, 2023 and 2022, a total of 16.0 million shares and 9.0 million shares, respectively, were cancelled due to resignation.

The fair value of the option granted was estimated using a variation of the Black-Scholes valuation model that takes into account factors specific to the ESOP.

The following principal assumptions were used in the valuation:

Average option life	11 - 22 years
Share price at grant date	P8.90 - P22.50
Exercise price at grant date	P7.00 - P13.95
Average fair value of option at grant date	P3.26 - P13.35
Average standard deviation of share price returns	10.24% - 13.13%
Average dividend yield	1.08% - 1.10%
Average risk-free investment rate	4.44% - 5.24%

The underlying expected volatility was determined by reference to historical prices of the Parent Company's shares over a period of one year.

Share option benefits expense, which is included as part of Salaries and employee benefits under the General and Administrative Expenses account, amounting to P58.5 million in 2023 (net of resignees), P76.4 million in 2022 and P44.9 million in 2021 was recognized (see Note 21.2), while the corresponding credit to Share Options Outstanding account is presented as part of Equity Attributable to Owners of the Parent Company under the Equity section of the consolidated statements of financial position.

24.5 Appropriation of Retained Earnings

In 2017, the Group appropriated a portion of its retained earnings amounting to P600.0 million for capital expenditures at the glass manufacturing plant.

On January 22, 2019, the Group appropriated additional P200.0 million for a project expected to be completed in 2022. In 2021, the Group reversed the appropriated retained earnings of P800.0 million. Also, in 2021, the Group appropriated P1,200.0 million for the rehabilitation of furnace and other capital expenditures for the glass manufacturing plant, which are expected to be completed in 2025.

24.6 Subsidiaries with Non-controlling Interest

The composition of NCI account is as follows (see Note 2.25):

	Notes	Percentage of Ownership of NCI	**2023**	2022
DBLC	1.1(p)	50%	**P1,508,248,078**	P1,219,811,450
Boozylife	1.1(d)	38%	**(25,214,423)**	(22,327,557)
			P1,483,033,655	P1,197,483,893

The summarized information of DBLC, which is considered as material non-controlling interest, before intragroup eliminations, is shown below.

	2023	2022
Current assets	P 5,574,336,420	P 4,220,488,289
Non-current assets	4,350,158,258	3,825,418,995
Total assets	P 9,924,494,678	P 8,045,907,284
Financial Assets	P 3,424,222,295	P 3,023,933,909
Current liabilities	P 4,445,531,475	P 3,383,215,106
Non-current liabilities	1,385,222,371	1,565,874,736
Total liabilities	P 5,830,753,846	P 4,949,089,842
Financial liabilities	P 3,881,593,151	P 3,047,388,432
Revenues	P 4,976,335,504	P 4,046,763,210
Profit for the period attributable to:		
Owners of Parent Company	P 241,037,454	P 152,318,685
NCI	241,037,454	152,318,685
Profit for the year	482,074,908	304,637,370
Other comprehensive income attributable to:		
Owners of Parent Company	296,795,015	50,382,636
NCI	296,795,015	50,382,636
Other comprehensive income for the year	593,590,030	100,765,272
Total comprehensive income for the year	P 1,075,664,898	P 405,402,642

No dividends were paid to the NCI in 2023 and 2022.

25. EARNINGS PER SHARE

Basic earnings per share were computed as follows:

	2023	2022	2021
Consolidated net profit attributable to owners of the parent company	**P 8,705,726,613**	P 10,060,876,272	P 9,971,065,303
Divided by the weighted average number of outstanding common shares	**15,670,991,338**	15,670,991,338	15,839,884,723
Basic earnings per share	**P 0.56**	P 0.64	P 0.63

Diluted earnings per share were computed as follows:

	2023	2022	2021
Consolidated net profit attributable to owners of the parent company with dilutive effect	**P 8,705,726,613**	P 10,060,876,272	P 10,085,065,203
Divided by the weighted average number of outstanding common shares and potential dilutive shares	**16,327,991,338**	16,334,410,981	16,467,051,390
Diluted earnings per share	**P 0.53**	P 0.62	P 0.61

In computing for the diluted earnings per share, the Group considered in the weighted average number of issued and outstanding common shares the potential dilutive common shares relating to employee shares options and convertible ELS. The Group granted share options to qualified grantees totaling 118.0 million, 75.0 million and 5.0 million common shares of the Group in 2015, 2021 and 2022, respectively, out of which a total of P16.0 million shares and 9.0 million shares, were cancelled as of December 31, 2023 and 2022, respectively, due to resignations (see Note 24.4). In 2023, 2022 and 2021, the ELS instrument has 475.0 million shares that have not yet been issued (see Note 15).

26. COMMITMENTS AND CONTINGENCIES

The Group has made advances for purchases of land with total contract price of P304.9 million for future construction of warehouses (see Note 23.10).

Except for those provisions recognized (see Note 17) and commitments disclosed above in the consolidated financial statements, there are other commitments and contingent liabilities that arise in the normal course of the Group's operations which are not reflected in the consolidated financial statements. Management is of the opinion that losses, if any, from these commitments and contingencies will not have material effects on the Group's consolidated financial statements.

27. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to certain financial risks which result from its operating activities. The main types of risks are market risk, credit risk, liquidity risk and price risk. There have been no significant changes in the Group's financial risk management objectives and policies during the period.

The Group's risk management is coordinated with AGI, in close cooperation with the BOD appointed by AGI, and focuses on actively securing the Group's short-to-medium term cash flows by minimizing the exposure to financial markets.

The Group does not engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed to are described below and in the succeeding pages.

27.1 Market Risk

The Group is exposed to market risk through its use of financial instruments and specifically to foreign currency risk, interest rate risk and certain other price risk which result from its operating, investing and financing activities.

(a) Foreign Currency Risk

Most of the Group's transactions are carried out in Philippine pesos, Euros, U.K. pounds, and U.S. dollars, which are the entities' functional currencies. Exposures to currency exchange rates arise from the Group's foreign currency-denominated transactions at each entity level. The Group has no significant exposure to other foreign currency exchange rates at each entity level, except for U.S. dollars of EDI and foreign subsidiaries and Euros of foreign subsidiaries, since the other foreign currencies are not significant to the Group's consolidated financial statements. EDI has cash and cash equivalents in U.S. dollars as of December 31, 2023 and 2022 while the foreign subsidiaries have cash and cash equivalents, receivables and payables in U.S. dollars. The foreign subsidiaries have cash and cash equivalents, receivables and payables in Euros. To mitigate the Group's exposure to foreign currency risk, non-functional currency cash flows are monitored.

U.S. dollars foreign currency-denominated financial assets and financial liabilities with exposure to foreign currency risk, translated into Philippine pesos at the closing rate, are as follows:

	2023	2022
Financial assets	**P 336,571,093**	P 517,705,453
Financial liabilities	**(1,308,929,501)**	(879,615,739)
	(P 972,358,408)	(P 361,910,286)

The table below illustrates the sensitivity of the Group's consolidated profit before tax with respect to changes in Philippine pesos against U.S. dollar exchange rates. The percentage changes in rates have been determined based on the average market volatility in exchange rates, using standard deviation, in the previous 12 months at a 68% confidence level.

	Reasonably possible change in rate	Effect in consolidated profit before tax	Effect in consolidated equity
2023	**5.31%**	**(P 51,632,231)**	**(P 38,724,174)**
2022	5.28%	(P 19,108,863)	(P 14,331,647)

Euro foreign currency-denominated financial assets and financial liabilities with exposure to foreign currency risk, translated into Philippine pesos at the closing rate, are as follows:

	2023	2022
Financial assets	**P 189,755,054**	P 113,197,624
Financial liabilities	**(20,118,411,790)**	(20,678,870,136)
	(P 19,928,656,736)	(P 20,565,672,512)

The table below illustrates the sensitivity of the Group's consolidated profit before tax with respect to changes in Philippine pesos against Euro exchange rates. The percentage changes in rates have been determined based on the average market volatility in exchange rates, using standard deviation, in the previous 12 months at a 68% confidence level.

	Reasonably possible change in rate	Effect in consolidated profit before tax	Effect in consolidated equity
2023	**9.05%**	**(P 1,803,543,435)**	**(P 1,352,657,576)**
2022	13.51%	(P 2,778,422,356)	(P 2,083,816,767)

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's foreign currency risk.

(b) Interest Rate Risk

As at December 31, 2023 and 2022, the Group is exposed to changes in market rates through its cash in banks and short-term placements, which are generally subject to 30-day repricing intervals (see Note 5). Due to the short duration of short-term placements, management believes that interest rate sensitivity and its effect on the net results and equity are not significant. The Group's interest-bearing loans are subject to fixed interest rates and are therefore not subject to interest rate risk, except for certain loans that are based on EURIBOR and SONIA (see Note 14). EURIBOR was at a negative rate or a zero rate for several years and it has entered positive territory towards the second quarter of 2022 due to inflation. The sensitivity of the Group's profit before tax on its loans arising from EURIBOR is analyzed based on a reasonably possible change in interest rates of +/-0.94% in 2023 and +/-4.48% in 2022. These changes in rates have been determined based on the average market volatility in interest rates, using standard deviation, in the previous 12 months, estimated at 68% level of confidence.

The sensitivity analysis is based on the Group's financial instruments held at each reporting date, with effect estimated from the beginning of the year. All other variables held constant, if EURIBOR increased by 0.94% and 4.48% in 2023 and 2022, profit before tax would have decreased by P174.7 million and P856.5 million, respectively. Conversely, if the interest rates decreased by the same percentages, profit before tax in 2023 and 2022 would have been higher by the same amounts.

The sensitivity of the Group's profit before tax on its loans arising from SONIA is analyzed based on a reasonably possible change in interest rates of +/-2.14% in 2023 and +/-3.31% in 2022. These changes in rates have been determined based on the average market volatility in interest rates, using standard deviation, in the previous 12 months, estimated at 68% level of confidence. The sensitivity analysis is based on the Group's financial instruments held at each reporting date, with effect estimated from the beginning of the year. All other variables held constant, if SONIA increased by 2.14% and 3.31% in 2023 and 2022, profit before tax would have decreased by P126.1 million and P91.0 million, respectively. Conversely, if the interest rates decreased by the same percentages, profit before tax in 2023 and 2022 would have been higher by the same amounts.

(c) Other Price Risk

The Group was exposed to other price risk in respect of its financial instruments at FVTPL, which pertain to marketable equity securities and derivative instruments arising from foreign exchange margins trading spot and forward contracts. These financial instruments will continue to be measured at fair value based on quoted market prices and the index reference provided by certain foreign financial institution and through reference to quoted bid prices, respectively.

For equity securities listed in the Philippines, an average volatility of 30% and 46% has been observed in 2023 and 2022, respectively. If quoted price for these securities increased or decreased by that amount, profit before tax and equity would have changed by P106.7 million and P80.0 million, respectively, in 2023, and P192.5 million and P144.4 million, respectively, in 2022.

The Group believes that the change in foreign exchange rate related to foreign exchange margins trading spot rate and forward contracts will not materially affect the consolidated financial statements. The Group has recognized fair value losses in 2023, 2022 and 2021 (see Note 7).

27.2 Credit Risk

Credit risk is the risk that a counterparty may fail to discharge an obligation to the Group. The Group is exposed to this risk for various financial instruments arising from granting advances and selling goods to customers including related parties and placing deposits with banks.

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. The Group's policy is to deal only with creditworthy counterparties.

In general, the Group's financial assets are not covered with any collateral or credit enhancement. Accordingly, the Group manages credit risk by setting limits on the amount of risk in relation to a particular customer including requiring payment of any outstanding receivable before a new credit is extended. Such risk is monitored on a regular basis and subject to an annual or more frequent review. Approval for credit limits are secured from the credit manager.

Generally, the maximum credit risk exposure of financial assets is the total carrying amount of the financial assets as shown in the consolidated statements of financial position or in the detailed analysis provided in the notes to the consolidated financial statements, as presented below.

	Notes	2023	2022
Cash and cash equivalents	5	**P 10,513,125,613**	P 12,738,118,244
Trade and other receivables – net	6	**13,894,238,132**	15,444,776,097
Refundable security deposits	11.1, 11.2	**56,919,073**	41,609,291
		P 24,464,282,818	P 28,224,503,632

The Group's management considers that all the above financial assets that are not impaired as at the end of reporting period under review are of good credit quality.

(a) Cash and Cash Equivalents

The credit risk for cash and cash equivalents is considered negligible since the counterparties are reputable banks with high quality external credit ratings. Cash and cash equivalents include cash in banks and short-term placements in the Philippines which are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P0.5 million for every depositor per banking institution.

(b) Trade and Other Receivables, Property Mortgage Receivable, and Refundable Security Deposits

The Group applies the simplified approach in measuring ECL, which uses a lifetime expected loss allowance for all trade receivables and other receivables.

To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics and the days past due (age buckets).

The expected loss rates for trade receivables are based on the payment profiles of sales over a period of 36 months before December 31, 2023 and 2022, and the corresponding historical credit losses experienced within such period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the Gross Domestic Product and inflation rates to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

On that basis, the loss allowance as at December 31 was determined based on months past due, as follows for trade receivables:

	1-30 Days	31-90 Days	Over 90 Days	Total
December 31, 2023				
Expected loss rate	**0%**	**0%**	**100%**	
Gross carrying amount	**P 10,985,197,790**	**P 2,762,196,028**	**P 297,589,023**	**P 14,044,982,841**
Loss allowance	**-**	**-**	**297,589,023**	**297,589,023**
December 31, 2022				
Expected loss rate	0%	0%	100%	
Gross carrying amount	P10,522,719,262	P 4,829,677,630	P 180,655,094	P 15,533,051,986
Loss allowance	-	-	180,655,094	180,655,094
December 31, 2021				
Expected loss rate	0%	0%	100%	
Gross carrying amount	P 9,194,359,031	P 4,543,835,632	P 192,652,354	P 13,930,847,017
Loss allowance	-	-	192,652,354	192,652,354

In general, the Group's financial assets are not covered with any collateral or credit enhancement. Accordingly, the Group manages credit risk by setting limits on the amount of risk in relation to a particular customer including requiring payment of any outstanding receivable before a new credit is extended. Such risk is monitored on a regular basis and subject to an annual or more frequent review. Approval for credit limits are secured from the credit manager.

For the advances to the ultimate parent company and refundable security deposits, the lifetime ECL rate is assessed at 0%, as there were no historical credit loss experience from the counterparties. The counterparties have low credit risk and strong financial position and sufficient liquidity to settle its obligations to the Group once they become due. With respect to property mortgage receivable, management assessed that these financial assets have low probability of default since the Parent Company is also a lessee over the same property and can apply such receivable against future lease payments.

The Group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery of the financial asset. Indicators that there is no reasonable expectation of recovery include the cessation of enforcement activity and where the value of any assets that the Group may get from the customers is less than the outstanding contractual amounts of the financial assets to be written-off. There are no write-offs made in 2023 and 2022.

27.3 Liquidity Risk

The Group manages its liquidity needs by carefully monitoring cash outflows due in day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 60-day projection. Long-term liquidity needs for a six-month and one-year period are identified monthly.

The contractual maturities of Trade and Other Payables (except for output VAT payable, and withholding tax payables and advances from suppliers under Others) and Interest-bearing Loans reflect the gross cash flows, which approximate the carrying values of the liabilities at the end of each reporting period.

The maturity profile of the Group's financial liabilities as at December 31, 2023 based on contractual undiscounted payments is as follows:

	Current		Non-current	
	Within 6 Months	**6 to 12 Months**	**1 to 5 Years**	**More Than 5 Years**
Interest-bearing loans	P 879,286,839	P 6,758,442,049	P19,398,813,573	P -
Trade and other payables	18,607,154,079	-	-	-
Lease liabilities	88,665,612	88,665,612	444,568,820	78,260,000
	P19,575,106,530	**P 6,847,107,661**	**P19,843,382,393**	**P 78,260,000**

This compares to the maturity profile of the Group's financial liabilities as of December 31, 2022 as follows:

	Current		Non-current	
	Within 6 Months	6 to 12 Months	1 to 5 Years	More Than 5 Years
Interest-bearing loans	P 482,653,749	P 3,617,557,011	P20,159,679,800	P -
Trade and other payables	21,932,783,788	-	-	-
Lease liabilities	116,151,340	116,151,340	390,610,643	28,298,162
	P22,531,588,877	P 3,733,708,351	P20,550,290,443	P 28,298,162

The Group maintains cash to meet its liquidity requirements for up to seven-day periods. Excess cash funds are invested in short-term placements.

28. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

28.1 Carrying Values and Fair Values of Financial Assets and Financial Liabilities

The carrying values and fair values of the categories of financial assets and financial liabilities presented in the consolidated statements of financial position are shown below .

		2023		2022	
	Notes	**Carrying Values**	**Fair Values**	Carrying Values	Fair Values
Financial Assets:					
Financial assets at amortized cost:					
Cash and cash equivalents	5	**P 10,513,125,613**	**P 10,513,125,613**	P 12,738,118,244	P 12,738,118,244
Trade and other receivables – net	6	**13,894,238,132**	**13,894,238,132**	15,444,776,097	15,444,776,097
Refundable security deposits	11.1, 11.2	**56,919,073**	**56,919,073**	41,609,291	41,609,291
		P 24,464,282,818	**P 24,464,282,818**	P 28,224,503,632	P 28,224,503,632
Financial assets at FVTPL	7	**P 355,505,670**	**P 355,505,670**	P 277,586,460	P 277,586,460

		2023		2022	
	Notes	**Carrying Values**	**Fair Values**	Carrying Values	Fair Values
Financial Liabilities:					
Financial liabilities at amortized cost:					
Interest-bearing loans	14	**P 25,967,304,105**	**P 25,077,688,573**	P 23,801,187,435	P 23,250,580,296
Trade and other payables	16	**18,607,154,079**	**18,607,154,079**	21,932,783,788	21,932,783,788
Lease liabilities	9.3	**611,202,053**	**611,202,053**	594,378,028	594,378,028
		P45,185,660,237	**P 44,296,044,705**	P 46,328,349,251	P 45,777,742,112

See Note 2.5 for a description of the accounting policies for each category of financial instruments including the determination of fair values. A description of the Group's risk management objectives and policies for financial instruments is provided in Note 27.

28.2 Offsetting of Financial Assets and Financial Liabilities

Currently, the Group's financial assets and financial liabilities are settled on a gross basis because there is no relevant offsetting arrangement on them as of December 31, 2023 and 2022. In subsequent reporting periods, each party to the financial instruments (particularly those involving related parties) may decide to enter into an offsetting arrangement in the event of default of the other party.

29. FAIR VALUE MEASUREMENT AND DISCLOSURES

29.1 Fair Value Hierarchy

In accordance with PFRS 13, *Fair Value Measurement*, the fair value of financial assets and financial liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value.

The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

29.2 Financial Instruments Measured at Fair Value

The Group's financial instruments measured at fair value pertain to the Group's marketable equity securities and derivative instruments (see Note 7). These were presented as financial assets at FVTPL amounting to P355.5 million and P277.6 million as of December 31, 2023 and 2022, respectively.

Marketable equity securities classified as financial assets at FVTPL are included in Level 1 as their prices are derived from quoted prices in the active market that the entity can access at the measurement date.

The derivative instruments, which comprise of foreign exchange spots and forward contracts, are included in Level 2. The fair values of derivative financial instruments that are not quoted in an active market are determined through valuation techniques using the net present value computation.

29.3 Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed

The table below summarizes the fair value hierarchy of the Group's financial assets and financial liabilities which are not measured at fair value in the consolidated statements of financial position but for which fair value is disclosed.

	2023			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets:				
Cash and cash equivalents	P 10,513,125,613	P -	P -	P 10,513,125,613
Trade and other receivables	-	-	13,894,238,132	13,894,238,132
Refundable security deposits	-	-	56,919,073	56,919,073
	P 10,513,125,613	**P -**	**P 13,951,157,205**	**P 24,464,282,818**
Financial liabilities:				
Interest-bearing loans	P -	P -	P 25,077,688,573	P 25,077,688,573
Trade and other payables	-	-	18,607,154,079	18,607,154,079
Lease liabilities	-	-	611,202,053	611,202,053
	P -	**P -**	**P44,296,044,705**	**P 44,296,044,705**

	2022			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Cash and cash equivalents	P 12,738,118,244	P -	P -	P 12,738,118,244
Trade and other receivables	-	-	15,444,776,097	15,444,776,097
Refundable security deposits	-	-	41,609,291	41,609,291
	P 12,738,118,244	P -	P 15,486,385,388	P 28,224,503,632
Financial liabilities:				
Interest-bearing loans	P -	P -	P 23,250,580,296	P 23,250,580,296
Trade and other payables	-	-	21,932,783,788	21,932,783,788
Lease liabilities	-	-	594,378,028	594,378,028
	P -	P -	P 45,777,742,112	P 45,777,742,112

For financial assets with fair values included in Level 1, management considers that the carrying amounts of those short-term financial instruments approximate their fair values.

30. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to stockholders by pricing products and services commensurately with the level of risk.

The Group monitors capital on the basis of the carrying amount of equity as presented in the face of the consolidated statements of financial position. Capital at the end of each reporting period is summarized as follows:

	2023	2022
Total liabilities	**P 53,301,326,277**	P 52,621,701,045
Total equity	**95,407,892,294**	88,589,423,116
Liabilities-to-equity ratio	**0.56 : 1.00**	0.59 : 1.00

The Group sets the amount of capital in proportion to its overall financing structure, i.e., equity and liabilities. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to stockholders, issue new shares or sell assets to reduce debt.

31. SUPPLEMENTAL INFORMATION ON CASH FLOWS

31.1 Reconciliation of Liabilities from Financing Activities

The Group presents below and in the succeeding page the reconciliation of the Group's liabilities arising from financing activities, which includes both cash and non-cash changes.

	Accrued Interest Payable (see Notes 14 and 16)	**Interest-bearing Loans** (see Note 14)	**Lease Liabilities** (see Note 9.3)	**Total**
Balance as of January 1, 2023	P 22,041,965	P 23,801,187,435	P 594,378,028	P 24,417,607,428
Cash flows from financing activities:				
Proceeds from additional loans obtained	-	24,454,462,162	-	24,454,462,162
Repayment of loans	-	(23,111,368,380)	-	(23,111,368,380)
Repayment of lease liabilities	-	-	(216,495,315)	(216,495,315)
Payment of interest expense	(1,383,699,509)	-	(43,093,393)	(1,426,792,902)
Non-cash financing activities:				
Translation adjustment	-	823,022,888	(26,269,368)	796,753,520
Additions to lease liabilities in exchange for increased right-of-use assets	-	-	259,588,708	259,588,708
Interest amortization on lease liabilities	-	-	43,093,393	43,093,393
Accrual of interest	1,456,109,879	-	-	1,456,109,879
Balance as of December 31, 2023	**P 94,452,335**	**P 25,967,304,105**	**P 611,202,053**	**P 26,672,958,493**

	Accrued Interest Payable (see Notes 14 and 16)	Interest-bearing Loans (see Note 14)	Lease Liabilities (see Note 9.3)	Total
Balance as of January 1, 2022	P 42,924,364	P 24,841,430,646	P 1,092,950,054	P 25,977,305,064
Cash flows from financing activities:				
Repayment of loans	-	(2,866,909,770)	-	(2,866,909,770)
Proceeds from additional loans obtained	-	1,846,932,636	-	1,846,932,636
Repayment of lease liabilities	-	-	(100,605,609)	(100,605,609)
Payment of interest expense	(437,013,951)	-	(47,792,003)	(484,805,954)
Non-cash financing activities:				
Translation adjustment	-	(20,266,077)	358,789,223	338,523,146
Additions to lease liabilities in exchange for increased right-of-use assets	-	-	28,644,356	28,644,356
Interest amortization on lease liabilities	-	-	47,792,003	47,792,003
Termination of lease	-	-	(785,399,996)	(785,399,996)
Accrual of interest	416,131,552	-	-	416,131,552
Balance as of December 31, 2022	P 22,041,965	P 23,801,187,435	P 594,378,028	P 24,417,607,428

	Equity-linked Debt Securities (see Note 15)	Interest Payable (see Notes 14, 15 and 16)	Interest-bearing Loans (see Note 14)	Lease Liabilities (see Note 9.2)	Total
Balance as of January 1, 2021	P 3,443,750,000	P 72,855,493	P 30,380,344,605	P 1,462,894,265	P 35,359,844,363
Cash flows from financing activities:					
Repayment of loans	-	-	(6,732,937,709)	-	(6,732,937,709)
Proceeds from additional loans obtained	-	-	1,194,023,750	-	1,194,023,750
Repayment of lease liabilities	-	-	-	(601,235,467)	(601,235,467)
Payment of interest expense	-	(765,121,926)	-	(81,073,626)	(846,195,552)
Non-cash financing activities:					
Transfer to equity component	(3,443,750,000)	-	-	-	(3,443,750,000)
Additions to lease liabilities in exchange for increased right-of-use assets	-	-	-	141,568,711	141,568,711
Lease modification	-	-	-	92,397,741	92,397,741
Interest amortization on lease liabilities	-	-	-	81,073,626	81,073,626
Termination of lease	-	-	-	(2,675,196)	(2,675,196)
Accrual of interest	-	735,190,797	-	-	735,190,797
Balance as of December 31, 2021	P -	P 42,924,364	P 24,841,430,646	P 1,092,950,054	P 25,977,305,064

31.2 Supplemental Information on Non-cash Activities

The following discusses the supplemental information on non-cash investing and financing activities as presented in the consolidated statements of cash flows for the years ended December 31, 2023, 2022 and 2021:

- In 2023, the scheduled sale of Non-current assets classified as held for sale did not materialize due to change in business plans in the use of the assets. Consequently, the related assets amounting to P994.9 million are reclassified back as part of Property, Plant and Equipment, and adjusted for the amount of depreciation expense that would have been recognized had the asset not been classified as held for sale (see Notes 9.1 and 13).

- Share option benefits expense amounting to P58.5 million in 2023, P76.4 million in 2022 and P44.9 million in 2021 was recognized with corresponding credits to Share Options account (see Notes 21.2 and 24.4).

- In 2023, 2022 and 2021, the Group recognized additional ROUA and lease liabilities amounting to P259.6 million, P28.6 million and P141.6 million, respectively.
In addition, the Group and its lessors have agreed for certain lease modifications pertaining to leased plant and warehouses, which were not accounted for as a separate lease. Accordingly, the modification resulted in the remeasurement of both lease liabilities and right of-use assets amounting to P92.4 million in 2021. There were no similar transactions in 2023 and 2022 (see Note 9.2).

- In 2022, property mortgage receivable was reversed upon acquisition of the subject property, which was reclassified as part of Buildings and improvements under Property, Plant and Equipment (see Notes 9.1 and 11.2). The related ROUA and lease liabilities were also terminated (see Notes 9.2 and 31.1).

- In 2021, certain advances to suppliers amounting to P602.0 million were reclassified as Land acquisition (see Notes 9.1 and 23.10).

- In 2021, Tranche 2 of the ELS amounting to P3,443.8 million was transferred to Deposit on Future Stock Subscription – Equity-linked Securities for future issuance of shares (see Notes 15 and 24).

32. EVENT OCCURING AFTER THE END OF REPORTING PERIOD

On April 1, 2024, the Parent Company's BOD approved the declaration of cash dividends of P0.24 per share out of the available retained earnings of the Parent Company as of March 31, 2024, payable on May 24, 2024 to stockholders of record as of May 2, 2024.

Report of Independent Auditors to Accompany Supplementary Information Required by the Securities and Exchange Commission Filed Separately from the Basic Consolidated Financial Statements

Punongbayan & Araullo
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6766 Ayala Avenue
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The Board of Directors and Stockholders
Emperador Inc. and Subsidiaries
(A Subsidiary of Alliance Global Group, Inc.)
7th Floor, 1880 Eastwood Avenue
Eastwood City CyberPark
188 E. Rodriguez, Jr. Avenue
Bagumbayan, Quezon City

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of Emperador Inc. and Subsidiaries (the Group) for the year ended December 31, 2023, on which we have rendered our report dated April 23, 2024. Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The applicable supplementary information (see List of Supplementary Information) are presented for purposes of additional analysis in compliance with the requirements of the Revised Securities Regulation Code Rule 68, and are not a required part of the basic consolidated financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information are the responsibility of the Group's management. The supplementary information have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

PUNONGBAYAN & ARAULLO

By: **Ramilito L. Nañola**
Partner

CPA Reg. No. 0090741
TIN 109-228-427
PTR No. 10076148, January 3, 2024, Makati City
SEC Group A Accreditation
Partner - No. 90741-SEC (until financial period 2025)
Firm - No. 0002 (until financial period 2024)
BIR AN 08-002511-019-2023 (until Dec. 10, 2026)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

April 23, 2024

EMPERADOR INC. AND SUBSIDIARIES
(A Subsidiary of Alliance Global Group, Inc.)
List of Supplementary Information
December 31, 2023

EMPERADOR INC. AND SUBSIDIARIES
SEC Released Revised SRC Rule 68
Annex 68-J
Schedule A - Financial Assets
December 31, 2023
(Amounts in Philippine Pesos)

Name of Issuing Entity and Association of Each Issue	Number of Shares or Principal Amount	Amount Shown in the Consolidated Statement of Financial Position	Value Based on Market Quotation at Statement of Condition Date	Income Received and Accrued
FINANCIAL ASSETS AT AMORTIZED COST				
Cash and cash equivalents		P 10,513,125,613	P 10,513,125,613	P 400,254,627
Trade and other receivables - net		13,894,238,132	13,894,238,132	-
Refundable security deposits		56,919,073	56,919,073	-
TOTAL		**P 24,464,282,818**	**P 24,464,282,818**	**P 400,254,627**
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS				
Marketable equity securities classified as held for trading		P 355,505,670	P 355,505,670	P -
TOTAL		**P 355,505,670**	**P 355,505,670**	**P -**
GRAND TOTAL		**P 24,819,788,488**	**P 24,819,788,488**	**P 400,254,627**

EMPERADOR INC. AND SUBSIDIARIES

SEC Released Revised SRC Rule 68

Annex 68-J

Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)

December 31, 2023

(Amounts in Philippine Pesos)

Name and designation of debtor	Balance at beginning of period	Additions	Deductions		Ending Balance		Balance at end of period
			Amounts paid (collected)	Amounts written off	Current	Non-current	
Advances to Officers and Employees							
(under the "Trade and Other Receivables" account)	P 682,693,841	P 1,126,387,308	(P 1,449,490,013)	P -	P 359,591,136	P -	P 359,591,136

EMPERADOR INC. AND SUBSIDIARIES
SEC Released Revised SRC Rule 68
Annex 68-J
Schedule C - Amounts of Receivable/Payable from/to Related Parties which are Eliminated During the Consolidation of Financial Statements
December 31, 2023
(Amounts in Philippine Pesos)

TERMS & CONDITIONS:
All receivables/payables are unsecured, noninterest-bearing, collectible/payable on demand, unimpaired and generally settled in cash.

Name and designation of debtor	Affected accounts	Balance at beginning of year	Additions	Deductions		Ending balance		Balance at the end of the period
				Amounts collected	Amounts written off	Current	Non current	
Emperador Distillers, Inc.	Trade and other payables	P 2,272,427,800	P 885,165,511	(P 2,272,427,800)	P -	P 885,165,511	P -	P 885,165,511
Emperador International, Ltd.	Trade and other receivables	2,272,427,800	885,165,511	(2,272,427,800)	-	885,165,511	-	885,165,511
Emperador Distillers, Inc.	Trade and other payables	71,971,735	110,682,530	(71,971,735)	-	110,682,530	-	110,682,530
Whyte and Mackay Group Limited	Trade and other receivables	71,971,735	110,682,530	(71,971,735)	-	110,682,530	-	110,682,530
Emperador Distillers, Inc.	Trade and other payables	725,667,348	1,219,381,645	(725,667,348)	-	1,219,381,645	-	1,219,381,645
Bodegas Fundador S.L.U.	Trade and other receivables	725,667,348	1,219,381,645	(725,667,348)	-	1,219,381,645	-	1,219,381,645
Emperador Distillers, Inc.	Trade and other payables	477,578,651	-	(68,391,755)	-	409,186,896	-	409,186,896
Anglo Watsons Glass, Inc.	Trade and other receivables	477,578,651	-	(68,391,755)	-	409,186,896	-	409,186,896
Alcazar De Bana Holdings Company, Inc.	Trade and other payables	8,230,346,900	9,440,728,077	(8,230,346,900)	-	9,440,728,077	-	9,440,728,077
Emperador Distillers, Inc.	Trade and other receivables	8,230,346,900	9,440,728,077	(8,230,346,900)	-	9,440,728,077	-	9,440,728,077
Emperador Distillers, Inc.	Trade and other payables	204,324,801	260,577,953	(204,324,801)	-	260,577,953	-	260,577,953
Tradewind Estates, Inc.	Trade and other receivables	204,324,801	260,577,953	(204,324,801)	-	260,577,953	-	260,577,953
Emperador Distillers, Inc.	Trade and other payables	8,689,983,210	-	(5,558,434,733)	-	3,131,548,477	-	3,131,548,477
Alcazar De Bana Holdings Company, Inc.	Trade and other receivables	8,689,983,210	-	(5,558,434,733)	-	3,131,548,477	-	3,131,548,477
Emperador Distillers, Inc.	Trade and other receivables	13,843,745	129,220,057	(13,843,745)	-	129,220,057	-	129,220,057
Boozylife, Inc.	Trade and other payables	6,999,073	3,294,323	(6,999,073)	-	3,294,323	-	3,294,323
Progreen Agricorp, Inc.	Trade and other payables	4,043,069	3,422,136	(4,043,069)	-	3,422,136	-	3,422,136
Anglo Watsons Glass, Inc.	Trade and other payables	2,928	20,638	(2,928)	-	20,638	-	20,638
The World's Finest Liquor	Trade and other payables	2,798,675	122,482,960	(2,798,675)	-	122,482,960	-	122,482,960
Emperador Distillers, Inc.	Subscription payable	1,875,000	-	-	-	1,875,000	-	1,875,000
The Bar Beverage, Inc.	Subscription receivable	1,875,000	-	-	-	1,875,000	-	1,875,000
Emperador Distillers, Inc.	Subscription payable	1,875,000	-	-	-	1,875,000	-	1,875,000
Cocos Vodka Distillers Philippines, Inc.	Subscription receivable	1,875,000	-	-	-	1,875,000	-	1,875,000
Emperador Distillers, Inc.	Subscription payable	1,875,000	-	-	-	1,875,000	-	1,875,000
Zabana Rum Company, Inc.	Subscription receivable	1,875,000	-	-	-	1,875,000	-	1,875,000
Emperador Distillers, Inc.	Subscription payable	25,270	-	-	-	25,270	-	25,270
Alcazar De Bana Holdings, Inc.	Subscription receivable	25,270	-	-	-	25,270	-	25,270
Emperador Inc.	Trade and other payables	1,269,041,090	13,844,085	-	-	1,282,885,175	-	1,282,885,175
Emperador International, Ltd.	Trade and other receivables	1,269,041,090	13,844,085	-	-	1,282,885,175	-	1,282,885,175
Whyte and Mackay Group Limited	Trade and other payables	98,833,392	101,493,660	(98,833,392)	-	101,493,660	-	101,493,660
Bodegas Fundador S.L.U.	Trade and other receivables	98,833,392	101,493,660	(98,833,392)	-	101,493,660	-	101,493,660
Bodegas Fundador S.L.U.	Trade and other payables	3,918,763	25,319,070	(3,918,763)	-	25,319,070	-	25,319,070
Whyte and Mackay Group Limited	Trade and other receivables	3,918,763	25,319,070	(3,918,763)	-	25,319,070	-	25,319,070
Emperador Distillers, Inc.	Trade and other payables	300,000,000	-	(300,000,000)	-	-	-	-
Emperador Inc.	Trade and other receivables	300,000,000	-	(300,000,000)	-	-	-	-
Emperador Distillers, Inc.	Trade and other payables	-	1,906,861	-	-	1,906,861	-	1,906,861
Boozylife, Inc.	Trade and other receivables	-	1,906,861	-	-	1,906,861	-	1,906,861

EMPERADOR INC. AND SUBSIDIARIES

SEC Released Revised SRC Rule 68

Annex 68-J

Schedule D - Long-term Debt

December 31, 2023

(Amounts in Philippine Pesos)

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption"Current portion of long-term debt" in related balance sheet	Amount shown under caption"Long-Term Debt" in related balance sheet
Interest-bearing loans	P 25,967,304,105	P 6,781,720,685	P 19,185,583,420

EMPERADOR INC. AND SUBSIDIARIES
SEC Released Revised SRC Rule 68
Annex 68-J
Schedule G - Capital Stock
December 31, 2023

Title of Issue	Number of shares authorized	Number of shares issued and outstanding as shown under the related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by		
				Related parties	Directors, officers and employees	Others
Capital stock - P1 par value	20,000,000,000	15,736,471,238	657,000,000	12,573,440,500	8	3,163,030,730

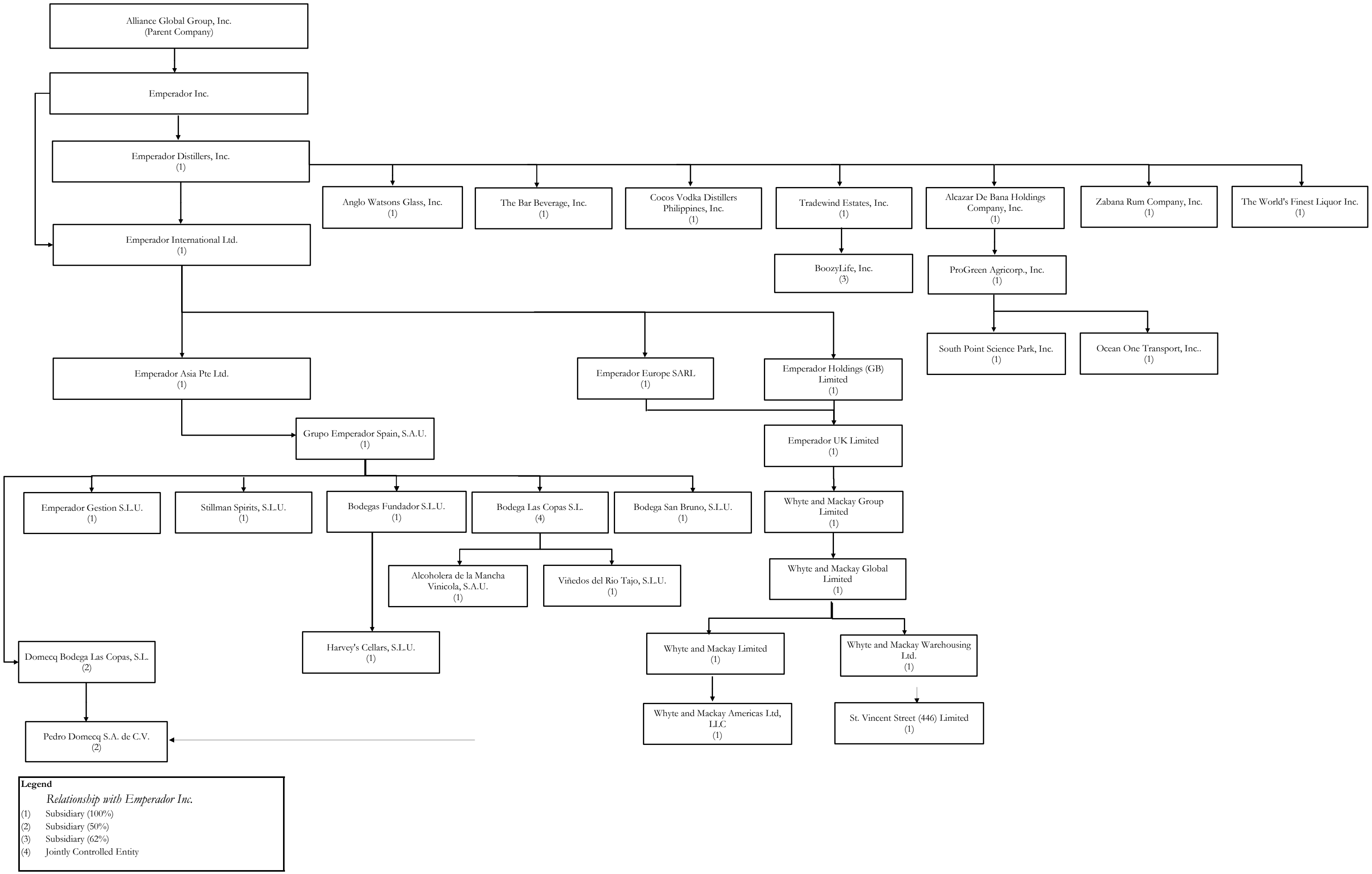
EMPERADOR INC.

7th Floor, 1880 Eastwood Avenue, Eastwood City CyberPark
188 E. Rodriguez, Jr. Avenue, Bagumbayan, Quezon City

Schedule H - Reconciliation of Retained Earnings Available for Dividend Declaration
For the Year Ended December 31, 2023

Unappropriated Retained Earnings, beginning of reporting period	P	4,719,576,741
Less: Item that is directly debited to Unappropriated Retained Earnings		
Dividend declaration during the reporting period	(	4,701,326,659)
Unappropriated Retained Earnings, as adjusted		18,250,082
Add: Net Income for the current year		70,856,510
Total Retained Earnings, end of the reporting period available for dividend	**P**	**89,106,592**

EMPERADOR INC. AND SUBSIDIARIES
Map Showing the Relationship Between Emperador Inc.
and its Related Parties
December 31, 2023



EMPERADOR INC. AND SUBSIDIARIES
SCHEDULE J - AGING SCHEDULE OF TRADE AND OTHER RECEIVABLES
DECEMBER 31, 2023
(Amounts in Thousand Philippine Pesos)

Trade Receivables		
Current	P	10,985,198
1 to 30 days		2,508,495
31 to 60 days		219,979
Over 60 days		33,721
Total		13,747,393
Other receivables		5,350,288
Balance at December 31, 2023	**P**	**19,097,681**

P&A Grant Thornton

Report of Independent Auditors on Components of Financial Soundness Indicators

Punongbayan & Araullo
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The Enterprise Center
6766 Ayala Avenue
1200 Makati City
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The Board of Directors and Stockholders
Emperador Inc. and Subsidiaries
(A Subsidiary of Alliance Global Group, Inc.)
7th Floor, 1880 Eastwood Avenue
Eastwood City CyberPark
188 E. Rodriguez, Jr. Avenue
Bagumbayan, Quezon City

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of Emperador Inc. and Subsidiaries ("the Group") as of and for the years ended December 31, 2023 and 2022, on which we have rendered our report dated April 23, 2024. Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purposes of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as of and for the years ended December 31, 2023 and 2022 and no material exceptions were noted.

PUNONGBAYAN & ARAULLO

By: Romualdo V. Murcia III

By: Ramilito L. Nañola
Partner

CPA Reg. No. 0090741
TIN 109-228-427
PTR No. 10076148, January 3, 2024, Makati City
SEC Group A Accreditation
Partner - No. 90741-SEC (until financial period 2025)
Firm - No. 0002 (until financial period 2024)
BIR AN 08-002511-019-2023 (until Dec. 10, 2026)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

April 23, 2024

EMPERADOR INC. AND SUBSIDIARIES
(A Subsidiary of Alliance Global Group, Inc.)
Supplemental Schedule of Financial Soundness Indicators
December 31, 2023 and 2022

Ratio	Formula	2023	Formula	2022
Current ratio	Total Current Assets divided by Total Current Liabilities Total Current Assets 79,458,754,620 Divide by: Total Current Liabilities 29,231,751,052 Current ratio 2.72	2.72	Total Current Assets divided by Total Current Liabilities Total Current Assets 78,355,582,803 Divide by: Total Current Liabilities 28,350,051,524 Current ratio 2.76	2.76
Acid test ratio	Quick assets (Total Current Assets less Inventories and Other Current Assets) divided by Total Current Liabilities Total Current Assets 79,458,754,620 Less: Inventories 46,393,208,336 Other Current Assets 3,099,233,593 Quick Assets 29,966,312,691 Divide by: Total Current Liabilities 29,231,751,052 Acid test ratio 1.03	1.03	Quick assets (Total Current Assets less Inventories and Other Current Assets) divided by Total Current Liabilities Total Current Assets 78,355,582,803 Less: Inventories 39,294,569,874 Other Current Assets 2,884,982,211 Quick Assets 36,176,030,718 Divide by: Total Current Liabilities 28,350,051,524 Acid test ratio 1.28	1.28
Solvency ratio	Earnings before interest, taxes, depreciation and amortization ("EBITDA") divided by Total Debt EBITDA 13,768,086,058 Divide by: Total Debt 25,967,304,105 Solvency ratio 0.53	0.53	Earnings before interest, taxes, depreciation and amortization ("EBITDA") divided by Total Debt EBITDA 13,806,817,562 Divide by: Total Debt 23,801,187,435 Solvency ratio 0.58	0.58
Debt-to-equity ratio	Total Debt divided by Total Equity Total Debt 25,967,304,105 Divide by: Total Equity 95,407,892,294 Debt-to-equity ratio 0.27	0.27	Total Debt divided by Total Equity Total Debt 23,801,187,435 Divide by: Total Equity 88,589,423,116 Debt-to-equity ratio 0.27	0.27
Assets-to-equity ratio	Total Assets divided by Total Equity Total Assets 148,709,218,571 Divide by: Total Equity 95,407,892,294 Assets-to-equity ratio 1.56	1.56	Total Assets divided by Total Equity Total Assets 141,211,124,161 Divide by: Total Equity 88,589,423,116 Assets-to-equity ratio 1.59	1.59
Interest rate coverage ratio	Earnings before interest and taxes ("EBIT") divided by Interest expense EBIT 12,313,621,787 Divide by: Interest expense 1,372,370,985 Interest rate coverage ratio 8.97	8.97	Earnings before interest and taxes ("EBIT") divided by Interest expense EBIT 12,320,607,683 Divide by: Interest expense 610,430,573 Interest rate coverage ratio 20.18	20.18
Liabilities-to-equity ratio	Total Liabilities divided by Total Equity Total Liabilities 53,301,326,277 Divide by: Total Equity 95,407,892,294 Liabilities-to-equity ratio 0.56	0.56	Total Liabilities divided by Total Equity Total Liabilities 52,621,701,045 Divide by: Total Equity 88,589,423,116 Liabilities-to-equity ratio 0.59	0.59
Return on equity	Net Profit divided by Total Equity Net Profit 8,943,877,201 Divide by: Total Equity 95,407,892,294 Return on equity 0.09	0.09	Net Profit divided by Total Equity Net Profit 10,211,723,231 Divide by: Total Equity 88,589,423,116 Return on equity 0.12	0.12

Ratio	Formula	2023	Formula	2022
Return on assets	Net Profit divided by Average Total Assets Net Profit 8,943,877,201 Divide by: Average total Assets 144,960,171,366 Return on assets 0.06	0.06	Net Profit divided by Average Total Assets Net Profit 10,211,723,231 Divide by: Average total Assets 134,863,750,491 Return on assets 0.08	0.08
Net profit margin	Net Profit divided by Total Revenue Net Profit 8,943,877,201 Divide by: Total Revenue 65,643,761,074 Net profit margin 0.14	0.14	Net Profit divided by Total Revenue Net Profit 10,211,723,231 Divide by: Total Revenue 62,767,070,369 Net profit margin 0.16	0.16

EMPERADOR INC.

2023 Sustainability Report

SEC Form 17-A Annex A

Annex A: Reporting Template

(For additional guidance on how to answer the Topics, organizations may refer to Annex B: Topic Guide)

Contextual Information

Company Details	
Name of Organization	Emperador Inc. (EMI)
Location of Headquarters	7th Floor, 1880 Eastwood Avenue, Eastwood City CyberPark, 188 E. Rodriguez Jr. Avenue, Bagumbayan, Quezon City
Location of Operations	EMI, EDI, AWGI, Progreen, and TWFLI ● The companies operate in the Philippines, but EDI exports its products in at least 61 countries, through 3rd party distributors. GES ● Most of the companies operate in Spain but Bodegas Fundador (BF) has several distribution, agency, importation and services contracts signed with both national and foreign companies whose scope applies in other territories such as the USA, Canada, etc. WMG ● Its wholly owned subsidiary, Whyte and Mackay Group Ltd. (WMG) distribute its products in over 100 countries, with all major facilities located in the United Kingdom (UK)
Report Boundary: Legal entities (e.g. subsidiaries) included in this report*	This Annex reports on the operations of the following subsidiaries: I. Emperador Distillers Inc. (EDI) A. Anglo Watsons Glass Inc. (AWGI) B. Progreen Agricorp Inc. (Progreen) C. The World's Finest Liquor, Inc. (TWFLI) D. BoozyLife, Inc. *(Employee data only)* II. Grupo Emperador Spain, S.A.U.(GES) A. Bodegas Fundador, S.L.U. (BF or Bodegas Fundador) B. Domecq Bodega Las Copas, S.L. (Pedro Domecq) III. Whyte and Mackay Group Limited (WMG)
Business Model, including Primary Activities, Brands, Products, and Services	EMI is a holding company primarily listed at the Philippine Stock Exchange, Inc. ("PSE") and secondarily listed at the Singapore Exchange Securities Trading Limited (the "SGX-ST"). EDI is the manufacturer and distributor of brandy and other alcoholic beverages. Brands under its portfolio include Emperador, The Bar, Andy Player, Zabana, Smirnoff Mule, and So Nice. EDI is also the distributor of Ernest & Julio Gallo wines and Pik-Nik in the Philippines. AWGI is a glass container manufacturer and Progreen is a manufacturer of bioethanol and extra-neutral alcohols. TWFLI is engaged in retailing EMI products. GES is engaged in the production, bottling, commercialization and distribution of wine, liqueur wines, brandies, and other alcoholic beverages. It is also engaged in acquisition of real estate and vineyards, and management of assets and property.

	Bodegas Fundador manufactures and distributes Brandy de Jerez, spirits, sherry, wine-based aperitifs, vermut, and ponche liquors. Its operations in Jerez de la Frontera include production, bottling, and distribution of wines, brandies and spirits, as well as cask aging and cultivation of vines. Its operations in Tomelloso includes distillation of wines as well as the concentration and rectification of grape musts for beverage production. Brands under the Bodegas Fundador portfolio include Fundador, Tres Cepas, Terry, Esplendido, Soto, and Harveys, among others. Pedro Domecq produces brandy and sherry from manufacturing facilities in Mexico owned by third parties. Its main brands are Presidente, Don Pedro, and Azteca de Oro. GES owns 50% of Pedro Domecq business. WMG produces and distributes whiskies and other spirits. Its brand portfolio includes single malt whiskies The Dalmore, Fettercairn, Jura, and Tamnavulin, and Whyte & Mackay Blended Whisky, among others.
Reporting Period	January 1 to December 31, 2023
Highest Ranking Person responsible for this report	Winston Sy Co Director, President, and CEO

**If you are a holding company, you could have an option whether to report on the holding company only or include the subsidiaries. However, please consider the principle of materiality when defining your report boundary.*

Materiality Process

Process in Determining Materiality
For 2023, Emperador Inc. conducted a materiality review to validate the economic, environmental, and social topics that are material to the group and its stakeholders. The group reassessed topics that were material in 2022 as well as Sustainability Accounting Standards Board (SASB) standards in the alcoholic beverage industry. Furthermore, the group also looked into trends and issues related to sustainability in the industry. To align with the GRI Standards, Emperador formulated a list of both positive and negative impacts to the economy, environment, and society related to each of the group's material topics. Positive and negative impacts also included both potential or actual impacts.

Material Topics		
Economic	**Environmental**	**Social**
● Economic Performance ● Market Presence ● Regulatory Compliance	● Energy Use and Efficiency ● Water and Wastewater Management ● Materials Management ● Responsible Ingredient Sourcing ● Waste Management ● GHG Emissions ● Supply Chain Environmental and Social Management	● Employee Health and Safety ● Data Privacy and Security ● Business Ethics and Integrity ● Customer Health and Safety ● Labor Rights ● Security Practices ● Employee Diversity, Training, and Development ● Labor-Management Relations ● Customer Satisfaction ● Employment and Benefits ● Responsible Drinking and Marketing ● Human Rights Assessment ● Community Impact

ECONOMIC

Economic Performance

Direct Economic Value Generated and Distributed

Disclosure	Amount 2023	Amount 2022	Units
Direct economic value generated (revenue)	65,643,761,074	62,767,070,369	PhP
Direct economic value distributed:			
a. Operating costs	41,161,266,997	39,702,200,408	PhP
b. Employee wages and benefits	4,552,727,174	3,763,949,026	PhP
c. Payments to suppliers, other operating costs	7,349,354,106	6,771,911,244	PhP
d. Dividends given to stockholders and interest payments to loan providers	6,073,697,644	610,430,573	PhP
e. Taxes given to government	2,058,281,560	1,624,642,622	PhP
f. Investments to community (e.g. donations, CSR)	2,427,600	13,180,069	PhP

Emperador's Management Approach for Economic Performance

Emperador puts great significance on economic performance because it is essential for business sustainability. Good economic performance allows business continuity, growth, and stability, and results in stronger relationships with stakeholders. In addition, having good economic performance makes a company more resilient to risks and system shocks.

To ensure consistent good economic performance, Emperador sets specific targets and conducts regular evaluations to track progress and identify areas for improvement. The company also measures and evaluates the economic and social impacts of its relationships with suppliers, owners, lenders, governments, employees, and local communities. The company reports on their economic performance annually, while quarterly reports are also made available.

Climate-related risks and opportunities

Climate change poses several potential risks that may affect Emperador's business. Potential physical risks include water scarcity, crop reliability, and cask availability. There are also potential regulatory risks on non-renewable materials and services using non-renewable energy. To manage these potential risks, Emperador puts great effort in understanding climate change impact and implementing solutions to mitigate the impacts. Investments related to addressing climate-related risks are already being undertaken either directly by the company or through third-party representatives. The company improves and implements energy efficiency initiatives and clean, renewable energy programs across all sites and operations with the aim of reducing greenhouse gas (GHG) footprint. The company also reviews the use of materials to maximize recycled content and recyclability. Conservation and usage efficiency programs are implemented to save and reuse resources like water to mitigate the risk of scarcity. These efforts play a part in building the resilience of the company and its operating sites to potential disruptions in the supply of electric power and raw materials.

Anti-corruption

[Training on Anti-corruption Policies and Procedures]

Disclosure	EMI 2023	EMI 2022
Percentage of employees to whom the organization's anti-corruption policies and procedures have been communicated to	100[a,b]	100[a]
Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicated to	N/A	100[a]
Percentage of directors and management that have received anti-corruption training	100[a,b]	100[b]
Percentage of employees that have received anti-corruption training	100[a,b]	100[b]

Note: Data for this table is from: [a]BF; [b]GES

[Incidents of Corruption]

Disclosure	EMI 2023	EMI 2022
Number of incidents in which directors were removed or disciplined for corruption	0	0
Number of incidents in which employees were dismissed or disciplined for corruption	0	0
Number of incidents when contracts with business partners were terminated due to incidents of corruption	0	0

Emperador's Management Approaches for Anti-corruption

Emperador upholds business ethics and integrity by strictly implementing company policies such as the Code of Business Conduct and Ethics, whistleblowing, and anti-bribery policies. A compliance officer is designated to monitor compliance regarding ethics and conduct.

EDI adheres to its Code of Business Conduct and Ethics that imposes a zero-tolerance approach towards corruption-related practices like bribery, fraud, and embezzlement within their organization and suppliers. It has a whistleblowing mechanism in place to investigate complaints regarding corruption immediately. EDI takes various action against erring supplier/s, including blacklisting, imposition of penalties, and filing of criminal or civil cases depending on the severity of the situation. Similarly, directors and employees face penalties, which may ultimately lead to disqualification or termination, depending on the case. In some instances, civil or criminal charges may be filed against individuals involved in fraudulent activities. EDI has also established a Know-Your-Customer (KYC) process to screen their customers, and a supplier assessment process led by the Purchasing Department and the Accreditation Committee.

GES has adopted a Criminal Compliance Policy and an Ethics Code to prevent any illegal activities. The Compliance Mailbox, template clauses for future contracts with suppliers and customers, gifts and hospitality policies, and sponsorship and donation policies have been reviewed as further measures to manage this risk. Such policies aim to provide an overview of the crime prevention model and to train and sensitize all professionals in the company about the criminal risks they face. Further information is available in the Compliance section of Emperador Distillers Spain's website.

The crime prevention and control model is entrusted to a legal body with autonomous powers of initiative and control. It is composed of both internal Grupo Emperador personnel and external experts on the matter. Within the compliance system, GES has approved internal controls to ensure policy adherence. A compliance expert company was also hired to provide legal advice in this field. Meanwhile, Bodegas Fundador includes the Anti-corruption Policy in their Code of Conduct, and employees have received training on this topic. The Compliance Mailbox is also available to employees, customers, and other stakeholders. To evaluate its success in managing this topic, GES conducts periodic reviews of the crime prevention and control model.

Anti-corruption is a top priority for Pedro Domecq, as it ensures that business is conducted in a fair and ethical manner, in line with all anti-corruption policies and guidelines. In addition, Pedro Domecq provides an open contact line where anyone can report anti-corruption cases.

WMG strictly abides by anti-corruption laws across its markets. It has an internal Anti-Corruption Guideline which is applied to all operations and personnel. Adherence to the policy is ensured through the supervision of global and local management. All employees involved in money movement and front-facing positions must complete an annual training on tax fraud, including a test. The Group also has a cross-functional group responsible for maintaining a Tax Risk Register that documents risks and responses related to corruption.

ENVIRONMENT

Resource Management

Energy consumption within the organization:

Disclosure	EMI 2023	EMI 2022
Renewable fuels[a] (GJ)	1,097,764.39	634,276.14[b]
Natural gas (GJ)	415,717.07	417,498.60
Fuel oil (GJ)	281,628.24	357,706.89
LPG (GJ)	240,073.50	253,855.88
Electricity (GJ)	133,098.99	153,725.26[b]
Diesel (GJ)	96,430.11	102,249.60
Gas oil (GJ)	77,602.57	60,975.86
Coal (GJ)	61,344.93	375,261.99
Renewable electricity - solar (GJ)	8,975.12	106.17
Petrol (GJ)	2,110.03	2,124.20
Gasoline (GJ)	666.87	355.14

[a] Renewable fuels consist of methane, bagasse, and hydrotreated vegetable oil (HVO). This data was reported in 2022 as "Renewable sources".
[b] Restated from the previous submission upon review of 2022 data.

Emperador's Management Approaches for Energy

EDI

EDI remains committed to improving energy efficiency and reducing its reliance on non-renewable energy sources. The company recognizes that the combustion of fossil fuels for its operations results in the emission of greenhouse gases (GHGs) and other air pollutants, which contributes to climate change and may cause health issues in nearby communities. To mitigate these impacts, EDI controls its energy consumption through conservation and efficiency programs, and continues to invest in shifting to renewable energy.

For EDI's manufacturing plants in Sta. Rosa and Biñan, equipment optimization and energy conservation initiatives led to reductions in fuel and electricity consumption from the previous year. The conversion of lighting systems to more energy-efficient LED lamps is underway in both sites, with 87% of the system in Biñan already replaced with LED. Energy data is regularly monitored against baseline data, with key performance indicator (KPI) meetings held monthly to evaluate energy management. These energy management strategies are aligned to the frameworks of the Philippine Agenda on Sustainable Development and the environmental regulations of the Philippines.

AWGI

Energy management is embedded in AWGI's operations, with its continuous implementation of fuel-saving programs, alignment with energy management system standards, and growing utilization of renewable energy. In 2023, AWGI completed the installation of a 2-megawatt peak solar photovoltaic (PV) system on the rooftops of its production and warehouse buildings, which provided clean, renewable energy for its glass manufacturing operations. AWGI continues to use recycled cullet as input material to reduce the energy consumed in glass production. To track performance, AWGI regularly monitors its consumption data and KPIs against baselines, and has designated the Engineering department to monitor and evaluate the effectiveness of its energy management programs. The topic of energy management is included in weekly meetings, information and education campaigns, and internal and external announcements.

Progreen

To power distillery operations, Progreen has been shifting from coal to two renewable biofuels that arise naturally from its manufacturing process: methane and bagasse. The maximization and efficient use of these biofuels contributed to a significant reduction of 83.65% in coal consumption from the previous year. Progreen identified that the emission of bagasse dust particles had negative effects on the health and physical property of the nearby communities. The company addressed these impacts by installing bagasse nets to measure and ensure the effectiveness of its mitigation strategies.

GES

Bodegas Fundador

To manage energy consumption, Bodegas Fundador adheres to a company Environmental Policy that sets out energy reduction strategies and goals for different operation areas. In the distillery, the installation of pyrotubular boilers allowed the recovery of a greater amount of biogas from the waste treatment plant, decreasing the company's reliance on non-renewable natural gas. Electricity consumption was reduced by installing LED luminaires in all facilities, lowering the heating of label adhesives in the bottling facility, and engaging workers to be more conscious of electricity use. Furthermore, a feasibility study was conducted for PV plants in the bottling facility and distillery. Once implemented, these will provide clean, renewable energy and reduce manufacturing costs for the company. Energy performance in Bodegas Fundador is measured using intensity indicators (including kwh/number of cases produced, m^3 gas/L produced, and L fuel/number of cases produced) which are displayed on screens in common areas. These figures are reviewed daily in an interdepartmental meeting, while other indicators such as biogas production are reviewed weekly with the production team. Bodegas Fundador communicates its environmental commitment to visitors from within and outside the company through panels showing its Environmental Policy, Objectives, and Best Practices.

Pedro Domecq

Pedro Domecq manages fuel consumption by complying with preventive maintenance programs for its vehicle fleet and forklifts, maintaining their fuel efficiency. Energy consumption is monitored annually through Greemko, a platform that calculates a company's environmental performance. The fuel consumption goal was met this year, having recorded 1.55 kw/cj9 against the 2022 baseline of 3.58 kw/cj9. Energy indicators are reviewed in monthly meetings with the management and/or direction.

WMG

Energy management in WMG is guided by its sustainability strategy, the Green Print, which sets a goal of achieving carbon neutral sites by 2030 and net zero emissions by 2040. To meet these objectives, WMG has committed to switching from fossil fuels to cleaner biofuels. At the Jura Distillery, where past improvements in fuel efficiency had already resulted in reduced CO_2 emissions, a biomass boiler is currently under construction which will allow sustainably sourced wood pellets to be used as fuel instead of conventional fuel oils. At the Invergordon Distillery, co-products from whisky production are converted into biomethane at an anaerobic digestion plant in the Bioenergy Centre. This reduces the reliance on fossil fuels, and also provides an organic fertilizer as a by-product, which can be used in WMG's grain farms. The Invergordon Distillery is also scheduled to be powered by local, renewable, carbon neutral energy by May 2024, and, with the Dalmore Distillery, is situated to use green hydrogen fuel by 2026 as part of the North of Scotland Hydrogen Programme. In WMG, each site has energy consumption targets which are monitored weekly/monthly and annually, with one site having a focus group that investigates and aims to improve energy efficiency. As a key member of the Scotch Whisky Association, WMG plays an active role in industry sustainability discussions and helps set these energy targets.

Water consumption within the organization

Disclosure	EMI 2023	EMI 2022
Water withdrawal (ML)	4,919.63	7,594.32
Water consumption (ML)	2,992.32	3,940.00
Water recycled and reused (cu.m)	296,989.42[a]	134,748.00[b]
Total volume of water discharges (ML)	1,927.31	3,654.33

[a] Data covers Biñan Plant, AWGI, PG, BF (2023) and PD (January to August 2023).
[b] Corrected and restated from the previous submission upon review of 2022 data.

Emperador's Management Approaches for Water and Effluents

EDI

To prevent the depletion and pollution of bodies of water, and to protect the populations that depend on them, EDI commits to the responsible and efficient use of water as well as careful treatment and discharge of effluents. In the Sta. Rosa and Biñan plants, wastewater is treated in compliance with the national Water Quality Guidelines and General Effluent Standards and Philippine Clean Water Act prior to discharge. Wastewater from Sta. Rosa is tested monthly by an accredited laboratory, while wastewater from Biñan undergoes quarterly effluent analysis. In Sta. Rosa, the managing head and a designated pollution control officer are in charge of water quality monitoring before wastewater is discharged to the sewage treatment plant. The Biñan plant implements a water conservation program and regularly monitors water consumption, aiming for water efficiency and increased water recycling. In 2023, processed water from production was recycled for use in the comfort rooms, saving 903 m^3 of water, and sanitation systems were reviewed to reduce water consumption during sanitation. Monthly KPI meetings are conducted to evaluate water and effluents management.

AWGI
Water is highly significant in AWGI's operations, as it is used in the cooling of glass equipment and machineries, recycling of dirty cullet, and washing of bottles for reuse. Water is withdrawn from the ground with permission from the local water district, monitored regularly by the engineering department using sub-meters. The tracking and comparison of data is done monthly based on readings at the main meter and at sub-meters of different areas in the plant.

AWGI implements water recycling and conservation programs and does not discharge water to the drain or tributaries, maintaining compliance with its Zero Discharge Permit issued by the Department of Natural Resources. The water utilized in plant operations runs through a recirculating system, while the water utilized for cullet recycling is reused after passing through a treatment facility. Having observed a 34.10% reduction in water consumption and 28.54% increase in water recycled in 2023, AWGI continues to improve its water conservation and recycling programs.

Progreen
Water plays an important role in the manufacturing process of Progreen, since it is used as a raw material in the fermentation process, for producing steam in alcohol production, and for running the steam turbine. Progreen sources water from deepwells installed inside the facility, and also implements conservation and recycling programs. Processed water is reused by the local community as soil conditioner and fertilizer, while water used for the cooling system of equipment is recirculated, and improvements are being made to the company's rainwater catchment project.

As part of the distillery industry, Progreen produces organic wastewater that is classified as "strong waste", so close monitoring of its quality is maintained. Due to its high nutrient load and non-conformance with government standards, it cannot be discharged into surface waters even after wastewater treatment. Certification was acquired from the Fertilizer and Pesticide Authority to convert a portion of the distillery waste to liquid organic fertilizers which are then donated to sugarcane farmers. Stakeholders meetings and feasibility studies were conducted prior to the implementation of this fertilizer program.

GES

Bodegas Fundador

Bodegas Fundador sources most of its water from the municipal water supply network for operations, and a small amount from wells and cisterns for gardens and phytosanitary treatment at the vineyards. The company follows an environmental policy that presents goals for water consumption reduction in the different processes of its operations, and provides specific procedures regarding the management of the waste treatment plants, analytical methods, and legal requirements relating to water. Impacts are identified through the Annual Assessment of Aspects and Impacts under the ISO 14001 Management System and the company's Corporate Social Responsibility Certification. Management reviews are done periodically to evaluate the significance of impacts, and to identify potential improvements relating to water use.

At the Jerez plant, water consumption was reduced by installing new osmosis equipment, reducing the rejection flow by 9%. Meanwhile, the installation of new pipes in the Tomelloso Distillery is planned for 2024 to facilitate an increase in reused water. Aware that large amounts of water are consumed in the must rectification process, Bodegas Fundador has also developed procedures to improve water efficiency for said process, setting objectives for water use reduction.

Effluents are carefully treated before discharge to comply with the required environmental laws. At Jerez, there are different discharge improvement plants, with different technical instructions for maintenance and operation. The organic load of wastewater is also minimized by separation of solids before it is delivered to the public council wastewater treatment plant. The quality of the discharges generated is reported to the local administration on a monthly basis, and there are meters at the discharge points to which the local administration has access. Meanwhile, the Tomelloso Distillery uses anaerobic and aerobic treatment systems to improve the quality of effluent in compliance with the legal parameters before sending the discharge to the city's public treatment plant. Analytical control of wastewater is conducted onsite every two weeks by local regulatory bodies.

Pedro Domecq

Water in the Ensenada winery is withdrawn from its own well, and is used for the irrigation of vineyards as well as the cleaning of tanks and other productive areas in the facilities. To manage its water consumption and decrease water intensity, Pedro Domecq regularly monitors the extraction of well water, sets targets for the use of industrial and agricultural water, and complies with legal requirements on water consumption. The company also continuously searches and reviews proposals for technologies to reduce the cost of water for cleaning. Industrial wastewater is treated in a treatment plant and then used to irrigate the green areas of the winery. Indicators relating to water and effluents are reviewed in the monthly meetings with the management and/or direction.

WMG

For WMG, the protection of water resources is a natural part of its responsibility as custodians of a treasured legacy of Scotch whisky. Water consumption is carefully managed through such initiatives as mapping of water usage to pinpoint areas for improvement, development of water charters for distilleries, implementation of a shut-down period during months of potential water stress, and use of cooling towers to reduce abstraction from the water basin. Withdrawal and discharge data are recorded daily by the distilleries, compiled by the Sustainability Coordinator, and shared among primary users on a weekly and monthly basis. This data is validated in coordination with the supplier and compared against the yearly budget on water usage. Care is taken to adhere to the water consumption targets set by the government and the Scotch

Whisky Association, and the water intensity targets set by the company following its Green Print strategy. Indicators for these are monitored weekly, monthly, and annually to highlight sites which meet the targets and those which need improving.

Water quality and the health of marine biodiversity are also topics of concern for WMG. The company ensures compliance with the legal limits for effluents set by the Scottish Environment Protection Agency (SEPA), achieving a classification of "Good" or "Very Good" for the discharge reports of all its operational sites. Discharged water also complies with UK and European Union (EU) water quality standards. To protect biodiversity, WMG is working with the Scottish Association for Marine Science (SAMS) to develop innovative approaches to conservation in the Cromarty Firth, where seagrass and mussel populations are being studied, and where the Invergordon and Dalmore distilleries are located.

Materials used by the organization

EMI			
Materials used by weight or volume	**Quantity**		**Unit**
	2023	**2022**	
Renewable materials			
Carton	8,979.32	5,296.59[b]	MT
Cardboard cases		1,277.35	MT
Paper stickers		46.16	MT
Cardboard/paper		2,321.86	MT
Semi-manufactured goods/consumables	46.68	62.04	MT
Sugarcane Juice	53,225.00	21,311.00	MT
Water	1,520,540.00	281,856.54[a]	cu.m
Molasses	307,067.55	91,070.00	MT
Pallets	3,709.94	4,595.09[b]	MT
Anti-skid sheets, separators	41.35	68.16	MT
Cork	2.43	5.48	MT
Corrugated	611.01	478.14[b]	MT
Wood	3.79	16.47	MT
Product blend*	92,455.75	112,786.63	MT
Nutrients	701.77	-	MT
Activated dry yeast	36.45	-	MT
Non-renewable materials			
Plastic	389.92	121.77	MT
Plastic covers		2.66	MT[b]
Plastic stickers		0.87	MT[b]
Plastic capsule		0.86	MT[b]
Cullet*	42,006.10	52,276.33**	MT

Bottles*	152,653.28	116,072.44[b]	MT
Glass*		20,792.00	MT
Glass bottles*		29,986.01	MT
Caps*	1,278.19	1,456.57[b]	MT
Labels*	1,208.83	513.88[b]	MT
Paper and plastic labels		56.50	MT
Closures (plastic, aluminum)	368.31	438.76	MT
Gift boxes	10.41	12.26	MT
Sleeves	17.09	23.19	MT
Strapping and netting	10.63	9.77	MT
Glue for label	81.55	33.60	MT
Glue for cases		41.20	MT
Coder Ink	0.21	0.03	MT
Cork (wood covers)	1.39	0.85	MT
Metals such as aluminum*	483.48	118.82	MT
Metallic covers		290.51[b]	MT
Silica**	11,329.68	14,142.25	MT
Limestone**	3,041.28	3,780.23	MT
Soda ash**	3,491.84	4,351.04	MT
Feldspar**	1,122.89	1,364.75	MT
Selenium**	1.06	1.14	MT
Sodium sulfate**	71.57	89.07	MT
Charcoal/activated carbon**	11.63	14.68	MT
Antifoam**	5.15	6.45	MT
Lubricant*	5.60	9.00	MT
Chemicals for cleaning and sanitation*	2.49	4.08	MT
Other chemicals*	204.09	216.23	MT
Other	0.43	-	MT
Sulfuric Acid**	17.79	62.97	MT
Lime**	287.10	190.88	MT
Phosphoric Acid**	0.68	1.01	MT
Flocculant**	1.10	0.76	MT
Biocide**	2.74	1.27	MT
Laminates	-	8,554.00	MT
Crystal	-	144.00	MT
Caustic Soda	-	1.00	MT

* These have been reclassified from renewable to non-renewable, or vice versa, for 2023.

** Reported in kg for 2022.
[a] Specified as “groundwater” for 2022.
[b] Corrected and restated from the previous submission upon review of 2022 data.

Disclosure	EMI 2023	EMI 2022
Percentage of recycled input materials used to manufacture the organization’s primary products and services	23.17%[a]	27.38%

[a] Data does not include Bodegas Fundador.

Emperador’s Management Approaches for Materials

EDI

EDI is mindful of the materials used in its various production processes, making efforts to use recycled and recyclable materials as inputs, and monitoring the status of raw materials to reduce wastage and ensure the quality of products. The Biñan plant committed to increasing its usage of recycled materials, achieving this goal with 3.19% of its inputs in 2023 being recycled material compared to 2.79% in the previous year. In particular, 414,974 cases of second-hand bottles were reused for production in 2023. The plant also commits to quality assurance and control of incoming materials, compliance with the Extended Producers’ Act (EPR Law) on the use of plastics, and increased use of renewable and reclaimable materials in production. Within the organization, KPI meetings are held monthly to review indicators related to materials, while information about the EPR Law is cascaded to employees to increase awareness and initiative regarding plastic usage.

AWGI

In the production of its glass, AWGI proudly implements 70% cullet utilization which is higher than the world average of 50%. This reduces the consumption of virgin non-renewable materials at risk of depletion, and also reduces energy requirements for glass production. To maintain this level of cullet utilization, AWGI communicates with scrap buyers as well as consumers for the reclamation of cullet. It carefully monitors production efficiency and product quality to find opportunities to increase the cullet recycling rate, which is currently at 72.5%.

KPIs are reviewed monthly to evaluate the success of materials handling programs, and are compared against baselines which are set annually. The topic of responsible materials usage is included in weekly meetings, information and education campaigns, and announcements to employees and third parties.

Progreen

Progreen closely monitors its consumption of raw materials, and finds opportunities to recycle or repurpose byproducts generated in the manufacturing process. At the plant, the methane produced by the treatment of wastewater is captured and used as a renewable biofuel to power operations. Similarly, bagasse, which is considered a waste product from the extraction of juice from sugarcane, is repurposed as another renewable biofuel, reducing the company’s dependence on conventional non-renewable fossil fuels. For 2023, 28.97% of the input materials used by Progreen were recycled materials, an increase from 21.43% in the previous year.

GES

Bodegas Fundador

Guided by its company environmental policy, Bodegas Fundador makes efforts to incorporate material recycling into its day-to-day operations. Contracts with new suppliers have helped to improve plastic recycling, while KPIs related to sustainable materials are placed on screens around the facilities, such as the canteens. This promotes a culture of environmental consciousness among employees since they are also expected to follow the environmental policy. The company sets annual environmental targets which are communicated to stakeholders within and outside the organization through its website. Within the company, complaints or suggestions from employees regarding these targets and efforts are encouraged and can be shared through a team meeting.

The Environmental Management System (EMS) Manager oversees the management of materials and ensures its alignment with annual company targets and the ISO14001-certified EMS. In addition, there are internal and external audit programs to assess the reliability and effectiveness of the initiatives and KPIs.

Pedro Domecq

Pedro Domecq manages the status of its materials through inspections upon receipt of the supplies or with the use of certificates. A quality level indicator is used for each batch of materials received, and has been maintained at 99% quality level. The timely identification of defective materials, for return or replacement, helps redirect these materials instead of letting them be destroyed. To further lessen the risk of leaving materials to waste, efforts are made to purchase supplies responsibly and not exceed the required amount of material for production. The reuse of pallets also contributes to reduced material consumption. KPIs related to materials are reviewed in the monthly meetings with the management and/or direction.

WMG

WMG's Green Print strategy identifies a vision of Mindful Consumption, encouraging people in the company to have a better understanding of the resources it uses and the impacts of these actions on the environment. In line with this and the Scotch Whisky Association, WMG has set a target for all its new packaging to be recyclable and reusable by 2025. As of 2023, 89% of its packaging materials are recyclable, including glass and paper. The company is looking to convert gift tubes, which constitute a large portion of the remaining 11%, to recyclable materials as well by 2024. WMG developed sustainable packaging guidelines for its core portfolio, highlighting which materials to avoid as they are not sustainable, and, conversely, recommending the best materials for each packaging component. These guidelines will be expanded in 2024 to include its other products.

Packaging materials are reviewed annually by the Sustainability team to identify materials which may need to be removed due to changes in legislation. This information is then directed to the relevant teams within WMG that will handle specific changes such as procurements. Furthermore, there is a dedicated working group, composed of members of the sustainability, packaging, and procurement teams, who collaborate to identify points of improvement in the product packaging.

As a producer, WMG is obligated by several governmental bodies to report on the materials it sends to market and to pay a levy against any material deemed unsustainable, such as the plastic tax for plastics imported to the UK. The company is also required to report against the Extended Producer Responsibility scheme, which is a disclosure of the total volumes of all materials put to market each year.

Environmental Impact Management

Air Emissions

GHG

Disclosure	EMI 2023	EMI 2022*
Direct (Scope 1) GHG Emissions (Tonnes CO2e)	167,647.88	179,233.11
Energy indirect (Scope 2) GHG Emissions (Tonnes CO2e)	17,775.98	21,981.54
Other indirect (Scope 3) GHG emissions (Tonnes CO2e)	119,435.59[a,b]	9,772.81[a]
Emissions of ozone-depleting substances (ODS) (Tonnes)	N/A	N/A

* Corrected and restated upon review of 2022 data.
Note: Data is from [a]AWGI, BF, WMG, [b]Sta. Rosa Plant.

Air pollutants

Disclosure[a]	EMI 2023	EMI 2022
NO_x (kg/Ncm)	0.0001286[a,b]	0.0006223[a,b,c]
SO_x (kg/Ncm)	0.0008068[a,b,c]	0.0009826[a,b,c]
Particulate matter (kg/Ncm)	0.0000916[a,b]	0.0001406[a,c]

Note: Data is from: [a]EDI; [b]AWGI; [c]BF

Emperador's Management Approaches for Emissions

EDI

As reflected in the Energy section, EDI is committed to reducing its emissions of GHGs and other air pollutants by shifting to cleaner fuels and sources of energy. This helps to mitigate the impacts of climate change, and reduces the risk of pollution and related health issues. In the Sta. Rosa and Biñan plants, apart from reducing energy consumption and switching to clean energy, emissions are managed through equipment testing and ambient air monitoring. Ambient air testing and stack emission testing on source equipment are conducted annually at the Sta. Rosa plant to measure SOx, NOx, CO_2, and particulate matter (PM). Compliance with the Clean Air Act is ensured through the routine maintenance of pollution source equipment.

AWGI
Emissions control and reduction are significant topics for AWGI due to the energy-intensive nature of its production processes. In addition to the installation of clean, renewable energy systems onsite (the newly installed solar PV rooftops), the company is exploring technologies that could lower the emissions of combustion equipment. Control measures are being studied, such as the installation of air pollution control devices on furnace smokestacks. While the Operations group formulates programs to address concerns related to emissions, such as fuel-saving initiatives and the purchase of renewable energy sources, the designated energy manager monitors and evaluates these programs and their impacts. KPIs such as fuel and power consumption are regularly reviewed as well. While AWGI strives to improve its usage of materials and energy, it also recognizes the need to acquire additional expertise to understand, quantify, and validate emissions management in order to reduce emissions.

GES

Bodegas Fundador

To manage its emissions, Bodegas Fundador adheres to emissions controls for its boilers as prescribed by legal requirements and its EMS. Boiler maintenance and emissions controls for SO_2, CO_2, CO, among other pollutants, are done regularly and in accordance with established procedures and periodic reviews. In addition to boiler requirements, Bodegas Fundador aims to reduce the impact of emissions by maximizing the amount of biogas recovered and used as fuel in the distillery, in place of natural gas.

Pedro Domecq

Pedro Domecq monitors its annual energy consumption and reports this data on the Greemko platform, which serves as a guide for emissions calculations. To control and reduce emissions, forklifts and vehicles in the company fleet are used only when necessary, and preventive and corrective programs are implemented for these vehicles.

WMG

In line with its Green Print strategy, WMG has committed to achieving carbon neutral sites by 2030 and net zero emissions by 2040. WMG also follows several other reporting schemes of the UK/Scottish Government and voluntary emissions reduction schemes. As of 2023, 96% of the company's CO_2 emissions are from powering its distilleries, representing a significant opportunity for emissions reduction. WMG has already begun the shift to cleaner energy, using carbon neutral fuel sources such as green gas created from biomass and liquid biofuels. It aims to achieve direct reductions in emissions rather than offsetting.

To facilitate and assess the effectiveness of these initiatives, the company records energy usage and carbon emissions monthly at the management meeting and quarterly at the executive team meeting. In addition to keeping updated with company performance, this data also allows WMG to calculate projected energy and emissions figures for 2030, and study how current initiatives will reduce the company's energy consumption and emissions in the future. Furthermore, comparing actual monthly emissions to the annual budget for CO_2 emissions will highlight WMG's progress and achievements with emissions reductions.

Waste

Disclosure	EMI 2023	EMI 2022
Total waste generated (MT)	1,022,769.37[a]	254,725.84
- Reusable (MT)	197,354.80	2,589.74
- Recyclable (MT)	14,297.85	18,967.45
- Incinerated (MT)	234.44	10.3
- Residuals/Landfilled (MT)[b]	810,882.29[c]	233,158.40[d]

[a] This figure does not include the following electronic waste from EDI, for which weights have not been estimated: 29 uninterruptible power supply units, 4 automatic voltage regulators, 7 routers, and 14 calculators. These were diverted from disposal for other recovery operations.
[b] Residuals/Landfilled waste includes other disposal and recovery methods.
[c] This figure includes approximately 100 MT of hazardous waste generated at the Sta. Rosa Plant which is scheduled for hauling in 2024.
[d] Corrected and restated upon review of 2022 data.

472,639.69 MT of waste was diverted from disposal for other recovery operations.

Hazardous Waste

Disclosure	EMI 2023	EMI 2022
Total weight of hazardous waste generated and transported (MT)	309.51[a]	507.80[b]

[a] This figure includes approximately 100 MT of hazardous waste generated at the Sta. Rosa Plant which is scheduled for hauling in 2024.
[b] Corrected and restated upon review of 2022 data.

Emperador's Management Approaches for Waste

EDI

Through effective waste management programs, EDI recycles and upcycles significant amounts of materials, thereby reducing the volume of landfill-bound waste. This not only lessens the risk of pollution and associated health hazards, but also saves on input costs and creates value for communities that receive upcycled goods.

In the Sta. Rosa and Biñan plants, Solid Waste Management Programs are implemented with the goal of reducing the waste directed to sanitary landfills. Mindfulness of waste prevention and minimization is promoted in the day-to-day operations of the plants. The segregation of wastes allows certain materials to be set aside for recycling or composting rather than landfilling, and allows hazardous materials to be safely and appropriately disposed of. Waste materials are properly handled during storage, transport, treatment, and disposal to prevent spillage and pollution. Waste related data is collected through manual weighing of waste, or through the volume of the containers. KPI meetings are held monthly to review the waste management systems at these sites.

AWGI

AWGI has several procedures in place to manage and reduce waste, achieving around 99% of its waste diverted from disposal and recycled or re-used. Waste is segregated and stored in the materials recovery facility (MRF) to differentiate those to be directed to landfill from those to be diverted for recycling. Communication with third-party haulers and scrappers facilitates the recovery of recyclable materials and the separation and safe handling of hazardous wastes. AWGI ensures that its haulers are authorized with the proper documents and permits from government agencies regulating environment and waste management, and monitors their movement by identifying the number of trips and the amount of waste hauled. This way, AWGI ensures that haulers do not commit any illegal disposals.

The majority of its waste on record is the cullet from glass containers which are rejected during production; these are collected and delivered to the batching plant and furnace for onsite recycling. AWGI also found ways to upcycle some waste materials into useful articles. Scrap wood pallets, for example, were converted into armchairs, and fine cullet was converted into paver bricks that were donated to schools. Proven to be a successful and productive initiative, the upcycling of these materials will now be included in AWGI's waste management plan.

AWGI establishes baselines by setting its KPIs every year to monitor and determine the success of programs on its waste management. These KPIs include solid waste collected, recycled cullet from operations, and scrap materials sold. Data on waste collected is measured by weighing the waste on a truck scale, and is recorded every month by the Logistics department and kept by the pollution control officer. Furthermore, the topic of waste is included in monthly reviews, and waste avoidance programs are continuously being developed to minimize landfill-bound waste.

Progreen

Progreen recognizes its responsibility to manage wastes effectively in order to avoid contamination affecting life, the environment, and its own operations. Hazardous wastes are properly segregated, accounted for, and stored in a designated area prior to disposal. To reduce waste, a supplier return policy was implemented for empty containers used by the company. In addition, a ban on single-use plastics was implemented in 2023. Proper waste segregation is strictly implemented for easier management of solid wastes.

GES

Bodegas Fundador

Bodegas Fundador, guided by its environmental management system, complies with all legal provisions regarding wastes, and submits waste declarations annually to the government. Procedures are in place to reduce and minimize situations that may cause water and soil contamination. Waste is delivered to legally authorized managers, with non-hazardous waste being delivered within one year and hazardous waste delivered within six months of its generation. Specific storage facilities, which meet all legal requirements, are used to deposit segregated waste.

Waste minimization initiatives include the reduction of bottle weights and optimization of bottling processes. More initiatives are being explored to reduce waste; currently the company is studying a circular economy project to deposit waste from the distillery treatment plant in its own vineyards as a natural fertilizer.

To evaluate the effectiveness of its waste management system, Bodegas Fundador uses intensity indicators, i.e. kg of waste generated/volume of boxes produced, for a variety of materials. It also keeps a database and record book to compile and monitor the data of non-hazardous and hazardous waste generated by the different departments of the company. An environmental and operational audit program has also been established, which is carried out at least twice a year in different main areas by environmental technicians of the organization. Using its EMS based on ISO 14001, the company records non-conformities of the system, which are discussed in the environmental review committees by the management.

Pedro Domecq

Pedro Domecq has several policies in place to maintain proper waste management and disposal, especially of hazardous waste. Staff are provided with training on special handling and hazardous waste, and disposes of this waste with an authorized third party. The company records data on the generation of hazardous waste, which is controlled and guided by its goal of generating only up to 400 kg of hazardous waste per year. There are also several initiatives for the recycling and reuse of materials, to reduce the amount of waste directed to landfills. Of the non-hazardous waste, cardboard, glass, and plastic waste are recycled. Pallets on which the bottles arrive are reused for transporting the finished product. Similarly, the slip sheets from the bottle packaging are recycled into covers for the finished product. Indicators related to waste management are reviewed in the monthly meetings with the management and/or direction.

WMG

Under the Mindful Consumption vision of its Green Print strategy, WMG has set a target of zero waste directed to landfills, which it aims to achieve through behavior change and coordination with waste services providers. The company educates its staff on mindful consumption and to use the 5 R's of waste hierarchy: reduce, reuse, recycle, repair, and recovery. Furthermore, in 2023, all its distilling sites were moved under a new contractor that would support the achievement of this target. These efforts have proven effective, as WMG recorded a reduction of 99% in waste directed to landfills across all its sites. To inform and monitor these initiatives, the company reviews monthly site-specific reports from its waste services provider.

The distilling process itself does not generate waste, only co-products which are directed to secondary uses. Ancillary operations and non-distillery sites generate standard office/canteen waste, packaging waste, and any materials associated with maintenance.

Environmental Compliance

Non-compliance with Environmental Laws and Regulations

Disclosure	EMI 2023	EMI 2022
Total amount of monetary fines for non-compliance with environmental laws and/or regulations	0	0
No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations	0	0
No. of cases resolved through dispute resolution mechanism	0	0

Emperador's Management Approaches for Environmental Compliance

Emperador maintains compliance with environmental standards through practices such as monitoring of KPIs, submission of requirements, and management system certification. This protects the environment and also increases investor and consumer trust.

EDI

EDI has an Environmental Policy aligned with applicable laws in the Philippines, where its base of operations is located. The Pollution Control Officer oversees all matters related to environmental compliance. Additionally, EDI maintains close communication with local communities, especially regarding concerns about the impact on the local environment. To evaluate its environmental compliance status, the company monitors complaints or penalties related to non-compliance. Any notices of violations should be addressed immediately to prevent further production disruptions.

Progreen
Progreen's Environmental Protection and Waste Management Department ensures compliance with environmental laws and regularly submits reports. The company also maintains a system for promptly addressing environmental grievances and complaints to prevent further damage.

GES

With the help of an environmental and industrial compliance consultancy firm, Bodegas Fundador identifies new regulations that may impact BF's activities and facilities. The Administration Director reports the audit results of the firm, while committees review legal requirements every two years and conduct an annual compliance audit. Additionally, BF maintains its ISO 14001 certification to ensure continued compliance with environmental management system standards.

WMG

Environmental compliance is essential to WMG's Green Print strategy. It minimizes environmental impacts through responsible water usage, sustainable cask production, and reduced greenhouse gas emissions in packaging and distilling. While the company meets the targets set out by its Green Print strategy, its performance is also monitored by the Sustainability Leadership Team and Sustainability Delivery Group to ensure compliance with local, national, and regional regulations.

Employee Management

Employee hiring and benefits

Employee data

Disclosure	EMI 2023	EMI 2022[a]
Total number of employees	**3,013**	**3,070**
a. Number of female employees	852	816
b. Number of male employees	2,161	2,254
Attrition rate	-0.02	0.09[b]
Ratio of lowest paid employee against minimum wage[c]	N/A (AWGI 1, BF 1.5)	N/A

Note: Data includes BoozyLife, Inc.
[a] Corrected and restated upon review of 2022 data.
[b] Data does not include GES.
[c] All salaries paid are above minimum wage.

Employee benefits

EMI			
List of Benefits	**Y/N***	**% of female employees who availed for the year**	**% of male employees who availed for the year**
Life insurance	-	16%	12%
SSS	Y	24%	28%
PhilHealth	Y	20%	24%
Pag-ibig	Y	24%	30%
Parental leaves	-	1%	1%
Vacation leaves	Y	24%	26%
Sick leaves	Y	11%	15%
Medical benefits (aside from PhilHealth)	Y	45%	61%
Housing assistance (aside from Pag-ibig)	-	0%	0%
Retirement fund (aside from SSS)	-	1%	1%
Further education support	-	0%	0%
Company stock options	-	0%	0%
Telecommuting	-	9%	4%
Flexible-working Hours	-	5%	2%

** This refers to whether the benefits are given ONLY to full-time employees and not part-time employees. Answers are given for benefits with consistent answers across subsidiaries in the Philippines.*
Note: Data includes BoozyLife, Inc.

Emperador's Management Approaches for Employment

Emperador provides fair compensation and benefits to employees in compliance with laws and regulations, which supports employees' livelihood and well-being.

EDI

AWGI

AWGI provides statutory benefits to employees regardless of gender and employment status, in line with its commitment to economic and medical protection for all its employees. The Human Resources Department ensures that premiums and benefits are remitted in a timely manner, and regularly coordinates with the Labor Union to address employee concerns. The success of this program is measured by the high number of employees availing of the benefits provided, and the absence of complaints to the Department of Labor and Employment for non-payment or non-remittance of benefits.

Progreen

Progreen prioritizes the recruitment of the best candidates for each job to ensure the quality and appropriateness of workers for their role, and to strengthen the productivity and capacity of the company. Certain risks related to labor supply can also be mitigated by hiring employees from the municipality where the plant is located.

GES

GES ensures compliance with established regulations and policies regarding employment. The company's policies on employment promote appropriate labor relations, effective recruitment procedures, equality and non-discrimination, stable and quality jobs, and value creation for both the employer and employee. The goals of GES regarding employment are to attract, develop, and retain talent, to promote the well-being of its professionals, to provide a pleasant and stimulating work environment, and support the professional and personal development of employees.

Bodegas Fundador

Bodegas Fundador adheres to a number of human resources (HR) policies, including a Code of Conduct, that support employee well-being, ensure employment stability, and provide social benefits. The effectiveness of these policies and management approaches is evaluated through employee surveys and SOX compliance audits. Stakeholder engagement is done with employees through the company committee and area managers.

Pedro Domecq

In managing its employees, the company prioritizes and promotes diversity in age, gender, and background. It seeks a diverse pool of candidates when hiring, preferring to maintain a 50-50 or at least 70-30 mix of categories, as having varied perspectives and experiences helps support the internal development of teams. Pedro Domecq ensures that there is internal equity regarding benefits, and has established policies to promote equity and fairness. To mitigate risks and potential negative impacts, a conscious screening of candidates is conducted, with managers ensuring an aligned understanding between them and the company. In case of any potential negative impacts, the manager of the area is assigned to take action. In general, the company strives to make positive impacts felt across the workforce, and engages employees as critical stakeholders when making decisions for significant initiatives such as setting the annual budget.

WMG

As a responsible employer, WMG complies with all relevant employment legislation regarding equity for temporary and part time employees. The company's family policies are critical to retention and ensuring talent returns after taking their parental leave. The HR team monitors and reports employee turnover on a regular basis, and identifies trends to further inform the management approaches to employment.

Employee Training and Development

Disclosure	EMI 2023	EMI 2022
Total training hours provided to employees		
a. Female employees	8,580.04	5,871.6
b. Male employees	14,292.48	7,265.35
Average training hours provided to employees		
a. Female employees	10.23	7.40*
b. Male employees	6.74	3.31*

* Corrected and restated from the previous submission upon review of 2022 data.
Note: Data does not include BoozyLife, Inc.

Emperador's Management Approaches for Training and Development

Emperador enhances employee skills and knowledge by providing various training programs with mechanisms for feedback and assessment. This can increase employee satisfaction and reduce turnover, while also strengthening the talent pool of the Company.

EDI

AWGI

AWGI considers training and education a basic function of HR, and thus provides training on subject matter where employees skills and knowledge are below standard. This usually concerns the upgrading of technical skills. Moreover, knowledge is always cascaded downline so that members of the organization can be aligned on new topics and learnings. The company regularly conducts surveys and assessments for training programs to measure their effectiveness and determine areas for improvement. When their knowledge and skills are enhanced through the training sessions, employees become very receptive and competitive, showing that investing in education gives multiple returns on investment. As such, AWGI aims to increase the number of training hours and do further assessments on relevant topics to cover.

GES

Through training plans and agreements with training centers, GES and Bodegas Fundador provide opportunities for employees to enhance their skills and knowledge, granting them greater adaptability and motivation to perform well. In some cases, Bodegas Fundador also offers individual development plans. The effectiveness of the training is measured with indicators such as how many employees were involved. Afterward, an evaluation of the results and efficacy of the training courses is also made by the employee's manager, or person responsible for that employee. Managers can observe whether the new skills are being applied in their daily work, which may also provide opportunities for promotion.

Pedro Domecq

Training and development is provided to employees mainly through the GBKnowit website. This platform plays an important role in the training of new hires, allowing them to learn new skills and improve their performance right away. The Talent Attraction and Development Analyst ensures that new hires are adequately onboarded with such training and orientations to lessen the risk of new hires leaving the company within the first six months. For middle managers and managers, the company has also begun developing leadership programs to enhance their skills and support their career growth.

WMG

WMG is committed to ensuring that all employees receive the relevant training to perform their role. This includes upgrading technical skills and behavioral competencies. The Learning & Development Team, in collaboration with senior management, agrees on the training and development plan and strategy, which is then approved by Directors. Various types of training are provided, including a Leadership and Management Programme for People Managers, mandatory time-bound online training programs specific to assigned roles, Corporate Induction Programmes for new employees, and several core learning initiatives available across various departments. These are made available through a blended approach using a combination of classrooms, workshops, e-learning, access to digital learning assets, on the job learning and coaching from line managers.

Effectiveness of the training programs are evaluated through attendance data, employee feedback, and promotions. Employee feedback has influenced how and what training is provided within the company's learning strategy; for example, feedback on a communication and leadership program from 2022 resulted in a redesign which has driven engagement and achieved 100% completion in 2023. Direct feedback from employees has helped shape the equity, diversity and inclusion (ED&I) agenda. Stakeholder consultations have also resulted in the design and delivery of a number of functional capability programs in 2023.

WMG also offers transition assistance programs such as 121 Coaching (for career development), outplacement support, and pension or financial guidance.

Labor-Management Relations

Disclosure	EMI 2023	EMI 2022
% of employees covered with Collective Bargaining Agreements	49.76	29.69*

*Corrected and restated from the previous submission upon review of 2022 data.
Note: Data does not include EDI as they are not unionized.

Emperador's Management Approaches for Labor-Management Relations

EDI

Emperador maintains good labor-management relations through regular internal communication and proper channels for consultation and negotiation. This contributes to employee satisfaction and promotes fair labor practices. At the EDI head office and manufacturing plants, communication of significant operational changes is sent to employees ahead of time, the exact period depending on the monthly requirement of the top management.

AWGI
AWGI recognizes the right of its employees to organize and enter into collective bargaining agreements (CBAs), and maintains good labor-management relations by respecting the terms provided therein. Apart from implementing the provisions of the CBA and labor-management cooperation (LMC) agreements, AWGI also keeps open communication lines between labor and management. In 2023, the company did not encounter any labor cases or complaints with regards to economic provisions of the CBA. When enacting significant operational changes, prior notice is sent to employees 4 weeks ahead of implementation. The notice period and provisions for consultation and negotiation are specified in the agreement.

Progreen
Progreen had 158 employees covered by a CBA in 2023, representing 51.3% of its total employees. Prior notice is sent a minimum of three days before significant operational changes are implemented, with the provisions for consultation and negotiation specified in the CBA.

GES

Bodegas Fundador
In 2023, all of Bodegas Fundador's employees were covered by a CBA. Prior notice is sent fifteen days before significant operational changes are implemented, with the provisions for consultation and negotiation specified in the CBA.

Pedro Domecq
To ensure clear and fair communication with employees, an agreement was signed with them stating that they know they can exercise freedom of association. Pedro Domecq sends an implementation and communication plan to inform employees of operational changes in advance. This is in order to avoid impacts and disruptions in their daily operations and even well-being. One indicator of the effectiveness of this policy is the acceptance of these changes by the people. Communication is done four weeks ahead of implementation, with the provisions for consultation and negotiation specified in the CBA.

WMG

WMG considers good employee relations (ER) important to maintain good levels of employee engagement and to protect its reputation as a good and preferred employer. It recognizes that managing ER disputes takes time that could be invested more proactively.

Three of WMG's largest operational sites recognize trade unions (TUs) and have CBAs in place. Other sites provide Employee Forums as avenues instead. The company consults with employees on changes that may impact them to ensure that all stakeholder opinions and views are considered before implementing a proposal. TU/Employee representatives are given time to speak to colleagues and gather feedback. Notice is given a minimum of 12 weeks ahead of implementation.

The company holds regular meetings with the TU and employee forums, ensuring that new actions are captured and shared on notice boards. Employee Representatives are included in relevant project planning. Moreover, there are processes in place for employees to raise concerns and grievances.

In 2022, management and TU representatives attended mediation training together to develop skills and a framework to resolve issues more proactively. This approach has now been implemented in the company's ER policies and TU meetings. WMG has also increased the number of TU representatives across all shifts to enable greater involvement in initiatives for change. The feedback from the Great Place to Work survey has also resulted in several improvements regarding communication at local site level. For instance, interactive screens were installed in the workplace where company information could be circulated across shifts. In 2023, WMG noted the need for a specific process and policy regarding collective grievance management. The company is currently collaborating with its TU partners regarding this, and aims to implement the resulting project in 2024.

Diversity and Equal Opportunity

Disclosure	EMI 2023	EMI 2022
% of female workers in the workforce	28.28	26.58[a]
% of male workers in the workforce	71.72	73.42[a]
Number of employees from indigenous communities and/or vulnerable sector[b]	N/A	2

[a] Corrected and restated from the previous submission upon review of 2022 data.
[b] Data unavailable. 2022 data is from Bodegas Fundador.
Note: 2023 data includes BoozyLife, Inc.

Emperador’s Management Approaches for Diversity and Equal Opportunity

Emperador promotes equality in employment by adhering to company policies on anti-discrimination, addressing complaints, and monitoring metrics such as the diversity of new hires and employee salaries.

EDI

AWGI

AWGI does not discriminate against anyone based on gender, sexuality, age, color, socio-economic status, or religious beliefs. Workers are hired based on their competencies, and the company in fact prefers to increase diversity among employees when given the opportunity. AWGI maintained zero complaints due to discrimination in 2023 both within the company and with the Department of Labor and Employment. At the workplace, everyone is encouraged to respect individuality as long as it does not hamper productivity at work. Employees have shown positive reception to this attitude.

GES

GES has established policies on equal opportunities and non-discrimination, which are strictly followed. This promotes the development of labor relations based on equal opportunities. The company is also developing a comprehensive framework for the standardization of selection and recruitment procedures, to ensure objectivity and impartiality in the recruitment process. The goal is for processes related to the selection, recruitment, management of labor relations, and training and promotion of professionals to not suffer from biases that violate these established objectives and principles. Meanwhile, at Bodegas Fundador, equality plans were created and resources for female employees were made available in production areas to promote gender sensitivity and protect diversity.

Pedro Domecq

At Pedro Domecq, diversity and equal opportunity are operationalized through gender equity and salary equity. The company is building strategies to improve these metrics and minimize differences in the benefits received by employees of different genders. This effort is monitored by analyzing salaries every year and proposing the necessary adjustments, also taking into consideration the performance of each individual.

WMG

WMG has equality and human rights policies in place to protect employee well-being and promote fairness. The company has an Equity and Inclusion (E&I) Charter stating its commitment to the subject. There is also an E&I Steering Group within the company, with two Executive Board level sponsors that ensure visible commitment. Training and awareness engagement and education sessions for E&I are made available as well. Each year, WMG reports and takes action against gender pay gap, and is now taking action to attract a more diverse group of candidates for recruitment. Some indicators used to track progress for this topic are the number of female promotions in the company, and progress against the gender pay gap.

Workplace Conditions, Labor Standards, and Human Rights

Occupational Health and Safety

Disclosure	EMI 2023	EMI 2022
Total Safe Man-Hours	2,683,225[a,b,c]	2,182,812[a,d,e]
No. of work-related injuries	23	17
No. of work-related fatalities	0	0
No. of work related ill-health	8	8
No. of safety drills	30	35

Includes data from [a]Sta. Rosa Plant, Biñan Plant, AWGI, and Progreen, [b]Bodegas Fundador, [c]WMG (distilling division only), and [d]Pedro Domecq.

[e] Restated from the previous submission upon review of 2022 data. Biñan Plant data now excludes third party contractors.

Emperador's Management Approaches for Occupational Health and Safety

EDI

EDI protects the safety of employees by strictly enforcing occupational health and safety (OHS) policies and standards, and regularly reviewing its OHS systems. A safe and healthy workplace not only protects workers from injury and illness, it also lowers medical costs, reduces absenteeism and turnover, increases productivity, and raises employee morale. The company also promotes employee health and well-being through various engagement initiatives, including talks, seminars, training sessions, social and leisure activities, and access to physical and psychological healthcare.

EDI's Sta. Rosa and Biñan plants, as well as its head office, are committed to maintaining compliance with the national Occupational Safety and Health Standards (RA11058) and the regulations of the Department of Labor and Employment (DOLE), including the submission of reports to DOLE. The OHS management system covers all employees and activities inside the plant premises, and includes policy standards for various scenarios such as removing oneself from dangerous work situations and reporting hazards and incidents. All regular employees are entitled to a health insurance plan, which provides access to medical and healthcare services through a network of doctors and also covers a percentage of the cost.

In addition to annual OHS refreshers, meetings are held with employees every month to increase their awareness and knowledge on OHS topics and give them avenues to share their OHS-related concerns. Newly hired employees undergo an OSH orientation before deployment, which provides them with an overview of the company's safety policies and procedures. To prepare for potential OHS risks and negative impacts, EDI has created a business continuity plan (BCP) in case of emergency events. KPIs and incident cases are monitored on a weekly basis.

AWGI

AWGI management and employees are committed to health and safety in the workplace, adhering to policies and programs that are in alignment and compliance with RA 11058 of DOLE. To prevent accidents, the company conducts hazard identification, risk assessment, and control (HIRAC) and job hazard analysis (JHA), and continuously improves work instructions, procedures, and methodologies.

AWGI provides a health card/health maintenance organization (HMO) for its regular employees, with access to outpatient department, hospitalization, and dental services. Also, company physicians are open for consultation at the company clinic, and free medicine and emergency health kits are available when needed. To minimize the risks posed by high temperatures, fast-moving machinery, and dust particles, the company provides PPEs to staff, ensures the reliability of engineering controls, and implements administrative controls such as installation of signages. Safety tool box meetings, fire prevention and control training, first aid training, health seminars and workshops, and other related training are also provided to employees.

Meetings and internal audits are conducted to determine the condition of employees in departments. Key personnel other than the safety officer are also involved in continually ensuring the safe conditions in the plant. In addition, the company disseminates information on OHS to its workers, contractors and visitors, including the orientation of new employees.

<u>Progreen</u>
Progreen complies with OHS laws and regulations, including those of DOLE. The OHS management system covers all workers in the Balayan plant, from production to support processes, while a health card is provided to all regular employees. Clinical awareness programs, including programs on health risk awareness, are also conducted for employees. All workers are required to attend a Safety Orientation before they are deployed to work.

To identify risks, hazards, and existing issues and concerns, Progreen crafted a HIRAC form and incident investigation report, and also conducted safety committee meetings with workers. Bagasse dust was identified as a hazard, to which the company responded by providing PPE and goggles to employees.

<u>TWFLI</u>
The company strictly adheres to its OHS policies, which promote the well-being and safety of its employees and third-party personnel. Seminars are conducted regarding relevant policies on health and safety. The Human Resources Department is responsible for monitoring any reported work-related injuries or fatalities. In 2023, there were no reported work-related injuries or fatalities.

GES

GES is committed to providing safe and healthy working conditions to employees for the prevention of injuries and work-related health issues. It complies with the provisions of OHS legislation and sets these out in the Compliance Policy that is available on the Grupo Emperador website. To reduce risks, some prohibitions are implemented in the workplace regarding smoking and consumption of alcohol.

<u>Bodegas Fundador</u>
Bodegas Fundador has a Prevention Plan, in accordance with the legislation in force, which includes all the procedures designed to avoid or reduce the number of accidents at work while continuously improving health and safety conditions. There is also an emergency plan which defines all the preventive, control and corrective actions aimed at avoiding accidents, and the training of intervention teams in case they occur. Bodegas Fundador has a certified Management System based on ISO 45001 for the comprehensive management of health and safety related issues.

To mitigate potential negative impacts, the company conducts risk assessments and OHS training, extends an incident communication program to all employees, and monitors the effectiveness of OHS measures through internal and external audits. Data and results from the monitoring of KPIs is integrated into the risk assessments and OHS measures of the workplace, the effectiveness of which will be reviewed by the management. OHS risk assessment is carried out every three years.

All Bodegas Fundador staff receive regular training and information on the risks inherent to their job, as well as the related preventive measures, which enables them to work in safe conditions and identify risk situations. The Safety and Health Committee represents all workers and their meetings are an avenue for workers to communicate their concerns about OHS.

Pedro Domecq

Pedro Domecq considers the promotion of workplace health and safety extremely important in its operations. In line with its management system guidelines, Pedro Domecq promotes occupational health and safety through regular training sessions, audits, and root cause analysis (RCA) of incidents. When hazards are identified, they are immediately addressed and recorded if possible; otherwise, they are immediately reported to the maintenance team for fixing and tracking. To engage employees in the OHS management system, the company provides training sessions with certifications and updated information, and utilizes *gemba* walks for workers to better understand processes in the facility. Also, upon joining the company, all employees are enrolled to the social security services (health care). Currently only corporate activities are not covered by the OHS management system. A committee composed of team leaders and operation managers meets every month to review OHS incidents and discuss mitigation strategies.

WMG

WMG prioritizes the safety of all employees, workers, visitors and local community members, implementing an integrated management system that is audited against the ISO 45001 standard. This system covers all workers and locations in the UK. The internal policy of WMG is to ensure that everyone working with the company is free from harm; as such, it employs Health & Safety Teams at various locations to promote and audit OHS compliance. They are supported by the managers and Safety Champions who meet monthly and review all OHS issues. Safety Champions also ensure good communication between their colleagues and the management.

Regular health screening, health checks, OHS training, and proactive engagement with employees is the key approach to prevention of OHS issues. All employees have access to a free Employee Assistance Program, which provides confidential help and assistance regarding emotional, financial and physical health as well as a 24/7 counseling helpline number. Employees can access this directly by phone or via online channels which are widely communicated across all sites and on joining the company.

WMG provides academic training such as IOSH Working Safely and IOSH Managing Safely. Display Screen Equipment assessments training is conducted regularly, as well as stress management awareness for managers. Mental health awareness training is also provided. Regular events are also held to promote awareness of specific subjects such as alcohol awareness, healthy eating, mindfulness, yoga, and managing stress. The company also conducts occupational management screening with a third party provider, to identify possible concerns about the fitness of an individual for their role at the workplace.

To identify and mitigate OHS risks, WMG analyzes data from its Q-Pulse system, the Safety Improvement Record Card (SIRC) system, identification of trends, and risk profiling. The company participates in various OHS industry forums to share best practices and benchmark its progress against others within the industry. Meanwhile, contractors and suppliers are screened for their safety records elsewhere and are required to comply with WMG site safety rules; otherwise, they risk losing supplier status.

The distilling sites are considered lower tier Control of Major Accident Hazards (COMAH), which receive regular visits and planned interventions from the UK Health & Safety Executive as part of COMAH regulations. WMG works closely with all its regulators and, whenever possible, prefers not only to meet but to exceed regulatory requirements to ensure a safe place to work for all.

Labor Laws and Human Rights

Disclosure	EMI 2023	EMI 2022
No. of legal actions or employee grievances involving forced or child labor	0	0

Emperador's Management Approaches for Labor Laws and Human Rights

Emperador protects human rights and the rights of laborers within the company and across the supply chain through strict implementation of company policies, compliance with labor laws, human rights assessments, training sessions for employees, and other initiatives.

EDI

AWGI

AWGI is compliant with the anti-child labor law, and has policies in place to prevent such violations. For one, PSA-authenticated birth certificates are a required submission for pre-employment. Also, records of employees are kept updated to ensure complete and accurate information for all employees. AWGI's records show that no underage employee has been hired, and that no labor complaints were received related to child labor. No complaints were filed with DOLE as well. Stakeholders have been receptive and supportive of these measures to protect children's rights.

GES

GES and Bodegas Fundador have policies and statements prohibiting child labor, such as the Code of Conduct. At these companies, absolutely no form of child labor or forced labor will be tolerated, and special care will be taken to ensure that providers or third parties that provide services to the company do not carry out practices of this kind.

Pedro Domecq

Pedro Domecq has policies in place that prohibit child labor and forced labor. Although the minimum working age under the Labor Federal Law in Mexico is 15 years, Pedro Domecq follows its Code of Business Conduct and sets a minimum working age of 18 years. The Labor Federal Law also states that every person has the right to be compensated accurately for the activity they are performing. To comply, Pedro Domecq ensures that all people involved in every part of its business are correctly compensated. Suppliers are also assessed to make sure that they are in compliance with company policies and legal requirements such as these. In 2023, Pedro Domecq recorded zero incidents involving violations of labor laws and human rights.

WMG

As a responsible employer, WMG supports labor and human rights policies following appropriate guidelines and best practice. Any child under the age of 18 within the organization would only be employed under an approved training scheme such as an apprenticeship. Employees are educated about modern slavery and guided on how to report concerns. All labor suppliers are audited, and must complete right to work employment checks. WMG also has a confidential whistleblowing line open to all employees and workers. Suppliers are asked to complete a Modern Slavery declaration. In addition, WMG reviewed its Modern Slavery Statement on its corporate site, and since 2022 has included statements of commitment to preventing labor exploitation in the terms of all its supplier agreements. Through these efforts and its various policies on labor laws and human rights, WMG strives to protect human rights in all its relationships with our employees, suppliers, contractors and any other third parties.

Supply Chain Management

Do you have a supplier accreditation policy? If yes, please attach the policy or link to the policy:

EDI and AWGI	Yes
Bodegas Fundador	Yes

Emperador's Management Approaches for Supply Chain Management

Emperador protects human rights and promotes environmentally sound practices by assessing the social and environmental performance and compliance of suppliers. Efforts are also made to choose appropriate and capable suppliers. Sourcing from ethical, environmentally sound, and financially capable suppliers also protects the company's supply chain.

EDI

AWGI

AWGI requires every supplier to submit and provide the required supplier's accreditation forms. These include "Suppliers Business Ethics & Integrity", "Supplier's Accountability & Liability", and "Pre-Assessment Questionnaire", which assess their capability to supply and financial capacity so that AWGI can ensure a good business relationship with them.

GES

Bodegas Fundador

As part of its internal policies, Bodegas Fundador does not work with any company that does not comply with European regulations. New supplier contacts are all assessed and validated first by the Supply Chain and General Director. The company's main suppliers are also required to provide their sustainability reports annually. In line with its supplier accreditation policy, Bodegas Fundador screened all of its new suppliers for social criteria, finding and verifying that none had significant social impacts.

WMG

The Green Print provides WMG with its direction towards sustainability in the supply chain and the compliance of suppliers. The company audits its suppliers and, as part of the onboarding process, requires them to submit sustainability questionnaires that include information on their environmental policy, net zero ambitions, and if a carbon footprint has been determined. These, however, may not be applicable to certain suppliers such as service providers or organizations not large enough to require sustainability action plans. In addition, WMG asks suppliers for any credentials relating to compliance and environmental techniques such as Forest Stewardship Council (FSC) and Programme for the Endorsement of Forest Certification (PEFC) certification. Suppliers are also asked to provide any ISO certification such as ISO 14001. For social assessment, the company does not formally assess their suppliers using this criteria.

Relationship with Community

Emperador's Management Approaches for Local Communities

EDI supports the livelihood, health, and well-being of local communities through various initiatives including infrastructure projects, cleanup drives and tree planting, medical missions, partnerships with vocational organizations, and direct employment opportunities. It manages and maintains its relationships with communities by keeping open channels for communication and grievance redress.

EDI

AWGI

The company is involved in programs that benefit the local community, such as vaccination drives for families of employees, environmental preservation projects like tree planting and river cleanup drives, and outreach programs to donate materials such as paver bricks and school desks. To ensure continued positive impacts, the company monitors the effects of these programs and checks that the partner institutions that organize certain events have plans in place to sustain these efforts and maintain good results. In terms of internal management, engagement with employees shows that they are happy to take part in community outreach programs and environmental care projects. Aside from the satisfaction they get from helping the community, they also generate insights and learnings regarding the current state of society and their environment.

GES

Bodegas Fundador

Bodegas Fundador participates in a number of programs that benefit the local community, such as collaborating with training centers to improve the employability of local residents, and working with local associations to protect local culture and traditions and maintain the downtown area. Donations are made to local charities and foundations to fight poverty and hunger in the city, and to support children and individuals with disabilities. The company implements these projects with an RS10 certification for its social responsibility management system. These projects are monitored by tracking what actions have been done as well as the value of each of them. Continuous communication is maintained with the local community, and engagement is done directly with local organizations and through proposals made by employees.

WMG

WMG engages with local communities regarding significant changes in operations, particularly those requiring planning consent. They also engage and communicate with local communities on issues related to the company's activities that might affect them. Maintaining good relations with community neighbors is considered an indicator of success in managing this topic.

Customer Management

Health and Safety

Disclosure	EMI 2023	EMI 2022
No. of substantiated complaints on product or service health and safety*	0	0
No. of complaints addressed	N/A	N/A

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

Emperador's Management Approaches for Customer Management

Emperador ensures the safety and quality of its products by complying with food safety regulations, assigning quality assurance teams, and undergoing audits and certifications for good manufacturing practices.

EDI

The company's industry is regulated by the Food & Drug Authority (FDA), which requires a prior license from the FDA for the operation of facilities. All of EDI's products must go through registration with the FDA before it can be distributed or sold to customers and consumers, which significantly reduces the risk of health and safety issues with the products. EDI has already obtained a Good Manufacturing Practice (GMP) Certificate with the FDA for its Sta. Rosa and Biñan plants. The production plants have policies in place to ensure high quality products that are safe for consumption. EDI also has a Quality Assurance department in its production plants to assess whether all products are manufactured according to their standards and policies. The company takes complaints about its products seriously and seeks to address any complaints immediately.

GES

Bodegas Fundador

Bodegas Fundador has a set of standards related to food safety, ranging from compliance with existing legislation to certification in three Global Food Safety Initiative (GFSI) standards. The main body responsible for compliance with these regulations is the management, and from there, the rest of the hierarchical structure (each manager in his or her area), as well as the Quality Manager. Every year, improvement objectives for food safety are identified.

There is a complete set of good manufacturing practices (GMPs) in place to avoid food safety issues. Some of these programs are related to pest control, water, traceability, cleaning and sanitization, and maintenance. Food safety and quality certificates are renewed regularly. In terms of food safety and quality, there are eight audits done per year, both internal and external. Quality and Lab Departments check on a daily basis that protocols and procedures are being fulfilled and KPIs on food safety are being met. Consciousness on food safety has become embedded in the organizational culture, especially when discussions arise about food safety issues (and their consequences) experienced by other companies.

The company also participates in campaigns to promote responsible consumption of alcohol. It shares its Quality and Food Safety Policy with customers, suppliers, workers, and contractors through its website. Furthermore, employees are encouraged to identify improvement ideas using team spaces, or even report any incidents of non-compliance through anonymous channels.

Pedro Domecq

Pedro Domecq maintains compliance with finished product specifications (quality certificate), and has set indicators and targets as well for minimizing food safety complaints. The company aims to receive only up to one valid complaint for objective wines per year. For brandy, the company has set a target limit of ten complaints per year, and any incident monitoring for non-conforming products up to a cumulative period of one year. Through this policy, the company shows its seriousness about addressing and paying close attention to complaints. Indicators relating to product safety are analyzed with the senior management and management of the operational area, generally on a monthly basis, while goals are determined after monitoring for one year. No complaints were recorded in 2023 for wines and brandy.

WMG

WMG ensures that its products are safe for consumers, instituting numerous quality control processes to reduce health and safety risks with the product. WMG enforces strict quality standards to ensure that all products are safe for consumption. The Supply Chain Director, through the Quality team, is responsible for all quality processes within the bottling operation. To evaluate its success in managing customer health and safety, the company conducts a review and assessment of customer and consumer complaints.

Marketing and Labeling

Disclosure	EMI 2023	EMI 2022
No. of substantiated complaints on marketing and labeling*	0	0
No. of complaints addressed	0	0

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by Ad Standards Council*

Emperador's Management Approaches for Marketing and Labeling

Emperador promotes consumer awareness and responsible behavior by adhering to company policies and regulations on marketing and labeling. This protects the health of the consumer and promotes trust in the brand.

EDI

EDI is committed to following government regulations in terms of marketing and labeling of alcoholic beverages. The company ensures that detailed product pages and information are provided with the marketed product, and that its marketing approaches promote safe and responsible consumption of the beverages. To further manage this topic, the company validates and updates all details that are shared to customers.

GES

Bodegas Fundador

For Bodegas Fundador, it is crucial to remain strictly compliant with the current legislation in labeling and goods designation in order to avoid penalties. The company includes several types of information in its policies for product labeling, including the sourcing of components, the content of the product, safe use of the product, and disposal guidelines of the product. All product categories are assessed for compliance with these policies.

As a part of its new product development (NPD) procedure, labeling and packaging are checked by the legal, technical, and logistics teams as well as the General Manager before approval. Continuous communication with customers helps to maintain the approval and legal compliance of marketed products. The supervision and approval of all labeling is the responsibility of the company's legal department. For this topic, the KPI is the number of complaints from customers about marketing and labeling, with a target of zero. In 2023, Bodegas Fundador achieved its target with no complaints or incidents related to marketing and labeling.

Pedro Domecq

Pedro Domecq ensures that all its labels adhere to the NOM-142-SSA1-SCFI-2014 labeling standard, which is required by law. In the label design phase for each new product launch, the legal labeling requirements of the market are reviewed and confirmed. Labels are designed with a focus on legal, environmental, and social compliance while also communicating to the consumer essential and correct information. All product categories are assessed for compliance with labeling regulations. Indicators are reviewed and analyzed with the senior management and management of the operational area, generally on a monthly basis.

WMG

The company adheres to both local legal restrictions and strict industry codes in its Marketing and Advertising. There is extensive legislation on labeling both from the Scotch Whisky Association and from local legislation. All new labels are signed off by the Legal team and processes are in place to monitor legislative changes, including through the Scotch Whisky Association. The company has a Marketing Code which stipulates what is and what is not acceptable in their marketing activities. The Marketing Director is responsible for ensuring that the team is aware of the Code and its restrictions. The Legal Manager also has a significant role in ensuring compliance and in approving all labels along with the rest of the Legal team. The Supply Chain Director is also responsible for ensuring that all labeling is compliant. To ensure that they are successful in managing this topic, there is an ongoing monitoring of changes and review of all labeling during brand redesigns.

Customer Privacy

Disclosure	EMI 2023	EMI 2022
No. of substantiated complaints on customer privacy*	0	0
No. of complaints addressed	0	0
No. of customers, users and account holders whose information is used for secondary purposes	0	0

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

Data security

Disclosure	EMI 2023
No. of data breaches, including leaks, thefts and losses of data	0

Emperador's Management Approaches for Customer Privacy

Emperador prevents data breaches and protects the security of its stakeholders by complying with regulations on data privacy, providing cybersecurity training to employees, and strictly implementing various policies related to data privacy.

EDI

AWGI
AWGI maintains its own data privacy manual and ensures the strict implementation of its provisions. One such policy is the inclusion of data sharing agreements and data privacy notices when interacting with customers to ensure that both parties will not suffer from data breaches. The company conducts regular reviews of privacy impact assessments and meets with concerned parties to ensure the adherence to the data privacy manual. In case of large data breaches, it is company policy to coordinate with the National Privacy Commission and activate the committee on data security.

AWGI keeps an open line for data breach reporting for immediate recording of data privacy incidents. To monitor its management of privacy risks, the company records the number of employees taking part in data privacy training, and reports the results of training as well as any cases of data breaches to stakeholders. In 2023, AWGI did not identify any substantiated complaints or data privacy concerns. No data breach was experienced with regard to its database.

GES

GES and Bodegas Fundador have protocols and policies in place to guarantee proper handling of personal data. Security measures are implemented to ensure the confidentiality, integrity and availability of all personal information, such as limited and secured access, staff training, individual accesses and passwords, backup policies, data breach protocols, and having a designated data protection officer. Third party audits are also conducted periodically. Data privacy management is improved through revisions of the system and tests of the procedures and policies. Such evaluations are based on the procedures set in the General Data Protection Regulation (GDPR) of the EU, the national regulations such as Spain's Organic Law on Protection of Personal Data and Guarantee of Digital Rights (LOPDGDD) and the National Security Scheme, the national control authority recommendations, and international best practices, such as ISO 27001. Customers are kept duly informed about how their data is used. Privacy policies are published on the GES and BF websites.

WMG

WMG does not hold significant amounts of consumer data, however it follows GDPR requirements on data protection and management. The company has set policies on data use and data retention. Its plan for data management was signed off by external auditors as appropriate and compliant. The CFO is responsible for ensuring compliance with GDPR and all non-shop floor staff have received training on GDPR. The company conducts a regular review of policies to ensure that it is successful in managing this topic.

UN SUSTAINABLE DEVELOPMENT GOALS

Product or Service Contribution to UN SDGs

Key products and services and its contribution to sustainable development.

Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
Brandy and whisky manufacturing	**SDG 3 (Good Health & Well-being):** Emperador and its subsidiaries promote good health and well-being among their stakeholders by organizing seminars, maintaining wellness and health programs, and strictly implementing protocols that ensure safe and healthy working environments. **SDG 6: Clean Water and Sanitation** Emperador's subsidiaries actively operate and manage multiple wastewater treatment plants. Progreen, a subsidiary of EDI, repurposes wastewater for agricultural purposes, utilizing it as a bio-fertilizer for crops and as a soil conditioner or fertilizer. **SDG 7: Affordable and Clean Energy** Through WMG, Emperador is exploring the use of renewable energy sources in more of its distilleries in Europe. Additionally, the company has also replaced some of its fossil fuel consumption with solar power. **SDG 8 (Decent Work & Economic Growth):** Emperador and its subsidiaries offer equitable compensation and benefits to their employees, along with creating livelihood opportunities for members of their neighboring communities. **SDG 12 (Responsible Consumption & Production):** Emperador and its subsidiaries have reduced their energy consumption by employing energy-efficient technology. The company also actively implements water conservation and management programs across its plants.	**-** The manufacturing process relies partially on the use of fossil fuels as an energy source, which results in the production of greenhouse gas emissions. **-** The manufacturing process uses water that, if not regulated properly, can result in excessive water consumption as well as pollution of bodies of water. **-** Waste generated in the manufacturing process as well as at the end of the product's life-cycle can end up in landfills, which poses risks of pollution, health issues, and contributes to a lack of space for disposal.	- Emperador and its subsidiaries have implemented systems to manage energy, water, and materials consumption. They are also exploring the use of renewable energy sources, with some subsidiaries already using energy from clean, renewable sources. WMG has a Green Print strategy that aligns the company with the goal of achieving zero carbon emissions in the future. Emperador ensures compliance with various company, local, national, and international regulations to control the quality of wastewater discharge and air emissions. - Emperador's glass manufacturer, AWGI, recycles a significant portion of its glass, which reduces its energy consumption. All subsidiaries manage and aim to reduce landfill-bound waste through their respective waste management programs, such as the use of co-products for productive means instead of disposal. WMG is also making progress in converting its packaging into fully reusable materials.

CSR and Sustainability Programs	**SDG 4 (Quality Education):** Through their scholarship programs, Bodegas Fundador and Emperador Distillers, Inc. (EDI) make quality education more accessible for students. **SDG 13 (Climate Action), 14 (Life Below Water), 15 (Life On Land):** In addition to responsibly managing the environmental impacts of our supply chain, Emperador and its subsidiaries fund and participate in programs aimed at biodiversity conservation and greening. **SDG 17 (Partnerships for the Goals):** Emperador and its subsidiaries have partnerships with government agencies and other civil organizations that are aligned with the UN SDGs.	These are not expected to generate negative impacts as they are aligned and implemented to directly address sustainability goals.	These programs are implemented to manage risks and negative socio-environmental impacts of other areas of the business such as manufacturing.

** None/Not Applicable is not an acceptable answer. For holding companies, the services and products of its subsidiaries may be disclosed*