

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A, AS AMENDED

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

1. For the fiscal year ended
Dec 31, 2022
2. SEC Identification Number
0000086335
3. BIR Tax Identification No.
000-417-352-000
4. Exact name of issuer as specified in its charter
Monde Nissin Corporation
5. Province, country or other jurisdiction of incorporation or organization
Philippines
6. Industry Classification Code(SEC Use Only)
[REDACTED]
7. Address of principal office
Felix Reyes Street, Barangay Balibago, City of Santa Rosa, Laguna
Postal Code
4026
8. Issuer's telephone number, including area code
+632 775 97595
9. Former name or former address, and former fiscal year, if changed since last report
Not applicable
10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common	17,968,611,496

11. Are any or all of registrant's securities listed on a Stock Exchange?
 Yes No
 If yes, state the name of such stock exchange and the classes of securities listed therein:
 The 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. State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form

₱79,921,131,357.84 as of market close on 31 Dec 2022 (based on closing market price on 31 Dec 2022).

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

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

Yes No

DOCUMENTS INCORPORATED BY REFERENCE

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

(a) Any annual report to security holders

2022 MNC SEC Form 17-A; 2022 Parent Company Audited Financial Statement (AFS); 2022 Consolidated AFS

(b) Any information statement filed pursuant to SRC Rule 20

Not applicable

(c) Any prospectus filed pursuant to SRC Rule 8.1

Not applicable

The Exchange does not warrant and holds no responsibility for the veracity of the facts and representations contained in all corporate disclosures, including financial reports. All data contained herein are prepared and submitted by the disclosing party to the Exchange, and are disseminated solely for purposes of information. Any questions on the data contained herein should be addressed directly to the Corporate Information Officer of the disclosing party.



Monde Nissin

Monde Nissin Corporation

MONDE

PSE Disclosure Form 17-1 - Annual Report
References: SRC Rule 17 and
Section 17.2 and 17.8 of the Revised Disclosure Rules

For the fiscal year ended	Dec 31, 2022
Currency	PHP'000

Balance Sheet

	Year Ending	Previous Year Ending
	Dec 31, 2022	Dec 31, 2021
Current Assets	32,332,816	30,613,003
Total Assets	81,292,373	99,857,628
Current Liabilities	14,751,601	22,408,914
Total Liabilities	29,021,189	31,442,048
Retained Earnings/(Deficit)	1,171,783	16,707,901
Stockholders' Equity	52,271,184	68,415,580
Stockholders' Equity - Parent	52,128,686	68,278,073
Book Value Per Share	2.9	3.8

Income Statement

	Year Ending	Previous Year Ending
	Dec 31, 2022	Dec 31, 2021
Gross Revenue	73,880,709	69,284,188
Gross Expense	87,378,494	59,879,185
Non-Operating Income	2,041,355	826,103
Non-Operating Expense	429,133	5,406,220
Income/(Loss) Before Tax	-11,885,563	4,824,886
Income Tax Expense	1,128,953	1,579,761
Net Income/(Loss) After Tax	-13,014,516	3,245,125
Net Income/(Loss) Attributable to Parent Equity Holder	-13,020,512	3,115,032
Earnings/(Loss) Per Share (Basic)	-0.72	0.19
Earnings/(Loss) Per Share (Diluted)	-0.72	0.19

Financial Ratios

	Formula	Fiscal Year Ended	Previous Fiscal Year
		Dec 31, 2022	Dec 31, 2021
Liquidity Analysis Ratios:			
Current Ratio or Working Capital Ratio	Current Assets / Current Liabilities	2.19	1.37
Quick Ratio	(Current Assets - Inventory - Prepayments) / Current Liabilities	1.37	0.9
Solvency Ratio	Total Assets / Total Liabilities	38.1	18.5
Financial Leverage Ratios			
Debt Ratio	Total Debt/Total Assets	0.36	0.31
Debt-to-Equity Ratio	Total Debt/Total Stockholders' Equity	0.56	0.46

Interest Coverage	Earnings Before Interest and Taxes (EBIT) / Interest Charges	21.75	4.02
Asset to Equity Ratio	Total Assets / Total Stockholders' Equity	1.56	1.46
Profitability Ratios			
Gross Profit Margin	Sales - Cost of Goods Sold or Cost of Service / Sales	31.1	36.9
Net Profit Margin	Net Profit / Sales	-17.6	4.7
Return on Assets	Net Income / Total Assets	-14.4	3.4
Return on Equity	Net Income / Total Stockholders' Equity	-21.6	6.7
Price/Earnings Ratio	Price Per Share / Earnings Per Common Share	-15.39	85.26

Other Relevant Information

Interest Coverage for the year 2022 is computed by dividing Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA) by Interest Charges/Finance Cost based on MONDE's loan covenant's formula applicable for the period.

Please see attached SEC Form 17A with annexes (with 2022 Sustainability Report) as of December 31, 2022.

Filed on behalf by:

Name	Jon Edmarc Castillo
Designation	Chief Compliance Officer

COVER SHEET

0000086335

S.E.C. Registration Number

M O N D E N I S S I N C O R P O R A T I O N

(Company's Full Name)

F E L I X R E Y E S S T . ,
B A R A N G A Y B A L I B A G O , C I T Y O F
S A N T A R O S A , L A G U N A 4 0 2 6

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

Atty. Helen G. Tiu
Corporate Secretary

Contact Person

7759 7595

Company Telephone Number

1 2 3 1

Month Day
Fiscal Year

SEC Form 17-A

Form Type

0 6 3 0

Month Day
Annual Meeting

Issuer of Securities under SEC-MSRD
No. 27, Series of 2021

Secondary License Type, If Applicable

C F D

Dept. Requiring this Doc.

Amended Articles Number/Section

16

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

File Number

LCU

Document I.D.

Document I.D.

Cashier

STAMPS

Remarks = pls. use black ink for scanning purposes

SEC No. 0000086335

File No. _____

MONDE NISSIN CORPORATION

(Company's Full Name)

Felix Reyes Street, Barangay Balibago

City of Santa Rosa, Laguna

(Company's Address)

(632) 7759 7595

(Telephone Number)

December 31, 2022

(Fiscal Year Ending)

(Month & Day)

SEC Form 17- A

(Form Type)

SECURITIES AND EXCHANGE COMMISSION (SEC)
SEC FORM 17-A, AS AMENDED

ANNUAL REPORT OF
MONDE NISSIN CORPORATION
PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE

1. For the fiscal year ended: **December 31, 2022**
2. SEC Identification Number: **0000086335**
3. BIR Tax Identification Number: **000-417-352-000**
4. Exact name of issuer as specified in its charter: **MONDE NISSIN CORPORATION**
5. Province, Country or other jurisdiction of incorporation or organization: **Santa Rosa, Laguna**
6. Industry Classification Code: _____ (SEC Use Only)
7. Address of principal office: **Felix Reyes Street, Barangay Balibago, City of Santa Rosa, Laguna**
Postal Code: **4026**
8. Issuer's telephone number, including area code: **+632 7759 7595**
9. Former name, former address, and former fiscal year, if changed since last report: **N/A**
10. Securities registered pursuant to Sections 8 and 12 of the SRC:

Title of Each Class	Number of Shares Issued and Outstanding As of December 31, 2022
Common	17,968,611,496

11. Are any or all of these securities listed on a Stock Exchange? Yes No

As of December 31, 2022, a total of 17,968,611,496 common shares are listed in the Philippine Stock Exchange (**PSE**).

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, 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. Aggregate market value of the voting stock held by non-affiliates: About ₱79,921,131,357.84 (based on the closing price of MONDE's common shares, and outstanding shares owned by non-affiliates as of December 31, 2022).

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

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the SEC: **Not Applicable**

DOCUMENTS INCORPORATED BY REFERENCE

15. Briefly describe documents incorporated by reference and identify the part of the SEC Form 17-A into which the document is incorporated:

1. 2022 Parent Company Audited Financial Statements (with BIR ITR Filing Reference)
2. 2022 Consolidated Audited Financial Statements and Supplementary Schedules

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PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

Monde Nissin Corporation (the “**Parent Company**”, the “**Company**”, or “**MONDE**”) was incorporated and registered with the Securities and Exchange Commission of the Philippines (“**SEC**”) on May 23, 1979 primarily to engage in manufacturing, processing, baking, packaging, servicing, repackaging, assembling, importing, exporting, buying, selling, trading, or otherwise dealing in all kinds of goods, wares, and merchandise, which are or may become articles of commerce such as but not limited to noodles, candies, confectionaries, biscuits, cakes and other foods, drugs, and cosmetics. It is a corporation having a perpetual corporate term pursuant to Republic Act No. 11232, or the Revised Corporation Code of the Philippines, and is listed in the Philippine Stock Exchange (“**PSE**”).

MONDE held an initial public offering (“**IPO**”) of its common shares with the PSE on June 1, 2021. As of December 31, 2022, its market capitalization is at or around ₱199,092,215,375.68 based on a common share price of ₱11.08.

GROUP OVERVIEW

MONDE and its subsidiaries (the “**Group**”) are among the frontrunners in the Philippine food manufacturing industry with a portfolio of various iconic and well-recognized brands. The Group’s two core businesses are the Asia-Pacific Branded Food and Beverage Business (“the **APAC BFB Business**”), and the Meat Alternative Business, which includes the production, marketing, and sales of the *Quorn* and *Cauldron* meat alternatives brands (the “**Meat Alternative Business**”).

The APAC BFB Business comprises three product groups: (i) instant noodles; (ii) biscuits; and (iii) Others (such as beverages, baked goods, and culinary aids). According to Nielsen, for 2022, the Group’s APAC BFB Business ranked first based on retail sales value in the Philippines in the instant noodles and biscuits categories, as well as in the oyster sauce and yogurt drinks (*i.e.*, sub-categories of the Others product group). Further, Nielsen’s studies show that in 2022, the Group’s instant noodles, biscuits, yogurt drinks, and oyster sauce, constituted 65%, 28.8%, 89.1%, and 61.3%, respectively, of retail sales market share in the Philippines. Flagship brands contributing to the APAC BFB Business’ market-leading position include: *Lucky Me!* for instant noodles; *SkyFlakes*, *Fita*, *Nissin*, and *M.Y. San Grahams* for biscuits; *Mama Sita’s* for culinary aids; and *Dutch Mill* for yogurt drinks.

According to IRI, Marlow Foods Limited (known by its trading name “**Quorn Foods**”) is the market leader in the United Kingdom (“**UK**”) meat alternatives market with *Quorn* and *Cauldron* being the No. 1 and No. 4 brands, respectively, with a combined retail grocery share of 31.7% for the past 52 weeks as of December 2022. Quorn Foods is the only large-scale commercial provider of mycoprotein, a fungi-based, fermented protein that is high in protein, high in fiber, low in saturated fat, and contains no cholesterol. The fermentation process required to produce mycoprotein at scale requires significant capital investment and, more importantly, a unique know-how which Quorn Foods has derived from over 30 years of operating experience to maximize yield and efficiency.

The Group operates with an aspiration to improve the well-being of the people and the planet by creating sustainable solutions for food security. These values are reflected in its product innovations and various aspects of its operations that create value to society and contribute to sustainable development. For example, to promote well-being, the Group made a move to offer noodles with no artificial preservatives added in *Lucky Me!* wet pouch and cups. In 2015, MONDE acquired Quorn Foods, which operates in the meat alternative market with sustainability at its heart. Other initiatives have been implemented by the Group to utilize available resources efficiently, move towards zero-waste-to-nature operations, and transition to low-carbon economy. In addition, the Group believes that its Meat Alternative Business represents a breakthrough innovation with the mycoprotein technology serving as a sustainable source of protein. According to a report by Carbon Trust (2018), the production of mycoprotein-based *Quorn Mince* results in only 7%, 11%, and 8% of beef’s carbon, land, and water footprints, respectively. Similarly, the production of mycoprotein-based *Quorn Pieces* results in only 29%, 36%, and 34% of chicken’s carbon, land, and water footprints, respectively.

The Group operates the APAC BFB Business through the Parent Company and its wholly-owned or majority-owned subsidiaries, joint ventures, as well as through established relationships with other renowned Fast Moving Consumer Goods (“**FMCG**”) players. The Group operates its Meat Alternative Business through Quorn Foods under the *Quorn*

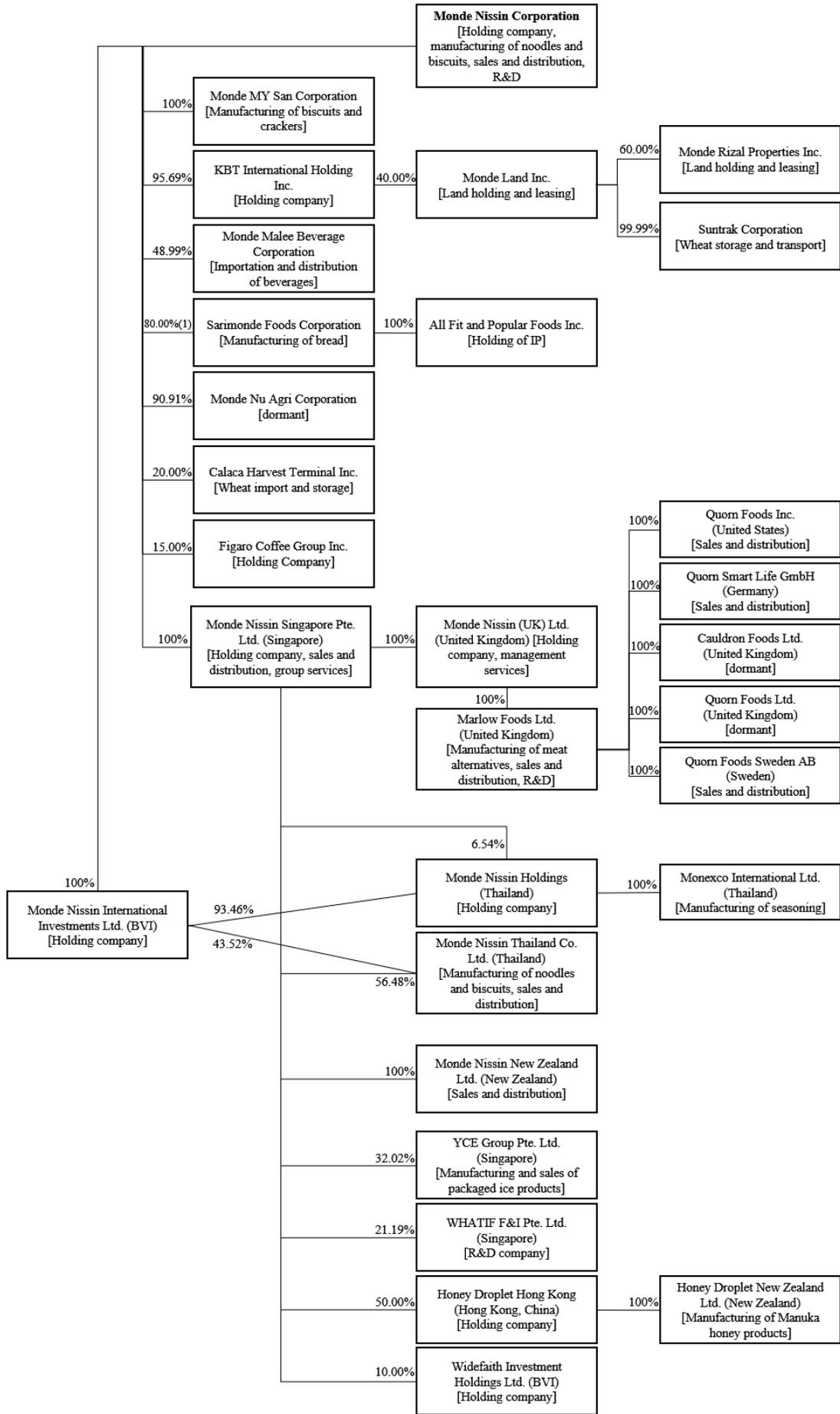
and *Cauldron* brands. For the year ended December 31, 2022, the APAC BFB Business generated ₱58.5 billion of net sales compared to the Group's total net sales of ₱73.9 billion. Net sales of the APAC BFB Business is generated mainly from MONDE's operations in the Philippines and accounted for 94.3%, 93.2%, and 94.1% of the APAC BFB Business' total net sales for the years ended December 31, 2020, 2021, and 2022, respectively. The Meat Alternative Business generated net sales from the UK and the US, and the rest of the world. Net sales from the UK amounted to 76.2%, 77.4%, and 77.41% of the Meat Alternative Business' total net sales for the years ended December 31, 2020, 2021, and 2022, respectively. Net sales from the US amounted to 9.6%, 8.7%, and 8.6% of the Meat Alternative Business' total net sales for each of the same years, respectively. Net sales from the rest of the world amounted to 14.2%, 13.9%, and 14.3% of the Meat Alternative Business' total net sales for each of the same years, respectively.

For each of the years ended December 31, 2020, 2021, and 2022, the Group's net sales amounted to ₱67.9 billion, ₱69.3 billion, and ₱73.9 billion, respectively; and the Group's core net income after tax amounted to ₱9.4 billion, ₱8.3 billion, and ₱6.6 billion, respectively; and the Group's reported net income/loss amounted to ₱8.1 billion income, ₱3.2 billion income, and ₱13.0 billion loss, respectively.

For the same periods, the APAC BFB Business contributed 77.9%, 78.0%, and 79.2%, respectively, to the Group's net sales while the Meat Alternative Business contributed 22.1%, 22.0%, and 20.8% in each of the same years. For the years ended December 31, 2020, 2021, and 2022, the APAC BFB Business reported core net income of ₱8.3 billion, ₱7.7 billion, and ₱6.9 billion, respectively while the Meat Alternative Business reported net income/ loss of ₱0.2 billion income, ₱0.8 billion loss, and ₱20.4 billion loss in each of the same years.

GROUP STRUCTURE AND SUBSIDIARIES

The operating and ownership structure as of the date of this report is set out in the chart below:



COMPETITIVE STRENGTHS

The Group believes its principal competitive strengths include the following:

Leading positions across multiple branded high growth food and beverage segments, with a dominant position in the instant noodle market and number one position in the biscuit market in the Philippines

The Group believes it is well positioned to further pursue growth opportunities presented by the resilient Philippine market that features favorable demographics and consumption patterns such as a young population, strong domestic household consumption, and urbanization. In addition, the favorable macroeconomic growth in the Philippines has been characterized by a recovering gross domestic product and an increasing domestic income per capita. The Group operates, and is strategically positioned, in the large product segments of instant noodles and biscuits in the Philippines. According to Nielsen, the instant noodles market reached a value of ₱43.9 billion while the biscuits market reached ₱60 billion in 2022, with biscuits ranking No. 3 and noodles ranking No. 7 within their respective food categories.

The Group has well-established leading market positions across multiple brands under the food and beverage segments in the Philippines. According to Nielsen, in 2022, the Group dominated in the Philippines' instant noodles segment and had a market share of 65% in terms of retail sales value. Meanwhile, in the biscuits segment where the Group had five brands as of December 31, 2022, the Group ranked first in the crackers and cookies segments, as well as overall, and had a market share of 28.8% in terms of retail sales value in the Philippines in 2022.

Virtually, all of the Group's consumer business is branded and comprises well-recognized and diversified household brands. For over 40 years, the Group has built and managed a market leading portfolio of seven flagship brands including *Lucky Me!*, *SkyFlakes*, *Fita*, *M.Y. San Grahams*, *Nissin*, *Mama Sita's*, and *Dutch Mill*. *Lucky Me!* has grown into an iconic brand consumed by 98.9% of Filipino households in 2022, based on Kantar's panel data. Additionally, it continues to be the most chosen consumer brand in terms of consumer reach points as of the latest Brand Footprint Study by Kantar (2021). It is the 8th year that *Lucky Me!* has secured the top position, making it *Brand of the Decade*.

The table below sets out the Group's key brands under the relevant product groups, and the market share information in retail sales value for 2022, according to Nielsen:

Product Group and Key Brands	Market Share in Retail Sales Value and Rank
<p><i>Instant Noodles</i></p> 	65% (1 st)
<p><i>Biscuits</i></p> 	28.8% (1 st)
<p><i>Others</i></p> <p><i>Oyster sauce</i></p> 	61.3% (1 st)

Product Group and Key Brands	Market Share in Retail Sales Value and Rank
Yogurt drinks 	89.1% (1 st)
Cultured milk 	20.5% (2 nd)

Quorn Foods is a leading market player with superior technology, high-quality products, and well-defined strategy to deliver long-term success in the attractive and fast-growing meat alternatives space

Quorn Foods is a leading player in the UK’s meat alternative market with a superior technology, high-quality products, a well-defined strategy, and the production capacity to deliver long-term success. Quorn Foods’ share of the UK meat alternative market is more than 3x that of its nearest competitor. The size of Quorn Foods’ business offers economies of scale and allows it to maintain and strengthen key relationships with the major retailers and customers from other geographies and channels. According to Blue Yonder, Quorn Foods enjoys very high brand recognition in the UK, and it has the highest repeat purchase rates in the category.

Behind all these strengths lies the great tasting food that contains mycoprotein, an alternative protein with the exceptional nutritional benefits of being high in fiber, low in saturated fat, and containing no cholesterol. 74% of the products sold by Quorn Foods achieves an A score (the highest possible) on the independent Nutriscore measure.

Quorn Foods is the only business in the meat alternative market that produces its own protein at scale, thanks to the innovative large scale air lift fermentation technology and know-how developed over 30 years of trading. All these elements when combined create a significant barrier to entry.

Established record of innovation, successfully anticipating and catering to emerging consumer needs and preferences with their increasing concern for individual health and food security

The Group has an established record of introducing new products that are innovative and attentive to consumer preferences, and developing technology, processes, and tools to further enhance the taste, health benefits, and sustainability of its products.

Noodle products

The Group was first to offer noodles with no artificial preservatives added in the Philippines in its *Lucky Me! Wet* pouch and cup products. In the mid-1990s, the Group joined forces with the Philippine Department of Health to help alleviate malnutrition by fortifying its noodles with essential vitamins and minerals.

The Group’s launch of *Lucky Me! Pancit Canton* in 1991 — the first stir-fried noodles in pouch in the Philippine market — created a brand-new segment now worth over ₱16 billion in 2022.

It was also the first to launch locally flavored variants such as *La Paz Batchoy*, *Bulalo*, *Lomi*, and *Sotanghon* that capture the authentic tastes of classic Filipino favorites. The Group’s ability to localize products through its established knowledge and unique understanding of Filipino consumers’ tastes and preferences has enabled the Group to gain dominant market leadership in the noodles market segment.

Key transformations that the Group has introduced include the (i) packet upsize of *Lucky Me! Pancit Canton* (from 60 grams to 80 grams in Luzon), (ii) change in noodle shape, width, and texture in 2016, and (iii) re-launch of thinner noodles for *Lucky Me! Pancit Canton Kalamansi* in 2020, and eventually all flavors in 2021. The Group also regularly renovates by improving the flavor of its existing products to address changing consumer preferences and demand.

The Group also offers its own version of its Korean flavor *Lucky Me! Jjamppong* to ensure a strong presence in the growing Korean flavor sub-segment. The Group also offers instant pasta that comes in two popular pasta dishes, *Lucky Me! Baked Mac Style* and *Mac & Cheese* for the mass premium segment, to offer consumers easy meal options, in addition to instant noodles.

The Group also implemented packaging improvements such as the transition of *Lucky Me! Go Cup* container from a composite material made of polyethylene laminated paper cup to a polypropylene cup with paper sleeves to make the cup noodle easier and safer to hold and to facilitate recycling (by easily separating the label from the cup).

In late 2021, the Group launched *Lucky Me! Milky Me*, another first in the market. It is a good source of essential vitamins and minerals and contains 25% less sodium than the regular *Lucky Me! Instant Mami*.

The Company launched low salt, no MSG noodles in Thailand as part of its health and wellness push. The *Lucky Me!* brand hit a high within the top 10 after the launch. The Group's regional marketing and Thailand teams are currently working on further product iterations to support the goal of becoming one of the top noodle players in Thailand.

Biscuits, baked goods and fresh bread products

The Group has a track record of introducing innovative, and new uses for its existing products to enable significant demand growth for the product and thus increase the Group's sales. For example, *M.Y. San Grahams*, an ingredient in homemade desserts, is used by small businesses as a key ingredient because of its versatility, resulting in new cake and other dessert products.

The Group also has a unique understanding of consumers' expectations and preferences in relation to its other baked goods and fresh bread products.

Monde Mamon offers a bakeshop quality product that is made more convenient and affordable than other bakeshop brands. With a five-month shelf life at ambient storage, it is more accessible and readily available in different channels and can be stocked up by consumers more conveniently. These superior product features were achieved through technology that creates a very clean manufacturing environment and carefully selected ingredients that allow *Monde Mamon* to be shelf stable for months.

The Group has expanded to other products such as *Monde Cheese Bar* and *Monde Banana Bar*; and other sizes such as *Monde Mini Mamon* and shared consumption packs like *Monde Mamon Flavor Selections*.

The Company successfully launched *Voiz* chocolate-covered flavored wafers in 2021 in Thailand. The new stock keeping units ("SKUs") were 11% of total *Voiz* revenue in 2021 and were a factor in the revenue growth and market share gain.

In the fresh bread category, the Group launched *Monde Fluffy Bread*, *Monde Milk Bread*, and *Monde Wheat Bread*. *Monde Fluffy*, and *Monde Milk Bread* were developed by the Group's New Product Development team in only four months and use largely high-quality flour from the Group's own flour mill. The Group believes these breakthroughs reflect the agility of its business and its ability to optimize synergies to improve cost efficiency.

In-house research and development team

The Group has a dedicated research and product development team in the Philippines. Through collaboration and innovation, the Group works closely with other innovation companies.

In the instant noodles category, the Group was the first in the Philippines to launch instant noodles in no-cook bowls in local flavors such as *La Paz Batchoy* and *Bulalo*. The Group constantly develops new flavors such as the Asian line,

exemplifying its deep understanding of consumers' love for flavors. In the baked goods category, the Group launched the first packaged sponge cake in the Philippine market and the first premium wafer product filled with chocolate and rice crispies.

APAC BFB Supply Network

The Group has a rich history of process innovations to better cater to customer needs including the following:

- A vertically integrated Flour Mill in its Santa Rosa Facility.
- An automated and streamlined seasoning plant in Thailand. This move provided the Group access to a greater variety of spices, improved the quality of its production, and reduced costs.
- A flow-through Santa Rosa Noodles operation from the lines to the palletizers, towards rail-guided vehicles, and into Automated Storage Systems.
- Process Reliability gained 8 Points since its Run-to-Target++ roll-out, improving system-wide capacity by the same amount.
- Completed Product Supply Organizational Redesign that enables responsiveness through a rigorous system-based training and qualification process.

Environmental, Social and Governance ("ESG") initiatives

As a major player in the local food industry, the Group recognizes that it plays an integral role in providing nutritious and accessible food products for all. With over 90% household penetration cutting across all economic classes in the Philippines, its products' affordability and widespread presence allow them to take the lead in influencing consumer behavior towards healthy lifestyles and holistic wellbeing.

The Group has taken various initiatives of pivoting towards a healthier and better portfolio. This strategic priority is reflected in its product innovations. For example, products fortified with essential nutrients account for a majority revenue share of the *Lucky Me!* Noodles portfolio. In addition, its annual sodium reduction initiative which started in 2020 continued through to 2022.

The Group strives to develop new product offerings that are better and healthier for its consumers. In 2022, the Group established *Lucky Me!'s* Better-For-You portfolio with the full launch of the new *Lucky Me! Milky Me*, a nutritious and yummy instant noodle soup with the creamy goodness and richness of milk, real vegetable garnish, fortified with Vitamin A and Iron, and has 25% less sodium. There is a continuous annual sodium reduction initiative for *Lucky Me!* products implemented beginning 2020. In 2022, sodium-reduced SKUs account for 59% of total *Lucky Me!* revenue. To further strengthen the Better-for-You portfolio, the brand intends to expand the line with more healthful and delicious instant noodle innovations in the coming years.

To complement the efforts in enhancing its product portfolio, the Group has launched consumer education initiatives to influence consumer behavior towards a healthier or more balanced diet and lifestyle. In 2022, it continued to communicate the addition of egg and vegetables in *Lucky Me! Instant Mami* highlighting the importance of a complete and balanced meal. The Group has also implemented a voluntary front-of-pack labeling with information on calories in 100% of *Lucky Me!* products.

The Group is constantly looking for ways to improve the efficiency of its facilities. To meet its reduction goals, the Company has adopted a holistic approach across its manufacturing operations. The approach involves 1) enabling all employees in the manufacturing sites to understand the business linkage with sustainability, 2) understanding the major key losses and sources of losses the site needs to eliminate to achieve the goals 3) understanding the capabilities and the culture needed to achieve the goals and commitments 4) leveraging and linking the standardized work systems and tailoring it to achieve the goals set per site 5) providing a visual review process on the key losses and identifying actions to eliminate them. The teams regularly present their progress on their plant's targets, sharing best practices across each plant. These have resulted in significant reductions in water and energy intensity in 2022.

Aside from optimizing energy use to reduce emissions, the Group is continuing to push for the reduction of its carbon footprint in its operations. MONDE has a 1.3MW solar project at its Laguna plant. The Company has a biomass facility

at the Cebu plant which runs on coconut shells, while the Batangas plant uses liquefied petroleum gas to power its boilers.

The Group recognizes that adopting renewable energy may reduce its greenhouse gas (“GHG”) emissions, resulting in cleaner air in the environment. In July 2022, MONDE and subsidiaries Monde M.Y. San Corporation (“MMYSC”) and Sarimonde Foods Corporation (“SMFC”) entered into power supply agreements with Energy Development Corporation’s (“EDC’s”) subsidiaries for the supply of green energy in the form of geothermal energy to reduce operational carbon footprint. The goal of these agreements is to cut the Group’s annual carbon dioxide emission in half – almost 100,000 tons per year. These agreements also allow the Group to save on electricity costs due to the value-added tax zero rating on geothermal power generation, wherein rates are more stable and predictable as compared to fluctuating fuel commodities. Aside from this, the Group is also exploring less carbon-intensive alternatives to complement its efforts to reduce GHG emissions.

Quorn

The Group’s single largest commitment to healthier food and food security is its ₱40.9 billion (GBP575.0 million) investment in 2015 to acquire 100% of Marlow Foods Limited which owns *Quorn*. The Group made the investment well ahead of the increased attention and public consciousness regarding meat alternatives. The Group believes traditional protein production is not sustainable and that it could help address food security and human health by increasing the production of *Quorn* to reach a wider audience.

Mycoprotein

All *Quorn* products contain mycoprotein. Mycoprotein is a fungi-based, fermented protein that is high in protein, high in fiber, low in saturated fat, and contains no cholesterol. It has a natural ingredient base that does not include artificial colors, masking agents, or preservatives, and is non-GMO. Mycoprotein has a natural texture and fibrosity that mimics meat. It is grown through the process of fermentation which utilizes significantly less land and water compared to the production of animal protein sources. Quorn Foods believes that its mycoprotein technology better aligns with the health and environmental concerns that are the main drivers of consumers switching to meat alternatives and category buyers selecting products to carry.

The building block of mycoprotein is *fusarium venenatum*, a member of the fungi family, comprised of tiny fibers (mycelium) that are naturally rich in intrinsic protein and dietary fiber. Quorn Foods believes the natural fibrosity of mycoprotein means its texture is closer to meat than any other plant-based protein and does not require texture additives. In addition, the ability of mycoprotein to absorb flavors enables it to fit in a large variety of meat dishes. The flavors that Quorn Foods offers include hot and spicy, garlic and herb, and salt and pepper, among others.

Mycoprotein contains all nine essential amino acids in quantities that provide a protein quality score (Protein Digestibility Corrected Amino Acid Score [“PDCAAS”] ratio) superior to that of beef, chicken, soya, and pea-protein isolate. In clinical studies, mycoprotein has been shown to yield health benefits including building muscles faster than milk protein, lowering cholesterol, and containing a unique combination of fibers that may play a key role in gut health. Diets rich in mycoprotein have been shown by Oxford University in the World Economic Forum, to offer important benefits with regard to lowering projected population mortality. In addition, a growing body of scientific research on health benefits shows that mycoprotein increases satiety and helps regulate glycaemia and insulinaemia. All of Quorn Foods’ mycoprotein-based products are non-GMO, and mycoprotein has low allergenicity of approximately 1 per 24.3 million servings, whereas up to 0.3% of adults are allergic to soy.

Mycoprotein is a sustainable source of protein. According to a report published in 2018 by Carbon Trust, a non-profit company providing specialist support on sustainability, the production of mycoprotein-based *Quorn Mince* results in only 7%, 11%, and 8% of beef’s carbon, land, and water footprint, respectively. Similarly, the production of mycoprotein-based *Quorn Pieces* results in 29%, 36%, and 34% of chicken’s carbon, land, and water footprint, respectively. The process of making mycoprotein is “net protein positive” which means that the process results in higher protein content in the food system than where the process begins.

Production

Quorn Foods is the only large-scale commercial provider of mycoprotein. The fermentation process required to produce mycoprotein at scale requires significant capital investment and more importantly, a unique know-how that Quorn Foods has derived from over 30 years of operating experience in order to maximize yield and efficiency and thus optimize the process economics. In addition, any new competing fungal strains will require regulatory approvals before being sold to the public. Quorn Foods continues to collaborate with the Food Chemicals Codex and the US Food and Drug Administration (“**US FDA**”) to create a monograph that will set out the compliance regulations and standards regarding the key characteristics and substantial equivalence of mycoprotein for potential new entrants.

Quorn Foods utilizes the air lift fermentation technology in its production of mycoprotein. *Fusarium venenatum* for mycoprotein production is grown under strictly defined conditions in the air lift fermentation process. Temperature, pH, nutrient concentration, dissolved oxygen, and growth rate are maintained at a constant rate throughout the process. The *fusarium* organism is grown on its own with no other living organism or contaminate. The fermentation comprises food-grade carbohydrate together with other ingredients that are of food-grade quality and purity and appropriate for the growth of *fusarium venenatum*. The liquid and gaseous feeds are sterilized prior to addition to the fermenter. Quorn Foods’ fermentation facilities and fermentation process are designed to prevent contamination. Its fermenters are approximately 50 meters in height and hold approximately 155 cubic meters of liquid.

In Quorn Foods’ fermentation process, the fermenter continually produces broth which is heat-shocked to reduce the ribonucleic acid content. The broth is then centrifuged to produce mycoprotein paste. Mycoprotein is immediately chilled for use in the manufacture of food products.

Products and Markets

Quorn Foods produces and sells two categories of food products marketed under two brands: (i) mycoprotein-based products marketed and sold under the *Quorn* brand, and (ii) plant-based products marketed and sold under the *Cauldron* brand. *Quorn* and *Cauldron* products are healthy and environment-friendly alternative protein sources and are suitable for various cooking methods. *Quorn* and *Cauldron* products are suitable for a variety of different meal occasions and needs, such as breakfast, lunch, dinner, snacking, and food-on-the-go.

Quorn offers an extensive range of mycoprotein-based vegan and vegetarian products, some of which are gluten-free. *Quorn* products offer an alternative for the key meat types: beef, pork, poultry, and fish. Its products cover all key shop aisles: frozen, chilled, and food cupboards. Quorn Foods’ products are suitable for different meal occasions and needs, including breakfast, lunch/dinner, snacking, and food-on-the-go. The versatility of its products allows consumers to create their favorite meals in the comfort of their homes.

Quorn products are sold in the UK, the Republic of Ireland, the US, Belgium, Luxembourg, Denmark, Finland, The Netherlands, Norway, Sweden, Germany, Switzerland, Southeast Asia, and Australasia.

Cauldron products are sold in the UK and the Republic of Ireland. All *Cauldron* products are suitable for vegetarians and *Cauldron* *tofu* and *falafel* are suitable for vegans. *Cauldron* products offer alternative sources of protein that complement *Quorn* products. *Cauldron* products are offered in chilled form and Quorn Foods sees an opportunity to grow further in the UK chilled food category.

Manufacturing Facilities

Quorn Foods has three manufacturing locations: Belasis, Stokesley, and Methwold, all in the UK. Belasis and Stokesley are approximately 100 kilometers from Leeds, and Methwold is approximately 150 kilometers from London. The manufacturing facility at Belasis is approximately 15 kilometers north of the Stokesley factory in Teesside. The Belasis facility has four fermenters. The site at Stokesley comprises an administrative block and a manufacturing facility. The manufacturing facility consists of four production lines, where paste from Belasis is formed into shapes and frozen. The facility produces a mixture of finished products for sale and intermediate products for further processing. The facility at Methwold is approximately 300 kilometers south of Stokesley and comprises 15 production lines including coating and frying, retorting, packing, and slicing. The site produces products for both the *Quorn* and *Cauldron* brands and can produce chilled products. Quorn Foods uses third party manufacturing partners to produce finished products

where Quorn Foods is capacity constrained, has no in-house capability (e.g., pastry products, ready meals), or when it is more economical to do so.

Sustainability

Quorn Foods continues to drive its sustainability agenda as part of its purpose of “Healthy Food for People and the Planet”. Compared to 2012, Quorn Foods has reduced its carbon emissions (scope 1 and 2) by 93% relative to production. In 2022 alone, this improved by 25% compared to 2021, as the full year benefits of procuring certified green energy at its Belasis plant mid-way through 2021 flowed through. As a result of this, mycoprotein is now produced using over 88% green energy. Quorn Foods continues to explore ways to reduce its carbon footprint, and from January 1, 2022, its *Cauldron* branded products were completely carbon neutral.

Well-invested facilities and agile and innovative supply network to capture growing demand

The Group has a track record in the Philippines of expanding its business by leveraging its operational strength and experience as well as periodically transforming its end-to-end supply network to quickly adapt to, and anticipate, its customers’ needs. Consequently, MONDE was able to grow its net sales, lower costs, and improve its cash position all at the same time.

From 2018 through 2021, customer service level (“CSL”) and transportation and warehousing cost improved (other than CSL in 2020 which was affected by the COVID-19 pandemic), and finished goods inventory days remained at optimum levels reflecting strong structural gains. Through innovative supply solutions and constant alignment with key stakeholders, MONDE was able to expand its reach, implement the best routes/supply plans, and maintain an appropriate inventory level ensuring product freshness.

Starting mid-2022, however, increased demand volatility has been observed requiring further redesign of the supply network.

Extensive, comprehensive, and sophisticated distribution network

The Group believes its comprehensive and sophisticated distribution network is crucial to its products’ continuous successful market penetration. In addition, the Group’s distributors provide a 15-day credit to its reseller customers (supermarkets, groceries, and wholesalers) who in turn extend credit to its *sari-sari* store (family-run convenience stores in neighborhoods and villages in the Philippines) customers. The provision by the Group of attractive payment options to its distributors allows distributors to, in turn, provide credit to its reseller customers while interventional programs encourage the Group’s *sari-sari* store partners to purchase the Group’s products when they are at a leading retailer for onward sale to other *sari-sari* stores.

Through the interplay of the Group’s different distribution channels, provision of credit to distributors’ reseller customers, and interventional programs, the Group is able to expand its reach and increase the market penetration of its products. In 2021, the weighted distribution of the Group’s products in the instant noodles category was 99% according to Nielsen.

As of December 31, 2022, the Group has had long-standing relationships with leading retailers in the Philippines with 18 national key accounts, 44 local key accounts, and 23 independent chain stores. As of the same period, the Group also worked with over 30 distributors in 47 provinces and districts. With this network, *Lucky Me!* products are distributed to more than 270,000 outlets, reaching more than one million *sari-sari* stores across the Philippines. The Group employs a unique cost-plus incentive scheme for its distributors in the traditional trade channel. The Group believes that its unique incentive scheme demonstrates innovation in its business processes, reflects its business continuity plans, and shows the win-win relationship between the Group and its distributors. With the cost-plus incentive scheme and the support of the distributors, the Group was able to aggressively expand its distribution reach despite the pandemic in the last two years.

By utilizing its extensive distribution network and leveraging its relationships with various retailers and distributors, the Group is able to efficiently and expeditiously supply and distribute its products to its customers as well as access and compete in new markets.

Visionary, ambitious, and experienced management

The Group has an ambitious and experienced senior management team with many years of local and international experience in the FMCG industry and in other fields. It has succeeded in managing the Group through various business cycles, with an extensive track record of executing business plans and achieving results, as demonstrated by the Group's overall growth, strategic expansion, and strong business operations over the years. In addition, the Group's management team has been at the forefront of sustainability in its products, value chain, and innovations even before the focus on sustainability gained increasing traction. The Group also benefits from its management team's proprietary knowledge of consumers' tastes and preferences and track record of operational excellence that the Group believes are necessary to successfully lead the development, growth, and expansion of its businesses.

Over the course of its operating history, the Group's management has consistently taken an active stance in building a resilient organization and high-performance culture to deliver stakeholder value by employing an innovative and results-oriented team with a commitment to excellence and sustainability. The visionary leadership of the Group's management team has helped attract and retain talent, deepen employee engagement, and promote the Group's core values of collaborating with empathy, continuous learning with a growth mindset, and caring with action. The Group believes the various awards received by its brands are a testament to the professionalism of its management and strengths of its teams.

STRATEGIES

The Group aspires to improve the well-being of the people and the planet and create sustainable solutions for food security.

The Group's principal strategies for achieving these objectives are set out below:

Drive category growth and market share in branded consumer segments through growing the core and continuing innovation and focusing on taste, eating experience, and well-being of the Group's consumers

Noodles (Philippines)

The Group intends to combine its intimate understanding of the Philippine noodles market with established research and development capabilities to support new product offerings that will suit the changing needs and preferences of its consumers. The Group aims to drive category growth through innovation anchored on themes of health and sustainability, premiumization through the introduction of new flavors and formats as product upgrades, and convenience. Given the relatively low per capita consumption of noodles in the Philippines compared to other Asian markets, the Group believes there is room for growth. The Group intends to grow its core products, namely *Instant Mami* and *Pancit Canton* by increasing consumption occasions (different new uses for existing products), improving market penetration in key segments, and building the brand to keep it meaningful, differentiated, and salient among consumers.

The Group aims to accelerate the growth of the Philippine noodles category. As a fundamental prerequisite to this and consistent with the Group's values, the Group intends to reduce the oil content of its noodle products while maintaining flavor and texture.

Biscuits and other baked goods (Philippines)

The Group has a wide portfolio of biscuit and bakery brands in the Philippines. The Group believes that, while it ranks first in the biscuits category in the Philippines, there is still a lot of room to grow especially in the wafer and sandwich segments, as the Group continues to strengthen its foothold in the cracker segment.

In 2020-2021, the category had experienced reduced consumption versus 2019 due to mobility restrictions associated with the COVID-19 pandemic. To achieve market share gains and maintain its market-leading position, the Group will continue to innovate its products and value chain. The Group aims to upgrade and develop its popular *Nissin Wafer* lines and sandwich lines to keep pace with rising consumer expectations. The Group also intends to integrate the

overall operations of its wholly-owned subsidiary MMYSC, the manufacturer of *SkyFlakes*, *Fita*, and *M.Y. San Grahams*, with its own operations in terms of procurement, overheads, shared services, and export (sales and marketing). In addition, the Group launched its own *Monde*-branded wrapped bread loaf produced using Japanese technology.

The Group has recently entered the bread business through the joint venture with and subsequent consolidation of SMFC. The Group foresees considerable potential in this sector. Based on the Group's assessment of total flour imports and uses in the Philippines, the Group believes this category, through formal and larger informal channels, to be even greater than the instant noodles category. In the formal wrapped loaves category, the Group has launched *Monde Fluffy Bread*, *Monde Milk Bread*, and *Monde Wheat Bread*. Product formulation benefits from the Group's established wheat and flour milling expertise and the Group believes its new offering represents better quality and price competitiveness than the products it replaces.

The Group believes its strong distribution ecosystem and strong equity in bakery quality will be instrumental in realizing its ambition in the bread business. With these strategies in place, the Group believes it is well-poised to quickly scale up to gain a sizeable market share in the bread business and realize healthy margins given its scale leverage along the value chain.

Adjacent categories (Philippines)

As an overall part of the Group's customer and consumer offering, the Group entered into marketing, sales, and distribution agreements with various brand owners that have products that complement the Group's core brands. For instance, in 2014, the Group entered into a 20-year Distribution, Marketing and Sales Agreement with Sandpiper Spices and Condiments Corp. under which the Group became the exclusive distributor of *Mama Sita's* products in the Philippines. In 2016 and 2006, the Group entered into distribution agreements with Dutch Mill Co. Ltd. ("**DMC**") and Dairy Plus Co. Ltd. ("**DPC**"), respectively, under which the Group became the exclusive distributor of *Dutch Mill* cultured milk and yogurt products, respectively, in the Philippines. In 2010, the Group expanded its partnership with DPC to include marketing by the Group of *Dutch Mill* yogurt products. Renewable agreements with DMC and DPC will be for another five years. Under the agreements with DMC and DPC, the Group has a functional profile that is bigger than a typical distributor, enabling the Group to have an entrepreneurial role in distributing the products and creating the markets. As a result, the Group believes that the return and distribution margins from its distribution agreements have become higher than under customary distribution agreements. The Group intends to continue to develop this strategy where product and values are compatible with its core offering.

The *Mama Sita's* brand is well-positioned in benefiting from sustained relevance of in-home cooking translating to a strong performance. The Group intends to increase penetration in the oyster sauce as well as marinade, viand, and meal sauces categories through market education of *Mama Sita's'* unique value proposition, wider distribution, and increased store visibility.

The Group intends to grow *Dutchmill Delight* via continued market education of its unique value proposition, expansion of distribution touchpoints, and in-store promotions. Meanwhile, *Dutch Mill* continues to be the dominant market leader in the yogurt drink category. The brand was also further buoyed by *Proyo* as it expanded the brand into a new market segment. The Group intends to consistently stay well ahead of competition through continuous innovations in product portfolio strengthening brand equity and distribution, while driving category penetration.

Thailand; Export for biscuits and noodles

The Group believes product innovations, mainstream focus, geographic expansion, sharper in-market execution, and lean operations allowed its domestic and export businesses in Thailand to increase revenue, gain market share, and expand operating margins even during the COVID-19 pandemic. In Thailand, the Group intends to expand its biscuits business by enhancing its digital marketing base to grow the existing brands.

Outside the Philippines and Thailand, the Group's export presence (excluding Quorn Foods) has been mainly aimed at providing overseas Filipino workers ("**OFW**") with a taste of home. Moving forward, the Group believes the key to growth is to build on and maximize OFW revenue and profitability and grow sales with mainstream consumers across markets. Through its improved biscuit and bakery offerings, and instant noodles, the Group believes it is ready to compete in the wider Asian region. The Group intends to achieve mainstream expansion in Asia, the Middle East, and

North America through new distribution partnerships and improved in-store execution. With continued market development, the Group believes that in due course there can be a degree of synergy in country operations across its full product offering range from biscuits to bakery to instant noodles.

Revenue Growth Management

As the Group's product assortment and presence have expanded over the years, various targeted interventions such as flagship stores across modern and general trade have helped to continuously develop its main categories and often to gain market share. To further leverage the Group's existing footprint and drive cross-category growth, structured revenue growth management will become an area of focus. This will be through clear channel segmentation, reconsideration of price and pack balancing, channel pack differentiation, trade terms optimization, and return on investment-based promotional effectiveness.

Augment the end-to-end supply network capabilities of the Group towards a responsive, adaptive, and predictive ecosystem supporting growth amidst increased demand volatility and consumer sophistication

MONDE intends to continue its holistic redesign of its manufacturing and distribution network aimed at increasing total system capacity while (i) ensuring business continuity and risk mitigation through the strategic location of its facilities and diversification of its sourcing strategy, (ii) increasing agility through node synchronization to minimize inventories at each node, (iii) driving structural cost improvements, and (iv) benefiting the environment through waste elimination and the use of more eco-friendly products broadly.

Rapidly evolving customer preferences result in demand volatility. To address this, MONDE successfully piloted a new highly responsive work system in one of its operations which expanded the capabilities and skills of its employees and provided flexibility in the Group's operations to cater to increased demand volatility and the trend towards niche product categories. The next phase includes roll-out of the new work system design, as well as process redesign towards flexible lines.

In addition, MONDE worked with an external company to develop predictive modeling on demand locations given the inherent higher cost-to-serve nature of an archipelago and the faster internal migration and urbanization happening in the country. The insight from this exercise served as input to the Group's ongoing Supply Network Redesign.

Although the Philippines has been relatively slow to embrace e-commerce, the COVID-19 pandemic has accelerated the pace of digital adoption. The Group understands that consumers are now becoming omni-channel shoppers. Loyalty to only one type of channel is eroding and it is important for the Group to understand the difference in behavior regarding basket content both online and offline. The role of e-commerce in the Group is to close the loop of consumer awareness, customer engagement, and straight to purchase. The Group will continue to collaborate with national and regional online partners and consumer communities. The Group will be increasingly engaging with modern trade and distribution partners for direct e-commerce with them to expand the Group's currently nascent volume. The Group's engagement with consumers will be through digital communities but the Group will not be seeking direct business-to-consumer sales. The Group will, however, communicate brand and new product launches as directly as possible just as the Group will seek their feedback. The Group's digital collaboration will be to bring to its established partners relevant consumer data to help the Group better serve its ultimate consumers.

Strategy of Quorn Foods

Quorn Foods' strategy is designed to support the purpose of the business: "To provide Healthy Food for People and the Planet" and focuses on three key areas. Firstly, to continue with the business transformation including accelerating research and development ("R&D") and new product development ("NPD"), energizing the *Quorn* brand and building on key customer relationships across the retail, foodservice, and quick serve restaurant ("QSR") channels. Secondly, to capture the next phase of growth across key markets by maintaining its category leadership in the UK and increasing Quorn Foods' penetration in the global QSR channel. Thirdly, continue to invest to position Quorn Foods to be a long-term winner in the addressable meat alternative market through capability, technological research, and investment in its brands.

In 2020, Quorn Foods defined its purpose — To Provide Healthy Food for People and the Planet — and its aspiration — 8 Billion Servings, Net Positive by 2030. Quorn Foods’ interpretation of “net positive” is to put more into the world than it takes out. Its main goal is to use the business as a force to support healthy societies, have a positive impact on its employees, and protect and restore the natural resources around itself.

To deliver this purpose, Quorn Foods initiated a business transformation in 2020 to lay the foundation for the next phase of growth across key markets.

Initiating business transformation to lay the foundation for the next phase of growth

The key initiatives consist of the following:

- (1) ***Leadership team strengthened:*** In 2020, Marco Bertacca took up his role as Quorn Foods’ Chief Executive Officer. Mr. Bertacca brought 25 years of experience with consumer foods companies, including management, business development, and supply chain roles with Royal FrieslandCampina N.V. in Asia and Europe. Quorn Foods further strengthened its senior management team and now has a strong balance of functional and industry experience, combined with a diverse global background.
- (2) ***Manufacturing capacity and capability increased:*** Quorn Foods successfully increased forming capacity and constructed a fourth fermenter in 2021 providing an additional 15,000-metric ton of fermentation capacity, with full capacity expected to be available in the second half of 2022. Additional resources have been added to strengthen the areas of continuous factory improvement and capital project management.
- (3) ***R&D and NPD accelerated:*** Quorn Foods continued to strengthen its R&D capability in 2022. A Nutrition Science team was established, and Dr. Hannah Theobald was appointed to lead the function. Dr. Theobald has over 20 years of experience in various organizations, including GSK, Pladis, GAIN, and the British Nutrition Foundation. The role of the new Nutrition team is to facilitate Quorn Foods’ transformation and net positive journey by:
 1. Driving portfolio evolution to further improve the nutritional profiles of our products;
 2. Evolving and translating Quorn Foods’ Nutrition research program with universities to further enrich its communications and enable business growth;
 3. Promoting the health of its workforce by educating them about nutrition; and
 4. Stepping up its engagement in key markets with external stakeholders, including healthcare professionals, policymakers, and influencers.

The science and product development teams were refocused in 2022 so that resources were dedicated to three levels of innovation that will fuel future growth:

1. Incremental NPD centered squarely on Quorn Foods’ Retail and QSR/Foodservice businesses;
2. Breakthrough innovation requiring the development of ‘new to Quorn’ capabilities and technologies; and
3. Transformational Science and Technology with a particular focus on biotechnology and exploration of new mycoprotein applications.

To support the Transformation Science and Technology program, Dr. Wilco Meijer was brought into the company to lead this agenda. Dr. Meijer has over 25 years of experience leading R&D teams developing dairy cultures and enzymes.

- (4) ***Energizing the Brand:*** Quorn Foods launched a new brand campaign, with its advertising agent, Adam & Eve, targeted towards flexitarians. It also launched a packaging refresh, supported by its packaging agency, Bulletproof, to improve in-store visibility. Additionally, Quorn Foods entered into a global multi-year partnership with Liverpool Football Club to become the club’s Official Sustainable Protein Partner, helping the club to contribute to greater food sustainability as part of its Reds Go Green initiative. American actor and celebrity flexitarian, Drew Barrymore, has joined Quorn US in a multi-year business partnership as the brand's first-ever “Chief Mom Officer” (CMO). In her role, the globally recognized entertainer will help Quorn extend its mission to provide healthy food for people and the planet, with a focus on the US.

Capturing the next phase of growth across key markets

Quorn Foods continues to focus on capturing the full market potential of its domestic markets, while also accelerating channel and geographical expansion. Quorn Foods believes this can be achieved by:

- ***Maintaining its category leadership in the UK:*** Quorn Foods' priority is to maintain its UK category leadership position in retail and strong position in foodservice. According to IRI, Quorn Foods is the market leader in the UK meat alternatives market with *Quorn* and *Cauldron* being the No. 1 and No. 4 brands, respectively. Quorn Foods held a combined retail grocery share of 31.7% for the past 52 weeks as of December 2022, which is a 1.5% increase compared to 2021 (IRI 31 December 2022).

For the *Quorn* brand, Quorn Foods will focus on bringing product innovations of great-tasting food to the consumer, as seen in its exciting launches in 2022, which included a premium Deli range, flavored filled snacking bites, and a new vegan range of mini chicken fillets.

Quorn Foods' marketing strategy focus on bringing new users to its *Quorn* and *Cauldron* brands and the meat alternative sector by demonstrating the benefits of taste, health, and sustainability.

In 2022, Quorn Foods launched a series of communication campaigns to entice consumers into the brand. It started the year with a brand new campaign, 'Tasty Resolutions', that used a fun-loving meat-eating Wrestler to show how Quorn is so healthy and tasty we all should be starting the new year with a new protein on our plates. The campaign ran across TV, online video channels (such as YouTube), and social media platforms (such as Facebook and Instagram). Quorn Foods is committed to bringing new consumers to the brand and category, which was the clear objective of its second big communications campaign of the year. To support the launch of its new premium Deli range, targeted squarely at bringing meat eaters into the category, the campaign 'So tasty, why choose the alternative?' was launched. Featuring a talking puppet, Perry the Pig, consumers were introduced to the great new products and enticed by flavorsome visuals throughout. The new campaign reached millions of consumers as it played out on video-on-demand channels, online video, social, digital, and public relations. As well as a national sampling tour of the UK and further support from our sports organizations sponsorship.

The *Cauldron* brand complements the *Quorn* brand to ensure that a wider range of consumer needs can be met. Its plant-based products stretch beyond purely meat alternatives with ingredient-led products like *Tofu* and *Falafels*. Quorn Foods intends to compete in the rapidly growing chilled retail category offering a wide product range, allowing vegans and flexitarians alike to enhance their eating experiences and broaden their repertoire.

Furthermore, Quorn Foods will continue to build on its strong position in foodservice, especially in schools where it is served in approximately 75% of all schools, and the pub/bar channels. Quorn Foods supplies four out of the top ten and nine out of the top 50 restaurants and fast-food chains in the UK, with more restaurants and fast-food chains than its competitors.

Quorn Foods has demonstrated its strength in the QSR segment with successful partnerships with KFC, Greggs, Costa, and Pizza Hut in the UK. It has collaboratively worked with these partners, and their supply chains, to develop products such as, among others, the *Vegan Sausage Roll*, an item in the top five of the most-purchased food products for Greggs, the *Fillet Vegan Burger* for KFC, the *Vegan Smoky Ham & Cheeze Toastie* for Costa, and the *Vegan Nugget* for Pizza Hut.

- ***Increasing penetration in the Global QSR channel:*** Quorn Foods now partners with KFC in 21 countries and intends to continue to expand its business globally. Quorn Foods has identified the QSR channel as a way to grow the business and increase accessibility to food. A dedicated team, including experienced QSR NPDP resources, has been created to work with key customers to provide tailor-made products, services, and solutions.

- **Preparing for further international growth:** Quorn Foods will start by leveraging its existing presence in key European markets, developing the right localized portfolio for selected markets, and preparing for long-term growth. Additionally, it will prepare for future opportunities in selected Asian markets, especially in countries where it or the Company has an existing presence.

Investing to position Quorn Foods to be a long-term winner in the growing addressable meat alternatives market

Quorn Foods believes that to win in the meat alternatives market, it must make food that match the taste expectations of flexitarians, drive mass awareness to the flexitarian consumer base, have the highest credentials in health and sustainability, and have a footprint in the major markets.

To that end, Quorn Foods intends to invest in technology to capture the next phase of growth.

Quorn Foods believes that the requirements of the meat alternatives category will continue to evolve as it attracts new and diverse consumers and tastes. It therefore seeks to not only keep enhancing its biotech (fermentation) capabilities but also invest in research and food technologies to continuously improve its products. Accordingly, it is actively evaluating options for a Global Food Application and Innovation Center. Through these developments, Quorn Foods aims to deliver the next generations of great-tasting food that is better for the people and the planet.

In summary, Quorn Foods believes it has embarked on the right transformational journey for growth. Over the next years, the focus will be on the home market, across retail and foodservice and QSR channels. Key pillars of the growth strategy across the priority markets are developing great-tasting food for now and the future, driving brand awareness, developing partnerships with key customers in retail and foodservice, expanding technical capabilities, and continuing to invest in R&D and marketing.

Continuing to promote sustainability and health in the Group's APAC BFB Business

The Group has six strategic areas of action in respect of this strategy for the APAC BFB Business, as follows:

1. Pivoting to a "healthier and better" portfolio

Malnutrition is a prevalent issue affecting the public health situation of the Philippines. This has shown to head towards the underdevelopment of child growth and increases exposure to infections and diseases. Furthermore, another contributor to malnutrition is the overconsumption of ingredients of concern, such as sugar, sodium, and saturated fat, which may lead to increased health risks.

To tackle the challenges posed by malnutrition in the Philippines, the Group intends to (i) develop and grow its "healthier and better" portfolio and (ii) drive consumer education and engagement on health and nutrition. To carry out this strategy, the Group looks to product innovations that are implemented in two approaches: 1) the reduction of ingredients of concern, and 2) fortification of beneficial nutrients in its key products. The first approach deals primarily with the gradual reduction of sodium, total fat, and sugar towards an optimal target for the Group's select products. The second approach seeks to enhance viable products with essential nutrients.

To complement the Group's efforts in enhancing its product portfolio, the Company initiates consumer education campaigns to promote a holistic approach to health and well-being. Whenever possible, the Company is purposive in communicating its values across its marketing practices in both print and digital advertising.

2. Moving towards a resource-efficient and zero waste value chain

The natural environment plays an important role in sustaining societies as it performs ecosystem services such as the provisioning of resources and regulation of natural phenomena to make life possible. However, an unsustainable behavior in resource consumption and business operations has contributed to alarming environmental challenges that threaten human development and prosperity.

Waste and packaging management is considered as one of the primary environmental challenges of the food manufacturing sector. The Group intends to improve its waste management practices by taking collaborative

measures and process improvements to achieve the Zero Waste to Landfill goal. The Group is also working on minimizing its post-consumer waste impact by implementing design solutions to downsize its usage of packaging materials without compromising the quality of its products. The Group also aims to shift to 95% recycle-ready packaging by 2025.

The Group recognizes that environmental responsibility is an integral component of the business agenda. The Group is constantly looking for ways to improve eco-efficiency of its facilities, particularly towards water, energy, and material usage reduction.

3. *Transition to a low-carbon value chain*

Climate change is one of the defining issues that the world is presently facing. With the continued rise of global average temperature levels, climate change poses a great risk to different facets of society. The consensus is that collaboration across all sectors is crucial in addressing climate change.

To align with global efforts to transition towards a low-carbon economy, the Group reduced its carbon footprint by improving the energy efficiency of its plants through a comprehensive and structural energy conservation program, and partnering with a like-minded company in sourcing its power requirements via renewable energy.

4. *Scale up inclusive distribution*

One of the primary reasons for poverty and inequality in the country is the barrier against participating in the labor force or income-generating opportunities. Poverty or lack of access to capital are systemic issues that are both the cause and the effect of the unequal access to decent work and economic growth. As a growing company, MONDE is in the position to promote inclusive opportunities for the marginalized set of the population.

The Group will continue to strengthen its community distribution network by providing livelihood to its independent brand experts and to empower its *sari-sari* store partners by providing access to microfinance services. The Group also aims to increase the number of independent brand experts provided with livelihood opportunities as well as the number of its *sari-sari* store partners with access to financial credit.

5. *Foster inclusive and better workplace practices*

The backbone and strength of any company are its people. They are the driving force that enables the company to continuously exist and create value for its customers. Hence, it is crucial for every company to prioritize sustained employee satisfaction.

The Group aims to uphold decent work standards by ensuring that proper safeguards and inclusive policies are in place for MONDE's workers. The Group aims to foster an inclusive workplace environment that provides social safeguards, promotes talent development, and creates opportunities for social dialogue across its workplaces.

6. *Enable key stakeholders' involvement in driving the Company's sustainable development*

Prioritizing employee sustainability education and action is crucial to the success of the Company's sustainability agenda. Employees' awareness and ownership of sustainability initiatives are needed to efficiently implement and scale sustainability programs. The Group aims to cultivate a culture of sustainability for MONDE's employees by providing avenues for sustainability engagement. The Group also encourages all employees to contribute to sustainability through personal conduct and a structured feedback system to encourage initiatives and process such initiatives for further development. The aspiration for this strategy is that it will result in an overflow of positive impact across the respective spheres of MONDE's employees.

Continue to adhere to the Group's aspiration to improve the well-being of the people and the planet, and create sustainable solutions for food security

The Group has been built through continuous innovation and investment ahead of changing consumer tastes. Over time, the Group has progressed from a focus on taste alone, to focusing on a combination of taste, and individual and

planetary health. The Group believes its success has outweighed the occasional setbacks that it has experienced as it searched for ways to achieve its aspirations despite the challenges. The Group will continue to seek investments in brands, processes, and emerging technologies that are compatible with its aspirations.

APAC BFB BUSINESS

Key milestones

- 1979 MONDE was incorporated as Monde Denmark Nissin Biscuit Corporation and launched *Nissin Butter Coconut Biscuits* and *Nissin Wafers*.
- 1989 The Company and its subsidiaries [other than Monde Nissin (UK) Limited (“**MNUK**”) and Marlow Foods and its subsidiaries which trade as Quorn Foods] (“**APAC BFB Group**”) launched *Lucky Me!*.
- 1991 APAC BFB Group launched *Lucky Me! Pancit Canton*, the first dry stir-fried pouched noodles in the Philippine market.
- 1998 APAC BFB Group set up flour mill operations and started export activities.
- 2001 MONDE established MMYSC as a joint venture with My Crackers, Inc. (“**MCI**”). MONDE held a 60% stake in MMYSC at the establishment of the joint venture. Through this joint venture, MONDE added *SkyFlakes*, *Fita*, and *M.Y. San Grahams* to its product portfolio.
- APAC BFB Group achieved ISO 9001:2000 Certification for quality management system.
- 2005 APAC BFB Group set up a manufacturing plant in Thailand and a new instant noodle plant with a research and development center.
- 2006 MONDE entered into a distribution agreement with Dairy Plus Co., Ltd. for the distribution of *Dutch Mill* yogurt drinks. The APAC BFB Group also set up a seasoning plant in Thailand.
- 2010 APAC BFB Group achieved ISO 22000:2005 Certification for food safety management.
- 2011 APAC BFB Group set up a packaged cake manufacturing plant and launched the *Monde Mamon* packaged cake.
- 2014 MONDE entered into an agreement with Sandpiper Spices and Condiments Corp., the manufacturer of *Mama Sita’s* branded products, and became the exclusive marketing and distribution arm of Sandpiper Spices and Condiments Corp. for *Mama Sita’s* products in the Philippines.
- 2015 MONDE acquired Marlow Foods Limited from Exponent Private Equity.
- 2016 MONDE formed a joint venture, SMFC, with Indonesia’s largest bread manufacturer, PT Nippon Indosari Corpindo TBK, to expand its footprint in the bread segment. MONDE held a 45% stake in SMFC at the establishment of the joint venture.
- MONDE entered into an agreement with Dutch Mill Co., Ltd. for the distribution of *Dutch Mill* cultured milk.
- 2017 MONDE formed a joint venture, Monde Malee Beverage Corporation, with Malee Group Public Company Limited, a leading juice and canned fruit manufacturer in Thailand, and became the exclusive distributor of *Malee* branded beverage products in the Philippines. MONDE held a 49% stake in Monde Malee Beverage Corporation at the establishment of the joint venture and continues to maintain its stake at 49% until present day.
- 2019 MONDE reduced its stake in SMFC from 45% to 25%.

2021 MONDE acquired an additional 55% stake in SMFC from PT Nippon Indosari Corpindo TBK, raising its equity interest in SMFC to 80%. As a result, SMFC became a subsidiary of MONDE, and MONDE terminated its joint venture with PT Nippon Indosari Corpindo TBK.

MONDE acquired the remaining 40% stake in MMYSC from MCI and MMYSC became MONDE’s wholly-owned subsidiary.

MONDE becomes listed in the Philippine Stock Exchange (PSE:MONDE).

2023 MONDE acquired a 15% equity stake in Figaro Coffee Group, Inc. (“FCG”), providing MONDE exposure to the foodservice sector, and allowing MONDE to leverage its scale to enhance the procurement capabilities of the rapidly-growing business of FCG.

Products and Brands

As mentioned, the Group’s APAC BFB Business manufactures, markets, and sells an extensive portfolio of products which can be categorized into three product groups: (i) instant noodles; (ii) biscuits; and (iii) Others (such as baked goods, beverages, and culinary aids).

The Group conducts its APAC BFB Business mainly in the Philippines and Thailand.

Instant Noodles

The APAC BFB Group markets its instant noodles products under the *Lucky Me!* brand. The table below sets forth *Lucky Me!*’s market share in retail sales value in the Philippines.

CATEGORY	BRANDS	MARKET SHARE IN RETAIL SALES VALUE IN THE PHILIPPINES (2022)	RANKING FOR MARKET SHARE (2022)
Instant Noodles		65.0	1 st

The below table sets forth Lucky Me! sample product lines, including best sellers, offered in the Philippine market.

Wet Pouch		<ul style="list-style-type: none"> • Lucky Me! Chicken na Chicken Mami • Lucky Me! Beef na Beef Mami • Lucky Me! Spicy Labuyo Beef Mami • Lucky Me! Spicy Labuyo Pork Mami • Lucky Me! Spicy Labuyo Chicken Mami • Lucky Me! Milky Me Milky Corn • Lucky Me! Milky Me Milky Chicken • Lucky Me! Lomi • Lucky Me! Bulalo • Lucky Me! Batchoy • Lucky Me! Jjamppong
Dry Pouch		<ul style="list-style-type: none"> • Lucky Me! Pancit Canton Kalamansi • Lucky Me! Pancit Canton Extra Hot Chilli • Lucky Me! Pancit Canton Chillimansi • Lucky Me! Pancit Canton Sweet & Spicy • Lucky Me! Pancit Canton Original • Lucky Me! Mi Goreng • Lucky Me! Curly Spaghetti • Lucky Me! Mac & Cheese • Lucky Me! Baked Mac
Cups		<ul style="list-style-type: none"> • Lucky Me! Go Cup Bulalo • Lucky Me! Go Cup Batchoy • Lucky Me! Go Cup Spicy Bulalo • Lucky Me! Go Cup Spicy Batchoy • Lucky Me! Go Cup Jjamppong • Lucky Me! Go Cup Sotanghon • Lucky Me! Go Cup Lomi • Lucky Me! Go Cup Beef • Lucky Me! Go Cup Chicken Mami • Lucky Me! Go Cup Seafood • Lucky Me! Pancit Canton Go Cup Kalamansi • Lucky Me! Pancit Canton Go Cup Chillimansi • Lucky Me! Pancit Canton Go Cup Extra Hot Chilli

The APAC BFB Group launched its instant noodles products under the *Lucky Me!* brand in 1989. Since then, *Lucky Me!* has grown into an iconic brand consumed by 98.9% of Filipino households by 2022 according to Kantar.

Lucky Me! offers a wide array of innovative and flavorful noodle varieties. There are three product lines under *Lucky Me!*: (i) wet pouch; (ii) dry pouch; and (iii) cups. *Lucky Me! Instant Mami* comes in a variety of flavors and is enjoyed as a comforting savory noodle soup. *Lucky Me! Pancit Canton* pioneered the dry stir-fried pouched noodles segment

in 1991. It is currently the largest segment of the APAC BFB Group’s instant noodles products based on net sales and has the highest market share in terms of retail sales value in its category in the Philippines in 2022 according to Nielsen. It offers a variety of flavors and is enjoyed either as is, or paired with other food. Launched in 1995 as the first of its kind in the Philippine market, *Lucky Me! La Paz Batchoy* and the *Lucky Me! Bulalo* are instant noodles served in bowls (now in cups) primarily for on- the- go convenience *Lucky Me! Go Cup* has since expanded to variants such as *Jjamppong*, *Sotanghon*, and *Lomi*, among others.

The APAC BFB Group manufactures, distributes, and markets *Lucky Me!* mainly in the Philippine market. Through its Thailand operations, the APAC BFB Group exports *Lucky Me!* to more than 20 countries.

Biscuits

Biscuits was the first product group that the APAC BFB Group marketed when it started its operations. The APAC BFB Group launched its biscuit brand *Nissin* in 1979. MONDE’s acquisition of M.Y. San Biscuit, Inc. (renamed as Monde M.Y. San Corporation after the acquisition) in 2001 added *SkyFlakes*, *Fita*, and *M.Y. San Grahams* branded crackers to its portfolio. Since then, the APAC BFB Group has added an assortment of delectable snacks, from wafers to cookies to cracker and cookie and cracker sandwiches.

The APAC BFB Business’ key brands and sample product lines, including best sellers, offered in the Philippine market as well as market share information under the biscuits product group are as follows:

Category	Sample Product Lines	Market Share in Retail Sales Value in the Philippines (2022) ⁽¹⁾	Ranking for Market Share (2022) ⁽¹⁾
Biscuits Product Group		28.8%	1 st
Crackers	<ul style="list-style-type: none"> • <i>SkyFlakes</i> Crackers • <i>Skyflakes</i> Flavors • <i>Skyflakes</i> Fit • <i>Fita</i> Crackers • <i>M.Y. San Grahams</i> Honey, Chocolate • <i>Nissin</i> Butter Coconut 		
			
Sandwiches	<ul style="list-style-type: none"> • <i>Bingo</i> Cookie Sandwich Double Choco, Orange, Vanilla, Bingo Mini Cookies • <i>SkyFlakes</i> Cracker Sandwich Condensada, Tsokolate, Mantikilya 		
			
Cookies	<ul style="list-style-type: none"> • <i>Nissin</i> Breadstix Plain, Cheese, Garlic Parmesan • <i>Nissin</i> Eggnog 		
			
Wafers	<ul style="list-style-type: none"> • <i>Nissin</i> Classic Wafer Choco, Vanilla, Yummy Buter • <i>Nissin</i> King Wafer Choco, Cheese • <i>Nissin</i> Wafer Double Choco, Peanut Butter • <i>Nissin</i> Stick Wafer Chocolate, Strawberry • <i>Nissin</i> Cubee Wafer Vanilla Fudge, Cookies and Cream 		
			

Category	Sample Product Lines	Market Share in Retail Sales Value in the Philippines (2022) ⁽¹⁾	Ranking for Market Share (2022) ⁽¹⁾
	<ul style="list-style-type: none"> Nissin Waffle Deluxe 		

⁽¹⁾ Source: Nielsen.

The APAC BFB Group manufactures, distributes, and markets its biscuits products mainly domestically in the Philippines. Brands under the biscuits segment that the APAC BFB Business manufactures, distributes, and markets in the Philippines are *Nissin*, *SkyFlakes*, *Fita*, *Bingo*, and *M.Y. San Grahams*.

In Thailand, the APAC BFB Group manufactures, distributes, and markets products under *Voiz* and *Sumo* brands. For the year ended December 31, 2020, the APAC BFB Business' net sales in Thailand outperformed the overall Thailand biscuits market, witnessing a 9% growth compared to the previous year against a negative growth of 6.1% for Thailand overall biscuit sales, according to Nielsen. In 2021, the APAC BFB net sales continued to outperform the overall Thailand biscuit category by growing 14% compared to a 2% decline for the total category. In 2022, the APAC BFB Group continued to outperform the Total Thailand Biscuit category. The APAC BFB Group's biscuits grew by 26% compared to 8% for the Total Biscuit category.

Others

The products of the APAC BFB Group under Others are packaged baked goods, beverages, culinary aids, and fresh bread.

The APAC BFB Business' key brands and sample product lines, including best sellers, offered in the Philippine market as well as market share information under the Others product group are as follows:

CATEGORY	BRANDS	MARKET SHARE IN RETAIL SALES VALUE IN THE PHILIPPINES (2022)	RANKING FOR MARKET SHARE (2022)
Yogurt Drink		89.1	1 st
Cultured Milk		20.5	2 nd
Oyster Sauce		61.3	1 st

The APAC BFB Group markets the various brands under its Others product group domestically in the Philippines. The Company manufactures, distributes, and markets *Monde* packaged bakery products. *Monde* represents the APAC BFB Group's product initiative to venture into the mass premium bakery segment. *Monde* was the first brand in the Philippines to offer bakeshop-quality cakes and pastries made with real eggs and fresh ingredients.

SMFC is the manufacturer of *Monde Bread*, and *Walter Bread*, a healthy product line offering bread that contains fiber and wheat and has low or no sugar.

In 2006 and 2016, MONDE entered into distribution agreements with DPC and DMC, respectively, where MONDE became the exclusive distributor of *Dutch Mill* yogurt products and cultured milk in the Philippines. In 2010, the Group expanded its relationship with Dutch Mill to include marketing by the Group of *Dutch Mill* products. In 2014, MONDE also entered a 20-year Distribution, Marketing and Sales Development Agreement to establish an agency relationship with Sandpiper Spices and Condiments Corp., the manufacturer of *Mama Sita's* branded products, to exclusively market and distribute *Mama Sita's* products in the Philippines. These products include oyster sauce and meal mixes and sauces. *Mama Sita's* is a legacy brand with rich culinary heritage well-established in the Philippine market. MONDE believes that it derives above-market economic advantages for these marketing and distribution agreements because of the entrepreneurial role it plays where it makes marketing investments for the relevant products.

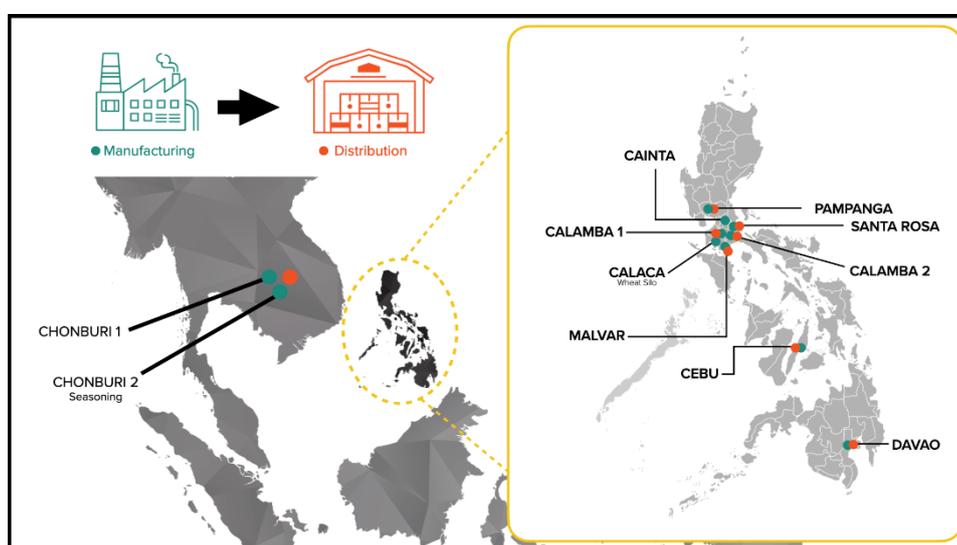
Manufacturing facilities

The APAC BFB Group has established an extensive network of production facilities in the Philippines and Thailand to meet the growing demand for its products.

As of December 31, 2022, the APAC BFB Group has eight production facilities with seven co-located distribution centers that are strategically located across the country anchored on predictive modelling on future demand locations, and a grain terminal and storage in the Philippines. In Thailand, the APAC BFB Group has two production facilities, including a seasoning plant which produces seasoning and condiments for instant noodles.

MONDE manufactured more than 80% of its products sold in the Philippine market and the rest were either imported or sourced from agency partners.

The diagram below depicts the location of each production facility and co-located distribution centers of the APAC BFB Group.



The APAC BFB Group employs best-in-class tools, processes, and standards pertaining to food safety and quality assurance at its manufacturing facilities. The manufacturing plants in Laguna and Cebu are FSSC (Food Safety Management Systems) 22000 (GFSI) certified and Davao is ISO22000:2018 certified. The remaining manufacturing plants of MONDE in the Philippines are gearing towards the same Food Safety certifications. All of Thailand manufacturing facilities are FSSC, Halal, HACCP, GMP, IEAT certified; and its crackers plant is also SMETA, SAHAMIT and URSA certified.

As of December 31, 2022, Phase 1 of the APAC BFB Business's thrust to holistically redesign its End-to-End Supply Network has progressed as planned.

Santa Rosa Facility

The images below show different facilities in the APAC BFB Group's Santa Rosa facility.

Flour Mills



Noodles Plant



Biscuit Plant



Cake Plant



Distribution Center with Automated Storage and Retrieval Systems



The Santa Rosa plant serves as the APAC BFB Group's first and flagship integrated facility for biscuits, noodles, cakes, seasoning, and flour production. It is highly automated, particularly in the noodles production. It has a vertically integrated flour production and also acts as a flour supplier for other APAC BFB Group's plants within the Philippines. The flour mills employ a computerized flour mixing and blending system.

Also situated within the Santa Rosa facility is an extensive warehouse space of approximately 33,000 square meters. The facility is equipped with two automated storage and retrieval system ("ASRS") with over 26,000 pallet positions. Finished goods from production are received through palletizer machines, then transferred by rail-guided vehicles into single and double deep stacking locations in ASRS.

Cebu Facility

The Cebu manufacturing facility was established to initially produce instant noodles in 1989, the same year of the launch of *Lucky Me!*. The Cebu facility has since been the enabler of growth in the Visayas region as more product categories are added to its production throughout the years.

Cainta Facility

The Cainta manufacturing facility was set up in 2001 and the biscuits business had expanded at a relatively fast pace.

Calamba Facilities

There are two facilities in the Calamba area.

The Calamba 1 plant was the APAC BFB Group's first facility in the Philippines that is situated inside an industrial park, the Carmelray Industrial Park 2. The Calamba 1 plant operates at full capacity and manufactures biscuit products.

The Calamba 2 Plant is located in the Carmelray Industrial Park 1. It became operational in 2017 and manufactures bread products.

Davao Facility

The Davao manufacturing facility commenced its operations in 2013 to capture growing demand in Mindanao. Since then, the Mindanao region has seen one of the fastest growing sales. The Davao manufacturing facility manufactures noodle products and is one of the APAC BFB Group's best performing and most reliable production facilities.

Pampanga Facility

The Pampanga manufacturing facility, which manufactures noodle products, was built in 2019 and was strategically chosen to capture growing demand in North and Central Luzon. It houses an integrated warehouse management information system coupled with new work process design aimed at doubling warehouse productivity.

Malvar Facility

The Malvar manufacturing facility, which manufactures noodle products and houses an integrated distribution center, commenced operation in the third quarter of 2021 and is the most recent facility that the APAC BFB Group invested in. It is situated in the Light Industry and Science Park 4, a leading private industrial park in the Philippines. It has the second-largest land area among all the APAC BFB Group's facilities and is the first leg of the end-to-end Supply Network Redesign, which features the New Work System design.

Chonburi Facility

The APAC BFB Group believes that Thailand is a strategic location for production as it provides access to a greater variety and better-quality spices and other raw materials at reasonable cost.

In 2005, the APAC BFB Group set up a biscuits plant in Amata City, Chonburi province, Thailand ("**Chonburi 1 Facility**"). The biscuits plant manufactures crackers, wafers, cookies, and waffles under the brands *Voiz* and *Sumo*. The Chonburi 1 Facility also started *Lucky Me!* Noodles production in 2020. As of December 31, 2022, the APAC BFB Group had two noodle lines at its manufacturing facility in Thailand. It intends to commission its third noodle line in Thailand in 2023. Production in Thailand is for local consumption and exports to more than 50 countries.

The APAC BFB Group set up a seasoning plant in Thailand in 2006 ("**Chonburi 2 Facility**") to produce seasoning and condiments for its instant noodles facilities. Products from the Chonburi 2 Facility are different seasoning powders for instant noodles.

Raw materials

Raw materials accounted for 70%-75% of cost of goods sold since the year ended December 31, 2019 onwards. In 2022, the raw materials that accounted for the largest percentages of the APAC BFB Business' cost of goods sold were wheat/flour, palm oil, shortening, coconut oil, and sugar.

For the year ended December 31, 2022, flour from the Santa Rosa plant served majority of the APAC BFB Group's production requirements and the APAC BFB Group purchased the rest from local millers. Wheat is sourced from the US. The APAC BFB Group sources palm oil for the Philippines from multiple local suppliers and refiners, which buy from Indonesia and Malaysia, while its Thailand operation sources wholly from Thailand. Sugar and coconut oil are sourced mainly from local suppliers in the Philippines and Thailand. The cost of packaging is immaterial compared to the aforementioned raw materials.

For packaging, the main raw materials for all product groups are plastic wrappers, plastic cups, PET sachets, and packaging cartons. Except for the PET sachets used for soy sauce and oil, all packaging raw materials are sourced locally. In line with its core value of promoting sustainability, the APAC BFB Group implemented various initiatives to use less packaging materials for its products which also resulted in significant cost savings. In Thailand, the APAC BFB Group resized and redesigned its biscuits product packaging to be tighter and adjusted the thickness of the packaging. This has brought the cost of packaging materials down by 53% in 2019 compared to the previous year. The Group is also considering using recyclable materials for all its packaging in the future.

Prices of raw materials are subject to significant volatility due to extreme weather conditions, size of harvests, transportation and storage costs, governmental agricultural policies, currency exchange rate fluctuations, and other factors. The APAC BFB Group revisits the prices of its commodity raw materials such as flour and sugar regularly and ensures that supply contracts allow for further adjustment necessary to achieve cost efficiency and supply assurance. The APAC BFB Group has been able to partially mitigate price fluctuations in raw materials through a combination of (i) operational synergies, (ii) the use of long-term contracts with suppliers to lock in pricing, and the (iii) diversification of sources of supply. Given that a significant portion of the APAC BFB Group's flour requirement is produced in-house at its Santa Rosa plant, it enjoys consistent supply, quality, and cost savings for flour from this operational synergy. Operational synergy is also achieved in the supply of seasoning for instant noodles production from the seasoning plant in Thailand which offers comparatively lower costs than if seasonings were to be supplied in the Philippines as Thailand serves as one of the hubs for food manufacturing industry.

Suppliers

The APAC BFB Group conducts due diligence via its supplier vetting and accreditation processes. To ensure optimal value for both the supplier and the Group as purchaser, the Group has started a more holistic end-to-end value analysis to see total system costs and losses factoring in price, quality, reliability, and impact to the total supply chain, examples include wheat, palm oil, and packaging; and working out a joint solution with suppliers to take the losses out. This approach opened up new possibilities and partnerships, and enabled the Group to speed up sustainable solutions such as renewable energy in 2022 and coal-to-LPG in the new site. The APAC BFB Group does not depend on a single supplier where the loss of such supplier would have a material adverse effect on its operations. The APAC BFB Group's key suppliers include Pacifcor, LLC, Pilmico Foods Corporation, Oleo-Fats, Incorporated, Bunge Asia Pte. Ltd., Tap Oil Manufacturing Corporation, Edison Lee Marketing Corporation, and Multi Oil Manufacturing Corporation for raw materials such as wheat, palm oil, flour, sugar, and coconut oil.

The graphics below show ports for unloading wheat supply in the APAC BFB Group's operations.



Research and Development (R&D)

The APAC BFB Group believes that its R&D team has a strong and long-standing track record of market firsts in product development and launches.

Lucky Me! pioneered the dry pouch instant noodles segment with *Lucky Me! Pancit Canton* in 1991 and was the first in the Philippines to launch instant noodles in no-cook bowls in local flavors such as *La Paz Batchoy* and *Bulalo* in 1995. *Lucky Me! Jjamppong* was the first locally produced, Korean-inspired flavor in the Philippine market. In 1997, *Lucky Me!* was the first brand in the industry to establish a collaboration with the Philippine Department of Health in the Sangkap Pinoy Fortification, a campaign to encourage food manufacturers to fortify food products with essential nutrients at levels approved by the Department of Health. In 2008, the APAC BFB Group started offering instant noodles with no artificial preservatives added in *Lucky Me!* wet pouch and cups.

Lucky Me! continues to develop new products utilizing its extensive local knowledge of Philippine consumers. Since 2018, the APAC BFB Group has launched various new product segments such as *Lucky Me! Pancit Canton Go Cup*, added new product variants such as *Lucky Me! Spicy Batchoy*, and *Spicy Bulalo*, and relaunched products including *Lucky Me! Pancit Canton Kalamansi*, *Lucky Me! Pancit Canton Extra Hot Chilli*, *Lucky Me! Beef na Beef*, *Lucky Me! Baked Mac*, and *Lucky Me! Mac & Cheese* under its instant noodle product group. It also constantly develops new flavors such as the Asian line, exemplifying its deep understanding of the Filipinos' love for flavors.

Furthermore, *Lucky Me!* Aims to offer healthier noodles. Most *Lucky Me! Instant Mami* and *Lucky Me! Pancit Canton* variants are a good source of vitamin A or iron, which are top micronutrient deficiencies in the Philippines. These products also serve as a source of protein. In 2021, *Lucky Me! Milky Me* was launched, another first of its kind, with vitamins and minerals, and 25% less sodium than regular *Lucky Me! Instant Mami*.

Since 2018, the APAC BFB Group has launched various new biscuits and packaged cakes such as *Monde Cheese Bar*, and *Monde Banana Bar*, added new variants such as *Nissin Double Choco*, *Nissin Breadstix Garlic Parmesan*, added new sizes for *Nissin Butter Coconut*, *Nissin Wafer*, and launched variety packs such as *Nissin Happy Snacking Tub* and *Monde Mamon Flavor Selections*.

New products that the APAC BFB Group has launched in the bread category include *Monde Fluffy Bread*, *Monde Milk Bread*, and *Monde Wheat Bread*.

The APAC BFB Group believes it was the first consumer food manufacturer in the Philippines and Thailand to adopt cutting-edge artificial intelligence technology in its NPD process. This artificial intelligence compares the taste profile of new products being developed by the APAC BFB Group to preferred taste profiles of certain consumer groups in the market. The adoption of artificial intelligence technology has resulted in a more accurate and efficient assessment of taste profiles of consumer groups.

In terms of packaging, the APAC BFB Business' R&D team continuously innovates with an aim to reduce plastic in all products' packaging and divert post-consumer waste from packaging to other value chains to promote sustainability.

The Group spent 0.19%, 0.23%, 0.23% of its revenues for the years ended December 31, 2020, 2021, and 2022 respectively, in research and development. Furthermore, to augment its in-house R&D capabilities, the APAC BFB Group also partners with various innovation companies and organizations.

Distribution channels

MONDE has an extensive warehouse network strategically located in the Philippines. Warehouse operations is via two models, in-house managed and outsourced warehouse management. MONDE's logistics network is capable of handling both dry and chilled products. Delivery to customers is enabled by more than 700 delivery trucks, engaged via third-party transport service providers. Given MONDE's route-to-market where it services a lot of key accounts directly and its extensive distributor coverage across the country, around 54,000 customer orders are processed per month.

MONDE outsources its distribution function to resellers and distributors with whom it maintains strong and long-standing relationships. This has resulted in strong distribution capabilities with extensive market penetration across all key distribution channels in the Philippines, a country with unique logistical challenges owing to it being an archipelago. According to Nielsen, for the year ended December 31, 2022, *Lucky Me!* achieved an 87% numeric distribution and 99% weighted distribution of the store universe in the Philippines for instant noodles. In the same period, MONDE's biscuits product line achieved a numeric distribution rate of 80% and weighted distribution rate of 99% in the Philippine market.

In 2022, MONDE's order fill rate is 85% (percentage of customer demand that is met by immediate stock availability, without backorders or lost sales). Noodles production capacity increased driven by the opening of the Malvar facility.

MONDE's main distribution channels are traditional trade, modern trade, and the community distribution network. For the year ended December 31, 2022, MONDE had more than 270,000 customers in traditional trade and more than 3,000 customers in modern trade in the Philippines. It had more than 1,000 independent brand experts in its community distribution network.

Traditional trade

Traditional trade refers to local supermarkets, groceries, wet markets, and *sari-sari* stores. Recognizing that traditional trade is a critical sales channel in the Philippines, and that sales to these stores have relatively low order values and high geographic dispersion, MONDE developed a unique cost-plus performance incentive scheme for distributors in

the traditional trade channel based on the following principles: (i) to enhance customer visibility and customer service capabilities; and (ii) to expand outlet network.

In addition to the unique monetary cost-plus incentive scheme, MONDE also offers other administrative support to its distributor partners. For instance, it helps build human resources functions by guiding distributors on recruitment pools and strategies. In collaboration with third-party human resource service providers, it provides standard online exams to distributors in the recruitment process. It also provides soft-skills and technical trainings to distributors' middle management personnel, and the middle management personnel are entitled to receive performance bonuses in addition to the regular incentives. Yearly recognition is awarded to top distributors, supervisors, and salesmen. It also provides cash incentives to distributors that achieve over 100% in the quarterly performance assessment.

As of December 31, 2022, traditional trade accounts were serviced exclusively through a network of over 30 distribution partners in 47 provinces and districts. With this network, *Lucky Me!* products are distributed to more than 270,000 outlets, reaching more than one million *sari-sari* stores across the Philippines. Nine distribution partners worked exclusively with MONDE in 2022. Distribution partners are required to provide for their own distribution facilities and transportation vehicles. The average distributorship tenure is 15 years.

As of December 31, 2022, MONDE had 379 booking salesmen and 492 van salesmen forming part of the traditional trade distribution chain. Booking salesmen cater to repeat orders from established local supermarkets and grocery stores. Van salesmen sell MONDE's products to *sari-sari* stores directly from their vans. These sales are 'missionary' in nature and are aimed at seeding its products throughout the country to drive brand awareness and market share penetration. As of December 31, 2022, distributors provided 408 vans exclusively for MONDE's products.

Modern trade

Modern trade refers to large retailers, national wholesalers, and convenience store chains. MONDE seeks to be the "Category Captain" at national supermarket chains across its instant noodles and biscuits product lines. To become the Category Captain, it aims to be the market leader in these product categories and a trusted supplier of the retail chain. In addition, it looks to have a track record of successful management.

As of December 31, 2022, MONDE had 18 national key accounts, 43 local key accounts, and 19 independent chain stores. Top 20 accounts constituted almost 80% of MONDE's net sales generated from modern trade in 2022. MONDE directly covered 3,000 retail outlets, and these distribution centers in turn cover more than 8,000 retail outlets.

For many years, MONDE has been selected as a preferred supplier for a number of its key national and local modern trade customers. In 2022, MONDE was awarded the Titanium Outstanding Business Partner, by NCCC, the highest award to be given to an FMCG company. Furthermore, MONDE received the following awards from Prince Retail: Top Supplier of the Year, Best in Supply Management, Best in Activation and Demand Management, and Most Supportive and Active Key Accounts Manager.

Community Distribution Network

The Community Distribution Network is responsible for developing alternative distribution platforms catering to end consumers. An integral part of this channel are the dealers that recruit, train, and develop small entrepreneurs referred to as Independent Brand Experts. They serve as brand ambassadors, who distribute MONDE products to households in their respective areas. Out of the three categories under this operation, rapid growth and expansion were seen for the Bread Category ending with more than 200 Independent Brand Experts. As of December 31, 2022, MONDE has 25 Dealers and more than 1,000 Independent Brand Experts in key cities in Luzon, the largest and most populous island in the Philippines.

Online

MONDE sells its products through e-distributors (distributors who market their products through online platforms) who, in turn, supply goods to major e-commerce operators such as Lazada, Shopee Mall, Grab Mart, and Sari Suki. MONDE posted a 1.5x increase in online sales for the year ended December 31, 2022, compared to the prior year.

APAC BFB Business sales are high in volume but low in value based on the inherent nature of FMCG. MONDE continues to rate its total online sales as negligible relative to its total sales.

For the year ended December 31, 2022, the number of active e-partners decreased from 12 to 11. Three grocery.com accounts have been set up (Pandamart, Shopee Supermarket, and Grab Supermarket). MONDE’s assortment online expanded from 218 to 220 SKUs.

MONDE considers the promising online market as another avenue to increase the reach to its clients and highlight its position to make all of its products easily accessible across all distribution channels. MONDE expects to grow its online sales by partnering with retail outlets and establishing relations in traditional trade and modern trade sectors.

International Distribution

The APAC BFB Group currently exports its instant noodles and biscuits products to more than 50 countries globally, particularly to Asia, the Middle East, and North America. The APAC BFB Group seeks to expand its geographic footprint in Asia with new distribution partners in markets where it does not have a presence. New distribution channels were added in Taiwan, Japan, and Vietnam in 2021.

The APAC BFB Group sees its exports as a high growth segment. In line with this vision, in the second quarter of 2020, it took an initial step to transition its export production and management of the *Lucky Me!*, *Kid-O*, *Bingo*, *Monde*, and *Nissin* brands to Thailand. After the transition, the export net sales from the Thailand operation showed a double-digit year-on-year growth. In 2021, the strong performance of export continued with a 72% revenue growth compared to the previous year. In 2022, while the instant noodles business declined as the APAC BFB Group made improvements to its global food regulatory compliance, the biscuits revenue grew by 17% vs previous year, providing a confidence booster in the underlying growth potential of its international business. The APAC BFB Group aims to utilize its strong innovation capabilities to augment the growth of the export segment. To this end, it has developed products that are consumer relevant and cost competitive.

Customers

MONDE has no customer which accounts for more than 10% of total net sales for the year ended December 31, 2022. Thus, the loss of any of its customers would not have a material adverse effect on its operations.

MONDE uses its standard distribution contract with all of its distributors and modern trade customers, subject to general payment terms for modern trade customers, while outlets have standard operating procedures in place for invoicing. Distributors have two payment options.

Rank	Account Name	Type Of Business	Location	Distribution Channel
1	PUREGOLD CHAIN	Price Club	TP	Modern
2	SUY SING CHAIN	Grocery Distribution company	TP	Modern
3	ROBINSON’S CHAIN	Mall based supermarket	TP	Modern
4	SANFORD MKTG CHAIN	Community Based supermarket	TP	Modern
5	PD8 BRAVEHEARTS CORPORATION	Consumer Goods distribution company	VIS	General
6	SVI CHAIN	Mall based supermarket	TP	Modern

Rank	Account Name	Type Of Business	Location	Distribution Channel
7	SYL HERMANOS ILOILO	Consumer Goods Distribution company	VIS	General
8	PRINCE RETAIL CHAIN	Grocery goods wholesaler and supermarket chain	VIS	Modern
9	GAISANO GRAND CHAIN	Supermarket	VisMin	Modern
10	PHILIPPINE 7 CHAIN	Convenience store	TP	Modern

Sales and Marketing

MONDE's sales and marketing function are overseen by sales leaders who have an average of more than 20 years of experience with the Company.

Lucky Me! markets itself to provide comfort and joy in everyday life. Most *Lucky Me!* products are priced at a premium over other mainstream brands, except for the cup format where it adopts a selective parity pricing approach.

Within the biscuit product group, the brands' propositions are as follows: *SkyFlakes* — a trusted and reliable fueler, *Fita* — sweet and salty flavors at play that make grown-up life fun, *M.Y. San Grahams* — empowering sweet success through desserts made easy, *Nissin* — turns little snacking occasions into happy and meaningful moments, and *Bingo* — enabling sweet connections. The pricing of MONDE's biscuits product group is par to premium compared to most mainstream local brands.

The proposition of other brands are as follows: *Dutch Mill* — nourishing families in the happiest ways, *Mama Sita* — delicious heirloom recipes made accessible, and *Monde* — bakeshop quality products made more accessible. Pricing for *Dutchmill Yogurt Drinks*, *Delight Cultured Milk*, *Monde Cakes* and *Mama Sita's Culinary* products are at a premium compared to its peers.

MONDE promotes and enhances brand awareness and image through various marketing and advertising methods. The customer touchpoints that it uses before the purchase stage include (i) media mix including digital and social media platforms, television, and radio, and (ii) brand activation such as school tours, sampling, and other on ground promotional events.

Customer touchpoints at the purchase stage include in-store merchandising, promotions, and sampling programs.

Competition

The APAC BFB Group believes that future growth in all product groups will be driven by (i) meaningful product innovation and renovation centered around health and sustainability, premiumization, and hyper-convenience; (ii) extensive coverage of distribution; (iii) impactful store execution; and (iv) having brand messages and purpose that consumers can connect with.

Instant Noodles

Competitors and competing brands in the instant noodles category in the Philippines include Payless, Quickchow, and Homi, which compete mainly on pricing, Nissin which competes on providing a Japanese flavor, and Nongshim which competes on Korean-style noodles.

In recent years, although still in a market-leading position, the APAC BFB Group has witnessed decreased market shares. However, the APAC BFB Group believes that it will still be able to maintain its dominant position in the instant noodles category. Among other strategies, it aims to launch new products that it believes are competitive and in line

with the evolving market trends, increase distribution and conduct campaigns to achieve increased consumption of, and loyalty to its brands.

Recent initiatives intended to increase competitiveness include the launch of *Lucky Me! Milky Me*, a healthier alternative; and the launch of *Lucky Me! Pancit Canton Kasalo Pack* (bigger size).

Biscuits

In recent years, although still in market-leading position in the Philippines, the APAC BFB Group has witnessed some downward trends. To fortify its market-leading position, the APAC BFB Group aims to focus on brands where it has the ability to win further market shares and where gross margin is richer. It will also look to increase *M.Y. San Grahams* dessert usage among end consumers and entrepreneurs, leverage the *SkyFlakes* brand which is well-known in the market for crackers to push sales of *SkyFlakes* sandwiches, launch new products particularly in the wafer and sandwich product lines, and increase distribution and store visibility.

In Thailand, the APAC BFB Group faces competition from Universal Robina, Glico, Mondelez, Thai President, and Mayora, which generally compete on product range, NPD, and investment in marketing campaigns. Mondelez also leverages on the strengths of its global brands such as Oreo and Ritz. The APAC BFB Group believes that it has an extensive traditional trade coverage in Thailand with more than 900 vans engaged in sales activities. It also believes that its digital-based consumer communication and in-store investments are more effective and efficient compared to the other players. Thailand operation also has a number of great-tasting and healthier products in the pipeline which it believes will appeal to consumers. To demonstrate, for the year ended December 31, 2020, the APAC BFB Business' net sales of biscuits in Thailand outperformed the overall Thailand biscuits market, witnessing over 9% growth compared to a negative 6.1% growth in local biscuit sales, according to Nielsen. This competitive advantage continued in 2021. APAC BFB Business' net sales of Biscuits in Thailand grew 14% while the overall biscuit category declined by 2%. In 2022, the APAC BFB Business' Biscuits net sales increased 26% compared to the 8% growth for the Total Biscuits Category.

Others

Competitors and competing brands in yogurt drinks include Alaska, which leverages on its milk product to market its yogurt drinks, and Sta. Maria, which targets premium and older customers and which competes on pricing. Del Monte, in partnership with Vinamilk of Vietnam, is also present with a line of dairy beverages which include yogurt drinks. Leveraging Vinamilk's dairy expertise, products are formulated with a combination of flavors and vitamins targeting to nourish picky eaters.

Yakult is the main competitor for cultured milk competing on its heritage as a highly functional and specialized digestive drink. Yakult continued to maintain its strong product accessibility through a combination of traditional and direct sales. Other competitors include Good Day and Yobick.

For culinary aids, competitors include Nutri-Asia and Ajinomoto which compete mainly on value pricing, Unilever and Nestle which are established global brands in seasoning and flavorings, and Del Monte which promises taste and nutrition. However, these brands are better known for other products, rather than the products that *Mama Sita's* leads in.

In the bakery segment where low-price products lead, Monde entered the packaged cake market by pioneering the mass premium segment. It was the first in the Philippine market to offer bakeshop-quality cakes and pastries in retail supermarkets. Its first product, the Filipino favorite *Classic Mamon*, was the first of its kind introduced in the Philippine market. Since its launch, *Monde* has built a superior brand image leveraging on premium taste and high quality at an accessible price. *Monde's* pricing is about 40% more affordable per unit than products of other leading bakery brands such as Red Ribbon and Goldilocks, but at least 40% premium to other packaged cakes such as Big E and Rebisco.

Employees

As of December 31, 2022, MONDE had 3,356 employees. The table below sets forth a breakdown of the MONDE's employees by function as of the same date.

Functions	Number of Employees
Operations (manufacturing and supply network)	2845
Sales and Marketing (sales, brands, insights, media)	226
Support (human resources and personnel, IT, procurement, legal, compliance, communications)	115
Accounting and Finance	108
Product Development	41
Corporate	21
Total	3,356

MONDE believes that the compensation packages and benefits it offers to employees are competitive. MONDE established a provident fund with its employees on a voluntary basis. In the Philippines, both the employees and the Company contribute to the fund monthly at rates of 1% to 20% of the employee's basic salary. After three years, it matches the employee contribution up to 3%.

As of December 31, 2022, 23% of MONDE's employees belonged to and were represented by one trade union, namely the Confederation of Filipino Workers. As of the same date, MONDE had a five-year collective bargaining agreement with its employees expiring on April 30, 2026. Salary increase and supplemental benefits such as one-time signing and mid-year bonuses, medical and bereavement assistance are consistent part of the collective bargaining agreement.

MONDE is not involved in any material labor dispute which would have a material effect on its business, financial condition, and results of operations, and it is not aware of any circumstances that would give rise to such labor disputes, and has not experienced any labor strikes. However, there have been pickets by employees of its third-party service providers, labor disputes, and threats to strike. Those pickets were resolved, and did not have any material effect on MONDE's operations.

Insurance

The APAC BFB Group obtains and maintains adequate and comprehensive insurance coverage on its properties, assets, and liability exposures pertaining to its business operations in such amounts and covering such risks as it deems appropriate and as may be usually carried by other companies engaged in the same or similar activities and owning similar properties in the geographical areas where it operates. As of December 31, 2022, APAC BFB Group's insurance coverage included, but was not limited to, the following: property all-risk; comprehensive general liability with products liability and contamination cover; and coverage for directors' and officers' liability. It believes the insurance coverage it currently has is in line with industry standards and regulatory requirements and is adequate for it to conduct normal business operations.

Corporate Social Responsibility

The APAC BFB Group is committed to conducting its business with responsibility and integrity and giving back to its community. Since its inception, the APAC BFB Group has engaged in several social activities. In 2022, it brought more than 70,000 cases of its APAC BFB products to Philippine communities, supported tree planting and river clean-up projects in Brgy. Hacienda Dolores in Porac, Pampanga, collaborated with public schools by supporting the Department of Education's Brigada Eskwela, and made donations for relief operations after Typhoon Paeng.

It also recognizes the significance of building human resources in paving the way for growth and development of the nation. As a growing company, MONDE is in the position to promote inclusive opportunities for the marginalized set of the population. The Group engages in programs that contribute to the livelihood of communities. It will continue to strengthen and increase the number of *sari-sari* stores provided with access to financial credit, and independent brand experts and communities provided with possible sources of income. For its own people, for almost ten years, it has been extending support to its employees' children through scholarship grants.

The Group will continue to look for and engage in programs and partnerships across the whole country that are aimed towards the integral parts of its aspiration: sustainable solutions for food security.

Information Technology

MONDE has historically invested and continues to invest in its information technology infrastructure, platforms, systems, and tools to increase its competitiveness and drive effectiveness, and efficiency of its operations. It utilizes business intelligence systems and data analytics to obtain better insights and make smarter decisions. MONDE is increasing its digitalization efforts to gain the benefits of intelligent analysis and decisions to better serve its target customers, and to promptly reach and capture the sentiments and pulse of the customer.

MONDE is committed to the privacy and confidentiality of personal data especially of its employees and customers and has been sending its employees from various areas to data protection trainings and accreditation programs. It is also focusing efforts to ensure its security policies, procedures, and cybersecurity solutions are continually reviewed and upgraded. More cybersecurity and data privacy awareness programs are being conducted company-wide to raise the awareness of the employees to better protect themselves and the Company.

Intellectual Property

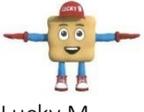
MONDE holds several trademarks, trade names, service marks, and other intellectual property rights, including trade secrets on technology know-hows and formulae in connection with its production processes. It considers these intellectual property rights, particularly trademarks, as crucial to its operations as brand name recognition is a key factor in the success of its business.

MONDE has registered its trademarks in the relevant jurisdictions in which it operates. As of December 31, 2022, it has over 80 trademarks, trade names, and service marks registered in over 25 countries and territories. MONDE's subsidiaries procure and renew the relevant trademark registrations for their respective brands. Depending on the jurisdiction, trademark registrations generally are valid as long as they are used. MONDE has pending trademark applications and generally expects that these will be granted.

In addition to trademark registration, MONDE relies on a combination of (i) patent, trademark, copyright, and trade secret protection laws in various jurisdictions; (ii) employee and third-party non-disclosure agreements; and (iii) policing of third-party misuses and infringement to protect its intellectual properties. MONDE pursues available remedies to protect its portfolio of intellectual property rights, including trademark registrations.

As of December 31, 2022, MONDE and its subsidiaries own the exclusive rights to the following active trademarks used in the business and registered with the Intellectual Property Office of the Philippines:

Mark	Application Number	Registration Number	Nice Classification ⁽¹⁾	Date filed	Expiry Date
 Monde Voice and Device	4-2005-003475	4-2005-003475	30	April 18, 2005	October 2, 2026
 Nissin Bread Stix & Device (in color)	4-2001-005400	4-2001-005400	30	July 26, 2001	June 8, 2026

Mark	Application Number	Registration Number	Nice Classification ⁽¹⁾	Date filed	Expiry Date
 Monde with Sun Design	4-2000-010478	4-2000-010478	30	December 22, 2000	April 14, 2025
 Lucky M (Device)	4-2011-008747	4-2011-008747	30 and 35	July 26, 2011	April 12, 2032
 Lucky Me! & Device	4-2001-009553	4-2001-009553	30	December 21, 2001	April 16, 2024
 Monde Nissin & Design	4-2002-003635	4-2002-003635	30	May 06, 2002	February 10, 2025
 Cubee (in stylized form)	4-2002-007347	4-2002-007347	30	August 30, 2002	October 30, 2024
 Itnok (in stylized form)	4-2002-007343	4-2002-007343	30	August 30, 2002	March 11, 2024
Monde Sumo	4-2004-010156	4-2004-010156	30	October 28, 2004	July 09, 2027
 Monde Voiz & Logo	4-2005-003477	4-2005-003477	30	April 18, 2005	October 09, 2026
BINGO Bingo	056249	4-1991-056249	30	November 25, 1991	October 06, 2023
 Eggnog (in stylized form)	4-2005-009137	4-2005-009137	30	September 15, 2005	February 26, 2027
 Lucky Me (in stylized form)	049053	049053	30	June 29, 1989	August 17, 2030
Kid-O (wordmark)	4-2006-004228	4-2006-004228	30	April 21, 2006	May 28, 2027
 Dip-Dip	050205	4-1989-050205	30	June 29, 1989	March 13, 2031
Voice (wordmark)	4-2007-008068	4-2007-008068	30	July 27, 2007	January 14, 2028

Mark	Application Number	Registration Number	Nice Classification ⁽¹⁾	Date filed	Expiry Date
 Lucky Me! & Device	4-2011-007907	4-2011-007907	29	July 06, 2011	November 03, 2031
 Kilig Sa Sweet!	4-2014-006692	4-2014-006692	30	May 27, 2014	January 01, 2025
Kilig Sa Sweet!	4-2014-006691	4-2014-006691	30	May 27, 2014	January 01, 2025
 Kainang Pamilya Mahalaga	4-2008-010764	4-2008-010764	30	September 05, 2008	January 01, 2030
Cookie Feels	4-2018-019503	4-2018-019503	30 and 35	October 29, 2018	April 14, 2029
Black Swan Logo	4-2016-002281	4-2016-002281	29, 30, 32 and 42	March 3, 2016	May 26, 2026
 Monde Special Mamon Logo	4-2012-007065	4-2012-007065	30	June 13, 2012	February 16, 2023 ⁽²⁾
PanPan	4-2015-000534	4-2015-000534	30, 35 and 43	January 13, 2015	January 1, 2026
Fita (wordmark)	4-2010-006288	4-2010-006288	30	June 11, 2010	March 10, 2031
Cookie Hugs	4-2018-019504	4-2018-019504	30 and 35	October 29, 2018	April 4, 2029
 Namnam Stylized wordmark	4-2011-009146	4-2011-009146	30	August 04, 2011	September 22, 2032
Monde Special Mamon	4-2010-008619	4-2010-008619	30	August 06, 2010	April 28, 2031
Let Eat Be	4-2015-007644	4-2015-007644	29	July 10, 2015	February 11, 2026
Nissin Wafer	4-2011-003253	4-2011-003253	30	March 22, 2011	September 08, 2031
Nissin Butter Coconut	4-2011-003252	4-2011-003252	30	March 22, 2011	September 08, 2031
Namnam (wordmark)	4-2011-009141	4-2011-009141	29	August 04, 2011	April 26, 2032
Lucky Me (wordmark)	4-2011-007527	4-2011-007527	29 and 30	June 28, 2011	October 20, 2031
Lucky M	4-2011-008746	4-2011-008746	30 and 35	July 26, 2011	November 14, 2023
Lucky Me! Lite	4-2012-001364	4-2012-001364	30	February 3, 2012	July 4, 2023
 Nissin & Bulls Eye Device	4-2000-002098	4-2000-002098	30	March 17, 2000	July 01, 2030

Mark	Application Number	Registration Number	Nice Classification ⁽¹⁾	Date filed	Expiry Date
Monde	4-2012-004451	4-2012-004451	30	April 12, 2012	September 28, 2022 ⁽²⁾
Susi	4-2013-006932	4-2013-006932	29, 30, 31 and 43	June 14, 2013	April 17, 2024
 Lucky Me! Mami	4-2013-009282	4-2013-009282	30	August 05, 2013	May 01, 2024
Namnam	4-2014-002713	4-2014-002713	30 and 43	March 04, 2014	February 23, 2027
 Monde	4-2015-004856	4-2015-004856	30	May 07, 2015	June 20, 2026
 Nissin Logo	4-2019-006221	4-2019-006221	30	April 12, 2019	November 07, 2029
AIRWOK	4-2019-006222	4-2019-006222	30	April 12, 2019	July 21, 2029
ARAW IHAW Araw Ihaw	4-2016-006803	4-2016-006803	30 and 41	June 15, 2016	September 30, 2026
Jellyvit	4-2015-013180	4-2015-013180	29, 30, and 32	November 13, 2015	May 26, 2026
Nissin Crunchers	4-2016-002678	4-2016-002678	30	March 11, 2016	June 30, 2026
 nudie Nudie & Character Logo	4-2014-014347	4-2014-014347	29, 30, and 32	November 19, 2014	April 16, 2025
 Peckish	1227109	1227109	30	August 12, 2014	August 12, 2024
Nudie	4-2014-014345	4-2014-014345	29, 30, and 32	November 19, 2014	April 16, 2025
 Nudie Character Logo	4-2014-014346	4-2014-014346	29, 30, and 32	November 19, 2014	April 16, 2025
NEXTMONDE	4-2021-519731	4-2021-519731	35	August 19, 2021	October 29, 2031
 Walter Delightfully Healthy and Device	4-2018-000981	4-2018-000981	30	January 17, 2018	September 20, 2028
Walter	4-2018-014858	4-2018-014858	30	August 28, 2018	April 4, 2029

Mark	Application Number	Registration Number	Nice Classification ⁽¹⁾	Date filed	Expiry Date
Walter Delightfully Good	4-2018-022670	4-2018-022670	30	December 21, 2018	November 28, 2029
 Walter Delightfully Good Logo	4-2018-022673	4-2018-022673	30	December 21, 2018	August 22, 2029
 Walter and Design	4-2016-003887	4-2016-003887	30	April 14, 2016	June 23, 2026
 Real Good (stylized)	4-2016-008925	4-2016-008925	30	July 27, 2016	September 30, 2026
 Walter Device	4-2016-003886	4-2016-003886	30	April 14, 2016	June 23, 2026
 Walter & Device	045263	045263	30	June 22, 2009	June 23, 2029
 Walter Device	4-1987-054109	4-1987-054109	30	June 2, 1987	February 1, 2023 ⁽²⁾
Sakura	4-2021-515548	4-2021-515548	30	July 2, 2021	December 27, 2031
Happy We	4-2020-508813	4-2020-508813	30	May 26, 2020	December 14, 2030
Lucky Me! Milky Me	4-2020-517098	4-2020-517098	30	November 5, 2020	March 29, 2031
Itnok	4-2021-518189	4-2021-518189	30	August 3, 2021	December 27, 2031
 SkyFee (SkyFlakes at Coffee)	4-2021-503423	4-2021-503423	30	February 11, 2021	June 6, 2031
 SkyPair & Design	4-2021-503420	4-2021-503420	30	February 11, 2021	June 6, 2031
	4-2021-503426	4-2021-503426	30	February 11, 2021	August 13, 2031

Mark	Application Number	Registration Number	Nice Classification ⁽¹⁾	Date filed	Expiry Date
 SkyFlakes Cracker Sandwich and Design					
 M. Y. San Fita Crackers	4-2021-503430	4-2021-503430	30	February 11, 2021	September 24, 2031
M.Y. San	4-2021-503434	4-2021-503434	30	February 11, 2021	June 6, 2031
 Fita Crackers Package Design & Device	4-2011-005476	4-2011-005476	30	May 12, 2011	December 13, 2022 ⁽²⁾
 Happy Time	4-2011-005401	4-2011-005401	30	May 11, 2011	December 09, 2031
 Mixed-Up	4-2011-05402	4-2011-05402	30	May 11, 2011	October 27, 2031
 M.Y. San Danish Style Butter Cookies Mark & Device	4-2011-5400	4-2011-5400	30	May 11, 2011	October 01, 2031
 Monde M.Y. San Corporation	4-2011-04833	4-2011-04833	30	April 27, 2011	February 07, 2023
 SkyFlakes Fit & Device	4-2011-04831	4-2011-04831	30	April 27, 2011	March 22, 2022 ⁽²⁾
 SkyFlakes Crackers	4-2001-000673	4-2001-000673	30	January 31, 2001	September 18, 2026

Mark	Application Number	Registration Number	Nice Classification ⁽¹⁾	Date filed	Expiry Date
 SkyFlakes	4-2015-006743	4-2015-006743	30	June 18, 2015	April 29, 2026
SkyFlakes	4-2017-00014030	4-2017-00014030	30	August 13, 2017	March 15, 2028
Fita Spreadz (word mark)	4-2006-001428	4-2006-001428	30	February 8, 2006	August 20, 2027
 M.Y. San BUTTER COOKIES	4-2021-503432	4-2021-503432	30	February 11, 2021	December 16, 2031
M.Y. SAN GRAHAMS	4-2021-521448	4-2021-521448	30	September 9, 2021	February 7, 2032
 M.Y. San Grahams	4-2021-503428	4-2021-503428	30	February 11, 2021	January 3, 2032

Note:

- (1) The Nice Classification is a system of classifying goods and services for the purpose of registering trademarks. It was established by the *Nice Agreement Concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks* ("Nice Agreement"). Nation signatories to the Nice Agreement, including the Philippines, employ the designated classification codes in their official documents and publications.
- (2) New Certificate of Registration is pending issuance following the filing of requisite renewal applications.

Permits and Licenses

MONDE and its Philippine subsidiaries have obtained, or are in the process of obtaining or updating where relevant, all material permits and licenses from the relevant and appropriate local government units and regulatory agencies.

MONDE believes that it has all material permits and licenses necessary for it to operate its business as currently conducted and such permits and licenses are valid, subsisting, or pending renewal. Monde expects to secure in due course approvals for those material permits and licenses which are pending renewal. MONDE does not expect that the pendency of the renewals for certain permits will have a material adverse impact on its operations.

Quality and Safety Assurance

MONDE's goal is to continue providing better products to its consumers. The APAC BFB Group employs accredited 3rd-party certified quality and food safety management systems which are significantly beyond the statutory minimum requirements. It implements the industry-wide accepted Current Good Manufacturing Practices in all respects of its manufacturing operations, including personal hygiene and sanitization, equipment maintenance, production and process control, integrated pest control management, and documents and records control.

The APAC BFB Group develops built-in quality control principles in three dimensions:

- *process and product standards* — process and product standards are clearly defined and the APAC BFB Group regularly reviews and validates these standards;

- *quality assurance and control*— production teams perform quality control and quality assurance teams verify product quality with a drive toward total quality management; and
- *continuous improvement* — the APAC BFB Group’s problem-solving teams are tasked to analyze customer feedback to improve product and process.

The APAC BFB Group has put in place product recall procedures, internal traceable Good Manufacturing Practices (“GMP”) audit, supplier audit, halal audit, certification audit, trade traceability audits (mock product recalls), and crisis management procedures. Labelling, nutrient claims, and product registration by the APAC BFB Group follow regulatory requirements. The APAC BFB Group also designates the Hazard Analysis Critical Control Point (“HACCP”) for prevention of unintentional physical, biological, and chemical hazards.

The APAC BFB Group has a dedicated quality assurance and control team which monitors and ensures that accreditations are renewed and up to date. The following table sets forth quality management accreditation the APAC BFB Group has received as of December 31, 2022:

<u>Valid Until</u>	<u>Accreditation</u>	<u>Related Facilities</u>
Sep 2023	(IDCP HALAL) HALAL Product Certificate	Cainta
Oct 2023	(IDCP HALAL) HALAL Product Certificate	Cebu
Nov 2023	(IDCP HALAL) HALAL Product Certificate	Calamba 1
Feb 2024	(SGS) ISO 22000:2018	Davao
Mar 2024	(IDCP HALAL) HALAL Product Certificate	Santa Rosa
Mar 2024	(SGS) Food Safety System Certification (FSSC) 22000 Version 5	Cebu
Dec 2024	(FDA) Good Manufacturing Practice	Calamba 2
Oct 2025	(SGS) Good Manufacturing Practice	Cainta
Oct 2025	(SGS) Food Safety System Certification (FSSC) 22000 Version 5	Cainta
Feb 2026	(Control Union) Food Safety System Certification (FSSC) 22000 Version 5.1	Calamba 1
Feb 2026	(SGS) Food Safety System Certification (FSSC) 22000 Version 5	Calamba 1
Mar 2026	(SGS) Food Safety System Certification (FSSC) 22000 Version 5	Santa Rosa
Mar 2026	(SGS) HACCP Codex Alimentarius	Sta. Rosa
Mar 2026	(SGS) Good Manufacturing Practice	Santa Rosa
Aug 2026	(FDA) Good Manufacturing Practice	Pampanga
Nov 2026	(FDA) Good Manufacturing Practice	Cebu
Nov 2026	(FDA) Good Manufacturing Practice	Davao
Jan 2027	(FDA) Good Manufacturing Practice	Santa Rosa
Jan 2027	(FDA) Good Manufacturing Practice	Cainta
Apr 2027	(FDA) Good Manufacturing Practice	Calamba 1

Sustainability

The APAC BFB Group operates with an aspiration to improve the well-being of the people and the planet, and create sustainable solutions for food security.

Recognizing the importance of environmental, social, and governance (“ESG”) impacts and performance as drivers for shared and sustainable growth, the Group has embedded sustainability into its core business strategy and operations to help achieve a better world for all.

Pivot to a “healthier and better” portfolio

As a major player in the local food industry, MONDE recognizes that it plays an integral role in providing delicious, nutritious, and accessible food products for all. With food solutions as its means of contributing to the world, MONDE has taken various initiatives to pivot towards a healthier and better portfolio.

Over the years, MONDE has worked on various initiatives to promote healthier food for its consumers. In 1997, MONDE partnered with the Philippine Department of Health to address malnutrition by fortifying MONDE’s noodle

products with essential vitamins and minerals under the Sangkap Pinoy Fortification campaign. In 2022, products fortified with essential nutrients account for 86% revenue share of the *Lucky Me!* noodles portfolio. The sodium reduction initiative for *Lucky Me!* that started in 2020 has continued to 2022. In 2022, 288 million servings of *Lucky Me!* products were sodium-reduced, accounting for 59% of instant noodles revenue.

The Group continuously strives to develop new product offerings that are better and healthier for its consumers. In 2022, it sustained the marketing launch of *Lucky Me! Milky Me*, a better-for-you instant mami that has 25% less sodium, source of Vitamin A and Iron and has milk added.

To complement the APAC BFB Group's efforts in enhancing its product portfolio, the Group has launched consumer education initiatives to influence consumer behavior towards a healthier or more balanced diet and lifestyle. It continues to communicate the addition of nutritious food such as egg and vegetables in *Lucky Me! Instant Mami* highlighting the importance of complete and balanced meal in diet. The Group has also implemented a voluntary front-of-pack labeling with information on calories in 100% of *Lucky Me!* Products.

Move towards a resource-efficient and zero waste value chain

The APAC BFB Group recognizes that environmental responsibility is an integral component of the business agenda as it continuously strives to monitor and improve its environmental impacts across its operations. It has set goals and commitments to reduce its environmental footprint on energy usage, water usage, and waste generation. The Group has developed smarter, more efficient ways to operate its supply chains while continuously changing its systems, capability, and behavior/culture towards sustainability.

MONDE also aims to reduce its energy usage through improved boiler efficiencies. These initiatives include the correction of steam leaks and use of metal gaskets to prevent recurrence of leaks, compressed air optimization, water chiller optimization, loss elimination for Air Handling Units, optimization of the noodle production process to minimize steam consumption, perimeter lights standardization, and improvement of data monitoring capabilities through periodic assessment of energy usage relative to production output. MONDE continues to update its processes to deliver optimum production through improving efficiency, updating technologies, and upskilling its workforce.

The Group is constantly looking for ways to improve the eco-efficiency of its facilities, particularly towards water use. On an operational level, MONDE uses water for utilities and day-to-day operations. In 2021, MONDE's water intensity was 3.1 cubic meters per tonne of product produced, whereas in 2022 this was reduced to 2.39 cubic meters per tonne of product produced. Majority of the water is used for the cleaning and sanitation of machines, space cooling, machine cooling, and steam generation.

Although none of its manufacturing plants suffer from water shortage for their operational requirements, MONDE is taking measures to reduce its water consumption. The same loss elimination approach was implemented to improve the efficiency of its facilities, particularly towards water use. MONDE continues to standardize and benchmark best-in-class solutions, best practices, and control measures using the latest available technologies to reduce unnecessary water use.

MONDE acknowledges that proper waste management is essential in preventing or mitigating negative impacts on the environment, as this topic is one of the primary issues associated with the food products industry. MONDE is working on improving its waste management practices by taking the necessary measures and process improvements to lessen its waste going into landfill from its manufacturing operations. In 2022, MONDE continued its Zero Waste to Landfill program from the previous year, across all sites. Its main program focused on waste segregation and waste elimination, with the key element of educating employees to identify the sources of waste for proper elimination and segregation.

The Group's role in waste generation and management does not stop in the production process. It is also crucial for the Group to ensure the reduction of waste going to landfill after product distribution to its consumers. While packaging is essential in delivering quality products to its customers, the Group is working towards minimizing its plastic packaging footprint. The Group has implemented design solutions to downsize its usage of packaging materials without compromising the quality of its products. In 2022, these initiatives were implemented in the packaging

materials of a major product —direct dispensing of both seasoning and garnish was implemented on *Lucky Me! Mini Go Cup* SKUs resulting in total plastic reduction of 28.4 tonnes.

Transition to a low carbon value chain

The APAC BFB Group is continuously looking for pathways to reduce its carbon footprint in its operations. In 2022, MONDE GHG intensity decreased by 23% compared to 2021. Aside from optimizing energy use to reduce emissions, MONDE has invested in a 1.3MW solar project at its Laguna plant. MONDE also has a biomass facility at the Cebu plant which uses coconut shells, while the Batangas plant uses LPG to power its boilers.

MONDE and subsidiaries MMYSC and SMFC have entered into power supply agreements with the EDC's subsidiaries for the supply of green energy commencing in July 2022, to reduce operational carbon footprint. It is also exploring less carbon-intensive alternatives to complement its efforts to reduce GHG emissions. MONDE aims to transition to a low-carbon economy, and it has set an ambitious target to reduce the GHG intensity of its manufacturing operations by 50% in 2025.

Scale Up Inclusive Distribution

The APAC BFB Group continues to strengthen its community distribution network by providing livelihood to independent brand experts and to empower its *sari-sari* store partners by providing access to microfinance services. The Group also aims to increase the number of independent brand experts provided with livelihood opportunities as well as the number of its *sari-sari* store "partners" with access to financial credit.

In 2022, MONDE and Government-owned Small Business Corporation ("**SBCorp**") teamed up in launching RISE UP Tindahan, a loan assistance program catering to micro, small, and medium enterprises ("**MSMEs**"). The program aims to bolster MSMEs and amplify their successes after the challenges brought by the pandemic. It gives Filipinos throughout the supply chain the opportunity for financial support by providing loans of up to ₱5 million.

The Group's Community Distribution Network is responsible for developing alternative distribution platforms catering to end consumers. An integral part of this channel are the dealers that recruit, train, and develop small entrepreneurs referred to as Independent Brand Experts. They serve as brand ambassadors, distributing MONDE products to households in their respective areas. As of December 2022, the Group has 25 Dealers and over a thousand Independent Brand Experts in key cities in Luzon.

Foster Inclusive and Better Workplace Practices

Recognizing the value that each of its employees provides, the Group is committed to fostering an inclusive workplace environment that upholds decent work standards, values diversity, provides social safeguards, and promotes talent development. The Group is deliberate in promoting a culture of continuous learning with a growth mindset, collaboration with empathy, and care with action.

The Group fosters an inclusive work environment and culture which provides equal employment opportunities and respects every employee regardless of gender, religion, disability, or race.

MONDE was recognized by the Securities and Exchange Commission at its gender and diversity awarding titled "Recognizing the Role of Women in the Corporate World" for exemplifying gender inclusivity as a publicly listed company with the most women directors in its Board of Directors for 2022.

Diversity and equal opportunity are aligned with the Company's commitment to collaborate with empathy. The Company respects every individual and provides everyone with equal opportunities for career growth. This strategy is practiced during hiring, onboarding, ongoing employment, and disengagement/retirement periods. The Company ensures that all employees are given equal opportunities in terms of career options, benefits, rewards, and salaries.

A whistleblowing policy and mechanism are in place to address issues relating to diversity or equality. In 2022, there were zero reported incidents of discrimination. The hiring policy also ensures that the Company creates a pool of

diverse talents for its operations. Additionally, town hall sessions are conducted with employees to collect any feedback or suggestions to further ensure equal opportunities for all.

MONDE constantly seeks to provide the appropriate venues for employees to express concerns to create a peaceful work environment that increases productivity. Leaders support open communications across all ranks, which allows for mentoring and cross-functional collaboration opportunities. The Group's employees are also provided with access to social safeguards, fair compensation, and flexible benefits.

MONDE is committed to providing training opportunities across different demographics of the organization. This is to ensure that the workforce can develop their careers and meet the constantly changing requirements of the business. It also committed to sufficiently upskilling its own Learning and People Development team through various external trainings and certifications, ensuring that they are professionally prepared and qualified to manage the learning programs needed by the business.

MONDE is working with different stakeholders to identify skills gaps and design programs to bridge them. The "Training Matrix" initiative plans to create documentation of every department's training plans for all its talents. This will then be reviewed periodically so that no employee gets left behind.

MONDE is scaling its organizational learning capabilities by embracing digital solutions. Its "LMS365" rollout is a project that aims to make end-to-end learning – from employee onboarding to competency development, up to retirement preparation – digital and accessible. The "Coursera for Business" pilot rollout also aims to expand learning opportunities by providing avenues for employee self-directed learning.

MONDE was able to increase its year-on-year training and education programs from approximately 13,000 hours in 2021 to approximately 36,000 in 2022. More frequent partnership with internal stakeholders was the main contributor to this increase.

Safeguarding the health and well-being of its workers across sites is a priority for MONDE, which it addresses through its occupational health and safety ("OHS") measures. Having a proper OHS management system in place also mitigates the risk of an increase in work-related injuries, fines, and reputational damage, workplace injuries, illnesses, and fatalities.

In 2022, MONDE recorded zero work-related fatalities and ill health. It established safety drumbeats across its sites weekly. The drumbeat review covers key in-process safety measures which are visible up to the Chief Operations Officer (COO) level. In addition, MONDE has started using Safety Trigger monitoring in each site to make sure that the production line is safe to operate. It also conducted weekly safety audit to check the condition of equipment, working area, and behavior of people at each site.

MONDE sustains the implementation of Mandatory Eight-hour Safety and Health (MESH) Training safety course approved by the Department of Labor and Employment's Occupational Safety and Health Center for new employees. It has also started conducting safety training refresher for all employees prioritizing the production group. Furthermore, MONDE also conducted a chemicals handling, storage and disposal initiative in 2022.

MONDE provides comprehensive health benefits for its employees and dependents, which include free consultation with the nurses and company physician for both work and non-work-related health concerns, health maintenance organization cards for regular employees to provide access to total healthcare services from accredited clinics, hospitals, and physicians, annual physical/medical check-up for all regular employees, and free mental health online consultations. It continues to provide health and wellness programs through "Better Me, Better Monde!" to employees.

Enable Key Stakeholders' Involvement in Driving the Company's Sustainable Development

The APAC BFB Group considers the importance of organizational collaboration in advancing its sustainability agenda. As such, the Group is proactive in engaging employees through sustainability initiatives to instill MONDE's purpose and principles in its people. In the prior year, the Group launched the Making Better Possible campaign in the Philippines, signifying the continued thrust of the Group toward sustainable development, an initiative MONDE

sustained throughout 2022. Sustainability has always been a strategic focus of the Group, through continuous product improvement to make them more healthful, resource conservation, and programs that improve the lives of employees and the bigger community. Making Better Possible brings all these together into one inspiring campaign that focuses on working together to achieve the Group’s aspiration of improving the wellbeing of the people and the planet and creating sustainable solutions for food security. Various platforms were also provided to encourage employees to put the Group’s corporate aspiration into action such as:

- *Meatless Mondays: A day when the Company’s canteens go plant-rich, allowing its people to seek healthier and more sustainable food options.*
- *Better Site, Better Monde: Workplace policies and programs that promote responsible resource management and conservation.*
- *We @MONDE Care: An employee-driven community involvement program that aims to respond to the needs of its neighboring communities, pulling together help and volunteerism from Monde Nissin’s people.*
- *Better Me, Better Monde!: A series of programs and campaigns geared towards health and wellness, encouraging practices for improving one’s well-being to keep everyone at their best performance.*

The APAC BFB Group envisions its people to embrace the sustainability mindset and change their behavior to cultivate a culture of sustainability. The Group aspires for a sustainable business transformation through responsible business processes, practices, and partnerships made possible by its employees resulting in an overflow of positive impact across their respective spheres.

MEAT ALTERNATIVE BUSINESS – QUORN FOODS

The story of Quorn Foods began in the 1960s with the objective of Joseph Arthur Rank (“**Lord Rank**”) to address food shortages when the population was growing rapidly and amid mounting concern that traditional agriculture could not keep up with the demand for food. Lord Rank’s big idea was to convert waste carbohydrates from his bakeries into protein. His idea has proven to be farsighted and critical to the future health of humankind and the planet.

History and Milestones

Certain key dates and milestones for Quorn Foods’ business are set forth below.

1964	Lord Rank and Professor Spicer investigated the feasibility of a process to turn starch into protein using fermentation. Their objective was to find a new, sustainable source of protein that is safe for human consumption, high in nutritional value, and tastes great.
1967	A fungus microorganism, <i>fusarium graminearum</i> (subsequently reclassified as <i>fusarium venenatum</i>), was identified as the most suitable for further research owing to its filamentous structure, viewed as the key to addressing the texture challenge of a meat-free protein.
1974	The UK Food Standards Committee named Mycoprotein.
1982	Cauldron Foods was formed (the original name was “Samplefield Limited”, which was changed to “Cauldron Foods Limited” in 1983).
1983	The UK Ministry of Agriculture approved Mycoprotein.
1985	The first <i>Quorn</i> products – two savory pies – were launched in the UK. A certificate of free sale was issued to Quorn Foods.
1988	Tim Finnigan joined Marlow Foods Limited as Senior Food Technologist.
1990-1992	<i>Quorn</i> products received approvals for sale in Sweden, Belgium, and the Netherlands.

- 1993 AstraZeneca (known as Zeneca at that time) acquired Marlow Foods Limited (known by its trading name "Quorn Foods") as part of the de-merger of Imperial Chemical Industries.
- 2002 *Quorn* products were first sold in the US.
- 2003 Montagu Private Equity acquired Marlow Foods Limited from AstraZeneca.
- 2005 Premier Foods plc acquired Marlow Foods Limited (June) and Cauldron Foods Limited (October). Marlow Foods Limited and Cauldron Foods Limited combined to create the meat alternative business unit trading under "Quorn Foods," with Marlow Foods Limited as the legal trading entity.
- 2006 Marlow Foods Limited purchased the Methwold facility to provide in-house tertiary production capability for frying and packing of *Quorn* and *Cauldron* products.
- 2008 Quorn Foods initiated a project to commission the third fermenter at Belasis.
- 2010 *Quorn* products were first sold in Australia.
- 2011 Exponent Private Equity acquired Marlow Foods Limited from Premier Foods plc.
- 2013 Peter Harrison was appointed as Quorn Foods' Group Marketing Director.
- 2015 Quorn Foods' third fermenter commenced operations, enabling additional mycoprotein production capacity.
- MONDE acquired Marlow Foods Limited from Exponent Private Equity.
- 2016 Tim Finnigan was promoted to Chief Scientific Advisor.
- 2018 Quorn Foods received approval for the construction of the fourth fermenter.
- Phil Watson was appointed as Quorn Foods' Commercial Director.
- 2019 Mark Taylor was appointed as Quorn Foods' Supply Chain Director.
- 2020 Marco Bertacca took up his role as Quorn Foods' Chief Executive Officer.
- Quorn Foods established the Fermentation Development Center in Belasis to accelerate the protein research program.
- Stephanie Jochems (Group Strategy Director), Tim Ingmire (Research and Development Director), Tongwen Zhao (Director for People and Planet), and Charles Groves (Supply Chain Director) joined Quorn Foods, strengthening the management team.
- 2021 The fourth fermenter becomes operational, increasing the production capacity of mycoprotein paste.
- 2022 Tim Finnigan and Mark Taylor were appointed advisors to MNUK and its subsidiaries in their respective areas of expertise.
- 2023 Nicholas Cooper was appointed as Quorn Foods' Chief Financial Officer.

Mycoprotein Technology

All *Quorn* products contain mycoprotein. Mycoprotein is a fungi-based, fermented protein that is high in protein, high in fiber, low in saturated fat, and contains no cholesterol. It has a natural ingredient base that does not include artificial colors, masking agents, or preservatives and is non-GMO. Mycoprotein has a natural texture and fibrosity that mimics meat. It is grown through the process of fermentation, which utilizes significantly less land and water compared to the production of animal protein sources. Quorn Foods believes that its mycoprotein technology better aligns with the health and environmental concerns that are the main drivers of consumers switching to meat alternatives and category buyers selecting products to carry.

The building block of mycoprotein is *fusarium venenatum*, a member of the fungi family, comprised of tiny fibers (mycelium) that are naturally rich in intrinsic protein and dietary fiber. Quorn Foods believes the natural fibrosity of mycoprotein means its texture is closer to meat than any other plant-based protein and does not require texture additives. In addition, the ability of mycoprotein to absorb flavors enables it to fit in a large variety of meat dishes. Quorn Foods' flavors include hot and spicy, garlic and herb, and salt and pepper, among others.

Mycoprotein contains all nine essential amino acids in quantities that provide a protein quality score (PDCAAS ratio) superior to that of beef, chicken, soya, and pea-protein isolate. Mycoprotein has yielded health benefits in clinical studies, including building muscles faster than milk protein, lowering cholesterol, and containing a unique combination of fibers that may play a key role in gut health. Diets rich in mycoprotein have been shown by Oxford University in the World Economic Forum to offer important benefits with regard to lowering projected population mortality. In addition, a growing body of scientific research on health benefits shows that mycoprotein increases satiety and helps regulate glycaemia and insulinaemia. All of Quorn Foods' mycoprotein-based products are non-GMO, and mycoprotein has low allergenicity of approximately 1 per 24.3 million servings, whereas up to 0.3% of adults are allergic to soy.

Mycoprotein is a sustainable source of protein. According to a report published in 2018 by Carbon Trust, a non-profit company providing specialist support on sustainability, the production of mycoprotein-based *Quorn Mince* results in only 7%, 11%, and 8% of beef's carbon, land, and water footprint, respectively. Similarly, mycoprotein-based Quorn Pieces produce 29%, 36%, and 34% of chicken's carbon, land, and water footprint, respectively. Making mycoprotein is "net protein positive," meaning that the process results in higher protein content in the food system than where the process begins.

Production

Quorn Foods is the only large-scale commercial provider of mycoprotein. The fermentation process required to produce mycoprotein at scale requires significant capital investment and, more importantly, a unique know-how that Quorn Foods has derived from over 30 years of operating experience to maximize yield and efficiency and thus optimize the process economics. In addition, any new competing fungal strains will require regulatory approvals before being sold to the public. Quorn Foods continues to collaborate with the Food Chemicals Codex and the US FDA to create a monograph that will set out the compliance regulations and standards regarding the key characteristics and substantial equivalence of mycoprotein for potential new entrants.

Quorn Foods utilizes air lift fermentation technology in its production of mycoprotein. *Fusarium venenatum* for mycoprotein production is grown under strictly defined conditions in the air lift fermentation process. Temperature, pH, nutrient concentration, dissolved oxygen, and growth rate are maintained at a constant rate throughout the process. The *fusarium* organism is grown independently with no other living organism or contamination. The fermentation comprises food-grade carbohydrate together with other ingredients that are of food-grade quality and purity and appropriate for the growth of *fusarium venenatum*. The liquid and gaseous feeds are sterilized before addition to the fermenter. Quorn Foods' fermentation facilities and fermentation process are designed to prevent contamination. Its fermenters are approximately 50 meters tall and hold approximately 155 cubic meters of liquid.

In Quorn Foods' fermentation process, the fermenter continually produces broth which is heat-shocked to reduce the ribonucleic acid content. The broth is then centrifuged to produce mycoprotein paste. Mycoprotein is immediately chilled for use in the manufacture of food products.

Products and Markets

Quorn Foods produces and sells two categories of food products marketed under two brands: (i) mycoprotein-based products marketed and sold under the *Quorn* brand and (ii) plant-based products marketed and sold under the *Cauldron* brand. *Quorn* and *Cauldron* products are healthy and environment-friendly alternative protein sources suitable for various cooking methods. *Quorn* and *Cauldron* products are suitable for various meal occasions and needs, such as breakfast, lunch, dinner, snacking, and food-on-the-go.

Quorn Products

Quorn Foods offers an extensive range of mycoprotein-based vegan and vegetarian products, some gluten-free. *Quorn* products offer an alternative for the key meat types: beef, pork, poultry, and fish. Its products cover all key shop aisles: frozen, chilled, and food cupboards. Quorn Foods products are suitable for different meal occasions and needs, including breakfast, lunch/dinner, snacking, and food-on-the-go. The versatility of its products allows consumers to create their favorite meals in the comfort of their homes.

Quorn products are sold in the UK, the Republic of Ireland, the US, Belgium, Luxembourg, Denmark, Finland, The Netherlands, Norway, Sweden, Germany, Switzerland, Southeast Asia, and Australasia.

Cauldron products are sold in the UK and the Republic of Ireland. All *Cauldron* products are suitable for vegetarians, and *Cauldron* tofu and falafel are suitable for vegans. *Cauldron* products offer alternative sources of protein that complement *Quorn* products. *Cauldron* products are offered in chilled form, and Quorn Foods sees an opportunity to grow further in the UK chilled food category.

New Product Development

Quorn Foods intends to continue to be at the forefront of mycoprotein research and development, focusing on improving taste and texture and ensuring its production is the most cost-efficient. Current research projects include studies into fungi strain improvement, waste stream valorization, application of lignocellulose, and production efficiency.

In addition, the scientific team at Quorn Foods works with leading researchers across top universities and research centers to continuously improve their understanding of mycoprotein and its role as part of a healthy lifestyle and healthy planet. Quorn Foods believes that mycoprotein is one of the most researched and best understood foods on the market.

Quorn Foods' NPD team works to gain a deeper insight into consumer experiences with Quorn Foods' products. It continuously endeavors to improve product quality and design in response to evolving consumer needs.

New products launched in 2022 included the following:

- Premium Deli range
- New range of flavored filled snacking bites.
- Vegan range of flavored chilled mini chicken fillets, including *Chilled tempura chicken fillets* in the UK
- Extension of the *Fakeaway* range with 2 "sticky" wing products and rollout of core range into Sweden
- Launch of the *ChiQuin* range in the US

Quorn Foods intends to direct its applied research and development work toward introducing new and improved products and applying new technology to reduce unit and operating costs. It also aims to engage in continuous product development to leverage and further develop its proprietary technology.

Manufacturing Facilities

Quorn Foods has three manufacturing locations: Belasis, Stokesley, and Methwold, all in the UK. Belasis and Stokesley are approximately 100 kilometers from Leeds, and Methwold is approximately 150 kilometers from London. The manufacturing facility at Belasis is approximately 15 kilometers north of the Stokesley factory in Teesside. The Belasis

facility has four fermenters. The site at Stokesley comprises an administrative block and a manufacturing facility. The manufacturing facility consists of four production lines, where paste from Belasis is formed into shapes and frozen. The facility produces a mixture of finished products for sale and intermediate products for further processing. The facility at Methwold is approximately 300 kilometers south of Stokesley and comprises 15 production lines, including coating and frying, retorting, packing, and slicing. The site produces products for both the *Quorn* and *Cauldron* brands and can produce chilled products. Quorn Foods uses third party manufacturing partners to produce finished products where Quorn Foods is capacity constrained, has no in-house capability (*e.g.*, pastry products, ready meals), or when it is more economical to do so.

Raw Materials

All *Quorn* branded products contain mycoprotein that is produced at Belasis. Mycoprotein can be used in vegan and vegetarian products and uses glucose as a key ingredient. To ensure continuity of supply, Quorn Foods obtains its glucose supply from three suppliers based in the UK and France. Other minerals are used in the production of mycoprotein. Although some of these minerals are purchased from a single supplier, Quorn Foods continues to identify alternative suppliers to avoid supply issues where required. Therefore, Quorn does not believe that losing any of its suppliers would adversely affect its operations.

Cauldron products are made from various ingredients, including soya beans, chickpeas, soya protein, onion, and seasonings. Mycoprotein is mixed with other raw materials such as egg albumen (or its alternative for vegan products), natural flavors, seasonings, and coatings to produce Quorn products. These raw materials are sourced through a pool of accredited third-party suppliers who are regularly audited by Quorn Foods' Quality and Compliance team in accordance with Quorn Foods' sourcing procedures as well as food safety, quality assurance, and sustainability standards. Many ingredient suppliers are long-standing suppliers of Quorn Foods, with whom it has long-term supply agreements for key raw materials. Quorn Foods does not depend on a single raw materials supplier, where the loss of such a supplier would adversely affect its operations.

Quorn Foods' Procurement Department ensures continuity of supply by having multiple sources for the critical ingredients and a geographical spread of suppliers using a standard supply contract for most of its suppliers. Terms with key raw material suppliers provide for a supply period of approximately one year to three years, with various commercial terms, including pre-determined fixed and formula market-based prices for the duration of the supply relationship. In all instances, renewal is done by negotiation and agreement. Procurement closely coordinates with the Planning team to ensure that appropriate stock levels are maintained. Purchasing efficiencies are secured by regularly benchmarking and tendering all materials. Quality control is assured via a systemic technical audit program, Global Food Safety Initiative ("**GFSI**") accreditation, self-audit questionnaires, and physical checks, as appropriate.

Distribution Channels

Quorn Foods uses third-party logistics providers to distribute products to retailers and foodservice customers. These logistics providers are regularly audited by Quorn Foods' Technical and Compliance team and covered by Quorn Foods' food safety, quality assurance, and sustainability standards.

Quorn Foods uses two third-party logistics providers in the UK with long-term contracts. Reed Boardall is a national company providing services for frozen products. Reed Boardall's main warehouse and distribution center is in Boroughbridge, about 50 kilometers southwest of Stokesley. Reed Boardall also provides transport services to move products between Quorn Foods manufacturing locations and third-party manufacturers. Fowler Welch Cool Chain provides chilled warehouse and distribution services to ensure products arrive at retailers' distribution centers at the agreed time. Fowler Welch Cool Chain has several locations in the UK. Quorn Foods products are managed principally from its Nuneaton facility, ideally located to optimize efficiency in the chilled foods supply chain. These two suppliers account for over 50% of Quorn Foods' logistical requirements as of December 31, 2022.

Quorn Foods has a network of shipping, warehouse, and transportation companies to service overseas customers to ensure goods are stored and distributed to meet service and quality standards.

Retail

As of December 31, 2022, Quorn Foods products were available in approximately 300,000 points of distribution, primarily in the UK, the US, and Europe across leading food retailers.

Food retailers in the UK primarily purchase directly from Quorn Foods. Food retailers outside the UK source Quorn Foods products largely via direct supply from Quorn Foods, but with some reliance on third-party distributors.

The table below sets forth key food retailers that market and sell Quorn Foods products as of December 31, 2022. *Quorn* branded products are sold in all the following markets, while *Cauldron* branded products are only sold in the UK and the Republic of Ireland.

Location	Food Retailers
UK	Aldi, Asda, Booths, Coop, Farmfoods, Heron Foods, Iceland, Lidl, Morrisons, Nisa, Ocado, Sainsbury's, Spar, Tesco, Waitrose
Australia	Coles, Drakes, Foodworks, IGA, iPantry, Ritchie's, Romeo's, Woolworths
Belgium	Cactus, Carrefour, Carrefour Market, Colruyt, Cora, Delhaize, Match
Denmark	Coop
Finland	Kesko, S Group
Republic of Ireland	Aldi, Centra, Co-op Superstores, Dunnes, Lidl, Londis, Mace, Musgrave Marketplace, Nisa, Spar, SuperValu, Tesco
Luxembourg	La Provencale, Lux Frias
The Netherlands	Albert Heijn, Boon's Markt, Deen, Deko, Dirk, Hoogvliet, Jumbo
New Zealand	Countdown, Denny's, Hell, New World, PaknSave
Norway	Coop
Philippines	Available in selected retailers and e-commerce channels
Singapore	Cold Storage, Fair Price, Market Place, Prime Now, Red Mart, Shengsiong
Sweden	Bergendahls, City Gross, Coop, Hemkop, ICA, Willys
Switzerland	Coop @ Home, Migros
United States	Kroger (all 21 divisions), Albertsons/Safeway (all 12 divisions), Publix, HEB, Instacart, Meijer, Hannaford, Wegmans, Walmart, Whole Foods, Ahold (all 4 divisions), Market Basket, Harris Teeter, Giant Eagle, Save Mart, Amazon, Winco, Smart & Final

Quick Service Restaurants (QSR)

Quorn Foods has a strong presence in QSR distribution channels. Quorn Foods supplies four out of the top ten and nine out of the top 50 restaurants and fast-food chains in the UK, with more restaurants and fast-food chains than competitors.

Quorn Foods has demonstrated its strength in the QSR segment with successful partnerships with KFC, Greggs, Costa, and Pizza Hut in the UK. It has collaboratively worked with these partners, and their supply chains, to develop products

such as, among others, the *Vegan Sausage Roll*, an item in the top five of the most-purchased food products for Greggs, the *Fillet Vegan Burger* for KFC, the *Vegan Smoky Ham & Cheeze Toastie* for Costa, and the *Vegan Nugget* for Pizza Hut. To increase market penetration, Quorn Foods continues to identify and target global and local QSR outlets worldwide, particularly in Europe.

Foodservice Outlets

Quorn Foods believes it has a strong presence in the foodservice segment. Its products are served in approximately 75% of all schools (approximately 24,000 out of 32,000 schools) in the UK. Based on Quorn Foods' internal brand tracking, they are available on the menu of 3,000 pubs/bars (4,500 menu items) as of December 31, 2022. Foodservice outlets in the UK purchase directly from Quorn Foods and indirectly through major wholesalers such as Brakes and Bidvest. Foodservice outlets outside the UK source Quorn Foods products primarily through third-party distributors.

Quorn Foods also sells to local authorities in the UK through third-party distributors where Quorn Foods products form part of a healthy menu offered in schools.

Top Customers

For the year ended December 31, 2022, Quorn Foods' top five customers accounted for more than 53% of total net sales. These customers are all based in the UK, and its largest single customer, Tesco, accounted for 20% of Quorn Foods' total net sales.

Quorn does not have written contracts with many of its customers but agrees on joint business plans with them annually. Such practice is customary in the UK retail market. General payment terms vary from 15 days to 60 days.

Sales and Marketing

Quorn Foods' marketing strategy focuses on bringing new users to its *Quorn* and *Cauldron* brands and the meat alternative sector by demonstrating the benefits of taste, health, and sustainability.

Quorn Foods has experienced sales and marketing teams in several countries. The largest team responsible for global marketing and international sales is based in the UK. To support this, Quorn Foods has sales offices in the US (Chicago, Illinois), Germany, The Netherlands, and Sweden. The UK sales team covers all aspects of the sales operation, including customer contract negotiation, promotional activity, demand planning, and in-store merchandising.

In 2022, Quorn Foods launched a series of communication campaigns to entice consumers into the brand. It started the year with a brand new campaign, 'Tasty Resolutions', that used a fun-loving meat-eating Wrestler to show how Quorn is so healthy and tasty we all should be starting the new year with a new protein on our plates. The campaign ran across TV, online video channels (such as YouTube), and social media platforms (such as Facebook and Instagram). Quorn Foods is committed to bringing new consumers to the brand and category, which was the clear objective of its second big communications campaign of the year. To support the launch of its new premium Deli range, targeted squarely at bringing meat eaters into the category, the campaign 'So tasty, why choose the alternative?' was launched. Featuring a talking puppet Perry the Pig, consumers were introduced to the great new products and enticed by flavorsome visuals throughout. The new campaign reached millions of consumers as it played out on video-on-demand channels, online video, social, digital, and public relations. As well as a national sampling tour of the UK and further support from our sports organizations sponsorship.

The primary channels by which Quorn Foods drives consumer awareness and promotes interest in its products are through (i) social media platforms (such as Facebook, Instagram, and Twitter) and other digital outlets, (ii) its website, (iii) network, cable television, and radio programs, and (iv) sports organizations sponsorship. Quorn Foods also employs billboards and in-store marketing. In addition, Quorn Foods partners with celebrities, athletes, and other key influencers who share its core values and mission for media/online collaborations and events. For example, Quorn Foods partners in the US with Drew Barrymore, a US actor with her own TV show and over 15.0 million followers on Instagram.

Competition

The Meat Alternative Business competes with a broad category of market participants such as multinational corporates, venture capital-backed newer entrants, and retailer private label products. The product group also competes with traditional meat brands and purely plant-based producers.

Quorn Foods is the market leader in the meat alternatives market in the UK, with *Quorn* and *Cauldron* being the No.1 and No.4 brands with 26.7% and 5.0% of grocery retail market share by value in 2022, respectively, according to IRI (52-week data). *Quorn* has the broadest product portfolio in the UK market.

In the UK, the *Quorn* brand primarily competes with various meat alternative brands and private label products. *Cauldron* is complementary to the *Quorn* brand and competes in the alternative protein category. In the frozen category, the main branded competitor is Linda McCartney, with Birds Eye emerging in the last three years. Competition comes from private labels and brands such as Richmond Toffoo, Glory, Vivera, and THIS in the chilled category. In the US, *Quorn* primarily competes with Boca (a brand of Kraft Heinz Foodservice), Gardein (a brand of Conagra Brands), and Morning Star Farms (a brand of Kellogg's), which offer products across multiple categories as well as Beyond Meat and Impossible. *Quorn* also competes with traditional meat brands such as Tyson. *Quorn* primarily competes based on taste and texture, followed by health and sustainability benefits, value perception, product variety, versatility, and cost. *Cauldron* primarily competes on taste, consumer experience, and health and sustainability benefits.

Quorn believes that its competitive position is differentiated by, among others, the taste, health benefits, and sustainability of its food and its extensive meat alternative platforms of beef, pork, poultry, and fish.

Employees

As of December 31, 2022, Quorn Foods had 888 employees across six international locations. Quorn Foods believes that its diverse, well-trained, and experienced employee pool is a strong asset.

It aims to support its operating functions, grow the capability of its employees and promote its core values (“Stronger Together,” “Think Big Act with Courage,” “Make Lives Better” and “Strive to be the Best”) through the implementation of various professional and personal development programs. These programs include:

- secondment opportunities to develop skills and capabilities and gain experience;
- financial support for professional qualifications;
- operational training to provide technical skills;
- an onboarding program to introduce new joiners to Quorn Foods’ operations, policies, and administrative procedures;
- coaching programs developed to improve feedback conversations and enhance team performance; and
- a development plan framework to encourage conversations and ensure employees have a clear growth plan.

Quorn Foods expanded its management team in 2020 to prepare the organization for the next level of growth. This included Marco Bertacca taking up the role of Chief Executive Officer in 2020. As of December 31, 2022, the management team of Quorn Foods comprised eight members. A senior leadership team of over 50 individuals drives the execution of Quorn Foods’ strategies.

The following tables detail Quorn Foods’ employees by employee type and by location.

Employee Type	Count
Executive management team	8
Other full-time employees	880
Total	888

Location	Count
UK	852
Continental Europe	15
US	21
Total	888

As of December 31, 2022, some of the employees of Quorn Foods belonged to and were represented by two trade unions, Unite the Union (“Unite”) at Belasis and Stokesley and the Bakers, Food and Allied Workers Union at Methwold.

As of December 31, 2022, Quorn Foods had a collective bargaining agreement with its employees in Belasis, Methwold, and Stokesley. The key provisions of these agreements include various aspects of pay, working hours and conditions, holidays, and the resolution of grievances. In 2022, Unite organized a period of strike taking place in the months of October, November, and December. This situation was resolved, and the Unite members are back at work while final pay and conditions negotiations conclude. Bargaining agreements are rolling by nature.

Quorn Foods believes that its employees’ compensation packages and benefits are competitive. Base salaries are benchmarked using independent external bodies and salary surveys to ensure they remain competitive. Employee benefits include:

- Pension contribution with Quorn Foods’ standard matching rate of up to 5% for most employees, with higher contributions for certain employees in legacy pension schemes. Contribution to pension schemes is made through a salary sacrifice arrangement to maximize tax efficiency for employees who contribute to their pension;
- company car (or equivalent cash allowance) for staff above a certain grade (both recently reviewed for competitiveness);
- health care benefits for staff above a certain grade augmented by permanent health insurance for executive level staff;
- life assurance for employees in the pension scheme at four times the salary (ten times the salary for those in Belasis bargaining group); and
- discretionary bonus scheme for all employees at a level commensurate with their grades.

Insurance

Quorn Foods maintains adequate and reputable insurance coverage on its properties, assets, and liability exposures pertaining to its business operations in such amounts and covering such risks as it deems appropriate and as may be usually carried by other companies engaged in the same or similar activities and owning similar properties in the geographical areas where it operates. As of December 31, 2022, Quorn Foods’ insurance coverage includes, but is not limited to, property, general liability with products, employer and public liability cover, and director’s and officer’s liability. All of Quorn Foods’ insurance policies are renewed on March 7. Quorn Foods believes its insurance coverage is in accordance with its business exposure and in compliance with relevant regulatory requirements.

Information Technology

Quorn Foods believes that its information technology (“IT”) systems play a crucial role in its day-to-day operations and overall efficiency. The core system of Quorn Foods’ IT estate is SAP ERP which is used for financial control and management, procurement, stock management, sales and invoicing, and supply chain cost management. Quorn Foods also utilizes other systems and solutions to run its business.

Quorn Foods regularly engages with employees to raise awareness of cybersecurity risks, and it engages experts to assess such cybersecurity risks. There are many services, processes, and tools which are implemented to reduce cybersecurity risks. These include resilient firewall configuration, multi-factor authorization, annual penetration tests, Endpoint Detection and Response (EDR) tools, a 24 x 7 Security Operations Centre, and offsite backup.

Quality Control, Health, and Safety

Food safety and quality assurance are top priorities of Quorn Foods. Quorn Foods implements food safety and quality assurance standards and policies across its operations and processes based on global standards and various regulatory and statutory requirements. Quorn Foods believes consistent implementation of such standards and policies builds capacities and capabilities, improves supply chain relationships, protects its brand, and promotes sustainability.

The Quality Assurance (“QA”) Department of Quorn comprises professionals and individuals with relevant industry certifications and experience. The QA Department conducts, among others, product evaluations, GMP audits, process and product validations, and calibrations, as well as liaising with various operations departments. It also assesses Quorn Foods’ quality assurance system regularly to promote GMP compliance and enhance the quality of its operations.

Each manufacturing facility’s quality function includes internal auditing, which is supported further by corporate quality compliance and auditing to verify GMP standards on an ongoing basis. In addition, third-party certifying bodies conduct periodic audits (including unannounced audits) at Quorn Foods facilities covering Food Safety Management System certification in accordance with GFSI’s BRC Global Standards. An additional third-party auditing body, FSSI, conducts regular factory standards audits against Quorn Foods’ Corporate Quality Policy to ensure that benchmarked standards are implemented and maintained.

Quorn Foods trains employees on food safety and quality assurance standards, policies, and operating procedures. The same standards and policies cover the suppliers and vendors of Quorn Foods. They must also possess the relevant accreditations and certifications from the relevant bodies in the jurisdiction where they operate. In addition, Quorn Foods’ Vendor Assurance team, which reports to the Corporate Quality team, reviews, validates and approves all suppliers and vendors through facility visits, sampling and testing of materials, and product quality inspections. Quorn Foods has procedures and systems in place in the event of non-compliance by its employees, suppliers, and vendors with its standards, policies, procedures, and requirements.

Quorn Foods is subject to laws, rules, and regulations of the regions and countries where its products are manufactured and sold, including the UK Food Standards Agency, the EU European Commission, and the US FDA regulatory requirements. Other countries where Quorn Foods has regulatory clearance include Switzerland, Australia, New Zealand, South Africa, Canada, Singapore, and the Philippines. As of the date of this document, Quorn Foods believes it is in material compliance with all applicable health and food safety laws.

Sustainability

Quorn Foods continues to drive its sustainability agenda as part of its “Healthy Food for People and the Planet” purpose. Compared to 2012, Quorn Foods has reduced its carbon emissions (scope 1 and 2) by 93% relative to production. In 2022 alone, this improved by 25% compared to 2021, as the full year benefits of procuring certified green energy at its Belasis plant mid-way through 2021 flowed through. As a result of this, mycoprotein is now produced using over 88% green energy. Quorn Foods continues to explore ways to reduce its carbon footprint, and from January 1, 2022, its *Cauldron*-branded products have become completely carbon neutral.

Item 2. Properties

The Group does not own land in the Philippines. MONDE does not have any principal properties that are subject to a mortgage, lien, or encumbrance. There are no legal restrictions that would preclude Monde Nissin Thailand Co. Ltd. and Monexco International Ltd. from owning land in Thailand by virtue of their foreign ownership. There are no legal restrictions that would preclude MNUK or Marlow Foods Limited from owning land in the UK by virtue of their foreign ownership.

The APAC BFB Group has eight manufacturing locations with seven co-located distribution centers in the Philippines. Leased or owned properties are in good condition, save for ordinary wear and tear.

A summary of MONDE’s properties that are used in the Group’s businesses in the Philippines is set out below:

Type of Property Owned	Location	Approx. Gross Floor Area (sq.m.)
Building	Balibago, Santa Rosa, Laguna	120,000
Building	Carmelray Industrial Park 2, Calamba, Laguna	60,300
Building	Light Industry & Science Park 4, Malvar, Batangas	37,200
Building	Casuntingan, Mandaue, Cebu	34,200
Building	Alviera, Porac, Pampanga	26,000
Building	Sto. Domingo, Cainta, Rizal	24,000
Building	Bunawan District, Davao	13,900
Building	Carmelray Industrial Park 1, Calamba, Laguna	10,700
Building	Brixton, Pasig City	7,700

A summary of the properties leased and used in the Group's businesses in the Philippines is set out below:

Lessor	Lessee	Location	Approximate Leased Area (sq.m.)	Expiration Date	Renewal	Type of Property	Accounting Treatment	Rental Rate
Ayala Land, Inc.	MNC	Ayala Avenue, Makati City	1,343.21 sq.m. office space, 6 executive parking lots	31-Oct-23	N/A	Office	ROU asset	For Office: P5,644,262.44 quarterly rent with 5% per annum escalation rate For Parking: P215,891.68 quarterly rent with 8% per annum escalation rate
BDO Rental, Inc.	MNC	Brgy. Dolores and Banaba, Porac, Pampanga	47,091	29-Dec-30	Renewable for 15 years	Factory	ROU asset	P1,102,163.40 basic monthly rent starting January 29, 2021
Colorado Shipyard Corp.	MNC	Mandaue, Cebu	1,605	10-Mar-30	Renewable for 10 years	Factory	ROU asset	P17,478,450 upon execution of contract; Average monthly rent of P282,969 starting August 18, 2026
Philippine Rigid Construction Corp.	MNC	Mandaue, Cebu	1,605	10-Mar-30	Renewable for 10 years	Factory	ROU asset	P17,478,450 upon execution of contract; Average monthly rent of P282,969 starting August 18, 2026 (adjacent lot)
Juan Miguel V. Yulo Enterprises	SMFC	Carmelray Industrial Park 1, Canlubang, Calamba, Laguna	33,058	1-Jan-37	No automatic renewal	Factory	ROU asset	P1,039,817.01 monthly rent with 5% per annum escalation rate
Infitus Corporation	MNC	Brixton, Pasig City	2,361	31-Mar-31	N/A	Office	ROU asset	P632,410.71 basic monthly rent with 6% escalation annually beginning April 1, 2019
Monde Land, Inc.	MNC	Sta. Rosa, Laguna	80,678	31-Jan-58	Renewable for 25 years	Factory	ROU asset	P1,815,255.00 basic monthly rent with 3% escalation every 2 years beginning January 1, 2020
Monde Land Inc.	MNC	Sta. Rosa, Laguna	61,199	20-May-52	Renewable for 25 years	Factory	ROU asset	P1,376,977.50 basic monthly rent with 3% escalation every 2 years starting January 1, 2022
Monde Land Inc.	MNC	Sta. Rosa, Laguna	29,279	1-Nov-37	Renewable for 25 years	Factory	ROU asset	P658,777.50 basic monthly rent with 3% escalation every 2 years beginning January 1, 2022
Monde Land Inc.	MNC	Brgy. Ilang, Davao City	42,153	1-Jan-37	Renewable for 25 years	Factory	ROU asset	P632,295 basic monthly rent with 3% escalation every 2 years beginning January 1, 2022
Monde Land Inc.	MNC	Mandaue, Cebu	24,598	31-Jan-58	Renewable for 25 years	Factory	ROU asset	P737,940.00 basic monthly rent with 3% escalation every 2 years beginning October 1, 2020
Monde Rizal Properties, Inc.	MMYSC	Cainta, Rizal	36,977	1-Oct-51	Renewable for 25 years	Factory	ROU asset	P2,033,735.00 basic monthly rent with 3% escalation every 2 years beginning October 1, 2020
Monde Rizal Properties, Inc.	MMYSC	Cainta, Rizal	32,735	1-Jul-52	Renewable for 25 years	Factory	ROU asset	P1,800,425.00 basic monthly rent with 3% escalation every 2 years beginning October 1, 2020
Monde Rizal Properties, Inc.	MMYSC	Calamba, Laguna	66,573	1-Apr-27	Renewable for 25 years	Factory	ROU asset	P3,594,942.00 quarterly rent with 3% escalation every 2 years beginning April 1, 2019
N&G Realty and Development Corporation	MNC	Cagayan de Oro	3,000	31-May-22	No automatic renewal	Warehouse	Outright rent expense	P442,681.74 basic monthly rent
Science Park of the Philippines, Inc.	MNC	Malvar, Batangas	66,008	22-Jun-95	Automatic renewal of 25 years	Factory	ROU asset	P457,435,440.00 up front payment
Science Park of the Philippines, Inc.	MNC	Malvar, Batangas	19,050	22-Jun-95	Automatic renewal of 25 years	Factory	ROU asset	P132,016,500.00 up front payment

ROU = Right of Use

Note: The lease with N&G Realty and Development Corporation is pending renewal.

Item 3. Legal Proceedings

The Group is not involved in any litigation, arbitration, or claims (including personal injuries, employee compensation or product liability claims) of material importance, and the Group is not aware of any litigation, arbitration, or claims of material importance pending or threatened against it that would have a material adverse effect on its business, financial condition, or results of operations.

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

Except for matters taken up during the annual stockholders' meeting, there was no other matter submitted to a vote of security holders during the period covered by this report. The matters submitted to security holders' vote are in the minutes of MONDE's 2022 annual stockholders' meeting, a copy of which is available in MONDE's website.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

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

Market Information

MONDE's common shares are listed with the PSE.

The high and low prices of MONDE’s common shares for each quarter since its June 1, 2021 IPO (“**Listing Date**”) until the end of the calendar year (*i.e.*, December 31, 2022) are as follows:

Quarter	2021	
	High (in ₱)	Low (in ₱)
2 nd *	16.52	13.10
3 rd	20.25	14.78
4 th	19.06	15.14

*from June 1, 2021 until June 30, 2021

Quarter	2022	
	High (in ₱)	Low (in ₱)
1 st	18.16	13.42
2 nd	16.68	12.70
3 rd	16.50	12.18
4 th	12.98	11.06

Holders

MONDE’s Stock and Transfer Agent, BDO Unibank, Inc. – Trust and Investments Group – Securities Services (Stock Transfer) (“**STA**”) reports that there are 23 stockholders of record as of December 31, 2022, ranked in terms of number of shareholdings, as follows:

	Name of Stockholder	Number of Shares Held	% of Total Shares Outstanding Held
1	Hartono Kweefanus	4,214,244,600	23.453
2	Betty T. Ang	3,265,920,000	18.176
3	PCD Nominee Corp. (Non-Filipino) ¹	2,488,504,793	13.627
4	PCD Nominee Corp. (Filipino)	1,632,070,907	9.083
5	Henry Soesanto ¹	1,508,681,395	8.396
6	My Crackers, Inc.	1,228,611,496	6.838
7	Hoediono Kweefanus	948,324,600	5.278
8	Anna Roosdiana Darmono	765,897,600	4.262
9	Evelyn Darmono	765,897,600	4.262
10	Monica Darmono	765,897,596	4.262
11	AU Mountain Investments Corporation	381,060,000	2.121
12	Carousel Holdings, Inc.	3,000,000	0.017
13	David John Nicol	234,900	0.001
14	Edwin Lee Lapasaran Lim and/or Ma. Hope C. Lim	200,000	0.001
15	Cristobal S. Hautea	60,000	0.000
16	Elvira M. Cruz or Bernardo A. Cruz	5,000	0.000
17	Glenn Maverick Almonte Ang	600	0.000
18	Ofelia R. Blanco	400	0.000
19	Nina Perpetua D. Aguas	2	0.000
20	Kataline Darmono	2	0.000
21	Delfin L. Lazaro	2	0.000
22	Marie Elaine Teo	2	0.000
23	Romeo L. Bernardo	1	0.000

¹ Mr. Henry Soesanto owns another 40,000,000 shares through PCD Nominee Corp. (Non-Filipino) which brings his total ownership percentage to 8.619% and PCD Nominee Corp. (Non-Filipino)’s total ownership percentage to 13.627%.

Dividend Policy

The Board of Directors (or the “**Board**”) is authorized to declare dividends only from MONDE’s unrestricted retained earnings, representing the net accumulated earnings of the Company, which have not been allocated for any

managerial, contractual, or legal purpose, and which are free for distribution to the shareholders as dividends. The amount of retained earnings available for declaration as dividends is determined pursuant to SEC regulations. The Board may not declare dividends which will impair capital. MONDE may pay dividends in cash, property, or by the issuance of shares of stock, subject to certain requirements. Cash and property dividends are subject to Board approval, while stock dividends, in addition to Board approval, require the approval of stockholders representing at least two-thirds of the outstanding capital stock of the shareholders at a shareholders' meeting called for such purpose and the approval by the SEC.

In relation to foreign shareholders, dividends payable may not be remitted using foreign exchange sourced from the Philippine banking system unless the investment was first registered with the Bangko Sentral ng Pilipinas ("BSP").

The Revised Corporation Code generally requires a Philippine corporation with retained earnings in excess of 100% of its paid-in capital to declare and distribute as dividends the amount of such surplus. Notwithstanding this general requirement, a Philippine corporation may retain all or any portion of such surplus in the following cases: (i) when justified by definite expansion projects or programs approved by the corporation's board of directors; (ii) when the corporation is prohibited under any loan agreement with financial institutions or creditors, whether local or foreign, from declaring dividends without their consent, and such consent has not been secured; or (iii) when it can be clearly shown that such retention is necessary under special circumstances obtaining in the corporation, such as when there is need for special reserve for probable contingencies.

Pursuant to existing SEC regulations, cash dividends declared by MONDE must have a record date not less than ten (10) days nor more than thirty (30) days from the date the cash dividends are declared.

With respect to stock dividends, the record date is to be not less than 10 days and not more than 30 days from the date of shareholder approval. In either case, the set record date is not to be less than 10 trading days from receipt by the PSE of the notice of declaration. If no record date is set, under prevailing SEC regulations, the record date will be deemed fixed at 15 days from the date of declaration. In the event that a stock dividend is declared in connection with an increase in authorized capital stock, the corresponding record date is to be fixed by the SEC.

Pursuant to the SEC's *Amended Rules Governing Pre-emptive and other Subscription Rights and Declaration of Stock and Cash Dividends*, all cash dividends and stock dividends declared by MONDE shall be remitted to the Philippine Depository & Trust Corporation ("PDTC") for immediate distribution to its participants not later than 18 trading days from the record date set by the SEC, provided, that in case of stock dividends, payment date shall in no case be later than the stock dividends' listing date.

In accordance with the PSE disclosure rules, for all cash and stock dividends accruing to shares lodged with the PDTC, whether from unissued capital or resulting from an increase in capital stock, the same shall be remitted/credited to the PDTC for immediate distribution to its participants not later than 18 trading days from the record date. For cash accruing to shares not lodged with the PDTC, the same shall be remitted/credited directly to the individual stockholders not later than 18 trading days from the record date.

Dividends

The following table sets out cash dividends declared by MONDE in the two most recent years:

Declaration Date	Record Date	Payment Date	Dividend/ share (in ₱)	Total dividend (₱ in millions)
January 22, 2021	January 22, 2021	March 31, 2021	0.23	1,511.1
March 1, 2021	March 1, 2021	October 1, 2021 and December 20, 2021	1.19	8,549.3
August 9, 2022	September 8, 2022	October 4, 2022	0.14	2,515.61

As disclosed in MONDE's IPO final offering memorandum, MONDE's Board on March 12, 2021 resolved to adopt and maintain an annual dividend payment ratio of 60% of the preceding fiscal year's net income after tax, subject to the requirements of applicable laws and regulations, capital expenditure requirements, compliance with loan covenants, and other circumstances which restrict the payment of dividends. In this connection, while there are certain dividend-

related covenants undertaken by the Parent Company in its guarantee of its indirect subsidiary Marlow Foods Limited's certain loan obligations, there are currently no pre-existing, subsisting, or foreseen factual conditions (such as a relevant event of default) that restricts MONDE's ability to declare dividends.

Recent Sales of Unregistered or Exempt Securities including Recent Issuance of Securities Constituting an Exempt Transaction

In April 2019, MONDE issued a convertible note in favor of Arran Investment Pte. Ltd. ("**Arran**") at an issue price of ₱9,122,684,658.00 ("**Arran CN**"). The Arran CN was convertible into MONDE common shares representing 7.0% of MONDE's total issued and outstanding capital stock on a fully-diluted basis (in 2021, approximately 6.44% of MONDE's issued and outstanding shares, as a result of the issuance of MONDE common shares to My Crackers, Inc.). The Arran CN's issue price was fully paid upon its issuance on April 12, 2019. The Arran CN was convertible to common shares at a base conversion price of ₱9.22385 per share, subject to various adjustment scenarios.

The foregoing transaction was an exempt transaction pursuant to the SRC's Section 10.1(c), it being an isolated transaction made by MONDE in favor of Arran only.

Under its June 4, 2021 disclosure, MONDE reported that it had received confirmation that Arran was in receipt of the listing redemption amount equal to ₱13,351,934,700.00, as full settlement of the Arran CN, consistent with MONDE's Work Plan for the use of IPO proceeds.

Item 6. Management's Discussion and Analysis of Financial Condition and Results of Operations as of December 31, 2022.

SIGNIFICANT FACTORS AFFECTING THE GROUP'S RESULTS OF OPERATIONS

The Group's results of operations are affected by a variety of factors. Set out below is a discussion of the most significant factors that have affected its results in the past, and which the Group expects will continue to affect its results in the foreseeable future. Factors other than those discussed below could also significantly impact the Group's results of operations and financial condition in the future.

Demand and Pricing

The Group's results of operations are affected by consumers' demand for its products, and pricing, in turn, affects demand. When determining its selling prices, the Group considers various factors, including, among others, prices of raw materials and packaging materials, taxes, fuel prices and other costs of doing business, distribution channels, and general economic conditions. The Group believes that instant noodles, bread, biscuits, and culinary aids are considered consumer staples. In the second half of 2022 (2H), biscuits, beverages, and packaged cakes have seen continued strong performance due to increased mobility and resumption of face-to-face classes, leading to more consumption occasions for these categories. These products can be sensitive to movements in disposable incomes, changes in product prices, and competitive pressures. In 2021, the Group saw flat to declining demand for biscuits and beverages as these products are purchased for lunch boxes, between meals, and on-the-go consumption as restricted mobility affected the consumption occasion for these categories.

Demand for fast-moving consumer goods is price elastic in general, particularly for consumers in the lower socio-economic classes where disposable income is limited. When prices increase or during periods of relatively weak economic growth where disposable income falls, consumers tend to switch to comparable lower-priced staple products and cut back on their consumption of discretionary products, particularly those in the lower socio-economic classes.

In addition, demand for fast-moving consumer goods is also influenced by the relative price relationships between such goods, consumer products, and other products and services in general. Consumers are prone to adjust their buying choices according to shifts in the perceived value-for-money propositions of the products. The Group intends to continue to innovate its products to enhance their perceived product value.

Changes in Consumer Tastes and Preferences

The Group's future growth will depend on its ability to maintain the competitive positions of its product portfolios and brands by proactively anticipating and responding to constant changes in consumer tastes and preferences. A key element in maintaining the market share for the Group's product portfolios is the ability to continuously and successfully introduce new products and product extensions to capture prevailing consumer preferences.

Consumer preferences may change due to various factors, including changes in economic conditions and income levels, shifts in demographic and social trends, changes in lifestyle and leisure activity patterns, changes in regulations, and actions of competitors, any of which may affect consumers' perception of and willingness to purchase the Group's products. This may then significantly impact the results of the Group.

The Group regularly keeps abreast of the evolving consumer preferences and believes that its current broad array of products can address the shifts in trends. For example, to cater to a preference for a healthier product, the Group launched *Lucky Me! Milky Me!* with 25% less sodium compared to regular *Lucky Me! Instant Mami* and has been promoting *Monde Wheat Bread* as a hero product in the bread portfolio. The Group believes that *Quorn* mycoprotein meat alternative products are well-placed to serve this segment for customers who demand food products that are more environment-friendly and offer health benefits. To take advantage of the "premiumization" trend, particularly from the growing and rising middle class seeking higher quality and higher value products, the Group expanded its mass premium segment (the segment between premium and mainstream price points) by launching instant noodles with Asian flavors and instant pasta under the *Lucky Me!* brand and introducing *Monde Specials* as its mass premium packaged baked goods line offering high-quality baked products such as sponge cake, among other initiatives.

Effectiveness of Sales and Marketing Activities

The effectiveness of the Group's sales and marketing activities is critical to its market share expansion and revenue growth. The Group communicates with consumers through various channels and touchpoints, including advertisement on television, radio programs, social media platforms (such as YouTube, Facebook, Instagram, and Twitter), its website, program sponsorships, billboards, and brand activation roadshows. Customer touchpoints at the purchase stage include in-store promotions and loyalty programs. In addition, the Group partners with celebrities and other key influencers for media or online collaborations and events.

Advertising affects consumer awareness of the Group's products and brands, which, in turn, affects purchase decisions and, consequently, sales volumes. The Group believes that product differentiation and brand loyalty are achieved through its marketing and image-building efforts, and consumer brand preferences are the cumulative result of exposure to the brands over an extended period. However, the effects of these sales and marketing activities may be delayed, resulting in delayed revenue growth which may not be fully reflected during the period in which the sales and marketing activities took place.

Prices of Raw Materials and Packaging Materials

Direct materials are major components of the Group's cost of goods sold. Direct materials comprise raw materials and packaging materials. Raw materials primarily consist of wheat/flour, palm oil, sugar, and coconut oil. The Group sources raw materials and all its packaging materials globally.

Raw materials are subject to significant price volatility caused by various factors, including changes in global supply and demand, extreme weather conditions, size of harvests, transportation and storage costs, governmental agricultural policies, and currency exchange rate fluctuations. In addition, the Group's ability to obtain raw materials and packaging materials is affected by factors beyond its control, including armed conflict, natural disasters, governmental laws and policies, interruptions in production by suppliers, and the availability of transportation.

The Group's profitability is dependent on, among other factors, its ability to anticipate and react to fluctuations in the price of commodities, raw materials, and packaging materials. An increase in prices for or shortage of the Group's raw materials and packaging materials generally leads to an increase in production costs or interruption in the Group's production schedules, each of which could adversely affect its operating margins. Production delays could lead to reduced sales volumes and profitability as well as loss of market share. Conversely, favorable movements of raw

materials costs and other items might improve the Group's margins and results of operations. The Group has been able to mitigate price fluctuations in raw materials to some extent through a combination of (i) operational synergy, (ii) the use of short-term and long-term contracts with suppliers to lock in pricing, and (iii) diversification of sources of supply.

Given that a significant portion of the Group's flour requirement is produced in-house at its Santa Rosa facility, the Group enjoys consistent supply, quality, and cost savings for flour from this operational synergy. Operational synergy is also achieved in the supply of seasoning for instant noodles production, as the Group is operating a seasoning plant in Thailand to produce seasoning and condiments for its noodle plants in the Philippines.

Increases in costs of raw materials and packaging materials can typically be passed on to consumers. However, this may affect consumer demand as the Group's consumers are generally price sensitive. In some cases, these increases are not immediately passed on, if at all, to consumers to maintain or grow sales volumes and to protect the Group's market share. As a result, any material increase in the market price of raw materials could adversely affect the Group's operating margins, which may affect its financial position and operating performance.

Product Mix

The Group has a diversified product mix which primarily includes instant noodles, biscuits, other fast-moving consumer products, and meat alternatives. The Group adopts a multi-brand approach, pursuant to which there are one or more brands or product lines under each product category. Under each brand, the Group offers products with different flavors, different package sizes and/or different types of products to provide varieties. For example, in the instant noodles product group, there are three product lines under the *Lucky Me!* brand: (i) wet pouch; (ii) dry pouch; and (iii) cups. Each *Lucky Me!* product line offers a wide array of flavors. In the Meat Alternative Business, *Quorn* has an extensive range of vegan and vegetarian products. *Quorn* products also cover all key shop aisles: frozen and chilled. The ability of the Group to continuously develop new products and launch product extensions to capture various consumer preferences enables the Group to successfully make available to its consumers a diverse and innovative product mix.

Typically, different products vary in product pricing, revenue growth rate, and gross profit margin. Each of the Group's brands has its own unique positioning with different marketing strategies and promotional costs. As a result, the Group's revenue and profitability are largely affected by its product mix.

Competition

The Group's products face competition from other domestic producers as well as from imported products and foreign brands. Competitive factors facing the Group's products include price, product quality, and availability, production efficiency, brand awareness and loyalty, distribution coverage, security of raw material supply, customer service, and the ability to respond effectively to changes in the regulatory environment as well as to shifting consumer tastes and preferences.

The Group's main competitors for the instant noodle segment are domestic producers which compete on pricing and regional brands that offer different flavors and taste experiences. The biscuits and other fast-moving consumer product groups face competition from multinational, national, regional, and local competitors. Similar to the instant noodle segment, these players compete on pricing, taste, and innovation. The Meat Alternative Business competes with a broad category of market participants such as multi-national corporates, venture capital-backed newer entrants, and private labels, and also competes with traditional meat brands. Changes in the competitive landscape, including new entrants into the market, consolidation of existing competitors, and other factors, could have a material impact on the Group's financials and results of operations.

Economic, Social and Political Conditions in the Philippines and Other Countries

The majority of the Group's assets and revenues from its APAC BFB Business are in or derived from its operations in the Philippines. Therefore, the Group's business, financial condition, results of operations, and prospects are substantially influenced by the economic, social, and political conditions in the Philippines, while the Group is also significantly exposed to global commodity markets, mainly those for agricultural goods and energy. Following the

significant decline in COVID-19 cases in 2022, the Philippine economy has experienced significant growth recovery. The Philippine economy has experienced periods of slow or negative growth, high inflation, high interest rates, high fuel prices, high power rates, other high costs of doing business, and significant depreciation of the Philippine Peso. It has been significantly affected by weak economic conditions and volatilities in the global economy and the Asia-Pacific region. Due to the removal of essentially all movement restrictions, we are seeing significant improvements in Gross Domestic Product (GDP) growth rate, and consumer mobility which drives increased in-store traffic and return of out of home consumption. A low downside risk still remains due to possible infection resurgence caused by the occurrence of new variants that may evade previously gained immunity. In addition, the Russia-Ukraine conflict and the attached impacts on the global markets will continue to influence the Group materially in areas such as commodity and energy/fuel costs. While the Group notes that the world market prices have largely normalized to pre-invasion levels in Q3 and Q4, a downside risk remains in case of erratic changes to the conflict. As consumers grapple with uncertainty, their buying behavior and preferences become more erratic.

Sales of most of the products of the Group's APAC BFB Business (APAC BFB segment) have been influenced and will continue to be influenced, to some degree, by the general state of the Philippine economy as well as the stability of social and political conditions in the country. As we saw in 2022, the agricultural policy stance may significantly influence the APAC BFB segment's results especially around raw materials such as sugar and its related importation quotas, and consumer shifting between food groups as they are avoiding products with runaway inflation. While sales of a portion of the Group's products such as biscuits, beverages, and packaged cakes can be sensitive to changes in income and social conditions, the Group offers products that are considered as staple items or components to staple items which are less sensitive to income changes and adverse economic, social, and political conditions. These include instant noodles, bread, and culinary aids.

The Group also conducts its APAC BFB Business in Thailand, including its export operations. As such, economic, social, and political conditions in Thailand may also affect the Group's business, financial condition, results of operations, and prospects. In addition, the economic environment globally may influence the expansion strategy of the export business as distributors act more cautiously on new product launches, advertising, and promotional spend. The significant improvements in the situation of global containers shipping in prices, as well as availability may influence growth and profitability of the export business positively in the upcoming periods, and the uptick in economic activity in the region due to the unexpected re-opening of China.

A significant portion of the Group's assets and revenue from its Meat Alternative Business are also located in or derived from its operations in the United Kingdom (UK). Therefore, economic, social, and political conditions in the UK may also affect the Group's business, financial condition, results of operations, and prospects. The UK continues to be affected by material levels of inflation, as well as the lingering effects of the exit from the European Union. Labor shortages in the food and transport industry and significant commodity and utility inflation are present and may persist well into 2023. The UK presently posts material inflation numbers which reached levels not experienced in more than 40 years. This strong inflation footprint may impact the consumer buying behavior, and the company's input costs. The political environment in the UK presently provides additional uncertainty as crucial policy decisions around energy price support for industry, corporate taxation, and others are constantly evolving as the UK manages the exit from the COVID-19 pandemic and its economic recovery. Due to this environment, labor disruptions and related business impacts are significantly increasing and may impact the operation of the Group.

Seasonality

In the consumer goods industry, results of operations generally follow the seasonality of consumer buying patterns, and the Group's sales are affected accordingly. In the Philippines, most food and beverage products, including those of the Group, experience increased sales from October to December related to the Christmas and New Year's season. Consequently, the fourth quarter has historically been the Group's strongest quarter by volume for culinary aids and some of its biscuit products, including *M.Y. San Grahams*. Seasonality during certain events also affects the Group's sales. In addition, seasonality varies across product types. Some of the Group's products have distinct seasonality. For instance, *Lucky Me!* wet pouch instant noodles see an increase in sales in the colder months due to consumers' preference for warm food. The Philippine government also sources instant noodles and crackers, as staples in its relief goods packages, from the Group for distribution to the public. A number of biscuit products experience higher sales during the school year as the Group's products are generally purchased for lunch boxes, between-meals, on-the-go consumption, and consumption at home. As a result, seasonality could affect the Group's financial condition and

results of operations from one quarter to another. To counter the seasonality of some of its products, the Group created marketing and advertising initiatives that encourage the sustained consumption of its products throughout the year. The Group believes that the diversity of its product mix reduces the specific seasonality impact of certain products in its portfolio.

Innovation

In addition to its ability to introduce new product innovations and renovations, delivering on the Group's aspiration will also depend on the Group's ability to continuously drive loss-eliminating process innovations and work system innovation. Continuous improvement in process innovation and work system redesign will impact multiple fronts such as superior quality and consumer experience, fresher products to market, higher productivity, and improved sustainability via less wastage/use of resources and better process reliability.

COVID-19 Pandemic

The impact of COVID-19 pandemic to the Group's operation has largely subsided. Nevertheless, the Group is continuously monitoring the situation as infection case resurgences may impact the ongoing economic recovery, and operations.

Capacity and Utilization of the Group's Facilities

The ability of the Group to meet the demand for its products depends on its ability to build, maintain, and expand its production capacity. Capacity expansion affects the ability of the Group to introduce new products or new uses for its existing products, which, in turn, impacts the ability of the Group to be agile and responsive to rapidly changing customer needs and expectations.

Capacity improvement and expansion require significant capital investment. An investment in new technology or an enhancement of existing technology to increase capacity and utilization, may result in operational challenges. Furthermore, the effects of these investments may be delayed, resulting in delayed revenue growth.

Financial Highlights and Key Indicators

The summary financial information presented below as at December 31, 2022, 2021, and 2020 and for the three years ended December 31, 2022 was derived from the Group's audited consolidated financial statements, prepared in accordance with Philippine Accounting Standards. The information below is not necessarily indicative of the results of future operations.

In this report and as defined below, Core Gross Profit, Core Gross Margin, Core EBITDA, Core EBITDA Margin, Core Income Before Tax, Core Income Before Tax Margin, Core Income (After Tax), Core Income (After Tax) Margin, Core Income (After Tax) at Ownership, and Core Income (After Tax) at Ownership Margin are internal management performance measures and are not measures of performance under Philippines Financial Reporting Standards (PFRSs). Thus, users of this report should not consider foregoing financial non-PFRS measures in isolation or as an alternative to Net Income as an indicator of the Group's operating performance or to cash flow from operating, investing, and financing activities.

Core Gross Profit is measured as Net sales excluding provision related to product recall in Thailand due to selective EU recall less Cost of Goods Sold (COGS) excluding non-recurring expenses (NRE). In 2022, COGS NRE pertains to expenses related to global strategic alignment initiatives to ensure products adhere to all food quality compliance standards in relevant jurisdictions. Core Gross Margin pertains to Core Gross Profit divided by segment net sales.

Core EBITDA is measured as net income excluding depreciation and amortization of property and equipment, financing costs, interest income, net foreign exchange gains (losses), net gains (losses) on derivative financial instruments, loss on redemption of Arran's convertible note, and other non-recurring income (expenses) [NRI(E)]. In 2021, NRE refers to selling, general and administrative (SG&A) and impairment of property, plant, and equipment (PPE). SG&A NRE pertains to the Initial Public Offering (IPO) and COVID-related expenses. In 2022, NRE refers to sales deductions, COGS NRE, SG&A NRE and impairment of PPE and intangibles in Meat Alternative. SG&A NRE pertains to

restructuring costs due to production costs rationalization to improve efficiency and address short term profitability issue in Meat Alternative. Core EBITDA margin pertains to Core EBITDA divided by segment net sales.

Core Income Before Tax is measured as net income excluding the effects of asset impairment, interest expenses related to lease liabilities, interest income, equity in net earnings (losses) of associates and joint ventures, net foreign exchange gains (losses) except those related to U.S dollar balances that the company hedge against foreign exchange risks, net gains (losses) on derivative financial instruments, loss on redemption of Arran's convertible note, and NRI(E) as discussed above. Core Income Before Tax Margin pertains to Core Income Before Tax divided by segment net sales.

Core Income (After Tax) pertains to Core Income Before Tax less income tax based on recurring tax rate per entity. Core Income (After Tax) Margin pertains to Core Income (after tax) divided by segment net sales.

Core Income (After Tax) at Ownership pertains to Core Income (After Tax) less core income attributable to non-controlling interest (NCI).

The following discussion should be read in conjunction with the attached Audited Consolidated Financial Statements and related notes of Monde Nissin Corporation ("MNC" or "the Parent Company" and its subsidiaries (collectively, referred to as the "Group") as at and for the twelve months ended December 31, 2022.

I. SUMMARY CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

A. CORE INCOME AFTER TAX RECONCILIATION

	In ₪ millions, except percentages											
	FY2022 (Audited)	% to Net Sales (in %)	Inc (Dec)	Inc (Dec) (in %)	FY2021 (Audited)	% to Net Sales (in %)	Inc (Dec)	Inc (Dec) (in %)	FY2020 (Audited)	% to Net Sales (in %)	Inc (Dec) (in %)	
Net Sales ⁽¹⁾	73,940	100.0	4,656	6.7	69,284	100.0	1,338	2.0	67,946	100.0	3.8	
Cost of Goods Sold ⁽²⁾	50,792	68.7	7,099	16.2	43,693	63.1	2,253	5.4	41,440	61.0	3.1	
Gross Profit	23,148	31.3	(2,443)	(9.5)	25,591	36.9	(915)	(3.5)	26,506	39.0	4.9	
Sales, General & Administrative (SGA) ⁽³⁾	14,827	20.1	(268)	(1.8)	15,095	21.8	1,686	12.6	13,409	19.7	2.0	
Other Income (Expense)												
Less: Interest expense ⁽⁴⁾	(238)	(0.3)	(157)	n/m	(81)	(0.1)	221	(73.2)	(302)	(0.5)	8.6	
Foreign exchange (loss) gain – net ⁽⁵⁾	571	0.8	309	117.9	262	0.4	262	–	–	–	–	
	333	0.5	152	84.0	181	0.3	483	(159.9)	(302)	(0.5)	8.6	
Core Income Before Tax	8,654	11.7	(2,023)	(18.9)	10,677	15.4	(2,118)	(16.6)	12,795	18.8	8.1	
Less: Provision for income tax ⁽⁶⁾	2,063	2.8	(299)	(12.7)	2,362	3.4	(1,053)	(30.8)	3,415	5.0	5.3	
Core Income (After Tax)	6,591	8.9	(1,724)	(20.7)	8,315	12.0	(1,065)	(11.4)	9,380	13.8	9.1	
Less: Non-Controlling Interest	6	–	(124)	(95.4)	130	0.2	(595)	(82.1)	725	1.1	(11.8)	
Core Income (After Tax) at Ownership	6,585	8.9	(1,600)	(19.5)	8,185	11.8	(470)	(5.4)	8,655	12.7	11.3	

B. REPORTED INCOME AFTER TAX RECONCILIATION

	In ₪ millions, except percentages											
	FY2022 (Audited)	% to Net Sales (in %)	Inc (Dec)	Inc (Dec) (in %)	FY 2021 (Audited)	% to Net Sales (in %)	Inc (Dec)	Inc (Dec) (in %)	FY 2020 (Audited)	% to Net Sales (in %)	Inc (Dec) (in %)	
Core Income (After Tax)	6,591	8.9	(1,724)	(20.7)	8,315	12.0	(1,065)	(11.4)	9,380	13.8	9.1	
Other income (expenses)												
Foreign exchange gain (loss) – net ⁽⁷⁾	(149)	(0.2)	(298)	n/m	149	0.2	(765)	n/m	914	1.4	938.6	
Share in net earnings (losses) from associates and Joint ventures	(12)	–	(48)	(133.3)	36	0.1	134	n/m	(98)	(0.1)	n/m	
Gain on sale of property, plant and equipment	–	–	0	–	–	–	–	–	–	–	n/m	
Market valuation gain on FVTL	22	0.0	10	83.3	12	0.0	12	–	–	–	n/m	
Miscellaneous income ⁽⁸⁾	143	0.2	(141)	(49.6)	284	0.4	35	14.1	249	0.4	(9.5)	
	4	0.0	(477)	(1.0)	481	0.7	(584)	(54.8)	1,065	1.6	850.9	
Finance income (expense)												
Interest expense ⁽⁹⁾	(179)	(0.3)	1,309	n/m	(1,488)	(2.1)	(4)	0.3	(1,484)	(2.2)	(31.3)	
Interest income	149	0.2	66	79.5	83	0.1	(180)	(68.4)	263	0.4	(13.5)	
Loss on redemption of convertible note	–	0.0	1,579	n/m	(1,579)	(2.3)	(1,579)	n/m	–	–	n/m	
Derivative gain (loss) – net	1,306	1.8	3,564	n/m	(2,258)	(3.3)	(2,357)	n/m	99	0.1	n/m	
	1,276	1.7	6,518	n/m	(5,242)	(7.6)	(4,120)	n/m	(1,122)	(1.7)	n/m	
Other Non-recurring expenses												
Impairment (loss)/reversal	(21,374)	(28.9)	(21,151)	n/m	(223)	(0.3)	791	n/m	(1,014)	(1.5)	28.2	
IPO-related expenses	–	–	655	n/m	(655)	(0.9)	(655)	n/m	–	–	n/m	
Others ⁽¹⁰⁾	(446)	(0.6)	(233)	n/m	(213)	(0.3)	(213)	n/m	–	–	n/m	
	(21,820)	(29.5)	(20,729)	n/m	(1,091)	(1.5)	(77)	7.6	(1,014)	(1.5)	28.2	
Income Tax Provision ⁽¹¹⁾	934	1.3	152	19.4	782	1.1	1,025	n/m	(243)	(0.4)	n/m	

	In ₪ millions, except percentages										
	FY2022 (Audited)	% to Net Sales (in %)	Inc (Dec)	Inc (Dec) (in %)	FY 2021 (Audited)	% to Net Sales (in %)	Inc (Dec)	Inc (Dec) (in %)	FY 2020 (Audited)	% to Net Sales (in %)	Inc (Dec) (in %)
Reported net income (after tax)	(13,015)	(17.6)	(16,260)	(501.1)	3,245	4.7	(4,821)	(59.8)	8,066	11.9	21.3

Note: See "Other Financial Data – reconciliation of PFRS and non-PFRS measures."

n/m = not meaningful %

⁽¹⁾ 2022 excludes ₪59 million recall provisions in Thailand due to selective EU recall.

⁽²⁾ 2022 excludes ₪129 million related to global strategic alignment initiatives.

⁽³⁾ 2022 excludes ₪252 million restructuring costs in UK, ₪5 million related to recall in Thailand; 2021 excludes ₪655 million IPO-related and ₪213 million COVID-19 related expenses. 2020 to 2022 excludes asset impairment loss

⁽⁴⁾ Recurring interest expense on Loans and Trust Receipts Payable

⁽⁵⁾ Foreign exchange gain on U.S dollars balances for the Group's natural hedge.

⁽⁶⁾ Based on recurring income tax rate per entity.

⁽⁷⁾ Excluding foreign exchange gain on USD reserves for the Group's natural hedge (included in the Core Income calculation above)

⁽⁸⁾ 2021 includes reversal of ECL and reversal of impairment of employee advances.

⁽⁹⁾ Excluding recurring interest expense on Loans and Trust Receipts Payable (included in the Core Income calculation above)

⁽¹⁰⁾ 2022 includes mainly ₪252 million restructuring costs in UK; ₪129 million related to global strategic alignment initiatives and ₪64 million related to recall provision in Thailand; 2021 pertains IPO and to COVID-19 related expenses.

⁽¹¹⁾ In 2022 mainly due to reduction in deferred tax liabilities related to brand impairment in Meat Alternative and income tax effect of Other Income (expenses) and non-recurring finance income (expenses); In 2021 pertains to income tax effect of Other Income (expenses) and non-recurring finance income (expenses), IPO-related expenses and one-off credit due to the impact of Corporate Recovery and Tax Incentives for Enterprise ("CREATE") law offset by effect of deferred tax liability adjustment in MNUK. To simplify, this is the difference between Total provision for income tax as reported and provision for income tax related to Core Income

II – OPERATING SEGMENTS OF THE GROUP

As mentioned in the business overview section, the Group's two core businesses are the APAC BFB Business and the Meat Alternative Business.

Segment performance is evaluated based on: Core Earnings before interest, taxes, and depreciation and amortization, or Core EBITDA; Core EBITDA margin; and Core Income before tax, Core Income before margin, Core Income (after tax), Core Income (after tax) margin, Core Income (after tax) at Ownership and Core Income (after tax) at Ownership margin.

The table below presents certain financial information relating to the Group's results of operation by segment for the periods indicated.

	In ₪ millions, except percentages					
	FY 2022 (Audited)	% to Total (in %)	FY 2021 (Audited)	% to Total (in %)	FY2020 (Audited)	% to Total (in %)
Net Sales						
APAC BFB	58,550	79.2	54,039	78.0	52,911	77.9
<i>Growth vs. prior year</i>	<i>8.4%</i>		<i>2.1%</i>		<i>5.3%</i>	
Meat Alternative	15,390	20.8	15,245	22.0	15,035	22.1
<i>Growth vs. prior year</i>	<i>1.0%</i>		<i>1.4%</i>		<i>(1.0%)</i>	
Total	73,940	100.0	69,284	100.0	67,946	100.0
Growth vs. prior year	6.7%		2.0%		3.8%	
Gross Profit		% of Segment Net Sales (in %)		% of Segment Net Sales (in %)		% of Segment Net Sales (in %)
APAC BFB	18,152	31.0	19,564	36.2	20,928	39.6
Meat Alternative	4,996	32.5	6,027	39.5	5,578	37.1
Total	23,148	31.3	25,591	36.9	26,506	39.0
Core Income before Tax						
APAC BFB	8,961	15.3	9,892	18.3	11,433	21.6
Meat Alternative	(307)	(2.0)	785	5.1	1,362	9.1
Total	8,654	11.7	10,677	15.4	12,795	18.8
Core Income (after tax)						
APAC BFB	6,863	11.7	7,664	14.2	8,276	15.6
Meat Alternative	(272)	(1.8)	651	4.3	1,104	7.3
Total	6,591	8.9	8,315	12.0	9,380	13.8
Core Income (after tax) at Ownership						
APAC BFB	6,857	11.7	7,534	13.9	7,551	14.3
Meat Alternative	(272)	(1.8)	651	4.3	1,104	7.3
Total	6,585	8.9	8,185	11.8	8,655	12.7
Core EBITDA ⁽¹⁾						
APAC BFB	10,568	18.0	11,829	21.9	13,269	25.1
Meat Alternative	618	4.0	1,471	9.6	2,283	15.2
Total	11,186	15.1	13,300	19.2	15,552	22.9

Note: (1) See "Other Financial Data – Core EBITDA Reconciliation"

RESULTS OF OPERATIONS

For the year ended December 31, 2022, compared to the year ended December 31, 2021

Net Sales

Net sales grew by 6.7%, from ₱69,284 million in 2021 to ₱73,940 million in 2022 driven by price increases in all categories to mitigate higher commodity prices. 2022 overall volume sales were resilient despite temporary decline of noodles in Q3 due to strong growth of biscuits and other categories.

APAC BFB

Net sales in the APAC BFB segment increased by 8.4%, from ₱54,039 million in 2021 to ₱58,550 million in 2022. The increase was driven by 9.3% growth in the domestic business due to responsible price increases in all categories, robust volume growth in biscuits, beverages, packaged cakes, and culinary that surpassed pre-pandemic levels. Overall volume growth was softened by noodles' temporary decline in Q3 due to selective EU recall, which attracted media attention in the Philippines. However, noodles' full-year volume decline was tapered by the strong recovery in Q4 as sales volumes were up by 26.8% versus Q3 2022 and 10% versus Q4 2019. Biscuits, beverages, and packaged cakes volume growth was driven by increased mobility and resumption of face-to-face classes leading to more consumption occasions for these categories. Culinary growth was driven by the solid growth of *Mama Sita's* Oyster Sauce. Meanwhile, international business was down by 4.1% due to noodles' decline as measures were implemented to strengthen global regulatory compliance.

Meat Alternative

Net sales in the Meat Alternative segment increased by 1.0% from ₱15,245 million in 2021 to ₱15,390 in 2022. Excluding the forex effect, overall net sales grew by 0.8% in 2022 due to price increases supported by solid volume growth in foodservice. While retail sales remained a challenge in 2022, *Quorn* has performed well against a competitor in the UK retail market, as evidenced by continued market share gain throughout 2022. Meanwhile, the foodservice business' continued strong momentum across geographic markets, posting an overall growth of 51.5% for the year.

Core Cost of Goods Sold (COGS)

Cost of goods sold increased by 16.2%, from ₱43,693 million in 2021 to ₱50,792 million in 2022, primarily due to elevated commodity and energy prices. Cost of goods sold as a percentage of net sales increased by 5.6%, from 63.1% in 2021 to 68.7% in 2022.

APAC BFB

The cost of goods sold in the APAC BFB segment increased by 17.2%, from ₱34,475 million in 2021 to ₱40,398 million in 2022, primarily due to record commodity prices and partly due to delayed depletion of wheat and palm-oil that were secured earlier in the year to mitigate price and supply volatility risks. The effect on cost of tapered prices for wheat and palm-oil was delayed to 2023 due to temporary decline of noodles in Q3. Moreover, the full year average actual prices of other key ingredients such as coconut oil, shortening liquid, and sugar have increased significantly in 2022 as compared last year. Cost of goods sold as a percentage of net sales increased by 5.2%, from 63.8% in 2021 to 69.0% in 2022.

Meat Alternative

The cost of goods sold in the Meat Alternative segment increased by 12.8%, from ₱9,218 million in 2021 to ₱10,394 million in 2022 despite volume decline, primarily due to higher commodity, energy prices, and overhead costs. Cost of goods sold as a percentage of net sales increased by 7.0%, from 60.5% in 2021 to 67.5% in 2022.

Core Gross Profit

Gross profit decreased by 9.5% from ₱25,591 million in 2021 to ₱23,148 million in 2022, primarily due to the effect of inflation partially mitigated by price increases. Gross margin declined by 5.6%, from 36.9% in 2021 to 31.3% in 2022, for the above reasons.

APAC BFB

Gross profit for the APAC BFB segment decreased by 7.2%, from ₱19,564 million in 2021 to ₱18,152 million in 2022 due to commodity cost inflation, partially mitigated by price increases. Gross margin decreased by 5.2%, from 36.2% in 2021 to 31.0% in 2022, for the above reasons.

Meat Alternative

Gross profit for the Meat Alternative segment decreased by 17.1%, from ₱6,027 million in 2021 to ₱4,996 million in 2022 due to sales volume decline and cost inflation partly mitigated by price increases. The gross margin decreased by 7.0%, from 39.5% in 2021 to 32.5% in 2022, for the above reasons.

Core Sales, General and Administrative Expenses

Sales, general and administrative expenses (excluding non-recurring expenses and impairment loss) decreased by 1.8%, from ₱15,095 million in 2021 to ₱14,827 million in 2022 due to lower advertising and promotional expenses partly offset by higher logistic costs and investment in organization resources.

APAC BFB

Sales, general and administrative expenses in the APAC BFB segment decreased by 2.0%, from ₱9,897 million in 2021 to ₱9,694 million in 2022 due to lower advertising and promotional expenses partly offset by increased logistic costs due to volume increases and inflation.

Meat Alternative

Sales, general, and administrative (SG&A) expenses in the Meat Alternative segment decreased by 1.2%, from ₱5,198 million in 2021 to ₱5,133 million in 2022. The decrease was due to the rationalization of R&D, advertising, and promotional activities, partly offset by strengthening R&D and administrative capabilities and one-time cost of living payments to all staff due to inflation.

Core Foreign Exchange Gains

Foreign exchange gains increased by 117.9%, from ₱262 million in 2021 to ₱571 million in 2022 due to the effective U.S dollar hedge program and the strengthening of U.S dollar against the Philippine peso.

Core Income (Before Tax)

Core income (after tax) declined by 19.0%, from ₱10,677 million in 2021 to ₱8,654 million in 2022, for the reasons discussed above.

Core Income (After Tax)

Core income (after tax) declined by 20.7%, from ₱8,315 million in 2021 to ₱6,591 million in 2022, for the reasons discussed above.

Core Income (After Tax) at Ownership

Core Income (after tax) at Ownership declined by 19.5%, from ₱8,185 million in 2021 to ₱6,585 million in 2022. Core Income attributable to non-controlling interest was significantly down by 95.4%, from ₱130 million to

₱6 million, due to acquisition by the Parent Company on January 29, 2021, of the minority shares of MMYSC owned by MY Cracker Inc. (MCI).

Miscellaneous Income

Miscellaneous income decreased by ₱49.6% from ₱284 million in 2022 to ₱143 million in 2021 as last year includes reversal of allowance for expected credit loss and impairment on advances due to effective collection efforts.

Non-Core Interest Expense

Interest expense significantly decreased from ₱1,488 million in 2021 to ₱178 million in 2022 mainly due to redemption of Arran's convertible notes and settlement of bank loans. 2021 includes ₱747 million related to interest accretion on Arran's convertible notes and interest on bank loans of MNC.

Derivative Gain (Loss)

The Group recorded derivative gains of ₱1,307 million in 2022 compared to a derivative loss of ₱2,258 million in 2021. 2022 derivative gains pertain to unwinding of non-deliverable cross-currency swap (CCS) agreement entered last March 4, 2022, with the notional amount of ₱5,839.5 million (£85.0 million). Under the CCS agreement, the Group will receive Philippine Peso interest at 9% p.a. and will pay fixed Pound Sterling interest at 6% p.a. The Group will also pay the notional Pound Sterling amount in exchange for the Philippine Peso amount at the end of the swap period. The CCS agreement was used to hedge the Parent Company's exposure to the GBP foreign exchange risk on its investment in Monde Nissin Singapore Pty. Ltd. (MNSPL) and was designated as net investment hedge. On September 28, 2022, the Board of Directors approved to fully unwind the CCS agreement to take advantage of the weakening of Pound Sterling. Meanwhile, the derivative loss in 2021 was primarily due to the full settlement of Arran's convertible note last June 3, 2021. *For more information, please see Note 26 to the Audited Consolidated Financial Statements.*

Loss on Convertible Note Redemption

The Group recognized additional ₱1,579 million losses in 2021 on top of the derivative loss due to the full settlement of Arran's convertible note last June 3, 2021.

The derivative loss and loss on convertible note redemption are due to the difference between the face value of the note before redemption and the amount the Group paid upon redemption.

Impairment Loss

The Group recorded an impairment loss amounting to ₱21,374 million in 2022 as a result of the annual impairment assessment. The impairment loss in 2022 was primarily on intangible assets (₱20,547 million) and property, plant and equipment (PPE) (₱826 million). The intangibles impairment was non-cash and non-operating, and was caused by the application of a higher discount rate due to the prevailing higher interest rates and risks premiums, some margin compression, and rationalization of the demand trends in the meat alternative category. The impairment loss was applied on the value of goodwill (₱16,501 million) and brand (₱4,043 million) under Marlow Foods Limited, which owns the *Quorn* and *Cauldron* brand. The goodwill and brand were acquired through business combinations. Meanwhile, the PPE impairments of ₱620 million and ₱206 million were recognized in the Meat Alternative and APAC BFB segment, respectively. The impairment on Meat Alternative segment was largely on Marlow Foods Limited's fermenter assets due to production cost rationalization in UK, while in APAC BFB, the PPE impairment was primarily due to discontinued product line in MNC. *For more information, please see Note 3 the Audited Consolidated Financial Statements.*

Income Before Income Tax

In 2022, losses before income tax was at ₱11,886 million, from ₱4,825 million income in 2021. As discussed in the foregoing, 2022 losses was mainly due to non-cash, non-operational impairment in Meat Alternative business. Meanwhile, 2021 income was tapered by non-recurring losses related to redemption of Arran's convertible notes and IPO-related expenses.

Total Income Tax Expense

Total Income tax expense decreased by 28.5%, from ₱1,580 million in 2021 to ₱1,129 million in 2022. The decrease was due to year-on-year movement in the deferred income tax expense which offset the increase in the current income tax expense due to higher taxable income in 2022. In 2022, the Group reported a negative deferred income tax amounting to ₱1,300 million primarily due to reduction in deferred tax liabilities as a result of ₱4,043 million (£60.0 million) impairment on *Quorn* and *Cauldron* brand. Meanwhile in 2021, the Group recognized a deferred tax expense of ₱1,187 million as the UK government announced the increase in the tax rate from 19% to 25% in April 2023. In accordance with PAS 12.46, *Income Taxes*, current tax liabilities are measured at the amount expected to be paid to taxation authorities, using the rates/laws that have been enacted or substantially enacted as of balance sheet date. The adjustment on deferred tax liabilities pertain to items such as the brand value of *Quorn* and *Cauldron*.

Reported Net Income (after tax)

As a result of the foregoing, the Group recognized a net loss of ₱13,015 million in 2022 from net income of ₱3,245 million in 2021.

For the year ended December 31, 2021, compared to the year ended December 31, 2020

Net Sales

Net sales continued to grow in a challenging environment, up by 2.0%, from ₱67,946 million in 2020 to ₱69,284 million in 2021, driven by the APAC BFB segment and the favourable effect of foreign exchange (forex). Growth was softened by volume decline in the Meat Alternative segment.

APAC BFB

Net sales in the APAC BFB segment increased by 2.1%, from ₱52,911 million in 2020 to ₱54,039 million in 2021. The increase was primarily driven by high double-digit growth in the international sales, robust sales growth of noodles and culinary in the Philippines, and the effect of price increase in Q3 2021. High growth in international business was due to Thailand and Philippines export business even though sales were tapered by the shortage of shipping containers/vessels and port congestion. Moreover, Thailand's biscuits gained market share despite category decline primarily due to effective in-store execution and efficient promos. Noodles was able to sustain a high level of sales in the Philippines, grew low single-digit growth, despite volume upsurge last year. This was primarily driven by successful usage-building programs, proven strong relevance of the category, and price increase in Q3 2021. Culinary and cakes sales grew double-digit this year pushed by solid Q4 performance, while biscuits' and beverage's full year decline was tapered by stronger Q4 results. Biscuits grew single digit in Q4 primarily due to marketing push toward in-home consumption, mobility improvement, and price increase. Beverage also saw an encouraging trend, as Q4 sales has a high single-digit growth due to improvement in mobility and supply.

Meat Alternative

Net sales in the Meat Alternative segment went up by 1.4% from ₱15,035 million in 2020 to ₱15,245 million in 2021, driven by the positive effect of forex. Excluding the effect of forex, Meat Alternative's overall net sales growth was down by 3.9% due to volume decline across geographic markets. Meat Alternative sales were tapered by challenging macro-economic conditions in the UK and the effect of the COVID-19 pandemic. Effect of decline in retail segment was tapered by solid performance in foodservice segment, Q4 2021 was up 69% and full year was up by 36.0%. Further, carry-over price action in the UK and US helped soften the effect of volume decline.

Cost of Goods Sold

Cost of goods sold increased by 5.4%, from ₱41,440 million in 2020 to ₱43,693 million in 2021, primarily due to the effect of rising commodity prices, higher utilities, repairs, and maintenance softened primarily by hedging and forward buying of wheat, palm, and edible oil. Cost of goods sold as a percentage of net sales increased by 2.1%, from 61.0% in 2020 to 63.1% in 2021.

APAC BFB

The cost of goods sold in the APAC BFB segment increased by 7.8%, from ₱31,983 million in 2020 to ₱34,475 million in 2021, primarily due to rising commodity prices, utilities, and repairs and maintenance. Prices of key raw materials and ingredients such as wheat/flour, palm oil, coconut oil, and shortening liquid have increased significantly in 2021 as compared last year. The effect of rising commodity prices was partly softened by hedging, forward buying, continuing cost reduction initiatives in the supply chain. 2020 repairs were significantly low primarily due to the postponement of the planned repairs to focus more on the throughput. Further, this year's repairs include the purchase of various spare parts and the maintenance of the noodle lines.

Meat Alternative

The cost of goods sold in the Meat Alternative segment decreased by 2.5%, from ₱9,457 million in 2020 to ₱9,218 million in 2021, primarily due to the decline in volume across geographic markets and operational improvements partly offset by increasing energy cost which was more pronounced in Q4.

Gross Profit

Gross profit decreased by 3.5%, from ₱26,506 million in 2020 to ₱25,591 million in 2021, for the reasons discussed above. The gross margin decreased by 2.1%, from 39.0% in 2020 to 36.9% in 2021.

APAC BFB

Gross profit for the APAC BFB segment decreased by 6.5%, from ₱20,928 million in 2020 to ₱19,564 million in 2021, for the reasons discussed above. Gross margin decreased by 3.4%, from 39.6% in 2020 to 36.2% in 2021.

Meat Alternative

Gross profit for the Meat Alternative segment increased by 8.0%, from ₱5,578 million in 2020 to ₱6,027 million in 2021, for the reasons discussed above. The gross margin increased by 2.4%, from 37.1% in 2020 to 39.5% in 2021.

Core Sales, General and Administrative Expenses

Sales, general and administrative expenses (excluding non-recurring expenses and impairment loss) increased by 12.6%, from ₱13,409 million in 2020 to ₱15,095 million in 2021, primarily due to an increase in advertising and promotion expenses, a one-off credit in the Meat Alternative segment due to fire insurance claims and a higher research and development expenses. The increase in advertising and promotion was primarily on brand building and consumer marketing activities. Moreover, advertising and promotion's year-on-year growth was higher partly due to the low base in APAC BFB, as last year's activities were postponed due to lockdowns.

APAC BFB

Sales, general and administrative expenses excluding non-recurring expenses in the APAC BFB segment increased by 4.6%, from ₱9,462 million in 2020 to ₱9,897 million in 2021. As explained above, the increase was mainly due to normalization of spend on advertising and promotional expenses.

Meat Alternative

Sales, general, and administrative expenses for the Meat Alternative segment increased by 31.7%, from ₱3,947 million in 2020 to ₱5,198 million in 2021. The increase was mainly due to brand building, consumer marketing, product development activities, and a one-off credit due to fire insurance claims received last Q1 2020.

Core Income (After Tax)

Core Income (after tax) decreased by 11.4%, from ₱9,380 million in 2020 to ₱8,315 million in 2021, for the reasons discussed above.

Core Income (After Tax) at Ownership

Core Income (after tax) at Ownership decreased by 5.4%, from ₱8,655 million in 2020 to ₱8,185 million in 2021. Core Income attributable to non-controlling interest was significantly down by 82.1%, from ₱725 million to ₱130 million, due to the acquisition by the Parent Company on January 29, 2021, of the minority shares of MMYSC owned by MCI.

Share in Net Losses of Associates and Joint Ventures

The Group reported a gain of ₱36 million in 2021, from a loss of ₱98 million in 2020. 2021 gain was mainly from KBT International Holdings, Inc. while the loss in 2020 was from SMFC. The Group started to consolidate SMFC in September 2020 as a result of its increased ownership in SMFC (*i.e.*, from 25% to 80%). The Group's share in the losses of SMFC went down to zero because of the effect of consolidating SMFC's operating results in 2021, which is now reflected in the Group's core income.

Non-Core Foreign Exchange Gain – Net (excluding foreign exchange on USD reserves for a natural hedge against foreign exchange risks)

Net foreign exchange gain decreased by 83.7%, from ₱914 million in 2020 to ₱149 million in 2021, primarily due to a higher 2020 base. Last year's foreign exchange gain was driven by the realization of gain on payment of US dollar and pound sterling-denominated loans because of the strengthening of the Philippine Peso against the US dollar and pound sterling and the unrealized foreign exchange gain on convertible notes, which was pegged at US\$1: ₱52.186 while the Philippine Peso closing rate was US\$1: ₱48.036.

Miscellaneous Income

Miscellaneous income increased by 14.1%, from ₱249 million in 2020 to ₱284 million in 2021, due to the reversal of allowance for ECL and impairment on advances due to effective collection efforts.

Impairment Loss

Impairment loss decreased by 78.0% from ₱1,014 million in 2020 to ₱223 million in 2021. In 2021, impairment loss recognized were mainly from the Meat Alternative segment related to the underperforming reactor in its BF1 facility since it operated. This was softened by the reversal of allowance in 2021 due to the improvement of the result of the operation of biscuit line in MNTH. In 2020, impairment loss recognized were from the Meat Alternative segment related to the introduction of a new forming production line which involved a new production process but resulted in fermentation capacity that was significantly lower than expected, and higher operating costs. The production line is still in use but the carrying value has been adjusted accordingly, and the Group expects that future capacity expansion projects will revert to established processes in the future. For additional information, please see *Notes 12, 13 and 20 to the Audited Consolidated Financial Statements*.

Interest Expense (excluding recurring interest on Loans Payable and Trust Receipts Payable)

Interest expense flat by 0.3%, from ₱1,484 million in 2020 to ₱1,488 million in 2021. Lower interest expense from bank loan was offset by recognition of cash variable interest amounting to ₱588 million. The cash variable interest is equal to the dividends that the Parent Company's shareholder, Arran, would have received if the convertible note was converted into shares prior to the declaration of such dividend. The decrease in the interest expense from bank loans was due to the repayment of term loans. As at December 31, 2021, the Group's loan payable decreased by ₱22,547 million versus December 31, 2020, this was partly driven by the Parent Company's early repayment of the outstanding term loans amounting ₱15,565 million as part of the change in use of IPO proceeds approved by the Parent Company's Board of Directors ("BOD") last August 9, 2021.

Interest Income

Interest income decreased by 68.4%, from ₱263 million in 2020 to ₱83 million in 2021 mainly due to recognition of gain on loan modification amounting to ₱165 million in 2020. In 2020, the Parent Company and financial institutions amended the fixed rate from 4.5% to 3.75% and extended the maturity from October 26, 2020, to October 26, 2023. This modification in the contractual cash flows was not substantial and therefore did not result in the derecognition of the affected financial liabilities. As a result of this, the Group recognized a gain.

Derivative Gain (Loss)

The Group recorded derivative losses of ₱2,258 million in 2021 compared to the derivative gains of ₱99 million in 2020. The derivative loss for 2021 was primarily due to the full settlement of Arran's convertible note last June 3, 2021, while the derivative gains pertain to the one-time gain due to the unwinding of the European Union Knockout Option.

Loss on Convertible Note Redemption

The Group recognized additional ₱1,579 million losses in 2021 on top of the derivative loss due to redemption of Arran's convertible note on June 3, 2021.

The derivative loss and the loss on convertible note redemption are due to the difference between the carrying value of convertible note and related derivative liability as at June 3, 2021, redemption date, and the amount that the Group paid upon redemption.

Income Before Income Tax

Income before income tax decreased by 58.9%, from ₱11,725 million in 2020 to ₱4,825 million in 2021 due to the one-off loss related to the redemption of Arran's convertible note, IPO-related expenses, and others as discussed above.

Total Income Tax Expense

Income tax expense decreased by 56.8%, from ₱3,659 million in 2020 to ₱1,580 million in 2021, due to the lower income tax rate under the Corporate Recovery and Tax Incentives for Enterprise ("CREATE") Act from 30% to 25%, the recognition of the actual loss on redemption of the convertible note, and the reversal of previously recognized deferred tax liability related to the said note. The decrease was partly offset by the effect of the increase in deferred tax liability primarily in the Meat Alternative segment. The UK tax rate was announced to increase from 19% to 25% by April 2023. As a result of the change in tax rate in UK, the Group adjusted its deferred tax liability on its *Quorn* and *Cauldron* brand by ₱1,335.6 million to reflect the expected tax rate as at December 31, 2021. MNUK also reflected the impact of the super capital allowance for qualifying capital expenditures as at December 31, 2021. In accordance with PAS 12.46, *Income Taxes*, the current tax liabilities are measured at the amount expected to be paid to taxation authorities, using the rates/laws that have been enacted or substantially enacted as of the balance sheet date. The adjustment on deferred tax liability pertains to items such as the brand value of *Quorn* and *Cauldron*.

Reported Net Income (after tax)

As a result of the foregoing, net income declined by 59.8%, from ₱8,066 million in 2020 to ₱3,245 million in 2021. Net income as a percentage of net sales decreased by 7.2%, from 11.9% in 2020 to 4.7% in 2021.

For the year ended December 31, 2020, compared to year ended December 31, 2019

Net Sales

Net sales increased by 3.8% from ₱65,451 million in 2019 to ₱67,946 million in 2020 driven by an increase in the APAC BFB segment which was softened by a decline in the Meat Alternative segment.

APAC BFB

Net sales in the APAC BFB segment increased by 5.3% from ₱50,260 million in 2019 to ₱52,911 million in 2020. This increase was primarily due to higher net sales of noodles, culinary, and beverage products by the Company, which underwent double-digit growth in 2020 compared to 2019. This was driven mainly by volume increases and to a lesser extent, pricing. This was offset by negative product mix. Such higher sales of noodles, culinary, and beverage products in the Philippines was partially offset by lower net sales of biscuits in 2020 compared to 2019, primarily due to softer demand for this category due to the impact of the COVID-19 pandemic.

Meat Alternative

Net sales in the Meat Alternative segment decreased by 1.0% from ₱15,191 million in 2019 to ₱15,035 million in 2020. In British Pound terms, net sales increased by 2.6% from £230 million in 2019 to £236 million in 2020, primarily due to list price increases, lower promotional discounts, and product mix, partially offset by a reduction in sales volume reflecting the impacts of the COVID-19 pandemic.

Cost of Goods Sold

Cost of goods sold increased by 3.1% from ₱40,194 million in 2019 to ₱41,440 million in 2020 primarily due to an increase in volume in both segments. Cost of goods sold as a percentage of net sales slightly decreased by 0.4%, reflecting a decrease in overhead expenses because of increased production efficiency in APAC BFB and partially offset by the increase in direct materials and labour in both segments.

APAC BFB

Cost of goods sold in the APAC BFB segment increased by 4.6% from ₱30,564 million in 2019 to ₱31,983 million in 2020, driven by an increase in volume and an increase in prices of direct material costs, primarily palm and coconut oil. These increases were partially offset by lower prices of wheat and flour, tracking world prices for these commodities. Cost of goods sold in this segment, as a percentage of segment net sales, decreased by 0.4%, mainly due to the decrease in overhead costs as a percentage of segment net sales in 2020 resulting from increased production efficiency.

Meat Alternative

Cost of goods sold in the Meat Alternative segment decreased by 1.8% from ₱9,630 million in 2019 to ₱9,457 million in 2020 mainly due to a decrease in raw materials and overhead expense. Cost of goods sold in this segment, as a percentage of segment net sales decreased by 0.5%.

Gross Profit

Gross profit increased by 4.9% from ₱25,257 million in 2019 to ₱26,506 million in 2020, for the reasons discussed above. Gross margin increased by 0.4% from 38.6% in 2019 to 39.0% in 2020.

APAC BFB

Gross profit for the APAC BFB segment increased by 6.3% from ₱19,696 million in 2019 to ₱20,928 million in 2020, for the reasons discussed above. Gross margin increased by 0.4% from 39.2% in 2019 to 39.6% in 2020.

Meat Alternative

Gross profit for the Meat Alternative segment slightly increased by 0.3% from ₱5,561 million in 2019 to ₱5,578 million in 2020, for the reasons discussed above. Gross margin increased by 0.5% from 36.6% in 2019 to 37.1% in 2020.

Sales, General and Administrative Expenses

Sales, general and administrative expenses increased by 2.0% from ₱13,141 million in 2019 to ₱13,409 million in 2020, primarily due to increases in salaries and wages and other benefits partially offset by a reduction in miscellaneous expenses.

APAC BFB

Sales, general and administrative expenses in the APAC BFB segment increased by 2.6% from ₱9,224 million in 2019 to ₱9,462 million in 2020. The increase was mainly due to additional costs in salaries, wages, and benefits, supplies and transportation costs, and donation and contributions to various institutions, partially offset by a reduction in advertising and promotional expenses and outside services due to lower merchandising fees due to the COVID-19 pandemic.

Meat Alternative

Sales, general and administrative expenses for the Meat Alternative segment slightly increased by 0.8% from ₱3,917 million in 2019 to ₱3,947 million in 2020. The slight increase was mainly due to additional costs in salaries, wages, and benefits together with fringe benefits in relation to the strengthening of the management team as well as insurance costs, offset by lower miscellaneous expenses.

Core Income (After Tax)

Core Income (after tax) increased by 9.1%, from ₱8,595 million in 2019 to ₱9,380 million in 2020, for the reasons discussed above.

Core Income (After Tax) at Ownership

Core Income (after tax) increased by 11.3%, from ₱7,773 million in 2019 to ₱8,655 million in 2020, for the reasons discussed above.

Impairment Loss

Impairment loss increased by 28.2% from ₱791 million in 2019 to ₱1,014 million in 2020. In 2020, impairments were made mainly in the Meat Alternative segment and related to the introduction of a new forming production line which involved a new production process but resulted in fermentation capacity that was significantly lower than expected, and higher operating costs. The production line is still in use but the carrying value has been adjusted accordingly, and the Group expects that future capacity expansion projects will revert to established processes in the future. In 2019, impairments were made mainly to plant, property, and equipment in the APAC BFB segment in the Philippines due to initiatives that were not commercialized.

Share in Net Losses of Associates and Joint Ventures

Share in the net losses of associates and joint ventures decreased by 61% from ₱251 million in 2019 to ₱98 million in 2020, as a result of the decrease in the Group's ownership of SMFC from 45% to 25% in December 2019, and the consolidation of that entity in September 2020.

Foreign Exchange Gain – Net (excluding forex exchange gains on U.S dollar reserves for natural hedge against foreign currency exchange risks)

Net foreign exchange gain increased by 938.6% from ₱88 million in 2019 to ₱914 million in 2020, primarily due to realization of gain on payment of US dollar and pound sterling denominated loans because of the strengthening of the Philippine Peso against the US dollar and pound sterling and unrealized foreign exchange gain on convertible notes which was pegged at US\$1: ₱52.186 while the Peso closing rate was US\$1: ₱48.036.

Miscellaneous Income

Miscellaneous income decreased by 9.5% from ₱275 million in 2019 to ₱249 million in 2020. 2019 includes the reversal of provision for expected credit losses (ECL) partly offset by loss on asset disposal.

Interest Expense (excluding recurring interest on Loans Payable and Trust Receipts Payable)

Interest expense decreased by 31.3% from ₱2,160 million in 2019 to ₱1,484 million in 2020. This decrease was primarily the result of repaying a portion of principal on the Group's borrowings as well as lower interest rates in 2020.

Interest Income

Interest income decreased by 13.5% from ₱304 million in 2019 to ₱263 million in 2020. This decrease was primarily due to the settlement of Monde Nissin (Australia) Pty. Ltd.'s loan to MNSPL in May 2019. Moreover, there was a reduction in money market placements in 2020 due to prioritization of repayment of loan and acceptances and trust receipts payable to secure favourable exchange rates. Gain on loan modification was more than offset by the decline in interest income from market placements.

Derivative Gain/(Loss)

The Group recorded derivative losses of ₱178 million in 2019 compared to derivative gains of ₱99 million in 2020, primarily due to the termination of CCS and EKO.

Income Before Income Tax

Income before income tax increased by 28.5% from ₱9,124 million in 2019 to ₱11,725 million in 2020.

Income Tax Expense

Income tax expense increased by 47.8% from ₱2,475 million in 2019 to ₱3,659 million in 2020. This increase was primarily due to the higher current income tax expense resulting from the increase in taxable income of the APAC BFB Business which was partially offset by a decline in the taxable income of the Meat Alternative segment. The effective tax rate increased by 4.1% from 27.1% in 2019 to 31.2% in 2020 primarily due to an increase in the deferred tax liability of the Meat Alternative segment where the forward-looking tax rate increased from 17% to 19%. The UK government did not proceed with its original proposals to reduce the tax rate. Further, current tax decreased in the Meat Alternative segment due to impairments relating to the BF1 production plant.

Reported Net Income (after tax)

As a result of the foregoing, net income increased by 21.3% from ₱6,649 million in 2019 to ₱8,066 million in 2020. Net income as percentage of net sales increased by 1.7% from 10.2% in 2019 to 11.9% in 2020.

STATEMENT OF FINANCIAL POSITION

Financial condition as at December 31, 2021, compared to as at December 31, 2022.

Current Assets

The Group's current assets increased by 5.6%, from ₱30,613 million as at December 31, 2021 to ₱32,333 million as at December 31, 2022, primarily due to higher inventories, investment in current financial assets partly offset by lower cash and cash equivalents.

	December 31, 2022		December 31, 2021		Increase (Decrease)	
	Audited	% to Total (In %)	Audited	% to Total (In %)	Amount	In %
	in millions, except percentages					
Cash and cash equivalents	11,629	36	13,857	46	(2,228)	(16.1)
Trade and other receivables	6,800	21	6,249	20	551	8.8
Inventories	10,879	34	8,572	28	2,307	26.9
Current financial assets	1,756	5	166	-	1,590	958.3
Prepayments and other current assets	1,269	4	1,769	6	(500)	(28.3)
Total	32,333	100	30,613	100	1,720	5.6

Cash and cash equivalents decreased by 16.1%, from ₱13,857 million as at December 31, 2021 to ₱11,629 million as at December 31, 2022, primarily due to payments related to trust receipts, income tax and capital expenditures.

Inventories increased by 26.9%, from ₱8,572 million as at December 31, 2021 to ₱10,879 million as at December 31, 2022, primarily due to elevated commodity and energy prices and higher finished goods in APAC BFB in view of higher demand.

Current financial assets as at December 31, 2022 pertains to the financial assets at FVTPL accounts. Last year, the current financial asset pertains to loans receivable of MNSPL to MNSG Holdings Pte. Ltd. (MNSG) which was entered last July 3, 2020, with original maturity date of July 3, 2022. In 2022, this was reclassified to non-current as both parties agreed to extend the maturity date to July 3, 2024.

Prepayments and other current assets decreased by 28.3%, from ₱1,769 million as at December 31, 2021 to ₱1,269 million as at December 31, 2022, mainly due to the usage of prepaid income tax due to higher taxable income in 2022 resulting to payable position.

Noncurrent Assets

The Group's noncurrent assets decreased by 29.3%, from ₱69,245 million as at December 31, 2021 to ₱48,960 million as at December 31, 2022 due to the impairment of intangibles in the Meat Alternative segment.

	December 31, 2022		December 31, 2021		Increase (Decrease)	
	Audited	% to Total (In %)	Audited	% to Total (In %)	Amount	In %
	in millions, except percentages					
Intangible assets	14,483	30	35,647	51	(21,164)	(59.4)
Property, plant and equipment	30,864	63	29,952	43	912	3.0
Investments in associates and joint ventures	1,104	2	1,094	2	10	0.9
Deferred tax assets – net	868	2	886	1	(18)	(2.0)
Noncurrent receivables	662	1	500	1	162	32.4
Other noncurrent assets	979	2	1,166	2	(187)	(16.0)
Total	48,960	100	69,245	100	(20,285)	(29.3)

Intangible assets decreased by 59.4%, from ₱35,647 million as at December 31, 2021 to ₱14,483 million as at December 31, 2022 due to impairment of goodwill and brand value under Marlow Foods Limited, which owns *Quorn* and *Cauldron*. The impairment was caused by the application of higher discount rate due to prevailing higher interest rates and risk premiums, some margin compression, and rationalization of the trend in the Meat Alternative category. *For additional information on intangible assets impairment, see foregoing discussions under impairment loss under this section and Notes 12, 13, and 20 to the Audited Consolidated Financial Statements.*

Noncurrent receivables increased by 32.4%, from ₱500 million as at December 31, 2021 to ₱662 million as at December 31, 2022 due to the reclassification of loans receivable of MNSPL to MNSG from current to noncurrent as both parties agreed to extend the maturity of the loan to July 3, 2024.

Other noncurrent assets decreased by 16.0%, from ₱1,166 million as at December 31, 2021 to ₱979 million as at December 31, 2022 due to the application of advances to customers and amortization of deferred input VAT related to capital expenditures (CapEx). In addition, under the TRAIN Law, starting January 1, 2022, all input tax on purchases of capital goods shall already be allowed to be claimed outright upon purchase/payment and shall no longer be subject to amortization.

Current Liabilities

The Group's current liabilities decreased by 34.2%, from ₦22,409 million as at December 31, 2021 to ₦14,752 million as at December 31, 2022.

	December 31, 2022		December 31, 2021		Increase (Decrease)	
	Audited	% to Total (In %)	Audited	% to Total (In %)	Amount	In %
in millions, except percentages						
Accounts payable and other current liabilities	11,323	77	11,156	50	167	1.5
Acceptances and trust receipts payable	2,362	16	3,715	17	(1,353)	(36.4)
Current portion of loans payable	270	2	6,999	31	(6,729)	(96.1)
Refund liabilities	201	1	304	1	(103)	(33.9)
Current portion of lease liabilities	386	3	97	0	289	297.9
Income tax payable	210	1	138	1	72	52.2
Total	14,752	100	22,409	100	(7,657)	(34.2)

Acceptances and trust receipts payable decreased by 36.4%, from ₦3,715 million as at December 31, 2021 to ₦2,362 million as at December 31, 2022 due to the retirement of some trust receipts payable to save on interest expenses and in consideration of higher cash availability.

The **current portion of loans payable** as at December 31, 2021, pertains to MNUK's outstanding loan which was reclassified from noncurrent. As at December 31, 2021, loans of Marlow Foods Limited, a wholly-owned UK-based indirect subsidiary, was reclassified to current portion as Marlow Foods Limited exceeded the gross leverage covenant threshold of 3.0x. To address this issue, Marlow Foods Limited entered into a sterling term loan facility amounting to ₦7,081 million (£105.0 million) on June 1, 2022, and repaid its existing financial indebtedness on June 9, 2022.

Refund liabilities decreased by 33.9%, from ₦304 million as at December 31, 2021 to ₦201 million as at December 31, 2022 mainly due to timely actualization of returns as an effect of process improvements.

Income tax payable increased by 52.2%, from ₦138 million as at December 31, 2021 to ₦210 million as at December 31, 2022. Income tax payable was low as at December 31, 2021 due to utilization of prepaid income tax from the implementation of CREATE Act and lower taxable income due to recognition of actual loss on redemption on Arran's convertible notes.

Noncurrent Liabilities

The Group's noncurrent liabilities increased by 58.0%, from ₦9,033 million as at December 31, 2021 to ₦14,270 million as at December 31, 2022, mainly due to the refinancing of Marlow Foods Limited's loan partly offset by reduction in deferred tax liabilities.

	December 31, 2022		December 31, 2021		Increase (Decrease)	
	Audited	% to Total	Audited	% to Total	Amount	In %
in millions, except percentages						
Loans payable	6,983	49	–	–	6,983	n/m
Deferred tax liabilities – net	4,320	30	5,702	64	(1,382)	(24.2)
Lease liabilities	2,423	17	2,662	29	(239)	(9.0)
Pension liability	507	4	649	7	(142)	(21.9)
Other noncurrent liabilities	37	–	20	–	17	85.0
Total	14,270	100	9,033	100	5,237	58.0

Loans payable as at December 31, 2022 pertains to MNUK's new loan agreement amounting to ₦7,081 million (£105.0 million) entered into last June 1, 2022, with maturity date of June 2025 subject to extension of 2 years, primarily used to refinance old loan. Please see discussion under current portion of loans payable.

Deferred tax liability decreased by 24.2%, from ₱5,702 million as at December 31, 2021 to ₱4,320 million as at December 31, 2022, mainly due to reduction on deferred tax liabilities due to ₱4,043 million (₱60.0 million) impairment on brand value of Marlow Foods Limited, which owns the *Quorn* and *Cauldron* brand.

Pension liability decreased by 21.9%, from ₱649 million as at December 31, 2021 to ₱507 million as at December 31, 2022, primarily due to contribution paid by MMYSC.

Equity

The Group's total equity decreased by 23.6%, from ₱68,416 million as at December 31, 2021 to ₱52,271 million as at December 31, 2022 due to recognition of the results of operations for year-to-date 2022.

Financial condition as at December 31, 2020, compared to as at December 31, 2021

Current Assets

The Group's current assets increased by 48.6%, from ₱20,595 million as at December 31, 2020, to ₱30,613 million as at December 31, 2021. The increase was mainly due to higher cash and cash equivalents and inventories.

	December 31, 2021		December 31, 2020		Increase (Decrease)	
	Audited	% to Total (In %)	Audited	% to Total (In %)	Amount	In %
	in ₱ millions, except percentages					
Cash and cash equivalents	13,857	45	7,093	34	6,764	95.4
Trade and other receivables	6,249	20	6,457	31	(208)	(3.2)
Inventories	8,572	28	6,073	30	2,499	41.1
Financial assets at fair value through profit or loss (FVTPL)	1	–	–	–	1	n/m
Loans receivable – Current	165	1	–	–	165	n/m
Prepayments and other current assets	1,769	6	972	5	797	82.0
Total	30,613	100	20,595	100	10,018	48.6

Cash and cash equivalents increased by 95.4%, from ₱7,093 million as at December 31, 2020 to ₱13,857 million as at December 31, 2021. This was mainly due to the remaining proceeds from IPO.

Inventories increased by 41.1%, from ₱6,073 million as at December 31, 2020 to ₱8,572 million as at December 31, 2021, primarily due to the increase in inventory in both business segments. APAC BFB increased its level of inventory for wheat and palm oil as part of mitigation plan to contain costs. For Meat Alternative, the increase in inventory was due to a low base, as it was recovering from forming capacity issues, lower volume demand, and the build-up of materials ahead of the new capacity that will be available.

Prepayments and other current assets increased by 82%, from ₱972 million as at December 31, 2020, to ₱1,769 million as at December 31, 2021, due to the excess payment of taxes in 2020 and Q1 2021 and higher unused creditable withholding tax (CWT) due to lower taxable income in 2021 as a result of the enactment of CREATE Act.

Noncurrent Assets

The Group's noncurrent assets increased by 8.5%, from ₱63,807 million as at December 31, 2020 to ₱69,245 million as at December 31, 2021. The increase was driven by higher property, plant and equipment, and intangible assets as described below.

	December 31, 2021		December 31, 2020		Increase (Decrease)	
	Audited	% to Total (In %)	Audited	% to Total (In %)	Amount	In %
	in ₱ millions, except percentages					
Intangible assets	35,647	51	33,600	52	2,047	6.1
Property, plant and equipment	29,952	43	26,637	42	3,315	12.4
Investments in associates and joint ventures	1,094	2	1,024	2	70	6.8

	December 31, 2021		December 31, 2020		Increase (Decrease)	
	Audited	% to Total	Audited	% to Total	Amount	In %
		(In %)		(In %)		
Deferred tax assets – net	886	1	843	1	43	5.0
Noncurrent receivables	500	1	655	1	(155)	(23.7)
Other noncurrent assets	1,166	2	1,048	2	118	11.3
Total	69,245	100	63,807	100	5,438	8.5

Intangible assets increased by 6.1%, from ₱33,600 million as at December 31, 2020 to ₱35,647 million as at December 31, 2021, mainly due to the effect of foreign currency translation adjustments in MNUK.

Property, plant, and equipment increased by 12.4%, from ₱26,637 million as at December 31, 2020 to ₱29,952 million as at December 31, 2021, primarily due to the continued investments in improving the production capability and capacity of the Group. APAC BFB segment continued the construction of a new manufacturing facility in Malvar, Batangas, the purchase of various machineries, and the construction of new noodle lines. The Meat Alternative segment's major investment pertains to the construction of the new fermentation equipment in its Belasis facility.

Investment in associates and joint ventures increased by 6.8%, from ₱1,024 million as at December 31, 2020 to ₱1,094 million as at December 31, 2021, mainly due to an additional ₱60 million investment to Calaca Harvest Terminal Inc.

Noncurrent receivable decreased by 23.7%, from ₱655 million as at December 31, 2020 to ₱500 million as at December 31, 2021, due to the reclassification of loan receivable from MNSG from noncurrent to current as it will mature on July 23, 2022.

Other noncurrent assets increased by 11.3%, from ₱1,048 million as at December 31, 2020 to ₱1,166 million as at December 31, 2021, due to the increased advances to suppliers and deferred input VAT related to the Group's major equipment and construction/improvements as discussed above.

Current Liabilities

The Group's current liabilities increased by 6.9%, from ₱20,956 million as at December 31, 2020 to ₱22,409 million as at December 31, 2021. The increase was mainly due accounts and trust receipts payable offset by settlement of loans payable.

	December 31, 2021		December 31, 2020		Increase (Decrease)	
	Audited	%To Total	Audited	%To Total	Amount	%
		(in %)		(in %)		
	In ₱ millions, except percentages					
Accounts payable and other current liabilities	11,156	50	10,141	48	1,015	10.0
Acceptances and trust receipts payable	3,715	17	606	3	3,109	513.0
Current portion of loans payable	6,999	31	9,559	46	(2,560)	(26.8)
Refund liabilities	304	1	280	1	24	8.6
Current portion of lease liabilities	97	–	88	1	9	10.2
Income tax payable	138	1	282	1	(144)	(51.1)
Total	22,409	100	20,956	100	1,453	6.9

Accounts payable and other current liabilities increased by 10%, from ₱10,141 million as at December 31, 2020 to ₱11,156 million as at December 31, 2021. The increase was due to higher capital expenditure this year as compared to last year.

Acceptances and trust receipts payable increased by 513%, from ₱606 million as at December 31, 2020 to ₱3,715 million as at December 31, 2021. The increase was due to significant payments made in the last quarter of 2020 brought about by good cash flows and to take advantage of favourable exchange rates in 2020.

The **current portion of loans payable** decreased by 26.8%, from ₱9,559 million as at December 31, 2020 to ₱6,999 million as at December 31, 2021, primarily due to the repayment of outstanding loans payable of the Parent Company. As at December 31, 2021, loans of Marlow Foods Limited, a wholly owned UK-based indirect subsidiary, was reclassified to current portion as Marlow Foods Limited exceeded the gross leverage covenant threshold of 3.0x.

To address this issue, on March 24, 2022, the Parent Company entered into a Guarantee Agreement with Citicorp International Limited (as agent for and on behalf of certain financial institutions) to guarantee the ₱7,059.4 million (£103.0 million). The financial institutions formally granted a waiver of the covenant requirement on January 11, 2022, which became effective on March 24, 2022. The waiver is effective covering December 31, 2021 covenant requirement. Long-term loans payable presented as current as at December 31, 2021 amounted to ₱5,346.0 million (£78.0 million).

Refund liabilities increased by 8.6%, from ₱280 million as at December 31, 2020 to ₱304 million as at December 31, 2021 mainly due to timely actualization of returns as an effect of process improvements.

Income tax payable decreased by 51.1%, from ₱282 million as at December 31, 2020 to ₱138 million as at December 31, 2021, mainly due to the excess payments in 2020 and Q1 2021 brought about by a lower income tax rate and lower taxable income in 2021.

Noncurrent Liabilities

The Group's noncurrent liabilities decreased by 75.5%, from ₱36,906 million as at December 31, 2020 to ₱9,033 million as at December 31, 2021, primarily due to the Group's repayment of bank loans and full settlement of Arran's convertible notes.

	December 31, 2021		December 31, 2020		Increase (Decrease)	
	Audited	In %	Audited	In %	Amount	%
	in ₱ millions, except percentages					
Loans payable	-	-	19,986	54	(19,986)	(100.0)
Convertible notes	-	-	7,027	19	(7,027)	(100.0)
Deferred tax liabilities - net	5,702	64	4,200	12	1,502	35.8
Derivative liability	-	-	2,514	7	(2,514)	(100.0)
Lease liabilities	2,662	29	2,675	7	(13)	(0.5)
Pension liability	649	7	482	1	167	34.6
Other noncurrent liabilities	20	-	22	-	(2)	(9.1)
Total	9,033	100	36,906	100	(27,873)	(75.5)

Loans payable as at December 31, 2021 was nil from ₱19,986 million as at December 31, 2020, primarily due to the repayment of outstanding loans payable and reclassification of MNUK's loan from noncurrent to current. For more information on the reclassification, please refer to the discussion under current loans payable above.

Convertible notes and derivative liability were nil as at December 31, 2021 from ₱7,027 million and ₱2,514 million respectively due to the redemption of Arran's convertible note last June 2021.

Deferred tax liabilities increased by 35.8%, from ₱4,200 million as at December 31, 2020 to ₱5,702 million at December 31, 2021, primarily due to the Meat Alternative segment. The increase pertains to increase in the tax rate in the UK from 19% to 25% by April 2023 and impact of super capital allowance of 130% on certain capital expenditures. In accordance with PAS 12.46, *Income Taxes*, the current tax liabilities are measured at the amount expected to be paid to taxation authorities, using the rates/laws that have been enacted or substantially enacted as at the balance sheet date. The adjustment on deferred tax liability pertains to items such as the value of the brand of *Quorn* and *Cauldron*.

Pension liability increased by 34.6%, from ₱482 million as at December 31, 2020 to ₱649 million as at December 31, 2021, which was based on December 31, 2021 actuarial valuation reports. The increase in pension liability was primarily due to change in disability benefit and death benefit.

Equity

The Group's total equity increased by 157.8%, from ₱26,540 million as at December 31, 2020 to ₱68,416 million as at December 31, 2021, due to the additional capital stock and the additional paid-in capital from the issuances of common shares during the IPO and to MCI.

LIQUIDITY AND CAPITAL RESOURCES

Overview

The Group's principal sources of liquidity are cash flows from its operations, borrowings, and IPO proceeds. For the twelve months ended December 31, 2021, the Group's cash flow from operations were sufficient to provide for its operations, partial settlement of outstanding loans, and dividend payments. For the twelve months ended December 31, 2022, the Group's cash flows from operations were sufficient to provide for its operations and dividend payments. The IPO proceeds financed the Company's capital expenditure (CapEx) requirements for 2022.

The Group's principal requirements for liquidity are for purchases of raw materials and payment of other operating expenses, investments in production equipment, payment of cash dividends, and other working capital requirements.

The cash flows of the Group are primarily from the operations of its APAC BFB Business. The Group expects that its operating cash flow will continue to be sufficient to fund its operating expenses and dividend payment for the foreseeable future. The Group also maintains long- and short-term credit facilities with various financial institutions, which can support any temporary liquidity requirements. Part of the operating cash flow will also be used to fund capital expenditures. Any excess capital expenditure beyond the operating cash flow will be funded by the remaining IPO proceeds or bank borrowings.

Cash Flows

The following discussion of the Group's cash flows for the year ended December 31, 2022, 2021, and 2020, should be read in conjunction with the statements of cash flows and notes included in Audited Consolidated Financial Statements.

The table below sets forth the principal components of the Group's statements of cash flows for the years indicated.

	Twelve-months ended		
	2022	2021	2020
		in ₱ millions	
Net cash flows provided by operating activities	5,483	13,474	11,397
Net cash flows used in investing activities	(6,042)	(7,471)	(4,493)
Net cash flows from (used in) financing activities	(1,684)	686	(10,241)
Net increase in cash and cash equivalents	(2,243)	6,689	(3,337)
Effect of Exchange Rate Changes on cash and cash equivalents	15	75	(69)
Cash and cash equivalents at beginning of year	13,857	7,093	10,499
Cash and cash equivalents as at December 31	11,629	13,857	7,093

Net cash flow provided by operating activities

The net cash flows provided by operating activities were ₱5,483 million for the year ended December 31, 2022. Cash generated from operations (after adjusting for, among other things, depreciation, and amortization, and working capital changes) was ₱7,718 million. The Group generated cash from interest received amounting to ₱122 million and paid income taxes of ₱2,356 million.

The net cash flows provided by operating activities were ₱13,474 million for the year ended December 31, 2021. The Group's income before income tax for the year was ₱4,825 million. Cash generated from operations (after adjusting for, among other things, depreciation, and amortization, and working capital changes) was ₱13,928 million. The Group generated cash from interest received amounting to ₱82 million and paid income taxes of ₱537 million.

The net cash flows provided by operating activities were ₱11,397 million for the year ended December 31, 2020. The Group's income before income tax for this period was ₱11,725 million. Cash generated from operations (after adjusting for, among other things, depreciation, and amortization, and working capital changes) was ₱14,912 million. The Group generated cash from interest received amounting to ₱97 million and paid income taxes of ₱3,612 million.

Net cash flows used in investing activities

The Group's net cash flows used in investing activities were ₱6,042 million for the year ended December 31, 2022. The cash outflow primarily for the Group's payments for CapEx of ₱4,432 million and investment in current financial assets ₱2,586. Cash inflows were mainly from proceeds of disposal of current financial assets ₱852 million.

The Group's net cash flows used in investing activities were ₱7,471 million for the year ended December 31, 2021. The cash outflow was primarily for the Group's payments for CapEx of ₱5,216 million and MNC also bought the additional shares in MMYSC from MCI, amounting to ₱1,822 million, increasing its ownership to 100%.

The Group's net cash flows used in investing activities were ₱4,493 million for year ended December 31, 2020. The cash outflow primarily for the Group's payments for CapEx of ₱3,753 million.

Net cash flows used in financing activities

The Group's net cash flows used in financing activities were ₱1,684 million for the year ended December 31, 2022. The cash outflow was primarily used in cash dividends of ₱2,517 million partly offset by cash inflow of ₱920 million from derivate income arising from unwinding of cross-currency swap.

The net cash flows inflows in financing activities were ₱686 million for the year ended December 31, 2021. The net cash inflows amount consisted primarily of the IPO proceeds of ₱48,931 million additional paid-in capital (net of transaction costs). The cash outflow was primarily used in the settlement of the outstanding loans amounting to ₱23,115 million, full settlement of Arran's convertible notes ₱13,352 million, cash dividends of ₱10,061 million, and interest expenses amounting to ₱1,437 million from bank loans, trust receipts, and cash variable interest from convertible notes.

The net cash flows used in financing activities were ₱10,241 million for the year ended December 31, 2020. This amount consisted primarily of the payment of loans of ₱4,336 million, cash dividends of ₱3,509 million and interest expense of ₱1,477 million, and the payment of lease liability of ₱846 million.

FINANCIAL RATIOS / KEY PERFORMANCE INDICATORS

The following are the major financial ratios that the Group uses and monitors.

The top five key performance indicators are Sales Growth, Gross Margin, Net Profit margin, Core EBITDA margin, and Core Return on equity.

	December 31, 2022	December 31, 2021	December 31, 2020
Current ratio	2.19	1.37	0.98
Acid test ratio	1.37	0.90	0.65
Solvency ratio	0.38	0.18	0.18
Debt-to-equity ratio	0.56	0.46	2.29
Asset-to-equity ratio	1.56	1.46	3.34

	Twelve-months ended		
	2022	2021	2020
Core Net Sales Growth	6.7%	2.0%	3.8%
Core Gross Margin	31.3%	36.9%	39.0%
Core Net Income After Tax margin (at ownership)	8.9%	11.8%	12.7%
Core EBITDA Margin	15.1%	19.2%	22.9%
Core Return on equity	10.9%	17.5%	36.9%
Core Return on assets	7.3%	8.9%	10.2%
Interest rate coverage ratio ⁽²⁾	21.81	4.02	7.42

The manners by which the ratios are computed are as follows:

Financial ratios	Formula
Current ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$
Acid test ratio	$\frac{\text{Cash and cash equivalents} + \text{Current receivables} + \text{Current Financial Assets}}{\text{Current liabilities}}$

Financial ratios	Formula
Solvency ratio	$\frac{\text{Net income attributable to equity holders of the Company} + \text{Depreciation and amortization} + \text{Impairment Loss}}{\text{Total liabilities}}$
Debt-to-equity ratio ⁽¹⁾	$\frac{\text{Total liabilities (current + noncurrent)}}{\text{Equity attributable to equity holders of the Company}}$
Asset-to-equity ratio	$\frac{\text{Total assets (current + noncurrent)}}{\text{Equity attributable to equity holders of the Company}}$
2022 Interest rate coverage ratio ⁽²⁾	$\frac{\text{Core EBITDA}}{\text{Finance Costs}}$
Net Sales Growth	$\frac{\text{Current period net sales} - \text{prior period net sales}}{\text{Prior period net sales}}$
Gross margin	$\frac{\text{Gross profit}}{\text{Net Sales}}$
Core EBITDA Margin	$\frac{\text{Core EBITDA}}{\text{Net Sales}}$
Net profit margin	$\frac{\text{Core Income after-tax at Ownership}}{\text{Net sales}}$
Core Return on equity	$\frac{\text{Core income after-tax at Ownership}}{\text{Equity attributable to equity holders of the Company (average)*}}$
Core Return on assets	$\frac{\text{Core income after-tax at Ownership}}{\text{Total assets (average)*}}$

Note:

⁽¹⁾ (average) means the average of the amounts from the beginning and end of the same period.

⁽²⁾ 2022 calculation based on titan loan covenant's formula; 2021 and 2022 calculated as EBIT/Interest Expense

Capital Expenditures

The Group's Capital Expenditures (CapEx) were primarily attributable to positioning the Group's APAC BFB Business and Meat Alternative Business to develop new business, expand the Group's production capacity and capability, and improve operational efficiencies. The Group invested in the construction of a new manufacturing plant, new production lines, and machineries.

The table below sets out the Group's estimated 2023 CapEx plan and actual spend for the twelve months ended December 31, 2022, 2021, and 2020.

	Plan	Actual		
	2023	2022	2021	2020
	(in ₱ millions)			
APAC BFB	6,050	2,373	3,399	1,969
Meat Alternative	1,374	2,059	1,817	1,784
Total	7,424	4,432	5,216	3,753

In 2020, the Group started the construction of a new facility in Malvar, Batangas costing ₱815 million as at December 31, 2020. Moreover, the Group completed the construction of a new production line in MMYSC's Calamba plant at ₱705 million. The construction started in 2019.

In 2021 and 2022, the Group's major CapEx in its APAC BFB segment was primarily for the continued construction of a new manufacturing plant in Malvar Batangas, investment in various machineries to improve operational efficiencies, capabilities, and new Noodles production line.

In 2020, Group's major CapEx in its Meat Alternative segment was mainly to increase production capacity primarily by investing in the fermenting and forming process in its Belasis facility, as well as on the upgrade of its IT system.

In 2021 and 2022, the Group's major capital expenditures in its Meat Alternative segment was to increase its production fermentation capacity. Additional investment in 2022 was mainly for increasing capacity to produce deli products.

2023 capital plan in APAC BFB's is primarily to improve capacity/ capability of bakery businesses and investment in various machineries to improve operational efficiencies. Meat Alternative's 2023 plan is mainly to improve operational efficiencies.

No assurance can be given that the Group's capital expenditures plan will not change or that the amount of the capital expenditures for any project or as whole will not change in future years from current expectations.

OTHER FINANCIAL DATA

I. RECONCILIATION OF PFRS TO NON-PFRS MEASURES

The following tables set out PFRS to non-PFRS reconciliation for the period indicated:

	2022			
	PFRS Reported	Non-PFRS Adjustments		Non-PFRS Reported
		APAC BFB	Meat Alternative	
		(in ₪ millions)		
NET SALES ⁽¹⁾	73,881	59		73,940
COST OF GOODS SOLD ⁽²⁾	50,921	(129)		50,792
GROSS PROFIT	22,960	188	-	23,148
SALES, GENERAL AND ADMINISTRATIVE EXPENSES				
Impairment loss – Net ⁽³⁾	21,374	(210)	(21,164)	-
General and administrative expenses ⁽⁴⁾	7,588		(252)	7,336
Selling expenses ⁽⁵⁾	7,496	(6)		7,491
	36,458	(216)	(21,416)	14,827
Core Other Income/(Expense)				
Interest Expense – Orchid + Trust Receipts		(238)		(238)
Forex gain on USD Stockpile		571		571
	-	333	-	333
CORE INCOME BEFORE TAX	(13,498)	736	21,416	8,654
OTHER INCOME (CHARGES)				
Foreign exchange gain (loss) - net	422	(571)		(149)
Share in net earnings of an associate	(12)			(12)
Market valuation gain (loss) on financial instruments at fair value through profit or loss	22			22
Miscellaneous Income	142			142
	574	(571)	-	4
INCOME BEFORE FINANCE INCOME (EXPENSES)	(12,924)	166	21,416	8,658
FINANCE INCOME (EXPENSES)				
Interest income	149			149
Interest expense	(417)	238		(179)
Derivative gain	1,306			1,306
	1,038	238	-	1,276
Other Non-Recurring Expenses				
Impairment loss – Net		(210)	(21,164)	(21,374)
Others	-	(194)	(252)	(446)
	-	(404)	(21,416)	(21,820)
INCOME BEFORE INCOME TAX	(11,886)	-	-	(11,886)
PROVISION FOR CURRENT INCOME TAX				
Current	2,429			2,429
Deferred	(1,300)			(1,300)
PROVISION FOR CURRENT INCOME TAX	1,129	-	-	1,129
REPORTED NET INCOME	(13,015)	-	-	(13,015)

⁽¹⁾ ₪59 million recall provisions in Thailand due to selective EU recall.

⁽²⁾ ₪129 million related to global strategic alignment initiatives.

⁽³⁾ Meat Alternative ₪20,544 million non-cash, non-operating impairment of intangibles assets and ₪620 million PPE primarily on Quorn fermenter assets due to production cost rationalization in the UK, and ₪207 million in APAC BFB primarily due to discontinued product line in MMC.

⁽⁴⁾ ₪252 million restructuring costs in UK

⁽⁵⁾ ₪5 million recall provision in Thailand

	2021			
	PFRS Reported	Non-PFRS Adjustments		Non-PFRS Reported
		APAC BFB	Meat Alternative	
		(in ₪ millions)		
NET SALES	69,284	-		69,284
COST OF GOODS SOLD	43,693	-		43,693
GROSS PROFIT	25,591	-	-	25,591
SALES, GENERAL AND ADMINISTRATIVE EXPENSES				
Impairment loss – Net	223	61	(284)	-
General and administrative expenses ⁽¹⁾	7,619	(868)		6,751
Selling expenses	8,344			8,344
	16,186	(807)	(284)	15,095
Core Other Income / (Expense)				
Interest Expense – Orchid + Trust Receipts		(81)	-	(81)
Forex gain on USD Stockpile		262	-	262
	-	181	-	181
CORE INCOME BEFORE TAX	9,405	988	284	10,677
OTHER INCOME (CHARGES)				
Foreign exchange gain (loss) - net	410	(262)		149
Share in net earnings of an associate	36			36
Miscellaneous Income	296			296

	743	(262)	-	481
INCOME BEFORE FINANCE INCOME (EXPENSES)	10,148	726	284	11,159
FINANCE INCOME (EXPENSES)				
Interest income	83			83
Interest expense	(1,569)	81		(1,488)
Loss on CN redemption	(1,579)			(1,579)
Derivative gain	(2,258)			(2,258)
	(5,323)	81	-	(5,242)
Other Non-Recurring Expenses				
Impairment loss – Net		61	(284)	(223)
IPO-related expenses ⁽¹⁾		(655)		(655)
Others ⁽¹⁾		(213)		(213)
	-	(807)	(284)	(1,091)
INCOME BEFORE INCOME TAX	4,825	-	-	4,825
PROVISION FOR CURRENT INCOME TAX				
Current	393			393
Deferred	1,187			1,187
PROVISION FOR CURRENT INCOME TAX	1,580	-	-	1,580
REPORTED NET INCOME	3,245	-	-	3,245

⁽¹⁾ Non-recurring expense in APAC BFB related to IPO-related expenses P655 million and P213 million COVID-19 related expenses.

	2020			
	PFRS Reported	Non-PFRS Adjustments		Non-PFRS Reported
		APAC BFB	Meat Alternative	
		(in P millions)		
NET SALES	67,946			67,946
COST OF GOODS SOLD	41,440			41,440
GROSS PROFIT	26,506	-	-	26,506
SALES, GENERAL AND ADMINISTRATIVE EXPENSES				
Impairment loss – Net	1,014	(230)	(784)	-
General and administrative expenses	6,840			6,840
Selling expenses	6,569			6,569
	14,423	(230)	(784)	13,409
Core Other Income / (Expense)				
Interest Expense – Orchid + Trust Receipts		(33)	(269)	(302)
Forex gain on USD Stockpile				-
	-	(33)	(269)	(302)
CORE INCOME BEFORE TAX	12,083	197	515	12,795
OTHER INCOME (CHARGES)				
Foreign exchange gain (loss) - net	914			914
Share in net earnings of an associate	(98)			(98)
Miscellaneous Income	250			250
	1,066	-	-	1,066
INCOME BEFORE FINANCE INCOME (EXPENSES)	13,149	197	515	13,861
FINANCE INCOME (EXPENSES)				
Interest income	263			263
Interest expense	(1,786)	33	269	(1,484)
Loss on CN redemption				-
Derivative gain	99			99
	(1,424)	33	269	(1,122)
Other Non-Recurring Expenses				
Impairment loss – Net		(230)	(784)	(1,014)
	-	(230)	(784)	(1,014)
INCOME BEFORE INCOME TAX	11,725	-	-	11,725
PROVISION FOR CURRENT INCOME TAX				
Current	3,194			3,194
Deferred	465			465
PROVISION FOR CURRENT INCOME TAX	3,659	-	-	3,659
REPORTED NET INCOME	8,066	-	-	8,066

II. EBITDA Reconciliation

The following tables set out EBITDA reconciliation with respect to the Group's business segments for the period indicated:

	For the twelve months ended December 31, 2022		
	(Audited)		
	APAC BFB	Meat Alternative	Total
	(in P millions)		
Income before Income Tax	9,824	(21,710)	(11,886)
Interest Expense	234	182	416
Interest Income	(144)	(5)	(149)
EBIT	9,914	(21,533)	(11,619)
Derivative Gain	(1,306)	-	(1,306)
Foreign Exchange (Gain) – Net	(402)	(20)	(422)
Other non-recurring expenses	194	252	446

For the twelve months ended December 31, 2022 (Audited)			
	APAC BFB	Meat Alternative	Total
	(in ₱ millions)		
Impairment Loss	210	21,164	21,374
Depreciation and Amortization Expense	1,958	755	2,713
EBITDA	10,568	618	11,186

For the twelve months ended December 31, 2021 (Audited)			
	APAC BFB	Meat Alternative	Total
	(in ₱ millions)		
Income before Income Tax	4,335	490	4,825
Interest Expense	1,514	55	1,569
Interest Income	(82)	(1)	(83)
EBIT	5,767	544	6,311
Derivative Gain	2,258	-	2,258
Loss on redemption of CN	1,579	-	1,579
Foreign Exchange Gain – Net	(412)	1	(411)
Depreciation and Amortization Expense	1,829	642	2,471
Impairment loss (reversal)	(61)	284	223
Non-recurring expense (IPO and COVID-related)	869	-	869
EBITDA	11,829	1,471	13,300

For the twelve months ended December 31, 2020 (Audited)			
	APAC BFB	Meat Alternative	Total
	(in ₱ millions)		
Income before Income Tax	11,137	588	11,725
Interest Expense	1,517	269	1,786
Interest Income	(257)	(6)	(263)
EBIT	12,397	851	13,248
Derivative Gain	(99)	-	(99)
Foreign Exchange Gain – Net	(901)	(13)	(914)
Depreciation and Amortization Expense	1,642	661	2,303
Impairment Loss	230	784	1,014
EBITDA	13,269	2,283	15,552

III. FINANCIAL LIABILITIES

The following table summarizes the Group's financial liabilities as at December 31, 2022 and 2021.

	2022 (In ₱ millions)					Total
	On Demand	1 to 3 Months	3 to 12 Months	1 to 5 Years	More than 5 Years	
Financial Liabilities						
Accounts payable and other current liabilities*	2,664	8,186	89			10,938
Loans payable			275	7,081		7,356
Acceptance and trust receipts payable			2,362			2,362
Lease liabilities		71	252	985	7,044	8,351
	2,664	8,257	2,978	8,066	7,044	29,007

	2021 (In ₱ in millions)					Total
	On Demand	1 to 3 Months	3 to 12 Months	1 to 5 Years	More than 5 Years	
Financial Liabilities						
Accounts payable and other current liabilities*	3,097	6,942	64			10,103
Loans payable			7064			7,064
Acceptance and trust receipts payable	-	-	3715	-	-	3,715
Lease liabilities		65	241	1,011	7,156	8,473
	3,097	7,007	11,084	1,011	7,156	29,355

* Excluding statutory payables
** Including amount of interest

Off-Balance Sheet Arrangements

As at December 31, 2022, the Group did not have any material off-balance sheet arrangements or obligations (including contingent obligations), and other relationships of the Group with unconsolidated entities or other persons created during the reporting period that were likely to have a current or future effect on the Group's financial condition, revenues or expenses, results of operations, liquidity, capital expenditures, or capital resources.

Quantitative and Qualitative Disclosure of Market Risk

The Group's APAC BFB Business and Meat Alternative Business are exposed to various types of market risks in the ordinary course of business, including foreign currency risk, commodity price risk, interest rate risk, liquidity risk, and credit risk. *For more information on risks discuss below, see Note 26 to Audited Consolidated Financial Statements.*

1. Foreign Currency Risk

The Group operates internationally and is exposed to foreign currency risk arising from currency fluctuations in respect of business transactions denominated in foreign currencies. The Group enters derivative transactions to manage foreign currency risks, including currency swaps and currency options.

2. Commodity Price Risk

The Group is exposed to price volatility arising from the utilization of certain commodities as raw materials, packaging materials, and fuel in its production processes. To minimize the Group's risk of potential losses due to volatility of international crude and product prices, the Group enters into short and longer tenor contracts for commodities such as flour and palm oil. In the past, the Group utilized derivative instruments to mitigate the price movement of certain commodities.

3. Interest Rate Risk

The Group is exposed to interest rate risk arising from its long-term debt obligations with floating interest rates. The Group manages its interest rate risk by maintaining a balanced portfolio of fixed and variable rate loans and borrowings.

4. Liquidity Risk

The Group is exposed to the risk of not meeting its payment obligations when they fall due. The Group manages its liquidity risk by monitoring and maintaining a level of cash deemed adequate by management to finance the Group's operations, ensure continuity of funding, and mitigate the effects of fluctuations in cash flows.

5. Credit Risk

The Group is exposed to the risk that a counterparty may not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating (primarily trade receivables) and financing activities. The Group manages its credit risk by monitoring receivables from each customer.

Contingencies

As at December 31, 2022, the Group is involved in certain proceedings and regulatory assessments, and management believes that none of these proceedings will have a material effect on the consolidated financial statements.

Capital Commitments

The Group has capital commitments for acquisitions of machineries and building expansions amounting to ₱1,447.5 million, ₱1,423.5 million, and ₱1,624.8 million as at 2022, 2021 and 2020, respectively.

OTHER MATTERS

European Union (EU) Product Recall

Subsequent to June 30, 2022, there was news concerning a selective recall in a few EU jurisdictions for some products. This attracted media attention in the Philippines and an inquiry by the FDA which concluded that all tested products in the Philippines comply with the Philippine FDA regulations. The effect on the sale of noodles was temporary, particularly in Q3. Sales and marketing efforts coupled with brand resiliency of the noodles product line have largely corrected the impact as evidenced by strong recovery seen in Q4 2022 which continues in Q1 2023. In Q4 2022, Noodles domestic sales volume grew 26.8% vs. Q3 and 10% versus Q4 2019. Additionally, as part of global strategic alignment initiatives, the Group enhanced the sourcing, testing, and overall processes to ensure products adhere to all food quality compliance standards in relevant jurisdictions.

Commodity Prices

The Parent Company continues to see a gradual easing of commodity prices in the global markets. The impact of easing commodity prices is expected to be partly reflected in Q1 2023 for wheat and Q2 2023 for palm oil. If the market trend continues, it may have a favorable effect on the margin on a longer term. To secure supply and in the context of the volatile environment, the Parent Company already secured partial tranches of wheat until Q2 2023 and palm oil requirements until Q3 2023.

CCS Contract

On January 31, 2023, the Parent Company entered into a non-deliverable CCS Agreement with a notional amount of ₱1,891.4 million (THB 1,151.5 million). Under the CCS agreement, the Parent Company will receive Philippine Peso interest at 11.5% p.a. and will pay fixed Thailand Baht interest at 9% p.a. The Parent Company will also pay the notional Thailand Baht amount in exchange for the Philippine Peso amount at the end of the swap period. The CCS, which will be designated as a hedge of a portion of the net investment in MIL and MNTH, is used to hedge the Parent Company's exposure to the THB foreign exchange risk on its investment in MIL and MNTH.

Acquisition of Figaro Coffee Group, Inc's (FCG's) Common Shares

On January 25, 2023, the Parent Company's BOD approved MONDE's subscription to 820,268,295 common shares out of the unissued authorized capital stock of FCG. FCG is a diversified food conglomerate with retail restaurants and branches in the Philippines and abroad, that serve a variety of food offerings and services.

On February 02, 2023, the Parent Company paid an aggregate subscription price of ₱820.3 million. As a result, the Parent Company currently holds 15% of FCG's issued and outstanding capital stock.

Acquisition of Terramino Inc.'s Preferred Shares

On March 22, 2023, the Parent Company's BOD approved MONDE's subscription to 665,845 Series B Preferred Stock of Terramino, Inc., a Delaware, U.S.-incorporated company engaged in research, development and commercialization of food products made from koji, representing 1.89% of Terramino, Inc.'s outstanding capital stock (including outstanding options to purchase such stock), at a subscription price of up to ₱109 million (\$2 million). The subscription closed on March 24, 2023.

Change in use of IPO proceeds

On March 22, 2023, the Parent Company's BOD approved the change in use of IPO proceeds as follows: capital expenditure for the Meat Alternative Business as at December 31, 2022 amounting to ₱1 million to be re-allocated to capital expenditure for the APAC-BFB in 2023, and ₱2,136 million allocated to the Meat Alternative Business's operating expenditures as at December 31, 2022 to be re-allocated to capital expenditure of APAC BFB in 2023.

Equity Restructuring

On March 29, 2023, the Parent Company's BOD approved the equity restructuring of the Parent Company consisting of offsetting the Deficit amount against available Additional Paid in Capital in Excess of Par Value ("APIC") as of December 31, 2022 so that the Deficit amount is zeroed out. As at December 31, 2022, the Parent Company's Deficit amounted to ₱7,154 million while the APIC amounted to ₱46,516 million. Upon the approval of the SEC of said equity restructuring, the Deficit amount will become zero while the APIC will become ₱39,362 million. This equity restructuring is subject to the SEC's approval in accordance with applicable regulations.

Others

There are no unusual items regarding the nature and amount affecting assets, liabilities, equity, net income, or cash flows, except those stated in Management's Discussion and Analysis of Financial Position and Financial Performance.

There were no material changes in estimates of amounts reported in prior interim periods of the current year or changes in estimates of amounts reported in prior financial years.

There were no other known trends, events or uncertainties that have had or that are reasonably expected to have a favourable or unfavourable impact on net sales or income from continuing operations, except those stated above and in the Management's Discussion and Analysis of Factors affecting the Operations, Financial Position and Financial Performance.

Below is the foreign exchange rate used in the translation of the Income Statement and Balance Sheet Items to Philippine Peso.

	Twelve months average			Closing Rate		
	For the period ended December 31,			As at December 31,		
	2022	2021	2020	2022	2021	2020
1GBP	67.2705	67.7180	63.6620	67.4394	68.5347	64.6228
1USD	54.5002	48.8946	49.6241	55.7550	51.0000	48.0360

Item 7. Financial Statements

The consolidated audited financial statements and supplementary schedules and Parent Company audited financial statements and supplementary schedules are filed as part of this report.

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

MONDE has engaged the services of SyCip Gorres Velayo & Company ("SGV & Co.") during the five most recent calendar years. There were no disagreements with SGV & Co. on any matter of accounting and financial disclosure.

Information on Independent Public Accountant

- MONDE's external auditor is SGV & Co. The Board, upon the recommendation of its Audit Committee (comprising Independent Directors), approved the election of SGV & Co. as independent auditor for 2022 based on its performance and qualifications, and fixed its remuneration amounting to ₱13,970,000, exclusive of value-added taxes. Stockholder approval was secured on June 24, 2022.
- Representatives of SGV & Co. for the current year and for the most recently completed fiscal year are expected to be present at MONDE's annual stockholders' meeting. They will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

Pursuant to the General Requirements of Revised SRC Rule 68, Par. 3 (Qualifications and Reports of Independent Auditors), the external auditor's Partner-in-Charge for audit years 2020-2022 is Ms. Editha V. Estacio while Ms. Djole S. Garcia was the Partner-in-Charge for the audit years 2018 to 2019.

External Audit Fees and Services

Fees billed for the professional services rendered by the external auditor for the last three completed calendar years are as follows:

Year	Audit and Audit-Related Fees (in ₱)
2022	43,825,735.00
2021	36,770,000.00
2020	23,298,702.00

SGV & Co. performs year end audits and mid-year audits, as well as other audit-related services for compliance purposes. The year-end audit fee of the Group in 2022 did not exceed ₱13,970,000 plus value added tax. The audit-related fees include assurance and advisory services that are reasonably related to the performance of the audit or review of financial statements pursuant to the regulatory requirements.

The Board's Audit Committee has an existing policy to review and to pre-approve the audit and non-audit services rendered by the independent external auditor. MONDE is proscribed from engaging the independent auditor for certain non-audit services which are expressly prohibited by prevailing SEC regulations to be performed by an independent auditor for its audit clients. This is to ensure that the independent auditor maintains the highest level of independence from the Company, both in fact and appearance.

PART III - CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

(a) Information Required of Directors and of Executive Officers

(1) Directors and Executive Officers

In accordance with MONDE's Amended By-Laws' Article I, Section 2.1, its Directors, i.e., the individual members of the Board, hold office for one (1) year or until their successors' election and qualification.

The following Directors as of December 31, 2022 were elected during the 2022 annual stockholders' meeting, to serve for a term of one year:

Hartono Kweefanus, Chairperson Emeritus
Kataline Darmono, Chairperson
Hoediono Kweefanus, Vice-Chairperson
Betty T. Ang
Henry Soesanto
Monica Darmono
Romeo L. Bernardo, Lead Independent Director
Nina Perpetua D. Aguas, Independent Director
Marie Elaine Teo, Independent Director

The below sets forth a summary of the qualifications and personal data of the Directors as of December 31, 2022:

Mr. Hartono Kweefanus, Indonesian, 73 y.o., Chairperson Emeritus. Also: chairman of the board of Monde M.Y. San Corporation, PT Khong Guan Biscuit Indonesia, and KBT International Holdings, Inc.; director of Monde Land, Inc., Monde Nissin Singapore Pte. Ltd., Monde Nissin International Investments Ltd., Monde Nissin Holdings (Thailand) Ltd., Monde Nissin New Zealand Limited, Suntrak Corporation, Monexco International Ltd., and Monde Nissin (Thailand) Co., Ltd. Graduated from Nanyang University,

Singapore, majoring in Industrial and Business Management. Mr. Kweefanus has been a MONDE Director for 43 years.

Ms. Kataline Darmono, Indonesian, 44 y.o., Chairperson of the Board. Also: member, board of PT Wahana Mekar Lestari and PT Khong Guan Biscuit Indonesia. Received her Bachelor of Arts, majoring in Finance, from Lehigh University, Pennsylvania, USA, and her Master of Business Administration from Pepperdine University, California, USA. Joined MONDE as Non-Executive Director on April 12, 2021.

Mr. Hoediono Kweefanus, Indonesian, 71 y.o., Vice Chairperson. Also: president and director of P.T. Nissin Biscuit and P.T. Monde Makkota; Vice-Chairman of KBT International Holdings, Inc., director of Monde Nissin Singapore Pte. Ltd., Monde Nissin International Investments Ltd., Monde Nissin Holdings (Thailand) Ltd., Monde Nissin New Zealand Limited, Monexco International Ltd., and Monde Nissin (Thailand) Co. Ltd. Graduated from Nanyang University Singapore with a Bachelor of Commerce degree. Mr. Kweefanus has been a MONDE Director for 10 years.

Ms. Betty T. Ang, Filipino, 68 y.o., President. Also a director of Suntrak Corporation. Graduated from Assumption College with a Bachelor of Science in Commerce, majoring in Business Management. Ms. Ang has been MONDE President and Director for more than 43 years, being with the Company since its incorporation on May 23, 1979.

Mr. Henry Soesanto, Indonesian, 71 y.o., Executive Vice-President, and Chief Executive Officer. Also: president of Monde M.Y. San Corporation, Chairman of the Board of Sarimonde Foods Corporation, All Fit & Popular Foods, Inc. and Monde Nu-Agri Corporation, and director of Monde Land, Inc., Monde Nissin Singapore Pte. Ltd., Monde Nissin UK Ltd., Monde Nissin International Investments Ltd., Monde Nissin Holdings (Thailand) Ltd., Monde Nissin New Zealand Limited, Suntrak Corporation, KBT International Holdings, Inc., Monexco International Ltd., and Monde Nissin (Thailand) Co. Ltd. Also treasurer and director at Monde Malee Beverage Corporation. Graduated from the Institute of Technology, Surabaya, Indonesia with a Bachelor of Science, majoring in Chemical Engineering, and a Master of Science in Chemical Engineering, and finished US-based eCornell University's Plant-Based Nutrition Certificate Program. Mr. Soesanto has been a MONDE Director for 34 years, being with the Company for 41 years.

Ms. Monica Darmono, Indonesian, 68 y.o., Treasurer. Also: treasurer and director of KBT Holdings, Inc., and Monde Malee Beverage Corporation, and director at Monexco International Ltd. Graduated from the Standard College of Singapore with a Bachelor of Science, majoring in Accounting. Ms. Darmono has been a MONDE Director for 17 years.

Mr. Romeo L. Bernardo, Filipino, 68 y.o., Lead Independent Director. Also current lead independent director of Aboitiz Equity Ventures, Inc., independent director of Philippine Investment Management (PHINMA), Inc. and RFM Corporation, and is a director of the Bank of Philippine Islands and Globe Telecom. Also Chairman of ALFM Family of Funds, member of the Regional Board of Advisers of Vriens and Partners (Singapore), the Philippine partner of GlobalSource Partners, Senior Advisor to Wallace Business Forum, and a Governor of the Management Association of the Philippines. Co-Founder and Vice-Chairman of Foundation for Economic Freedom, a trustee of Finex Foundation, a member of the Philippine World Bank Advisory Group, and managing director of RL Bernardo and Associates, Inc. Member, Panel of Conciliators of the International Centre for Settlement of Investment Disputes of the World Bank. Received a Bachelor of Science degree in Business Economics from the University of Philippines (magna cum laude) and a Master's Degree in Development Economics from Williams College, Massachusetts, USA. Joined MONDE as an Independent Director on May 10, 2022.

Ms. Nina Perpetua D. Aguas, Filipino, 70 y.o., Independent Director. Also current chairperson of the board and executive trustee of Insular Healthcare Inc.; chairperson of the boards of Insular Life Management & Development Corporation, Insular Investment Corporation, and Insular Foundation, Inc.; director of Unionbank of the Philippines, and Pilipinas Shell Petroleum Corporation; trustee of the Insurance Institute for Asia & the Pacific. She was the Chairperson of the Bank of Florida until December 2021, and member of the World Bank Group's Advisory Council on Gender and Development also until

December 2021. Formerly CEO of The Insular Life Assurance Co. Ltd.; director, President and CEO of the Philippine Bank of Communications; Managing Director and Head of Private Bank – Asia Pacific and Managing Director and Retail Banking Head – Asia Pacific of the Australia and New Zealand (ANZ) Banking Group, Ltd.; held the following positions in the Citibank group: Managing Director and Head of Corporate Center Compliance in New York; Country Business Manager of Global Consumer Group (GCG), Philippines; Head of Sales and Distribution, GCG -Philippines; Regional Quality Director GCG – Asia Pacific; and Regional Audit Director, Citigroup, Asia Pacific. Received her Bachelor of Science in Commerce, Accounting from the University of Santo Tomas. Joined MONDE as an Independent Director on April 15, 2021.

Ms. Marie Elaine Teo, Singaporean, age 56 y.o., Independent Director. Currently Chairman of The TENG Ensemble Ltd.; also: director of Mapletree Investments Pte Ltd.; Amiradou Pte. Ltd., and ICHX Tech Pte Ltd; non-executive independent director of Olam International Ltd; and GK Goh Holdings Ltd. Has around 20 years of public market investment experience. Formerly chairperson of Capital International Research Group, managing director of Capital International Inc., Asia, and director of Mapletree Oakwood Holdings Pte. Ltd. Held oversight and board level responsibilities in Asia for global emerging markets and group operations across risk control, portfolio management, operations, human capital, and client services at the Capital Group companies. Holds a Bachelor of Arts (Honours) in Experimental Psychology from Oxford University. Joined MONDE as an Independent Director on April 7, 2021.

The following are the Company's executive officers as of December 31, 2022:

Betty T. Ang, President
Henry Soesanto, Executive Vice-President and Chief Executive Officer
Monica Darmono, Treasurer
Marivic N. Cajucom-Uy, Chief Sustainability Officer
Samuel C. Sih, Chief Commercial Officer
Helen G. Tiu, Corporate Secretary
Jesse C. Teo, Chief Financial Officer
Michael Stanley D. Tan, Chief Operations Officer
Wendy T. Antioquia, Regional Research and Development Director
Michael J. Paska, Chief Investor Relations Officer
Melissa C. Pabustan, Chief Marketing Officer
Romeo L. Marañon, Jr., Bakery Business Unit Head and Director for New Business Development
Elvira S. Mensalvas, Quality Assurance Department Head
Daniel Teichert, Chief Risk Officer
Jon Edmarc R. Castillo, Chief Compliance Officer and Company Information Officer
Shiela P. Alarcio, Chief Internal Audit Executive
Luzviminda M. Mercurio, Chief People & Culture Officer
Jocelyn Jones G. So, Chief Information and Digital Officer
Katherine C. Lee-Bacus, Assistant Corporate Secretary
Anne Katherine N. Santos, Assistant Corporate Secretary

Set forth below is a summary of their qualifications and personal data as of December 31, 2022:

Ms. Marivic N. Cajucom-Uy, Filipino, 58 y.o., Chief Sustainability Officer. Joined MONDE in 1989, serving in various capacities, including Sustainability Director, Internal Consulting Director, Core Business Strategy Director, Marketing Director, and Marketing Manager. Received her Bachelor of Arts in Economics (cum laude) from the University of the Philippines. She has been with MONDE for 34 years.

Mr. Samuel C. Sih, Filipino, 59 y.o., Chief Commercial Officer. He has degrees in BS Commerce Major in Business Management, and Graduate Studies – Management from De La Salle University. He has been with MONDE for 33 years.

Ms. Helen G. Tiu, Filipino, 62 y.o., Corporate Secretary. She was the Data Protection Officer from June 26, 2019 to March 22, 2022, and Chief Legal Officer from July, 2017 to July, 2022. Also director of

Sarimonde Foods Corporation, Monde Rizal Properties, Inc., Monde Malee Beverage Corporation, and Monde Nu-Agri Corporation, and corporate secretary of Monde M. Y. San Corporation, Sarimonde Foods Corporation, All Fit & Popular Foods, Inc., Monde Malee Beverage Corporation, and Monde Nu-Agri Corporation; trustee, Harvard Law School Alumni Association of the Philippines; assistant corporate secretary, Philstar Daily, Inc., Pilipino Star Ngayon, Inc., and Pilipino Star Printing Co., Inc.; corporate secretary, Philstar Global Corporation and JS Publications (The Freeman) Co., Inc. Previously: independent director at NiHAO Mineral Resources International, Inc., Asiabest Group International, Inc., and Dizon Copper Silver Mines, Inc.; director in Petron Corporation; president of the Harvard Law School Alumni Association of the Philippines; corporate secretary for Aboitiz Transport System Corporation (now 2Go Group, Inc.); partner in SGV & Co.; head executive assistant to the Secretary of Energy at the Philippine Department of Energy; instructor at the College of Business Administration, University of the Philippines. Member, Integrated Bar of the Philippines, UP Women Lawyers' Circle, Inc., Good Governance Advocates and Practitioners of the Philippines (GGAPP), and Harvard Club of the Philippines Foundation, Inc. Received her Bachelor of Science in Business Administration and Accountancy (cum laude), and Bachelor of Laws, from the University of the Philippines, and her Master of Laws from Harvard University. She has been MONDE Corporate Secretary since May, 2014, and was MONDE's Chief Legal Officer from July, 2017 to July 2022.

Mr. Michael Stanley D. Tan, Filipino, 51 y.o., Chief Operations Officer. Previously, Value Creation Officer and Supply Chain Director. Previously: held various positions in Procter and Gamble in the Philippines, Vietnam, and Malaysia across the 4 Global Business Units including Senior Director and Supply Chain Manager, and was Asia Internal Consultant for integrated Work System in Product Supply. Received his Bachelor of Science in Electrical Engineering (Magna cum Laude) from Silliman University.

Mr. Jesse C. Teo, Filipino, 51 y.o., Chief Financial Officer. Also: director at Monde Nissin Singapore Pte. Ltd., Monde Nissin UK Ltd., Monde Nissin New Zealand Ltd., Sarimonde Foods Corporation, All Fit & Popular Foods, Inc., and Monde Nu-Agri Corporation, and Chief Financial Officer at Sarimonde Foods Corporation, All Fit and Popular Foods, Inc., and Monde Nu-Agri Corporation. Received his degree in BS Management – Honours Program from Ateneo de Manila University. Has been with MONDE for eight years.

Ms. Wendy T. Antioquia, Filipino, 56 y.o., Regional Research and Development Director. Previously: General Manager-Biscuits and Wafer Business Unit, R&D Head, and R&D Specialist. Received her Bachelor of Science degree in Food Technology from the University of the Philippines; member of the Philippine Association of Food Technologists. She has been with MONDE for 29 years.

Mr. Michael J. Paska, American, 53 y.o., Chief Investor Relations Officer. Previously: independent consultant at Asian Development Bank, and was connected with Edtech Capital Advisors, Amalgamated Investment Bancorporation, Fortman Cline Capital Markets, Groveland Capital, Whitebox Advisors, Wachovia Securities (now Wells Fargo), Progress Energy, Andersen Consulting (now Accenture), and the US' Central Intelligence Agency (CIA). He has a Bachelor of Science in Electrical Engineering from the University of Minnesota, a Master of Economics from North Carolina State University, and an MBA from the University of Chicago. Joined MONDE in 2019.

Ms. Melissa Chua-Pabustan, Filipino, 50 y.o., Chief Marketing Officer. She was previously connected with RFM Corporation. Has degrees in BS Applied Economics and BS Marketing Management from De La Salle University. She has been with MONDE for 25 years.

Mr. Romeo L. Marañon, Jr., Filipino, 49 y.o., Head, Bakery Business Unit and New Business Development Officer. Previously with Monde Nissin Thailand Co. Ltd. as National Sales Manager and Export Business Development Manager. Received from the University of the Philippines his Bachelor of Science in Business Administration, Major in Marketing Management and Master's in Management, Major in Business Administration and Management, General. He has been with MONDE for 25 years.

Ms. Elvira S. Mensalvas, Filipino, 60 y.o., serves as Head of Quality Assurance (QA). Also: director, Philippine Chamber of Food Manufacturers, Inc. and trustee, GS1 Philippines, Inc. She has been with MONDE for 31 years.

Mr. Daniel Teichert, German, 44 y.o., Chief Risk Officer. Previously: various financial management roles, including: Vice President Finance and IT Sourcing Division, Siemens Inc. Philippines; CFO, ATOS Philippines; Vice President Corporate — Head of Finance, Atlantic, Gulf and Pacific. Member, Good Governance Advocates and Practitioners of the Philippines. He has degrees in Industriekaufmann (IHK, DE) from Siemens AG “Stammhauslehre,” Bachelor in Commercial Economics from Hogeschool Zeeland, NL, and Betriebswirt (VWA), Verwaltungs und Wirtschaftakademie, (Essen DE). Joined MONDE in 2016.

Mr. Jon Edmarc R. Castillo, Filipino, 36 y.o., Chief Compliance Officer and Company Information Officer. Previously: Senior Associate, SyCip Salazar Hernandez & Gatmaitan; Litigation, Labor, and Permits Manager, Philex Mining Corporation; Researcher, University of the Philippines Law Center. Member and Accredited Arbitrator, Integrated Bar of the Philippines. Certified Compliance Officer, Center for Global Best Practices; Alumnus, University of the Asia and the Pacific Center for Research and Communication Data Protection Officer Foundational and Certification Program. Member, Philippine Institute of Arbitrators; Member, Good Governance Advocates and Practitioners of the Philippines. Received his Bachelor of Arts (Magna Cum Laude) and Juris Doctor Degrees from the University of the Philippines. Joined MONDE in 2020.

Ms. Shiela P. Alarcio, Filipino, 42 y.o., Chief Internal Audit Executive. Previously: Head, Group Internal Audit, AIA PhilamLife; Head, Internal Audit, Splash Corporation; Senior Audit Manager, PricewaterhouseCoopers (Manila and London). Received her Bachelor of Science in Accountancy from St. Scholastica’s College. Joined MONDE in 2020.

Ms. Luzviminda M. Mercurio, Filipino, 58 y.o., Chief People & Culture Officer. Previously: Vice President for HR-Training and Staffing, GE Consumer Finance; HR and Organization & Talent Development Manager, Mondelez Philippines (previously Kraft Foods Philippines); Regional Learning and Development Leader – ASEAN Region, General Electric; and CEO, Strategic Learning and Professional Development Consulting. Received her Bachelor of Arts in Communication from the University of the Philippines; finished the Leadership & Management Development Program of Ateneo Graduate School of Business. Joined MONDE in 2021.

Ms. Jocelyn Jones G. So, Chinese, 58 y.o., Chief Information and Digital Officer. Previously with PCCW Solutions Ltd. as: Senior Vice President and CMT Industry Head; Senior Vice President, Business Process Unit, HKT; and Senior Vice President, Systems Solutions Development and Integration. Received her Bachelor of Science in Math, Major in Computer Science from Ateneo de Manila University and her Master of Business Administration, Major in Information Technology from University of Western Sydney. Joined MONDE in August, 2022.

Ms. Katherine C. Lee-Bacus, Filipino, 33 y.o., Assistant Corporate Secretary. Previously: Associate, SyCip Salazar Hernandez & Gatmaitan; Associate, Risk and Internal Audit, Isla Lipana & Co; Audit Specialist, Bank of the Philippine Islands. Member, Integrated Bar of the Philippines. Certified Compliance Officer, Center for Global Best Practices; Alumnus, University of the Asia and the Pacific Center for Research and Communication Data Protection Officer Foundational and Certification Program. Received her J.D. from Ateneo Law School, and her Bachelor of Science in Accountancy (magna cum laude) from Saint Louis College. Joined MONDE in 2021.

Ms. Anne Katherine N. Santos, Filipino, 34 y.o., Assistant Corporate Secretary. Previously: Senior Associate, SyCip Salazar Hernandez & Gatmaitan. Member, Integrated Bar of the Philippines. Certified Compliance Officer, Center for Global Best Practices; Alumnus, University of the Asia and the Pacific Center for Research and Communication Data Protection Officer Foundational and Certification Program. Received her J.D. from Ateneo Law School, and her B.S. in Management Engineering from Ateneo de Manila University. Joined MONDE in 2021.

(2) Significant Employees

While MONDE values the contribution of each of its executive and non-executive employees, it believes that there is no single executive or non-executive employee whose resignation or loss would have a material adverse impact on the Company's business.

(3) Family Relationships

Mr. Hartono Kweefanus, Mr. Hoediono Kweefanus, and Ms. Monica Darmono are siblings. Ms. Betty T. Ang is married to Mr. Hoediono Kweefanus. Mr. Henry Soesanto is married to Ms. Monica Darmono. Ms. Kataline Darmono is the daughter of Mr. Hartono Kweefanus.

There are no other known family relationships either by consanguinity or affinity up to the fourth civil degree between and among MONDE's incumbent directors and executive officers.

(4) Involvement in Certain Legal Proceedings

To the best of the Company's knowledge and belief and after due inquiry, none of MONDE's directors or executive officers, in the five-year period prior to the date of this Annual Report, had: (1) any petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within a two-year period of that time; (2) been convicted by final judgment in a criminal proceeding, domestic or foreign, or has been subjected to a pending judicial proceeding of a criminal nature, domestic or foreign, excluding traffic violations and other minor offenses; (3) been subjected to any order, judgment, or decree, not subsequently reversed, suspended, or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending, or otherwise limiting their involvement in any type of business, securities, commodities, or banking activities; or (4) been found by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange, or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation and the judgment has not been reversed, suspended, or vacated.

The Group is not involved in any litigation, arbitration, or claims (including personal injuries, employee compensation or product liability claims) of material importance, and the Group is not aware of any litigation, arbitration, or claims of material importance pending or threatened against it that would have a material adverse effect on its business, financial condition, or results of operations.

(b) Resignation of Directors

From Listing Date up to the present, no Director has resigned or declined to stand for re-election to the Board due to any disagreement with MONDE on any matter relating to the Company's operations, policies, or practices. Director Delfin Lazaro resigned on April 27, 2022 due to personal reasons.

(c) Others

Other matters on Directors and executive officers such as the Committees of the Board, attendance in Board meetings, and trainings and continuing education programs, among others, are in Item 5 of MONDE's 2022 Definitive Information Statement which are available in MONDE's website and also found in MONDE's portal at the PSE EDGE.

Item 10. Executive Compensation

(a) Executive Compensation

The aggregate compensation paid or incurred during the last two calendar years, as well as those estimated to be paid in the ensuing calendar year, to MONDE's Chief Executive Officer ("CEO") and MONDE's senior executive officers are as follows:

Name and Principal Position	Year	Salary (in ₱)	Other Variable Benefits (in ₱)	Total (in ₱)
Betty Ang <i>President</i>				
Henry Soesanto <i>Chief Executive Officer</i>				
Tomasito D. Tiu ¹ <i>Former Vice President for Manufacturing</i>				
Marivic N. Cajucom-Uy <i>Chief Sustainability Officer</i>				
Samuel C. Sih <i>Chief Commercial Officer</i>				
Helen G. Tiu ² <i>Chief Legal Counsel and Corporate Secretary</i>				
Michael Stanley D. Tan <i>Chief Operations Officer</i> ³				
Total compensation of the CEO and 5 most highly compensated officers ⁴	2021	42,680,238.00	120,589,918.00	163,270,156.00
	2022	41,183,461.00	133,494,378.00	174,677,839.00
	2023 (est.)	42,680,238.00	129,482,506.00	172,162,744.00
All other officers and Directors as a group unnamed ⁵	2021	82,460,366.00	55,042,267.00	137,502,633.00
	2022	86,586,978.00	80,714,439.00	167,301,417.00
	2023 (est.)	85,854,266.40	66,957,567.00	152,811,833.40
Total	2021	125,140,604.00	175,632,185.00	300,772,789.00
	2022	127,770,439.00	214,208,817.00	341,979,256.00
	2023 (est.)	128,534,504.40	196,440,073.00	324,974,577.40

(b) Compensation of Directors

Under the Amended By-Laws' Article I, Section 5, "directors shall be entitled to receive from [MONDE] fees and other compensation for their services in accordance with Section 29 of the Revised Corporation Code. In no case shall the total yearly compensation of [d]irectors exceed three percent (3.0%) of the net income before income tax of [MONDE] during the preceding year. The Board's Corporate Governance, Nomination, & Remuneration (*i.e.*, CGNR) Committee shall have the responsibility of recommending such fees and other compensation of [d]irectors. In discharging this duty, the CGNR Committee shall be guided by the principle

¹ Mr. Tomasito D. Tiu was VP – Manufacturing and retired on March 31, 2021. He was one of the top five most highly compensated officers in 2020.

² Atty. Helen G. Tiu replaced Mr. Tomasito D. Tiu as one of the top five most highly compensated officers in 2021.

³ Mr. Michael Stanley D. Tan replaced Atty. Helen G. Tiu as one of the top five most highly compensated officers in 2022.

⁴ CEO Mr. Henry Soesanto, President Ms. Betty T. Ang, VP – Manufacturing Mr. Tomasito D. Tiu, Chief Sustainability Officer Ms. Marivic N. Cajucom-Uy, and Chief Commercial Officer Mr. Samuel C. Sih were the top five most highly compensated officers in 2020. Mr. Tomasito D. Tiu, who was one of the top five most highly compensated officers in 2020, retired on March 31, 2021 and was replaced on the list by Chief Legal Counsel Atty. Helen G. Tiu. Atty. Helen G. Tiu has retired in July, 2022 as Chief Legal Officer but remains as MONDE's Corporate Secretary, and was replaced by Chief Operations Officer Mr. Michael Stanley D. Tan as one of the top five most highly compensated officers in 2022. In 2022, the executives' base salaries were only increased by less than 5.0% or an adjustment for inflation applicable to all MONDE employees.

⁵ The salary of "All Other Officers and Directors as a Group Unnamed" decreased in 2022 compared to 2021 as the salaries of one of the officers who retired in September 2021, and of Chief Operations Officer Mr. Michael Stanley D. Tan, who in 2022 is among the top six most highly compensated officers, are included in the unnamed group in 2021.

that [d]irectors should be fairly remunerated for their performance and for work required and responsibility assumed in a company of the [MONDE’s] size and scope.”

(1) Standard Arrangements

Other than payment of reasonable per diems for the attendance by Independent Directors at the meetings of the Board and of Board Committees, there are no other arrangements pursuant to which the Directors are compensated, directly or indirectly, for any services provided as a director and for their committee participation or special assignments.

On March 1, 2021, the Board approved a resolution fixing the current meeting fees of Independent Directors, as follows:

Board Meeting Fee per meeting attended (per diem)	240,000.00
Board Committee Meeting Fee per meeting attended (per diem)	₱ 120,000.00

Directors who are not Independent Directors do not receive meeting fees or any other remuneration. The foregoing meeting fees were determined before the current Independent Directors became members of the Board. The current Independent Directors did not participate in the determination of said meeting fees.

Pursuant to the requirement of the Revised Corporation Code’s Sections 29 and 49 relating to an annual report of the total compensation of each member of the Board of Directors, below is a table showing the gross compensation received by the Directors in 2021 and 2022 and those estimated to be payable in 2023:

	2021 (in ₱)			2022 (in ₱)			2023 – estimate (in ₱)		
	Board Meetings	Committee Meetings	Total	Board Meetings	Committee Meetings	Total	Board Meetings	Committee Meetings	Total
Non-Independent Directors	0.00	0.00	0.00	0.00	0.00	0.00	0.00		0.00
Independent Directors									
Delfin L. Lazaro	1,920,000.00	1,680,000.00	3,600,000.00	480,000.00	1,080,000.00	1,560,000.00	-	-	-
Romeo L. Bernardo	-	-	-	1,440,000.00	960,000.00	2,400,000.00	1,680,000.00	1,320,000.00	3,000,000.00
Nina Perpetua D. Aguas	1,920,000.00	1,080,000.00	3,000,000.00	1,920,000.00	1,680,000.00	3,600,000.00	1,680,000.00	1,200,000.00	2,880,000.00
Marie Elaine Teo	1,920,000.00	1,080,000.00	3,000,000.00	1,920,000.00	1,680,000.00	3,600,000.00	1,680,000.00	1,200,000.00	2,880,000.00
Total	5,760,000.00	3,840,000.00	9,600,000.00	5,760,000.00	5,400,000.00	11,160,000.00	5,040,000.00	3,720,000.00	8,760,000.00

(2) Other Arrangements

Other than as disclosed above, there are no arrangements pursuant to which any of the Directors were compensated or are to be compensated, directly or indirectly, by MONDE for services rendered as Directors or Board Committee members during the last calendar year, and the ensuing calendar year.

As aforementioned, Directors other than Independent Directors do not receive meeting fees nor any other form of remuneration as such. Thus, no meeting fees or any other form of remuneration were incurred or paid to non-independent directors for their services as such in 2021 and 2022.

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

There are no employment contracts between MONDE and its executive officers.

There are neither special compensatory plans nor arrangements with respect to an executive officer that has resulted or will result from the resignation, retirement, or any other termination of such executive officer’s employment with MONDE, or from a change-in-control in MONDE, or a change in an executive officer’s responsibilities following a change in control of the Company.

(d) Warrants and Options Outstanding: Repricing

There are no outstanding warrants or options held by the CEO, by executive officers, nor by all Directors and officers as a group.

Item 11. Security Ownership of Certain Beneficial Owners and Management

(a) Security Ownership of Certain Record and Beneficial Owners and Management

(1) Security Ownership of Certain Record and Beneficial Owners of more than 5% as of December 31, 2022:

Title of Class	Name and Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent (of total outstanding shares)
Common	Hartono Kweefanus JL Syamsurizal Kota Adm. Jakarta Pusat, Indonesia (Director)	Hartono Kweefanus (same as record owner)	Indonesian	4,214,244,600	23.453%
Common	Hoediono Kweefanus ⁶ JL Raya Darmo 65 Surabaya, Indonesia (Director)	Hoediono Kweefanus (same as record owner)	Indonesian	948,324,600	5.278%
Common	Betty T. Ang ⁷ 45B Park Terraces Condominium, Palm Drive, Ayala Center, Makati (Director)	Betty T. Ang (same as record owner)	Filipino	3,265,920,000	18.176%
Common	Henry Soesanto ⁸ Unit 45A, Discovery Primea Suites 6749 Ayala Avenue, Brgy. Urdaneta (Director)	Henry Soesanto (same as record owner)	Indonesian	1,548,681,395	8.619%
Common	My Crackers, Inc. 1763 P.M. Guanzon St. Paco, Manila	Keng Sun Mar Peter Mar	Filipino	1,228,611,496	6.838%
Common	PCD Nominee Corporation (Non-Filipino) ⁹ Philippine Depository & Trust Corp., 29 th Floor, BDO	PCD participants acting for themselves or for their customers ¹⁰	Various Non-Filipino	2,488,504,793	13.849%

⁶ Mr. Hoediono Kweefanus is the spouse of Ms. Betty T. Ang. As such, under Rule 3.1.2 of the SRC Implementing Rules and Regulations (“SRC IRR”), Mr. Hoediono Kweefanus is deemed to have an indirect beneficial interest in Ms. Betty Ang’s 3,265,920,000 shares.

⁷ Ms. Betty T. Ang is the spouse of Mr. Hoediono Kweefanus. As such, under the SRC IRR, Ms. Betty Ang is deemed to have an indirect beneficial interest in Mr. Hoediono Kweefanus’s 948,324,600 shares.

⁸ Mr. Henry Soesanto is the spouse of Ms. Monica Darmono. As such, under the SRC IRR, Mr. Henry Soesanto is deemed to have an indirect beneficial interest in Ms. Monica Darmono’s 765,897,596 shares.

⁹ PCD Nominee Corporation is the registered owner of the shares in the books of the Company’s stock transfer agent. PCD Nominee Corporation is a corporation wholly owned by the PDTC, which acts as nominee and legal title holder of all shares of stock lodged in the PDTC. PDTC is a private corporation organized to establish a central depository in the Philippines and introduce scripless or book-entry trading in the Philippines. Under the PDTC’s current system, only PCD participants (i.e., brokers and custodians) are recognized by the PDTC as the owners of the lodged shares.

¹⁰ Each beneficial owner of shares through a PCD participant (i.e., brokers and custodians) is the beneficial owner to the extent of the number of shares in his/her/its account with the PCD participant. Based on the reports provided to the Company by the STA, out of the PCD Nominee

Title of Class	Name and Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent (of total outstanding shares)
	Equitable Tower 8751 Paseo de Roxas, Makati City				
Common	PCD Nominee Corporation (Filipino) Philippine Depository & Trust Corp., 29 th Floor, BDO Equitable Tower 8751 Paseo de Roxas, Makati City	PCD participants acting for themselves or for their customers	Various Filipino	1,632,070,907	9.083%

(2) Security Ownership of Directors and of Management (Executive Officers) as of December 31, 2022:

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percent (of total outstanding shares)
DIRECTORS				
Common	Hartono Kweefanus	(direct) 4,214,244,600	Indonesian	23.453%
Common	Hoediono Kweefanus ¹¹	(direct) 948,324,600	Indonesian	5.278%
Common	Betty T. Ang ¹²	(direct) 3,265,920,000	Filipino	18.176%
Common	Henry Soesanto ¹³	(direct) 1,548,681,395	Indonesian	8.619%
Common	Monica Darmono ¹⁴	(direct) 765,897,596	Indonesian	4.262%
Common	Romeo L. Bernardo	(direct) 1 Henry Soesanto is the beneficial owner of 1 share	Filipino	0.000%
Common	Nina Perpetua D. Aguas	2 Henry Soesanto is the beneficial owner of 2 shares	Filipino	0.000%
Common	Kataline Darmono	(direct) 2 Monica Darmono is the beneficial owner of 2 shares	Indonesian	0.000%
Common	Marie Elaine Teo	(direct) 2 Monica Darmono is the beneficial owner of 2 shares	Singaporean	0.000%
CEO and Four Most Highly Compensated Officers				
Common	Betty T. Ang	(direct) 3,265,920,000	Filipino	18.176%
Common	Henry Soesanto (CEO)	(direct) 1,548,681,395	Indonesian	8.619%
Common	Marivic N. Cajucom-Uy	(direct) 687,800	Filipino	0.004%
Common	Samuel C. Sih	(direct) 3,300,000	Filipino	0.018%
Common	Michael Stanley D. Tan ¹⁵	(direct and indirect) 410,400	Filipino	0.002%
Other Executive Officers				
Common	Helen G. Tiu	(direct) 4,200,000	Filipino	0.023%
Common	Jesse C. Teo	(direct) 1,135,000	Filipino	0.006%
Common	Wendy T. Antioquia	(direct) 1,093,000	Filipino	0.006%
Common	Romeo L. Marañon, Jr.	(direct) 432,000	Filipino	0.002%

Corporation account, the following PCD participants hold more than 5% of the Company's outstanding capital stock for various trust accounts as of December 31, 2022: 1,142,808,421 common shares or 6.360% of the voting stock is for the account of Standard Chartered Bank, and 1,093,664,425 common shares or 6.087% of the voting stock is for the account of The Hong Kong and Shanghai Banking Corp. Ltd. – Clients' Acct.,

¹¹ Mr. Hoediono Kweefanus is the spouse of Ms. Betty T. Ang. Please see footnote 6.

¹² Ms. Betty T. Ang is the spouse of Mr. Hoediono Kweefanus. Please see footnote 7.

¹³ Mr. Henry Soesanto is the spouse of Ms. Monica Darmono. Please see footnote 8.

¹⁴ Ms. Monica Darmono is the spouse of Mr. Henry Soesanto. As such, under the SRC IRR, Ms. Monica Darmono is deemed to have an indirect beneficial interest in Mr. Henry Soesanto's 1,548,681,395 shares.

¹⁵ Mr. Michael Stanley D. Tan has indirect beneficial ownership over the 86,000 shares held by his spouse.

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percent (of total outstanding shares)
Common	Melissa C. Pabustan	(direct) 375,000	Filipino	0.002%
Common	Elvira S. Mensalvas	(direct) 255,000	Filipino	0.001%
Common	Daniel Teichert	(direct) 105,700	German	0.001%
Common	Michael J. Paska	(direct) 75,000	American	0.000%
Common	Shiela P. Alarcio	(direct) 37,500	Filipino	0.000%
Common	Jon Edmarc R. Castillo	(direct) 35,000	Filipino	0.000%
Common	Katherine C. Lee-Bacus	(direct) 22,000	Filipino	0.000%
Common	Anne Katherine N. Santos ¹⁶	(indirect) 19,400	Filipino	0.000%
Common	Luzviminda M. Mercurio	(direct) 10,000	Filipino	0.000%
Common	Jocelyn Jones G. So	-	Chinese	-
All Directors and Officers as a group		10,755,512,998		59.857%

(3) Voting Trust Holders of 5% or more

MONDE knows of no person holding more than 5% of common shares under a voting trust or similar agreement.

(4) Changes in Control

No change of control in MONDE has occurred since the beginning of its last calendar year.

Item 12. Certain Relationships and Related Transactions

The Group, in its regular conduct of business, has entered into transactions with associates and other related parties principally comprising advances and reimbursement of expenses, purchase and sale of trade inventory/merchandise, leasing, and administrative service agreements. Sales and purchases of goods and services to and from related parties are made on an arm's length basis and at current market prices at the time of the transactions. Under MONDE's Material Related Party Transactions Policy, the Board oversees the proper implementation of the system for identifying, monitoring, measuring, controlling, and reporting material related party transactions ("MRPTs"), in accordance with the requirements of the SEC's Memorandum Circular No. 10 S. of 2019, or the *Rules on Material Related Party Transactions for PLCs*.

Directors, officers and employees are required to promptly disclose any business and family-related transactions with MONDE to ensure that they are at arm's length, under fair terms, and will inure to MONDE's and its shareholders' best interest in accordance with applicable laws and regulations.

PART IV – CORPORATE GOVERNANCE

Item 13. Corporate Governance

MONDE's Articles of Incorporation, Amended By-Laws, Manual on Corporate Governance ("CG Manual"), Code of Conduct and Ethics, together with the respective charters of its Board of Directors and the Board Committees, as well as its Company policies, incorporate the principles and best practices of corporate governance embodied in the Revised Corporation Code of the Philippines and the corporate governance-related issuances of the SEC and the PSE. The inclusion of good governance principles in the foregoing documents, and the adoption of the best practices of corporate governance company-wide, highlight MONDE's commitment to observing the highest standards of corporate governance.

¹⁶ Ms. Anne Katherine N. Santos has indirect beneficial ownership over the 19,400 shares held by her spouse.

Good Governance as a Practice.

The Board spearheads the promotion and observance of good corporate governance. In line with the principles and recommendations under the SEC's MC No. 19, Series of 2016, or the *Code of Corporate Governance for Publicly-Listed Companies* ("**CG Code**"), the Board has approved the adoption of MONDE's (a) key Board charters to guide its members in the Board's oversight functions, *i.e.*, the Board Charter, the Audit Committee Charter, the Risk and Related Party Transactions Committee Charter, the Corporate Governance, Nomination, and Remuneration Committee Charter, and the Executive Committee Charter; (b) CG Manual, and Code of Conduct and Ethics; and (c) other key governance policies (*i.e.*, Conflict of Interest, Data Privacy, Prevention of Insider Trading, Whistleblowing, Material Related Party Transactions, Guidelines and Limitations re Engaging External Auditors for Non-Audit Services).

To promote an exchange of diverse viewpoints, the Board comprises nine (9) individuals with a multitude of professional and personal backgrounds. To enhance its ability to perform its oversight function over management, the Board has six (6) non-executive directors. Showing its commitment to gender diversity, MONDE has five (5) female directors as the majority members of its nine (9)-member Board. One-third of the members of the Board consists of Independent Directors who are known in the business sector as men and women of competence, integrity, and probity.

In compliance with leading practices on corporate governance, the Board has (a) elected a Chairperson who is a separate person from its President as well as its Chief Executive Officer; (b) created a five-member Executive Committee where at least one director out of its five members is an Independent Director so that the interest of the minority shareholders may be considered; and (c) created board oversight committees (*i.e.*, Audit Committee, Risk and Related Party Transactions Committee, and Corporate Governance, Nomination, and Remuneration Committee), the members of which are entirely made up of Independent Directors. There is a Lead Independent Director, consistent with the recommendation of the CG Code.

The Board and the Board Committees meet regularly in accordance with the By-Laws and CG Manual to discuss corporate matters as well as to formulate, review, and assess governance controls and procedures. For the year 2022, the Board had eight meetings, its Executive Committee had five meetings, its Audit Committee had six meetings, its Risk and Related Party Transactions Committee had two meetings, and its Corporate Governance, Nomination, and Remuneration Committee had four meetings.

In compliance with prevailing SEC regulations and the PSE's disclosure rules, MONDE's structured and unstructured disclosures and other information, as well as its Articles of Incorporation, By-Laws, CG Manual, Code of Conduct and Ethics, the Board and the Board Committee Charters, and key policies, are accessible by investors and the general public through MONDE's website and MONDE's Company's portal in PSE EDGE.

From the effectivity of its CG Manual to the date of this report, there is no known material deviation by MONDE from its CG Manual.

Governance Growth and Improvement.

In accordance with the CG Manual, the Board, together with Management, conducted annual trainings on corporate governance for 2022. The Board and MONDE's key executive officers attend compliance and governance trainings by leading service providers to ensure that they are aligned with the developments in and/or best practices on good corporate governance, ESG initiatives and/or financial reporting.

MONDE's Board has also conducted annual self-evaluation exercises in 2021 and 2022 pertaining to the individual Directors, the Board as a body, and its different Committees, and the relationship and interaction between Board and Management to assess and evaluate their respective performance in the governance roles they have been entrusted with.

MONDE in 2022 had its first-ever Integrated Annual Corporate Governance Report (I-ACGR) for the covered months of 2021. It is preparing to submit its I-ACGR for 2022 on or before May 30, 2023.

Professional advisors in the fields of legal, audit/assurance, compensation benchmarking, compliance, risk, and sustainability consulting have been or are being engaged by MONDE, as necessary, to help ensure its compliance with best-in-field practices and that its ESG framework remains robust and current.

The Company, led by the Board, Management, and the heads of its Audit, Compliance, Legal, and Risk functions, continues to monitor and evaluate policies and operations to ensure compliance with good governance principles.

PART V - EXHIBITS AND SCHEDULES

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

(a) Exhibits

Please see the accompanying 2022 Consolidated Audited Financial Statements and Supplementary Schedules (Annex A), 2022 Parent Company Audited Financial Statements and Supplementary Schedules (with BIR ITR Filing Reference) (Annex B), and 2022 Sustainability Report (Annex C).

(b) Reports on SEC Form 17-C

Aside from compliance with periodic reporting requirements, MONDE promptly discloses material and market sensitive information in accordance with the Securities Regulation Code, SEC regulations, and the PSE's Listing and Disclosure Rules.

In 2022, MONDE submitted Current Reports on SEC form 17-C and the pertinent PSE Disclosure Form on the following matters:

1. Appointment – additional Assistant Corporate Secretary
2. Issuance of a parent guarantee in connection with the loan obligations of MONDE's wholly-owned, UK-based, indirect subsidiary, Marlow Foods Limited
3. Notice of Q1 2022 Earnings Briefing
4. Independent Director Resignation (personal reasons); change in designation – Chief People & Culture Officer
5. Amendments to the By-Laws approved by the SEC on April 28, 2022
6. Election of Interim Independent Director
7. Press Release on Q1 2022 Financial Results
8. Earnings Briefing Materials (Q1 2022)
9. Notice of Annual Stockholders' Meeting
10. Notice of Analysts' /Investors' Briefing (PSE Strengthening Access and Reach [STAR] Investor Day)
11. Results of the Annual Stockholders' Meeting
12. Results of Organizational Meeting of Board of Directors
13. Change in designation – Chief Risk Officer, and appointment of Chief Information and Digital Officer
14. Information regarding recall of Lucky Me! Products in the EU and Taiwan
15. Notice of 1H 2022 Earnings Briefing
16. Retirement of the Company's Chief Legal Officer
17. Declaration of Cash Dividends
18. Notice to Stockholders in relation to the withholding taxes on cash dividend distributions
19. Press Release on 1H 2022 Financial Results
20. Earnings Briefing Materials (1H 2022)
21. Settlement of a PhP4.46M assessment from 2017 by the Laguna Lake Development Authority
22. Notice of 9M 2022 Earnings Briefing
23. Press Release on 9M 2022 Financial Results
24. Earnings Briefing Materials (9M 2022)
25. Change in designation – Chief Investor Relations Officer

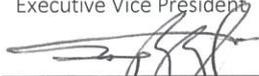
SIGNATURES

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, at the place and on the date indicated below.

By:



Henry Soesanto
Chief Executive Officer and
Executive Vice President



Enrico Manuel Peñas
Accounting Controller



Jesse C. Teo
Chief Financial Officer



Helen G. Tiu
Chief Legal Counsel and
Corporate Secretary

REPUBLIC OF THE PHILIPPINES)
MUNTINLUPA CITY) s.s.

13 APR 2023

SUBSCRIBED AND SWORN TO before me this 13 APR 2023 at the place stated above, affiant(s) exhibiting to me their respective competent evidences of identity, as follows:

NAMES	COMPETENT EVIDENCE OF IDENTITY	DATE OF ISSUE	PLACE OF ISSUE
Henry Soesanto	Indonesian Passport No. C1226256	July 16, 2019 Valid until July 16, 2024	KBRI Manila
Jesse C. Teo	Philippine Passport No. P0044240B	December 27, 2018 Valid until December 26, 2028	DFA NCR West
Helen G. Tiu	Pag-IBIG MID No. 1212-0257-2480	-	-
Enrico Manuel Peñas	Philippine Passport No. P7677114A	June 26, 2018 Valid until June 25, 2028	DFA NCR East

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Book No. II
Series of 2023



MICHAEL ROSS I. LIMOSNERO
NOTARY PUBLIC FOR MUNTINLUPA CITY
Rm. 309 Antonio Centre, Madrigal Business Park 2,
Alabang, Muntinlupa City
Notarial Commission No. 22-039
Until December 31, 2023
PTR No 9563635; Makati City: 01-03-23
IBP No 260519; PPLM: 01-05-23
MCLE Compliance No VII-0017001; 05-01-22
IBP No. 42106

ANNEX A

2022 Consolidated Audited Financial
Statements and Supplementary Schedules



SECURITIES AND EXCHANGE COMMISSION

SEC Headquarters, 7907 Makati Avenue, Salcedo Village, Barangay Bel-Air, Makati City, 1209, Metro Manila Philippines
Tel: (632) 818-0921 Fax: (632) 818-5293 Email: mis@sec.gov.ph



The following document has been received:

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Receipt Date and Time: April 05, 2023 07:43:40 AM

Company Information

SEC Registration No.: 0000086335

Company Name: MONDE NISSIN CORP.

Industry Classification: D15600

Company Type: Stock Corporation

Document Information

Document ID: OST1040520238997259

Document Type: Financial Statement

Document Code: FS

Period Covered: December 31, 2022

Submission Type: Consolidated

Remarks: None

Acceptance of this document is subject to review of forms and contents



Monde Nissin

MONDE NISSIN CORPORATION
Felix Reyes Street,
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www.mondenissin.com

THE SECURITIES AND EXCHANGE COMMISSION
7907 MAKATI AVENUE, SALCEDO VILLAGE, BRGY. BEL-AIR
MAKATI CITY, 1209 PHILIPPINES

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

The management of **MONDE NISSIN CORPORATION** is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2022, 2021 and 2020, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

SyCip Gorres Velayo & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the Group in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.

Henry Soesanto
Acting Chairman of the Board

Henry Soesanto
Chief Executive Officer

Jesse Teo
Chief Financial Officer

Enrico Peñas
Head of Finance Shared Services

Signed this 19th day of MAY of 2023



Monde Nissin

MONDE NISSIN CORPORATION
21st Floor, 6750 Office Tower
Ayala Avenue, Makati City
Philippines 1224

Tel: (+632) 7759 7500
www.mondenissin.com

REPUBLIC OF THE PHILIPPINES)
MAKATI CITY, METRO MANILA) S.S.

SUBSCRIBED AND SWORN TO before me this 3rd day of April 2023 at Makati City,
Metro Manila, by:

Name	TIN No.	Competent Evidence of Identity	Place and Date of Issue
Henry Soesanto	100-574-508	Passport No. C1226256	KBRI Manila; 16 July 2019
Jesse C. Teo	146-443-245	Passport No. P0044240B	DFA NCR West; 27 December 2018

Doc No. 51 ;
Page No. 12 ;
Book No. I ;
Series of 2023.


ATTY. GARNY-LUISA S. ALEGRE
Notary Public for Makati City
Appointment No. M-219 until December 31, 2024
Roll of Attorneys No. 53666
PTR No. 9568529MN/1-05-2023 / Makati City
IBP No. 241831 / 12-06-2022
Roll No. 53666 / Albay Chapter
MCLE Compliance No. VII-0002539 valid until April 14, 2025
21st Floor, 6750 Office Tower, Ayala Avenue
Makati City, 1226

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Monde Nissin Corporation
Felix Reyes St., Barangay Balibago
City of Santa Rosa, Laguna

Opinion

We have audited the consolidated financial statements of Monde Nissin Corporation and Subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2022 and 2021, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2022 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

Key Audit Matters

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

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.



Recoverability of Goodwill and Brand

Under Philippine Accounting Standard (PAS) 36, *Impairment of Assets*, the Group is required to test annually the amount of goodwill and brand with indefinite life for impairment. This annual impairment test was significant to our audit because the balance of goodwill and brand with indefinite life amounting to ₱13.8 billion as at December 31, 2022 are material to the consolidated financial statements. In addition, management's assessment process is complex and highly judgmental and is based on assumptions which are subject to higher level of estimation uncertainty, specifically short-term and long-term growth rates applied to revenue and EBITDA, and the discount rate applied.

The related disclosures on the Group's goodwill and brand are included in Notes 3 and 13 to the consolidated financial statements.

Audit Response

We involved our internal specialist in evaluating the methodologies and the assumptions used in determining the recoverable amounts of the cash-generating units (CGUs) for goodwill and brand with indefinite life. These assumptions include short-term and long-term growth rates applied to revenue and EBITDA, and the discount rate applied. We have assessed the forecasts and assumptions, agreeing them to budgets approved by the Board of Directors and comparing them to actual results and forecasts of industry growth rates published by independent analysts. We performed an independent assessment of the discount rate assumptions determined by management. The assumptions underlying the discount rate calculation were benchmarked against comparative market data. In assessing the discount rate, we reviewed the underlying cash flows and considered the risks inherent in the cash flows.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Sheet), SEC Form 17-A and Annual Report for the year ended December 31, 2022 but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2022 are expected to be made available to us after the date of this auditor's report.

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

In connection with our audit 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 PFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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



- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

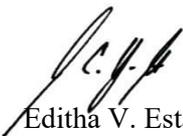
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

The engagement partner on the audit resulting in this independent auditor's report is Editha V. Estacio.

SYCIP GORRES VELAYO & CO.



Editha V. Estacio

Partner

CPA Certificate No. 91269

Tax Identification No. 178-486-845

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 91269-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-094-2020, July 27, 2020, valid until July 26, 2023

PTR No. 9564617, January 3, 2023, Makati City

March 29, 2023



MONDE NISSIN CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Amounts in thousands)

	December 31	
	2022	2021
ASSETS		
Current Assets		
Cash and cash equivalents (Note 5)	₱11,628,627	₱13,856,814
Trade and other receivables (Note 6)	6,800,309	6,248,732
Inventories (Note 7)	10,878,570	8,572,363
Current financial assets (Notes 9, 23 and 26)	1,756,101	165,937
Prepayments and other current assets (Note 8)	1,269,209	1,769,157
Total Current Assets	32,332,816	30,613,003
Noncurrent Assets		
Property, plant and equipment (Note 12)	30,863,507	29,952,260
Intangible assets (Note 13)	14,482,905	35,646,756
Investments in associates and joint ventures (Note 11)	1,104,453	1,094,087
Deferred tax assets - net (Note 24)	867,912	885,485
Noncurrent receivables (Notes 9 and 23)	662,300	500,000
Other noncurrent assets (Note 14)	978,480	1,166,037
Total Noncurrent Assets	48,959,557	69,244,625
	₱81,292,373	₱99,857,628
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Note 15)	₱11,322,600	₱11,156,419
Acceptances and trust receipts payable (Notes 7 and 16)	2,362,301	3,714,690
Current portion of lease liabilities (Note 25)	386,671	97,280
Current portion of loans payable (Note 17)	269,758	6,998,805
Refund liabilities (Note 15)	200,440	303,878
Income tax payable	209,831	137,842
Total Current Liabilities	14,751,601	22,408,914
Noncurrent Liabilities		
Loans payable (Note 17)	6,983,256	-
Deferred tax liabilities - net (Note 24)	4,319,733	5,702,436
Lease liabilities (Note 25)	2,423,496	2,661,581
Pension liability (Note 22)	506,430	648,692
Other noncurrent liabilities	36,673	20,425
Total Noncurrent Liabilities	14,269,588	9,033,134
Total Liabilities	29,021,189	31,442,048
Equity		
Capital stock (Note 18)	8,984,306	8,984,306
Additional paid-in capital (Notes 18 and 29)	46,515,847	46,515,847
Retained earnings (Deficit) (Notes 18 and 29):		
Appropriated	5,211,452	4,095,257
Unappropriated	(4,039,669)	12,612,644
Fair value reserve of financial assets at FVOCI (Note 10)	(235,130)	(235,130)
Remeasurement losses on pension liability (Note 22)	(210,805)	(289,263)
Equity reserve (Note 18)	(622,335)	(622,335)
Cumulative translation adjustments (Note 18)	(3,474,980)	(2,783,253)
Equity Attributable to Equity Holders of the Parent Company	52,128,686	68,278,073
Non-controlling Interests (Notes 4 and 18)	142,498	137,507
Total Equity	52,271,184	68,415,580
	₱81,292,373	₱99,857,628

See accompanying Notes to Consolidated Financial Statements.



MONDE NISSIN CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Thousands, Except Earnings Per Share Value)

	Years Ended December 31		
	2022	2021	2020
NET SALES (Note 19)	₱73,880,709	₱69,284,188	₱67,945,511
COST OF GOODS SOLD (Notes 7 and 19)	50,920,755	43,692,769	41,439,516
GROSS PROFIT	22,959,954	25,591,419	26,505,995
SALES, GENERAL AND ADMINISTRATIVE EXPENSES			
Impairment loss - net (Notes 11, 12, 13, and 20)	21,373,638	223,061	1,013,838
General and administrative expenses (Note 20)	7,587,747	7,619,360	6,840,031
Selling and distribution expenses (Note 20)	7,496,354	8,343,995	6,569,298
	36,457,739	16,186,416	14,423,167
	(13,497,785)	9,405,003	12,082,828
OTHER INCOME (EXPENSES)			
Foreign exchange gains - net (Notes 4 and 17)	422,117	410,402	914,239
Market valuation gain on financial instruments at fair value through profit or loss (FVTPL) (Note 9)	22,380	12,543	-
Share in net earnings (losses) of associates and joint ventures (Note 11)	(12,608)	36,367	(98,300)
Miscellaneous income (Notes 6, 9 and 21)	141,871	283,820	250,166
	573,760	743,132	1,066,105
INCOME (LOSS) BEFORE FINANCE INCOME (EXPENSES)	(12,924,025)	10,148,135	13,148,933
FINANCE INCOME (EXPENSES)			
Derivative gain (loss) (Note 26)	1,306,391	(2,258,075)	99,409
Finance costs (Note 21)	(416,525)	(1,568,821)	(1,786,143)
Finance income (Note 21)	148,596	82,971	262,530
Loss on convertible note redemption (Note 17)	-	(1,579,324)	-
	1,038,462	(5,323,249)	(1,424,204)
INCOME (LOSS) BEFORE INCOME TAX	(11,885,563)	4,824,886	11,724,729
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 24)			
Current	2,428,492	392,588	3,194,375
Deferred	(1,299,539)	1,187,173	464,647
	1,128,953	1,579,761	3,659,022
NET INCOME (LOSS)	(₱13,014,516)	₱3,245,125	₱8,065,707

(Forward)



	Years Ended December 31		
	2022	2021	2020
NET INCOME (LOSS)	(₱13,014,516)	₱3,245,125	₱8,065,707
OTHER COMPREHENSIVE INCOME (LOSS)			
Other comprehensive loss to be reclassified to profit and loss in subsequent periods:			
Exchange losses on foreign currency translation (including effective portion of the net investment hedge) (Notes 18 and 26)	(691,727)	1,583,531	(1,100,427)
Other comprehensive loss not to be reclassified to profit and loss in subsequent periods:			
Remeasurement gain (loss) on defined benefit plans (Note 22)	126,789	(337)	(330,765)
Income tax effect	(48,321)	963	98,483
	78,468	626	(232,282)
Other comprehensive income (loss) - net of tax	(613,259)	1,584,157	(1,332,709)
TOTAL COMPREHENSIVE INCOME (LOSS)	(₱13,627,775)	₱4,829,282	₱6,732,998
Net income (loss) attributable to:			
Equity holders of the Parent Company	(₱13,020,512)	₱3,115,032	₱7,340,901
Non-controlling interests	5,996	130,093	724,806
	(₱13,014,516)	₱3,245,125	₱8,065,707
Total comprehensive income (loss) attributable to:			
Equity holders of the Parent Company	(₱13,633,781)	₱4,699,189	₱6,013,011
Non-controlling interests	6,006	130,093	719,987
	(₱13,627,775)	₱4,829,282	₱6,732,998
Earnings (loss) per Share (EPS) (Note 18)			
Basic, income (loss) attributable to equity holders of the parent	(₱0.72)	₱0.19	₱0.56
Diluted, income (loss) attributable to equity holders of the parent	(₱0.72)	₱0.19	₱0.53

See accompanying Notes to Consolidated Financial Statements.



MONDE NISSIN CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Amounts in Thousands)

	Equity Attributable to Equity Holders of the Parent Company										
	Capital Stock (Note 18)	Additional Paid-in Capital (Note 18)	Retained Earnings (Deficit) (Note 18)		Fair Value Reserve of Financial Assets at FVOCI (Note 10)	Remeasurement Losses on Pension Liability	Equity Reserve (Note 18)	Cumulative Translation Adjustments (Note 18)	Non-controlling Interests (Notes 4 and 18)		Total Equity
			Appropriated	Unappropriated					Total		
Balance as at January 1, 2022	₱8,984,306	₱46,515,847	₱4,095,257	₱12,612,644	(₱235,130)	(₱289,263)	(₱622,335)	(₱2,783,253)	₱68,278,073	₱137,507	₱68,415,580
Net income (loss)	–	–	–	(13,020,512)	–	–	–	–	(13,020,512)	5,996	(13,014,516)
Other comprehensive income (loss), net of tax	–	–	–	–	–	78,458	–	(691,727)	(613,269)	10	(613,259)
Total comprehensive income (loss)	–	–	–	(13,020,512)	–	78,458	–	(691,727)	(13,633,781)	6,006	(13,627,775)
Appropriation during the year (Note 18)	–	–	5,167,000	(5,167,000)	–	–	–	–	–	–	–
Release of appropriation (Note 18)	–	–	(4,050,805)	4,050,805	–	–	–	–	–	–	–
Dividends (Note 18)	–	–	–	(2,515,606)	–	–	–	–	(2,515,606)	(1,015)	(2,516,621)
Balance as at December 31, 2022	₱8,984,306	₱46,515,847	₱5,211,452	(₱4,039,669)	(₱235,130)	(₱210,805)	(₱622,335)	(₱3,474,980)	₱52,128,686	₱142,498	₱52,271,184
Balance as at January 1, 2021	₱6,570,000	₱–	₱11,155,336	₱12,497,957	(₱235,130)	(₱289,889)	(₱89,762)	(₱4,366,784)	₱25,241,728	₱1,298,309	₱26,540,037
Net income	–	–	–	3,115,032	–	–	–	–	3,115,032	130,093	3,245,125
Other comprehensive income, net of tax	–	–	–	–	–	626	–	1,583,531	1,584,157	–	1,584,157
Total comprehensive income (loss)	–	–	–	3,115,032	–	626	–	1,583,531	4,699,189	130,093	4,829,282
Issuance of shares (Note 18)	2,414,306	46,515,847	–	–	–	–	–	–	48,930,153	–	48,930,153
Acquisition during the year (Note 4)	–	–	–	–	–	–	(532,573)	–	(532,573)	(1,289,927)	(1,822,500)
Appropriation during the year (Note 18)	–	–	150,805	(150,805)	–	–	–	–	–	–	–
Release of appropriation (Note 18)	–	–	(7,210,884)	7,210,884	–	–	–	–	–	–	–
Dividends (Note 18)	–	–	–	(10,060,424)	–	–	–	–	(10,060,424)	(968)	(10,061,392)
Balance as at December 31, 2021	₱8,984,306	₱46,515,847	₱4,095,257	₱12,612,644	(₱235,130)	(₱289,263)	(₱622,335)	(₱2,783,253)	₱68,278,073	₱137,507	₱68,415,580
Balance as at January 1, 2020	₱6,570,000	₱–	₱8,961,452	₱9,847,540	(₱235,130)	(₱62,426)	(₱89,762)	(₱3,266,357)	₱21,725,317	₱1,496,689	₱23,222,006
Net income	–	–	–	7,340,901	–	–	–	–	7,340,901	724,806	8,065,707
Other comprehensive loss, net of tax	–	–	–	–	–	(227,463)	–	(1,100,427)	(1,327,890)	(4,819)	(1,332,709)
Total comprehensive income (loss)	–	–	–	7,340,901	–	(227,463)	–	(1,100,427)	6,013,011	719,987	6,732,998
Acquisition during the year (Note 4)	–	–	–	–	–	–	–	–	–	94,823	94,823
Appropriation during the year (Note 18)	–	–	11,110,884	(11,110,884)	–	–	–	–	–	–	–
Release of appropriation (Note 18)	–	–	(8,917,000)	8,917,000	–	–	–	–	–	–	–
Dividends (Note 18)	–	–	–	(2,496,600)	–	–	–	–	(2,496,600)	(1,013,190)	(3,509,790)
Balance as at December 31, 2020	₱6,570,000	₱–	₱11,155,336	₱12,497,957	(₱235,130)	(₱289,889)	(₱89,762)	(₱4,366,784)	₱25,241,728	₱1,298,309	₱26,540,037

See accompanying Notes to Consolidated Financial Statements.



MONDE NISSIN CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

	Years Ended December 31		
	2022	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax	(¥11,885,563)	¥4,824,886	¥11,724,729
Adjustments to reconcile income (loss) before income tax to net cash flows:			
Impairment loss - net (Notes 11, 12, 13 and 20)	21,373,638	223,061	1,013,838
Depreciation and amortization (Notes 12, 13, 19 and 20)	2,713,662	2,470,872	2,303,319
Derivative loss (gain) (Note 26)	(1,306,391)	2,258,075	(99,409)
Finance costs (Notes 16, 17, 21 and 25)	416,525	1,568,821	1,786,143
Finance income (Notes 5, 9 and 21)	(148,596)	(82,971)	(262,530)
Market valuation gain on financial instruments at FVTPL (Note 9)	(22,380)	(12,543)	–
Gain on sale of property, plant and equipment (Note 12)	(18,484)	(2,292)	(2,702)
Movement in pension liability (Notes 19, 20 and 22)	(17,236)	168,126	(28,050)
Unrealized foreign exchange gain - net	14,382	(155,593)	(544,601)
Share in net losses (gain) of associates and joint venture (Note 11)	12,608	(36,367)	98,300
Loss on convertible note redemption (Note 17)	–	1,579,324	–
Gain on lease modification	–	(2,704)	(297)
Fair value adjustment on previously held interest in investment in associate (Note 11)	–	–	(2,146)
Bargain purchase (Note 4)	–	–	(18,250)
Working capital adjustments:			
Decrease (increase) in:			
Inventories	(2,306,207)	(2,499,360)	(214,442)
Prepayments and other current assets	499,948	(796,904)	(51,107)
Trade and other receivables	(430,511)	109,848	707,502
Increase (decrease) in:			
Acceptance and trust receipts payable	(1,429,685)	3,098,092	(1,952,849)
Accounts payable and other current liabilities	355,342	1,192,182	434,295
Refund liabilities	(103,438)	24,182	20,313
Net cash generated from operations	7,717,614	13,928,735	14,912,056
Income tax paid	(2,356,503)	(537,143)	(3,612,030)
Interest received	122,223	82,844	97,087
Net cash flows from operating activities	5,483,334	13,474,436	11,397,113
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Current financial assets (Note 9)	(2,586,197)	(7,401,000)	–
Property, plant and equipment (Notes 12 and 28)	(4,432,230)	(5,216,267)	(3,753,474)
Intangible assets (Note 13)	(75,901)	(113,459)	(14,352)
Investment in associates and joint venture (Note 11)	(49,600)	(60,000)	(248,125)
Noncurrent receivables (Notes 9 and 23)	–	–	(245,521)
Proceeds from:			
Disposal of current financial assets (Note 9)	851,995	7,412,542	–
Sale of property, plant and equipment (Note 12)	31,250	5,572	27,926
Dividends from an associate (Note 11)	25,485	26,348	16,000
Decrease (increase) in other noncurrent assets	193,002	(108,130)	(258,211)
Acquisition of non-controlling interest (Note 4)	–	(1,822,500)	–
Acquisition of a subsidiary, net of cash acquired (Note 4)	–	(194,247)	(16,915)
Net cash flows used in investing activities	(6,042,196)	(7,471,141)	(4,492,672)

(Forward)



	Years Ended December 31		
	2022	2021	2020
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from (payments for):			
Availment of loans (Note 17)	₱9,036,880	₱-	₱-
Payment of loans (Note 17)	(8,758,046)	(23,115,381)	(4,335,786)
Cash dividends (Note 18)	(2,516,621)	(10,061,392)	3,509,790
Derivatives	919,859	-	(72,985)
Principal portion of lease liabilities (Note 25)	(255,410)	(276,715)	(846,389)
Interest	(127,045)	(1,437,102)	(1,477,031)
Convertible note (Note 17)	-	(13,351,935)	-
Issuance of capital stock, net of transaction cost (Note 18)	-	48,930,153	-
Increase (decrease) in other noncurrent liabilities	16,248	(1,801)	771
Net cash flow from (used in) financing activities	(1,684,135)	685,827	(10,241,210)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,242,997)	6,689,122	(3,336,769)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	14,810	74,677	(69,507)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	13,856,814	7,093,015	10,499,291
CASH AND CASH EQUIVALENTS AT END OF YEAR	₱11,628,627	₱13,856,814	₱7,093,015

See accompanying Notes to Consolidated Financial Statements.



MONDE NISSIN CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in Thousands, Except Number of Shares, Earnings Per Share Value and Unless Otherwise Specified)

1. General Information

Monde Nissin Corporation (the Parent Company or MNC) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on May 23, 1979 primarily to engage in manufacturing, processing, baking, packaging, servicing, repacking, assembling, importing, exporting, buying, selling, trading or otherwise dealing in all kinds of goods, wares and merchandises, which are or may become articles of commerce such as but not limited to noodles, candies, confectionaries, biscuits, cakes and other foods, drugs and cosmetics. In furtherance of said primary purpose, it is authorized to guarantee obligations of and act as surety for the loans and obligations of its subsidiaries and affiliates and/or to secure the same by mortgage, pledge of any assets of MNC as may be authorized by its Board of Directors (BOD), provided MNC does not operate as a lending or financing company. The Parent Company and its subsidiaries are collectively referred to as the “Group” (see Note 4).

On March 1, 2021, at least a majority of the members of the BOD of the Parent Company and stockholders representing at least two-thirds (2/3) of the outstanding capital stock of the Parent Company approved certain amendments to the Parent Company’s Articles of Incorporation (AOI) including the following: (a) include “noodles” in the articles of commerce that the Parent Company may manufacture, process, service, package, re-package, import, export, buy, sell, trade, or otherwise deal in; (b) amend the term of corporate existence from 50 years to a “perpetual corporate term unless the SEC issues a certificate providing otherwise”; (c) increase the number of directors of the Parent Company from 7 to 9; and (d) authorized number of shares, as amended, shall be 20,400,000,000 common shares with a par value of ₱0.50 per share, from the par value of ₱1.00 per share. These amendments in the Parent Company’s AOI was approved by the SEC on April 7, 2021.

On April 20, 2021 and April 21, 2021, the SEC and Philippine Stock Exchange, Inc. (PSE), respectively, approved the application of the Parent Company for the listing of up to 17,968,611,496 common shares on the Main Board of the PSE.

On June 1, 2021, the Parent Company completed its IPO and was listed in the PSE under the stock symbol “Monde”. As a public company, it is covered by the Revised Securities Regulation Code (SRC) Rule 68.

The Parent Company’s principal place of business is at Felix Reyes St., Barangay Balibago, City of Santa Rosa, Laguna.

The consolidated financial statements were reviewed and recommended for approval by the Audit Committee on March 29, 2023. On the same date, the BOD also approved and authorized the issuance of the consolidated financial statements.

2. Basis of Preparation and Summary of Significant Accounting Policies

Basis of Preparation

The consolidated financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs).



The consolidated financial statements have been prepared on a historical cost basis, except for financial assets at fair value through profit or loss (FVTPL), financial assets at fair value through other comprehensive income (FVOCI) and derivative financial instruments that have been measured at fair value. The consolidated financial statements are presented in Philippine peso, which is the Group's functional and presentation currency. All values are rounded to the nearest thousands, except when otherwise indicated.

The Group has prepared the consolidated financial statements on the basis that it will continue to operate as a going concern.

Basis of Consolidation and Non-controlling Interests

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at December 31 each year and for the years then ended. The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company using consistent accounting policies.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statements of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the owners of the Parent Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. Any excess or deficit of consideration paid over the carrying amount of the non-controlling interest acquired is recognized as part of "Equity reserve" account in the equity attributable to the equity holders of the Parent Company.



If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interests and other components of equity while any resulting gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

Non-controlling Interests. Non-controlling interests represent the portion of profit or loss and OCI and the net assets not held by the Parent Company and are presented separately in the consolidated statement of financial position, separately from equity attributable to equity holders of the Parent Company.

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective in 2022. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Unless otherwise indicated, adoption of these new standards did not have any significant impact on the Group's consolidated financial statements.

- Amendments to PFRS 3, *Reference to the Conceptual Framework*

The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations*, to avoid the issue of potential “day 2” gains or losses arising from liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, or Philippine-IFRIC 21, *Levies*, if incurred separately. At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*

The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*

The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

- Annual Improvements to PFRSs 2018-2020 Cycle

- Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*

The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to PFRS, if no adjustments were made for consolidation procedures and for the effects of the business



combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

- Amendments to PFRS 9, *Financial Instruments, Fees in the “10 per cent” test for derecognition of financial liabilities*

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf.

- Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

Standards Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements will have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2023

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their “significant” accounting policies with a requirement to disclose their “material” accounting policies, and
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

The amendments to the Practice Statement provide non-mandatory guidance.

- Amendments to PAS 8, *Definition of Accounting Estimates*

The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising 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 judgment (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).

Effective beginning on or after January 1, 2024

▪ Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*

The amendments clarify:

- That only covenants with which an entity must comply on or before reporting date will affect a liability's classification as current or non-current.
- That classification is unaffected by the likelihood that an entity will exercise its deferral right.
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively. The Group is currently assessing the impact of the amendments will have on current practice and whether existing loan agreements may require renegotiation.

▪ Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*

The amendments specify how a seller-lessee measures the lease liability arising in a sale and leaseback transaction in a way that it does not recognize any amount of the gain or loss that relates to the right of use retained.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively. Earlier adoption is permitted and that fact must be disclosed.

Effective beginning on or after January 1, 2025

▪ PFRS 17, *Insurance Contracts*

PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*.

Deferred effectivity

▪ Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.



On January 13, 2016, the Financial and Sustainability Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the IASB completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in sales, general and administrative expenses.

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organized workforce with the necessary skills, knowledge or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of PFRS 9, *Financial Instruments*, is measured at fair value with changes in fair value recognized in the statement of profit or loss in accordance with PFRS 9. Other contingent consideration that is not within the scope of PFRS 9 is measured at fair value at each reporting date with changes in fair value recognized in profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGU) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.



Where goodwill has been allocated to a CGU and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the CGU retained.

Investments in Associates and Joint Ventures

An associate is an entity over which the Group has significant influence, generally ownership of 20% to 49%. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Group's investments in its associates and joint ventures are accounted for using the equity method.

Under the equity method, investments in associates and joint ventures are initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortized nor tested for impairment separately.

The consolidated profit or loss reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the associate or joint venture, the Group recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The Group's share of profit or loss of an associate or joint venture is shown on the consolidated profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture. If the Group's share of losses of an associate or joint venture equals or exceeds its interest in the associate or joint venture, the Group discontinues recognizing its share of further losses. After the Group's interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the entity has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. If the associate or joint venture subsequently reports profits, the Group resumes recognizing its share of those profits only after its share of the profits equals the share of losses not recognized.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognizes the loss as "Share in net earnings (losses) of associates and joint venture" in profit or loss.



Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

Current versus Noncurrent Classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/noncurrent classification.

An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within 12 months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within 12 months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

The Group classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities, respectively.

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

a. Financial Assets

Initial Recognition and Measurement. Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, FVOCI, and FVTPL.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs.

Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under PFRS 15, *Revenue from Contracts with Customers*.



In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are “solely payments of principal and interest (SPPI)” on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cashflows that are not SPPI are classified and measured at FVTPL, irrespective of the business model.

The Group’s business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at FVOCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent Measurement. For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at FVTPL

The financial assets of the Group as at December 31, 2022 and 2021 consist of financial assets at amortized cost, financial assets at FVTPL and financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments).

Financial assets at amortized cost (debt instruments)

Financial assets at amortized cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Group’s financial assets at amortized cost include cash and cash equivalents, trade and other receivables, loans receivable recorded under the “Current financial assets” account in the consolidated statement of financial position in 2021, noncurrent receivables and advances to employees recorded under “other noncurrent assets” in the consolidated statement of financial position.

Financial assets at FVTPL

Financial assets at FVTPL are carried in the statement of financial position at fair value with net changes in fair value recognize in the consolidated statement of profit and loss.

The category includes derivative instruments and listed equity investments which the Group had not irrevocably elected to classify at fair value through OCI.

Financial assets designated at FVOCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation*, and are not held for trading. The classification is determined on an instrument-by-instrument basis.



Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the consolidated statements of comprehensive income when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at FVOCI are not subject to impairment assessment.

The Group elected to classify irrevocably its non-listed equity investments under this category.

Derecognition. A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e. removed from the consolidated statement of financial position) when:

- The Group's rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement and the Group has either (a) transferred substantially all the risks and rewards of the asset, or (b) neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of Financial Assets. The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cashflows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original EIR.

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The key inputs in the model include the Group's definition of default and historical data of three years for the origination, maturity date and default date. The Group considers trade receivables in default when contractual payment are 90 days past due, except for certain circumstances when the reason for being past due is due to reconciliation with customers of payment records which are administrative in nature which may extend the definition of default. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. Trade receivables are written off when there is no reasonable expectation of recovery.



For other financial assets such as nontrade receivables and other receivables, ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk (SICR) since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been SICR since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For cash and cash equivalents, the Group applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Group uses the ratings from reputable credit rating agencies to determine whether the debt instrument has SICR and to estimate ECLs.

Determining the stage for impairment

At each reporting date, the Group assesses whether there has been a SICR for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis. An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed SICR since origination, then the loss allowance measurement reverts from lifetime ECL to 12-months ECL.

Staging assessment

PFRS 9 establishes a three-stage approach for impairment of financial assets, based on whether there has been SICR of a financial asset. Three stages then determine the amount of impairment to be recognized.

- Stage 1 is comprised of all non-impaired financial instruments which have not experienced SICR since initial recognition. Entities are required to recognize 12-month ECL for stage 1 financial instruments. In assessing whether credit risk has increased significantly, entities are required to compare the risk of default occurring on the financial instrument as at the reporting date, with the risk of default occurring on the financial instrument at the date of initial recognition.
- Stage 2 is comprised of all non-financial instruments which have experienced SICR since initial recognition. Entities are required to recognize lifetime ECL for stage 2 financial instruments. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer SICR since initial recognition, then entities shall revert to recognizing 12-month ECL.
- Financial instruments are classified as stage 3 when there is objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition with negative impact on the estimated future cash flows of a financial instrument or portfolio of financial instruments. The ECL model requires that lifetime ECL be recognized for impaired financial instruments, which is similar to the requirements under PAS 39 for impaired financial instruments.



b. Financial Liabilities

Initial Recognition and Measurement. Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

Subsequent Measurement. The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at FVTPL

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by PFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in profit or loss.

Financial liabilities designated upon initial recognition at FVTPL are designated at the initial date of recognition, and only if the criteria in PFRS 9 are satisfied.

This category applies to the Group's derivative liabilities.

Financial liabilities at amortized cost (loans and borrowings)

After initial measurement, other financial liabilities are measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on the acquisition and fees or costs that are an integral part of the EIR. Gains and losses are recognized in profit or loss when other financial liabilities are derecognized, as well as through the EIR amortization process.

This category applies to the Group's accounts payable and other current liabilities (excluding statutory payables), acceptance and trust receipts payable and loans payable.

Derecognition. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in profit or loss.

Exchange or modification of financial liabilities. The Group considers both qualitative and quantitative factors in assessing whether a modification of financial liabilities is substantial or not. The terms are considered substantially different if the present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original EIR, is at least 10% different from the present value of the remaining cash flows of the original financial liability. However, under certain circumstances, modification or exchange of a financial liability may still be considered substantial, even where the present value of the cash flows under



the new terms is less than 10% different from the present value of the remaining cash flows of the original financial liability. There may be situations where the modification of the financial liability is so fundamental that immediate derecognition of the original financial liability is appropriate (e.g., restructuring a financial liability to include an embedded equity component).

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the fair value of the new liability is recognized in profit or loss.

When the exchange or modification of the existing financial liability is not considered as substantial, the Group recalculates the gross carrying amount of the financial liability as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR and recognizes a modification gain or loss in profit or loss.

If modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment. If the modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the financial instrument and are amortized over the remaining term of the modified financial instrument.

c. Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

Embedded derivatives

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the FVTPL category.

Derivative Financial Instruments and Hedge Accounting

The Group engages in derivative transactions such as structured deposit, dual currency investment, cross currency swaps (CCS) and European Knockout Option (EKO) to manage its foreign currency and interest rate risks. Derivative financial instruments are initially recognized at fair value on the date the derivative contract is entered into and are subsequently remeasured at fair value. Changes in the fair value of derivatives that are not designated as accounting hedges (structured deposit and dual currency investment) are recognized in the profit or loss.

The Group applies hedge accounting for transactions that meet specified criteria. At inception of the hedge accounting relationship, the Group formally designates and documents the relationship between the hedged item and the hedging instrument, including the nature of the risk, the risk management objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship at inception and on an ongoing basis.



A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is “an economic relationship” between the hedged item and the hedging instrument.
- The effect of credit risk does not “dominate the value changes” that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity hedged item.

At each reporting date, a hedge relationship must be expected to be highly effective on a prospective basis and demonstrate that it was highly effective (retrospective effectiveness) for the designated period in order to qualify for hedge accounting. A formal assessment is undertaken both at inception and at each period end on an ongoing basis. A hedge is expected to be highly effective if the changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated were offset by the hedging instrument in a range of 80% to 125% and were expected to achieve such offset in future periods.

Hedges of a net investment. Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognized as OCI, while any gains or losses relating to the ineffective portion are recognized in profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the consolidated statement of comprehensive income.

Fair Value Measurement

The Group measures financial instruments such as derivative liabilities and equity instruments at FVOCI and FVTPL at fair value. The Group also discloses the fair values of financial instruments measured at amortized cost.

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

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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



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

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics, and risks of the asset or liability and the level of fair value hierarchy as explained above.

Cash and Cash Equivalents

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

Inventories

Inventories are valued at the lower of cost and net realizable value (NRV).

Costs incurred in bringing each product to its present location and conditions are accounted for as follows:

- Raw materials and packaging materials – purchase cost on a first-in, first-out basis;
- In-transit – purchase cost;
- Finished goods and work in-process – cost of direct materials, labor and a proportion of manufacturing overhead costs based on normal operating capacity and determined based on weighted average method.

NRV for finished goods, work in-process and in-transit inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. NRV for raw materials and packaging materials is the current replacement cost.

Prepayments and Other Current Assets

Prepayments. Prepayments are expenses paid in advance and recorded as asset before these are utilized. Prepaid expenses are apportioned over the period covered by the payment and charged to the appropriate accounts in the consolidated statement of comprehensive income when incurred.

Withholding Tax and Other Credits. Withholding tax and other credits represents the amount withheld by the Group's customers. These are recognized upon collection of the related billings and are utilized as tax credits against tax due as allowed by the taxation laws and regulations. Withholding tax and other credits is stated at its estimated NRV.



Input Value-added Tax (VAT). Input VAT represents VAT imposed on the Group by its suppliers and contractors for the acquisition of goods and services required under the tax laws and regulations. Input VAT is recognized as an asset and will be used to offset against the Group's current output VAT liabilities. Input VAT is stated at its recoverable amount.

Deferred input VAT represents the input VAT related to the unpaid portion of the cost of services and unamortized input VAT related to acquisitions of capital goods.

The net amount of tax recoverable from, or payable to, the tax authority is included as part of receivables or payables in the consolidated statement of financial position.

Property, Plant and Equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and any accumulated impairment losses. The initial cost of property, plant and equipment, consists of its purchase price including import duties and other costs directly attributable in bringing the asset to its working condition and location for its intended use. Cost also includes the cost of replacing the part of such property, plant and equipment when the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when major inspection is performed, its cost is recognized in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the following estimated useful lives:

Land improvements	20 years
Buildings and improvements	10–25 years
Right-of-use (ROU) assets	20-25 years or term of lease, whichever is shorter
Leasehold improvements	20 years or term of the lease, whichever is shorter
Plant machinery and fixtures	5–50 years
Office furniture and equipment	3–5 years
Transportation equipment	4–5 years
Computer and communications equipment	3 years

The useful life of each of the Group's property, plant and equipment is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of industry practice and experience with similar assets. The property, plant and equipment's residual values, useful lives and depreciation and amortization methods are reviewed at each reporting period, and adjusted prospectively, if appropriate.

Machineries under installation and construction in-progress represents properties under construction and are stated at cost, net of accumulated impairment losses if any. These include cost of construction and other direct costs. Machineries under installation and construction in-progress are not depreciated until such time that the relevant assets are completed and put into operational use.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year the item is derecognized.



Fully depreciated property, plant and equipment are retained in the accounts until these are no longer in use.

The Group classifies ROU assets as part of property, plant and equipment. The Group recognizes ROU assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). ROU assets are initially measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of ROU assets includes the amount of lease liabilities recognized, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received, and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized ROU assets are depreciated on a straight-line basis over the shorter of their estimated useful life and lease term. ROU assets are subject to impairment.

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as of the date of the acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized using the straight-line method over the following useful economic life and assessed for impairment whenever there is an indication that the asset may be impaired:

Distribution rights	20 years
License	10 years
Trademarks	7–10 years
Software	3–10 years

The amortization period and method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in profit or loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the CGU level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

An intangible asset is derecognized upon disposal (i.e. at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.



Impairment of Nonfinancial Assets

The Group assesses at the end of each reporting period whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. The recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal (FVLCD) and its value in use (VIU). The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. The Group bases its impairment calculation on most recent budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

In determining FVLCD, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators. Any impairment loss is recognized in profit or loss in the expense category consistent with the function of the impaired asset.

For assets excluding goodwill and brand with indefinite useful life, an assessment is made at the end of each reporting period as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment have been recognized for the asset in prior years. Such reversal is recognized in profit or loss. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Goodwill and brand with indefinite life is tested for impairment annually as at December 31, and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually as at December 31, either individually or at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.



Group as Lessee. The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Lease liabilities. At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets. The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the leases of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Equity

Capital Stock. Capital stock is measured at par value for all shares issued. Incremental costs directly attributable to the issue of capital stock are recognized as deductions from equity, net of any tax effects. Proceeds and fair value of consideration received in excess of par value are recognized as additional paid-in capital.

Retained Earnings (Deficit). Retained earnings (deficit) includes all current and prior period financial performance as reported in the consolidated statement of comprehensive income and reduced by dividends on capital stock.

Dividends on Capital Stock. The Group may pay dividends in cash or by the issuance of shares of stock. Cash and property dividends are subject to the approval of the BOD, while stock dividends are subject to approval by the BOD, at least two-thirds of the outstanding capital stock of the shareholders at a shareholders' meeting called for such purpose, and by the SEC. Dividends on capital stock are recognized as a liability and deducted from equity when they are approved for payment by the BOD. Dividends for the year that are approved after the financial reporting date are recognized as an event after the financial reporting period.

Remeasurement Gains (Losses). Remeasurement gains (losses) comprise actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability). Remeasurement gains (losses) are recognized immediately in the consolidated statement of financial position with a corresponding debit or credit to remeasurement gains (losses)



on pension liability in OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Revenue Recognition

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has assessed and concluded that it is the principal in its revenue arrangements because it controls the goods or services before transferring them to the customer.

Sale of Goods. Revenue from sale of goods is recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the sale of goods, the Group considers the effects of variable consideration, the existence of significant financing components, noncash consideration, and consideration payable to the customer, if any.

- *Variable Consideration.* If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Some contracts for the sale of the Group's goods provide customers with a right of return within a specified period. The rights of return give rise to variable consideration.
 - *Rights of Return.* The Group uses the expected value method to estimate the variable consideration given the large number of contracts that have similar characteristics. The Group then applies the requirements on constraining estimates of variable consideration in order to determine the amount of variable consideration that can be included in the transaction price and recognized as revenue. A refund liability is recognized for the goods that are expected to be returned (i.e., the amount not included in the transaction price). A right of return asset is also recognized for the right to recover the goods from the customer.
 - *Sales discount.* The Group's contracts with customers generally provide customers with discounts (presented as deduction from "Sales"). The Group uses most likely amount method to estimate the amount of expected future rebates for distribution discounts. A refund liability is recognized for the expected future sales discount (i.e., the amount not included in the transaction price).
 - *Consideration payable to customers.* Consideration payable to a customer includes cash amounts that the Group pays, or expects to pay, to the customers (e.g. slotting fees, electronic data interchange (EDI) subscription, dealer support). The consideration payable to a customer is accounted as a reduction of the transaction price unless the payment to the customer is in exchange for a distinct goods or services that the customer transfers to the Group.

Refund liabilities. A refund liability is recognized for the obligation to refund some or all of the consideration received (or receivable) from a customer. The Group's refund liabilities arise from its customers' right of return and sales discount. The liability is measured at the amount the Group ultimately expects it will have to return to the customer and distribution discounts to be granted. The Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period.



Revenue outside the scope of PFRS 15:

Interest Income. Revenue is recognized as the interest accrues, taking into account the effective yield on the asset.

Miscellaneous Income. Miscellaneous income mainly comprises of service fees charged by the Parent Company primarily for reimbursement of share of principals of the agency brands in common expenses, bargain purchase, reversal of ECL, gain/loss on sale of property, plant and equipment and other miscellaneous items which are recorded under the “Miscellaneous income” account in the consolidated statements of comprehensive income.

Right-of-return Assets

A right-of-return asset is recognized for the right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the inventory, less any expected costs to recover the goods and any potential decreases in value. The Group updates the measurement of the asset for any revisions to the expected level of returns and any additional decreases in the value of the returned products. The Group’s right-of-return assets are included in inventories.

Cost and Expense Recognition

Costs and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distributions to equity participants. Cost of goods sold, sales, general and administrative expenses and interest expense are recognized in profit or loss in the period these are incurred.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Foreign Currency Translations

The consolidated financial statements are presented in Philippine peso, which is the Parent Company’s functional and presentation currency. All subsidiaries and associates evaluate their primary economic and operating environment and, determine their functional currency and items included in the financial statements of each entity are initially measured using that functional currency.

Transactions and Balances. Transactions in foreign currencies are initially recorded by the Group’s entities at their respective functional currency rate prevailing on the period of the transaction.

Monetary assets and liabilities denominated in foreign currency are translated at the functional currency spot rate of exchange prevailing at the financial reporting date.

All differences are recognized in the consolidated statement of comprehensive income with the exception of monetary items that are designated as part of the hedge of the Group’s net investment in a foreign operation. These are recognized in OCI until the investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on these monetary items are also recognized in OCI.

Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.



In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.

Group Companies. The Philippine peso is the currency of the primary economic environment in which the Parent Company and all other subsidiaries and associates operate, except for the following:

Subsidiaries:	Functional Currency
Monde Nissin Singapore Pte Ltd (MNSPL)	Pound Sterling
Monde Nissin (UK) Limited (MNUKL)	Pound Sterling
Marlow Foods Limited (MFL)	Pound Sterling
Quorn Smart Life GmbH	European Euro
Quorn Foods Inc	United States Dollar
Cauldron Foods Ltd	Pound Sterling
Quorn Foods Italy SRL	European Euro
Quorn Foods Sweden AB	Swedish Krona
Monde Nissin New Zealand Limited (MNNZ)	New Zealand Dollar
Monde Nissin Holding (Thailand) Limited (MNHTL)	Thai Baht
Monexco International Limited (MIL)	Thai Baht
Monde Nissin (Thailand) Company Limited (MNTH)	Thai Baht
Monde Nissin International Investments Ltd (MNIL)	United States Dollar

The financial statements of the consolidated subsidiaries and associates with functional currency other than the Philippine peso are translated to Philippine peso as follows:

- Assets and liabilities using the spot rate of exchange prevailing at the financial reporting date;
- Components of equity using historical exchange rates; and
- Income and expenses using the monthly weighted average exchange rate.

The exchange differences arising on the translation are recognized as other comprehensive income (loss). Upon disposal of any of these subsidiaries and associates, the deferred cumulative amount recognized in “Cumulative translation adjustments” relating to that particular subsidiary will be reclassified to profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

Employee Benefits

Defined Benefit Plan. The net defined benefit liability is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.



Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuary.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not re-classified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Income Taxes

Current Tax. Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of reporting period.

Current income tax relating to items recognized directly in equity is recognized in equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred Tax. Deferred tax is provided using the liability method on temporary differences at the end of reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.



Deferred tax liabilities are recognized for all taxable temporary differences, except:

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

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

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

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

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

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Earnings (loss) per share (EPS)

Basic EPS is calculated by dividing the profit for the year attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders of the Parent Company (after adjusting for interest on the convertible note) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.



Segment Reporting

The Group's operating businesses are organized and managed separately according to the nature of the products provided, with each segment representing a strategic business unit that offers different products and serves different markets.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are discounted using a current pretax rate that reflects, where appropriate, the risk specific to the liability. When discounting is used, the increase in the provisions due to the passage of time is recognized as interest expense. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss net of any reimbursement.

Contingencies

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

Events after Reporting Period

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

3. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, costs and expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgments

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

Revenue recognition on sale of goods. Revenue recognition under PFRS 15 involves the application of significant judgment and estimation in the: (a) identification of the contract for sale of goods that would meet the requirements of PFRS 15; (b) assessment of performance obligation and the probability that the entity will collect the consideration from the buyer; (c) determining method to estimate variable consideration and assessing the constraint; and (d) recognition of revenue as the Group satisfies the performance obligation.



a. Existence of a contract

The Group enters into a contract with customer through an approved purchase order which constitutes a valid contract as specific details such as the quantity, price, contract terms and their respective obligations are clearly identified. In the case of sales to key accounts and distributors, the combined approved purchase order and trading terms agreement/exclusive distributorship agreement constitute a valid contract.

b. Identifying performance obligation

The Group identifies performance obligations by considering whether the promised goods in the contract are distinct goods. A good is distinct when the customer can benefit from the good on its own or together with other resources that are readily available to the customer and the Group's promise to transfer the good to the customer is separately identifiable from the other promises in the contract.

Based on management assessment, other than the sale of goods, no other performance obligations were identified.

c. Recognition of revenue as the Group satisfies the performance obligation

The Group recognizes its revenue for all revenue streams at a point in time, when the customer obtains control of the promised goods or when the goods are sold and delivered.

d. Determining method to estimate variable consideration and assessing the constraint

The Group's contracts with customers include a right of return and sales discounts that give rise to variable consideration. In estimating the variable consideration, the Group is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled.

The Group determined that the expected value method is the appropriate method to use in estimating the variable consideration for the revenue with rights of return, given the large number of customer contracts that have similar characteristics. In estimating the variable consideration for sales discounts, the Group determined that using the most likely amount method is appropriate, given that these contracts has single volume threshold.

Before including any amount of variable consideration in the transaction price, the Group considers whether the amount of variable consideration is constrained. The Group determined that the estimates of variable consideration are not constrained based on its historical experience, business forecast and the current economic conditions. In addition, the uncertainty on the variable consideration will be resolved within a short time frame.

Recognition of right of return assets. The Group assesses the value of its right of return assets by reference to the carrying amount of the products less any expected costs to recover those products, including potential decreases in the value of the returned products. At the end of each reporting date, the Group updates the measurement of the return asset arising from changes in expectations about products to be returned, including possible impairment.

As at December 31, 2022 and 2021, the Group assessed that the value of any return assets is nil given the perishable nature of the products.

Determination of uncertain tax positions. The Group has assessed whether it has any uncertain tax position. The Group applies significant judgement in identifying uncertainties over its income tax treatments. The Group determined, based on its tax compliance review and in consultation with its tax advisers, that it is probable that its income tax treatments will be accepted by the taxation



authorities. Accordingly, the Group has determined its accounting for income taxes consistently with the related tax treatment in accordance with the requirements of IFRIC 23, *Uncertainty over Income Tax Treatments*.

Determination of lease term of contracts with renewal and termination options – Group as a lessee. The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. It considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

The Group expects to exercise its right to renew the lease of real estate properties where its facilities are located; hence, has included the renewal period as part of the lease term.

Assessing Useful Life of Brand. Brand pertains to the distinctive name of the businesses acquired by the Group to promote its products from those other entities (see Note 13).

Based on the Group's analysis of all the relevant factors on brand, there is no foreseeable limit to the period over which the business is expected to generate net cash inflows for the Group and therefore, these were assessed to have an indefinite life.

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of reporting period that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities are discussed below. The Group based its estimates and assumptions on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the Group's control. Such changes are reflected in the assumptions when they occur.

Impairment of Non-Financial Assets. The Group performs impairment review of non-financial assets with indefinite useful life (goodwill, brand and trademark) on an annual basis or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. This requires an estimation of the VIU of the CGUs to which goodwill is allocated. In assessing VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset flows. The impairment on the trademark and license is determined by comparing: (a) the carrying amount of the CGU; and (b) the present value of the annual projected cash flows for five years and terminal value computed under the discounted cash flow method. The recoverable amount of the CGU has been determined based on a VIU calculation using cash flow projections which were based on financial budgets approved by senior management of the Group covering a five-year period. VIU is most sensitive to changes in growth rates and discount rate. These estimates are most relevant to goodwill and other intangible assets with indefinite useful lives recognized by the Group.

With regards to the assessment of VIU, management believes that no reasonably possible change in any of the key assumptions would result to a materially different calculation.

Impairment exists when carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of FVLCD and its VIU.



- *Goodwill and Brand.* The Group determined that the recoverable amount of the Group's intangible assets in MNUKL is based on VIU calculation using cash flow projection from financial budgets approved by management covering a 5-year period:
 - Revenue growth – Sales revenue is assumed to increase an average of 5.60% each year from 2023 to 2027, an average of 14.80% each year from 2022 to 2026, and an average of 15.00% from 2021 to 2025 for both Quorn and Cauldron.
 - Long-term growth rate – The long-term growth rate used was 2.00% in 2022, 2021 and 2020, and is based on published industry research.
 - Discount rate – The pre-tax discount rate, which is derived from MNUKL's weighted average cost of capital (WACC), is 8.88% in 2022, 7.34% in 2021, and 6.67% in 2020, based on the strength of the brand and the risk profile of the industry.

EBITDA was estimated taking into account past experience adjusted by the revenue growth. Revenue growth was projected taking into account the average growth levels experienced over the past five years and estimated sales volume and price growth for the next five years.

Based on the assumptions above, MNUKL recognized impairment loss on goodwill and brand amounting to ₱20,544.1 million in 2022. No impairment loss was recognized in 2021 and 2020. Information on the Group's goodwill and brand is disclosed in Note 13.

- *Trademark.* The Group performed its annual impairment test on Parent Company's trademark with indefinite useful life as of reporting date. The recoverable amount of trademark was determined using the relief from royalty method. This method considers royalty savings from the ownership of trademark using cash flow projections approved by management covering a 5-year period:
 - Growth rates – Growth rate used in the projected future cash flows is at an average of 9.00% from 2023 to 2027 and 25.00% from 2022 to 2026.
 - Discount rate – The pre-tax discount rate of 12.13% in 2022 and 2021 was estimated based on the industry weighted average cost of capital, which includes the cost of equity and debt after considering the gearing ratio.
 - Royalty savings rate – Royalty savings rate of 0.60% in 2022 and 2021 was estimated based on publicly available information for similar industry.

Based on the assumptions above, recognized impairment loss on trademark amounted to ₱2.5 million in 2022 and nil in 2021. Information on the Group's trademark is disclosed in Note 13.

- *Property, plant and equipment.* The Group assess impairment of non-financial assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Group consider important, which could trigger an impairment review include significant under-performance relative to expected historical or projected future operating results; significant changes in the manner of use of the acquired assets or the strategy for overall business; and significant negative industry and economic trends.
 - a. *Parent Company.* The Parent Company determined that the actual performance of certain property, plant and equipment in MNC below the estimated or planned outputs is an indicator of impairment resulting to additional impairment loss of ₱205.9 million in 2022, ₱52.4 million in 2021 and ₱230.0 million in 2020.



The Parent Company determined that the VIU of these impaired property, plant and equipment, assets are zero since these assets pertain to discontinued product lines with no expected future cashflows. Management assessed that any scrap value (FVLCD) is not material.

b. *MNUKL*. For property, plant and equipment in MNUKL, the recoverable amount of its asset was based on VIU calculation using cash flow projection from financial budgets approved by management covering a 10-year period, which is consistent with the estimated useful life of the property, plant and equipment. MNUKL applied a pre-tax discount rate of 8.88% in 2022, 7.34% in 2021, and 6.67% in 2020 on the cash flow projections.

- *Growth rate estimates* – growth rates are based on experiences and strategies developed for the various subsidiaries. The prospect for the industry was also considered in estimating the growth rates. Growth rate used in the projected future cash flows up to the end of the useful life was an average of 5.60% each year from 2023 to 2027, an average of 14.80% each year from 2022 to 2026, and an average of 15.00% from 2021 to 2025.
- *Long-term growth rate* – the long-term growth rate used was 2.00% in 2022, 2021 and 2020, and is based on published industry research
- *Discount rates* – discount rates were estimated based on the industry WACC, which includes the cost of equity and debt after considering the gearing ratio.

Based on the assumptions above, MNUKL recognized additional impairment loss amounting to ₱620.0 million in 2022, ₱283.7 million in 2021 and ₱783.8 million in 2020.

c. *MNTH*. In 2021, management reassessed the recoverable amount of MNTH's buildings and plant machinery and fixtures as a result of business turnaround of biscuit operations from operating loss to operating profit.

The Group estimated the assets' recoverable amount based on VIU calculation using cash flow projection from financial budgets approved by management covering a 5-year period. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing:

- *Long-term growth rate* – the long-term growth rate used was 1.00% based on published industry research.
- *Discount rate* – the pre-tax discount rate, which is derived from MNTH's WACC, is 8.81% based weight of debt and equity for food industry under emerging market.

In 2022, there has been no change in the assumptions used to determine MNTH's building and plant machinery and fixtures recoverable amount since the last impairment loss was recognized. Based on the assumptions above, MNTH reversed accumulated impairment loss amounting to nil in 2022 and ₱113.0 million in 2021 and nil 2020.

Based on these assessments, the Group recognized net impairment loss amounting to ₱825.9 million in 2022, ₱223.1 million in 2021 and ₱1,013.8 million in 2020 (see Notes 12 and 20). Information on the Group's property, plant and equipment is disclosed in Note 12.



- *Investments in associates and joint ventures.* The Group assesses impairment of investments in associates and joint ventures whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. The factors that the Group considers important, which could trigger an impairment review include the following:
 - a downgrade of an associate's or joint venture's credit rating or a decline in the fair value of the associate or joint venture in consideration of other available information
 - significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the associate or joint venture operates

The Group determined that the negative results of operations and cashflow projections of the associates and joint ventures are impairment indicators of its investment in NAMZ Pte Ltd., YCE Group Pte Ltd, Honey Droplet Hong Kong and Monde Malee Beverage Corporation (MMBC).

The Group determined that the recoverable amount of its investments in NAMZ Pte Ltd., YCE Group Pte Ltd, Honey Droplet Hong Kong and MMBC is its FVLCD. The Group determined that the carrying amount of its investments in NAMZ Pte Ltd., YCE Group Pte Ltd, Honey Droplet Hong Kong and MMBC were no longer recoverable due to the current and forecasted performance of the entities.

Based on the assumptions above, the Group's investment in NAMZ Pte Ltd., YCE Group Pte Ltd, and Honey Droplet Hong Kong have been fully impaired as at December 31, 2022 and 2021. The Group recognized additional impairment loss amounting to ₱1.1 million in 2022 on its investment in MMBC. Information on the Group's investments in associates and joint ventures and related impairment loss recognized are disclosed in Notes 11 and 20.

Fair Value of Financial Instruments. The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. When the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. Judgements and estimates include considerations of liquidity and model inputs related to items such as credit risk (both own and counterparty), funding value adjustments, correlation and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments. See Note 26 for further disclosures.

Assessment for ECL on Trade Receivables. The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information on macro-economic factors. At every financial reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.



The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. Information on the Group's ECL on trade and other receivables is disclosed in Note 6.

Assessment for ECL on Other Financial Assets at Amortized Cost. The Group determines the allowance for ECL using general approach based on the probability-weighted estimate of the present value of all cash shortfalls over the expected life of financial assets at amortized cost. ECL is provided for credit losses that result from possible default events within the next 12-months unless there has been SICR since initial recognition in which case ECL is provided based on lifetime ECL.

When determining if there has been a significant increase in credit risk, the Group considers reasonable and supportable information that is available without undue cost or effort and that is relevant for the particular financial instrument being assessed such as, but not limited to, the following factors:

- Actual or expected external and internal credit rating downgrade;
- Existing or forecasted adverse changes in business, financial or economic conditions; and,
- Actual or expected significant adverse changes in the operating results of the borrower.

The Group also considers financial assets that are more than 90 days past due to be the latest point at which lifetime ECL should be recognized unless it can demonstrate that this does not represent a significant risk in credit risk such as when non-payment was an administrative oversight rather than resulting from financial difficulty of the borrower.

Information on the Group's ECL on other financial assets at amortized cost is disclosed in Notes 6 and 9.

NRV of Inventories. The Group's estimates of the NRV are based on the most reliable evidence available at the time the estimates are made of the amounts the inventories are expected to be realized. These estimates take into consideration fluctuations of prices or costs directly relating to events occurring after reporting period to the extent that such events confirm conditions existing at reporting period. A new assessment is made at NRV at each reporting period. Information on the Group's inventories is disclosed in Note 7.

Leases – Estimating the incremental borrowing rate (IBR). The Group cannot readily determine the interest rate implicit in the lease; therefore, it uses its IBR to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR, therefore, reflects what the Group would have to pay, which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Information on the Group's lease liabilities is disclosed in Note 25.

Estimation of Refund Liabilities. The Group uses two-year average historical return and discount data to estimate the refund liabilities. These percentages are applied to determine the expected value of the variable consideration. Estimates of expected returns and volume discounts are sensitive to



changes in circumstances and the Group's past experience regarding returns and discount entitlements may not be representative of customers' actual returns and discount entitlements in the future. Any significant changes in experience as compared to historical return pattern will impact the expected return percentages estimated by the Group. The Group updates its assessment of expected return and volume discounts annually and refund liabilities are adjusted accordingly. The Group's refund liabilities for expected returns and volume discounts are disclosed in Note 15.

Estimation of Pension and Other Benefits Costs. The cost of defined benefit pension plans and other post-employment medical benefits and the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include determining the discount rates, future salary increases, mortality rates, and future pension increases. Due to the complexity of the valuation, the underlying assumptions, and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting period. In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of Philippine government bonds with terms consistent with the expected employee benefit payout as of reporting date.

The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates for the specific country.

On May 1, 2021, the Parent Company amended its retirement plan as follows:

- Change in disability benefit from 60 days to 75 days
- Change in death benefit from ₱0.2 million plus gratuity pay or ₱1.0 million, to 75 days per year of service or ₱2.0 million, whichever is higher, with the exemption of self-inflicted cause of death

As a result of the amendment, the Group recognized ₱75.1 million past service cost in 2021.

As at December 31, 2022 and 2021, the balance of the Group's present value of defined benefit obligations and other benefits is shown in Note 22 to the consolidated financial statements.

Recognition of Deferred Taxes. The Group's assessment on the recognition of deferred tax assets on nondeductible temporary differences is based on the forecasted taxable income of the following reporting periods over which the deductible temporary differences can be utilized. This forecast is based on the Group's past results and future expectations on revenues and expenses. Information on the Group's recognized and unrecognized deferred tax assets are disclosed in Note 24.

Estimation of Legal contingencies and Regulatory Assessments. As at December 31, 2022 and 2021, the Group is involved in various legal proceedings and regulatory assessments, and management believes that these proceedings will not have a material effect on the consolidated financial statements. Disclosure of additional details beyond the present disclosures may seriously prejudice the Group's position and negotiating strategy.

The Group, in consultation with its external and internal legal and tax counsels, believe that its position on these assessments are consistent with relevant laws and believe that these proceedings will not have a material adverse effect on the Group financial statements. However, it is possible that



future results of operations could be materially affected by changes in the estimates or the effectiveness of management's strategies relating to these proceedings. As at December 31, 2022, management has developed an estimate of the probable cash outflow to settle these assessments and has recognized provision for these liabilities.

As allowed by PAS 37, *Provisions, Contingent Liabilities, and Contingent Assets*, no further disclosures were provided as this might prejudice the Group's position on this matter.

4. Subsidiaries, Significant Acquisitions and Disposals, and Segment Information

The consolidated financial statements comprise the financial statements of the Parent Company and the following subsidiaries, which are prepared for the same reporting period as at December 31, 2022 and 2021, are set out below:

Subsidiaries	Principal Activity	Country of Incorporation	Percentage of Ownership			
			2022		2021	
			Direct	Indirect	Direct	Indirect
MNSPL	Investment/sales	Singapore	100.00	–	100.00	–
MNUKL	Investment holding	United Kingdom	–	100.00	–	100.00
Marlow Foods Limited	Manufacturing, Sales, and Marketing	United Kingdom	–	100.00	–	100.00
Quorn Smart Life GmbH	Sales, and Marketing	Germany	–	100.00	–	100.00
Quorn Foods Inc	Sales, and Marketing	United States of America	–	100.00	–	100.00
Cauldron Foods Ltd*	Sales, and Marketing	United Kingdom	–	100.00	–	100.00
Quorn Foods Sweden	Sales, and Marketing	Sweden	–	100.00	–	100.00
MNNZ	Distribution of food related goods	New Zealand	–	100.00	–	100.00
MNHTL**	Investment company	Thailand	–	6.50	–	6.50
MIL	Manufacture of seasonings	Thailand	–	100.00	–	100.00
MNTH**	Manufacture and distribution of bread and cookies	Thailand	–	56.43	–	56.40
MNIIL	Investment company	British Virgin Islands	100.00	–	100.00	–
MNHTL**	Investment company	Thailand	–	93.50	–	93.50
MNTH**	Manufacture and distribution of bread and cookies	Thailand	–	43.57	–	43.60
KBT International Holdings, Inc. (KBT)	Investment company	Philippines	95.69	–	95.69	–
MNAC*	Manufacture, process, and distribution of industrial coconut and agricultural products	Philippines	90.91	–	90.91	–
SFC	Manufacture and process of bread	Philippines	80.00	–	80.00	–
All Fit & Popular Foods Inc. (AFPFI)	Manufacturing, importing, exporting, selling and distribution of breads; Purchasing or registering intellectual properties	Philippines	–	80.00	–	80.00
Monde M.Y. San Corporation (MMYSC)	Manufacture, process, and export of biscuits	Philippines	100.00	–	100.00	–

*Dormant

**The Group effectively owns 100%



The Group has direct and indirect ownership interests in associates and joint ventures which are further discussed in Note 11.

a. Subsidiaries

i. MNSPL

In May 2020, the BOD approved the reduction in its share capital in MNSPL by 113,000,000 shares in the amount of ₱2,810.9 million (GBP43.8 million). As a result, the Parent Company's shares in MNSPL were reduced from 587,250,257 shares to 474,250,257 shares. MNSPL repatriated a portion of its capital to the Parent Company amounting to ₱2,465.7 million (GBP38.8 million) in 2020. The outstanding balance of ₱345.2 million (GBP5.0 million) was repatriated to the Parent Company in September 2021.

On September 20, 2021, the BOD approved to subscribe additional 42,924,533 ordinary shares of MNSPL at an aggregate subscription price of ₱3,121.4 million (GBP45.0 million) payable in several tranches on or before March 31, 2022. On the following dates, the Parent Company paid for the following:

Payment date	No. of shares	Amount in GBP	Amount in PHP
<i>(In Thousands, Except No. of Shares)</i>			
September 24, 2021	3,924,533	£6,000	₱410,238
October 12, 2021	9,000,000	9,000	624,139
November 15, 2021	6,000,000	6,000	409,318
December 31, 2021	12,000,000	12,000	826,969
February 14, 2022	6,000,000	6,000	421,430
March 14, 2022	6,000,000	6,000	429,259

On August 9, 2022, the BOD approved to subscribe additional 30,000,000 ordinary shares of MNSPL at an aggregate subscription price of ₱2,048.2 million (GBP30.0 million) payable in five equal tranches on or before December 16, 2022. On the following dates, the Parent Company paid for the following:

Payment date	No. of shares	Amount in GBP	Amount in PHP
<i>(In Thousands, Except No. of Shares)</i>			
August 23, 2022	6,000,000	£6,000	₱402,419
September 21, 2022	6,000,000	6,000	404,889
October 19, 2022	6,000,000	6,000	413,430
November 17, 2022	6,000,000	6,000	413,144
December 14, 2022	6,000,000	6,000	414,320

ii. MNTH

On November 14, 2014, MMYSC subscribed 250,000 shares of the 2,500,000 shares to retain its 10.00% ownership interest in MNTH and MIL subscribed 2,250,000 shares of the 2,500,000 shares to increase its ownership interest from 30.00% to 38.57%. As a result, the Parent Company's direct ownership interest in MNTH decreased from 45.33% in 2013 to 38.86% in 2014 while the Parent Company's indirect ownership interest in MNTH increased from 36.00% in 2013 to 44.57% in 2014. The Parent Company recognized equity reserve from this transaction (see Note 18).



On July 11, 2018, the Parent Company and Monde Asia Pacific Co., Ltd., entered into a Deed of Absolute Sale of Shares (Agreement) wherein Monde Asia Pacific Co., Ltd., agreed to transfer its 12.57% ownership interest in MNTH to the Parent Company in exchange for THB1. As a result of this transaction, the Group now owns 100% of the outstanding shares of MNTH. The Parent Company recognized equity reserve from this transaction (see Note 18).

In 2019, the Board of Directors of MNTH approved the increase in the authorized capital of MNTH from THB1,750.0 million (17,500,000 shares) to THB3,100.0 million (31,000,000 shares). MNIL subscribed to the newly issued 13,500,000 shares which resulted to a 43.60% ownership interest in MNTH. Ownership interest of MNSPL was reduced to 56.40%.

In 2022, the Board of Directors of MNTH approved the increase in the authorized capital of MNTH from THB3,100.0 million (31,000,000 shares) to THB3,102.0 million (31,020,000 shares). MNSPL subscribed to the newly issued 20,000 shares which resulted to 56.43% ownership interest in MNTH. Ownership interest of MNIL was reduced to 43.57%.

iii. KBT

In 2017, the Parent Company made additional investments in KBT amounting to ₱28.0 million. As a result of this transaction, the ownership interest of the Parent Company in KBT increased from 91.66% in 2017 to 95.69% in 2018. The Parent Company recognized equity reserve from this transaction amounting to ₱33.4 million (see Note 18).

iv. MNAC

On June 10, 2016, the Parent Company and Agricolity Group Philippines, Inc. (AGPI) entered into an agreement wherein AGPI agreed to subscribe to 73,422 Common Class B shares of MNAC, which has a par value or subscription price of ₱7.3 million. Also, under the agreement, the Parent Company agreed to donate to AGPI ₱7.3 million so that AGPI can pay for the subscription price of the shares. As a result of this transaction, the ownership interest of the Parent Company in MNAC was reduced to 90.91%. The Parent Company recognized its share of the equity reserve from this transaction amounting to ₱7.7 million (see Note 18).

On November 26, 2016, the BOD of MNAC approved the cessation of MNAC's business operations effective January 1, 2017.

v. SFC

In 2016, the Parent Company entered into a Joint Venture Agreement with NIC, an Indonesian-based company, primarily engaged in the manufacture and distribution of packaged bread, cakes, and packaged baked goods, to set-up SFC.

In 2019, the Parent Company agreed to sell its 20% ownership interest in SFC to MNSG Holdings Pte. Ltd. in exchange for ₱48.0 million.

In April 2020, prior to the acquisition of the 55% ownership interest of NIC in SFC, the Parent Company made additional investments in SFC amounting to ₱188.1 million. NIC has also made additional investments to SFC to retain its ownership interest in SFC.



On September 7, 2020, the Parent Company acquired NIC's 55% equity interest in SFC, through a Share and Purchase Agreement between the Parent Company and NIC, which increased the Parent Company's ownership interest in SFC from 25% to 80%, for a total consideration of ₱256.2 million. The Parent Company acquired SFC to gain control of the latter's business and increase its market share by creating synergies with the Parent Company's existing products and route to market strategies.

The Group has elected to measure the non-controlling interests in the acquiree at the proportionate share of the value of the net identifiable assets acquired.

As at December 31, 2022 and 2021, unpaid portion of the total acquisition price amounted to nil and ₱10.7 million, respectively and is recorded under "Accounts payable and other current liabilities" account (see Note 15).

vii. MMYSC

On January 28, 2021, the Parent Company purchased from My Crackers, Inc. (MCI) the latter's 4,500,000 common shares in MMYSC representing 40% of the outstanding capital stock of MMYSC for ₱1,822.5 million. This increased the Parent Company's ownership interest from 60% in 2020 to 100% in 2021. This resulted in the reduction of the Group's non-controlling interest related to MMYSC amounting of ₱1,289.9 million and increase in equity reserve of ₱532.6 million (see Note 18).

viii. MNUKL

On August 23, 2022, MNSPL's BOD approved to subscribe additional 30,000,000 ordinary shares of MNUK at an aggregate subscription price of ₱2,023.2 million (GBP30.0 million) payable in five equal tranches up to December 16, 2022. On the following dates, MNSPL paid the following:

Payment date	Amount in GBP
August 30, 2022	£6,000
September 23, 2022	6,000
October 21, 2022	6,000
November 21, 2022	6,000
December 16, 2022	6,000

On the same date, MNSPL's BOD approved the proposed repayment and refinancing through debt-to equity conversion of the loan, including accrued interests, by MNUKL amounting to ₱16,109.2 million (GBP 238.9 million). As a result of this transaction, MNUKL issued additional 238,869,277 ordinary shares of GBP 1 each or a total subscription price of ₱16,109.2 million (GBP 238.9 million).

b. Segment Information

For management purposes, the Group is organized into business units based on its products and has 2 reportable segments, as follows:

- Asia-Pacific Branded Food & Beverage (APAC BFB) manufactures and distributes a diverse mix of biscuits, bakery products, beverages, instant noodles and pasta.
- Meat Alternative manufacturers and distributes a variety of meat alternative brands and products to the retail trade and food service customers in the UK, US, Europe and Asia-Pacific.

No operating segments have been aggregated to form the above reportable operating segments.



The Chief Executive Officer is the Chief Operating Decision Maker and monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements.

The following tables present the financial information of each of the operating segments in accordance with PFRSs. Inter-segment revenues, and finance income and expenses are eliminated upon consolidation and reflected in the “Eliminations” column.

	2022			
	APAC BFB	Meat Alternative	Eliminations	Consolidated
Net sales	₱58,491,069	₱15,423,228	(₱33,588)	₱73,880,709
Costs and expenses	(48,275,301)	(15,056,614)	40,721	(63,291,194)
Depreciation and amortization	(1,958,196)	(755,466)	-	(2,713,662)
Finance income	2,163,225	5,035	(713,273)	1,454,987
Finance expense	(250,337)	(879,461)	713,273	(416,525)
Foreign exchange gain (loss) – net	402,381	19,736	-	422,117
Impairment loss	(23,787,376)	(21,164,137)	23,577,875	(21,373,638)
Share in profit of associates and joint venture	(12,608)	-	-	(12,608)
Other income (expense)	171,333	51	(7,133)	164,251
Income before income tax	(13,055,810)	(22,407,628)	23,577,875	(11,885,563)
Provision for income tax	2,465,240	(1,336,287)	-	1,128,953
Net income	(₱15,521,050)	(₱21,071,341)	₱23,577,875	(₱13,014,516)
Other information				
Total assets	₱89,947,658	₱34,689,207	(₱43,344,492)	₱81,292,373
Total liabilities	₱14,177,754	₱23,683,292	(₱8,839,857)	₱29,021,189
Investment in associates and joint venture	₱1,104,453	₱-	₱-	₱1,104,453
Capital expenditures	₱2,059,006	₱2,373,224	₱-	₱4,432,230

	2021			
	APAC BFB	Meat Alternative	Eliminations	Consolidated
Net sales - third parties	₱54,039,015	₱15,245,173	₱-	₱69,284,188
Costs and expenses	(43,411,777)	(13,773,475)	-	(57,185,252)
Depreciation and amortization	(1,828,942)	(641,930)	-	(2,470,872)
Finance income	1,338,617	986	(1,256,632)	82,971
Finance expense	(5,350,902)	(1,311,950)	1,256,632	(5,406,220)
Foreign exchange gain (loss) – net	411,859	(1,457)	-	410,402
Impairment loss	60,678	(283,739)	-	(223,061)
Share in profit (loss) of associates and joint venture	36,367	-	-	36,367
Other income (expense)	296,363	-	-	296,363
Income before income tax	5,591,278	(766,392)	-	4,824,886
Provision for income tax	291,025	1,288,736	-	1,579,761
Net income	₱5,300,253	(₱2,055,128)	₱-	₱3,245,125
Other information				
Total assets	₱69,493,886	₱54,170,503	(₱23,806,761)	₱99,857,628
Total liabilities	₱15,139,545	₱40,109,264	(₱23,806,761)	₱31,442,048
Investment in associates and joint venture	₱1,094,087	₱-	₱-	₱1,094,087
Capital expenditures	₱3,399,408	₱1,816,859	₱-	₱5,216,267



	2020			
	APAC BFB	Meat Alternative	Eliminations	Consolidated
Net sales - third parties	₱52,910,573	₱15,034,938	₱-	₱67,945,511
Costs and expenses	(39,802,436)	(12,743,090)	-	(52,545,526)
Depreciation and amortization	(1,642,275)	(661,044)	-	(2,303,319)
Finance income	1,436,836	5,565	(1,080,462)	361,939
Finance expense	(1,517,312)	(1,349,293)	1,080,462	(1,786,143)
Foreign exchange gain (loss) – net	900,877	13,362	-	914,239
Impairment loss	(229,980)	(783,858)	-	(1,013,838)
Share in profit (loss) of associates and joint venture	(98,300)	-	-	(98,300)
Other income (expense)	258,889	(8,723)	-	250,166
Income before income tax	12,216,872	(492,143)	-	11,724,729
Provision for income tax	3,292,153	366,869	-	3,659,022
Net income	₱8,924,719	(₱859,012)	₱-	₱8,065,707
Other information				
Total assets	₱54,462,663	₱49,251,201	(₱19,311,448)	₱84,402,416
Total liabilities	₱43,373,262	₱33,800,565	(₱19,311,448)	₱57,862,379
Investment in associates and joint venture	₱1,024,068	₱-	₱-	₱1,024,068
Capital expenditures	₱1,968,780	₱1,784,694	₱-	₱3,753,474

Geographic Information

The Group operates in the Philippines, Thailand, New Zealand, Singapore, and the United Kingdom.

The following table shows the distribution of the Group’s consolidated revenues to external customers by geographical market, regardless of where the goods were produced:

	2022	2021	2020
Domestic	₱55,017,990	₱50,356,983	₱49,880,008
Foreign	18,862,719	18,927,205	18,065,503
	₱73,880,709	₱69,284,188	₱67,945,511

The Group has no customer which contributes 10% or more of the consolidated revenues of the Group.

The table below shows the Group’s carrying amount of non-current assets per geographic location, excluding noncurrent receivables and advances to employees presented under “other noncurrent assets” and deferred tax assets.

	2022	2021
Domestic:		
Property, plant and equipment (Note 12)	₱16,475,570	₱16,616,860
Investments in associates and joint ventures (Note 11)	1,104,453	1,094,087
Intangible assets (Note 13)	629,633	657,953
Other noncurrent assets (Note 14)	783,299	992,831
Total	18,992,955	19,361,731
Foreign:		
Property, plant and equipment (Note 12)	14,387,937	13,335,400
Intangible assets (Note 13)	13,853,272	34,988,803
Other noncurrent assets (Note 14)	125,404	104,295
	28,366,613	48,428,498
	₱47,359,568	₱67,790,229



5. Cash and Cash Equivalents

	2022	2021
Cash on hand and in banks	₱3,647,852	₱4,773,728
Cash equivalents	7,980,775	9,083,086
	₱11,628,627	₱13,856,814

Cash in banks earn interest at the respective bank deposit rates. Cash equivalents are short-term deposits made for varying periods of one month up to three months depending on the immediate cash requirements and earn interest at the respective short-term deposit rates.

Interest income from cash and cash equivalents amounted to ₱132.8 million in 2022, ₱72.2 million in 2021 and ₱81.6 million in 2020 (see Note 21).

6. Trade and Other Receivables

	2022	2021
Trade receivables:		
Non-related parties	₱6,701,031	₱6,164,997
Related parties (Note 23)	33,751	33,777
Other receivables	103,073	81,330
	6,837,855	6,280,104
Allowance for ECL	37,546	31,372
	₱6,800,309	₱6,248,732

Trade receivables pertain to receivables from sale of goods which are noninterest-bearing and are generally on 30-60 days' terms.

Other receivables comprise of various receivables from employees, accruals for interest from short term placements, receivable from a supplier, and advances made to employees for SSS claims. These are noninterest-bearing and normally settled through salary deductions.

Movements in the allowance for ECL follow:

	2022	2021
Balance at January 1	₱31,372	₱67,575
Provision for (reversal of) ECL (Note 20)	13,308	(31,189)
Write-off	(6,886)	(5,989)
Currency translation adjustments	(248)	975
Balance at end of period	₱37,546	₱31,372

Trade and other receivables from related parties that were eliminated upon consolidation amounted to ₱2,484.0 million in 2022 and ₱2,556.1 million in 2021.



7. Inventories

	2022	2021
At cost:		
Finished goods	₱180,689	₱190,468
In-transit	125,952	319,180
Packaging and other materials	19,548	12,128
Work in-process	8,285	1,813
Raw materials	–	124,999
	334,474	648,588
At NRV:		
Finished goods	4,151,719	₱3,079,954
Raw materials	3,788,967	2,702,461
Work in-process	1,637,029	1,425,579
Packaging and other materials	966,381	715,781
	10,544,096	7,923,775
	₱10,878,570	₱8,572,363

The costs of inventories carried at NRV as at December 31 are as follows:

	2022	2021
Finished goods	₱4,490,304	₱3,317,671
Raw materials	3,877,924	2,752,449
Work in-process	1,745,283	1,463,761
Packaging and other materials	1,011,459	833,914
	₱11,124,970	₱8,367,795

The Group assessed that the NRV for some inventories is lower than cost. As a result, the Group recognized provision for inventory losses. Movements in the allowance for inventory obsolescence for raw materials and finished goods are as follows:

	2022	2021
Balance at beginning of year	₱444,020	₱299,226
Provision	480,008	194,045
Write-off	(341,881)	(55,656)
Currency translation adjustments	(1,273)	6,405
Balance at end of year	₱580,874	₱444,020

The cost of inventories recognized under “Cost of goods sold” account amounted to ₱50,920.8 million in 2022, ₱43,692.8 million in 2021 and ₱41,439.5 million in 2020 (see Note 19).

The carrying value of the Group’s right of return assets amounted to nil as at December 31, 2022 and 2021 (see Note 3).

Under the terms of the agreements covering liabilities under trust receipts totaling ₱2,362.3 million, and ₱3,714.7 million as at December 31, 2022 and 2021, respectively, certain inventories which approximate the trust receipts payable, have been released to the Group under trust receipt agreement with the banks. The Group is accountable to these banks for the trusteed merchandise or their sales proceeds (see Note 16).



8. Prepayments and Other Current Assets

	2022	2021
Prepayments	₱470,623	₱538,754
Creditable withholding tax (CWT) and other credits	314,489	686,087
Deferred input VAT	274,977	294,801
Input VAT	189,139	201,610
Other current assets	20,035	48,664
	1,269,263	1,769,916
Allowance for non-recoverability of other current assets	(54)	(759)
	₱1,269,209	₱1,769,157

Prepayments pertain to prepayments of freight, insurance, and advertising expenses.

CWT and other credits include overpayment of 2020 income tax due to CREATE Act as at December 31, 2021 which were applied in 2022.

Deferred input VAT represents the input VAT related to the unpaid portion of the cost of services.

Input VAT represents VAT imposed on the Group by its suppliers and contractors for the acquisition of goods and services required under the tax laws and regulations.

Other current assets include withholding tax receivables which pertain to tax refunds from tax regulators that are collectible in cash.

Movement in allowance for non-recoverability of other current assets pertains to write-off of other current assets in 2022 amounting to ₱0.7 million.

9. Financial Assets

	2022	2021
Loans receivable:		
Related parties (Note 23)	₱115,266	₱115,266
Others	662,300	664,936
Financial assets at FVTPL	1,756,101	1,001
	2,533,667	781,203
Allowance for ECL	(115,266)	(115,266)
	₱2,418,401	₱665,937
	2022	2021
Current portion	₱1,756,101	₱165,937
Noncurrent portion (Note 27)	662,300	500,000
	₱2,418,401	₱665,937

Loans receivables. Noncurrent loans receivables mainly consist of interest-bearing loans receivable from SSCC (see Note 27) and MNSG Holdings Pte. Ltd.



On July 3, 2022, MNSPL and MNSG Holdings Pte. Ltd. agreed to extend the maturity of ₱162.3 million (\$3.0 million) loan to MNSG Holdings Pte. Ltd. from July 3, 2022 to July 3, 2024. In 2022 and 2021, this loan is presented under “Noncurrent receivables” and “Current financial assets” account, respectively, in the consolidated statement of financial position (see Note 23).

Interest income from noncurrent receivables amounted to ₱15.8 million in 2022, ₱10.8 million in 2021 and ₱15.9 million in 2020 (see Note 21).

Movements in the allowance for ECL follow:

	2022	2021
Balance at January 1	₱115,266	₱193,572
Reversal of provision for ECL (Note 23)	–	(77,369)
Write-off	–	(937)
Balance at end of period	₱115,266	₱115,266

Financial assets at FVTPL. Financial assets at FVTPL mainly consist of unit investment trust funds (UITFs) and derivatives, including separated embedded derivatives, unless designated as effective hedging instruments. Movements in the fair value of financial assets at FVTPL are as follows:

	2022	2021
Balance at January 1	₱1,001	₱–
Acquisitions	2,586,197	7,401,000
Disposal	(851,995)	(7,412,542)
Fair value change during the year	22,380	12,543
Foreign exchange loss	(1,482)	–
Balance at end of period	₱1,756,101	₱1,001

10. Financial Assets at FVOCI

Unquoted equity securities

As at December 31, 2022 and 2021, unquoted equity securities pertain to investment in Wide Faith Foods and Co. Ltd, which have been written-down to nil as at December 31, 2022 and 2021. The cost and fair value reserve of financial assets amounted to ₱235.1 million as at December 31, 2022 and 2021.

11. Investments in Associates and Joint Venture

Entities	Principal Activity	Country of Incorporation	Percentage of Ownership	Amount	
				2022	2021
Associates					
Monde Land Inc. (MLI)	Buying, leasing and acquiring of real estate	Philippines	40.00	₱934,453	₱925,304
NAMZ Pte Ltd*	Research and development	Singapore	21.20	324,211	324,211
Calaca Harvest Terminal, Inc. (CHTI)	Engaged in and carry on a general and commercial business by buying, selling, storage, warehouse and transport of grain and other related commodities	Philippines	20.00	170,000	140,000
YCE Group Pte Ltd*	Manufacturing of ice	Singapore	32.00	78,249	78,249
				1,506,913	1,467,764

(Forward)



Entities	Principal Activity	Country of Incorporation	Percentage of Ownership	Amount	
				2022	2021
Joint Venture					
Honey Droplet Hong Kong*	Purchasing, processing, exporting, and selling honey worldwide (excluding Japan)	Hong Kong	50.00	₱218,748	₱218,748
MMBC	Importation, marketing, promotion, and sale of beverage products	Philippines	48.99	1,141	28,783
				219,889	247,531
Less allowance for impairment loss on investments in (Note 3):					
NAMZ Pte Ltd				324,211	324,211
YCE				78,249	78,249
MMBC				1,141	–
Honey Droplet Hong Kong				218,748	218,748
				622,349	621,208
				₱1,104,453	₱1,094,087

* Indirect ownership through MNSPL

Investments in Associates

	2022	2021
Acquisition costs, beginning of year	₱1,300,322	₱1,240,322
Additions	30,000	60,000
Acquisition costs, end of year	1,330,322	1,300,322
Accumulated equity share in net earnings:		
Balance at beginning of year	167,442	151,736
Share in net earnings	34,634	42,054
Dividends from MLI	(25,485)	(26,348)
	176,591	167,442
	1,506,913	1,467,764
Accumulated impairment loss	(402,460)	(402,460)
	₱1,104,453	₱1,065,304

Summarized consolidated financial information of MLI, a material associate, follows:

	2022	2021
Consolidated Statement of Financial Position		
Current assets	₱250,761	₱190,615
Noncurrent assets	1,291,900	1,333,186
Current liabilities	(92,465)	(93,000)
Noncurrent liabilities	(44,394)	(47,871)
Equity	₱1,405,802	₱1,382,930
Group's share in equity	₱562,321	₱553,172
Goodwill	372,132	372,132
Group's carrying amount of the investment	₱934,453	₱925,304



	2022	2021	2020
Consolidated Statement of Comprehensive Income			
Revenue	₱279,715	₱270,810	₱224,805
Cost of sales	(149,209)	(106,328)	(67,292)
Sales, general and administrative expenses	(24,000)	(23,720)	(20,680)
Other expenses	(2,063)	(3,256)	(4,486)
Income before income tax	104,443	137,506	132,347
Provision for income tax	17,859	32,371	44,533
Income after income tax	86,584	105,135	87,814
Other comprehensive income	-	-	-
Total comprehensive income	₱86,584	₱105,135	₱87,814
Group's share of profit for the year	₱34,634	₱42,054	₱35,126

The Group's share in the aggregated summarized financial information for immaterial associates follow:

	2022	2021	2020
Consolidated Statement of Comprehensive Income			
Revenue	₱131,967	₱107,262	₱86,551
Cost of sales	(116,013)	(97,513)	(63,401)
Sales, general and administrative expenses	(57,565)	(31,998)	(10,704)
Other income (expenses)	(33,862)	(23,199)	(15,019)
Loss before income tax	(75,473)	(45,448)	(2,573)
Provision for (benefit from) income tax	-	-	-
Loss after income tax	(75,473)	(45,448)	(2,573)
Other comprehensive income (loss)	-	-	-
Total comprehensive loss	(₱75,473)	(₱45,448)	(₱2,573)

The Group did not recognize its share in net losses in associates amounting to ₱75.5 million in 2022, ₱45.4 million in 2021 and ₱2.6 million in 2020. The accumulated share in net losses in associates not recognized amounted to ₱168.1 million and ₱92.6 million as at December 31, 2022 and 2021, respectively.

a. *MLI*

The Group's carrying amount of its investment in MLI is ₱934.5 million and ₱925.3 million as at December 31, 2022 and 2021, respectively. The difference between the carrying amount of the Group's investment in MLI as at December 31, 2022 and 2021 and its share in the total equity of MLI attributable to the equity holders of the Parent is attributable to goodwill.

b. *CHTI*

In 2021, the Group made additional investment amounting to ₱60.0 million representing 60,000 shares in CHTI to maintain its ownership interest of 20.00%.

In 2022, The Parent Company made an additional investment amounting to ₱30.0 million representing 30,000 shares in CHTI to maintain its ownership interest of 20.00%.



The associates had no contingent liabilities or capital commitments as at December 31, 2022 and 2021. There have been no guarantees provided by the Group to the associate as at December 31, 2022 and 2021.

Investment in Joint Ventures

	2022	2021
Acquisition costs, beginning of year	P 379,623	P379,623
Additions	19,600	–
Acquisition costs, end of year	399,223	379,623
Accumulated equity share in net earnings:		
Balance at beginning of year	(132,092)	(126,405)
Share in net losses	(47,242)	(5,687)
	(179,334)	(132,092)
	219,889	247,531
Accumulated impairment loss:		
Balance at beginning of year	(218,748)	(218,748)
Impairment loss (Note 20)	(1,141)	–
	(219,889)	(218,748)
	P–	P28,783

The Group's shares in the aggregate summarized financial information of individually-immaterial joint ventures follow:

	2022	2021	2020
Revenue	P 8,695	P27,988	P36,459
Expenses	(37,883)	(33,472)	(85,619)
Other income (expenses)	(18,047)	(218)	6,405
Loss before income tax	(47,235)	(5,702)	(42,755)
Provision for (benefit from) income tax	7	(15)	–
Loss after income tax	(47,242)	(5,687)	(42,755)
Other comprehensive loss	–	–	(349)
Total comprehensive loss	(P47,242)	(P5,687)	(P43,104)

The Group did not recognize share in net losses in joint ventures amounting to nil in 2022 and 2021 and P37.5 million in 2020. The accumulated share in net losses in joint ventures not recognized amounted P85.9 million as at December 31, 2022, 2021 and 2020. There have been no guarantees provided by the Group to the joint venture company as at December 31, 2022 and 2021.

a. *Honey Droplet Hong Kong*

The Group has a 50.00% interest in the ownership and voting rights in a joint venture, Honey Droplet Hong Kong. This joint venture is incorporated in Hong Kong and is a strategic venture in purchasing, processing, exporting, and selling honey worldwide (excluding Japan). The Group jointly controls the venture with other partner under the contractual agreement and requires unanimous consent for all major decisions over the relevant activities.

As of December 31, 2022 and 2021, Honey Droplet Hong Kong has no operations due to factory shut down. The Group determined that the negative results of operations and cashflow projections of Honey Droplet Hong Kong are impairment indicators. As a result, the Group's investment in Honey Droplet Hong Kong is fully impaired as at December 31, 2022 and 2021.



b. MMBC

In 2015, the Group signed a Joint Venture Agreement with Malee Beverage Public Co. Ltd., a leading juice and canned fruit manufacturer in Thailand, to set up MMBC to tap the aggressive growth of the beverage market in the Philippines. MMBC has ₱100.0 million of registered capital, of which the Group and Malee share 48.99% each and the remaining 2.00% are held by individual investors.

The Group determined that the negative results of operations and cashflow projections MMBC are impairment indicators. As a result, the Group's investment in MMBC is fully impaired as at December 31, 2022. Impairment loss recognized amounted to ₱1.1 million in 2022 and nil in 2021 and 2020 (see Note 20).

The joint ventures have no contingent liabilities or capital commitments as at December 31, 2022 and 2021. There have been no guarantees provided or received for any related party receivables and payables.



12. Property, Plant and Equipment

2022													
	Land	Land Improvements	Buildings and Improvements	Leasehold Improvements	Plant Machinery and Fixtures	Office Furniture and Equipment	Transportation Equipment	Computer and Communications Equipment	Machineries Under Installation	Construction In-progress	ROU Land	ROU Others	Total
Cost													
Balance at beginning of year	₱441,083	₱5,283	₱12,753,979	₱149,289	₱32,500,137	₱357,281	₱155,538	₱264,147	₱1,374,644	₱5,085,405	₱2,906,919	₱721,869	₱56,715,574
Additions	-	-	18,002	32,557	113,471	43,006	26,771	5,801	1,236,043	2,865,661	-	123,797	4,465,109
Disposals and retirement	-	-	(67,444)	(15,188)	(50,430)	(3,488)	(24,209)	(19,496)	-	-	(8,455)	(11,346)	(200,056)
Reclassifications	-	-	958,058	-	3,368,689	88,202	1,679	121,963	(564,161)	(3,974,430)	-	-	-
Foreign currency translation adjustments	19,126	325	(155,509)	626	440,014	16,777	(855)	1,361	34,434	(49,728)	-	-	306,571
Balance at end of year	460,209	5,608	13,507,086	167,284	36,371,881	501,778	158,924	373,776	2,080,960	3,926,908	2,898,464	834,320	61,287,198
Accumulated Depreciation													
Balance at beginning of year	-	3,802	5,065,912	98,071	17,379,819	296,563	78,348	195,772	-	-	220,879	251,519	23,590,685
Depreciation (Notes 19 and 20)	-	272	578,665	13,040	1,679,286	58,725	19,560	90,704	-	-	86,367	101,141	2,627,760
Disposals and retirement	-	-	(38,084)	(10,122)	(49,675)	(3,406)	(22,027)	(19,496)	-	-	(8,455)	(11,346)	(162,611)
Foreign currency translation adjustments	-	241	66,596	(3,783)	231,272	19,416	68	1,738	-	-	-	-	315,548
Balance at end of year	-	4,315	5,673,089	97,206	19,240,702	371,298	75,949	268,718	-	-	298,791	341,314	26,371,382
Accumulated Impairment Loss													
Balance at beginning of year	-	-	932,587	967	1,491,884	-	-	36	571,765	175,390	-	-	3,172,629
Impairment loss (Notes 3 and 20)	-	-	45,484	-	725,964	-	-	-	-	54,452	-	-	825,900
Disposals and retirement	-	-	(24,667)	(12)	-	-	-	-	-	-	-	-	(24,679)
Foreign currency translation adjustments	-	-	30,648	-	49,536	-	-	-	-	(1,725)	-	-	78,459
Balance at end of year	-	-	984,052	955	2,267,384	-	-	36	571,765	228,117	-	-	4,052,309
Net Book Value	₱460,209	₱1,293	₱6,849,945	₱69,123	₱14,863,795	₱130,480	₱82,975	₱105,022	₱1,509,195	₱3,698,791	₱2,599,673	₱493,006	₱30,863,507

2021													
	Land	Land Improvements	Buildings and Improvements	Leasehold Improvements	Plant Machinery and Fixtures	Office Furniture and Equipment	Transportation Equipment	Computer and Communications Equipment	Machineries Under Installation	Construction In-progress	ROU Land	ROU Others	Total
Cost													
Balance at Beginning of year	₱456,119	₱5,577	₱10,256,604	₱145,198	₱30,313,880	₱362,439	₱115,322	₱234,304	₱1,863,902	₱3,933,034	₱2,906,919	₱657,917	₱51,251,215
Additions	-	-	11,875	2,591	191,209	13,939	13,676	14,788	1,777,948	3,281,159	-	132,488	5,439,673
Disposals	-	-	(6,288)	-	(453,657)	(71,305)	(6,649)	(1,142)	-	(373)	-	(68,536)	(607,950)
Reclassifications	-	-	1,774,503	1,500	2,523,225	55,408	33,242	20,250	(2,293,781)	(2,114,347)	-	-	-
Foreign currency translation adjustments	(15,036)	(294)	717,285	-	(74,520)	(3,200)	(53)	(4,053)	26,575	(14,068)	-	-	632,636
Balance at End of year	441,083	5,283	12,753,979	149,289	32,500,137	357,281	155,538	264,147	1,374,644	5,085,405	2,906,919	721,869	56,715,574
Accumulated Depreciation													
Balance at Beginning of year	-	3,690	4,540,133	90,693	16,326,942	274,737	67,338	161,726	-	-	134,512	177,341	21,777,112
Depreciation (Notes 19 and 20)	-	270	502,027	7,431	1,549,919	96,852	17,316	39,009	-	-	86,367	97,416	2,396,607
Disposals	-	-	(4,716)	(53)	(452,748)	(71,270)	(6,253)	(1,094)	-	-	-	(23,238)	(559,372)
Foreign currency translation adjustments	-	(158)	28,468	-	(44,294)	(3,756)	(53)	(3,869)	-	-	-	-	(23,662)
Balance at end of year	-	3,802	5,065,912	98,071	17,379,819	296,563	78,348	195,772	-	-	220,879	251,519	23,590,685

(Forward)



2021

	Land	Land Improvements	Buildings and Improvements	Leasehold Improvements	Plant Machinery and Fixtures	Office Furniture and Equipment	Transportation Equipment	Computer and Communications Equipment	Machineries Under Installation	Construction In-progress	ROU Land	ROU Others	Total
Accumulated Impairment Loss													
Balance at Beginning of year	P-	P-	P798,480	P967	P1,343,318	P-	P-	P36	P543,684	P151,044	P-	P-	P2,837,529
(Reversal of) provision for impairment loss													
- net (Notes 3 and 20)	-	-	(4,240)	-	174,874	-	-	-	28,081	24,346	-	-	223,061
Foreign currency translation adjustments	-	-	138,347	-	(26,308)	-	-	-	-	-	-	-	112,039
Balance at End of year	-	-	932,587	967	1,491,884	-	-	36	571,765	175,390	-	-	3,172,629
Net Book Value	P441,083	P1,481	P6,755,480	P50,251	P13,628,434	P60,718	P77,190	P68,339	P802,879	P4,910,015	P2,686,040	P470,350	P29,952,260



Machineries under installation pertain to plant equipment for various product lines that are still under installation which are expected to be completed in 2023 to 2024. Additions to machineries under installation include costs for the construction of new production facilities.

Construction in-progress pertains to the construction of an additional building and building improvements which is expected to be completed in 2023 to 2024. There were no capitalized borrowing costs as the construction in-progress were funded by cash from operations.

In 2022, 2021 and 2020, the Group recognized provision for impairment loss on property, plant and equipment amounting to ₱825.9 million, ₱223.1 million and ₱1,013.8 million, respectively (see Note 20).

In 2022, 2021 and 2020, the Group sold property, plant and equipment with a total net book value of ₱12.8 million, ₱3.3 million and ₱25.2 million, respectively, for a cash consideration of ₱31.3 million in 2022, ₱5.6 million in 2021 and ₱27.9 million in 2020. The net gains on these disposals were recognized under the “Miscellaneous income” account in the consolidated statement of other comprehensive income (see Note 21).

There are no idle property, plant and equipment as at December 31, 2022 and 2021. The Group has no property, plant and equipment used as collateral as at December 31, 2022 and 2021.

The Group has capital commitments for acquisitions of machineries and building expansions amounting to ₱1,447.5 million, ₱1,423.5 million, and ₱1,624.8 million as at 2022, 2021 and 2020, respectively (see Note 27).

13. Intangible Assets

	2022							Total
	Goodwill	Brand	Distribution Rights	License	Trademarks with definite useful life	Trademarks with indefinite useful life	Software	
Cost								
Balance at beginning of year	₱16,810,906	₱18,262,118	₱727,560	₱34,639	₱2,451	₱14,459	₱362,333	₱36,214,466
Additions	-	-	-	-	-	-	75,901	75,901
Foreign currency translation adjustments	(268,667)	(290,421)	-	-	148	-	4,416	(554,524)
Balance at end of year	16,542,239	17,971,697	727,560	34,639	2,599	14,459	442,650	35,735,843
Accumulated Amortization								
Balance at beginning of year	-	43,063	269,804	-	1,469	-	163,232	477,568
Amortization (sNotes 19, 20 and 21)	-	-	36,378	700	175	-	48,649	85,902
Foreign currency translation adjustments	-	(689)	-	-	95	-	1,755	1,161
Balance at end of year	-	42,374	306,182	700	1,739	-	213,636	564,631
Accumulated Impairment Loss								
Balance at beginning of year	-	90,142	-	-	-	-	-	90,142
Impairment loss (Notes 3 and 20)	16,500,821	4,043,295	-	-	-	2,481	-	20,546,597
Foreign currency translation adjustments	41,418	10,150	-	-	-	-	-	51,568
Balance at end of year	16,542,239	4,143,587	-	-	-	2,481	-	20,688,307
Net Book Value	₱-	₱13,785,736	₱421,378	₱33,939	₱860	₱11,978	₱229,014	₱14,482,905



2021								
	Goodwill	Brand	Distribution Rights	License	Trademarks with definite useful life	Trademarks with indefinite useful life	Software	Total
Cost								
Balance at beginning of year	₱15,851,354	₱17,224,878	₱727,560	₱-	₱3,412	₱14,459	₱272,742	₱34,094,405
Additions	-	-	-	34,639	424	-	78,396	113,459
Foreign currency translation adjustments	959,552	1,037,240	-	-	(1,385)	-	11,195	2,006,602
Balance at end of year	16,810,906	18,262,118	727,560	34,639	2,451	14,459	362,333	36,214,466
Accumulated Amortization								
Balance at beginning of year	-	40,605	233,426	-	2,602	-	127,299	403,932
Amortization (Notes 19, 20 and 21)	-	-	36,378	-	218	-	37,669	74,265
Foreign currency translation adjustments	-	2,458	-	-	(1,351)	-	(1,736)	(629)
Balance at end of year	-	43,063	269,804	-	1,469	-	163,232	477,568
Accumulated Impairment Loss								
Loss	-	90,142	-	-	-	-	-	90,142
Net Book Value	₱16,810,906	₱18,128,913	₱457,756	₱34,639	₱982	₱14,459	₱199,101	₱35,646,756

In 2021, the Group acquired license with indefinite useful life amounting to ₱34.6 million. This pertains to acquisition of know-how and other intellectual property from a third party. In 2022, the Parent Company assessed that it would take 10 years to apply the systems from its license across all its sites. As a result, the useful life of this asset has changed from indefinite to 10 years.

Goodwill and brand were acquired through business combinations.

Goodwill, brand, trademark and license per entity with indefinite useful life are as follows:

	2022				2021			
	Goodwill	Brand	Trademark	License	Goodwill	Brand	Trademark	License
MNUKL	₱-	₱13,785,736	₱-	₱-	₱16,810,906	₱18,128,913	₱-	₱-
MNC	-	-	11,978	-	-	-	14,459	34,639
Total	₱-	₱13,785,736	₱11,978	₱-	₱16,810,906	₱18,128,913	₱14,459	₱34,639

The Group performed its annual impairment test in December 2022 and 2021 (see Note 3).

Distribution rights were from the Parent Company's Distribution, and Marketing and Sales Development Agreement with SSCC wherein SSCC appointed the Parent Company as its exclusive distributor of all its products in the Philippines for a period of 20 years until July 25, 2034. (see Note 27).

14. Other Noncurrent Assets

	2022	2021
Advances to suppliers and contractors	₱619,658	₱705,290
Deferred input VAT for amortization	244,869	360,263
Refundable and other deposits	29,782	74,586
Advances to employees	69,777	68,911
Others	14,394	12,774
	978,480	1,221,824
Less allowance for advances to suppliers and contractors	-	55,787
	₱978,480	₱1,166,037

Advances to suppliers and contractors comprise mainly of advance payments for major equipment and construction/improvements of plant sites and office spaces.

Deferred input VAT pertains to input VAT from acquisition of capital goods which are claimed over 5 years.



Refundable and other deposits are deposits for office and warehouse spaces which are refundable upon the termination of the lease contract.

Advances to employees are long-term advances granted to employees. In 2021, movement in allowance pertains to write-off of advances to suppliers and contractors.

15. Accounts Payable and Other Current Liabilities and Refund Liabilities

Accounts Payable and Other Current Liabilities

	2022	2021
Trade payables		
Non-related parties	₱6,197,721	₱4,962,761
Related parties (Note 23)	14,578	21,888
Nontrade payables	2,559,920	2,450,725
Accruals for:		
Advertising and promotions	769,960	1,196,211
Trade spend	454,941	382,207
Selling, general and administrative expenses	321,695	368,792
Personnel costs	266,978	319,150
Other accruals	171,196	153,116
Provisions	92,666	118,891
Statutory payables	384,559	1,053,318
Others	88,386	129,360
	₱11,322,600	₱11,156,419

Accounts payable and other current liabilities are noninterest-bearing and are generally settled within 30 to 60 days.

Trade payables pertain to liabilities to suppliers for the purchase of raw materials, finished goods, and other costs directly related to the Group's operations.

Nontrade payables include liabilities related to utilities, advertising, other operating and manufacturing overhead expenses.

Other accruals mainly represent accruals for freight, interest payable, non-trade services and are generally settled the following month.

Provisions include claims by third parties in the ordinary course of business. As allowed by PAS 37, only a general description is provided as the disclosure of additional details beyond the present disclosures may prejudice the Group's position and negotiation strategies with respect to these matters.

Statutory payables comprise mainly of the Group's liabilities to the tax authorities such as withholding taxes payable, final taxes payable, etc.

Trade and other payables from related parties that were eliminated upon consolidation amounted to ₱2,484.0 million in 2022 and ₱2,556.1 million in 2021.



Refund Liabilities

As at December 31, 2022 and 2021, the Group's refund liabilities consist of the following:

	2022	2021
Refund liabilities:		
Arising from rights of return	₱200,440	₱181,697
Arising from volume discount	–	122,181
	₱200,440	₱303,878

16. Acceptance and Trust Receipts Payable

This account represents the Group's peso and US dollar-denominated liabilities incurred in connection with the importations and acquisitions of raw materials from foreign suppliers. These raw materials are insured in compliance with the requirements of the bank. These liabilities are for a period of 1 year with an average annual interest rate of 2.82% in 2022 and 2.5% in 2021.

The Group has outstanding acceptance and trust receipts payable amounting to ₱2,362.3 million, ₱3,714.7 million as at December 31, 2022 and 2021, respectively.

The Group recognized interest expense amounting to ₱68.0 million in 2022, ₱37.1 million in 2021 and ₱32.8 million in 2020 (see Note 21).

17. Loans Payable and Convertible Note

Loans Payable

Description	Maturities	Interest Rates	2022	2021
MFL				
£105.0 million term loan	June 2025 subject to extension of 2 years	Margin and SONIA	₱7,081,137	₱–
£4.0 million drawdown loan	November 2022	Margin and SONIA	269,758	
£113.0 million term loan	March 2024	Margin and SONIA	–	7,059,040
Parent				
₱18,700.0 million Floating Rate Corporate Notes (FRCNs)	December 2022	Effective after December 31, 2021 - Higher of (a) 3-day average of the 3-month BVAL + 75 bps per annum or (b) the overnight deposit facility rate. Effective April 5, 2021 - Higher of (a) 3-day average of the 3-month BVAL + 75 bps per annum or (b) the BSP overnight borrowing rate + 30 bps per annum	–	5,000
			7,350,895	7,064,040
Unamortized debt issue costs			(97,881)	(65,235)
			₱7,253,014	₱6,998,805
Current portion			₱269,758	₱6,998,805
Non-current portion			6,983,256	–
			₱7,253,014	₱6,998,805



a. *MFL Loan*

As at December 31, 2021, MFL, a wholly owned UK-based indirect subsidiary, has outstanding unsecured loans payable amounting to ₱7,059.0 million (£103.0 million). Interest rate is based on Margin and LIBOR as at December 31, 2021. MFL transitioned its interest rate from LIBOR to SONIA such that the interest rate is based on Margin and SONIA in 2022. The change is a direct consequence of IBOR reform, and the new basis for determining cash flows is economically equivalent to the previous one. This does not affect the overall fixed interest payable on the hedged portion of the loan of ₱7,059.0 million (£103.0 million) as at December 31, 2021 (Note 26).

The outstanding loan of MFL as at December 31, 2021 has the following financial covenants:

- i. MFL is required to maintain a Gross Leverage of less than 3.5x from March 31, 2019 and each quarter thereafter up to and including September 30, 2020. Afterwards, MNUKL is required to maintain a Gross Leverage of less than 3.0x from December 31, 2020 and each quarter thereafter.
- ii. The Group is required to maintain a Gross Leverage of less than 6.0x from March 31, 2019 onwards.
- iii. MFL is required to maintain an interest cover of greater than 4.0x from March 31, 2019 and each quarter thereafter.

As at December 31, 2021, MFL exceeded the gross leverage covenant threshold of 3.0x. In June 2022, MFL entered into a sterling term loan facility amounting to ₱7,081.1 million (£105.0 million) to settle the outstanding loan of ₱7,059.0 million (£103.0 million).

As at December 31, 2022, MFL has outstanding unsecured loans payable amounting to ₱7,350.9 million (£109.0 million). The sterling term loan facility amounting to ₱7,081.1 million (£105.0 million) with maturity on June 2025 subject to extension of 2 years and interest rate based on Margin and SONIA has the following financial covenants:

- The Group is required to maintain Gross Leverage of less than 3.5x from June 30, 2022 and each quarter thereafter
- The Group is required to maintain an interest cover of greater than 3.0 from June 30, 2022 and each quarter thereafter.

As at December 31, 2022, the Group is in compliance with these covenants.

b. *Parent Company*

As at December 31, 2021, the Parent Company has outstanding unsecured loans payable with a financial institution. This loan bears interest at the higher of (a) 3-day average of the 3-month BVAL + 75 bps per annum or (b) the overnight deposit facility rate. This loan has the following financial covenants and shall be computed on a consolidated basis:

- a. The Group is required to maintain a debt to equity ratio of not greater than 4.00x.
- b. The Group is required to maintain a Gross Leverage of less than 6.0x from January 1, 2019 onwards.
- c. The Group is required to maintain a debt service cover ratio greater than 1.20x.

Financial testing shall be done every 6 months and reported the following month of such period.



In addition and as stated in the loan agreements, the Group may declare or pay dividends to its stockholders or make any other capital or other asset distribution to its stockholders as long as it is in compliance with the above financial covenants and no event of default has occurred.

As at December 31, 2021, the Group is in compliance with the financial covenants.

In 2021, the Parent Company prepaid its loan amounting to ₱22,041.0 million as part of the change in use of IPO approved by BOD in August 2021. This loan was fully settled in December 2022 by the Parent Company.

Interest expense related to the loans amounted to ₱53.3 million in 2022, ₱442.1 million in 2021 and ₱1,163.6 million in 2020 (see Note 21).

Convertible Note

On February 5, 2019, the Parent Company and Arran Investment Pte. Ltd. (Arran or Investor), a company incorporated in the Republic of Singapore, entered into a Subscription Agreement wherein the Parent Company agreed to issue a Convertible Note with a face amount of ₱9,122.7 million and convertible at the option of the holder upon the occurrence of a contingent event into 494,516,100 shares as adjusted for the stock split in September 2019 representing 7.00% of the issued and outstanding shares of the Parent Company on a fully-diluted basis. In 2021, the equivalent ownership interest of the Convertible Note has decreased from 7.00% to 6.44% of the Parent Company's issued and outstanding shares as a result of the issuance of Parent Company's common shares to MCI (see Note 18). On April 12, 2019, the Parent Company issued to Arran the Convertible Note subject to certain terms and conditions, including the redemption features which result in the treatment of the Convertible Note as a USD-denominated instrument with a principal amount of \$174.8 million. The Convertible Note is mandatorily redeemable at the Philippine peso equivalent of the redemption amount computed based on a formula after five years from its issue date. In addition, the Convertible Note has an optional redemption feature exercisable by the holder upon the happening of the same contingent event for the conversion feature. The Parent Company also entered into an Investor Rights Agreement on April 12, 2019 that gave certain rights to the Investor pending redemption of the Convertible Note.

When establishing the accounting treatment for the Convertible Note, the Group classified such instrument's components separately as financial liabilities, financial assets, or equity instruments in accordance with PAS 32, *Financial Instrument: Presentation*. The Convertible Note was assessed to be a hybrid instrument containing a host financial liability component and derivative components for the equity conversion and redemption options. The equity conversion and redemption options were identified as embedded derivatives and were separated and accounted for separately from the host contract on issuance date of the Convertible Note.

Shown below are the movements in the value of the host liability in 2021:

Host liability:	
Beginning balance	₱7,027,163
Accretion of interest (Note 21)	746,999
Foreign exchange loss (gain)	(73,445)
Amortization of debt issue cost	20,988
Payments of cash variable interest	(113,739)
Redemption	(7,607,966)
	<u>₱</u>



Cash variable interest is an amount equal to the amount of the dividends received by the Parent Company's shareholder that the Investor would have received if the Convertible Note was converted into shares prior to the declaration of such dividend. Accretion of interest on Convertible Note amounted to ₱490.0 million in 2021 (see Note 21).

On March 1, 2021, at least a majority of the members of the BOD of the Parent Company and stockholders representing at least two-thirds (2/3) of the outstanding capital stock of the Parent Company approved certain amendments to the Parent Company's Articles of Incorporation including the removal of certain rights and entitlements of the Investor from the Parent Company's Articles of Incorporation which are further disclosed in Note 18.

On June 3, 2021, the Parent Company redeemed the Convertible Note. The Parent Company paid the listing redemption of ₱13,351.9 million. This resulted to loss on redemption of convertible note amounting to ₱1,579.3 million in 2021 (i.e. difference between the listing redemption amount and the carrying value of the Convertible Note and the related derivative liability).

The movement in unamortized debt issue costs of loans payable and Convertible Note is as follows:

	2022	2021
Loans Payable		
Balance at January 1	₱65,235	₱191,374
Additions during the period	120,806	-
Amortization during the period (Note 21)	(86,624)	(133,534)
Foreign currency translation adjustments	(1,536)	7,395
Total	97,881	65,235
Convertible Note		
Balance at January 1	-	173,929
Redemption of convertible note	-	(152,941)
Amortization during the period (Note 21)	-	(20,988)
	-	-
	₱97,881	₱65,235

18. Equity

Capital Stock and Additional Paid-in Capital (APIC)

The details of the Parent Company's common stock as at December 31, 2022 and 2021 follows:

	2022	2021
Authorized number of shares	20,400,000,000	20,400,000,000
Par value per share	₱0.50	₱0.50
Issued and outstanding common shares:		
Balance at January 1	17,968,611,496	6,570,000,000
Issuance to MCI	-	614,305,748
Reduction in par	-	7,184,305,748
Issuance during IPO	-	3,600,000,000
Balance at end of period	17,968,611,496	17,968,611,496



The details of the Parent Company's additional paid-in capital as at December 31, 2022 and 2021 follows:

	2022	2021
Balance at January 1	₱46,515,847	₱-
Additions		
Issuance of common shares during IPO	-	46,800,000
Issuance of common shares to MCI	-	1,204,039
Share issuance costs		
Issuance of common shares during IPO	-	(1,484,817)
Issuance of common shares to MCI	-	(3,375)
Balance at end of period	₱46,515,847	₱46,515,847

On January 11, 2021, the Parent Company entered into an agreement with MCI for the subscription of the Parent Company's 614,305,748 common shares at a subscription price of ₱2.96 per share or a total subscription price of ₱1,818.3 million which was fully settled on January 29, 2021.

On April 20, 2021, the SEC favorably considered, subject to certain conditions, the amended registration statement filed by the Parent Company covering the registration of 17,968,611,496 common shares to be listed and traded on the Main Board of the PSE with a par value of ₱0.50 per shares in relation to the Parent Company's initial public offering.

On April 21, 2021, the BOD of the PSE approved, subject to certain conditions, the application of the Parent Company for the listing of up to 17,968,611,496 common shares on the Main Board of the PSE.

On June 1, 2021, the Parent Company completed its IPO and was listed in the PSE under the stock symbol "Monde". The Parent Company issued 3,600,000,000 common shares for a total consideration of ₱48,600.0 million.

The Parent Company's record of registration of its securities follows:

Number of shares registered	17,968,611,496
Issue/offer price	₱13.50
Date of approval	April 20, 2021

The total number of stockholders was 16 as at December 31, 2022 and 2021. With respect to the Parent Company's stockholders as at December 31, 2022 and 2021, the shares were either held (a) in a certificated form or (b) in scripless form held under the account of PCD Nominee Corp. (PCD Nominee) through 136 trading participants (*i.e.*, brokers and custodians) of the Philippine Depository & Trust Corp. (PDTC). The shares lodged under PCD Nominee are further broken down into PCD Nominee (Filipino) and PCD Nominee (Non-Filipino).

Amendment of AOI

On March 1, 2021, at least a majority of the members of the BOD of the Parent Company and stockholders representing at least two-thirds (2/3) of the outstanding capital stock of the Parent Company approved certain amendments to the Parent Company's Articles of Incorporation including the amending the authorized capital stock of the Parent Company (without increasing or decreasing the same) such that the authorized number of shares, as amended, shall be:

- a. 20,400,000,000 common shares with a par value of ₱0.50 per share, from the current par value of ₱1.00 per share; and



b. 3,600,000,000 Preferred Shares classified into:

Class of Preferred Shares	No. of shares	Par value	Amount
Non-voting "A"	400,000,000	₱1.00	₱400,000
Non-voting "B"	800,000,000	1.00	800,000
Voting "C"	2,400,000,000	0.25	600,000
Total	3,600,000,000		₱1,800,000

Said preferred shares' issue value, dividend rate and the terms and conditions of their redemption shall be determined by the BOD at the time of their respective issuances. Furthermore, they shall be cumulative and non-participating as to dividends and non-convertible into common shares. Said preferred shares shall also enjoy preference in assets in the event of liquidation of the Parent Company and in the payment of dividends as against common shares; however, they shall not enjoy any pre-emptive rights to any issue of shares (whether common or preferred).

These amendments on the Parent Company's AOI was approved by the SEC on April 7, 2021.

There have been no issuances of preferred stock as at December 31, 2022 and 2021.

Changes on Dividend Policy

On March 12, 2021, the Parent Company's BOD approved to adopt and maintain an annual dividend payment ratio of 60% of the preceding fiscal year's net income after tax, subject to the requirements of applicable laws and regulations, capital expenditure requirements, compliance with the Parent Company's loan covenants, and other circumstances which restrict the payment of dividends.

Retained Earnings

Parent Company

On the following dates, the BOD approved the following cash dividends, all of which have been previously appropriated except for 2022:

Dividend declaration and stockholders of record date	Dividend per share	Amount
August 9, 2022	₱0.14	₱2,515,606
January 22, 2021	0.23	1,511,100
March 1, 2021	1.19	8,549,324
October 1, 2020	0.15	985,500
November 5, 2020	₱0.23	1,511,100

The BOD approved the following:

- On November 5, 2020, reversal of the 2019 appropriation for ₱6,200.0 million for dividends, expansions, and other capital requirements.
- On December 16, 2020, additional reversal of the 2019 appropriation for ₱2,000.0 million for dividends, expansions, and other capital requirements.
- On December 16, 2020, appropriation of ₱10,700.0 million from the Parent Company's retained earnings for dividends, expansions, and other capital requirements, and to comply with the financial covenants in 2021.
- On March 1, 2021, reversal of the 2020 appropriation for ₱6,800.0 million for dividends, expansions, and other capital requirements.



- On August 9, 2022, reversal of the 2021 appropriation for ₱3,900.0 million for expansions, and other capital requirements.
- On December 19, 2022, appropriation of ₱5,000.0 million for plant expansions and other capital expenditure requirements.
- On March 22, 2023, the Parent Company's BOD approved the reversal of the 2022 appropriation amounting to ₱5,000.0 million for expansions and other capital requirements.

MMYSC

The BOD approved the following:

- On December 28, 2020, release of 2019 appropriation of ₱717.0 million for plant capacity expansion.
- On December 28, 2020, appropriation of ₱410.9 million for expansion and other capital requirements which are expected to be completed in 2021-2022.
- On December 1, 2021, release of 2020 appropriation of ₱410.9 million for plant capacity expansion.
- On December 1, 2021, appropriation of ₱150.8 million for expansion and other capital requirements which are expected to be completed in 2022.
- On December 6, 2022, release of 2021 appropriation of ₱150.8 million for plant capacity expansion.
- On December 6, 2022, appropriation of ₱167.0 million for expansion and other capital requirements which are expected to be completed in 2023.

MIL

Under Section 1202 of the Thai Civil and Commercial Code, MIL is required to set aside to a statutory reserve of at least 5% of its income each time MIL pays dividend, until the reserve reaches 10% of the registered capital. The statutory reserve can neither be offset against deficit nor used for dividend payment. The statutory reserve of MIL amounted to ₱44.5 million as at December 31, 2022, 2021 and 2020.

The Group's appropriated retained earnings follows:

	2022		2021		2020	
	Expected Completion	Amount	Expected Completion	Amount	Expected Completion	Amount
Expansions and capital expenditures	2023-2024	₱5,167,000	2022-2023	₱4,050,805	2021-2022	₱4,410,884
Appropriation to comply with financial covenants (Note 17)						4,200,000
Dividends					2021	2,500,000
MIL statutory reserve	Indefinite	44,452	Indefinite	44,452	Indefinite	44,452
		₱5,211,452		₱4,095,257		₱11,155,336

The Group's appropriation for capital expenditure is expected to be used to build new capacity and capability in the APAC BFB segment. Key projects in the APAC BFB segment will be the completion of a new production facility and other operational efficiency initiatives.



Restriction on Retained Earnings

As at December 31, 2022 and 2021, undistributed retained earnings of subsidiaries amounting to ₱4,530.2 million and ₱11,766.9 million, respectively, are not available for dividend declaration until the actual declaration of the subsidiaries. Further, the undistributed retained earnings (losses) include appropriated retained earnings of MMYSC and MIL amounting to ₱211.5 million and ₱2,195.3 million as at December 31, 2022 and 2021, respectively.

Equity Reserve (see Note 4)

	2022	2021
MMYSC	(₱532,573)	(₱532,573)
MNTH	(115,390)	(115,390)
MNAC	(7,733)	(7,733)
KBT	33,361	33,361
	(₱622,335)	(₱622,335)

Cumulative Translation Adjustments

Cumulative translation adjustments attributable to equity holders of the Parent Company are as follows:

	2022	2021
Foreign investments:		
MNSPL	(₱2,845,103)	(₱2,326,573)
MNIL	(185,219)	(186,001)
MNTH	(8,433)	(176,761)
MIL	(49,693)	(93,918)
Cross currency swap:		
MNC (Note 26)	(386,532)	-
	(₱3,474,980)	(₱2,783,253)

Earnings (loss) per Share (EPS)

The following reflects the income and share data used in the basic and diluted EPS computation:

Basic EPS

	2022	2021	2020
	<i>(In Thousands, Except Numbers of Shares and Per Share Data)</i>		
Net income (loss) attributable to equity holders of the parent:	(₱13,020,512)	₱3,115,032	₱7,340,901
Number of shares:			
Common shares outstanding at January 1	17,968,611,496	6,570,000,000	6,570,000,000
Effect of common share issuance to MCI	-	563,113,602	-
Effect of reduction in par	-	7,133,113,602	6,570,000,000
Effect of common share issuance during IPO	-	2,100,000,000	-
Weighted average number of common shares	17,968,611,496	16,366,227,204	13,140,000,000
Basic EPS	(₱0.72)	₱0.19	₱0.56



Diluted EPS

	2022	2021	2020
	<i>(In Thousands, Except Numbers of Shares and Per Share Data)</i>		
Net income (loss) attributable to equity holders of the parent:	(₱13,020,512)	₱3,115,032	₱7,340,901
Adjustments, net of tax:			
Unrealized foreign exchange gain	-	-	(406,305)
Accretion of interest	-	-	284,896
Derivative loss	-	-	134,645
Cash variable interest	-	-	58,041
Accretion of debt issue cost	-	-	33,337
	(13,020,512)	3,115,032	7,445,515
Number of shares:			
Common shares outstanding at January 1	17,968,611,496	6,570,000,000	6,570,000,000
Effect of common share issuance to MCI	-	563,113,602	-
Effect of reduction in par	-	7,133,113,602	6,570,000,000
Effect of common share issuance during IPO	-	2,100,000,000	-
Weighted average number of common shares	17,968,611,496	16,366,227,204	13,140,000,000
Effects of dilution from Convertible Note (Note 17)	-	-	989,032,200
Weighted average number of shares adjusted for the effects of dilution	17,968,611,496	16,366,227,204	14,129,032,200
Diluted EPS	(₱0.72)	₱0.19	₱0.53

Potentially dilutive shares were redeemed in June 2021, hence, basic EPS equals diluted EPS in 2022 and 2021.

The number of common shares in 2020 have been retroactively adjusted for the effect of the reduction in par value approved by the SEC on April 7, 2021 as discussed above.

19. Net Sales and Cost of Goods Sold

Net Sales by Geography and Operating Segment

	2022	2021	2020
APAC BFB			
Philippines	₱55,017,990	₱50,356,983	₱49,880,008
Other Countries	3,473,079	3,682,032	3,030,565
	58,491,069	54,039,015	52,910,573
Meat Alternative			
United Kingdom	11,870,824	11,801,245	11,460,790
United States	1,318,628	1,328,113	1,438,432
Other Countries	2,200,188	2,115,815	2,135,716
	15,389,640	15,245,173	15,034,938
	₱73,880,709	₱69,284,188	₱67,945,511

All revenues are recognized at a point in time.



Cost of Goods Sold

	2022	2021	2020
Direct materials	₱39,364,367	₱32,718,491	₱31,119,205
Direct labor (Note 21)	2,844,961	3,499,788	3,264,155
Manufacturing overhead:			
Depreciation and amortization (Notes 12 and 13)	2,206,038	2,012,608	1,898,518
Repairs and maintenance	1,533,256	1,714,730	1,416,468
Light and water	1,831,431	1,505,609	704,279
Indirect labor (Note 21)	1,048,336	1,110,354	977,496
Plant utilities and other consumption	1,149,296	828,235	1,057,545
Steam	787,575	716,696	489,335
Rent (Notes 23 and 25)	23,416	22,043	50,063
Others	1,661,564	1,057,905	1,185,961
Total manufacturing costs	52,450,240	45,186,459	42,163,025
Inventory movements (Note 7):			
Finished goods	(1,241,491)	(885,698)	(371,622)
Work in-process	(287,994)	(607,992)	(351,887)
	₱50,920,755	₱43,692,769	₱41,439,516

20. Sales, General and Administrative Expenses

General and Administrative Expenses

	2022	2021	2020
Salaries, wages and employee benefits (Note 21)	₱4,388,113	₱3,771,921	₱3,805,016
Outside services	767,777	1,338,168	561,864
Depreciation and amortization (Notes 12 and 13)	507,624	458,264	404,801
Insurance	255,793	247,730	168,488
Repairs and maintenance	255,190	270,376	216,555
Taxes and licenses	253,293	296,926	348,937
Research and development	226,759	562,823	159,599
Inventory loss	192,012	36,504	115,599
Fringe benefit tax	125,673	222,123	219,937
Warehouse and office supplies	118,383	69,558	114,354
Entertainment, amusement and recreation	93,194	157,689	17,611
Light, water, and telecommunication	46,505	93,653	61,513
Rent (Notes 23 and 25)	37,833	37,951	7,438
Donations	26,839	12,070	70,944
Recruitment and training expenses	23,055	20,849	21,743

(Forward)



	2022	2021	2020
Provision for ECL and write-off (Notes 6 and 9)	₱13,308	₱–	₱114,343
Project costs	–	–	102,682
Others	256,396	22,755	328,607
	₱7,587,747	₱7,619,360	₱6,840,031

Selling and Distribution Expenses

	2022	2021	2020
Advertising and promotions	₱3,853,757	₱5,183,418	₱3,530,073
Transportation and delivery	3,017,221	2,631,676	2,518,207
Merchandising expense	625,376	528,901	521,018
	₱7,496,354	₱8,343,995	₱6,569,298

Impairment Loss

	2022	2021	2020
Intangible assets (Notes 3 and 13)	₱20,546,597	₱–	₱–
Property, plant and equipment (Notes 3 and 12)	825,900	223,061	1,013,838
Investments in associates and joint venture (Notes 3 and 11)	1,141	–	–
	₱21,373,638	₱223,061	₱1,013,838

21. Finance Income and Costs, Depreciation and Amortization Expense, Personnel Costs and Miscellaneous Income

Finance Income

	2022	2021	2020
Cash and cash equivalents (Note 5)	₱132,808	₱72,212	₱81,599
Noncurrent receivables (Note 9)	15,788	10,759	15,865
Gain on loan modification (Note 17)	–	–	165,066
	₱148,596	₱82,971	₱262,530

Finance Costs

	2022	2021	2020
Interest expense on lease liabilities (Note 25)	₱182,919	₱188,058	₱153,705
Interest on loans payable (Note 17)	53,274	442,102	1,163,562
Amortization of debt issue costs (Note 17):			
Loans payable	86,624	133,534	(122,614)
Convertible note	–	20,988	47,624

Forward



	2022	2021	2020
Acceptance and trust receipts payable (Note 16)	₱68,008	₱37,140	₱32,770
Accretion of interest on convertible note (Note 17)	-	746,999	489,911
Others	25,700	-	21,185
	₱416,525	₱1,568,821	₱1,786,143

Personnel Costs

	2022	2021	2020
Cost of goods sold:			
Direct labor (Note 19)	₱2,806,038	₱3,423,818	₱3,228,043
Indirect labor (Note 19)	1,048,336	1,110,354	977,496
Retirement expense (Notes 19 and 22)	38,923	75,970	36,112
Sales, general and administrative expenses:			
Salaries and wages (Note 20)	3,536,226	2,822,864	2,815,487
Employee benefits (Note 20)	779,465	845,256	969,612
Retirement expense (Notes 20 and 22)	72,422	103,801	19,917
	₱8,281,410	₱8,382,063	₱8,046,667

Depreciation and Amortization Expense

	2022	2021	2020
Property, plant and equipment (Note 12)	₱2,627,760	₱2,396,607	₱2,237,001
Intangible assets (Note 13)	85,902	74,265	66,318
	₱2,713,662	₱2,470,872	₱2,303,319
	2022	2021	2020
Cost of goods sold (Note 19)	₱2,206,038	₱2,012,608	₱1,898,518
Sales, general and administrative expense (Note 20)	507,624	458,264	404,801
	₱2,713,662	₱2,470,872	₱2,303,319

Miscellaneous Income

Miscellaneous income mainly comprises of service fees charged by the Parent Company primarily for reimbursement of share of principals in common expenses, bargain purchase, gain/loss on sale of property, plant and equipment, reversal of ECL (see Notes 6 and 9) and other miscellaneous items which are recorded under the "Miscellaneous income" account in the consolidated statements of comprehensive income.



22. Pension Plan

The Parent Company and certain subsidiaries maintain noncontributory and defined benefit retirement plans covering substantially all their regular employees. The benefit plan is paid in a lump sum upon retirement or separation. These benefits are funded by the Group. Contributions and costs are determined in accordance with the actuarial study made for the plan. The latest actuarial valuation report is December 31, 2022.

The Group's plan assets are managed and maintained by a local bank. The Group appointed a local trustee bank as the retirement plan trustee. The trustee bank is responsible for the general administration of the retirement plan and the management of the retirement fund. As the administrator of the retirement plan, the trustee bank is responsible for the ultimate control, disposition, or management of the money received or contributed.



Changes in the net defined benefit liability in 2022 and 2021 follow:

2022														
Recognized in profit or loss						Remeasurements in OCI								
January 1, 2022	Current Service Cost	Net Interest Cost	Past Service Cost	Subtotal	Benefits Paid	Actuarial Changes Arising from Financial Assumptions	Actuarial Changes Arising from Demographic Assumptions	Actuarial Changes Arising from Experience Adjustments	Remeasurement Gain on Plan Asset	Subtotal	Contributions by Employer	Foreign Currency Translation Adjustments	December 31, 2022	
Present value of defined benefit obligation	(P1,167,502)	(P80,715)	(P58,002)	P-	(P138,717)	P89,161	P203,457	P6,385	(P53,262)	P-	P156,580	P-	(P1,763)	(P1,062,241)
Fair value of plan asset	518,810	-	27,372	-	27,372	(70,475)	-	-	-	(29,791)	(29,791)	109,895	-	555,811
Net pension liability	(P648,692)	(P80,715)	(P30,630)	P-	(P111,345)	P18,686	P203,457	P6,385	(P53,262)	(P29,791)	P126,789	P109,895	(P1,763)	(P506,430)

2021														
Recognized in profit or loss						Remeasurements in OCI								
January 1, 2021	Current Service Cost	Net Interest Cost	Past Service Cost	Subtotal	Benefits Paid	Actuarial Changes Arising from Financial Assumptions	Actuarial Changes Arising from Demographic Assumptions	Actuarial Changes Arising from Experience Adjustments	Remeasurement Gain on Plan Asset	Subtotal	Contributions by Employer	Foreign Currency Translation Adjustments	December 31, 2021	
Present value of defined benefit obligation	(P1,050,669)	(P78,823)	(P47,499)	(P75,139)	(P201,461)	P67,290	P2,983	P105,518	(P92,415)	P-	P16,086	P-	P1,252	(P1,167,502)
Fair value of plan asset	569,188	-	21,690	-	21,690	(56,397)	-	-	-	(16,423)	(16,423)	752	-	518,810
Net pension liability	(P481,481)	(P78,823)	(P25,809)	(P75,139)	(P179,771)	P10,893	P2,983	P105,518	(P92,415)	(P16,423)	(P337)	P752	P1,252	(P648,692)



The maximum economic benefit available is a combination of expected refunds from the plan and reductions in future contributions. The trustee has no specific matching strategy between the plan assets and the retirement obligation. The Group is not required to pre-fund the defined benefit obligation before they become due. The amount and timing of contributions to the retirement fund are at the Group's discretion.

The carrying value and fair value of plan assets by each class as at the end of the reporting period are as follow:

	2022	2021
Debt instruments:		
Fixed rate treasury notes and retail treasury bonds	₱446,683	₱439,155
Corporate bond and fixed-rate notes	94,034	63,672
Investments in UITF	11,223	14,558
Cash and cash equivalents	20	560
Others	4,585	4,538
Liabilities	(734)	(3,673)
	₱555,811	₱518,810

The plan assets have diverse investments and do not have any concentration risk.

On May 1, 2021, the Parent Company amended its retirement plan as follows:

- Change in disability benefit from 60 days to 75 days
- Change in death benefit from ₱0.2 million plus gratuity pay or ₱1.0 million, to 75 days per year of service or ₱2.0 million, whichever is higher, with the exemption of self-inflicted cause of death

The Parent Company recognized ₱75.1 million past service cost as a result of the amendment in 2021.

The costs of defined benefit pension plans as well as the present value of the pension obligation are actuarially determined using projected unit credit method. The actuarial valuation involves making various assumptions. The principal assumptions used in determining pension benefit obligations for the defined benefit plans are shown below:

	2022	2021
Discount rate	2.76-3.38%	1.80-5.15%
Salary increase rate	5.00%	5.00%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as at December 31, 2022 and 2021, assuming if all other assumptions were held constant:

	Increase(decrease)	2022	2021
		Effect on Defined Benefit Obligation	
Discount rates	1.00%	(₱74,721)	(₱91,661)
	(1.00%)	86,342	108,958
Future salary increases	1.00%	87,429	106,896
	(1.00%)	(76,883)	(91,783)



The average duration of the defined benefit obligation at the end of the reporting period is 7.5– 17.10 years in 2022 and 9.40 – 11.10 years in 2021.

Shown below is the expected future benefit payment:

Financial Year	2022	2021
Year 1	₱178,656	₱145,319
Years 2–5	404,695	314,480
Years 6–10	677,290	425,807

23. Related Party Transactions

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

The Parent Company has Material Related Party Transaction Policies containing the approval requirements and limits on amounts and extent of related party transactions in compliance with the requirements under the Revised SRC Rule 68 and SEC Memorandum Circular 10, series of 2019.

The following are the significant transactions with related parties:

Nature	Year	Volume of Transactions	Outstanding Balance	Terms	Conditions
<i>Associates and joint ventures</i>					
MLI					
Rent expense	2022	₱64,603	₱–	15 days; noninterest-bearing	Unsecured
	2021	62,987	–		
	2020	62,655	–		
MMBC					
Miscellaneous income	2022	–	33,751	30 days; noninterest-bearing	Unsecured; no impairment
	2021	5,125	33,777		
	2020	52,165	58,397		
Trade purchases, net	2022	17,748	–	30 days; noninterest-bearing	Unsecured
	2021	57,131	(3,799)		
	2020	83,353	(12,562)		
YCE					
Advances and interest income (Note 9)	2022	–	–	Interest-bearing	Unsecured
	2021	5,412	–		
Honey Droplet Ltd.					
Advances and interest income (Note 9)	2022	–	–	4-6 years; interest-bearing	Unsecured; fully impaired
	2021	–	–		
	2020	–	–		
CHTI					
Transportation and delivery expense and wheat handling fees	2022	300,339	(14,578)	15 days; noninterest-bearing	Unsecured
	2021	258,902	(18,089)		
	2020	205,919	(23,146)		
<i>Common shareholders</i>					
PT. Nissin Biscuit Indonesia					
Trade purchases, net	2022	62,564	–	45 days; noninterest-bearing	Unsecured
	2021	27,063	–		
	2020	57,993	–		

(Forward)



Nature	Year	Volume of Transactions	Outstanding Balance	Terms	Conditions
MNSG Holdings Pte. Ltd.					
Loans receivable	2022	₱-	₱162,300	2 years; interest-bearing	Unsecured
	2021	-	164,936		
	2020	155,521	155,521		
Trade and other receivables (Note 6)	2022		₱33,751		
	2021		33,777		
	2020		58,397		
Loans receivable (Note 9)	2022		162,300		
	2021		164,936		
	2020		155,521		
Trade payables (Note 15)	2022		(14,578)		
	2021		(21,888)		
	2020		(35,708)		

These transactions with related parties will be settled through cash.

Trade and other receivables and payables to related parties that were eliminated upon consolidation amounted to ₱2,484.0 million in 2022 and ₱2,556.1 million in 2021.

MMBC

On May 31, 2016, the Parent Company entered into a Distributorship Agreement with MMBC, wherein MMBC engaged the services of the Parent Company to handle warehousing, selling, billing, delivery and merchandising of MMBC's products. The agreement shall continue in force until cancelled or terminated by either party at any time with or without cause.

Wide Faith Foods Co. Ltd.

On November 17, 2015, the Parent Company entered into a Guarantee Agreement with The Hongkong and Shanghai Banking Corporation Limited, Bangkok Branch, to guarantee the ₱141.4 million (\$3.0 million) loan of Wide Faith Foods Co. Ltd.

MNSG Holdings Pte. Ltd.

On July 3, 2020, MNSPL and MNSG Holdings Pte. Ltd. entered into a loan agreement wherein MNSPL agreed to lend ₱155.5 million (\$3.0 million) to MNSG Holdings Pte. Ltd. with an interest rate of 3.65% per annum. The loan will mature on July 3, 2022. On July 3, 2022, MNSPL and MNSG Holdings Pte. Ltd. agreed to extend the maturity of the loan to July 3, 2024, with an interest rate of 4.83% per annum.

YCE

In 2021, the Parent Company partially reversed provision for ECL amounting to ₱77.4 million as a result of settlement of advances to YCE impaired in the previous periods. The remaining provision of ₱0.9 million is subsequently written off. The Parent Company recognized provision for ECL amounting to ₱8.9 million in 2020 (see Note 9).

Compensation of Key Management Personnel

	2022	2021	2020
Short-term employee benefits	₱1,319,181	₱1,208,756	₱1,207,259
Post-employment benefits	57,494	56,526	103,990
	₱1,376,675	₱1,265,282	₱1,311,249



24. Income Tax

Current Income Tax

A reconciliation of the provision for income tax computed at the applicable statutory tax rate of the Group to provision for income tax as shown in the consolidated statements of comprehensive income is as follows:

	2022	2021	2020
Provision for income tax computed at applicable statutory tax rate (17% to 25% in 2022 and 2021 and 18% to 30% in 2020)	(₱7,701,800)	₱1,499,172	₱3,566,774
Income tax effects of:			
Nondeductible expenses	9,782,829	224,072	256,973
Change in unrecognized DTA*	93,028	(211,986)	70,294
Nontaxable income	(553,752)	(504,609)	(460,217)
Expired and applied NOLCO	104,510	63,772	22,747
Net deferred tax on unremitted interest income	48,542	(239,026)	-
Interest income already subjected to final tax and not subject to tax	(35,281)	(243,718)	(17,122)
Benefit from OSD	(59,160)	(162,957)	(147,407)
Nondeductible interest expense	7,287	4,030	4,522
Difference in tax rate of temporary differences	(311,170)	1,405,963	329,616
Impact of CREATE Act	-	(212,977)	-
Others	(60,024)	(41,975)	32,842
	₱1,315,009	₱1,579,761	₱3,659,022

* Includes unrecognized DTA from acquisition of SFC in 2020 amounting to ₱355.5 million

Deferred Income Tax

The components of the Group's net deferred tax assets and net deferred tax liabilities are as follow:

	2022	2021
Deferred tax assets - net		
Allowance for impairment loss	₱375,806	₱330,506
Pension liability	118,311	144,859
Accrued expenses	86,103	84,838
NOLCO	82,795	192,577
Allowance for inventory obsolescence	53,537	45,784
Refund liabilities	50,110	75,970
Right-of-use assets and lease liabilities	39,706	27,864
Unrealized profits from intercompany sales	24,979	34,858

(Forward)



	2022	2021
Advances from customers	₱14,649	₱24,338
Unamortized past service cost	10,034	5,770
Excess of the tax base over the carrying amounts of non-monetary assets	8,856	2,498
Allowance for ECL	2,220	1,264
Unrealized foreign exchange (gain) loss	1,472	(26,326)
Unearned interest income	–	(59,315)
Others	(666)	–
	867,912	885,485
Deferred tax liabilities – net		
Brand	(3,446,451)	(4,532,229)
Property, plant and equipment	(1,265,009)	(1,335,703)
NOLCO	428,178	166,137
Interest income	(48,664)	–
Unrealized foreign exchange gain	(10,459)	(6,085)
Others	22,672	5,444
	(4,319,733)	(5,702,436)
	(₱3,451,821)	(₱4,816,951)

The reconciliation of the Group's deferred taxes is as follows:

	2022	2021
Beginning balance	(₱4,816,951)	(₱3,356,843)
Provision for (benefit from) deferred income tax during the period recognized in profit or loss	1,299,539	(1,187,173)
Provision for (benefit from) deferred income tax during the period recognized in OCI	(48,321)	963
Change in tax rate	–	(58,441)
Currency translation adjustments	113,912	(215,457)
Deferred tax liabilities, ending	(₱3,451,821)	(₱4,816,951)

The following deferred tax assets were not recognized in the consolidated financial statements since management believes that it will not be utilized in the future:

	2022	2021
Interest expense	₱282,155	₱212,458
Unused NOLCO	255,124	196,114
Allowance for impairment loss	29,437	132,651
Inventory obsolescence	7,982	19,252
Right-of-use assets and lease liabilities	6,605	11,342
Asset retirement obligation	4,683	4,436
MCIT	3,219	1,958
Allowance for ECL	5,195	–
	₱594,400	₱578,211

As at December 31, 2022 and 2021, deferred tax liability on undistributed earnings of subsidiaries amounting to ₱365.9 million and ₱2,240.4 million, respectively, was not recognized since the Parent Company controls the dividend policy of its subsidiaries, hence, it is able to control the timing of the reversal of the temporary difference with these subsidiaries and such temporary difference is not seen to reverse in the foreseeable future. Deferred tax assets on cumulative translation adjustments



amounted to ₱772.1 million, and ₱695.8 million as at December 31, 2022 and 2021, respectively, were not recognized since it is not probable that taxable profit will be available against which the temporary difference can be utilized.

The balances of unused NOLCO with their corresponding years of expiration, are as follows:

Year Incurred	Expiry Year	NOLCO	MCIT
Philippine Entities			
2019	2022	₱495,776	₱-
2020	2025	287,542	-
2020	2023	-	583
2021	2026	1,123	-
2021	2024		1,521
2022	2025	731	1,115
		785,172	3,219
Expired during the year		(418,141)	-
Applied during the year		(77,635)	-
		289,396	3,219
Thailand Entities			
2020	2025	155,338	-
2021	2026	123,442	-
2022	2027	135,196	-
		413,976	-
		₱703,372	₱3,219
MNSPL			
2018	N/A	602,252	-
2019	N/A	130,022	-
2020	N/A	109,610	-
2021	N/A	188,543	-
2022	N/A	45,058	-
		1,075,485	-
		₱1,778,857	₱3,219

As at December 31, 2021, MNSPL has unutilized NOLCO amounting to ₱477.6 million for which deferred tax assets were recognized. In 2022, the recognized deferred tax asset on unutilized NOLCO of MNSPL is derecognized due to uncertainty of its recoverability. Subject to qualifying conditions, the unutilized tax losses can be carried forward indefinitely.

MMYSC

MMYSC's current provision for income tax is computed based on Optional Standard Deduction (OSD) in accordance with Revenue Regulation (RR) No. 16-2008, *Implementing the Provisions of Section 34(L) of the Tax Code of 1997, As Amended by Section 3 of Republic Act No. 9504, Dealing on the Optional Standard Deduction Allowed to Individuals and Corporations in Computing Their Taxable Income*. The OSD is equivalent to 40% of gross income, as provided by law, in lieu of the itemized allowable deductions.

The OSD results in an effective tax rate of 15% in 2022 and 2021 for the years in which OSD is projected to be utilized. The availment of OSD affected the recognition of deferred tax assets and liabilities on income and expenses that are not considered in the determination of gross income for income tax purposes. MMYSC forecasts that it will continue to avail of the OSD, such that the manner by which it will recover or settle the underlying assets and liabilities, for which the deferred



tax assets and liabilities were initially recognized, would not result in any future tax consequence under OSD.

MNUKL

The U.K. government has announced an increase in corporate income tax rate from 19% to 25% to be implemented with effect from April 2023. While Marlow Foods Limited is largely insulated from this increase by virtue of the tax reductions afforded by its patent box, MNUKL will be required to record a one-off increase in its deferred tax liability, which is principally associated with the carrying value of its brands, with a consequent one-off non-cash tax charge to net profit in the first quarter of 2021.

The U.K. government has also announced the introduction of super capital allowances of 130% for qualifying capital expenditure for two years from April 2021 which could further reduce MNUKL's current tax liability and at the same time increase its deferred tax liability. The value of deferred tax liability is dependent on a number of factors and any impact would be recorded in the fourth quarter of 2021.

MNUKL recognized deferred tax liabilities at 25% due to the increase in corporate tax rate reflecting the expected timing of reversal of the related timing differences as at December 31, 2022 and 2021.

MNTH

Under the Investment Promotion Act B.E. 2520, the Thailand BOI granted MNTH promotional privileges subject to certain imposed conditions. Significant tax privileges include the following:

Certificate No.	64-0754-1-00-1-0	2470(2)/2557
Grant date	June 2021	November 2014
Nature	For manufacturing of dehydrated foods	For manufacturing of instant foods
Significant privileges:		
Exemption from corporate income tax for profit from promoted operations	6 years, capped at THB 469.2 million	8 years, capped at THB 596.0 million
Exemption from import duty on approved machinery	Granted	Granted
Exemption from import duty on raw materials and significant supplies used in production for export	Granted	Granted
Date of first earning operating income	Not yet utilized	November 1, 2015

25. Leases

Parent Company

The Parent Company leases various real estate properties for its plant sites, warehouses, and office spaces. The most significant of these lease agreements is the lease agreement with MLI, for its plant sites in Sta. Rosa Laguna, Cebu, and Davao. The agreements are for periods of 25 to 50 years, renewable for another 25 years. Under the terms of the leases, in the event that the lessor decides to sell the leased property, the Parent Company shall have the first option to buy the said property subject to the constitutional limitations on the ownership of land.



On June 24, 2020, the Parent Company entered into agreements with Science Park of the Philippines for the lease of certain parcels of land in San Fernando, Malvar, Batangas to be used for various operational activities. The lease agreements are valid for 50 years and are automatically renewable for another 25 years.

The Parent Company has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Parent Company's business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised.

The undiscounted potential future rental payments relating to periods following the exercise date of extension options not within the control of lessee that are not included in the lease term amounted to ₱94.5 million. The extension options not included are exercisable in 2030.

MMYSC

MMYSC leases real estate properties for a period of 50 years from Monde Rizal, an associate through KBT, renewable for another 25 years. In 2017, MMYSC entered into another lease agreement for the lease of real property for a period of 10 years (see Note 12).

MNTH

MNTH has entered into several lease agreements in respect of the lease of its office building space and transport service agreements. The terms of the agreements are generally between 1 and 3 years.

There are no new lease contracts that have not yet commenced as at December 31, 2022.

MNUKL

In 2022, new leases entered into by MNUKL included an office in the Netherlands and several replacement motor cars most of which are electric for fossil fuel substitutions.

In 2021, MNUKL has entered into various lease agreements. The most significant agreements pertain to a 6-year lease contract of an office building in United States amounting to ₱58.3 million (£0.9 million) and a 5-year lease contract of a fleet of forklift trucks at three United Kingdom sites amounting to ₱40.8 million (£0.6 million) (Note 12).

The following are the amounts recognized in consolidated statement of comprehensive income:

	2022	2021	2020
Depreciation expense of right-of-use assets included in property, plant and equipment (Note 12)	₱187,508	₱183,783	₱164,372
Interest expense on lease liabilities (Note 20)	182,919	188,058	153,705
Expenses relating to short-term leases (Note 19)	37,833	22,043	50,063
Expenses relating to leases of low-value assets (see Note 20)	23,416	37,951	7,438
	₱431,676	₱431,835	₱375,578



The movements in the Group's lease liabilities are as follows:

	2022	2021
Balance at beginning of year	₱2,758,861	₱2,763,032
Payment of principal portion of lease liabilities	(255,410)	(276,715)
Accretion of interest (Note 21)	182,919	188,058
Additions (Note 12)	123,797	132,488
Disposals	-	(48,002)
	2,810,167	2,758,861
Less current portion	386,671	97,280
	₱2,423,496	₱2,661,581

The maturity analysis of lease liabilities is disclosed in Note 26.

26. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise cash and cash equivalents, trade and other receivables, loans receivable, noncurrent receivables, withholding tax receivables and advances to employees. The main purpose of these financial instruments is to fund the Group's operations. The Group has various other financial instruments such as accounts payable and other current liabilities, acceptance and trust receipts payable, and loan payable, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The BOD reviews and agrees the policies for managing each of these risks and they are summarized below:

Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of interest rate risk and foreign currency risk. Financial instruments affected by market risk include cash and cash equivalents, trade and other receivables, accounts payable and other current liabilities, and loans payable.

The sensitivity analyses in the following sections relate to the position as at December 31, 2022 and 2021. The sensitivity of the relevant statement of other comprehensive income item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held as at December 31, 2022 and 2021.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates. The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings.



Interest Rate Sensitivity. The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected. With all other variables held constant, the Group's profit before tax is affected through the impact on floating rate borrowings, as follows:

	Increase (Decrease) in Basis Points	Effect on Income Before Tax
2022	+100	(₱70,640)
	-100	70,640
2021	+100	(76,919)
	-100	76,919

The assumed movement in basis points for the interest rate sensitivity analysis is based on the currently observable market environment.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The table below summarizes the Group's significant foreign currency-denominated financial assets and liabilities (impact of other currencies is not material) as at December 31:

	2022				
	Original Currency				Peso Equivalent
	USD	EUR	JPY	THB	
Financial Assets					
Cash and cash equivalents	\$85,334	€256	¥-	฿840,857	₱6,129,599
Financial assets at FVTPL*	31,360				1,748,478
Trade and other receivables	8,245	2,025	-	153,444	827,849
	124,939	2,281	-	994,301	8,705,926
Financial Liabilities					
Accounts payable and other current liabilities	24,598	3,346	76,953	265,322	2,030,895
	24,598	3,346	76,953	265,322	2,030,895
Net Financial Assets (Liabilities)	\$100,341	(€1,065)	(¥76,953)	฿728,979	₱6,675,031

*Presented under current financial assets

	2021				
	Original Currency				Peso Equivalent
	USD	EUR	JPY	THB	
Financial Assets					
Cash and cash equivalents	\$108,382	€148	¥-	฿755,663	₱6,753,305
Trade and other receivables	16,257	1,701	43	150,292	1,180,683
	124,639	1,849	43	905,955	7,933,988
Financial Liabilities					
Accounts payable and other current liabilities	22,185	5,950	526,473	292,753	2,210,336
	22,185	5,950	526,473	292,753	2,210,336
Net Financial Assets (Liabilities)	\$102,454	(€4,101)	(¥526,430)	฿613,202	₱5,723,652



In translating the foreign currency-denominated financial instruments into Philippine peso amounts, the exchange rates used are as follows:

Year	Currency			
	USD (\$)	EUR (€)	JPY (¥)	THB (฿)
2022	₱55.76	₱59.55	₱0.42	₱1.61
2021	51.00	57.51	0.44	1.52

The following table demonstrates the sensitivity to a reasonably possible change in the U.S. dollar, European euro, Japanese yen, and Thai Baht for the next period, with all other variables held constant, of the Group's income before tax. The reasonably possible change in exchange rate was based on forecasted exchange rate changes within the next two months after the reporting period. The methods and assumptions used remained unchanged over the reporting periods being presented.

	2022		2021	
	Movement in Foreign Exchange Rate Increase (Decrease)	Effect on Income Before Tax	Movement in Foreign Exchange Rate Increase (Decrease)	Effect on Income Before Tax
U.S. dollar	9.32% (9.32%)	₱521,409 (521,409)	6.17% (6.17%)	₱322,386 (322,386)
European euro	3.56% (3.56%)	(2,258) 2,258	2.01% (2.01%)	(4,741) 4,741
Japanese yen	5.14% (5.14%)	(1,651) 1,651	4.67% (4.67%)	(10,849) 10,849
Thailand baht	6.14% (6.14%)	72,210 (72,210)	4.53% (4.53%)	42,239 (42,239)

The Group's exposure to foreign currency changes for all other currencies is not material.

Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. Since the Group trades only with recognized third parties, there is no requirement for collateral.

Maximum exposure to credit risk. The table below shows the maximum exposure to credit risk for the Group's financial assets, without taking account any collateral and other credit enhancements:

	2022	2021
Cash and cash equivalents*	₱11,627,119	₱13,855,341
Trade and other receivables	6,800,309	6,248,732
Current financial assets	1,756,101	165,937
Noncurrent receivables	662,300	500,000
Advances to employees**	69,777	68,911
Withholding tax receivables***	4,655	12,038
Total credit risk exposure	₱20,920,261	₱20,850,959

* Excluding cash on hand amounting to ₱1.5 million in 2022 and 2021.

**Recorded under "other noncurrent assets".

***Recorded under "prepayments and other current assets".



Aging analysis. The aging analysis of financial assets follows:

2022							
	Days Past Due					ECL	Total
	Current	1-30 Days	31-60 Days	61-90 Days	More than 90 Days		
Cash and cash equivalents*	₱11,627,119	₱-	₱-	₱-	₱-	₱-	₱11,627,119
Trade and other receivables	5,823,877	849,128	46,089	21,571	59,644	37,546	6,837,855
Current financial assets	1,756,101	-	-	-	-	-	1,756,101
Noncurrent receivables	662,300	-	-	-	-	115,266	777,566
Advances to employees**	69,777	-	-	-	-	-	69,777
Withholding tax receivables***	4,655	-	-	-	-	-	4,655
	₱19,943,829	₱849,128	₱46,089	₱21,571	₱59,644	₱152,812	₱21,073,073

* Excluding cash on hand amounting to ₱1.5 million.

**Recorded under "other noncurrent assets"

***Recorded under "prepayments and other current assets".

2021							
	Days Past Due					ECL	Total
	Current	1-30 Days	31-60 Days	61-90 Days	More than 90 Days		
Cash and cash equivalents*	₱13,855,341	₱-	₱-	₱-	₱-	₱-	₱13,855,341
Trade and other receivables	5,486,733	641,859	48,324	26,766	45,050	31,372	6,280,104
Noncurrent receivables	500,000	-	-	-	-	115,266	615,266
Current financial assets	165,937	-	-	-	-	-	165,937
Advances to employees**	68,911	-	-	-	-	-	68,911
Withholding tax receivables***	12,038	-	-	-	-	-	12,038
	₱20,088,960	₱641,859	₱48,324	₱26,766	₱45,050	₱146,638	₱20,997,597

* Excluding cash on hand amounting to ₱1.5 million.

**Recorded under "other noncurrent assets"

***Recorded under "prepayments and other current assets"

Credit risk under general and simplified approach

2022					
	General Approach			Simplified Approach	Total
	Stage 1	Stage 2	Stage 3		
Cash and cash equivalents*	₱11,627,119	₱-	₱-	₱-	₱11,627,119
Trade and other receivables	103,073	-	-	6,734,782	6,837,855
Current financial assets	1,756,101	-	-	-	1,756,101
Noncurrent receivables	662,300	-	115,266	-	777,566
Advances to employees**	69,777	-	-	-	69,777
Withholding tax receivables**	4,655	-	-	-	4,655
	₱14,223,025	₱-	₱115,266	₱6,734,782	₱21,073,073

* Excluding cash on hand amounting to ₱1.5 million.

** Recorded under "other noncurrent assets".

2021					
	General Approach			Simplified Approach	Total
	Stage 1	Stage 2	Stage 3		
Cash and cash equivalents*	₱13,855,341	₱-	₱-	₱-	₱13,855,341
Trade and other receivables	81,330	-	-	6,198,774	6,280,104
Noncurrent receivables	500,000	-	115,266	-	615,266
Current financial assets	165,937	-	-	-	165,937
Advances to employees**	68,911	-	-	-	68,911
Withholding tax receivables**	12,038	-	-	-	12,038
	₱14,683,557	₱-	₱115,266	₱6,198,774	₱20,997,597

* Excluding cash on hand amounting to ₱1.5 million.

** Recorded under "other noncurrent assets".



Simplified Approach. Set out below is the information about the credit risk exposure on the Group's trade receivables using simplified approach (provision matrix):

	2022							Total
	Days Past Due							
	Current	<30 days	30-60 days	61-90 days	91-120 days	121-365 days	>365 days	
Expected credit loss rate	0.03%	0.10%	0.88%	2.02%	3.25%	33.60%	100.00%	
Estimated total gross carrying amount at default	₱5,721,241	₱849,060	₱45,720	₱21,571	₱6,592	₱84,961	₱5,637	₱6,734,782
Expected credit loss	₱1,508	₱807	₱400	₱435	₱214	₱28,545	₱5,637	₱37,546

	2021							Total
	Days Past Due							
	Current	<30 days	30-60 days	61-90 days	91-120 days	121-365 days	>365 days	
Expected credit loss rate	0.01%	0.05%	0.27%	0.64%	0.47%	25.49%	100.00%	
Estimated total gross carrying amount at default	₱5,409,112	₱641,732	₱48,252	₱26,712	₱41,595	₱2,173	₱29,198	₱6,198,774
Expected credit loss	₱802	₱321	₱131	₱171	₱195	₱554	₱29,198	₱31,372

Liquidity Risk

Liquidity risk is the risk the Group will be unable to meet its payment obligations when they fall due. The Group monitors and maintains a level of cash deemed adequate by management to finance the Group's operations, ensure continuity of funding and to mitigate the effects of fluctuations in cash flows.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and lease contracts. The Group's policy is that not more than 50% of long-term debt should mature in the next 12-month period. Approximately 7% and 73% of the Group's long-term debt will mature in less than one year at December 31, 2022 and, 2021, respectively, based on the carrying value of debt reflected in the financial statements. The Group assessed the concentration risk with respect to refinancing its debt and concluded it to be low. The Group has access to a sufficient variety of source of funding and debt maturing within 12 months can be rolled over with existing lenders.

Excessive concentration risk. Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by change in economic, political and other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry.

In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on the maintenance of a diversified portfolio of distributors and distribution channels. Identified concentration of credit risks are controlled and managed accordingly.



Maturity profile. The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments are as follows:

	2022					
	On Demand	1 to 3 Months	3 to 12 Months	1 to 5 Years	More than 5 Years	Total
Financial Assets						
Cash and cash equivalents	₱3,647,852	₱7,980,775	₱-	₱-	₱-	₱11,628,627
Trade and other receivables	1,013,978	5,823,877	-	-	-	6,837,855
Current financial assets	1,756,101	-	-	-	-	1,756,101
Noncurrent receivables	115,266	-	-	662,300	-	777,566
Advances to employees	-	-	-	69,777	-	69,777
Withholding tax receivables	-	-	4,655	-	-	4,655
	6,533,197	13,804,652	4,655	732,077	-	21,074,581
Financial Liabilities						
Accounts payable and other current liabilities*	2,663,694	8,185,721	88,626	-	-	10,938,041
Loans payable	-	-	274,827	7,081,137	-	7,355,964
Acceptance and trust receipts payable	-	-	2,362,301	-	-	2,362,301
Lease liabilities	-	70,553	251,709	984,984	7,044,155	8,351,401
	2,663,694	8,256,274	2,977,463	8,066,121	7,044,155	29,007,707
	₱3,869,503	₱5,548,378	(₱2,972,808)	(₱7,334,044)	(₱7,044,155)	(₱7,933,126)

* Excluding statutory payables.

	2021					
	On Demand	1 to 3 Months	3 to 12 Months	1 to 5 Years	More than 5 Years	Total
Financial Assets						
Cash and cash equivalents	₱4,773,728	₱9,083,086	₱-	₱-	₱-	₱13,856,814
Trade and other receivables	793,371	5,486,733	-	-	-	6,280,104
Noncurrent receivables	115,266	-	-	500,000	-	615,266
Current financial assets	1,001	-	164,936	-	-	165,937
Advances to employees	-	-	-	68,911	-	68,911
Withholding tax receivables	-	-	12,038	-	-	12,038
	5,683,366	14,569,819	176,974	568,911	-	20,999,070
Financial Liabilities						
Accounts payable and other current liabilities*	3,096,780	6,942,309	64,012	-	-	10,103,101
Loans payable	-	31	7,064,161	-	-	7,064,192
Acceptance and trust receipts payable	-	-	3,714,690	-	-	3,714,690
Lease liabilities	-	65,324	240,554	1,011,071	7,155,601	8,472,550
	3,096,780	7,007,664	11,083,417	1,011,071	7,155,601	29,354,533
	₱2,586,586	₱7,562,155	(₱10,906,443)	(₱442,160)	(₱7,155,601)	(₱8,355,463)

* Excluding statutory payables.

Changes in Liabilities Arising from Financing Activities

	January 1, 2022	Cash Flows	Foreign Exchange Movement	Acquisition of a subsidiary	Fair Value changes	Others*	December 31, 2022
Loans payable	₱6,998,805	₱278,834	(₱111,249)	₱-	₱-	₱86,624	₱7,253,014
Accrued interest payable	1,081	(127,045)	-	-	-	146,982	21,018
Derivative liability	-	919,859	386,532	-	(1,306,391)	-	-
Lease liabilities	2,758,861	(255,410)	-	-	-	306,716	2,810,167
Dividends payable	-	(2,516,621)	-	-	-	2,516,621	-
Other noncurrent liabilities	20,425	16,248	-	-	-	-	36,673
Total liabilities from financing activities	₱9,779,172	(₱1,684,135)	₱275,283	-	(₱1,306,391)	₱3,056,943	₱10,120,872

*"Others" primarily include gain on modification of loans, amortization of debt issue costs, interest expenses and additions from new leases.

	January 1, 2021	Cash Flows	Foreign Exchange Movement	Acquisition of a subsidiary	Fair Value changes	Others*	December 31, 2021
Loans payable	₱29,546,002	(₱23,115,381)	₱434,650	₱-	₱-	₱133,534	₱6,998,805
Accrued interest payable	166,288	(1,437,102)	-	-	-	1,271,895	1,081
Derivative liability	2,513,886	-	-	-	2,258,075	(4,771,961)	-
Lease liabilities	2,763,032	(276,715)	-	-	-	272,544	2,758,861
Convertible note	7,027,163	(13,351,935)	(73,445)	-	-	6,398,217	-
Dividends payable	-	(10,061,392)	-	-	-	10,061,392	-
Other noncurrent liabilities	22,226	(1,801)	-	-	-	-	20,425
Total liabilities from financing activities	₱42,038,597	(₱48,244,326)	₱361,205	₱-	₱2,258,075	₱13,365,621	₱9,779,172

*"Others" primarily include gain on modification of loans, amortization of debt issue costs, interest expenses and additions from new leases.



	January 1, 2020	Cash Flows	Foreign Exchange Movement	Acquisition of a subsidiary	Fair Value changes	Others*	December 31, 2020
Loans payable	₱34,022,193	(₱4,335,786)	(₱152,725)	₱390,000	₱-	(₱377,680)	₱29,546,002
Accrued interest payable	237,886	(1,477,031)	-	-	-	1,405,433	166,288
Derivative liability	2,713,807	(72,985)	-	-	(99,409)	(27,527)	2,513,886
Lease liabilities	2,044,586	(846,389)	-	157,901	-	1,406,934	2,763,032
Convertible note	7,257,980	-	(580,436)	-	-	349,619	7,027,163
Dividends payable	-	(3,509,790)	-	-	-	3,509,790	-
Other noncurrent liabilities	5,531	771	-	15,924	-	-	22,226
Total liabilities from financing activities	₱46,281,983	(₱10,241,210)	(₱733,161)	₱563,825	(₱99,409)	₱6,266,569	₱42,038,597

*"Others" primarily include gain on modification of loans, amortization of debt issue costs, interest expenses and additions from new leases.

Derivative Financial Instruments

The Group engages in derivative transactions such as structured deposit, dual currency investment, cross currency swaps (CCS) and European Knockout Option (EKO) to manage its foreign currency and interest rate risks. Derivative financial instruments are initially recognized at fair value on the date the derivative contract is entered into and are subsequently remeasured at fair value. Changes in the fair value of derivatives that are not designated as accounting hedges (wedding cake deposit and dual currency investment) are recognized in the consolidated statements of income.

Structured Deposit

The Group invested in a principal protected structure with a potential enhanced return greater than the prevailing money market rate. The structured deposit will be redeemed at 100% of the principal amount, together with an interest amount based on the guaranteed rate plus the relevant enhanced rate depending on the applicable scenario at maturity date.

Pertinent details of the structured deposit are as follows:

Principal amount	Effective Date	Maturity Date	Guaranteed Rate	Lower Enhanced Rate	Higher Enhanced Rate
\$10,000	09/07/22	03/07/23	0.00% p.a.	2.0% p.a.	4.4% p.a.
\$5,200	12/07/22	09/07/23	0.00% p.a.	3.5% p.a.	8.0% p.a.

Dual Currency Investment

The Group invested in a non-principal protected investment product with a potential higher return than conventional deposits. The investment currency is USD and alternative currency is GBP. The investment amount will be received in either the alternative or investment currency together with interest amount in the investment currency depending on the applicable scenario at maturity date.

Pertinent details of the dual currency investment are as follows:

Notional amount	Effective Date	Maturity Date	Conversion Rate	Interest Rate of Investment Currency
\$10,000	09/09/22	12/08/23	1.1	6.05% p.a.
\$10,000	12/08/22	03/08/23	1.1	6.35% p.a.

The Group recognized market valuation gain of ₱14.0 million from fair value changes of structured deposit and dual currency investment in 2022.

CCS and EKO are used to manage foreign currency risk arising from its net investment. These derivatives are accounted for as accounting hedges. The embedded derivative is a transaction not designated as accounting hedge.



The Group recognized market valuation gain of ₱14.0 million from fair value changes of structured deposit and dual currency investment in 2022 under the “Market valuation gain on financial instruments at fair value through profit or loss (FVTPL)” account in the consolidated statement of comprehensive income.

Cross Currency Swap (CCS) Contract

On March 4, 2022, the Group entered into a non-deliverable CCS Agreement with a notional amount of ₱5,839.5 million (£85.0 million). Under the CCS agreement, the Group will receive Philippine Peso interest at 9% p.a. and will pay fixed Pound Sterling interest at 6% p.a. The Group will also pay the notional Pound Sterling amount in exchange for the Philippines Peso amount at the end of the swap period. The CCS, which will be designated as a hedge of a portion of the net investment in MNSPL, is used to hedge the Parent Company’s exposure to the GBP foreign exchange risk on its investment in MNSPL.

Pertinent details of the cross-currency swap are as follows:

Notional amount	Trade Date	Effective Date	Maturity Date	Swap rate	Fixed rate (Pay leg)	Fixed rate (Receive leg)
£85,000	03/03/22	03/07/22	03/07/32	₱68.70	6.0%	9.0%

On September 28, 2022, the BOD approved to fully unwind the CCS agreement to take advantage of the weakening of Pound Sterling. As a result of the CCS unwinding, the Group received ₱920.5 million from the CCS agreement and recognized the following in 2022:

Derivative gain	₱1,307,038
Cumulative translation adjustment (Note 14)	(386,532)

European Knockout Option (EKO)

On March 12, 2019, the Group entered into a non-deliverable European Knockout Option (EKO) with a notional amount of ₱3,550.0 million (£56.9 million). Under the EKO, the Group receives fixed Philippine Peso interest and pays fixed Pound Sterling interest. Settlement of the principal will happen if the Spot rate has fixed below the EKO and at or above the Strike on the relevant expiration date. The intrinsic value of the EKO, which has been designated as a hedge of a portion of the net investment in MNSPL, is used to hedge the Group’s exposure to the GBP foreign exchange risk on its investment in MNSPL. Gains or losses on the intrinsic component of the fair value of the EKO are transferred to OCI to offset any gains or losses on translation of the net investment in MNSPL.

Notional amount	Trade Date	Effective Date	Maturity Date	Strike	EKO	Fixed rate (Pay leg)	Fixed rate (Receive leg)
£56,891	03/12/19	01/22/19	10/27/20	₱62.40	₱75.00	3.44%	0.00%

The Group recognized derivative gain of ₱392.3 million from fair value changes of derivative liability account in 2020.

The Group recognized derivative gain of nil, ₱24.8 million and ₱57.8 million from the maturity of CCS and EKO in 2022, 2021 and 2020, respectively.



Interest rate swap

MFL entered into an interest rate swap agreement in March 2019 which commenced in March 2020 to eliminate the cash flow risk around the interest on its loan. The swap matches the ₱7,742.4 million (£113.0 million) term loan in all particulars. Under the swap agreement, MFL receives interest quarterly equivalent to three-months LIBOR on the loans as at December 31, 2021. MFL transitioned its interest rate from LIBOR to SONIA such that the interest rate is based on Margin and SONIA as at December 31, 2022. MFL pays interest at the fixed rate of 0.826% per annum. The quarterly payment starts on June 25, 2020 and ends on March 25, 2024, subject to adjustment in accordance with the Modified Following Business Day Convention.

The Group recognized gain (loss) from interest rate swap netted to “Interest on loans payable”, amounting to ₱143.4 million, ₱140.5 million, and (₱22.7 million) and in 2022, 2021, and 2020, respectively (Note 17).

Embedded Derivatives

As discussed in Note 17, the Convertible Note issued by the Group in 2019 has embedded equity conversion and redemption options which separated from the host contract.

Shown below are the movements in the value of the embedded derivatives (shown as part of derivative liability) as at December 31:

	2021
Embedded derivatives:	
Beginning balance	₱2,513,886
Mark-to-market valuation	2,239,232
Redemption of convertible note (Note 17)	(4,753,118)
	₱-

In 2022, 2021 and 2020, the Group recognized the loss on fair value changes on the embedded derivatives amounting to nil, ₱2,239.2 million and ₱192.4 million, respectively, under the “Derivative gain (loss)” account in the consolidated statement of comprehensive income.

The total derivative gain (loss) presented in the consolidated statement of comprehensive income consists of derivative gain (loss) from CCS, EKO, equity conversion and redemption options, and swaps. The derivative loss from swaps entered and settled during the same year, amounted to ₱0.6 million in 2022, ₱43.7 million in 2021, and ₱158.3 million in 2020.

Capital Management

For the purpose of the Group’s capital management, capital includes issued capital and all other equity reserves. The primary objective of the Group’s capital management is to maximize the shareholder value. The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended December 31, 2022 and 2021. The Group was able to raise funds through an IPO last June 1, 2021.

The Group monitors capital on the basis of the debt-to-equity ratio and makes adjustments to it in light of changes in economic conditions and its financial position. This ratio is calculated as total debt divided by total equity. Debt comprises all liabilities of the Group. Equity comprises all components of equity.



The Group's debt-to-equity ratios are as follows:

	2022	2021
Total debt	₱29,021,189	₱31,442,048
Total equity attributable to equity holders of the Parent Company	52,128,686	68,278,073
Debt-to-Equity Ratio	0.55:1.00	0.46:1.00

The Group is obligated to perform certain covenants with respect to maintaining specified debt-to-equity, gross leverage and minimum debt service cover ratios, as set in the agreements with creditors (see Note 17).

As at December 31, 2021, MFL exceeded the gross leverage covenant threshold of 3.0x. In June 2022, MFL entered into a sterling term loan facility amounting to ₱7,081.1 million (£105.0 million) to settle the outstanding loan of ₱7,059.0 million (£103.0 million).

As at December 31, 2022, the Group is in compliance with the financial covenants.

Fair Value of Financial Instruments

Cash and Cash Equivalents, Trade and Other Receivables, Withholding Tax Receivables, Accounts Payable and Other Current Liabilities, and Acceptance and Trust Receipts Payable. The carrying value of these financial assets and liabilities approximate their fair values as at December 31, 2022 and 2021 due to the short-term nature of these financial instruments.

Financial assets at FVTPL. The financial assets at FVTPL account consists of unit investment trust funds (UITFs) and derivatives, including separated embedded derivatives, unless designated as effective hedging instruments. As at December 31, 2022, the fair values of these financial assets are based on their published net asset value per share. These are presented under "current financial assets" in the consolidated statement of financial position.

Noncurrent Receivables and Advances to Employees and Loans Payable. As at December 31, 2022 and 2021, the fair value of noncurrent receivables and loans payable with variable interest rates approximates the carrying amount due to frequent repricing of interest. Fair value of loans with fixed interest rate are determined using the discounted cash flow method using discount rate that reflects the issuer's borrowing rate as at the end of the reporting period.

Financial Assets at FVOCI. The fair values of financial assets at FVOCI are derived from the cash flow projection of the investee (income approach), which is nil as at December 31, 2022 and 2021.

Interest rate swap. The fair value of the derivative financial instrument is measured using discounted cash flows. The future cash flows are estimated based on observable forward interest rates and discounted at a rate that reflects the credit risk of the Group and counterparties.



As at December 31, 2022 and 2021, the following table presents the level of hierarchy of the Group's financial instruments as follows:

	2022			2021		
	Quoted prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Quoted prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Financial instruments measured at fair value						
Financial assets at FVTPL	₱-	₱-	₱1,750,531	₱-	₱-	₱1,001
Equity securities measured at FVOCI	-	-	-	-	-	-
Financial assets - interest rate swap	-	145,044	-	-	19,464	-

27. Commitments

SSCC

On July 25, 2014 and August 4, 2014, the Parent Company and SSCC entered into a Distribution, and Marketing and Sales Development Agreement wherein SSCC appoints the Parent Company as its exclusive distributor of all its products in the Philippines for a period of 20 years (until July 25, 2034). Under the Agreement, the Parent Company shall pay SSCC a non-reimbursable and non-recoupable sum of ₱727.6 million payable in 5 equal annual installments starting on August 4, 2014 (see Note 13). The amount is recognized as Distribution Rights and subject to amortization for a period of 20 years up to 2034. The related payable was fully settled in 2018.

On August 4, 2014, the Parent Company and SSCC entered into a Loan Agreement wherein the Parent Company agreed to extend a loan to SSCC in the principal amount of ₱500.0 million with interest rate of 2% per annum. The loan is for a period of 10 years and will mature on August 4, 2024.

As stipulated in Section 6 of Loan Agreement, the Parent Company has the right to set-off and apply any credit balance of or any amount payable by the Group to SSCC. As a result, the Group presented its receivable from SSCC net of its outstanding payable in its consolidated statement of financial position in accordance with PAS 32. As at December 31, 2022 and 2021, the Group's net receivable from SSCC amounted to ₱500.0 million (see Note 9).

Interest income from advances to SSCC amounted to ₱10.0 million in 2022 and 2021 and ₱10.5 million in 2020 (see Note 9).

Capital Commitments

The Group has capital commitments for acquisitions of machineries and building expansions amounting to ₱1,447.5 million, ₱1,423.5 million, and ₱1,624.8 million as at 2022, 2021 and 2020, respectively (see Note 12).



28. Supplemental Disclosure to Cash Flow Statements

The Group's material noncash activities are as follows:

	2022	2021	2020
Cumulative translation adjustments	₱691,727	(₱1,583,397)	₱1,100,427
Additions to ROU assets and lease liabilities	123,797	132,488	1,261,730
Unpaid capital expenditures	-	(90,918)	-

29. Other Matters and Subsequent Events

European Union (EU) Product Recall

Subsequent to June 30, 2022, there was a news concerning a selective recall in a few EU jurisdictions for some products. This attracted media attention in the Philippines and a Food and Drug Administration (FDA) inquiry which concluded that all tested products in the Philippines comply with the Philippine FDA regulations. Unfortunately, this had a temporary effect on sale of Noodles. Sales and marketing efforts have largely corrected the impact as evidenced by strong recovery in Q4 2022 which continues in Q1 2023. Additionally, as part of global strategic alignment initiatives, the Group enhanced the sourcing, testing and overall processes to ensure products adhere to all food quality compliance standards, regardless of what jurisdiction they are sold in.

Commodity Prices

The Parent Company continues to see a gradual easing of commodity prices in the global markets. The impact of easing commodity prices is expected to be partly reflected in Q1 2023 for wheat and Q2 2023 for palm oil. If the market trend continues, it may have a favorable effect on the margin on longer term. To secure supply and in the context of the volatile environment, the Group already secured partial tranches of wheat until Q2 2023 and palm oil requirements until Q3 2023.

CCS Contract

On January 31, 2023, the Parent Company entered into a non-deliverable CCS Agreement with a notional amount of ₱1,891.4 million (THB 1,151.5 million). Under the CCS agreement, the Company will receive Philippine Peso interest at 11.50% p.a. and will pay fixed Thailand Baht interest at 9% p.a. The Company will also pay the notional Thailand Baht amount in exchange for the Philippines Peso amount at the end of the swap period. The CCS, which will be designated as a hedge of a portion of the net investment in MIL and MNTH, is used to hedge the Parent Company's exposure to the THB foreign exchange risk on its investment in MIL and MNTH.

Acquisition of Figaro Coffee Group, Inc's (FCG's) Common Shares

On January 25, 2023, the Parent Company's BOD authorized the Parent Company to subscribe for 820,268,295 common shares of FCG ("FCG Shares") out of FCG's unissued authorized capital stock. FCG is a diversified food conglomerate with retail restaurants and branches in the Philippines and abroad, that serve a variety of food offerings and services.

On February 02, 2023, the Parent Company paid an aggregate subscription price of ₱820.3 million for the FCG Shares. As a result, the Parent Company currently holds 15% of FCG's issued and outstanding capital stock.



Acquisition of Terramino Inc.'s Preferred Shares

On March 22, 2023, the Parent Company's BOD approved the Parent Company's subscription for 665,845 Series B Preferred Stock of Terramino, Inc., a Delaware, U.S.-incorporated company engaged in research, development and commercialization of food products made from koji. Said 665,845 preferred shares represents 1.89% of Terramino, Inc.'s outstanding capital stock (including outstanding options to purchase such stock), at a subscription price of up to ₱108.7 million (\$2.0 million).

Change in use of IPO Proceeds

On March 22, 2023, the Parent Company's BOD approved the change in use of IPO proceeds: capital expenditure for the Meat Alternative Business as at December 31, 2022 amounting to ₱1.1 million to be re-allocated to capital expenditure for the APAC-BFB in 2023, and ₱2,135.8 million allocated to the Meat Alternative Business's operating expenditures as at December 31, 2022 to be re-allocated to capital expenditure of APAC BFB in 2023.

Equity Restructuring

On March 29, 2023, subject to the approval of SEC, the Parent Company's BOD approved the equity restructuring of the Parent Company consisting of offsetting the Deficit amount as at December 31, 2022 against available Additional Paid in Capital In Excess of Par Value (APIC) so that the Deficit amount is zeroed out. As at December 31, 2022, the Parent Company's Deficit amounted to ₱7,153.9 million while the Parent Company's APIC amounted to ₱46,515.8 million. Upon the approval of the SEC of said equity restructuring, the Parent Company's Deficit amount will become zero while the APIC will become ₱39,361.9 million.

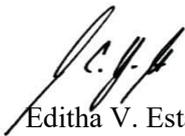


INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

The Board of Directors and Stockholders
Monde Nissin Corporation
Felix Reyes St., Barangay Balibago
City of Santa Rosa, Laguna

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Monde Nissin Corporation and Subsidiaries, as at December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022, and have issued our report thereon dated March 29, 2023. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Editha V. Estacio

Partner

CPA Certificate No. 91269

Tax Identification No. 178-486-845

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 91269-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-094-2020, July 27, 2020, valid until July 26, 2023

PTR No. 9564617, January 3, 2023, Makati City

March 29, 2023



INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Board of Directors and Stockholders
Monde Nissin Corporation
Felix Reyes St., Barangay Balibago
City of Santa Rosa, Laguna

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Monde Nissin Corporation and Subsidiaries (the Group), as at December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022, and have issued our report thereon dated March 29, 2023. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule 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 (PFRSs) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2022, 2021 and 2020 and for the years then ended and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.



Editha V. Estacio

Partner

CPA Certificate No. 91269

Tax Identification No. 178-486-845

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 91269-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-094-2020, July 27, 2020, valid until July 26, 2023

PTR No. 9564617, January 3, 2023, Makati City

March 29, 2023



MONDE NISSIN CORPORATION AND SUBSIDIARIES
INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES
DECEMBER 31, 2022
(Amounts in Thousands, Except Number of Shares, Par Value per Share
and Unless Otherwise Specified)

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 and 2020

SUPPLEMENTARY SCHEDULES

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- II. Financial Soundness Indicators
- III. Map of the relationships of the Companies within the Group
- IV. Supplementary Schedules Required by Annex 68-J
 - A. Financial Assets
 - B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
 - C. Amounts Receivable from Related Parties which are eliminated during consolidation
 - D. Long-term Debt
 - E. Indebtedness to Related Parties (Long-term Loans from Related Companies)
 - F. Guaranties of Securities of Other Issuers
 - G. Capital Stock

MONDE NISSIN CORPORATION
SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR
DIVIDEND DECLARATION
DECEMBER 31, 2022

Unappropriated Retained Earnings (RE) as at December 31, 2021	₱2,651,865
Net actual loss during the year -	
Net loss during the period closed to RE	(11,902,134)
Less non-actual income/Add non-actual losses:	
Movement in deferred tax asset	(55,859)
Unrealized foreign exchange gain	35,150
Net actual loss during the year	(11,922,843)
Add (less):	
Dividend declared during the period	(2,515,606)
Appropriations of retained earnings during the period	(5,000,000)
Reversal of appropriations	3,900,000
	(3,615,606)
RE available for dividend declaration as at December 31, 2022	(₱12,886,584)

Note: In accordance with SEC Financial Reporting Bulletin No. 14, the reconciliation is based on the parent company financial statements of Monde Nissin Corporation.

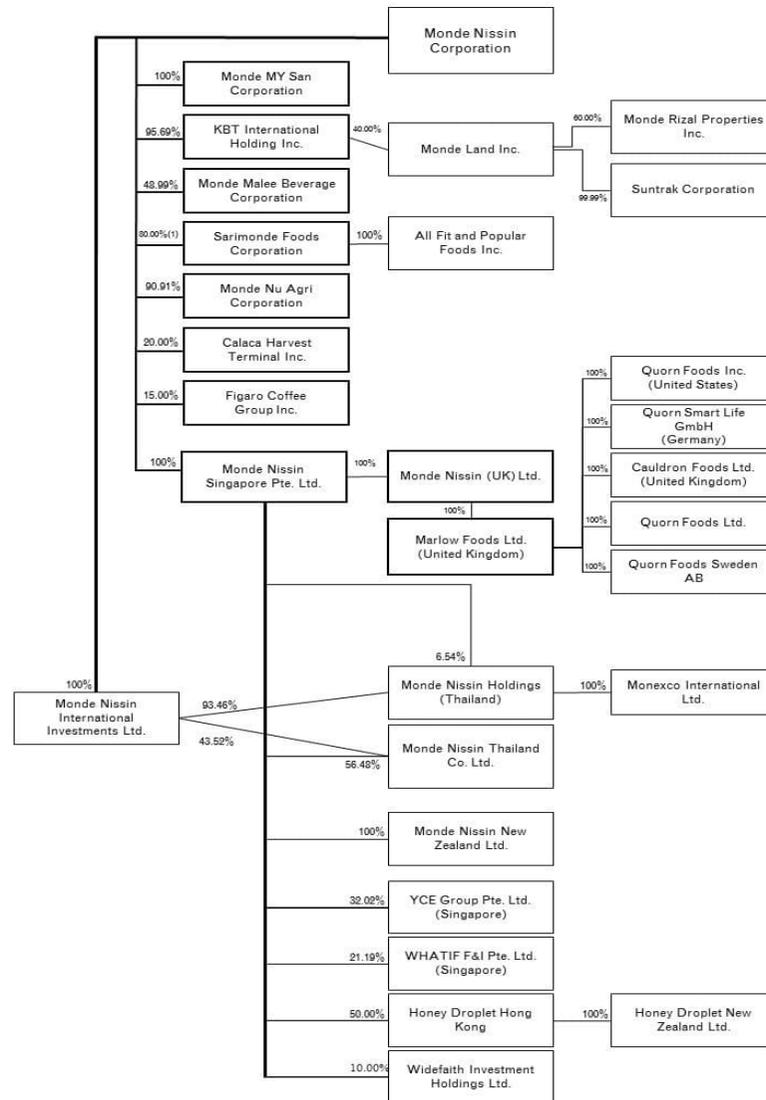
MONDE NISSIN CORPORATION AND SUBSIDIARIES
SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
AS AT DECEMBER 31, 2022, 2021 and 2020

Financial Ratios	Formula	2022	2021	2020
Current ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$	2.19	1.37	0.98
Acid test ratio	$\frac{\text{Cash and cash equivalents} + \text{Current receivables} + \text{Current financial assets}}{\text{Current liabilities}}$	1.37	0.90	0.65
Solvency ratio	$\frac{\text{Net income attributable to Equity Holders of the Parent Company} + \text{Depreciation and Amortization} + \text{Impairment Loss}}{\text{Total Liabilities}}$	38.1%	18.5%	18.4%
Debt-to-equity ratio	$\frac{\text{Total liabilities (current + noncurrent)}}{\text{Equity attributable to Equity Holders of the Parent Company}}$	0.56	0.46	2.29
Asset-to-equity ratio	$\frac{\text{Total assets (current + noncurrent)}}{\text{Equity attributable to Equity Holders of the Parent Company}}$	1.56	1.46	3.34
Interest rate coverage ratio*	$\frac{\text{Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)}}{\text{Finance Costs}}$	21.75	4.02**	7.42**
Return on equity	$\frac{\text{Net income attributable to Equity Holders of the Parent Company}}{\text{Equity attributable to Equity Holders of the Parent Company (average)}}$	(21.6%)	6.7%	31.3%
Return on assets	$\frac{\text{Net income attributable to Equity Holders of the Parent Company}}{\text{Total assets (average)}}$	(14.4%)	3.4%	8.6%
Net Sales growth	$\frac{\text{Current Period Net Sales} - \text{Prior Period Net Sales}}{\text{Prior Period Net Sales}}$	6.6%	2.0%	3.8%
Gross margin	$\frac{\text{Gross Profit}}{\text{Net Sales}}$	31.1%	36.9%	39.0%
Net profit margin	$\frac{\text{Net income}}{\text{Net sales}}$	(17.6%)	4.7%	11.9%
Net profit after tax (NPAT) growth	$\frac{\text{Current Period NPAT} - \text{Prior Period NPAT}}{\text{Prior Period NPAT}}$	(501.0%)	(59.8%)	21.3%
EBITDA Growth	$\frac{\text{Current Period EBITDA} - \text{Prior Period EBITDA}}{\text{Prior Period EBITDA}}$	(15.9%)	(16.9%)	9.7%
EBITDA Margin	$\frac{\text{EBITDA}}{\text{Net Sales}}$	15.1%	19.2%	22.9%
Return on Invested Capital	$\frac{\text{EBIT} - \text{Income Tax Expense}}{\text{Working Capital} + \text{Property Plant and Equipment}}$	(36.6%)	15.8%	33.7%

*Based on loan covenant's formula applicable for the period

**2021 and 2020 were calculated using EBIT/Interest Expense

**MONDE NISSIN CORPORATION
MAP OF THE RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP
AS AT DECEMBER 31, 2022**



(1) Pending BIR issuance of CAR relating to transfer by MNC to MNSG of 20% of SMFC shares and pending BIR issuance of CAR relating to transfer by NIC to MNC of 55% of SMFC shares; The remaining 20% are held by MNSG Holdings Pte. Ltd.

MONDE NISSIN CORPORATION AND SUBSIDIARIES
SCHEDULE A – FINANCIAL ASSETS
DECEMBER 31, 2022
(Amounts in thousands)

Financial Assets	Name of Issuing Entity and Description of Each Issue	Amount Shown in the Balance Sheet/Notes	Value Based on Market Quotations at Balance Sheet Date	Income Received and Accrued
Financial Assets at FVTPL*				
Derivative	HSBC	₱851,108	₱851,108	₱3,633
Derivative	Rabobank	559,488	559,488	10,324
UITF	Sun Life Investment Management	343,473	343,473	8,392
UITF	Banco de Oro Universal Bank	1,018	1,018	17
UITF	Bank of the Philippine Islands Asset Management and Trust Corporation	1,014	1,014	14
Financial Assets at Amortized Cost				
Cash in banks and cash equivalents	N/A	11,627,119	N/A	132,808
Trade and other receivables	N/A	6,800,309	N/A	–
Noncurrent receivables	N/A	662,300	N/A	15,788
Withholding tax receivables	N/A	4,655	N/A	–
Advances to employees	N/A	69,777	N/A	–
Financial Assets at FVOCI				
Unquoted equity securities	Wide Faith Foods and Co. Ltd	Nil	Nil	Nil
		₱20,920,261	₱1,756,101	₱170,976

**Presented under current financial assets*

MONDE NISSIN CORPORATION AND SUBSIDIARIES
SCHEDULE B – AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)
DECEMBER 31, 2022
(Amounts in thousands)

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Collections	Write Offs	Balance at End of Period		
					Current	Noncurrent	Total
Various employees	₱68,911	₱48,980	(₱48,114)	₱–	₱–	₱69,777	₱69,777

MONDE NISSIN CORPORATION AND SUBSIDIARIES
SCHEDULE C – AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF
FINANCIAL STATEMENTS
DECEMBER 31, 2022
(Amounts in thousands)

Receivable to Name of Subsidiary / Counterparty	Balance at Beginning of Period	Additions	Collections	Write-off	Balance at End of Period		
					Current	Noncurrent	Total
MNC	₱2,053,078	₱14,831,362	(₱14,713,634)	₱–	₱2,170,806	₱–	₱2,170,806
MNTH	169,033	283,294	(384,078)	–	68,249	–	68,249
MIL	162,802	91,353	(247,790)	–	6,365	–	6,365
MMYSC	131,955	1,094,940	(1,038,263)	–	188,632	–	188,632
MNSPL	36,082	84,617	(87,048)	–	33,651	–	33,651
SMFC	3,196	220,761	(207,654)	–	16,303	–	16,303
	₱2,556,146	₱16,606,327	(₱16,678,467)	₱–	₱2,484,006	₱–	₱2,484,006

MONDE NISSIN CORPORATION AND SUBSIDIARIES
SCHEDULE D – LONG-TERM DEBT
DECEMBER 31, 2022
(Amounts in thousands)

Name of Issuer and Type of Obligation	Amount Shown as Current	Amount Shown as Long-term	Total
MFL			
£105.0 million term loan	₪–	₪6,983,256	₪6,983,256
£4.0 million drawdown loan	269,758	–	269,758
	₪269,758	₪6,983,256	₪7,253,014

MONDE NISSIN CORPORATION AND SUBSIDIARIES
SCHEDULE E – INDEBTEDNESS TO RELATED PARTIES (LONG-TERM LOANS FROM RELATED COMPANIES)
DECEMBER 31, 2022

Name of Related Party	Balance at beginning of the Period	Balance at End of the Period
------------------------------	---	---

- NONE TO REPORT -

MONDE NISSIN CORPORATION AND SUBSIDIARIES
SCHEDULE F – GUARANTEES OF SECURITIES OF OTHER ISSUERS
DECEMBER 31, 2022

Name of Issuing Entity of Securities Guaranteed by the Company for Which This Statement is Filed	Title of Issue of Each Class of Securities Guaranteed	Total Amount Guaranteed and Outstanding	Amount Owned by Person for Which this Statement is Filed	Nature of Guarantee
---	--	--	---	--------------------------------

- NONE TO REPORT -

MONDE NISSIN CORPORATION AND SUBSIDIARIES
SCHEDULE G – CAPITAL STOCK
DECEMBER 31, 2022

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding	Number of Shares Reserved for Options, Warrants, Conversion and Other Rights	Number of Shares Held by		
				Affiliates	Directors, Officers and Employees	Others
Common Shares at ₱0.50 par value	20,400,000,000	17,968,611,496	–	–	10,755,512,998	–
Preferred "A" Shares at ₱1.00 par value	400,000,000	–	–	–	–	–
Preferred "B" Shares at ₱1.00 par value	800,000,000	–	–	–	–	–
Preferred "C" Shares at ₱0.25 par value	2,400,000,000	–	–	–	–	–

ANNEX B

2022 Parent Company Audited Financial
Statements and Supplementary Schedules
(with BIR ITR Filing Reference)



SECURITIES AND EXCHANGE COMMISSION

SEC Headquarters, 7507 Makati Avenue, Solcedo Village, Barangay Bel-Air, Makati City, 1205, Metro Manila Philippines

Tel: (632) 818-0921 Fax: (632) 818-5293 Email: mis@sec.gov.ph



The following document has been received:

Receiving: Salvador Baculanta

Receipt Date and Time: April 04, 2023 01:15:56 PM

Company Information

SEC Registration No.: 0000086335

Company Name: MONDE NISSIN CORP.

Industry Classification: D15600

Company Type: Stock Corporation

Document Information

Document ID: OST1040420238995560

Document Type: Financial Statement

Document Code: FS

Period Covered: December 31, 2022

Submission Type: Parent

Remarks: None

Acceptance of this document is subject to review of forms and contents



MONDE NISSIN CORPORATION
Felix Reyes Street,
Barangay Ballbago
City of Santa Rosa, Laguna
4026 Philippines

Tel.: (+632) 7759.7500
Fax: (+632) 8810.9207
www.mondenissin.com

THE SECURITIES AND EXCHANGE COMMISSION
7907 MAKATI AVENUE, SALCEDO VILLAGE, BRGY. BEL-AIR
MAKATI CITY, 1209 PHILIPPINES

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

The management of **MONDE NISSIN CORPORATION** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2022 and 2021 in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

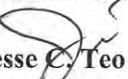
The Board of Directors is responsible for overseeing the Company's financial reporting process.

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

SyCip Gorres Velayo & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.


Henry Soesanto
Acting Chairman of the Board


Henry Soesanto
Chief Executive Officer


Jesse C. Teo
Chief Financial Officer


Enrico Peñas
Head of Finance Shared Services

Signed this 14th day MARCH of 2023



MONDE NISSIN CORPORATION
21st Floor, 6750 Office Tower
Ayala Avenue, Makati City
Philippines 1224

Tel: (+632) 7759 7500
www.mondenissin.com

REPUBLIC OF THE PHILIPPINES)
MAKATI CITY, METRO MANILA) S.S.

SUBSCRIBED AND SWORN TO before me this 3rd day of April 2023 at Makati
City, Metro Manila, by:

Name	TIN No.	Competent Evidence of Identity	Place and Date of Issue
Henry Soesanto	100-574-508	Passport No. C1226256	KBRI Manila; 16 July 2019
Jesse C. Teo	146-443-245	Passport No. P0044240B	DFA NCR West; 27 December 2018

Doc. No. 50 ;
Page No. 11 ;
Book No. 4 ;
Series of 2023.

ATTY. GARNY-LUISA S. ALEGRE
Notary Public for Makati City
Appointment No. M-219 until December 31, 2024
Roll of Attorneys No. 53666
PTR No. 9568529MN/ 1-05-2023/Makati City
IBP No. 241831 /12-06-2022
MCLE Compliance No. VII-0002539 valid until April 14,
2025
21st Floor, 6750 Office Tower, Ayala Avenue
Makati City, 1226 Metro Manila, Philippines

COVER SHEET

for

FS FOR FILING WITH SEC **AUDITED FINANCIAL STATEMENTS**

**AFTER THE BIR HAS DULY
STAMPED "RECEIVED."**

SEC Registration Number

8 6 3 3 5

COMPANY NAME

MONDENISSIN CORPORATION

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

FELIX REYES ST., BARANGAY
BALIBAGO, CITY OF SANTA ROSA,
LAGUNA

Form Type

A A F S

Department requiring the report

N A

Secondary License Type, If Applicable

N A

COMPANY INFORMATION

Company's Email Address

WWW.MONDENISSIN.COM

Company's Telephone Number

+63 2 7 759 7595

Mobile Number

-

No. of Stockholders

23

Annual Meeting (Month / Day)

4th Tuesday of November

Fiscal Year (Month / Day)

12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person

Enrico Peñas

Email Address

mnc-sec.communications@
mondenissin.com

Telephone Number/s

+632 7759-7519

Mobile Number

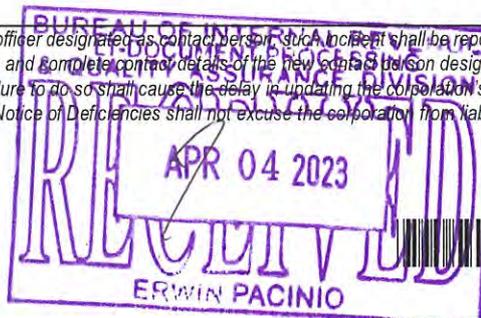
09688548548

CONTACT PERSON'S ADDRESS

Felix Reyes St., Barangay Balibago, City of Santa Rosa, Laguna

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

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



INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Monde Nissin Corporation
Felix Reyes St., Barangay Balibago
City of Santa Rosa, Laguna

Report on the Audit of the Parent Company Financial Statements

Opinion

We have audited the parent company financial statements of Monde Nissin Corporation (the Company), which comprise the parent company statements of financial position as at December 31, 2022 and 2021, and the parent company statements of comprehensive income, parent company statements of changes in equity and parent company statements of cash flows for the years then ended, and notes to the parent company financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Parent Company Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the parent company 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.

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

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

In preparing the parent company financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.



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

Auditor's Responsibilities for the Audit of the Parent Company Financial Statements

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

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

- Identify and assess the risks of material misstatement of the parent company 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 Company'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the parent company financial statements, including the disclosures, and whether the parent company financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.



Report on the Supplementary Information Required Under Revenue Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic parent company financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 28 to the parent company financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic parent company financial statements. Such information is the responsibility of the management of Monde Nissin Corporation. The information has been subjected to the auditing procedures applied in our audit of the basic parent company financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic parent company financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Editha V. Estacio

Partner

CPA Certificate No. 91269

Tax Identification No. 178-486-845

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 91269-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-094-2020, July 27, 2020, valid until July 26, 2023

PTR No. 9564617, January 3, 2023, Makati City

March 29, 2023



MONDE NISSIN CORPORATION**PARENT COMPANY STATEMENTS OF FINANCIAL POSITION****(Amounts in thousands)**

	December 31	
	2022	2021
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	₱7,031,860	₱9,955,613
Trade and other receivables (Notes 5 and 20)	4,600,374	4,122,687
Inventories (Notes 6 and 16)	5,561,580	3,966,232
Financial assets at fair value through profit or loss (FVTPL; Note 24)	1,756,101	1,001
Prepayments and other current assets (Note 7)	254,572	852,452
Total Current Assets	19,204,487	18,897,985
Noncurrent Assets		
Investments in subsidiaries, associate, and joint venture (Note 9)	25,622,183	42,337,380
Property, plant and equipment (Note 10)	13,143,003	12,993,634
Noncurrent receivables (Notes 8, 20, 23 and 24)	862,408	500,000
Deferred tax assets - net (Note 21)	711,723	673,545
Intangible assets (Note 11)	626,500	654,146
Other noncurrent assets	752,784	932,524
Total Noncurrent Assets	41,718,601	58,091,229
	₱60,923,088	₱76,989,214
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Notes 12, 20 and 22)	₱8,121,704	₱8,378,390
Acceptance and trust receipts payable (Notes 6 and 13)	2,362,301	3,714,690
Refund liabilities (Note 12)	200,440	303,878
Current portion of lease liabilities (Note 22)	82,846	84,075
Current portion of loans payable (Note 14)	-	19,943
Income tax payable	122,709	-
Total Current Liabilities	10,890,000	12,500,976
Noncurrent Liabilities		
Lease liabilities (Note 22)	1,485,986	1,502,157
Pension liability (Note 19)	417,248	497,219
Total Noncurrent Liabilities	1,903,234	1,999,376
Total Liabilities	12,793,234	14,500,352
Equity		
Capital stock (Note 15)	8,984,306	8,984,306
Additional paid-in capital (Note 15)	46,515,847	46,515,847
Retained earnings (Deficit) (Note 15):		
Appropriated	5,000,000	3,900,000
Unappropriated	(12,153,900)	3,363,840
Remeasurement losses on pension liability (Note 19)	(216,399)	(275,131)
	48,129,854	62,488,862
	₱60,923,088	₱76,989,214

See accompanying Notes to Parent Company Financial Statements.



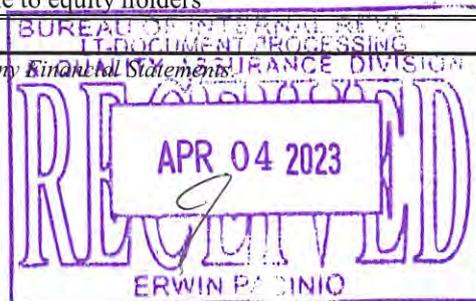
MONDE NISSIN CORPORATION

PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands, Except Earnings Per Share Value)

	Years Ended December 31	
	2022	2021
NET SALES (Note 20)	₱56,257,603	₱51,400,175
COST OF GOODS SOLD (Notes 6 and 16)	42,028,704	36,393,075
GROSS PROFIT	14,228,899	15,007,100
SALES, GENERAL AND ADMINISTRATIVE EXPENSES		
Impairment loss (Notes 9, 10, 11 and 17)	19,021,359	52,427
Selling and distribution expenses (Note 17)	4,593,152	4,741,199
General and administrative expenses (Note 17)	3,767,097	4,515,636
	27,381,608	9,309,262
	(13,152,709)	5,697,838
OTHER INCOME (EXPENSES)		
Dividend income (Note 9)	1,423,155	2,018,361
Other income (Note 18)	809,951	637,590
	2,233,106	2,655,951
INCOME (LOSS) BEFORE FINANCE INCOME (EXPENSES)	(10,919,603)	8,353,789
FINANCE INCOME (EXPENSES)		
Derivative gain (loss) (Note 24)	919,859	(2,258,075)
Finance income (Note 18)	149,067	82,298
Finance costs (Note 18)	(162,790)	(1,437,747)
Loss on convertible note redemption (Note 14)	—	(1,579,324)
Others	—	4,075
	906,136	(5,188,773)
INCOME (LOSS) BEFORE INCOME TAX	(10,013,467)	3,165,016
PROVISION FOR INCOME TAX (Note 21)		
Current	1,972,077	62,989
Deferred	(83,410)	201,481
	1,888,667	264,470
NET INCOME (LOSS)	(11,902,134)	2,900,546
OTHER COMPREHENSIVE INCOME (LOSS)		
Other comprehensive income not to be reclassified to profit and loss in subsequent periods:		
Remeasurement income (loss) on defined benefit plans (Note 19)	103,964	(7,684)
Income tax effect	(45,232)	1,921
Other comprehensive income (loss), net of tax	58,732	(5,763)
TOTAL COMPREHENSIVE INCOME (LOSS)	(₱11,843,402)	₱2,894,783
EARNINGS (LOSS) PER SHARE (EPS) (Note 15)		
Basic/diluted, income (loss) attributable to equity holders	(₱0.66)	₱0.18

See accompanying Notes to Parent Company Financial Statements



MONDE NISSIN CORPORATION
PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(Amounts in Thousands)

	Capital Stock (Note 15)	Additional Paid-in Capital	Retained Earnings (Deficit) (Note 15)		Remeasurement Losses on Pension Liability (Note 19)		Total
			Appropriated	Unappropriated	Liability		
Balance as at January 1, 2022	₱8,984,306	₱46,515,847	₱3,900,000	₱3,363,840	(₱275,131)	₱62,488,862	
Net loss	-	-	-	(11,902,134)	-	(11,902,134)	
Other comprehensive income, net of tax	-	-	-	-	58,732	58,732	
Total comprehensive income (loss)	-	-	-	(11,902,134)	58,732	(11,843,402)	
Appropriation during the year (Note 15)	-	-	5,000,000	(5,000,000)	-	-	
Release of appropriation (Note 15)	-	-	(3,900,000)	3,900,000	-	-	
Dividends (Note 15)	-	-	-	(2,515,606)	-	(2,515,606)	
Balance as at December 31, 2022	₱8,984,306	₱46,515,847	₱5,000,000	(₱12,153,900)	(₱216,399)	₱48,129,854	
Balance as at January 1, 2021	₱6,570,000	₱-	₱10,700,000	₱3,723,718	(₱269,368)	₱20,724,350	
Net income	-	-	-	2,900,546	-	2,900,546	
Other comprehensive loss, net of tax	-	-	-	-	(5,763)	(5,763)	
Total comprehensive income (loss)	-	-	-	2,900,546	(5,763)	2,894,783	
Issuance of shares (Note 15)	2,414,306	46,515,847	-	-	-	48,930,153	
Release of appropriation (Note 15)	-	-	(6,800,000)	6,800,000	-	-	
Dividends (Note 15)	-	-	-	(10,060,424)	-	(10,060,424)	
Balance as at December 31, 2021	₱8,984,306	₱46,515,847	₱3,900,000	₱3,363,840	(₱275,131)	₱62,488,862	

See accompanying Notes to Parent Company Financial Statements.


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MONDE NISSIN CORPORATION**PARENT COMPANY STATEMENTS OF CASH FLOWS****(Amounts in Thousands)**

	Years Ended December 31	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) Income before income tax	(₱10,013,467)	₱3,165,016
Adjustments to reconcile income before income tax to net cash flows:		
Impairment loss (Notes 9, 10, 11 and 17)	19,021,359	52,427
Dividend income (Note 9)	(1,423,155)	(2,018,361)
Depreciation (Note 18)	1,093,526	1,004,222
Derivative (gain) loss - net (Note 24)	(919,859)	2,258,075
Finance income (Note 18)	(163,024)	(86,373)
Finance costs (Note 18)	162,790	1,318,595
Amortization of intangible assets (Notes 11, 17 and 18)	77,918	62,068
Movement in pension liability (Notes 16, 17 and 19)	23,993	146,934
Unrealized foreign exchange gain - net	17,370	(101,490)
Gain on sale of property and equipment - net (Note 10)	(15,218)	(600)
Amortization of debt issue costs (Notes 14 and 18)	(14,943)	119,152
Market valuation gain on financial instruments at FVTPL (Note 18)	(8,423)	(12,543)
Loss on convertible note redemption (Note 14)	-	1,579,324
Working capital adjustments:		
Decrease (increase) in:		
Inventories	(1,595,348)	(1,429,073)
Prepayments and other current assets	597,880	(575,927)
Trade and other receivables	(455,504)	589,010
Increase (decrease) in:		
Acceptance and trust receipts payable	(1,429,685)	3,098,092
Accounts payable and other current liabilities	697,711	970,845
Refund liabilities	(103,438)	24,182
Net cash generated from operations	5,550,483	10,163,575
Income tax paid	(1,849,368)	(368,122)
Interest received	133,933	79,462
Net cash flows from operating activities	3,835,048	9,874,915
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to:		
Investment in subsidiaries, associate, and joint venture (Note 9)	(2,948,489)	(2,524,911)
Financial assets at FVTPL (Note 24)	(2,586,197)	(7,401,000)
Property and equipment (Note 10)	(1,550,802)	(3,237,829)
Noncurrent receivables	(362,408)	-
Intangible assets (Notes 11, 17 and 18)	(52,753)	(78,047)
Proceeds from:		
Dividends (Note 9)	1,423,155	2,018,361
Termination of financial assets at FVTPL (Note 24)	843,608	7,412,542
Sale of property and equipment (Note 10)	26,327	679
Capital repatriation (Note 9)	-	345,219
Acquisition of non-controlling interest (Note 9)	-	(1,822,500)
Increase in other noncurrent assets	214,914	(188,791)
Net cash flows used in investing activities	(4,992,645)	(5,476,277)

(Forward)

	Years Ended December 31	
	2022	2021
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of:		
Cash dividends (Note 15)	(₱2,515,606)	(₱10,060,424)
Derivatives	919,859	-
Lease liabilities (Note 22)	(112,681)	(117,251)
Finance costs	(67,538)	(1,399,331)
Loans (Note 14)	(5,000)	(22,320,000)
Convertible note (Note 14)	-	(13,351,935)
Issuance of capital stock - net of transaction cost (Note 15)	-	48,930,153
Net cash flows from (used in) financing activities	<u>(1,780,966)</u>	<u>1,681,212</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,938,563)	6,079,850
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	14,810	74,678
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	9,955,613	3,801,085
CASH AND CASH EQUIVALENTS AT END OF YEAR	₱7,031,860	₱9,955,613

See accompanying Notes to Parent Company Financial Statements.



MONDE NISSIN CORPORATION

NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

(Amounts in Thousands, Except Number of Shares, Earnings Per Share Value and Unless Otherwise Specified)

1. General Information

Monde Nissin Corporation (the Parent Company or MNC) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on May 23, 1979 primarily to engage in manufacturing, processing, baking, packaging, servicing, repacking, assembling, importing, exporting, buying, selling, trading or otherwise dealing in all kinds of goods, wares and merchandises, which are or may become articles of commerce such as but not limited to noodles, candies, confectionaries, biscuits, cakes and other foods, drugs and cosmetics. In furtherance of said primary purpose, it is authorized to guarantee obligations of and act as surety for the loans and obligations of its subsidiaries and affiliates and/or to secure the same by mortgage, pledge of any assets of MNC as may be authorized by its Board of Directors (BOD), provided MNC does not operate as a lending or financing company.

On March 1, 2021, at least a majority of the members of BOD of the Parent Company and stockholders representing at least two-thirds (2/3) of the outstanding capital stock of the Parent Company approved certain amendments to the Parent Company's Articles of Incorporation (AOI) including the following: (a) include "noodles" in the articles of commerce that the Parent Company may manufacture, process, service, package, re-package, import, export, buy, sell, trade, or otherwise deal in; (b) amend the term of corporate existence from 50 years to a "perpetual corporate term unless the SEC issues a certificate providing otherwise"; (c) increase the number of directors of the Parent Company from 7 to 9; and (d) authorized number of shares, as amended, shall be 20,400,000,000 common shares with a par value of ₱0.50 per share, from the current par value of ₱1.00 per share. These amendments in the Parent Company's AOI was approved by the SEC on April 7, 2021.

On April 20, 2021 and April 21, 2021, the SEC and Philippine Stock Exchange, Inc. (PSE), respectively, approved the application of the Parent Company for the listing of up to 17,968,611,496 common shares on the Main Board of the PSE.

On June 1, 2021, the Parent Company completed its initial public offering (IPO) and was listed in the PSE under the stock symbol "Monde". As a public company, it is covered by the Revised Securities Regulation Code (SRC) Rule 68.

The Parent Company's principal place of business is at Felix Reyes St., Barangay Balibago, City of Santa Rosa, Laguna.

The parent company financial statements were reviewed and recommended for approval by the Audit Committee on March 29, 2023. On the same date, the BOD also approved and authorized the issuance of the parent company financial statements.

2. Basis of Preparation and Summary of Significant Accounting Policies

Basis of Preparation

The parent company financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).



The parent company financial statements have been prepared on a historical cost basis, except financial assets at fair value through profit or loss (FVTPL) and derivative financial instruments that have been measured at fair value. The parent company financial statements are presented in Philippine peso, which is the Parent Company's functional currency. All values are rounded to the nearest peso, except when otherwise indicated.

The Parent Company has prepared the financial statement on the basis that it will continue to operate as going concern.

The Parent Company prepares and issues consolidated financial statements for the same period as the parent company financial statements and are presented in accordance with PFRSs. The consolidated financial statements of the Parent Company are filed and may be obtained from the SEC.

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective in 2022. The Parent Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Unless otherwise indicated, adoption of these new standards did not have an impact on the parent company financial statements.

- Amendments to PFRS 3, *Reference to the Conceptual Framework*

The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations*, to avoid the issue of potential "day 2" gains or losses arising from liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, or Philippine-IFRIC 21, *Levies*, if incurred separately. At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

- Amendments to PAS 16, *Property, Plant and Equipment: Proceeds before Intended Use*

The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*

The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.



▪ Annual Improvements to PFRSs 2018-2020 Cycle

- Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*

The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to PFRSs, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

- Amendments to PFRS 9, *Financial Instruments, Fees in the "10 per cent" test for derecognition of financial liabilities*

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

- Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

Standards Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Parent Company does not expect that the future adoption of the said pronouncements will have a significant impact on its consolidated financial statements. The Parent Company intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2023

▪ Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their "significant" accounting policies with a requirement to disclose their "material" accounting policies, and
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

The amendments to the Practice Statement provide non-mandatory guidance.



- Amendments to PAS 8, *Definition of Accounting Estimates*

The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising 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 judgment (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).

Effective beginning on or after January 1, 2024

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*

The amendments clarify:

- That only covenants with which an entity must comply on or before reporting date will affect a liability's classification as current or non-current.
- That classification is unaffected by the likelihood that an entity will exercise its deferral right.
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively. The Parent Company is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*

The amendments specify how a seller-lessee measures the lease liability arising in a sale and leaseback transaction in a way that it does not recognize any amount of the gain or loss that relates to the right of use retained.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively. Earlier adoption is permitted and that fact must be disclosed.

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*.



Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial and Sustainability Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the IASB completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

Current versus Noncurrent Classification

The Parent Company presents assets and liabilities in the parent company statement of financial position based on current/noncurrent classification.

An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within 12 months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within 12 months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

The Parent Company classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities, respectively.

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

a. Financial Assets

Initial Recognition and Measurement. Financial assets are classified at fair value at initial recognition and subsequently measured at amortized cost, FVOCI, and FVTPL.



The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Parent Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Parent Company has applied the practical expedient, the Parent Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. Trade receivables that do not contain a significant financing component or for which the Parent Company has applied the practical expedient are measured at the transaction price determined under PFRS 15, *Revenue from Contracts with Customers*.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are "solely payments of principal and interest (SPPI)" on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cashflows that are not SPPI are classified and measured at FVTPL, irrespective of the business model.

The Parent Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured as FVOCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Parent Company commits to purchase or sell the asset.

Subsequent Measurement. For purposes of subsequent measurement, financial assets are classified into four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at FVOCI with the recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at FVTPL

The financial assets of the Parent Company as at December 31, 2022 and 2021 consist of financial assets at amortized cost and financial assets at FVTPL. The Parent Company has no financial assets at FVOCI.

Financial assets at amortized cost (debt instruments)

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Parent Company's financial assets at amortized cost include cash and cash equivalents, trade and other receivables, noncurrent receivables and advances to employees recorded under "other noncurrent assets" in the parent company statement of financial position.



Financial assets at FVOCI (equity instruments)

Upon initial recognition, the Parent Company can elect to classify irrevocably its equity instruments as equity instruments designated at FVOCI when they meet the definition of equity under PAS 32, *Financial instruments: Presentation*, and are not held for trading. The classification determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in profit or loss when the right has been established, except when the Parent Company benefits from such proceeds as recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity instruments designated at FVOCI are not subject to impairment assessment.

The Parent Company elected to classify irrevocably its non-listed equity investments under this category.

Derecognition. A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the parent company statement of financial position) when:

- The Parent Company's rights to receive cash flows from the asset have expired, or
- The Parent Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement and Parent Company has either (a) transferred substantially all the risks and rewards of the asset, or (b) neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Parent Company has transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Parent Company continues to recognize the transferred asset to the extent of the Parent Company's continuing involvement. In that case, the Parent Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Parent Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Parent Company could be required to repay.

Impairment of Financial Assets. The Parent Company recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cashflows due in accordance with the contract and all the cash flows that the Parent Company expects to receive, discounted at an approximation of the original EIR.

For trade receivables, the Parent Company applies a simplified approach in calculating ECLs. Therefore, the Parent Company does not track changes in credit risk but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Parent Company has established a provision matrix based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.



The key inputs in the model include the Parent Company's definition of default and historical data of three years for the origination, maturity date, and default date. The Parent Company considers trade receivables in default when contractual payments are 90 days past due, except for certain circumstances when the reason for being past due is due to reconciliation with customers of payment records, which are administrative in nature, which may extend the definition of default. However, in certain cases, the Parent Company may also consider a financial asset to be in default when internal or external information indicates that the Parent Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Parent Company. Trade receivables are written off when there is no reasonable expectation of recovery.

For other financial assets such as nontrade receivable and other receivables, ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk (SICR) since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For cash and cash equivalents, the Parent Company applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Parent Company's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been SICR since origination, the allowance will be based on the lifetime ECL. The Parent Company uses the ratings from reputable credit rating agencies to determine whether the debt instrument has SICR and to estimate ECLs.

Determining the stage for impairment

At each reporting date, the Parent Company assesses whether there has been a SICR for financial assets since initial recognition by comparing the risk of a default occurring over the expected life between the reporting date and the date of initial recognition. The Parent Company considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis. An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed SICR since origination, then the loss allowance measurement reverts from lifetime ECL to 12-months ECL.

Staging assessment

PFRS 9 establishes a three-stage approach for impairment of financial assets, based on whether there has been SICR of a financial asset. Three stages then determine the amount of impairment to be recognized.

- Stage 1 is comprised of all non-impaired financial instruments which have not experienced SICR since initial recognition. Entities are required to recognize 12-month ECL for stage 1 financial instruments. In assessing whether credit risk has increased significantly, entities are required to compare the risk of default occurring on the financial instrument as at the reporting date, with the risk of default occurring on the financial instrument at the date of initial recognition.
- Stage 2 is comprised of all non-financial instruments which have experienced SICR since initial recognition. Entities are required to recognize lifetime ECL for stage 2 financial instruments. In subsequent reporting periods, if the credit risk of the financial instrument



improves such that there is no longer SICR since initial recognition, then entities shall revert to recognizing 12-month ECL.

- Financial instruments are classified as stage 3 when there is objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition with negative impact on the estimated future cash flows of a financial instrument or portfolio of financial instruments. The ECL model requires that lifetime ECL be recognized for impaired financial instruments, which is similar to the requirements under PAS 39 for impaired financial instruments.

b. Financial Liabilities

Initial Recognition and Measurement. Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

Subsequent Measurement. The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at FVTPL

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Parent Company that are not designated as hedging instruments in hedge relationships as defined by PFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in profit or loss.

Financial liabilities designated upon initial recognition at FVTPL are designated at the initial date of recognition, and only if the criteria in PFRS 9 are satisfied.

This category applies to the Parent Company's derivative liabilities.

Financial liabilities at amortized cost (loans and borrowings)

After initial measurement, other financial liabilities are measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on the acquisition and fees or costs that are an integral part of the EIR. Gains and losses are recognized in profit or loss when the financial liabilities are derecognized, as well as through the EIR amortization process.

This category applies to the Parent Company's accounts payable and other current liabilities (excluding statutory payables), acceptance and trust receipts payable, loans payable and lease liabilities.



Derecognition. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in profit or loss.

Exchange or modification of financial liabilities. The Parent Company considers both qualitative and quantitative factors in assessing whether a modification of financial liabilities is substantial or not. The terms are considered substantially different if the present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original EIR, is at least 10% different from the present value of the remaining cash flows of the original financial liability. However, under certain circumstances, modification or exchange of a financial liability may still be considered substantial, even where the present value of the cash flows under the new terms is less than 10% different from the present value of the remaining cash flows of the original financial liability. There may be situations where the modification of the financial liability is so fundamental that immediate derecognition of the original financial liability is appropriate (e.g., restructuring a financial liability to include an embedded equity component).

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the fair value of the new liability is recognized in profit or loss.

When the exchange or modification of the existing financial liability is not considered as substantial, the Parent Company recalculates the gross carrying amount of the financial liability as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR and recognizes a modification gain or loss in profit or loss.

If modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment. If the modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the financial instrument and are amortized over the remaining term of the modified financial instrument.

c. Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the parent company statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

Embedded derivatives

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the FVTPL category.



Derivative Financial Instruments and Hedge Accounting

The Parent Company engages in derivative transactions such as structured deposit, dual currency investment, cross currency swaps (CCS) and European Knockout Option (EKO) to manage its foreign currency and interest rate risks. Derivative financial instruments are initially recognized at fair value on the date the derivative contract is entered into and are subsequently remeasured at fair value. Changes in the fair value of derivatives that are not designated as accounting hedges (structured deposit and dual currency investment) are recognized in the consolidated statements of income.

The Parent Company applies hedge accounting for transactions that meet specified criteria. At inception of the hedge accounting relationship, the Parent Company formally designates and documents the relationship between the hedged item and the hedging instrument, including the nature of the risk, the risk management objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship at inception and on an ongoing basis.

A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is “an economic relationship” between the hedged item and the hedging instrument.
- The effect of credit risk does not “dominate the value changes” that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Parent Company actually hedges and the quantity of the hedging instrument that the Parent Company actually uses to hedge that quantity hedged item.

At each reporting date, a hedge relationship must be expected to be highly effective on a prospective basis and demonstrate that it was highly effective (retrospective effectiveness) for the designated period in order to qualify for hedge accounting. A formal assessment is undertaken both at inception and at each period end on an ongoing basis. A hedge is expected to be highly effective if the changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated were offset by the hedging instrument in a range of 80% to 125% and were expected to achieve such offset in future periods.

Hedges of a net investment. Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognized as other comprehensive income (OCI), while any gains or losses relating to the ineffective portion are recognized in profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to profit or loss.

Fair Value Measurement

The Parent Company financial instruments such as derivative liabilities and equity instruments carried at FVTPL at fair value. The Parent Company also discloses the fair values of financial instruments measured at amortized cost.

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

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.



The principal or the most advantageous market must be accessible by the Parent Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the parent company financial statements at fair value on a recurring basis, the Parent Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Parent Company has determined classes of assets and liabilities on the basis of the nature, characteristics, and risks of the asset or liability and the level of fair value hierarchy as explained above.

Cash and Cash Equivalents

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

Inventories

Inventories are valued at the lower of cost and net realizable value (NRV).

Costs incurred in bringing each product to its present location and conditions are accounted for as follows:

- Raw materials and packaging materials – purchase cost on a first-in, first-out basis;
- In-transit – purchase cost;
- Finished goods and work-in-process – cost of direct materials, labor, and a proportion of manufacturing overhead costs based on normal operating capacity on a first-in, first-out basis.



NRV for finished goods, work-in-process, and in-transit inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion, and the estimated costs necessary to make the sale. NRV for raw materials and packaging materials is the current replacement cost.

Prepayments and Other Current Assets

Prepayments. Prepayments are expenses paid in advance and recorded as an asset before these are utilized. Prepaid expenses are apportioned over the period covered by the payment and charged to the appropriate accounts in profit or loss when incurred.

Withholding Tax and Other Credits. Withholding tax and other credits represents the amount withheld by the Parent Company's customers. These are recognized upon collection of the related billings and certificates and are utilized as tax credits against tax due as allowed by the Philippine taxation laws and regulations. Withholding tax and other credits are stated at its estimated NRV.

Investments in Subsidiaries, Associate, and Joint Venture

Investments in subsidiaries, associate, and joint venture are accounted for in the parent company financial statements at cost, less any impairment in value.

A subsidiary is an entity which the Parent Company controls (i.e., when the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee). Generally, there is a presumption that a majority of voting rights results in control.

An associate is an entity over which the Parent Company has significant influence (i.e., when the Parent Company has the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies).

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Parent Company recognizes dividends from a subsidiary, an associate, or a joint venture in the parent company's financial statements when its right to receive the dividend is established. An assessment of the carrying value of the Parent Company's investment is performed when there is an indication that the investment has been impaired.

Property, Plant and Equipment

Property, plant, and equipment are stated at cost, net of accumulated depreciation, and any accumulated impairment losses. The initial cost of property, plant and equipment, consists of its purchase price including import duties and other costs directly attributable in bringing the asset to its working condition and location for its intended use. Cost also includes the cost of replacing the part of such property, plant and equipment when the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Parent Company depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the property, plant, and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.



Depreciation is calculated on a straight-line basis over the following estimated useful lives:

Buildings and improvements	10 - 25 years
Right-of-use (ROU) assets	20 - 25 years or term of lease, whichever is shorter
Leasehold improvements	20 years or term of the lease, whichever is shorter
Plant machinery and fixtures	5 - 15 years
Office furniture and equipment	5 years
Transportation equipment	5 years
Computer and communications equipment	3 years

The useful life of each of the Parent Company's property, plant, and equipment is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of industry practice and experience with similar assets. The property, plant, and equipment's residual values, useful lives, and depreciation method are reviewed at each reporting period, and adjusted prospectively, if appropriate.

Machineries under installation and construction in-progress represent properties under construction and are stated at cost net of accumulated impairment losses, if any. These include the cost of construction and other direct costs. Machineries under installation and construction in-progress are not depreciated until such time that the relevant assets are completed and put into operational use.

An item of property, plant, and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year the item is derecognized.

Fully depreciated property, plant, and equipment are retained in the accounts until these are no longer in use.

The Parent Company classifies ROU assets as part of property, plant, and equipment. The Parent Company recognizes ROU assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). ROU assets are initially measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of ROU includes the amount of lease liabilities recognized, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received, and the estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Unless the Parent Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized ROU assets are depreciated on a straight-line basis over the shorter of their estimated useful life and lease term. ROU assets are subject to impairment.

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite.



Intangible assets with finite lives are amortized using the straight-line method over the following useful economic life and assessed for impairment whenever there is an indication that the asset may be impaired:

Distribution rights	20 years
Software	5 - 10 years
License	10 years
Trademark	Indefinite

The amortization period and method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in profit or loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

An intangible asset is derecognized upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Gains or losses arising from the derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

Impairment of Nonfinancial Assets

The Parent Company assesses at the end of each reporting period whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Parent Company makes an estimate of the asset's recoverable amount. The recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal (FVLCD) and its value in use (VIU). The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. The Parent Company bases its impairment calculation on most recent budgets and forecast calculations, which are prepared separately for each of the Parent Company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

In determining FVLCD, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators. Any impairment loss is recognized in profit or loss in the expense category consistent with the function of the impaired asset.



For assets excluding goodwill, an assessment is made at the end of each reporting period as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment have been recognized for the asset in prior years. Such reversal is recognized in profit or loss. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Intangible assets with indefinite useful lives are tested for impairment annually as at December 31, at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

Leases

The Parent Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Parent Company as Lessee. The Parent Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Parent Company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Lease Liabilities. At the commencement date of the lease, the Parent Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Parent Company and payments of penalties for terminating a lease, if the lease term reflects the Parent Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as an expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Parent Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments, or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets. The Parent Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the leases of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.



Equity

Capital Stock. Capital stock is measured at par value for all shares issued. Incremental costs directly attributable to the issue of capital stock are recognized as deductions from equity, net of any tax effects. Proceeds and fair value of the consideration received in excess of par value are recognized as additional paid-in capital.

Retained Earnings. Retained earnings include all current and prior period financial performance as reported in the parent company statement of comprehensive income and reduced by dividends on capital stock.

Dividends on Capital Stock. The Parent Company may pay dividends in cash or by the issuance of shares of stock. Cash and property dividends are subject to the approval of the BOD, while stock dividends are subject to approval by the BOD, at least two-thirds of the outstanding capital stock of the shareholders at a shareholders' meeting called for such purpose, and by the SEC. Dividends on capital stock are recognized as a liability and deducted from equity when they are approved for payment by the BOD. Dividends for the year that are approved after the reporting period are recognized as an event after the reporting period.

Remeasurement Gains (Losses). Remeasurement gains (losses) comprise actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability, and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability). Remeasurement gains (losses) are recognized immediately in the parent company statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Revenue Recognition

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Parent Company expects to be entitled in exchange for those goods or services. The Parent Company has assessed and concluded that it is the principal in its revenue arrangements because it controls the goods or services before transferring them to the customer.

Sale of Goods and Scrap Items. Revenue from the sale of goods and scrap items is recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. The Parent Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the sale of goods, the Parent Company considers the effects of variable consideration, the existence of significant financing components, noncash consideration, and consideration payable to the customer, if any.

Variable Consideration. If the consideration in a contract includes a variable amount, the Parent Company estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Some contracts for the sale of the Parent Company's goods provide customers with a right of return within a specified period. The rights of return give rise to variable consideration.

- *Rights of Return.* The Parent Company uses the expected value method to estimate the variable consideration given the large number of contracts that have similar characteristics. The Parent Company then applies the requirements on constraining estimates of variable consideration in



order to determine the amount of variable consideration that can be included in the transaction price and recognized as revenue. A refund liability is recognized for the goods that are expected to be returned (i.e., the amount not included in the transaction price). A right of return asset is also recognized for the right to recover the goods from the customer.

- *Sales discount.* The Parent Company's contracts with customers generally provide customers with discounts (presented as deduction from "Sales"). The Parent Company uses most likely amount method to estimate the amount of expected future rebates for distribution discounts. A refund liability is recognized for the expected future sales discount (i.e., the amount not included in the transaction price).
- *Consideration payable to customers.* Consideration payable to a customer includes cash amounts that the Parent Company pays, or expects to pay, to the customers (e.g. slotting fees, electronic data interchange subscription, dealer support). The consideration payable to a customer is accounted for as a reduction of the transaction price unless the payment to the customer is in exchange for distinct goods or services that the customer transfers to the Parent Company.

Refund liabilities. A refund liability is recognised for the obligation to refund some or all of the consideration received (or receivable) from a customer. The Parent Company's refund liabilities arise from its customers' right of return and sales discount. The liability is measured at the amount the Parent Company ultimately expects it will have to return to the customer. The Parent Company updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period.

Revenue outside the scope of PFRS 15

Interest Income. Revenue is recognized as the interest accrues, taking into account the effective yield on the asset.

Dividend Income. Revenue is recognized when the Parent Company's right to receive the payment is established.

Miscellaneous Income. Miscellaneous income mainly comprises of service fees charged by the Parent Company primarily for reimbursement of share of investees and principals of the agency brands in common expenses, reversal of allowance for ECL, foreign exchange gains, rental income and other miscellaneous items to which are recorded under the "Miscellaneous income" account in the parent company statements of comprehensive income.

Right-of-return Assets

A right-of-return asset is recognized for the right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the inventory, less any expected costs to recover the goods and any potential decreases in value. The Parent Company updates the measurement of the asset for any revisions to the expected level of returns and any additional decreases in the value of the returned products. The Parent's Company right-of-return assets are included in inventories.

Cost and Expense Recognition

Costs and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in a decrease in equity, other than those relating to distributions to equity participants. Cost of goods sold, sales, general and administrative expenses, and finance costs are recognized in profit or loss in the period these are incurred.



Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Foreign-Currency-Denominated Transactions

Transactions denominated in foreign currencies are recorded in Philippine peso by applying to the foreign currency amount the exchange rate between the Philippine peso and the foreign currency at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are restated using the closing exchange rate prevailing at the end of the reporting period. All exchange rate differences, including those arising from the translation or settlement and restatement of monetary items at rates different from those at which they were initially recorded, are recognized in profit or loss in the year such differences arise. Nonmonetary items denominated in foreign currencies are measured on a historical cost basis and translated using the exchange rate at the date of transaction.

Employee Benefits

Defined Benefit Plan. The net defined benefit liability is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs, which include current service costs, past service costs, and gains or losses on non-routine settlements, are recognized as an expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by an independent qualified actuary.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time, which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as an expense or income profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets, and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Parent Company, nor can they be paid directly to the Parent Company. The fair value of plan assets is based on market price information.



When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

The Parent Company's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Income Taxes

Current Tax. Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period.

Current income tax relating to items recognized directly in equity is recognized in equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred Tax. Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets (DTA) are recognized for all deductible temporary differences to the extent that it is probable that future taxable income will be available against which the deductible temporary differences can be utilized.

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

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

The Parent Company offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Input Value-added Tax (VAT). Input VAT represents VAT imposed on the Parent Company by its suppliers and contractors for the acquisition of goods, services, and capital assets required under Philippine taxation laws and regulations. Input VAT is recognized as an asset and will be used to



offset against the Parent Company's current output VAT liabilities. Input VAT is stated at its recoverable amount.

Deferred input VAT represents the input VAT related to the unpaid portion of the cost of services and unamortized input VAT related to acquisitions of capital goods.

The net amount of tax recoverable from, or payable to, the tax authority is included as part of receivables or payables in the parent company statement of financial position.

Earnings per share (EPS)

Basic EPS is calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders of the parent (after adjusting for interest on the convertible note) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

Segment Reporting

The Parent Company's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

Provisions

Provisions are recognized when the Parent Company has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risk specific to the liability. When discounting is used, the increase in the provisions due to the passage of time is recognized as interest expenses. When the Parent Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss net of any reimbursement.

Contingencies

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

Events after the Reporting Period

Post-year-end events that provide additional information about the Parent Company's financial position at the end of the reporting period (adjusting events), if any, are reflected in the parent company financial statements. Post-year-end events that are not adjusting events are disclosed in the notes to parent company financial statements when material.



3. Significant Accounting Judgments, Estimates, and Assumptions

The preparation of the Parent Company's financial statements requires management to make judgments, estimates, and assumptions that affect the reported amounts of revenues, costs and expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgments

In the process of applying the Parent Company's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the parent company financial statements:

Revenue recognition on sale of goods. Revenue recognition under PFRS 15 involves the application of significant judgment and estimation in the: (a) identification of the contract for the sale of goods that would meet the requirements of PFRS 15; (b) assessment of performance obligation and the probability that the entity will collect the consideration from the buyer; (c) determining the method to estimate variable consideration and assessing the constraint; and (d) recognition of revenue as the Parent Company satisfies the performance obligation.

a. *Existence of a contract*

The Parent Company enters into a contract with the customer through an approved purchase order, which constitutes a valid contract as specific details such as the quantity, price, contract terms, and their respective obligations are clearly identified. In the case of sales to key accounts and distributors, the combined approved purchase order and trading terms agreement/exclusive distributorship agreement constitute a valid contract.

b. *Identifying performance obligation*

The Parent Company identifies performance obligations by considering whether the promised goods in the contract are distinct. A good is distinct when the customer can benefit from the good on its own or together with other resources that are readily available to the customer, and the Parent Company's promise to transfer the good to the customer is separately identifiable from the other promises in the contract.

Based on management assessment, other than the sale of goods, no other performance obligations were identified.

c. *Recognition of revenue as the Parent Company satisfies the performance obligation*

The Parent Company recognizes its revenue for all revenue streams at a point in time, when the customer obtains control of the promised goods or when the goods are sold and delivered.

d. *Determining method to estimate variable consideration and assessing the constraint*

The Parent Company's contracts with customers include a right of return and sales discounts that give rise to variable consideration. In estimating the variable consideration, the Parent Company is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled.

The Parent Company determined that the expected value method is the appropriate method to use in estimating the variable consideration for the revenue with rights of return, given the large number of customer contracts that have similar characteristics. In estimating the variable consideration for sales discounts, the Parent Company determined that using the most likely amount method is appropriate, given that these contracts has single volume threshold.



Before including any amount of variable consideration in the transaction price, the Parent Company considers whether the amount of variable consideration is constrained. The Parent Company determined that the estimates of variable consideration are not constrained based on its historical experience, business forecast and the current economic conditions. In addition, the uncertainty on the variable consideration will be resolved within a short time frame.

Recognition of right of return assets. The Parent Company assesses the value of its right of return assets by reference to the carrying amount of the products less any expected costs to recover those products, including potential decreases in the value of the returned products. At the end of each reporting period, the Parent Company updates the measurement of the return asset arising from changes in expectations about products to be returned, including possible impairment.

As at December 31, 2022 and 2021, the Parent Company assessed that the value of any return assets is nil given the perishable nature of the products.

Determination of uncertain tax positions. The Parent Company has assessed whether it has any uncertain tax position. The Parent Company applies significant judgment in identifying uncertainties over its income tax treatments. The Parent Company determined, based on its tax compliance review and in consultation with its tax advisors, that it is probable that its income tax treatments will be accepted by the taxation authorities. Accordingly, the Parent Company has determine its accounting for income taxes consistently with the related tax treatment in accordance with the requirements of IFRIC 23, *Uncertainty over Income Tax Treatments*.

Determination of lease term of contracts with renewal and termination options – Company as a lessee. The Parent Company has several lease contracts that include extension and termination options. The Parent Company applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. It considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Parent Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

The Parent Company expects to exercise its right to renew the lease of real estate properties where its facilities are located; hence, has included the renewal period as part of the lease term.

Estimates and Assumptions

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 material adjustments to the carrying amounts of assets and liabilities are discussed below. The Parent Company based its estimates and assumptions on parameters available when the parent company financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the Parent Company's control. Such changes are reflected in the assumptions when they occur.

Fair Value of Financial Instruments. The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. When the fair values of financial assets and financial liabilities recorded in the Parent statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models



are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. Judgements and estimates include considerations of liquidity and model inputs related to items such as credit risk (both own and counterparty), funding value adjustments, correlation and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments. See Note 24 for further disclosures.

NRV of Inventories. The Parent Company's estimates of the NRV are based on the most reliable evidence available at the time the estimates are made of the amounts the inventories are expected to be realized. These estimates take into consideration fluctuations of prices or costs directly relating to events occurring after reporting period to the extent that such events confirm conditions existing at reporting period. A new assessment is made at NRV at each reporting period. Information on the Company's inventories is disclosed in Note 6.

Assessment for ECL on Trade Receivables. The Parent Company uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, customer type, and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Parent Company's historical observed default rates. The Parent Company calibrates the matrix to adjust the historical credit loss experience with forward-looking information on macro-economic factors. At every financial reporting period, the historical observed default rates and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historically observed default rates, forecast economic conditions, and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Parent Company's historical credit loss experience and forecast of economic conditions may also not be representative of the customer's actual default in the future.

The Parent Company recognized provision of ECL on trade receivables amounting to ₱28.2 million in 2022 and reversal of ECL on trade receivables amounting to ₱38.4 million in 2021. The carrying amount of trade and other receivables amounted to ₱4,600.4 million and ₱4,122.7 million as at December 31, 2022 and 2021, respectively (see Note 5).

Assessment for ECL on Other Financial Assets at Amortized Cost. The Parent Company determines the allowance for ECL using general approach based on the probability-weighted estimate of the present value of all cash shortfalls over the expected life of financial assets at amortized cost. ECL is provided for credit losses that result from possible default events within the next 12-months unless there has been SICR since initial recognition in which case ECL is provided based on lifetime ECL.

When determining if there has been a significant increase in credit risk, the Parent Company considers reasonable and supportable information that is available without undue cost or effort and that is relevant for the particular financial instrument being assessed such as, but not limited to, the following factors:

- Actual or expected external and internal credit rating downgrade;
- Existing or forecasted adverse changes in business, financial or economic conditions; and
- Actual or expected significant adverse changes in the operating results of the borrower.



The Parent Company also considers financial assets that are more than 90 days past due to be the latest point at which lifetime ECL should be recognized unless it can demonstrate that this does not represent a significant risk in credit risk such as when non-payment was an administrative oversight rather than resulting from financial difficulty of the borrower.

In 2022 and 2021, the Parent Company recognized reversal of provision for ECL on noncurrent receivables as a result of settlement of advances to YCE Group Pte Ltd (YCE) impaired in the previous periods amounting to nil and ₱77.4 million, respectively. Noncurrent receivables written off amounted to nil in 2022 and 0.9 million in 2021. Allowance for ECL on noncurrent receivables and other receivables amounted to ₱115.3 million as at December 31, 2022 and 2021. The carrying amount of noncurrent receivables amounted to ₱862.4 million and ₱500.0 million as at December 31, 2022 and 2021, respectively (see Notes 5 and 8).

Assessment of Impairment of Non-Financial Assets (Property, plant and equipment, Investment in subsidiaries and joint venture and other noncurrent assets). The Parent Company assesses the impairment of non-financial assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Parent Company consider important, which could trigger an impairment review include the following:

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

a. Property, plant and equipment

The Parent Company assesses impairment of property, plant and equipment whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. The Parent Company determined that the actual performance of certain property, plant and equipment in MNC below the estimated or planned outputs is an indicator of impairment.

In 2022 and 2021, the Parent Company determined that the VIU of these assets is zero since these assets pertain to discontinued product lines with no expected future cashflows. Management assessed that any scrap value (FVLCD) is not material. Information about the impairment test on the Company's property and equipment is disclosed in Note 10.

b. Investment in Subsidiaries and Joint Venture

The Parent Company assesses impairment of investments in subsidiaries, associate and joint venture whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. The factors that the Parent Company considers important, which could trigger an impairment review include the following:

- a downgrade of a subsidiary's, associate's or joint venture's credit rating or a decline in the fair value of the subsidiary, associate or joint venture in consideration of other available information
- significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the associate or joint venture operates



The Parent Company determined the recoverable amount of its investments, except for SFC, based on adjusted net asset method.

- i. MNSPL – The increase of weighted average cost of capital (WACC) rate from 7.34% in 2021 to 8.88% in 2022 and the modest financial projection of Monde Nissin (UK) Limited (MNUKL), a subsidiary of MNSPL, reduced the VIU of MNUKL. This resulted to reduction in the equity value of MNSPL and Parent Company’s recognition of impairment loss on investment in MNSPL amounting to ₱18,874.8 million in 2022 (see Note 9).
- ii. MNAC and MMBC – The Parent Company determined that the negative results of operations and cashflow projections are impairment indicators of its investment in MNAC and MMBC. The Parent Company determined that the recoverable amount of its investments in MNAC and MMBC were no longer recoverable due to the current and forecasted performance of the entities. Based on the assumptions above, the Parent Company’s investment in MNAC has been fully impaired as at December 31, 2022 and 2021. The Group recognized additional impairment loss on its investment in MMBC amounting to ₱54.1 million in 2022 and nil 2021 (see Note 9).
- iii. SMFC – The Parent Company determined that the improved economic performance and cashflow projections are indicators that impairment loss recognized in prior periods for its investment in SMFC may no longer exist.

The Parent Company estimated the recoverable amount of its investment in SFC based on VIU calculation using cash flow projection from financial budgets approved by management covering a 5-year period. The Parent Company applied 11.02% pre-tax discount rate on the cash flow projections. The following assumptions were also used in computing VIU:

- *Growth rate estimates* – growth rates include long-term and terminal growth rates that are based on experiences and strategies developed for the various subsidiaries. The prospect for the industry was also considered in estimating the growth rates. Growth rate used in the projected future cash flows is at an average of 25.00% from 2023 to 2027.
- *Discount rates* – discount rates were estimated based on the industry weighted average cost of capital, which includes the cost of equity and debt after considering the gearing ratio.

VIU is most sensitive to changes in discount rate and growth rate. Based on the assumptions above, the Parent Company recognized reversal of allowance for impairment loss on its investment in SMFC amounting to ₱115.9 million in 2022 (see Note 9).

c. Trademark

The Parent Company performed its annual impairment test on its trademark with indefinite useful life as of reporting date. The recoverable amount of trademark was determined using the relief from royalty method. This method considers royalty savings from the ownership of trademark using cash flow projections approved by management covering a 5-year period:

- Growth rates – Growth rate used in the projected future cash flows is at an average of 9.00% from 2023 to 2027 and 25.00% from 2022 to 2026.



- Discount rate – The pre-tax discount rate of 12.13% in 2022 was estimated based on the industry weighted average cost of capital, which includes the cost of equity and debt after considering the gearing ratio.
- Royalty savings rate – Royalty savings rate of 0.60% in 2022 was estimated based on publicly available information for similar industry.

Based on the assumptions above, the Parent Company recognized an impairment loss on trademark amounting to ₱2.5 million in 2022 (see Note 11).

Leases – Estimating the incremental borrowing rate (IBR). The Parent Company cannot readily determine the interest rate implicit in the lease; therefore, it uses its IBR to measure lease liabilities. The IBR is the rate of interest that the Parent Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR, therefore, reflects what the Parent Company “would have to pay,” which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary’s functional currency). The Parent Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary’s stand-alone credit rating).

The Parent Company’s lease liabilities are disclosed in Note 22.

Estimation of Refund Liabilities. The Parent Company uses two-year average historical return data of each product to estimate the refund liabilities. These percentages are applied to determine the expected value of the variable consideration. Estimates of expected returns and discounts are sensitive to changes in circumstances and the Parent Company’s past experience regarding returns and discount entitlements may not be representative of customers’ actual returns and discount entitlements in the future. Any significant changes in experience as compared to historical return pattern will impact the expected return percentages estimated by the Parent Company. The Parent Company updates its assessment of expected returns and discounts annually and refund liabilities are adjusted accordingly. The Parent Company’s refund liabilities for the expected returns and discounts are disclosed in Note 12.

Estimation of Pension and Other Benefits Costs. The cost of defined benefit pension plans and other post-employment medical benefits and the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include determining the discount rates, future salary increases, mortality rates, and future pension increases. Due to the complexity of the valuation, the underlying assumptions, and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting period. In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of Philippine government bonds with terms consistent with the expected employee benefit payout as of reporting date.



The mortality rate is based on publicly available mortality tables in the Philippines and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates in the Philippines.

On May 1, 2021, the Parent Company amended its retirement plan as follows:

- Change in disability benefit from 60 days to 75 days
- Change in death benefit from ₱0.2 million plus gratuity pay or ₱1.0 million, to 75 days per year of service or ₱2.0 million, whichever is higher, with the exemption of self-inflicted cause of death

As a result of the amendment, the Parent Company recognized ₱75.1 million past service cost in 2021.

Further details about the assumptions used are provided in Note 19.

Recognition of Deferred Taxes. The Parent Company's assessment on the recognition of deferred tax assets on nondeductible temporary differences is based on the forecasted taxable income of the following reporting periods over which the deductible temporary differences can be utilized. This forecast is based on the Parent Company's past results and future expectations on revenues and expenses. Information on the Parent Company's recognized and unrecognized deferred tax assets are disclosed in Note 21.

Estimating Legal Contingencies and Regulatory Assessments. As at December 31, 2022 and 2021, the Parent Company is involved in various legal proceedings and regulatory assessments, and management believes that these proceedings will not have a material effect on the parent company's financial statements. Disclosure of additional details beyond the present disclosures may seriously prejudice the Parent Company's position and negotiating strategy.

The Parent Company, in consultation with its external and internal legal and tax counsels, believe that its position on these assessments are consistent with relevant laws and believe that these proceedings will not have a material adverse effect on the parent company financial statements. However, it is possible that future results of operations could be materially affected by changes in the estimates or the effectiveness of management's strategies relating to these proceedings. As at December 31, 2022, management has developed an estimate of the probable cash outflow to settle these assessments and has recognized provision for these liabilities.

As allowed by PAS 37, *Provisions, Contingent Liabilities, and Contingent Assets*, no further disclosures were provided as this might prejudice the Parent Company's position on this matter.

4. Cash and Cash Equivalents

	2022	2021
Cash on hand and in banks	₱571,189	₱979,446
Cash equivalents	6,460,671	8,976,167
	₱7,031,860	₱9,955,613

Cash in banks earns interest at the respective bank deposit rates. Cash equivalents are short-term deposits made for varying periods of one month up to three months, depending on the immediate cash requirements, and earn interest at the respective short-term deposit rates.



Interest income from cash and cash equivalents amounted to ₱105.4 million in 2022 and ₱64.0 million in 2021 (see Note 18).

5. Trade and Other Receivables

	2022	2021
Trade receivables:		
Non-related parties	₱4,127,753	₱3,412,559
Related parties (Note 20)	296,093	356,987
Notes receivables (Note 20)	172,133	331,494
Other receivables		
Non-related parties	17,464	23,820
Related parties (Note 20)	16,450	-
	4,629,893	4,124,860
Less allowance for ECL	29,519	2,173
	₱4,600,374	₱4,122,687

Trade receivables are noninterest-bearing and are generally on 30-60 days' terms.

Notes receivables consist of current portion of long term interest-bearing loans to subsidiaries within one year. Interest income from notes receivables amounted to ₱3,068 in 2022 and ₱7,579 in 2021 (see Notes 18 and 20):

Other receivables comprise of various receivables from employees, accruals for interest from short term placements and guarantee fee, receivable from a supplier, and advances made to employees for SSS claims. These are noninterest-bearing and typically settled through salary deductions

As at December 31, 2022 and 2021, movements in the allowance for ECL follow:

	2022	2021
Balance at beginning of year	₱2,173	₱42,007
Provision for (reversal of) ECL (Notes 17 and 18)	28,159	(38,365)
Write-off	(813)	(1,469)
Balance at end of year	₱29,519	₱2,173

6. Inventories

	2022	2021
At NRV:		
Raw materials	₱2,589,908	₱1,658,856
Finished goods	1,640,772	1,062,674
Work in-process	765,518	649,329
Packaging and other materials	535,139	356,277
	5,531,337	3,727,136
At cost -		
In-transit	30,243	239,096
	₱5,561,580	₱3,966,232



The cost of inventories sold that are recognized under the “Cost of goods sold” account amounted to ₱42,028.7 million in 2022 and ₱36,393.1 million in 2021 (see Note 16).

The cost of inventories in-transit from related parties amounted to ₱23.5 million in 2022 and ₱228.9 million in 2021 (see Note 20).

The carrying value of the Parent Company’s right of return assets amounted to nil as at December 31, 2022 and 2021 (see Note 3).

The cost of inventories carried at NRV are as follows:

	2022	2021
At cost:		
Raw materials	₱2,705,122	₱1,776,221
Finished goods	1,672,770	1,133,486
Work in-process	873,471	687,449
Packaging and other materials	515,963	376,292
	₱5,767,326	₱3,973,448

Movements in the allowance for inventory obsolescence for finished goods are as follows:

	2022	2021
Balance at beginning of year	₱246,312	₱198,670
Provision	87,977	66,094
Write-off	(98,300)	(18,452)
Balance at end of year	₱235,989	₱246,312

Under the terms of the agreements covering liabilities under trust receipts totaling ₱2,362.3 million and ₱3,714.7 million as at December 31, 2022 and 2021, respectively, certain inventories which approximate the trust receipts payable, have been released to the Parent Company under trust receipt agreement with the banks. The Parent Company is accountable to these banks for the trustee merchandise or their sales proceeds (see Note 13).

7. Prepayments and Other Current Assets

	2022	2021
Deferred input VAT	₱179,314	₱159,589
Prepayments	75,258	63,856
Creditable withholding tax (CWT) and other credits	–	629,007
	₱254,572	₱852,452

Deferred input VAT represents the input VAT related to the unpaid portion of the cost of services.

Prepayments mainly pertain to prepayments of insurance and advertising expenses.

CWT and other credits include overpayment of 2020 income tax due to CREATE Act as at December 31, 2021 which were applied in 2022.



8. Noncurrent Receivables

	2022	2021
Non-related parties (Note 23)	₱500,000	₱500,000
Related parties (Note 20)	477,674	115,266
	977,674	615,266
Less allowance for ECL (Note 20)	115,266	115,266
	₱862,408	₱500,000

Movements in the allowance for ECL follow:

	2022	2021
Balance at beginning of year	₱115,266	₱193,572
Reversal of ECL (Note 18)	-	(77,369)
Write-off	-	(937)
	₱115,266	₱115,266

Interest income from noncurrent receivables amounted to ₱24.3 million in 2022 and ₱10.8 million in 2021 (see Notes 18, 20 and 23).

9. Investments in Subsidiaries, Associates, and Joint Venture

	2022	2021
Investments in subsidiaries:		
Monde Nissin Singapore Pte Ltd (MNSPL)	₱39,045,911	₱36,997,710
Monde M. Y. San Corporation (MMYSC)	2,264,180	2,264,180
Monde Nissin International Investments Ltd. (MNIIIL)	1,518,300	1,518,300
KBT International Holdings, Inc. (KBT)	768,336	768,336
SFC	730,254	730,254
MNAC	186,000	186,000
Investments in associate -		
Calaca Harvest Terminal, Inc. (CHTI)	170,000	140,000
Investment in a joint venture -		
MMBC	166,600	147,000
	44,849,581	42,751,780
Less allowance for impairment:		
MNSPL	18,874,798	-
MNAC	186,000	186,000
MMBC	166,600	112,530
SFC	-	115,870
	19,227,398	414,400
	₱25,622,183	₱42,337,380



The Parent Company's percentage ownership and key information on the foregoing investments in subsidiaries, associates and joint venture are as follows:

Entities	Principal Activity	Country of Incorporation	Percentage of Ownership				
			2022		2021		
			Direct	Indirect	Direct	Indirect	
Subsidiaries							
MNSPL	Investment/sales	Singapore	100.00	-	100.00	-	-
MNUKL	Investment holding	United Kingdom	-	100.00	-	-	100.00
Marlow Foods Limited	Manufacturing, Sales, and Marketing	United Kingdom	-	100.00	-	-	100.00
Quorn Smart Life GmbH	Sales, and Marketing	Germany	-	100.00	-	-	100.00
Quorn Foods Inc	Sales, and Marketing	United States of America	-	100.00	-	-	100.00
Cauldron Foods Ltd*	Sales, and Marketing	United Kingdom	-	100.00	-	-	100.00
Quorn Foods Italy SRL**	Sales, and Marketing	Italy	-	100.00	-	-	100.00
Quorn Foods Sweden	Sales, and Marketing	Sweden	-	100.00	-	-	100.00
Monde Nissin New Zealand Limited (MNNZ)	Distribution of food related goods	New Zealand	-	100.00	-	-	100.00
Monde Nissin Holding (Thailand) Limited (MNHTL)***	Investment company	Thailand	-	6.50	-	-	6.50
MIL	Manufacture of seasonings	Thailand	-	100.00	-	-	100.00
Monde Nissin (Thailand) Company Limited (MNTH)***	Manufacture and distribution of bread and cookies	Thailand	-	56.43	-	-	56.40
MNIIL	Investment company	British Virgin Islands	100.00	-	100.00	-	-
MNHTL***	Investment company	Thailand	-	93.50	-	-	93.50
MNTH***	Manufacture and distribution of bread and cookies	Thailand	-	43.57	-	-	43.60
KBT International Holdings, Inc. (KBT)	Investment company	Philippines	95.69	-	95.69	-	-
MNAC*	Manufacture, process, and distribution of industrial coconut and agricultural products	Philippines	90.91	-	90.91	-	-
SFC	Manufacture and process of bread	Philippines	80.00	-	80.00	-	-
All Fit & Popular Foods Inc. (AFPFI)	Manufacturing, importing, exporting, selling and distribution of breads; Purchasing or registering intellectual properties	Philippines	-	80.00	-	-	80.00
Monde M.Y. San Corporation (MMYSC)	Manufacture, process, and export of biscuits	Philippines	100.00	-	100.00	-	-



Entities Associate and Joint Venture	Principal Activity	Country of Incorporation	Percentage of Ownership			
			2022		2021	
			Direct	Indirect	Direct	Indirect
CHTI	Engaged in and carry on a general and commercial business by buying, selling, storage, warehouse and transport of grain and other related commodities	Philippines	20.00	-	20.00	-
MMBC	Importation, marketing, promotion, and sale of beverage products	Philippines	48.99	-	48.99	-

*Dormant

**Dissolved in 2021

***The Group effectively owns 100%



MNSPL

In May 2020, the BOD approved the reduction in its share capital in MNSPL by 113,000,000 shares in the amount of ₱2,810.9 million (GBP43.8 million). As a result, the Parent Company's shares in MNSPL were reduced from 587,250,257 shares to 474,250,257 shares. MNSPL repatriated a portion of its capital to the Parent Company amounting to ₱2,465.7 million (GBP38.8 million) in 2020. The outstanding balance of ₱345.2 million (GBP5.0 million) was repatriated to the Parent Company in September 2021.

On September 20, 2021, the BOD approved to subscribe additional 42,924,533 ordinary shares of MNSPL at an aggregate subscription price of ₱3,121.4 million (GBP45.0 million) payable in several tranches on or before March 31, 2022. On the following dates, the Parent Company paid for the following:

Payment date	No. of shares	Amount in GBP	Amount in PHP
<i>(In Thousands, Except No. of Shares)</i>			
September 24, 2021	3,924,533	£6,000	₱410,238
October 12, 2021	9,000,000	9,000	624,139
November 15, 2021	6,000,000	6,000	409,318
December 31, 2021	12,000,000	12,000	826,969
February 14, 2022	6,000,000	6,000	421,430
March 14, 2022	6,000,000	6,000	429,259

On August 9, 2022, the BOD approved to subscribe additional 30,000,000 ordinary shares of MNSPL at an aggregate subscription price of ₱2,048.2 million (GBP30.0 million) payable in five equal tranches on or before December 16, 2022. On the following dates, the Parent Company paid for the following:

Payment date	No. of shares	Amount in GBP	Amount in PHP
<i>(In Thousands, Except No. of Shares)</i>			
August 23, 2022	6,000,000	£6,000	₱402,418
September 21, 2022	6,000,000	6,000	404,889
October 19, 2022	6,000,000	6,000	413,430
November 17, 2022	6,000,000	6,000	413,144
December 14, 2022	6,000,000	6,000	414,320

The Parent Company determined the recoverable amount of its investment in MNSPL based on adjusted net asset method.

The WACC rate increased from 7.34% in 2021 to 8.88% in 2022 and modest financial projection in 2022 reduced the VIU of MNUKL. Which resulted in reduction of equity value of MNSPL and the Parent Company's recognition of impairment loss on investment in MNSPL amounting to ₱18,874.8 million in 2022.

MMYSC

The Parent Company received cash dividends from MMYSC amounting to ₱1,400.6 million in 2022 and ₱1,996.9 million in 2021.

On January 28, 2021, the Parent Company purchased from My Crackers, Inc. (MCI) the latter's 4,500,000 common shares in MMYSC representing 40% of the outstanding capital stock of MMYSC for ₱1,822.5 million. This increased the Parent Company's ownership interest from 60% in 2020 to 100% in 2021.



KBT

The Parent Company received cash dividends from KBT amounting to ₱22.5 million in 2022 and ₱21.5 million in 2021.

SFC

In 2022, the Parent company determined that improved economic performance and cashflow projections are indicators that impairment loss recognised in prior periods for its investment in SMFC may no longer exist.

The Parent Company estimated the recoverable amount of its investment in SFC based on VIU calculation using cash flow projection from financial budgets approved by management covering a 5-year period. The Parent Company applied 11.02% pre-tax discount rate on the cash flow projections. The following assumptions were also used in computing VIU:

- *Growth rate estimates* – growth rates include long-term and terminal growth rates that are based on experiences and strategies developed for the various subsidiaries. The prospect for the industry was also considered in estimating the growth rates. Growth rate used in the projected future cash flows is at an average of 25.00% from 2023 to 2027.
- *Discount rates* – discount rates were estimated based on the industry weighted average cost of capital, which includes the cost of equity and debt after considering the gearing ratio.

VIU is most sensitive to changes in discount rate and growth rate. Based on the assumptions above, the Parent Company recognized reversal of impairment loss amounting to ₱115.9 million in 2022 and nil in 2021.

MNAC

On November 26, 2016, the BOD of MNAC approved the cessation of business operation of MNAC effective January 1, 2017. As a result, the Parent Company's investment in MNAC is fully impaired as at December 31, 2022 and 2021.

CHTI

CHTI is a company engaged in general and commercial business by buying, selling, storage, warehouse and transport of grain and other related commodities. The Parent Company entered into a Joint Venture Agreement with CHTI in 2018 with a 20% share.

In 2021, the Parent Company made an additional investment amounting to ₱60.0 million representing 60,000 shares in CHTI to maintain its ownership interest of 20%.

In 2022, the Parent Company made an additional investment amounting to ₱30.0 million representing 30,000 shares in CHTI to maintain its ownership interest of 20%.

MMBC

In 2015, the Parent Company signed a Joint Venture Agreement with Malee Beverage Public Co. Ltd., a leading juice and canned fruit manufacturer in Thailand, to set up MMBC to tap the aggressive growth of the beverage market in the Philippines.

In 2022, the BOD approved to subscribe additional 24,500 ordinary shares of MMBC to maintain its ownership of 49% for a total consideration of ₱19.6 million. As at December 31, 2022, subscription was yet to be paid.

The Parent Company determined the recoverable amount of its investment in MMBC based on adjusted net asset method. As a result, the Parent Company recognized impairment loss amounting to ₱54.1 million in 2022 and nil in 2021. The Parent Company's investment in MMBC is fully impaired as at December 31, 2022.



10. Property, Plant and Equipment

2022

Cost	Buildings		Building Improvements		Leasehold Improvements		Plant Machinery and Fixtures		Office Furniture and Equipment		Transportation Equipment		Computer and Communications Equipment		Machineryes Under Installation		Construction In-progress		ROU Land (Note 22)		ROU Building (Note 22)		Total
Balance at beginning of year	P5,846,320	P1,298,322	P99,984	P14,721,473	P115,022	P80,091	P182,574	P1,173,485	P2,130,567	P179,515	P115,416	P179,515	P179,515	P115,416	P2,130,567	P115,416	P115,416	P115,416	P115,416	P115,416	P115,416	P115,416	P25,942,769
Additions	535	13,545	—	27,745	934	19,377	5,582	1,080,781	—	—	—	—	—	—	—	—	—	—	—	—	—	—	1,459,884
Disposals and retirement	(25,608)	(41,109)	(15,188)	(35,342)	(55)	(18,351)	(18,903)	(531,342)	(8,456)	(165,399)	(11,346)	(165,399)	(165,399)	(11,346)	(8,456)	(11,346)	(11,346)	(11,346)	(11,346)	(11,346)	(11,346)	(174,358)	
Reclassifications	111,553	53,826	—	505,168	15,584	—	10,610	(531,342)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Balance at end of year	5,932,800	1,324,584	84,796	15,219,044	131,485	81,117	179,863	1,722,924	2,122,111	325,501	104,070	325,501	325,501	104,070	2,122,111	104,070	104,070	104,070	104,070	104,070	104,070	104,070	27,228,295
Accumulated Depreciation																							
Balance at beginning of year	1,959,573	350,941	71,902	8,770,119	85,929	57,677	133,921	—	122,748	—	74,299	—	—	74,299	122,748	74,299	74,299	74,299	74,299	74,299	74,299	74,299	11,627,109
Depreciation (Notes 16, 17 and 18)	251,284	53,517	2,848	659,824	12,562	11,368	30,139	—	49,557	—	22,427	—	—	22,427	49,557	22,427	22,427	22,427	22,427	22,427	22,427	22,427	1,093,526
Disposals and retirement (Note 17)	(20,913)	(17,169)	(10,121)	(34,724)	(55)	(16,880)	(18,905)	(8,456)	(8,456)	(11,346)	(11,346)	(11,346)	(11,346)	(11,346)	(8,456)	(11,346)	(11,346)	(11,346)	(11,346)	(11,346)	(11,346)	(11,346)	(138,569)
Balance at end of year	2,189,944	387,289	64,629	9,395,219	98,436	52,165	145,155	—	163,849	—	85,380	—	—	85,380	163,849	85,380	85,380	85,380	85,380	85,380	85,380	85,380	12,582,066
<i>(Forward)</i>																							
Accumulated Impairment																							
Balance at beginning of year	4,042	128,834	12	450,505	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	1,322,026
Impairment loss (Note 17)	—	41,082	—	164,798	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	205,880
Disposals and retirement	—	(24,668)	(12)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(24,668)
Balance at the end of year	4,042	145,248	—	615,303	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	1,503,226
Net Book Value	P3,738,814	P792,047	P20,167	P5,208,522	P33,049	P28,952	P34,708	P1,151,160	P1,958,262	P158,632	P18,690	P158,632	P158,632	P18,690	P1,958,262	P18,690	P18,690	P18,690	P18,690	P18,690	P18,690	P18,690	P13,143,003

2021

Cost	Buildings		Building Improvements		Leasehold Improvements		Plant Machinery and Fixtures		Office Furniture and Equipment		Transportation Equipment		Computer and Communications Equipment		Machineryes Under Installation		Construction In-progress		ROU Land (Note 22)		ROU Building (Note 22)		Total
Balance at beginning of year	P3,989,082	P1,045,945	P99,984	P12,148,755	P106,961	P73,757	P150,428	P1,934,222	P2,130,567	P822,031	P179,996	P822,031	P822,031	P179,996	P2,130,567	P179,996	P179,996	P179,996	P179,996	P179,996	P179,996	P179,996	P22,681,728
Additions	463,495	3,767	—	389,152	4,846	9,460	13,454	1,444,788	—	2,585	2,585	999,785	999,785	2,585	—	—	—	—	—	—	—	—	3,331,332
Disposals	—	—	—	—	—	(3,126)	—	—	—	—	(67,165)	—	—	(67,165)	—	—	—	—	—	—	—	—	(70,291)
Reclassifications	1,393,743	248,610	—	2,183,566	3,215	—	18,692	(2,205,525)	—	(1,642,301)	—	(1,642,301)	(1,642,301)	—	—	—	—	—	—	—	—	—	—
Balance at end of year	5,846,320	1,298,322	99,984	14,721,473	115,022	80,091	182,574	1,173,485	2,130,567	179,515	115,416	179,515	179,515	115,416	2,130,567	115,416	115,416	115,416	115,416	115,416	115,416	115,416	25,942,769
Accumulated Depreciation																							
Balance at beginning of year	1,747,686	301,151	68,866	8,163,182	73,337	50,776	101,043	—	73,192	—	69,939	—	—	69,939	73,192	69,939	69,939	69,939	69,939	69,939	69,939	69,939	10,649,172
Depreciation (Notes 16, 17 and 18)	211,887	49,790	3,036	606,937	12,592	9,948	32,878	—	49,556	—	27,598	—	—	27,598	49,556	27,598	27,598	27,598	27,598	27,598	27,598	27,598	1,004,222
Disposals	—	—	—	—	—	(3,047)	—	—	—	—	(23,238)	—	—	(23,238)	—	—	—	—	—	—	—	—	(26,285)
Balance at end of year	1,959,573	350,941	71,902	8,770,119	85,929	57,677	133,921	—	122,748	—	74,299	—	—	74,299	122,748	74,299	74,299	74,299	74,299	74,299	74,299	74,299	11,627,109
Accumulated Impairment																							
Balance at beginning of year	4,042	128,834	12	450,505	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	1,269,599
Impairment loss (Note 17)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	52,427
Balance at the end of year	4,042	128,834	12	450,505	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	1,322,026
Net Book Value	P3,882,705	P818,547	P28,070	P5,500,849	P29,093	P22,414	P48,653	P601,721	P2,007,819	P12,046	P41,117	P12,046	P12,046	P41,117	P2,007,819	P41,117	P41,117	P41,117	P41,117	P41,117	P41,117	P41,117	P12,993,634



Machineries under installation pertain to plant equipment for various product lines that are still under installation which are expected to be completed in 2023 to 2024. Additions to machineries under installation include costs for the construction of a new production and research and development facilities.

Construction in-progress pertains to the construction of building improvements, which is expected to be completed in 2023 to 2024. There were no capitalized borrowing costs as the construction-in-progress were funded by cash from operations.

The recognized impairment loss amounting to ₱205.9 million in 2022 and ₱52.4 million in 2021 is based on VIU calculation. The VIU of these assets is zero since these assets pertain to discontinued product lines and machines that did not pass trial run. Management assessed that any scrap value (FVLCD) is not material.

In 2022 and 2021, the Parent Company sold property, plant and equipment with a total net book value of ₱11.1 million and ₱0.1 million, respectively, for a cash consideration of ₱26.3 million in 2022 and ₱0.7 million in 2021. The net gains on these disposals were recognized as part of “Other income (expense)” account in the parent company statement of comprehensive income (see Notes 17 and 18).

There are no idle property, plant, and equipment as at December 31, 2022, and 2021.

The Parent Company has no property, plant and equipment used as collateral as at December 31, 2022 and 2021.

The Parent Company has capital commitments for acquisitions of plant machineries, equipment and building expansions amounting to ₱868.0 million and ₱840.7 million as at December 31, 2022 and 2021, respectively.

11. Intangible Assets

	Distribution Rights (Note 23)	Software	Intellectual Property License	Trademark* (Note 20)	Total
Cost					
Balance at beginning of year	₱727,560	₱265,734	₱34,639	₱14,459	₱1,042,392
Additions	—	52,754	—	—	52,754
Disposals	—	(873)	—	—	(873)
Balance at end of year	727,560	317,615	34,639	14,459	1,094,273
Accumulated Amortization					
Balance at beginning of year	269,803	118,443	—	—	388,246
Amortization (Notes 16, 17 and 18)	36,378	40,840	700	—	77,918
Disposals	—	(872)	—	—	(872)
Balance at end of year	306,181	158,411	700	—	465,292
Accumulated Impairment					
Balance at beginning of year	—	—	—	—	—
Impairment loss (Note 17)	—	—	—	2,481	2,481
Balance at end of year	—	—	—	2,481	2,481
Net Book Value	₱421,379	₱159,204	₱33,939	₱11,978	₱626,500

*Indefinite useful life



	Distribution Rights (Note 23)	Software	Intellectual Property License *	Trademark* (Note 20)	Total
Cost					
Balance at beginning of year	₱727,560	₱222,326	₱-	₱14,459	₱964,345
Additions	-	43,408	34,639	-	78,047
Balance at end of year	727,560	265,734	34,639	14,459	1,042,392
Accumulated amortization					
Balance at beginning of year	233,426	92,752	-	-	326,178
Amortization (Notes 16, 17 and 18)	36,377	25,691	-	-	62,068
Balance at end of year	269,803	118,443	-	-	388,246
Net Book Value	₱457,757	₱147,291	₱34,639	₱14,459	₱654,146

*Indefinite useful life

In 2021, the Parent Company acquired Intellectual Property (IP) license with indefinite useful life amounting to ₱34.6 million. This pertains to acquisition of know-how and other intellectual property from a third party.

In 2022, the Parent Company assessed that it would take 10 years to apply the systems from its IP License across all its sites. As a result, the useful life of this asset has changed from indefinite to 10 years resulting to additional amortization expense of ₱0.7 million in 2022.

The Parent Company performed its annual impairment test for indefinite lived intangible assets in December 2022 and 2021 (see Note 3). Impairment loss amounting to ₱2.5 million was recognized in 2022 and nil in 2021.

12. Accounts Payable and Other Current Liabilities and Refund Liabilities

	2022	2021
Trade payables to:		
Non-related parties	₱3,221,151	₱2,155,201
Related parties (Note 20)	2,186,708	2,106,007
Nontrade payables to:		
Non-related parties	2,059,665	1,831,245
Related parties (Note 20)	-	850,688
Statutory payables	193,008	851,036
Accruals for:		
Personnel costs	237,307	295,520
Advertising and promotions	108,614	65,325
Trade spend	8,324	25,292
Selling, general and administrative expenses	6,000	34,551
Interest payable	-	29
Contract liability	58,596	97,350
Provisions	39,384	57,559
Others	2,947	8,587
	₱8,121,704	₱8,378,390



Accounts payable and other current liabilities are noninterest-bearing and are generally settled within 30 to 60 days.

Trade payables pertain to liabilities to suppliers for the purchase of raw materials, finished goods, and other costs directly related to the operations of the Parent Company and are generally settled within 30 to 60 days.

Nontrade payable include liabilities related to utilities, advertising, other operating and manufacturing overhead expenses. Nontrade payable to related party in 2021 pertains to subscription payable (see Note 20).

Provisions pertain to claims by third parties in the ordinary course of business. As allowed by PAS 37, only a general description is provided as the disclosure of additional details beyond the present disclosures may prejudice the Parent Company's position and negotiation strategies with respect to these matters.

Statutory payables comprise mainly of the Parent Company's liabilities to the tax authority.

Refund Liabilities

As at December 31, 2022 and 2021, the Parent Company's refund liabilities amounted to ₱200.4 million and ₱303.9 million, respectively.

13. Acceptance and Trust Receipts Payable

This account represents the Parent Company's peso and US dollar-denominated liabilities incurred in connection with the importations and acquisitions of raw materials from foreign suppliers. These raw materials are insured in compliance with the requirements of the bank. These liabilities are for a period of 1 year, with an average annual interest rate of 2.82% in 2022 and 2.50% in 2021.

The Parent Company has outstanding acceptance and trust receipts payable amounting to ₱2,362.3 million and ₱3,714.7 million as at December 31, 2022 and 2021, respectively.

Interest expense recognized amounting to ₱68.0 million in 2022 and ₱37.1 million in 2021 (see Note 18).

14. Loans Payable and Convertible Note

Loans Payable

As at December 31, 2021, the Parent Company has outstanding unsecured loans payable with a financial institution amounting to ₱5.0 million. This loan bears interest at the higher of (a) 3-day average of the 3-month BVAL + 75 bps per annum or (b) the overnight deposit facility rate. This loan has the following financial covenants and shall be computed on a consolidated basis:

- a. The Parent Company and its subsidiaries (collectively referred to as the "Group") are required to maintain a Debt-to-Equity Ratio of not greater than 4.0x.
- b. The Group is required to maintain a Gross Leverage of less than 6.0x from January 1, 2019, onwards.
- c. The Group is required to maintain a Debt Service Cover Ratio greater than 1.20x.

Financial testing shall be done every six (6) months and reported the following month of such period.



In addition and as stated in the loan agreements, the Group may declare or pay dividends to its stockholders or make any other capital or other asset distribution to its stockholders as long as it is in compliance with the above financial covenants and no event of default has occurred.

As at December 31, 2021, the carrying value of this loan amounted to ₱19.9 million, including unamortized cost. As at December 31, 2021, the Parent Company is in compliance with the financial covenants.

In 2021, the Parent Company prepaid its loan amounting to ₱22,041.0 million as part of the change in use of IPO proceeds approved by BOD last August 2021. This loan was fully settled upon maturity in December 2022 by the Parent Company.

The Parent Company recognized interest expense related to its loan payable amounting to ₱0.1 million in 2022 and ₱432.3 million in 2021 (see Note 18).

Convertible Note

On February 5, 2019, the Parent Company and Arran Investment Pte. Ltd. (Arran or Investor), a company incorporated in the Republic of Singapore, entered into a Subscription Agreement wherein the Parent Company agreed to issue a Convertible Note with a face amount of ₱9,122.7 million and convertible at the option of the holder upon the occurrence of a contingent event into 494,516,100 shares as adjusted for the stock split in September 2019 representing 7.00% of the issued and outstanding shares of the Parent Company on a fully-diluted basis. In 2021, the equivalent ownership interest of the Convertible Note has decreased from 7.00% to 6.44% of the Parent Company's issued and outstanding shares as a result of the issuance of Parent Company's common shares to MCI (see Note 15). On April 12, 2019, the Parent Company issued to Arran the Convertible Note subject to certain terms and conditions, including the redemption features which result in the treatment of the Convertible Note as a USD-denominated instrument with a principal amount of \$174.8 million. The Convertible Note is mandatorily redeemable at the Philippine peso equivalent of the redemption amount computed based on a formula after five years from its issue date. In addition, the Convertible Note has an optional redemption feature exercisable by the holder upon the happening of the same contingent event for the conversion feature. The Parent Company also entered into an Investor Rights Agreement on April 12, 2019 that gave certain rights to the Investor pending redemption of the Convertible Note.

When establishing the accounting treatment for the convertible note, the Parent Company classifies such instrument's components separately as financial liabilities, financial assets, or equity instruments in accordance with PAS 32. The Convertible Note is assessed to be a hybrid instrument containing a host financial liability and derivative components for the equity conversion and redemption options. The equity conversion and redemption options were identified as embedded derivatives and were separated from the host contract (see Note 24) on issuance date of the Convertible Note.

Shown below are the movements in the value of the host liability as at December 31, 2021:

	2021
Host liability:	
Beginning balance	₱7,027,164
Accretion of interest (Note 18)	746,998
Payment of cash variable interest	(113,739)
Unrealized foreign exchange gain	(73,445)
Amortization of debt issue cost	20,988
Redemption	(7,607,966)
	₱-



Cash variable interest is an amount equal to the amount of the dividends received by the Parent Company's shareholder that the Investor would have received if the Convertible Note was converted into shares prior to the declaration of such dividend. In September 2021, the Parent Company settled the unpaid cash variable interest amounting to ₱588.5 million based on the dividend declaration approved by the Parent Company's BOD on March 1, 2021 at ₱1.19 per share to holders of record or beneficial owners as of the date of declaration (see Note 15).

On March 1, 2021, at least a majority of the members of the BOD of the Parent Company and stockholders representing at least two-thirds (2/3) of the outstanding capital stock of the Parent Company approved certain amendments to the Parent Company's AOI including the removal of certain rights and entitlements of the Investor from the Parent Company's AOI.

On June 3, 2021, the Parent Company redeemed the Convertible Note and paid the amount of ₱13,351.9 million, listing redemption amount. This resulted to loss on redemption of Convertible Note amounting to ₱1,579.3 million in 2021 (i.e, difference between the listing redemption amount and the carrying value of the Convertible Note and the related derivative liability).

As at December 31, 2022 and 2021, the Parent Company had available undrawn committed borrowing facilities amounting to ₱30,476.1 million and ₱29,828.2 million, respectively.

The movement in unamortized debt issue costs is as follows:

	2022	2021
Balance at beginning of year	(₱14,943)	₱257,150
Amortization during the year (Note 18)	14,943	(119,152)
Redemption during the year	-	(152,941)
Balance at end of year	₱-	(₱14,943)

15. Equity

Capital Stock and Additional Paid-in Capital (APIC)

The details of the Parent Company's common stock as at December 31, 2022 and 2021 follows:

	2022	2021
Authorized number of shares	20,400,000,000	20,400,000,000
Par value per share	₱0.50	₱0.50
Number of shares issued and outstanding:		
Balance at January 1	17,968,611,496	6,570,000,000
Issuance to MCI	-	614,305,748
Reduction in par	-	7,184,305,748
Issuance during IPO	-	3,600,000,000
Balance at end of period	17,968,611,496	17,968,611,496



The details of the Parent Company's additional paid-in capital as at December 31, 2022 and 2021 follows:

	2022	2021
Balance at January 1	₱46,515,847	₱-
Additions		
Issuance of common shares during IPO	-	46,800,000
Issuance of common shares to MCI	-	1,204,039
Share issuance costs		
Issuance of common shares during IPO	-	(1,484,817)
Issuance of common shares to MCI	-	(3,375)
Balance at end of period	₱46,515,847	₱46,515,847

On January 11, 2021, the Parent Company entered into an agreement with MCI for the subscription of the Parent Company's 614,305,748 common shares at a subscription price of ₱2.96 per share or a total subscription price of ₱1,818.3 million which was fully settled on January 29, 2021.

On April 20, 2021, the SEC favorably considered, subject to certain conditions, the amended registration statement filed by the Parent Company covering the registration of 17,968,611,496 common shares to be listed and traded on the Main Board of the PSE with a par value of ₱0.50 per shares in relation to the Parent Company's IPO.

On April 21, 2021, the BOD of the PSE approved, subject to certain conditions, the application of the Parent Company for the listing of up to 17,968,611,496 common shares on the Main Board of the PSE.

On June 1, 2021, the Parent Company completed its IPO and was listed in the PSE under the stock symbol "Monde". The Parent Company issued 3,600,000,000 common shares for a total consideration of ₱48,600.0 million.

The Parent Company's record of registration of its securities follows:

Number of shares registered	17,968,611,496
Issue/offer price	₱13.50
Date of approval	April 20, 2021

The total number of stockholders was 16 as at December 31, 2022. With respect to the Parent Company's stockholders as at December 31, 2022, the shares were either held (a) in a certificated form or (b) in scripless form held under the account of PCD Nominee Corp. (PCD Nominee) through 136 trading participants (*i.e.*, brokers and custodians) of the Philippine Depository & Trust Corp. (PDTC). The shares lodged under PCD Nominee are further broken down into PCD Nominee (Filipino) and PCD Nominee (Non-Filipino).

Amendment of AOI

On March 1, 2021, at least a majority of the members of the BOD of the Parent Company and stockholders representing at least two-thirds (2/3) of the outstanding capital stock of the Parent Company approved certain amendments to the Parent Company's AOI including amending the authorized capital stock of the Parent Company (without increasing or decreasing the same) such that the authorized number of shares, as amended, shall be:

- a. 20,400,000,000 common shares with a par value of ₱0.50 per share, from the current par value of ₱1.00 per share; and



b. 3,600,000,000 Preferred Shares classified into:

Class of Preferred Shares	No. of shares	Par value	Amount
Non-voting "A"	400,000,000	1.00	₱400,000
Non-voting "B"	800,000,000	1.00	800,000
Voting "C"	2,400,000,000	0.25	600,000
Total	3,600,000,000		₱1,800,000

Said preferred shares' issue value, dividend rate and the terms and conditions of their redemption shall be determined by the BOD at the time of their respective issuances. Furthermore, they shall be cumulative and non-participating as to dividends and non-convertible into common shares. Said preferred shares shall also enjoy preference in assets in the event of liquidation of the Parent Company and in the payment of dividends as against common shares; however, they shall not enjoy any pre-emptive rights to any issue of shares (whether common or preferred).

These amendments on the Parent Company's AOI was approved by the SEC on April 7, 2021.

There have been no issuances of preferred stock as at December 31, 2022 and 2021.

Changes on Dividend Policy

On March 12, 2021, the Parent Company's BOD approved to adopt and maintain an annual dividend payment ratio of 60% of the preceding fiscal year's net income after tax, subject to the requirements of applicable laws and regulations, capital expenditure requirements, compliance with the Parent Company's loan covenants, and other circumstances which restrict the payment of dividends.

Retained Earnings

On the following dates, the BOD approved the following cash dividends, all of which have been previously appropriated:

Dividend declaration and stockholders of record date	Dividend per share	Amount
August 9, 2022	0.14	₱2,515,606
March 1, 2021	1.19	8,549,324
January 22, 2021	0.23	1,511,100

In 2022 and 2021, the BOD also approved the following:

- On March 1, 2021, reversal of the 2020 appropriation for ₱6,800.0 million for dividends, expansions, and other capital requirements.
- On August 9, 2022, reversal of the 2021 appropriation for ₱3,900.0 million for expansions, and other capital requirements.
- On December 19, 2022, appropriation of ₱5,000.0 million from the Parent Company's retained earnings for plant expansions and other capital expenditure requirements.

As at December 31, 2022 and 2021, the Parent Company's appropriated retained earnings are ₱5,000.0 million and ₱3,900.0 million, respectively.



On March 22, 2023, the Parent Company's BOD approved the reversal of the 2022 appropriation amounting to ₱5,000.0 million for expansions and other capital requirements.

The Parent Company's appropriation for capital expenditure is expected to be used to build new capacity and capability from 2023 to 2024. Key projects will be the completion of a new production facility and other operational efficiency initiatives.

Earnings per Share

The following reflects the income and share data used in the basic and diluted EPS computation:

Basic and Diluted EPS

	2022	2021
<i>(In Thousands, Except Number of Shares and Per Share Data)</i>		
Net (loss) income attributable to equity holders of the parent:	(₱11,902,134)	₱2,900,546
Number of shares:		
Common shares outstanding at January 1	17,968,611,496	6,570,000,000
Effect of common share issuance to MCI	-	563,113,602
Effect of reduction in par	-	7,133,113,602
Effect of common share issuance during IPO	-	2,100,000,000
Weighted average number of common shares	17,968,611,496	16,366,227,204
Basic/diluted EPS	(₱0.66)	₱0.18

16. Cost of Goods Sold

	2022	2021
Direct materials (Note 20)	₱37,507,614	₱31,454,603
Direct labor (Notes 18 and 19)	1,541,868	1,636,741
Manufacturing overhead:		
Depreciation and amortization (Notes 10 and 18)	840,775	756,587
Light and water	724,960	647,069
Repairs and maintenance	632,540	841,456
Steam	612,414	552,551
Plant utilities, other consumption and steam	313,241	352,491
Taxes and licenses	169,749	170,623
Indirect labor (Note 18)	43,665	47,391
Rent (Notes 20 and 22)	-	90
Others	336,165	249,741
Total manufacturing costs	42,722,991	36,709,343
Inventory movements (Note 6):		
Finished goods	(578,098)	23,522
Work in-process	(116,189)	(339,790)
	₱42,028,704	₱36,393,075



17. Sales, General and Administrative Expenses

a. Selling and distribution expenses

	2022	2021
Transportation and delivery	₱2,371,272	₱1,913,765
Advertising and promotional expense	1,596,535	2,298,543
Merchandising expense	625,345	528,891
	₱4,593,152	₱4,741,199

b. General and administrative expenses

	2022	2021
Salaries, wages and employee benefits (Notes 18 and 19)	₱1,639,291	₱1,573,887
Outside services	235,252	967,085
Logistics warehouse handling costs	448,310	543,612
Depreciation and amortization (Notes 10, 11 and 18)	330,669	309,703
Repairs and maintenance	190,728	181,112
Inventory loss	185,066	29,472
Research and development	158,946	119,937
Fringe benefit tax	90,615	167,357
Taxes and licenses	88,315	126,907
Telecommunication	32,062	32,980
Provision for ECL (Notes 5 and 8)	28,159	-
Membership and subscription	27,508	88,485
Donations	26,761	10,288
Light and water	26,752	78,667
Office supplies	26,047	9,991
Insurance	13,890	17,169
Entertainment, amusement and recreation	13,196	100,353
Recruitment	8,657	13,479
Rent (Notes 20 and 22)	6,797	13,755
Bank charges	2,898	9,285
Others	187,178	122,112
	₱3,767,097	₱4,515,636

c. Impairment loss

	2022	2021
Investments in subsidiaries, associate, and joint venture (Note 9)	₱18,812,998	₱-
Property, plant and equipment (Note 10)	205,880	52,427
Intangible assets (Note 11)	2,481	-
	₱19,021,359	₱52,427



18. Finance Costs and Other Income and Expenses

a. Finance costs

	2022	2021
Lease liabilities (Note 22)	P95,281	P102,184
Acceptance and trust receipts payable (Note 13)	68,007	37,140
Amortization of debt issue cost (Note 14)	(14,943)	119,152
Loans payable (Note 14)	136	432,268
Convertible note (Note 14)	-	746,998
Others	14,309	5
	P162,790	P1,437,747

b. Finance income

	2022	2021
Cash and cash equivalents (Note 4)	P105,440	P63,960
Noncurrent receivables (Notes 5, 8, 20 and 23)	24,311	10,759
Guarantee fee	16,248	-
Financial assets at FVTPL	-	-
Notes receivables (Notes 5 and 20)	3,068	7,579
	P149,067	P82,298

c. Other income

	2022	2021
Foreign exchange gain (loss) - net	P542,751	P206,460
Promotional fees	113,889	112,464
Rental income	81,995	82,343
Service fees	33,718	44,176
Market valuation gain/loss on financial instruments at FVTPL	22,380	12,543
Reversal of ECL (Notes 5 and 8)	-	115,734
Early payment discount	-	50,446
Miscellaneous income (Note 20)	15,218	13,424
	P809,951	P637,590

d. Personnel costs

	2022	2021
Cost of goods sold:		
Direct labor (Note 16)	P1,520,844	P1,582,177
Indirect labor (Note 16)	43,665	47,391
Retirement expense (Notes 16 and 19)	21,024	54,564
Sales, general and administrative expenses:		
Salaries and wages (Note 17)	1,436,707	1,288,230
Employee benefits (Note 17)	75,970	95,056
Retirement expense (Notes 17 and 19)	70,663	101,335
Other employee benefits (Note 17)	55,951	89,266
	P3,224,824	P3,258,019



e. Depreciation and Amortization Expense

	2022	2021
Property, plant and equipment (Note 10)	₱1,093,526	₱1,004,222
Intangible assets (Note 11)	77,918	62,068
	₱1,171,444	₱1,066,290
	2022	2021
Cost of goods sold (Note 16)	₱840,775	₱756,587
Sales, general and administrative expenses (Note 17)	330,669	309,703
	₱1,171,444	₱1,066,290

19. Pension Liability

The Parent Company provides retirement benefits in accordance with Republic Act 7641, *Retirement Pay Law*. The benefit plan is noncontributory and is paid in a lump sum upon retirement or separation. These benefits are funded by the Parent Company. Contributions and costs are determined in accordance with the actuarial study made for the plan. The latest actuarial valuation report is December 31, 2022.

On May 1, 2021, the Parent Company amended its retirement plan as follows:

- Change in disability benefit from 60 days to 75 days
- Change in death benefit from ₱0.2 million plus gratuity pay or ₱1.0 million to 75 days per year of service or ₱2.0 million, whichever is higher, with the exemption of self-inflicted cause of death

The Parent Company appointed a local trustee bank as the retirement plan trustee. The trustee bank is responsible for the general administration of the retirement Plan and the management of the retirement fund. As the administrator of the retirement plan, the trustee bank is responsible for the ultimate control, disposition, or management of the money received or contributed.



Changes in the net defined benefit liability in 2022 and 2021 follow:

	Net Benefit Cost in Profit or Loss				Remeasurements in OCI				December 31, 2022				
	January 1, 2022	Current Service Cost	Net Interest Cost	Past Service Cost	Subtotal	Benefits Paid	Actuarial Changes Arising from Financial Assumptions	Actuarial Changes Arising from Demographic Assumptions		Actuarial Changes Arising from Experience Adjustments	Remeasurement Gain on Plan Asset	Subtotal	Contributions by Employer
Present value of defined benefit obligation	(P953,767)	(P66,261)	(P48,356)	P-	(P114,617)	P76,239	P162,011	P3,899	(P37,570)	P-	P128,340	P-	
Fair value of plan asset	456,548	-	22,930	-	22,930	(60,660)	-	-	-	(24,376)	(24,376)	52,115	
Net pension liability	(P497,219)	(P66,261)	(P25,426)	P-	(P91,687)	P15,579	P162,011	P3,899	(P37,570)	(P24,376)	P103,964	P52,115	
												(P863,805)	
													446,557
													(P417,248)

	Net Benefit Cost in Profit or Loss				Remeasurements in OCI				December 31, 2021				
	January 1, 2021	Current Service Cost	Net Interest Cost	Past Service Cost	Subtotal	Benefits Paid	Actuarial Changes Arising from Financial Assumptions	Actuarial Changes Arising from Demographic Assumptions		Actuarial Changes Arising from Experience Adjustments	Remeasurement Gain on Plan Asset	Subtotal	Contributions by Employer
Present value of defined benefit obligation	(P848,538)	(P60,068)	(P39,370)	(P75,139)	(P174,577)	P62,972	P105,519	(P6,728)	(P92,415)	P-	P6,376	P-	
Fair value of plan asset	505,937	-	18,678	-	18,678	(54,758)	-	-	-	(14,060)	(14,060)	751	
Net pension liability	(P342,601)	(P60,068)	(P20,692)	(P75,139)	(P155,899)	P8,214	P105,519	(P6,728)	(P92,415)	(P14,060)	(P7,684)	P751	
													(P953,767)
													456,548
													(P497,219)



The maximum economic benefit available is a combination of expected refunds from the plan and reductions in future contributions. The trustee has no specific matching strategy between the plan assets and the retirement obligation. The Parent Company is not required to pre-fund the defined benefit obligation before they become due. The amount and timing of contributions to the retirement fund are at the Parent Company's discretion.

The carrying value and fair value of plan assets by each class as at the end of the reporting period are as follow:

	2022	2021
Debt instruments:		
Fixed rate treasury notes and retail treasury bonds	₱356,390	₱377,755
Corporate bond and fixed-rate notes	78,964	63,672
Investments in UITF	7,989	12,458
Cash and cash equivalents	9	1
Others	3,801	3,282
Liabilities	(596)	(620)
	₱446,557	₱456,548

The plan assets have diverse investments and do not have any concentration risk.

The costs of the defined benefit pension plan and the present value of the pension obligation are actuarially determined using the projected unit credit method. The actuarial valuation involves making various assumptions. The principal assumptions used in determining pension benefit obligations for the defined benefit plans are shown below:

	2022	2021
Discount rate	7.22%	5.07%
Salary increase rate	5.00%	5.00%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as at December 31, 2022 and 2021, assuming all other assumptions were held constant:

	Increase (decrease)	2022 Effect on Defined Benefit Obligation	2021
Discount rates	1.00%	(₱60,236)	(₱76,370)
	(1.00%)	69,117	88,950
Future salary increases	(1.00%)	69,971	88,107
	1.00%	(61,977)	(77,099)

The average duration of the defined benefit obligation at the end of the reporting period is 7.5 years in 2022 and 8.7 years in 2021.



Shown below is the expected future benefit payment:

Financial Year	2022	2021
Year 1	₱130,060	₱130,767
Year 2	88,295	68,741
Year 3	102,599	84,061
Year 4	104,308	97,854
Year 5	80,548	107,805
Years 6–10	603,862	515,162

20. Related Party Transactions

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

The Parent Company has Material Related Party Transaction Policies containing the approval requirements and limits on amounts and extent of related party transactions in compliance with the requirements under the Revised SRC Rule 68 and SEC Memorandum Circular 10, series of 2019.

As at December 31, 2022, and 2021, the Parent Company has the following significant transactions with its related parties and the outstanding balances:

Nature	Year	Volume of Transactions	Outstanding Balance	Terms	Conditions
Subsidiaries					
MMYSC					
(a) Trade sales	2022 2021	₱934,606 576,543	₱172,435 121,944	60 days; noninterest-bearing	Unsecured; no impairment
(b) Rent expense	2022 2021	— 4,773	— —	15 days; noninterest-bearing	Unsecured
(c) Charges (expenses)	2022 2021	212 326	(9) —	On-demand, noninterest-bearing	Unsecured
(d) Trade purchases, net	2022 2021	10,232,593 9,399,012	(1,588,063) (1,599,315)	45 days; noninterest-bearing	Unsecured
(e) Miscellaneous income	2022 2021	24,994 25,865	8,382 6,611	30 days; noninterest-bearing	Unsecured; no impairment
(f) Advances from	2022 2021	— 595	— —	On-demand, noninterest-bearing	Unsecured; no impairment
MIL					
(a) Noncurrent receivable	2022 2021	— —	362,408 —	Payable quarterly until June 30, 2025; interest-bearing	Unsecured
(b) Notes receivable	2022 2021	168,450 317,200	172,133 331,494	Payable quarterly until July 14, 2023; interest-bearing	Unsecured
(c) Trade sales	2022 2021	31,439 30,647	4,505 28,253	150 days from Bill of lading date; noninterest-bearing	Unsecured; no impairment
(d) Trade purchases	2022 2021	2,542,987 1,402,470	(459,975) (383,479)	45 days from Bill of lading date; noninterest-bearing	Unsecured; no impairment
(e) Miscellaneous income	2022 2021	462 944	458 —	30 days; noninterest-bearing	Unsecured; no impairment

(Forward)



Nature	Year	Volume of Transactions	Outstanding Balance	Terms	Conditions
MNTH					
(a) Trade purchases, net	2022 2021	₱137,831 1,677,706	(₱17,707) (21,987)	60 days from Bill of lading date; noninterest-bearing	Unsecured
(b) Trade sales	2022 2021	205,989 441,487	24,451 123,989	150 days from Bill of lading date; noninterest-bearing	Unsecured; no impairment
(c) Miscellaneous income	2022 2021	28,392 36,954	28,167 34,752	30 days; noninterest-bearing	Unsecured; no impairment
MNUKL					
(a) Trade purchases, net	2022 2021	10,158 8,372	(2,230) (2,436)	60 days from Bill of lading date; noninterest-bearing	Unsecured
(b) Charges (expense)	2022 2021	- 1,808	- -	30 days; noninterest-bearing	Unsecured
(c) Miscellaneous income	2022 2021	7,133 6,278	7,074 3,680	30 days; noninterest-bearing	Unsecured
(d) Guarantee fee	2022 2021	16,248 -	16,450 -	Payable annually on or before January 31, 2023; interest-bearing	Unsecured
MNSPL					
(a) Trade sales	2022 2021	2,329 2,838	567 785	30 days; noninterest-bearing	Unsecured; no impairment
(b) Professional fees	2022 2021	47,907 71,121	(17,664) (25,520)	30 days; noninterest-bearing	Unsecured; no impairment
(c) Miscellaneous income	2022 2021	- 41	- -	30 days; noninterest-bearing	Unsecured; no impairment
SFC					
(a) Trade purchases, net	2022 2021	619,706 506,523	(86,482) (51,382)	30 days; noninterest-bearing	Unsecured
(b) Rent income	2022 2021	81,995 82,343	- -	5 days; noninterest-bearing	Unsecured; no impairment
(c) Trade sales	2022 2021	108,793 45,957	16,303 3,196	30 days; noninterest-bearing	Unsecured; no impairment
(f) Miscellaneous income	2022 2021	11,151 8,424	- -	30 days; noninterest-bearing	Unsecured; no impairment
(g) Purchase of property and equipment	2022 2021	- 841,817	- -	30 days; noninterest-bearing	Unsecured; no impairment
<i>Associate</i>					
CHTI					
(a) Transportation and delivery expense	2022 2021	300,339 258,902	(14,578) (18,089)	15 days; noninterest-bearing	Unsecured
<i>Associates and joint ventures</i>					
MMBC					
(a) Miscellaneous income	2022 2021	- 5,125	33,751 33,777	30 days; noninterest-bearing	Unsecured; no impairment

(Forward)



Nature	Year	Volume of Transactions	Outstanding Balance	Terms	Conditions
(b) Trade purchases, net	2022	₱17,748	₱-	30 days;	Unsecured
	2021	57,131	(3,799)	noninterest-bearing	
Monde Land, Inc.*					
(a) Rent expense	2022	64,603	-	15 days;	Unsecured
	2021	62,987	-	noninterest-bearing	
Honey Droplet Limited**					
(a) Noncurrent receivables (Note 8)	2022	-	-	4-6 years;	Unsecured;
	2021	-	-	interest-bearing	gross advances amounted to ₱115.3 million in 2022 and 2021; fully impaired in 2022 and 2021
YCE Group Pte Ltd.***					
(a) Noncurrent receivables (Note 8)	2022	-	-	Interest-bearing	Unsecured;
	2021	5,412	-		gross advances amounted to nil in 2021 and ₱78.3 million in 2020; fully impaired in 2020
Common shareholders					
PT. Nissin Biscuit Indonesia****					
(a) Trade purchases, net	2022	62,564	-	45 days;	Unsecured
	2021	27,063	-	noninterest-bearing	
Totals					
Trade and other receivables (Note 5)	2022		₱312,543		
	2021		356,987		
Notes receivable (Note 5)	2022		172,133		
	2021		331,494		
Noncurrent receivables (net of impairment amounting to ₱115.3 million (Note 8))	2022		362,408		
	2021		-		
Trade payables (Note 12)	2022		(2,186,708)		
	2021		(2,106,007)		

* Monde Land, Inc. is 40% owned by KBT, a subsidiary.

** Honey Droplet Limited is 50% owned by MNSPL, a subsidiary.

*** YCE Group Pte Ltd. is 32% owned by MNSPL, a subsidiary.

****PT Nissin Biscuit Indonesia has common individual shareholder

These transactions with related parties will be settled through cash.

MNSPL

On September 20, 2021, the BOD approved to subscribe additional 42,924,533 ordinary shares of MNSPL at an aggregate subscription price of ₱3,121.4 million (GBP45.0 million) payable in several tranches on or before March 31, 2022. As at December 31, 2022 and 2021, the Parent Company's subscription payable amounted to nil and ₱850.7 million, respectively (see Notes 9 and 12).

MMYSC

The Parent Company and MMYSC entered into a Distribution Agreement wherein MMYSC engaged the services of the Parent Company to handle the warehousing, selling, billing, delivery, and merchandising of all products of MMYSC in the Philippines. This agreement shall be in force and will govern all transactions and relations between both parties until cancelled or terminated.

MIL

On July 1, 2021, the Parent Company and MIL agreed to enter short-term promissory note for the payment of advances to MIL amounting to ₱317.2 million. MIL shall pay quarterly interest on the



outstanding principal at a rate of 4.16% per annum. On July 1, 2022 the Parent Company and MIL agreed to extend the maturity of the promissory note to June 30, 2025 with interest at 3.83% per annum.

On July 15, 2022, the Parent Company and MIL agreed to enter short-term promissory note for the payment of advances to MIL amounting to ₱167.3 million. MIL shall pay quarterly interest on the outstanding principal at a rate of 3.83% per annum.

Interest income from notes receivable and noncurrent receivable from MIL amounted to ₱17.4 million in 2022 and ₱7.4 million in 2021 (see Notes 5 and 18).

MFL

On March 24, 2022, the Parent Company (Guarantor) entered into a Guarantee Agreement with Citicorp International Limited, as agent for and on behalf of certain financial institutions (Finance Parties), to guarantee the ₱7,059.4 million (£103 million) loan of Parent Company's wholly owned, UK-based indirect subsidiary Marlow Foods Ltd. (Borrower). The Guarantor undertakes with each Finance Party that whenever the Borrower does not pay any amount when due or in connection with any finance document, the Guarantor shall promptly on demand pay the amounts as if it was the principal obligor.

On December 7, 2022, the Parent Company and MFL entered into Guarantee Fee Agreement to compensate the Parent Company for providing the Guarantee. MFL shall pay yearly guarantee fee for the outstanding commitment at a rate of 4% per annum.

Interest income recognized by the Parent Company from Guarantee Fee Agreement amounted to ₱16.2 million in 2022 (see Notes 5 and 18).

SFC

On October 1, 2020, the Parent Company entered into a Supply Agreement with SFC for an initial term effective up to December 31, 2025, wherein SFC will manufacture and deliver fresh breads, similar fresh confectionery products, other bread-related products and by-products to the Parent Company. The Supply Agreement will automatically renew unless either of the parties gives a written notice of its intention not to renew within 3 months prior to its effective termination date.

In 2020, the Parent Company and SFC entered into several short-term promissory notes receivable with varying terms from 30 to 85 days. Interest is charged at a rate of 5% per annum. Interest income from notes receivable from SFC amounted to nil in 2022 and ₱0.2 million in 2021 (see Notes 5 and 18).

MMBC

On May 31, 2016, the Parent Company entered into a Distributorship Agreement with MMBC, wherein MMBC engaged the services of the Parent Company to handle warehousing, selling, billing, delivery, and merchandising of MMBC's products. The agreement shall continue in force until cancelled or terminated by either party at any time with or without cause.

YCE

In 2021, the Parent Company recognized interest income amounting to ₱0.8 million and partially reversed provision for ECL amounting to ₱77.4 million as a result of settlement of advances to YCE. The remaining provision of ₱0.9 million is subsequently written off (see Note 8).



Inventories in-transit

Inventories in-transit pertains to purchases already shipped by investees but have not yet arrived at the Parent Company's dock. Inventories in-transit from related parties follow:

	2022	2021
MIL	₱9,235	₱206,939
PT Nissin	7,443	2,703
MNTH	4,551	11,351
MNUKL	2,233	2,436
MMBC	-	5,506
	₱23,462	₱228,935

Miscellaneous Income

Miscellaneous income mainly comprises of service fees charged by the Parent Company primarily for reimbursement of investees' share in common expenses, rental income, reversal of ECL (see Notes 5 and 8), market valuation gain on financial instruments at FVTPL, gain on sale of property and equipment - net, and other miscellaneous items which are recorded under the "Other Income (expenses)" account in the parent company statements of comprehensive income.

Compensation of Key Management Personnel

	2022	2021
Short-term employee benefits	₱891,267	₱862,258
Post-employment benefits	60,161	50,366
	₱951,428	₱912,624

21. Income Tax

Current Income Tax

The Parent Company's provision for income tax in 2022 and 2021 consists of the following:

	2022	2021
Current:		
RCIT	₱1,972,077	₱222,969
Effect of change in tax rate	-	(159,980)
	1,972,077	62,989
Deferred:		
Deferred tax expense	(83,410)	51,754
Effect of change in tax rate	-	149,727
	(83,410)	201,481
	₱1,888,667	₱264,470



A reconciliation of provision for income tax computed at the applicable statutory tax rates of 25% in 2022 and in 2021 to provision for income tax as shown in the statements of comprehensive income follows:

	2022	2021
Provision for income tax at statutory tax rate	(₱2,503,367)	₱791,254
Income tax effects of:		
Movement on unrecognized DTA	4,699,549	(19,342)
Nontaxable dividend income	(355,789)	(504,590)
Interest income already subjected to final tax and others	(26,702)	(16,116)
Nondeductible expenses	85,266	17,736
Nondeductible interest expense	6,422	4,014
2020 overpayment from CREATE Act	-	(159,980)
Difference in tax rate of temporary differences	-	149,727
Others	(16,712)	1,767
	₱1,888,667	₱264,470

Deferred Income Tax

The components of the Parent Company's net deferred tax assets (liabilities) are as follows:

	2022	2021
Deferred tax assets:		
Allowance for impairment of property, plant and equipment	₱375,806	₱330,506
Pension liability	104,312	120,462
Accrued expenses	86,103	84,838
Allowance for inventory obsolescence	50,784	42,326
Refund liabilities	50,110	75,970
Right-of-use assets and lease liabilities	26,919	15,036
Unrealized foreign exchange loss	20,029	2,674
Contract liability	14,649	24,338
Unamortized past service cost	4,241	4,899
Allowance for ECL	2,185	543
Others	162	-
	735,300	701,592
Deferred tax liabilities:		
Unrealized foreign exchange gain	(19,259)	(28,047)
Unrealized mark to market – UITF gain	(4,318)	-
Recognized deferred tax assets - net	₱711,723	₱673,545

The following deferred tax assets were not recognized in the parent company financial statements since management believes that it will not be utilized in the future:

	2022	2021
Allowance for impairment loss on investments	₱4,807,470	₱103,600
Allowance for ECL	34,011	28,817
Allowance for inventory obsolescence	8,213	19,252
	₱4,849,694	₱151,669



22. Leases

The Parent Company leases various real estate properties for its plant sites, warehouses, and office spaces. The most significant of these lease agreements is the lease agreement with Monde Land, Inc., a related party, for its plant sites in Sta. Rosa Laguna, Cebu, and Davao. The agreements are for periods of 25 to 50 years, renewable for another 25 years. Under the terms of the leases, in the event that the lessor decides to sell the leased property, the Parent Company shall have the first option to buy the said property subject to the constitutional limitations on the ownership of land.

On June 24, 2020, the Parent Company entered into agreements with Science Park of the Philippines for the lease of certain parcels of land in San Fernando, Malvar, Batangas to be used for various operational activities. The lease agreements are valid for 50 years and are automatically renewable for another 25 years.

The Parent Company has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Parent Company's business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised (see Note 3).

The undiscounted potential future rental payments relating to periods following the exercise date of extension options not within the control of lessee that are not included in the lease term amounted to ₱94.5 million as at December 31, 2022 and 2021. The extension options not included are exercisable in 2030.

The following are the amounts recognized in the parent company statement of comprehensive income:

	2022	2021
Interest expense on lease liabilities (Note 18)	₱95,281	₱102,184
Depreciation expense of right-of-use assets included in property, plant and equipment (Note 10)	71,984	77,154
Expenses relating to leases of low-value assets (Note 17)	6,797	13,755
Expenses relating to short-term leases (Note 16)	-	90
	₱174,062	₱193,183

The movements in the Parent Company's lease liabilities are as follows:

	2022	2021
Balance at beginning of year	₱1,586,232	₱1,646,716
Payment of principal portion of lease liabilities	(112,681)	(117,251)
Accretion of interest (Note 18)	95,281	102,184
Disposal	-	(48,002)
Additions	-	2,585
	₱1,568,832	₱1,586,232
Current	₱82,846	₱84,075
Noncurrent	1,485,986	1,502,157
	₱1,568,832	₱1,586,232

The maturity analysis of lease liabilities is disclosed in Note 24.



23. Commitments

Sandpiper Spices and Condiments Corporation (SSCC)

On July 25, 2014, and August 4, 2014, the Parent Company and SSCC entered into a Distribution, and Marketing and Sales Development Agreement wherein SSCC appoints the Parent Company as its exclusive distributor of all its products in the Philippines for a period of 20 years (until July 25, 2034). Under the Agreement, the Parent Company shall pay SSCC a non-reimbursable and non-recoupable sum of ₱727.6 million. The amount is recognized as Distribution Rights and subject to amortization for a period of 20 years up to 2034 (see Note 11).

On August 4, 2014, the Parent Company and SSCC entered into a Loan Agreement wherein the Parent Company agreed to extend a loan to SSCC in the principal amount of ₱500.0 million with interest rate of 2% per annum. The loan is for a period of 10 years and will mature on August 4, 2024. As stipulated in Section 6 of the Loan Agreement, the Parent Company has the right to set-off and apply any credit balance of or any amount payable by the Group to SSCC. As a result, the Parent Company presented its receivable from SSCC net of its outstanding payable in its parent company statement of financial position in accordance with PAS 32, *Financial Instrument: Presentation*. As at December 31, 2021 and 2020, the Parent Company's net receivable from SSCC amounted to ₱500.0 million (see Note 8).

Interest income from advances to SSCC amounted to ₱10.0 million in 2022 and 2021 (see Note 8).

Guarantees

Wide Faith Foods Co. Ltd. On November 17, 2015, the Parent Company entered into a Guarantee Agreement with The Hongkong and Shanghai Banking Corporation Limited, Bangkok Branch, to guarantee the ₱141.4 million (\$3.0 million) loan of Wide Faith Foods Co. Ltd.

Marlow Foods Ltd. On March 24, 2022, the Parent Company (Guarantor) entered into a Guarantee Agreement with Citicorp International Limited, as agent for and on behalf of certain financial institutions (Finance Parties), to guarantee the ₱7,059.4 million (£103 million) loan of Parent Company's wholly owned, UK-based indirect subsidiary Marlow Foods Ltd. (Borrower). The Guarantor undertakes with each Finance Party that whenever the Borrower does not pay any amount when due or in connection with any finance document, the Guarantor shall promptly on demand pay the amounts as if it was the principal obligor.

Capital Commitments

The Parent Company has capital commitments for acquisitions of plant machineries, equipment and building expansions amounting to ₱868.0 million and ₱840.7 million as at December 31, 2022 and 2021, respectively.

24. Financial Risk Management Objectives and Policies

The Parent Company's principal financial instruments comprise cash and cash equivalents, trade and other receivables, noncurrent receivables and advances to employees. The primary purpose of these financial instruments is to fund the Parent Company's operations. The Parent Company has various other financial instruments such as accounts payable and other current liabilities, acceptance and trust receipts payable, and loan payable, which arise directly from its operations.



The main risks arising from the Parent Company's financial instruments are market risk, credit risk, and liquidity risk. The BOD reviews and agrees on the policies for managing each of these risks, and they are summarized below:

Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of interest rate risk and foreign currency risk. Financial instruments affected by market risk include cash and cash equivalents, trade and other receivables, accounts payable and other current liabilities, and loans payable.

The sensitivity analyses in the following sections relate to the position as at December 31, 2022 and 2021. The sensitivity of the relevant statement of other comprehensive income items is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held as at December 31, 2022 and 2021.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Parent Company's exposure to the risk of changes in market interest rates relates primarily to the Parent Company's long-term debt obligations with floating interest rates. The Parent Company manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings.

Interest Rate Sensitivity. The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected. With all other variables held constant, the Parent Company's profit before tax is affected through the impact on floating rate borrowings, as follows:

	2021	
	Increase (Decrease) in Basis Points	Effect on Income Before Tax
Loans Payable	+50	(₱76,919)
	-50	76,919

The assumed movement in basis points for the interest rate sensitivity analysis is based on the currently observable market environment.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in foreign exchange rates. The Parent Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Parent Company's operating activities (when revenue or expense is denominated in foreign currency).

The Parent Company's significant foreign currency-denominated financial assets and liabilities are as follows (impact of other currencies is not material):

	2022				
	USD	EUR	JPY	SGD	Peso Equivalent
Financial Assets					
Cash and cash equivalents	\$61,847	€-	¥-	\$-	₱3,448,279
Trade and other receivables	1,168	-	-	-	65,122
Financial assets at FVTPL	31,360	-	-	-	1,748,477
Notes receivable	9,525	-	-	-	531,066
	103,900	-	-	-	5,792,944
Financial Liabilities					
Accounts payable and other current liabilities	20,880	379	65,100	921	1,252,203
Net Financial Assets (Liabilities)	\$83,020	(€379)	(¥65,100)	(\$921)	₱4,540,741



	2021				
	USD	EUR	JPY	SGD	Peso Equivalent
Financial Assets					
Cash and cash equivalents	\$99,320	€-	¥-	\$-	₱5,065,358
Trade and other receivables	5,119	-	-	-	261,064
	104,439	-	-	-	5,326,422
Financial Liabilities					
Accounts payable and other current liabilities	11,877	3,525	523,559	1,542	1,097,400
Net Financial Assets (Liabilities)	\$92,562	(€3,525)	(¥523,559)	(\$1,542)	₱4,229,022

In translating the foreign-currency-denominated financial instruments into Philippine peso amounts, the exchange rates used are as follows:

Year	USD (\$)	JPY (¥)	EUR (€)	SGD (\$)
2022	₱55.76	₱0.42	₱59.55	₱41.58
2021	₱51.00	₱0.44	₱57.51	₱37.55

The following table demonstrates the sensitivity to a reasonably possible change in the Philippine peso exchange rate for the next period, with all other variables held constant, of the Parent Company's income before tax. The reasonably possible change in the exchange rate was based on forecasted exchange rate changes within the next two months after the reporting period. The methods and assumptions used remained unchanged over the reporting periods being presented.

	2022		2021	
	Movement in Foreign Exchange Rate Increase (Decrease)	Effect on Income Before Tax	Movement in Foreign Exchange Rate Increase (Decrease)	Effect on Income Before Tax
U.S. dollar	9.33%	431,865	6.20%	292,675
	(9.33%)	(431,865)	(6.20%)	(292,675)
SGD	10.72%	(4,105)	3.97%	(2,299)
	(10.72%)	4,105	(3.97%)	2,299
JPY	(5.42%)	(1,473)	(4.67%)	10,790
	5.42%	1,473	4.67%	(10,790)
EUR	(3.55%)	(801)	(2.01%)	4,075
	3.55%	801	2.01%	(4,075)

The Company's exposure to foreign currency changes for all other currencies is not material.

Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Parent Company is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions, and other financial instruments. Since the Parent Company trades only with recognized third parties, there is no requirement for collateral.



Maximum exposure to credit risk. The table below shows the maximum exposure to credit risk for the Parent Company's financial assets, without taking into account any collateral and other credit enhancements:

	2022	2021
Cash and cash equivalents*	P7,030,915	P9,954,658
Trade and other receivables	4,600,374	4,122,687
Financial assets at FVTPL	1,756,101	1,001
Noncurrent receivables	862,408	500,000
Advances to employees**	69,777	68,911
Total credit risk exposure	P14,319,575	P14,647,257

*Excluding cash on hand amounting to P945 in 2022 and to P955 in 2021.

**Recorded under "Other noncurrent assets" account.

Aging analysis. The aging analysis of financial assets follows:

	2022					ECL	Total
	Days Past Due						
	Current	1-30 Days	31-60 Days	61-90 Days	More than 90 Days		
Cash and cash equivalents*	P7,030,915	P-	P-	P-	P-	P-	P7,030,915
Trade and other receivables	4,185,744	395,805	38	18	18,769	29,519	4,629,893
Financial assets at FVTPL	1,756,101	-	-	-	-	-	1,756,101
Noncurrent receivables	862,408	-	-	-	-	115,266	977,674
Advances to employees**	69,777	-	-	-	-	-	69,777
	P13,904,945	P395,805	P38	P18	P18,769	P144,785	P14,464,360

* Excluding cash on hand amounting to P945.

** Recorded under "Other noncurrent assets" account.

	2021					ECL	Total
	Days Past Due						
	Current	1-30 Days	31-60 Days	61-90 Days	More than 90 Days		
Cash and cash equivalents*	P9,954,658	P-	P-	P-	P-	P-	P9,954,658
Trade and other receivables	3,761,622	274,810	27,107	15,645	43,503	2,173	4,124,860
Financial assets at FVTPL	1,001	-	-	-	-	-	1,001
Noncurrent receivables	500,000	-	-	-	-	115,266	615,266
Advances to employees**	68,911	-	-	-	-	-	68,911
	P14,286,192	P274,810	P27,107	P15,645	P43,503	P117,439	P14,764,696

* Excluding cash on hand amounting to P955.

** Recorded under "Other noncurrent assets" account.

Credit risk under general and simplified approach

	2022				Total
	General Approach			Simplified Approach	
	Stage 1	Stage 2	Stage 3		
Cash and cash equivalents*	P7,030,915	P-	P-	P-	P7,030,915
Trade and other receivables	206,047	-	-	4,423,846	4,629,893
Financial assets at FVTPL	1,756,101	-	-	-	1,756,101
Noncurrent receivables	862,408	-	115,266	-	977,674
Advances to employees**	69,777	-	-	-	69,777
	P9,925,248	P-	P115,266	P4,423,846	P14,464,360

* Excluding cash on hand amounting to P945.

** Recorded under "Other noncurrent assets".



	2021				Total
	General Approach			Simplified Approach	
	Stage 1	Stage 2	Stage 3		
Cash and cash equivalents*	P9,954,658	P-	P-	P-	P9,954,658
Trade and other receivables	355,314	-	-	3,769,546	4,124,860
Financial assets at FVTPL	1,001	-	-	-	1,001
Noncurrent receivables	500,000	-	115,266	-	615,266
Advances to employees**	68,911	-	-	-	68,911
	P10,879,884	P-	P115,266	P3,769,546	P14,764,696

* Excluding cash on hand amounting to P955.

** Recorded under "Other noncurrent assets".

Simplified Approach. Set out below is the information about the credit risk exposure on the Parent Company's trade receivables using simplified approach (provision matrix):

	2022							Total
	Days Past Due							
	Current	<30 days	30-60 days	61-90 days	91-120 days	121-365 days	>365 days	
ECL rate	0.04%	0.21%	0.88%	2.02%	3.25%	4.18%	100.00%	
Estimated total gross carrying amount at default	P3,985,290	P393,330	P-	P-	P-	P18,809	P26,417	P4,423,846
ECL	P1,508	P807	P-	P-	P-	P787	P26,417	P29,519

	2021							Total
	Days Past Due							
	Current	<30 days	30-60 days	61-90 days	91-120 days	121-365 days	>365 days	
ECL rate	0.02%	0.12%	0.48%	1.08%	1.71%	2.12%	100.00%	
Estimated total gross carrying amount at default	P3,410,665	P278,422	P27,166	P15,788	P11,386	P26,119	P-	P3,769,546
ECL	P802	P321	P131	P171	P194	P554	P-	P2,173

Liquidity Risk

Liquidity risk is the risk the Parent Company will be unable to meet its payment obligations when they fall due. The Parent Company monitors and maintains a level of cash deemed adequate by management to finance the Parent Company's operations, ensure continuity of funding, and to mitigate the effects of fluctuations in cash flows.

The Parent Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and lease contracts. The Parent Company's policy is that not more than 50% of borrowings should mature in the next 12-month period. Approximately 5% of the Parent Company's debt will mature in less than one year at December 31, 2022 (6% in 2021) based on the carrying value of debt reflected in the financial statements. The Parent Company assessed the concentration risk with respect to refinancing its debt and concluded it to be low. The Parent Company has access to a sufficient variety of source of funding and debt maturing within 12 months can be rolled over with existing lenders.

Excessive concentration risk. Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by change in economic, political and other conditions. Concentrations indicate the relative sensitivity of the Parent Company's performance to developments affecting a particular industry.

In order to avoid excessive concentrations of risk, the Parent Company's policies and procedures include specific guidelines to focus on the maintenance of a diversified portfolio of distributors and distribution channels. Identified concentration of credit risks are controlled and managed accordingly.



Maturity profile. The table below summarizes the maturity profile of the Parent Company's financial assets and liabilities based on undiscounted payments are as follows:

2022						
	On Demand	1 to 3 Months	3 to 12 Months	1 to 5 Years	More than 5 Years	Total
Financial Assets						
Cash and cash equivalents	₱571,189	₱6,460,671	₱-	₱-	₱-	₱7,031,860
Trade and other receivables	444,149	4,185,744	-	-	-	4,629,893
Financial assets at FVTPL	1,756,101	-	-	-	-	1,756,101
Noncurrent receivables	-	-	-	977,674	-	977,674
Advances to employees**	-	-	-	69,777	-	69,777
	2,771,439	10,646,415	-	1,047,451	-	14,465,305
Financial Liabilities						
Accounts payable and other current liabilities*	6,726,687	3,428	1,198,581	-	-	7,928,696
Acceptance and trust receipts payable	-	-	2,362,301	-	-	2,362,301
Lease liabilities	-	34,381	142,515	381,859	5,314,263	5,873,018
	6,726,687	37,809	3,703,397	381,859	5,314,263	16,164,015
	(₱3,955,248)	₱10,608,606	(₱3,703,397)	₱665,592	(₱5,314,263)	(₱1,698,710)

* Excluding statutory payables and subscription payable under "Nontrade payables" account.

** Recorded under "Other noncurrent assets" account.

2021						
	On Demand	1 to 3 Months	3 to 12 Months	1 to 5 Years	More than 5 Years	Total
Financial Assets						
Cash and cash equivalents	₱979,446	₱8,976,167	₱-	₱-	₱-	9,955,613
Trade and other receivables	363,238	3,761,622	-	-	-	4,124,860
Financial assets at FVTPL	1,001	-	-	-	-	1,001
Noncurrent receivables	-	-	-	615,266	-	615,266
Advances to employees**	-	-	-	68,911	-	68,911
	1,343,685	12,737,789	-	684,177	-	14,765,651
Financial Liabilities						
Accounts payable and other current liabilities*	1,299,997	5,376,408	261	-	-	6,676,666
Loans payable	-	31	5,151	-	-	5,182
Acceptance and trust receipts payable	-	-	3,714,690	-	-	3,714,690
Lease liabilities	-	33,854	145,501	492,080	5,314,263	5,985,698
	1,299,997	5,410,293	3,865,603	492,080	5,314,263	16,382,236
	₱43,688	₱7,327,496	(₱3,865,603)	₱192,097	(₱5,314,263)	(₱1,616,585)

* Excluding statutory payables and subscription payable under "Nontrade payables" account.

** Recorded under "Other noncurrent assets" account.

Changes in Liabilities Arising from Financing Activities

	January 1, 2022	Cash Flows	Foreign Exchange Movement	Fair value changes	Others	December 31, 2022
Current and non-current portion of loans payable*	₱19,943	(₱5,000)	₱-	₱-	(₱14,943)	₱-
Accrued interest payable	29	(67,538)	-	-	67,509	-
Derivative liability	-	919,859	-	(919,859)	-	-
Lease liabilities	1,586,232	(112,681)	-	-	95,281	1,568,832
Dividends payable	-	(2,515,606)	-	-	2,515,606	-
Total liabilities from financing activities	₱1,606,204	(₱1,780,966)	₱-	(₱919,859)	2,663,453	₱1,568,832

* "Others" primarily include amortization of debt issue costs, and interest expenses

	January 1, 2021	Cash Flows	Foreign Exchange Movement	Fair value changes	Others	December 31, 2021
Current and non-current portion of loans payable*	₱22,241,778	(₱22,320,000)	₱-	₱-	₱98,165	₱19,943
Accrued interest payable	135,447	(1,399,331)	-	-	1,263,913	29
Derivative liability	2,513,886	-	-	(4,753,118)	2,239,232	-
Lease liabilities	1,646,716	(117,251)	-	-	56,767	1,586,232
Convertible note	7,027,164	(13,351,935)	(73,445)	-	6,398,216	-
Dividends payable	-	(10,060,424)	-	-	10,060,424	-
Total liabilities from financing activities	₱33,564,991	(₱47,248,941)	(₱73,445)	(₱4,753,118)	₱20,116,717	₱1,606,204

* "Others" primarily include amortization of debt issue costs and interest expenses and disposal of lease liabilities



Derivative Financial Instruments

The Parent Company engages in derivative transactions such as structured deposit, dual currency investment, cross currency swaps (CCS) and European Knockout Option (EKO) to manage its foreign currency and interest rate risks. Derivative financial instruments are initially recognized at fair value on the date the derivative contract is entered into and are subsequently remeasured at fair value. Changes in the fair value of derivatives that are not designated as accounting hedges (structured cake deposit and dual currency investment) are recognized in the consolidated statements of income.

Structured Deposit

The Parent Company invested in a principal protected structure with a potential enhanced return greater than the prevailing money market rate. The structured deposit will be redeemed at 100% of the principal amount, together with an interest amount based on the guaranteed rate plus the relevant Enhanced Rate depending on the applicable scenario at maturity date.

Pertinent details of the structured deposit are as follows:

Principal amount	Effective Date	Maturity Date	Guaranteed Rate	Lower Enhanced Rate	Higher Enhanced Rate
\$10,000	09/07/22	03/07/23	0.00% p.a.	2.0% p.a.	4.4% p.a.
\$5,200	12/07/22	09/07/23	0.00% p.a.	3.5% p.a.	8.0% p.a.

Dual Currency Investment

The Parent Company invested in a non-principal protected investment product with a potential higher return than conventional deposits. The investment currency is USD and alternative currency is GBP. The investment amount will be received in either the alternative or investment currency together with interest amount in the investment currency depending on the applicable scenario at maturity date.

Pertinent details of the dual currency investment are as follows:

Notional amount	Effective Date	Maturity Date	Conversion Rate	Interest Rate of Investment Currency
\$10,000	09/09/22	12/08/23	1.1	6.05% p.a.
\$10,000	12/08/22	03/08/23	1.1	6.35% p.a.

The Parent Company recognized market valuation gain of ₱14.0 million from fair value changes of structured deposit and dual currency investment in 2022 under the “Market valuation gain on financial instruments at fair value through profit or loss (FVTPL)” account in the consolidated statement of comprehensive income.

CCS and EKO are used to manage foreign currency risk arising from its net investment. These derivatives are accounted for as accounting hedges. The embedded derivative is a transaction not designated as accounting hedge.

Cross Currency Swap Contract

On March 4, 2022, the Group entered into a non-deliverable CCS Agreement with a notional amount of ₱5,839.5 million (£85.0 million). Under the CCS agreement, the Group will receive Philippine Peso interest at 9% p.a. and will pay fixed Pound Sterling interest at 6% p.a. The Group will also pay the notional Pound Sterling amount in exchange for the Philippines Peso amount at the end of the swap period. The CCS, which will be designated as a hedge of a portion of the net investment in MNSPL, is used to hedge the Parent Company’s exposure to the GBP foreign exchange risk on its investment in MNSPL.



Pertinent details of the cross-currency swap are as follows:

Notional amount	Trade Date	Effective Date	Maturity Date	Swap rate	Fixed rate (Pay leg)	Fixed rate (Receive leg)
£85,000	03/03/22	03/07/22	03/07/32	₱68.70	6.0%	9.0%

On September 28, 2022, the BOD approved to fully unwind the CCS agreement to take advantage of the weakening of Pound Sterling.

The Parent Company recognized derivative gain of ₱919.9 million in 2022 and ₱24.8 million in 2021 from the maturity of CCS.

Embedded Derivatives

As discussed in Note 14, the Convertible Note issued by the Parent Company in 2019 has embedded equity conversion and redemption options which separated from the host contract.

Shown below are the movements in the value of the embedded derivatives (shown as part of derivative liability) as at December 31:

	2021
Embedded derivatives:	
Beginning balance	₱2,513,886
Mark-to-market valuation (Note 14)	2,239,232
Redemption of convertible note (Note 14)	(4,753,118)
	<u>₱-</u>

The Parent Company recognized the loss on fair value changes on the embedded derivatives amounting to nil in 2022 and ₱2,239.2 million in 2021. The Parent Company recognized these under the “Derivative gain (loss)” account (see Note 14).

The total derivative gain (loss) presented in the parent company statement of comprehensive income consists of derivative gain from CCS, EKO, equity conversion and redemption options, and swaps. The derivative loss from swaps entered and settled during the same year, amounted to nil in 2022 and ₱43.7 million in 2021.

Capital Management

For the purpose of the Parent’s capital management, capital includes issued capital and all other equity reserves. The primary objective of the Parent Company’s capital management is to maximize the shareholder value. The Parent Company manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Parent Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended December 31, 2022 and 2021. The Parent Company was able to raise funds through an IPO last June 1, 2021.

The Parent Company monitors capital based on the debt-to-equity ratio and makes adjustments to it in light of changes in economic conditions and its financial position. This ratio is calculated as total debt divided by total equity. Debt comprises all liabilities of the Parent Company. Equity comprises all components of equity.



The Parent Company's debt-to-equity ratios are as follows:

	2022	2021
Total debt	₱12,793,234	₱14,500,352
Equity	48,129,854	62,488,862
Debt-to-Equity Ratio	0.27:1.00	0.23:1.00

The Parent Company is obligated to perform certain covenants with respect to maintaining specified debt-to-equity, gross leverage and minimum debt service cover ratios, as set in the agreements with creditors. As at December 31, 2021, the Parent Company is in compliance with these covenants. The related loan was fully settled upon maturity in December 2022 (see Note 14).

Fair Value of Financial Instruments

Cash and cash equivalents, trade and other receivables, accounts payable and other current liabilities, and acceptance and trust receipts payable. The carrying value of these financial assets and liabilities approximate their fair values as at December 31, 2022, and 2021 due to the short-term nature of these financial instruments.

Noncurrent receivables and loans payable. As at December 31, 2022 and 2021, the fair value of noncurrent receivables and loans payable with variable interest rates approximates the carrying amount due to frequent repricing of interest.

Financial assets at FVTPL. The financial assets at FVTPL account consists of unit investment trust funds (UITFs) and derivatives, including separated embedded derivatives, unless designated as effective hedging instruments. As at December 31, 2022 and 2021, the fair values of these financial assets are based on their published net asset value per share.

As at December 31, the following table presents the level of hierarchy of the Parent Company's financial instruments as follows:

	2022			2021		
	Quoted prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Quoted prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Financial instruments measured at fair value						
Financial assets at FVTPL	₱-	₱-	₱1,756,101	₱-	₱-	₱1,001

25. Supplemental Disclosure to Cash Flow Statements

The Parent Company's material noncash activities are as follows:

	2022	2021
Subscription payable	(₱19,600)	(₱850,688)
Unpaid capital expenditures	-	(90,918)
Termination of lease liabilities	-	(48,002)
Additions to ROU assets	-	2,585



26. Segment Information

For management purposes, the Parent Company is organized into business units based on its products and has 2 reportable segments, as follows:

- Asia-Pacific Branded Food & Beverage (APAC BFB) manufactures and distributes a diverse mix of biscuits, bakery products, beverages, instant noodles and pasta.
- Meat Alternative manufacturers and distributes a variety of meat alternative brands and products to the retail trade and food service customers in the UK, US, Europe and Asia-Pacific.

No operating segments have been aggregated to form the above reportable operating segment.

The Chief Executive Officer monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the parent company financial statements.

Financial information about the business segments follows:

	2022			
	APAC BFB	Meat Alternative	Reconciliation	Parent Company Financial Statements
Net sales - third parties	P58,491,069	P15,423,228	(P17,656,694)	P56,257,603
Costs and expenses	(48,275,301)	(15,056,614)	14,114,406	(49,217,509)
Depreciation and amortization	(1,958,196)	(755,466)	1,542,218	(1,171,444)
Finance income	2,163,225	5,035	(1,099,334)	1,068,926
Finance expense	(250,337)	(879,461)	967,008	(162,790)
Foreign exchange gain (loss) - net	402,381	19,736	120,634	542,751
Impairment loss	(23,815,201)	(21,164,137)	25,957,979	(19,021,359)
Share in profit (loss) of associates and joint venture	15,217	-	(15,217)	-
Other income (expense)	171,333	51	1,518,971	1,690,355
Income before income tax	(13,055,810)	(22,407,628)	25,449,971	(10,013,467)
Provision for income tax	2,465,240	(1,336,287)	759,714	1,888,667
Net income	(P15,521,050)	(P21,071,341)	P24,690,257	(P11,902,134)
Other information				
Total assets	P89,947,658	P34,689,207	(P63,713,777)	P60,923,088
Total liabilities	P14,177,754	P23,683,292	(P25,067,812)	P12,793,234
Investment in associates and joint venture	P1,104,453	P-	P24,517,730	P25,622,183
Capital expenditures	P2,059,006	P2,373,224	(P2,881,428)	P1,550,802

	2021			
	APAC BFB	Meat Alternative	Reconciliation	Parent Company Financial Statements
Net sales - third parties	P54,039,015	P15,245,173	(P17,884,013)	P51,400,175
Costs and expenses	(43,411,777)	(13,773,475)	12,601,632	(44,583,620)
Depreciation and amortization	(1,828,942)	(641,930)	1,404,582	(1,066,290)
Finance income	1,338,617	986	(1,253,230)	86,373
Finance expense	(5,350,902)	(1,311,950)	3,645,781	(3,017,071)
Foreign exchange gain (loss) - net	411,859	(1,457)	(203,942)	206,460
Impairment loss	60,678	(283,739)	170,634	(52,427)
Share in profit (loss) of associates and joint venture	36,367	-	(36,367)	-
Other income (expense)	P296,363	P-	(P104,947)	P191,416
Income before income tax	5,591,278	(766,392)	(1,659,870)	3,165,016

(Forward)



	2021			Parent Company
	APAC BFB	Meat Alternative	Reconciliation	Financial Statements
Provision for income tax	₱291,025	₱1,288,736	(₱1,315,291)	₱264,470
Net income	₱5,300,253	(₱2,055,128)	(₱344,579)	₱2,900,546
Other information				
Total assets	₱69,493,886	₱54,170,503	(₱46,675,175)	₱76,989,214
Total liabilities	₱15,139,545	₱40,109,264	(₱40,748,457)	₱14,500,352
Investment in associates and joint venture	₱1,094,087	₱-	₱41,243,293	₱42,337,380
Capital expenditures	₱3,399,408	₱1,816,859	(₱1,978,438)	₱3,237,829

27. Other Matters and Subsequent Events

European Union (EU) Product Recall

Subsequent to June 30, 2022, there was a news concerning a selective recall in a few EU jurisdictions for some products. This attracted media attention in the Philippines and Food and Drug Administration (FDA) inquiry which concluded that all tested products in the Philippines comply with the Philippine FDA regulations. Unfortunately, this had a temporary effect on sale of Noodles. Sales and marketing efforts have largely corrected the impact due to strong recovery in Q4 2022 which continues in Q1 2023. Additionally, as part of global strategic alignment initiatives, the Group enhanced the sourcing, testing and overall processes to ensure products adhere to all food quality compliance standards, regardless of what jurisdiction they are sold in.

Commodity Prices

The Parent Company continues to see a gradual easing of commodity prices in the global markets. The impact of easing commodity prices is expected to be partly reflected in Q1 2023 for wheat and Q2 2023 for palm oil. If the market trend continues, it may have a favorable effect on the margin on longer term. To secure supply and in the context of the volatile environment, the Group already secured partial tranches of wheat until Q2 2023 and palm oil requirements until Q3 2023.

CCS Contract

On January 31, 2023, the Parent Company entered into a non-deliverable CCS Agreement with a notional amount of ₱1,891.4 million (THB 1,151.5 million). Under the CCS agreement, the Company will receive Philippine Peso interest at 11.50% p.a. and will pay fixed Thailand Baht interest at 9% p.a. The Company will also pay the notional Thailand Baht amount in exchange for the Philippines Peso amount at the end of the swap period. The CCS, which will be designated as a hedge of a portion of the net investment in MIL and MNTH, is used to hedge the Parent Company's exposure to the THB foreign exchange risk on its investment in MIL and MNTH.

Acquisition of Figaro Coffee Group, Inc's (FCG's) Common Shares

On January 25, 2023, the Parent Company's BOD authorized the Parent Company to subscribe for 820,268,295 common shares of FCG ("FCG Shares") out of FCG's unissued authorized capital stock. FCG is a diversified food conglomerate with retail restaurants and branches in the Philippines and abroad, that serve a variety of food offerings and services.

On February 02, 2023, the Parent Company paid an aggregate subscription price of ₱820.3 million for the FCG Shares. As a result, the Parent Company currently holds 15% of FCG's issued and outstanding capital stock.

Intercompany Loan with SMFC

On January 26, 2023, the Parent Company entered into a 3-year Promissory Note agreement with SMFC amounting to ₱267.7 million (\$4.9 million) with maturity date at January 26, 2026. The Parent Company shall pay interest on the outstanding principal amount at a rate per annum equal to



1 month Secured Overnight Financing Rate (SOFR) plus 1.70%. Interest and principal payment shall be made in United States Dollar (USD).

On February 9, 2023, the Parent Company entered into a 3-year Promissory Note agreement with SMFC amounting to ₱54.8 million (\$1.0 million) with maturity date at February 9, 2026. The Parent Company shall pay interest on the outstanding principal amount at a rate per annum equal to 1M Secured Overnight Financing Rate (SOFR) plus 1.70%. Interest and principal payment shall be made in United States Dollar (USD).

Acquisition of Terramino Inc.'s Preferred Shares

On March 22, 2023, the Parent Company's BOD approved the Parent Company's subscription for 665,845 Series B Preferred Stock of Terramino, Inc., a Delaware, U.S.-incorporated company engaged in research, development and commercialization of food products made from koji. Said 665,845 preferred shares represents 1.89% of Terramino, Inc.'s outstanding capital stock (including outstanding options to purchase such stock), at a subscription price of up to ₱108.7 million (\$2.0 million).

Change in use of IPO Proceeds

On March 22, 2023, the Parent Company's BOD approved the change in use of IPO proceeds: capital expenditure for the Meat Alternative Business as at December 31, 2022 amounting to ₱1.1 million to be re-allocated to capital expenditure for the APAC-BFB in 2023, and ₱2,135.8 million allocated to the Meat Alternative Business's operating expenditures as at December 31, 2022 to be re-allocated to capital expenditure of APAC BFB in 2023.

Equity Restructuring

On March 29, 2023, subject to the approval of SEC, the Parent Company's BOD approved the equity restructuring of the Parent Company consisting of offsetting the Deficit amount as at December 31, 2022 against available Additional Paid in Capital In Excess of Par Value (APIC) so that the Deficit amount is zeroed out. As at December 31, 2022, the Parent Company's Deficit amounted to ₱7,153.9 million while the Parent Company's APIC amounted to ₱46,515.8 million. Upon the approval of the SEC of the equity restructuring, the Parent Company's Deficit amount will become nil while the APIC will become ₱39,361.9 million.

28. Supplementary Information Required under RR 15-2010

The Parent Company reported and/or paid the following types of taxes in 2022:

a. VAT

Output VAT. Sales and output VAT declared in the Parent Company's VAT returns follow:

	Net Sales/ Receipts	Output VAT
Taxable sales and others:		
Local sales, net of sales returns	₱57,982,007	₱6,957,841
Scrap sales	143,042	17,165
Miscellaneous income	132,952	15,954
	58,258,001	6,990,960
Zero-rated sales	273,475	-
Exempt sales	947,185	-
	₱59,478,661	₱6,990,960



Zero-rated sales of goods consist of actual export sales and sales to entities under Subic Bay Metropolitan Authority (SBMA) whose exemptions are provided under special laws or international agreements to which the Philippines is a signatory.

VAT-exempt sales pertain to sales of swine and poultry feeds whose exemptions are provided under Section 109(1)(B) of the National Internal Revenue Code, as amended.

Input VAT. The details of the Parent Company's input VAT follow:

	Purchases	Input VAT
Balance at beginning of year		₱-
Input tax carryover from previous period subject to amortization		359,703
Current year's purchases/payments for:		
Importation of goods other than capital goods	13,695,705	1,584,948
Domestic purchases of goods other than capital goods	24,455,693	2,934,683
Domestic purchase of services	9,284,375	1,114,125
Capital goods subject to amortization		
Domestic purchase of capital goods	188,206	22,585
Importation of capital goods	671,947	88,294
Services rendered by nonresidents	169,949	20,394
Purchases not qualified for input tax	1,244,469	-
Total	49,710,344	6,124,732
Input VAT on the purchase of capital goods deferred for the next succeeding period:		
Domestic purchase of capital goods		(104,542)
Importation of capital goods		(139,234)
Application against output VAT		(5,878,242)
Unapplied tax credits		(2,714)
Balance at end of year		₱-

b. Information on the Parent Company's importations

	Import of Goods	Import of Capital Goods
Cost of importation, at net	₱13,679,439	₱668,267
Custom duties	14,656	3,641
Import processing fee	1,612	39
	₱13,695,707	₱671,947

c. Taxes and licenses

Municipal licenses/business permit	₱156,922
Real property taxes	89,815
Documentary stamp taxes	10,524
Others	803
	₱258,064



d. Documentary stamp taxes (DST)

	Amount	DST thereon
Assignment and renewals of certain instruments	₱343,993	₱2,580
Original issue of all debt instruments	165,063	1,238
	509,056	3,818
DST remitted by other party, charged to MNC		6,706
	₱509,056	₱10,524

e. Withholding taxes

Final withholding taxes	₱404,891
Expanded withholding taxes	504,220
Taxes on compensation and benefits	442,070
Fringe benefits	135,246
	₱1,486,427



INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

The Board of Directors and Stockholders
Monde Nissin Corporation
Felix Reyes St., Barangay Balibago
City of Santa Rosa, Laguna

We have audited in accordance with Philippine Standards on Auditing, the parent company financial statements of Monde Nissin Corporation (the Company) as at and for the years ended December 31, 2022 and 2021 and have issued our report thereon dated March 29, 2023. Our audits were made for the purpose of forming an opinion on the parent company financial statements taken as a whole. The schedule of retained earnings available for dividend declaration is the responsibility of the Company's management. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68, and is not part of the basic parent company financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic parent company financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the basic parent company financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Editha V. Estacio
Partner

CPA Certificate No. 91269

Tax Identification No. 178-486-845

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 91269-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-094-2020, July 27, 2020, valid until July 26, 2023

PTR No. 9564617, January 3, 2023, Makati City

March 29, 2023



MONDE NISSIN CORPORATION**SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR
DIVIDEND DECLARATION****DECEMBER 31, 2022****(Amounts in Thousands)**

Unappropriated Retained Earnings (RE), as adjusted, as at December 31, 2021	₱2,651,865
Net actual loss during the year -	
Net loss during the period closed to RE	(11,902,134)
Less non-actual income/Add non-actual losses:	
Movement in deferred tax asset	(55,859)
Unrealized foreign exchange gain	35,150
Net actual loss during the year	(11,922,843)
Add (less):	
Dividend declared during the period	(2,515,606)
Appropriations of retained earnings during the period	(5,000,000)
Reversal of appropriations	3,900,000
	(3,615,606)
RE available for dividend declaration as at December 31, 2022	(₱12,886,584)

ANNEX C

2022 Sustainability Report

MAKING BETTER POSSIBLE

2022 Sustainability Report



About the Cover

2-1



The title of the 2022 Sustainability Report (SR), **Making Better Possible**[®], encapsulates the desire of Monde Nissin Corporation (*Monde Nissin* or the *Company*) to continue to improve as a company, uplifting those around Monde Nissin in the process. This title puts a name to Monde Nissin's commitment to creating products and relationships for the betterment of the people and the planet. It is the way Monde Nissin demonstrates one of its corporate values: Care with Action.

On the cover is Monde Nissin's symbol for sustainability: the north star of its corporate aspiration. Inside each segment of the star is an illustration or an icon representing Monde Nissin's sustainability pillars: better food accessibility, eco-efficiency, inclusivity for communities and individuals, and collective action. At the heart of the north star is a figure representing Monde Nissin's stakeholders, who Monde Nissin believes are central to its sustainability efforts.

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About the Report

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The 2022 SR, titled **Making Better Possible**[®], is one of the ways Monde Nissin moves towards greater transparency and engages its stakeholders through the holistic reporting of Monde Nissin's economic, environmental, social, and governance impacts and initiatives.

The particular topics within the report were determined after consultations with the Company's key stakeholder groups.

This SR covers the period from January 1 to December 31, 2022. Its scope covers the business and financial information of Monde Nissin and its UK-based subsidiary Monde Nissin (UK) Ltd. (MNUK), with the exception of this SR's *Meet Monde Nissin* section which covers the scope of business and financial information of Monde Nissin and its other subsidiaries. At the same time, the scope of sustainability-related disclosures covers Monde Nissin, MNUK, and MNUK's subsidiaries. MNUK and MNUK's subsidiaries are collectively referred to as "Quorn Foods."

- ▶ Economic information includes disclosures under the Global Reporting Initiative's (GRI) Topic Standards covering Monde Nissin's and Quorn Foods' activities.
- ▶ Environmental information includes disclosures under the GRI Topic Standards covering the activities of Monde Nissin's plant sites in the Philippines, specifically, its plants located in Laguna, Cebu, Davao, Pampanga, and Batangas, and MNUK's subsidiary Marlow Foods Ltd.'s (MFL) UK locations, specifically, those in Belasis, Stokesley, and Methwold.
- ▶ Social information includes disclosures under the GRI Topic Standards covering Monde Nissin's and Quorn Foods' activities, except for disclosures on Occupational Health and Safety (OHS), which covers only Monde Nissin and MFL's Belasis, Stokesley, and Methwold locations in the UK.
- ▶ Corporate governance information includes GRI General Disclosures on Governance covering only the activities of Monde Nissin and GRI Topic Standards covering both Monde Nissin and Quorn Foods.

Frameworks and reporting guidelines that inform the manner of disclosing information in the report include the Securities and Exchange Commission's (SEC's) Sustainability Reporting Guidelines for Publicly-Listed Companies and the GRI Standards. This report has been prepared with reference to the GRI Standards. Monde Nissin has also referred to the United Nations Sustainable Development Goals (SDGs) for its sustainability reporting to ensure the Company's priority goals are aligned with and contribute to achieving relevant SDGs.

A digital copy of this 2022 SR (as an Annex of Monde Nissin's Annual Report on Form SEC 17-A) is available at The Philippine Stock Exchange, Inc.'s (PSE's) EDGE portal at <https://edge.pse.com.ph> and at Monde Nissin's website at <https://mondenissin.com/>.

For feedback, questions, or suggestions, contact **Monde Nissin's Investor Relations Department** at investor.relations@mondenissin.com.

REPORT DISCLAIMER

The contents of this communication should not be construed as investment advice, nor as a recommendation or solicitation for any investment by or in Monde Nissin Corporation. Any forward-looking statements contained herein are based upon current expectations and assumptions regarding anticipated developments and other factors affecting Monde Nissin Corporation and its subsidiaries. They are not historical facts, nor are they guarantees of future performance. Monde Nissin Corporation and its subsidiaries disclaim any liability whatsoever for any loss arising from any reliance, in full or in part, of the contents of this SR.



CEO'S LETTER TO STAKEHOLDERS

2-22

To our valued stakeholders,

Our journey as a Company is an ongoing process firmly rooted in Monde Nissin's corporate aspiration:

“ To improve the well-being of people and the planet, and create sustainable solutions for food security. ”

Since becoming a publicly-listed company in June 2021, the Company has made significant strides in running a more sustainable, responsible business.

MANAGING THROUGH HEADWINDS

In 2022, issues relating to food insecurity were all the more highlighted on the macroeconomic level, where global food prices reached record peaks for key commodities such as wheat and palm oil.

The United Nations' Food and Agriculture Organization reported that key factors in the year's global market instability included climate variability and political circumstances.

Yearly, the effects of climate change increase in intensity, disrupting livelihoods, production, and ecology. Countries vulnerable to the effects of climate change, some of which are major producers of key agricultural commodities, are experiencing the domino effect that extreme weather conditions have on business.

Furthermore, sociopolitical factors, including export restrictions and geopolitical tension catalyzed by the Russia-Ukraine war, hinder the flow of goods and subsequently, the availability of imported resources.

As a food and beverage business, Monde Nissin witnessed firsthand how these socio-environmental factors can create significant impacts on the stability of the industry. At the same time, Monde Nissin's corporate aspiration reminds us that we must also create our own solutions where we can.

The challenges of the year have only sharpened our resolve to achieve sustainable food solutions.

With our commitment to providing our consumers with accessible food, one of the concerns for Monde Nissin in 2022 was how we could continue to keep our products affordable amid inflationary pressures. We did so while staying pragmatic in our fiscal management, balancing the stability of our business and ensuring we could remain resilient while sustaining the affordability of our products. We were mindful of our price increases considering the impact it has on our consumers.

Ensuring food accessibility also meant pursuing our strategies for growth and expanding the reach of our products. On the local level, we continued to grow our Community Distribution Network (CDN) composed of Independent Brand Experts – individuals from our local communities that distribute Monde Nissin products, gaining a new source of livelihood.

More than delivering affordable food to our consumers, Monde Nissin continues to innovate our products to build a portfolio of healthier options. This is hand-in-hand with our sustainability strategy as we implemented fortification and sodium reduction initiatives while seeking out more ways to improve the nutritional profile of our products.

Consumer satisfaction and safety continue to be of utmost concern to us in 2022. Monde Nissin's stakeholders are assured of the quality of our food products, which undergo a number of quality and food safety management measures and are all registered pursuant to, and are compliant with the local regulations of the markets we operate in.





MAINTAINING WELL-LOVED BRANDS

Despite the challenges brought about by the inflationary environment and other headwinds, Monde Nissin ended the year 2022 with a strong performance from our well-loved brands. The Group's revenue in 2022 grew to Php 73.9 billion, a 6.6% increase from 2021.

Our Asia Pacific Branded Food and Beverage business (APAC BFB Business) saw an 8.2% increase in net sales year-on-year.

Our meat alternative business (Meat Alternative Business), Quorn Foods, grew its market share to 32.5% for the fourth quarter of 2022, supported by the food service segment where its products were able to reach more schools, quick service restaurants, and hospitals in the UK.

As a testament to our business' commitment to creating brands that consumers can appreciate, our instant noodles brand Lucky Me! was recognized by the Kantar Brand Footprint Report for 2021 as the Brand of the Decade and #1 Most Chosen Brand in the Philippines for the eighth year.

IMPROVING THE FUTURE

Moving forward, we at Monde Nissin continue to focus on executing long-term growth and pursuing a sustainable future of food. In fact, the challenges of the year have only served as a reminder to us that more can be achieved when we set our expertise, technology, and culture of innovation into motion.

In the coming years, we will continue to build our portfolio and innovate our products to bring food that is affordable, accessible, and healthier to the market and work toward **Making Better Food Accessibility Possible**.

Here, our sustainability strategy will guide our manufacturing operations to adopt practices that are environmentally responsible. While we have several wins in **Making Eco-efficiency Possible**, there are still opportunities to pursue greener operations.

To share our future growth with our stakeholders, including our local communities, we will expand our CDN to include more Independent Brand Experts in **Making Inclusive Growth Possible**. Within the Company, we will continue to empower our co-workers, **Making Collective Action Possible** to spur greater innovation and work hand-in-hand toward a sustainable future.

To all our stakeholders who have constantly been supporting Monde Nissin and its vision, thank you for standing by us. We remain committed to creating a future of food where taste, health, and the well-being of the planet are all satisfied.

Henry Soesanto
CHIEF EXECUTIVE OFFICER

#BetterMondeBetterWorld

CHIEF SUSTAINABILITY OFFICER'S MESSAGE

2-22

Dear stakeholders,

Sustainability has always been a part of our operations at Monde Nissin. Through our 2022 SR, we declare not only our economic, environmental, social, and governance (ESG) impacts and share with you our sustainability journey through responsible reporting, but also our intention to make genuine strides toward sustainability.

It all starts with our corporate aspiration that outlines what Monde Nissin has set out to achieve – sustainable solutions for food security.

On the global scale, hunger continues to be a challenge. The United Nations (UN) reported that, since 2019, the prevalence of undernourishment rose, and hundreds of millions suffer hunger around the world. We at Monde Nissin believe that the solution to world hunger is sustainable food.

According to the UN Committee on World Food Security, being “food secure” means that one has “physical, social, and economic access to sufficient, safe, and nutritious food that meets [one’s] dietary needs and food preferences for an active and healthy life.”

In the context of the food industry, becoming a business that contributes to sustainable development means becoming able to satisfy appetites and fill needs sustainably – making them in a manner that is socially beneficial, economically viable, and environmentally sound.

Making Better Possible®

Recognizing the Company’s role in this, Monde Nissin seeks to contribute to sustainable development with innovations and internal improvements geared toward food security.

In 2021, we launched the Making Better Possible® campaign to better communicate our sustainability commitments and strategy to our internal stakeholders. Its foundational goal is to connect with stakeholders at a personal level, in order to inculcate sustainability into the general mindset of Monde Nissin. We begin with onboarding our colleagues and enabling them to join the effort in Making Better Possible®.

Our sustainability framework, which is discussed further on page 20, ultimately guided the development of our strategy and roadmap.

THE JOURNEY SO FAR

To further concretize the pursuit of our corporate aspiration, Monde Nissin set north star targets under each one of its sustainability strategic pillars.

As of 2022, guided by our aspirations, we have made significant progress on our targets, which would not have been possible without the concerted efforts of our senior leadership and our colleagues.

KEY ACHIEVEMENTS FOR MONDE NISSIN’S SUSTAINABILITY STRATEGIC PILLARS IN 2022

Making Better Food Accessibility Possible	Making Eco-efficiency Possible	Making Inclusivity Possible	Making Collective Action Possible
A majority revenue share of fortified products and noodle products with reduced sodium.	Shifted most of our plants to renewable energy resulting in a significant decrease in our greenhouse gas (GHG) emissions. Other initiatives also led to significant reductions in our energy consumption and water intensity.	Provided livelihood opportunities through our CDN.	Enabled our Product Supply teams to set individual targets and suggest solutions while building their capabilities in line with Monde Nissin’s culture of innovation for Making Eco-efficiency Possible.

Through product reformulation and sustainable innovation in our products and production processes, we aim to create food that is healthier and resource efficient. During the year, we successfully increased to 15% the revenue share of our fortified biscuit and packaged cake products. Combining this with the percentage share to total revenue of our fortified noodle products, our fortified product portfolio accounted for 70% of our total revenue. Additionally, sodium-reduced products contributed 59% to total instant noodles revenue in 2022.

Our environmental wins, on the other hand, are overlapping achievements in Making Eco-efficiency Possible and Making Collective Action Possible. With employee participation being crucial in making the corporate aspiration a priority, we focused on changing mindsets, building capacity, and enabling our product supply (Product Supply or PS) teams across each of our manufacturing plants to devise sustainable solutions that are tailor-fit to the context of their respective workplaces.

Lastly, our CDN continues to provide livelihood opportunities to members of our local communities. In 2022, we grew our CDN to reach 20% of our target number of Independent Brand Experts for Monde Nissin products by 2030.



THE NEXT COURSE

Reflecting on Monde Nissin's progress assures me that our intentions are being turned into action and, at the same time, reminds me that we have much more to improve on as a company.

While we accelerate our business operations and growth, we also aspire to become a business that remains responsible and sustainable. This SR is a nod toward this commitment as we lay our performance and progress bare for our stakeholders to consider.

With the year 2022 done, Monde Nissin is looking forward to another year of milestones alongside our stakeholders. Armed with more insights and the commitment to do better, we are better equipped now, more than ever, to reach for our goals and develop stronger action plans moving forward.

Marivic Ng Cajucom-Uy

CHIEF SUSTAINABILITY OFFICER

MEET MONDE NISSIN

2-1

Monde Nissin is among the frontrunners in the food manufacturing industry in the Philippines with a portfolio of various iconic and well-recognized brands. The Company operates with the aspiration to improve the well-being of people and planet, and create sustainable solutions for food security. These values are reflected in its product innovations and various aspects of its operations that create value for society and contribute to sustainable development.

Monde Nissin, together with its subsidiaries, operate manufacturing plants or sales offices in the Philippines, Thailand, Singapore, New Zealand, UK, USA, Netherlands, Germany, and Sweden. The Company's sustainability initiatives are governed and managed by the following bodies:

- ▶ **Board of Directors:** The Board of Directors is the highest governing body of Monde Nissin.
- ▶ **Management:** The Management, comprising the CEO and top-level cross-functional leaders below the level of the Board of Directors, is responsible for providing strategic guidance across business units, sites, and functions and determining sustainability goals, initiatives, and commitments.
- ▶ **Sustainability Leadership Team:** The Sustainability Leadership Team, composed of the Corporate Sustainability Team and Monde Nissin's Department Heads, is in charge of engaging relevant stakeholders to generate inputs that are relevant in developing the strategies, goals, and initiatives of Monde Nissin in relation to sustainability. Team members are responsible for driving strategy execution and tracking performance on sustainability focus areas and material topics.
- ▶ **Sustainability Operations Team:** The Sustainability Operations Team, composed of Monde Nissin's Sustainability Work Teams and subject matter experts, are responsible for the integrated initiatives and programs in day-to-day operations needed for achieving sustainability goals.



Business Segments

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Monde Nissin and its subsidiaries' (the Group's) two core businesses are (i) the APAC BFB Business, and (ii) the Meat Alternative Business which includes the production, marketing, and sales of the Quorn and Cauldron meat alternatives brands.

APAC BFB BUSINESS

The Group operates the APAC BFB Business through Monde Nissin and its wholly-owned or majority-owned subsidiaries, as well as joint ventures and established collaborations with other fast-moving consumer goods (FMCG) players.

The APAC BFB Business comprises three product groups with the following key brands:

Instant Noodles

- ▶ Lucky Me! Pancit Canton was launched in 1991 –the first dry stir-fried pouched noodles in the Philippine market. Lucky Me! has grown into an iconic brand consumed by 98.9% of Filipino households in 2022, based on Kantar's panel data. Additionally, it continues to be the most chosen consumer brand in terms of consumer reach points as of the latest Brand Footprint Study by Kantar (2021). It is the 8th year that Lucky Me! has secured the top position, making it Brand of the Decade.

Biscuits

- ▶ Monde Nissin's biscuits category is home to popular crackers, sandwiches, cookies, and wafers through the SkyFlakes, Fita, M.Y. San Grahams, Bingo, and Nissin brands. Throughout decades, these brands have built a legacy.

Monde Nissin has a track record of introducing innovative, new uses for its existing products. For example, M.Y. San Grahams, an ingredient in homemade desserts, is being used by small businesses as a key ingredient because of its versatility, resulting in new cakes and other dessert products.



MEAT ALTERNATIVE BUSINESS

Monde Nissin's single largest commitment to healthier food and food security is its investment in 2015 to acquire MFL, which produces, markets, and distributes the meat alternative brands Quorn and Cauldron.

Quorn is Quorn Foods' flagship brand. All Quorn-branded products contain mycoprotein which has high fiber, high protein, low saturated fat, and zero cholesterol. Mycoprotein is a sustainable source of protein. According to a report published in 2018 by Carbon Trust, a non-profit company providing specialist support on sustainability, the production of mycoprotein-based Quorn Mince results in only 7%, 11%, and 8% of beef's carbon, land, and water footprint, respectively. Similarly, the production of mycoprotein-based Quorn Pieces results in 29%, 36%, and 34% of chicken's carbon, land, and water footprint, respectively. The process of making mycoprotein is "net protein positive" which means that the process results in higher protein content in the food system than where the process begins. Mycoprotein is now produced using over 88% green energy.

Quorn-branded products satisfy a wide range of eating experiences, including food on-the-go, scratch cooking, convenience and meal centers, and are sold in a number of countries around the world.

Cauldron products are sold in the UK and the Republic of Ireland. All Cauldron products are suitable for vegetarians and Cauldron tofu and falafel are suitable for vegans. Cauldron products offer alternative sources of protein that complement Quorn products.

Priorities for the Meat Alternative Business include:

Maintain Category Leadership in the United Kingdom

- ▶ Quorn Food's UK business includes Quorn's mycoprotein-based products and Cauldron's plant-based foods. According to IRI, Quorn Foods is the market leader in the UK meat alternatives market with Quorn and Cauldron being the No. 1 and No. 4 brands, respectively. Quorn Foods held a combined retail grocery share of 31.7% for the past 52 weeks as of December 2022, which is a 1.5% increase compared to 2021 (IRI 31 December 2022).

Foodservice and Quick-Serve Restaurants (QSR)

- ▶ Quorn Foods' foodservice and QSR business allows it to cater to and partner with third-party food service and QSR establishments, bringing Quorn Foods' products specifically developed for the foodservice channel or menu items co-developed with the customer.

Continue to develop research and development (R&D) and New Product Development (NPD) Capability

- ▶ Quorn Foods continues to invest in its R&D and NPD capability in 2022 with the creation of a nutrition science team and refocusing of science and product development teams into three levels of innovation; incremental NPD centered squarely on Quorn Foods' Retail and QSR/Foodservice businesses, breakthrough innovation requiring the development of 'new to Quorn' capabilities and technologies, and transformational science and technology with a particular focus on biotechnology and exploration of new mycoprotein applications.

Traditional protein production is unsustainable, and increasing Quorn Foods' production to help it reach a wider consumer base would aid in addressing food security.

Quorn Foods has developed a versatile and extensive portfolio offering vegan and vegetarian products that are alternatives for poultry, beef, pork, and fish. These products are suitable for different meal occasions and needs, whether it is breakfast, lunch, dinner, snacking, or food-on-the-go.



*Corporate Aspiration Launch*

SUSTAINABILITY AT MONDE NISSIN

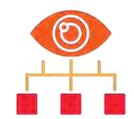
The ingredients that make up Monde Nissin's sustainability commitment are equal servings of care for the planet, respect for society, and responsibility to consumers to provide them with better food.

Monde Nissin recognizes that practicing sustainability is a process; a process started by the Company through integrating sustainability in its corporate plans, encouraging action, and enhancing awareness within the workplace. Monde Nissin has reached several sustainability milestones over the years, guided by its corporate aspiration.

"Sustainability is core to Monde Nissin's corporate aspiration."



Setting Up Monitoring Systems and Monde Nissin's Sustainability Governance Structure



MILESTONE 5

Creating Monde Nissin's Integrated Sustainability Strategy



MILESTONE 3

MILESTONE 1



Building a More Sustainable Product Portfolio with Quorn

MILESTONE 2



Establishing Monde Nissin's Sustainability Foundations

MILESTONE 4



Embedding Sustainability into Monde Nissin's Operations

MILESTONE 6



Creating Platforms for Monde Nissin's Employees to Take Action



WHERE WE ARE NOW



Starting Point: "Sustainability is core to Monde Nissin's corporate aspiration."

Monde Nissin recrafted its mission and vision to create the Company's corporate aspiration:

“ We aspire to improve the well-being of people and the planet and create sustainable solutions for food security. ”

This statement synthesizes the Company's drive to create food that addresses the food security problem through a responsible value chain. Monde Nissin's sustainability milestones have been and are rooted in this aspiration.



Milestone 1: Building a More Sustainable Product Portfolio with Quorn

Quorn Foods is the leader in the meat alternatives market in the UK, leveraging technology to create a mycoprotein-based meat alternative that consumes fewer resources during production and replicates the taste and texture of actual meat.

In 2015, Monde Nissin acquired MFL. The addition of the makers of the revolutionary mycoprotein-based meat alternative to the Group's portfolio was a catalyst for gearing Monde Nissin's products towards sustainability.

Guided by its corporate aspiration and inspired by the work of Quorn Foods, Monde Nissin continues to actively find more ways for the Company to make its own business more environmentally and socially responsible.





Milestone 2: Establishing Monde Nissin's Sustainability Foundations

Monde Nissin's next big step in paving its sustainability journey was the process of building a unified definition of sustainability for the Company, and to identify the topics material to the Company's sustainability journey through a materiality determination process. Monde Nissin defined these in its framework and principles.



MONDE NISSIN'S SUSTAINABILITY PRINCIPLES

Monde Nissin's sustainability principles guide the integration of sustainability in the Company's business strategy. The sustainability principles cover areas that Monde Nissin refers to in order to improve decision-making when addressing sustainability issues and opportunities within the Company.

PRODUCTS



Monde Nissin provides **nutritious, accessible, sustainable and great-tasting** food options that enhance consumers' well-being.

ENVIRONMENT



Monde Nissin innovates its end-to-end processes and adopts the best available technologies **to be more efficient in using limited resources and achieving low carbon operations and pursuing its zero waste-to-nature initiative** in collaboration with partners across the value chain.

PEOPLE



Monde Nissin creates an **inclusive and fair workplace** that fosters a caring and collaborative culture, **empowers people** to reach their full potential, and **promotes sustainability as a way of life.**

LOCAL COMMUNITIES



Monde Nissin grows responsibly where it operates **by sharing economic opportunities with local communities and supporting community development programs** that create livelihoods and uplift lives.

NATIONAL ECONOMY



Monde Nissin **promotes the equitable flow of value to its stakeholders** and creates opportunities for the domestic market as it scales its positive impacts with its suppliers.

GOVERNANCE



Monde Nissin is an **ethical organization** that embraces good corporate governance and upholds a culture of integrity, accountability, and trust.

FUTURE READINESS



Monde Nissin continuously develops its environmental, social, and economic business strategies to actively **shape the future of the food industry in a way that benefits society, the planet, and the Company.**





MATERIALITY PROCESS AND STAKEHOLDER ENGAGEMENT

2-29, 3-1

Determining material topics is key to understanding the areas where a business simultaneously creates the most impact in and is most capable of acting on. Monde Nissin mapped its overall aspiration against global sustainability issues to understand and scope the topics that were most material to it.

After identifying, categorizing, and validating material global sustainability issues, Monde Nissin placed these issues on a materiality matrix to determine the extent of change it can effect on such issues while factoring in the issues' impact on the Company's business gains and future success.

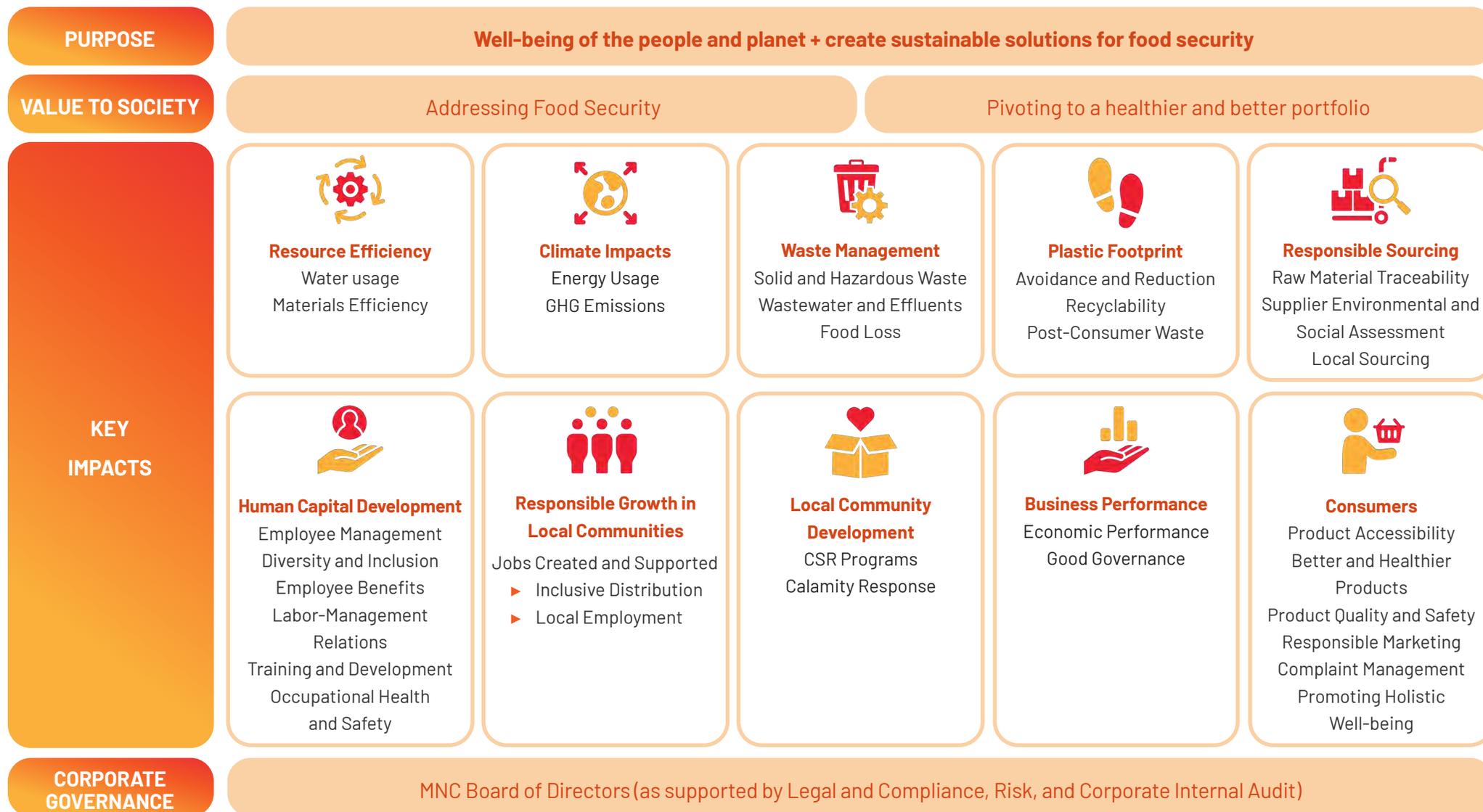
Monde Nissin also engaged with its employees, customers, and suppliers through focus group discussions and online surveys, while departmental representatives who directly engage with other stakeholder groups were interviewed. The inputs gathered from the entire stakeholder engagement were used to inform the Company's sustainability strategy by seeking out various perspectives.

Monde Nissin's governance leaders reviewed the materiality determination's results and were involved in its finalization.

MONDE NISSIN'S SUSTAINABILITY FRAMEWORK AND MATERIAL TOPICS

3-2

Monde Nissin developed a sustainability framework that captures its identified material economic, environmental, social, and governance topics.

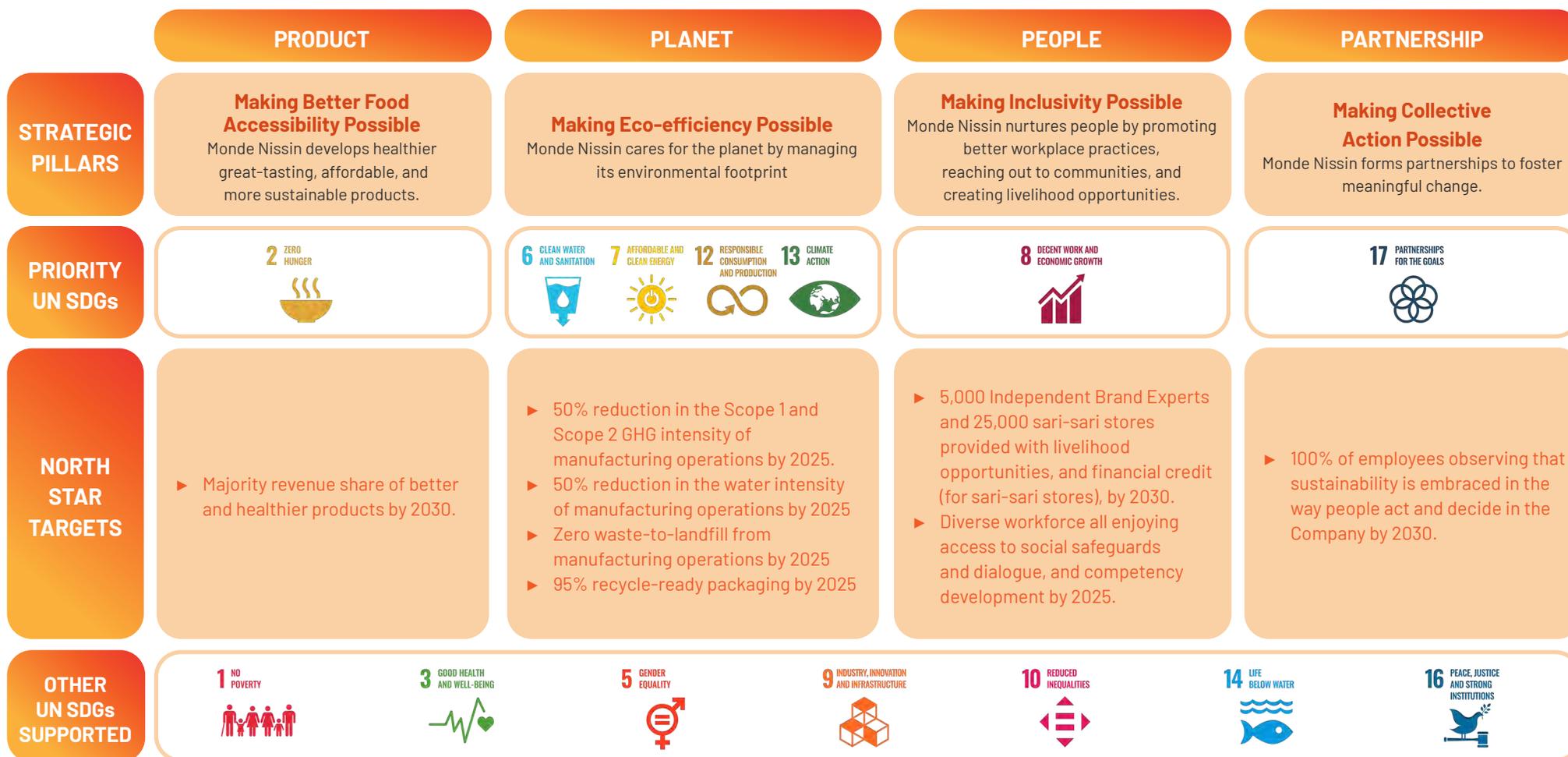




Milestone 3: Creating Monde Nissin's Integrated Sustainability Strategy

Monde Nissin identified priority strategic areas where the Company is best positioned to create positive economic, environmental, and social impacts, and reduce negative impacts while delivering business value. These are presented in the Company's sustainability roadmap. From the sustainability framework, Monde Nissin selected four pillars that best embody its overall sustainability strategy and initiatives. The Company also referred to the SDGs to ensure that its priority goals are aligned with and contribute to achieving the relevant SDG targets.

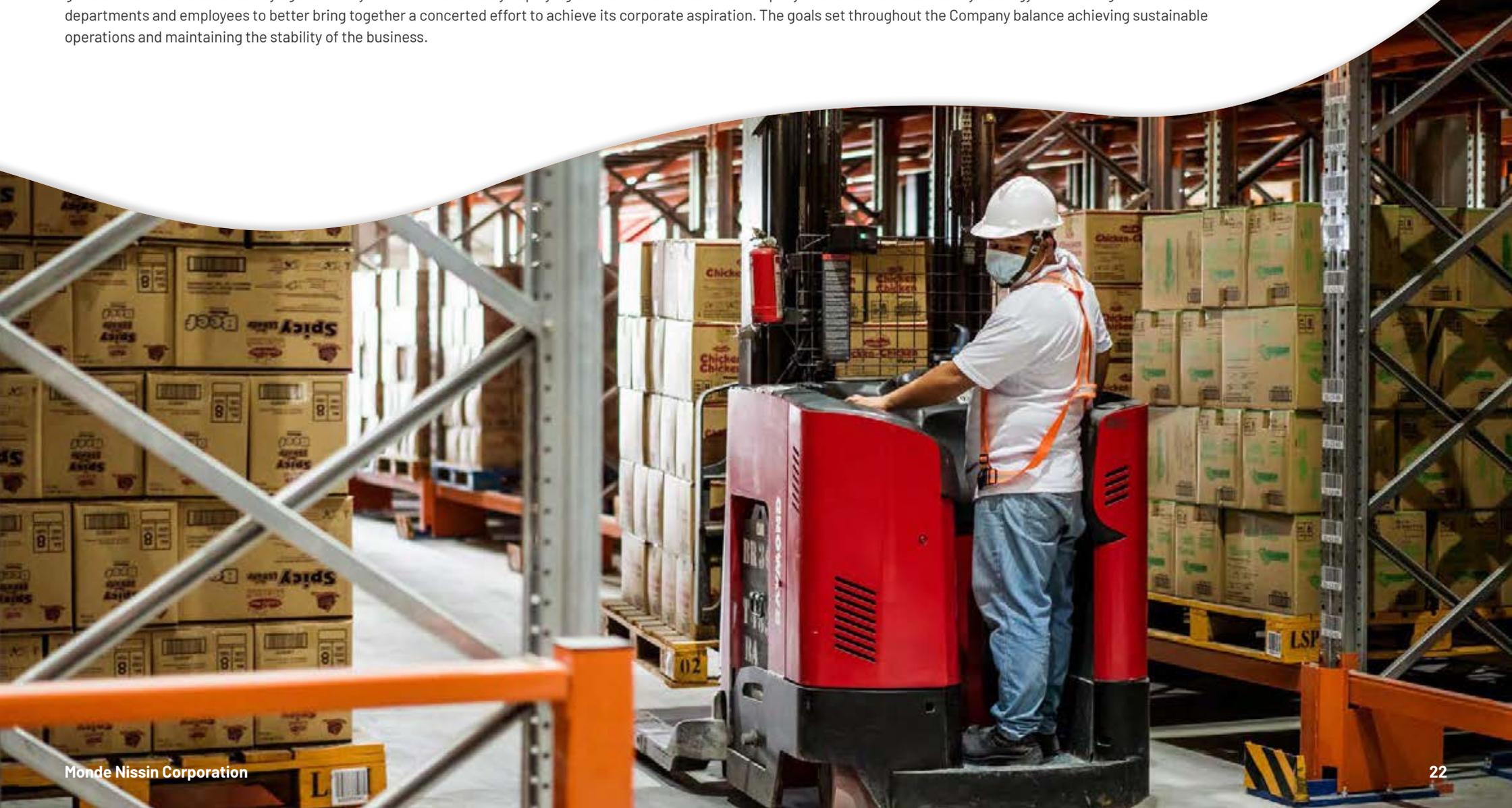
SUSTAINABILITY ROADMAP





Milestone 4: Embedding Sustainability into Monde Nissin's Operations

Monde Nissin attributed its targets to particular departments or cross-functional teams with the objective of building a sense of ownership and empowering leaders to integrate sustainability into their functional, divisional, or business unit strategies. They have a mandate to set targets and develop specific initiatives to achieve company-wide sustainability goals and drive the sustainability agenda. They execute initiatives by deploying their own resources. The Company cascaded its sustainability strategy from management to its different departments and employees to better bring together a concerted effort to achieve its corporate aspiration. The goals set throughout the Company balance achieving sustainable operations and maintaining the stability of the business.





Milestone 5: Setting Up Monitoring Systems and Monde Nissin's Sustainability Governance Structure

Monde Nissin is strengthening its monitoring systems to enable better progress review by the Board of Directors, Management, and Sustainability Work Teams. Monde Nissin's Product Supply teams also developed a visual review process that allows them to monitor other plants' progress towards their respective targets, supporting comparability and collaboration.

SUSTAINABILITY GOVERNANCE

2-12, 2-13, 2-14

The Board of Directors and top-level Management are responsible for overseeing the Company's overall performance and providing strategic direction, while the Sustainability Leadership Team works with the Sustainability Operations teams to implement sustainable practices.

	ROLE	REVIEW PLATFORM	FREQUENCY
Board of Directors	<ul style="list-style-type: none"> ▶ Approval of the Sustainability Policy and Framework. ▶ Provide strategic guidance on sustainability goals and initiatives, and oversight over material sustainability issues and company response. 	Board Meeting	Annual
Board Committee (Corporate Governance, Nomination, and Remuneration Committee)	<ul style="list-style-type: none"> ▶ Review and endorsement of the Sustainability Policy and Framework to the Board. ▶ Provide oversight over the implementation of Sustainability Policy and Framework 	Board Committee Meeting	Annual
Management Team	<ul style="list-style-type: none"> ▶ Provide strategic guidance across business units, sites, and functions and determine sustainability goals, initiatives and commitments. ▶ Review and Monitor progress of sustainability initiatives. 	Management Review	Annual
Sustainability Leadership Team	<ul style="list-style-type: none"> ▶ Engage relevant stakeholders to generate inputs that are relevant in developing strategies, goals and initiatives. Team members are responsible for driving strategy execution and tracking performance on sustainability focus areas and material topics. 	Sustainability Management Review	Quarterly
Sustainability Operations (Sustainability Work Teams, Subject Matter Experts)	<ul style="list-style-type: none"> ▶ Responsible for integrating initiatives and programs in day-to-day operations to achieve sustainability goals ▶ Responsible for tracking progress versus commitments and reporting progress. 	Key Performance Metrics/ Dashboard Review	Monthly

The highest governance body of Monde Nissin is its Board of Directors, which together with Management, provides oversight over the 2022 Annual and Sustainability Report and its generation process. Management and other leaders are directly involved in the materiality review and stakeholder engagement, data collection, report writing, and printing, assisted by advisors and consultants. Monde Nissin's Legal and Compliance, Risk, and Audit Teams, collaborate and coordinate with the Board, Management, the Sustainability Leadership Team, and other contributors to this SR in enhancing the integration and reliability of reports and disclosures.

Among the Board of Directors' responsibilities are ensuring that Monde Nissin has a clear and focused policy on the disclosure of non-financial information, providing details on Monde Nissin's management of economic, environmental, social, and governance issues affecting the business, if any, and adopting a globally recognized standard in reporting sustainability and non-financial issues.

The Board of Directors provides oversight over the sustainability program as spearheaded by the Chief Sustainability Officer. Progress made towards the Company's goals is evaluated by Management. Other relevant teams and departments extend support where necessary.



Milestone 6: Creating Platforms for Monde Nissin's Employees to Take Action

With the belief that the proper mindset is key to enacting change, Monde Nissin kickstarted the Making Better Possible® campaign to align its employees and allow them to contribute to the corporate aspiration and the Company's sustainable development in their own way. The campaign involved cascading information on sustainability concepts and Monde Nissin's initiatives.

The following are Monde Nissin's platforms for employee participation and volunteerism which are rooted in the Company's corporate aspiration and strategic pillars.



Making Better Possible®



A day when the Company's canteens go plant-rich, allowing its people to seek healthier and more sustainable food options.



Workplace policies and programs that promote responsible resource management and conservation.



An employee-driven community involvement program that aims to respond to the needs of its neighboring communities, pulling together help and volunteerism from Monde Nissin's people.



A series of programs and campaigns geared towards health and wellness, encouraging practices for improving one's well-being to keep everyone at their best performance.

Feature Story:

SUSTAINABILITY IN ACTION AT MONDE NISSIN'S DAVAO PLANT



Staff members preparing for the Christmas Bazaar

Monde Nissin's manufacturing sites across the country do their part in driving environmental and social efforts within their own operations. Highlighted here is the Davao plant's consistent engagement and collaboration with their employees, working hand in hand towards the Company's sustainability causes.

Every Monday, the Davao Plant hosts Meatless Mondays, a campaign that promotes planet-friendly diets and provides employees with free plant-based meals. The rule is simple: on Meatless Mondays, no meat is served in the canteen. Alternatives such as soy and tofu are made available and prepared by the canteen staff to ensure appetites are satisfied. This initiative is in line with Monde Nissin's belief that by reducing the consumption of meat, one can both decrease one's carbon footprint and improve nutrition.

In addition to Meatless Mondays, the plant also implemented a Single-Use Plastic Ban before the pandemic. Plastic bags have been prohibited in the workplace, encouraging staff to bring their own eco-bags or rent reusable bags at the entrance. This has resulted in several employee behaviors that lessen plastic use, including reduced fast food delivery orders and increased use of water flasks and tumblers.

The employees' sustainable practices don't stop there. The Davao workforce was engaged in a much-anticipated coastal clean-up and mangrove-planting program, which provided a large number of participants with first-hand experience of the effects of plastic trash on water bodies and a greater appreciation for projects of this kind.

Finally, during the Christmas season, a bazaar within the site was organized where staff members had the opportunity to use their business skills by selling homemade goods or secondhand items, with zero plastic packaging in sight. For packaging, many workers were instead provided paper bags to make the event more environmentally friendly. These group activities encouraged staff to recycle materials by donating packaging and eco-bags rather than purchasing new ones. Exhibitors who sold their own products donated a minimum of 5% of their daily gross sales to a partner organization called Cavanis Sister's Convent, an organization that provides free education to poor children and youth.

Collectively, these initiatives promote a sustainability mindset within the Monde Nissin workforce, encouraging everyone to be more conscious of their own impact on the planet and society and to act accordingly.



Where We Are Now

In 2022, Monde Nissin continued to find ways to improve its internal systems to better support the monitoring and execution of sustainability-related activities. This includes monitoring associated risks and opportunities and promoting a Company-wide sustainability mindset.

Monde Nissin's north star targets are the Company's way of operationalizing its sustainability goals, which it believes it can only achieve through a sustainability-committed leadership and a concerted effort across all levels of the business. To promote a unified approach to sustainability that places value in the collaborative contributions of its employees, Monde Nissin prioritizes building capabilities and a sustainability culture.

During the year, the Company made several strides toward reaching its economic, environmental, and social targets.

STRATEGIC PILLARS	NORTH STAR TARGETS	2022 PROGRESS	PRIORITY SDGs
Making Better Food Accessibility Possible	<ul style="list-style-type: none"> Majority revenue share of better and healthier products by 2030 	<ul style="list-style-type: none"> 70% revenue share of fortified product portfolio* 59% revenue share of sodium-reduced noodle products 	
Making Eco-efficiency Possible	<ul style="list-style-type: none"> 50% reduction in the Scope 1 & Scope 2 GHG intensity of manufacturing operations by 2025 	<ul style="list-style-type: none"> 23% reduction vs. 2021 baseline 	
	<ul style="list-style-type: none"> 50% reduction in the water intensity of manufacturing operations by 2025 	<ul style="list-style-type: none"> 23% reduction vs. 2021 baseline 	
	<ul style="list-style-type: none"> Zero waste-to-landfill from manufacturing operations by 2025 	<ul style="list-style-type: none"> 5% of waste generated from Monde Nissin's manufacturing operations was disposed to landfill 	
Making Inclusivity Possible	<ul style="list-style-type: none"> 95% recycle-ready packaging by 2025 	<ul style="list-style-type: none"> 94% recycle-ready packaging material (in terms of volume) 	
	<ul style="list-style-type: none"> 5,000 Independent Brand Experts and 25,000 sari-sari stores provided with livelihood opportunities and financial credit, respectively, by 2030 	<ul style="list-style-type: none"> 1,000 Independent Brand Experts provided with livelihood Partnered with DTI's Small Business Corporation in the implementation of RISE UP Tindakan, a loan assistance program catering to micro, small, and medium enterprises (MSMEs) that sell fast-moving consumer goods. 	
Making Collective Action Possible	<ul style="list-style-type: none"> Diverse workforce all enjoying access to social safeguards and dialogue, and competency development by 2025 	<ul style="list-style-type: none"> 100% of employees with above minimum wage 100% of employees with medical benefits 36% female workers in the workforce and 49% in management positions 13.2 average training hours per regular employee 	
	<ul style="list-style-type: none"> 100% of employees observing that sustainability is embraced in the way people act and decide in the Company by 2030 	<ul style="list-style-type: none"> Launched the Making Better Possible® campaign and provided platforms for employees to take action 	

*This covers products fortified with essential nutrients based on FDA standards for Lucky Me! noodles, Monde Nissin biscuits and Monde Nissin packaged cakes.

A BETTER ECONOMY



Making Inclusivity Possible is about working toward inclusive growth for Monde Nissin’s host communities and creating positive economic impacts.

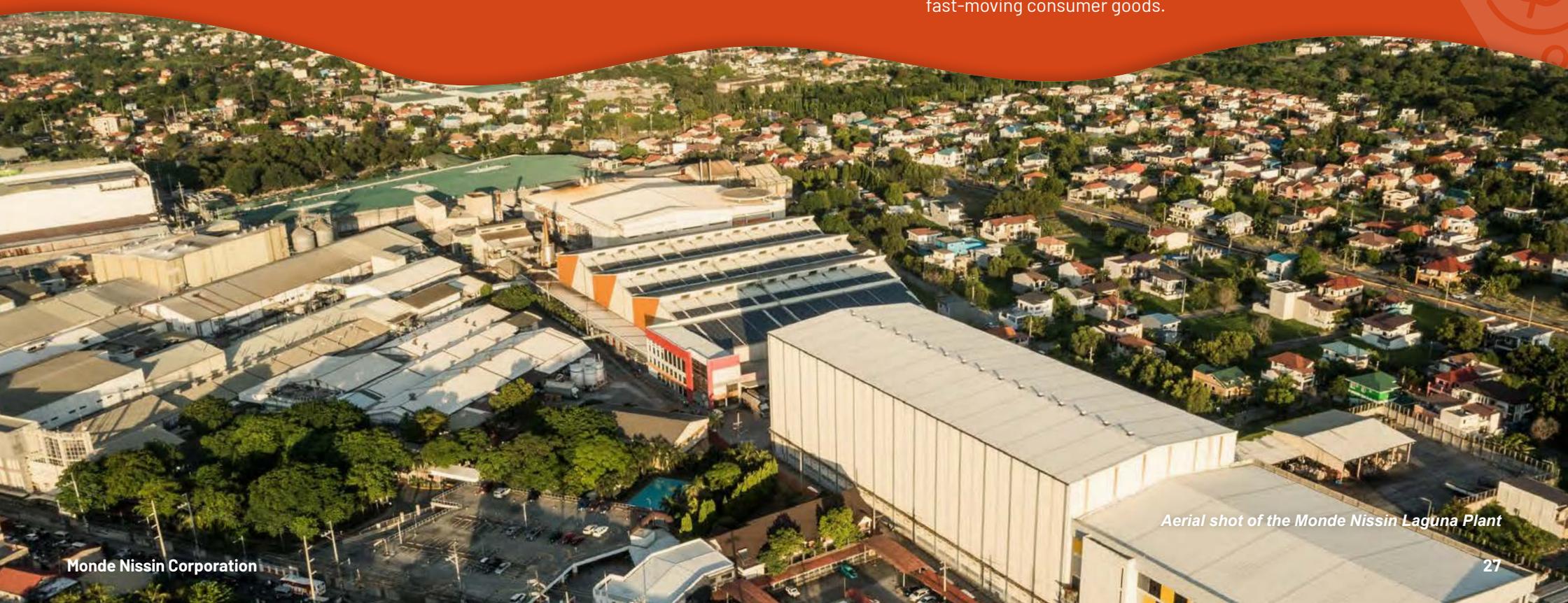


MONDE NISSIN’S NORTH STAR TARGETS

- ▶ **5,000** Independent Brand Experts and **25,000** sari-sari stores provided with livelihood opportunities and financial credit (for sari-sari stores) by **2030**.

MONDE NISSIN’S PROGRESS

- ▶ More than **1,000** Independent Brand Experts are part of Monde Nissin’s CDN.
- ▶ Collaborated with government-owned Small Business Corporation in the implementation of RISE UP Tindahan, a loan assistance program catering to MSMEs that sell fast-moving consumer goods.



Aerial shot of the Monde Nissin Laguna Plant



ECONOMIC PERFORMANCE

3-3, 201-2

MONDE NISSIN

Monde Nissin contributes to economic development and creates opportunities for the domestic market through its operations. This includes both directly generated revenues from the business as well as Monde Nissin's contributions to the economy in the form of job creation, local procurement, and payments to the government by way of taxes.

External factors such as macroeconomic conditions, consumer preferences, and competition, however, may influence Monde Nissin's economic value generated. For example, the pricing of Monde Nissin's raw and packaging materials may increase due to inflation and impact the margins of its products. Changing economic conditions, income levels, and seasonality also affect consumer preferences, which thereby impact sales. Additionally, there is the existence of competition from domestic producers, imported products, and foreign brands.

Climate change also poses potential risks to the Company's financial standing. These come in the form of physical risks where the supply chain, inventories and fixed assets, and pricing are affected by extreme weather conditions.

To manage these potential risks, Monde Nissin intends to continue innovating its products and maintaining a balanced portfolio with a high contribution of customer staples. To stay up to date with evolving consumer preferences and maintain brand loyalty, the Company also established several communication touchpoints with consumers through marketing. Marketing initiatives include those that promote sustained consumption of its products throughout the year to counter seasonality. The diversification of Monde Nissin's product mix also reduces the specific seasonality impact of certain products.

In managing climate change risks such as inventory damage and supply chain disruption due to extreme weather conditions, the Company has insurance policies to cover losses from damaged inventories and its environmental initiatives that focus on eco-efficiency to minimize negative environmental impacts.

Overall, Monde Nissin leverages operational synergy, long-term forward contracting to lock prices, diversification, and improvements to its product quality and customer service to address external risks that may decrease economic value generated and distributed.

As of the end of 2022, net sales grew by 9.5%, from Php 51.4 billion in 2021 to Php 56.3 billion in 2022. Cost of goods sold increased by 15.5%, from Php 36.4 billion in 2021 to Php 42.0 billion in 2022, primarily due to elevated commodity prices partly because of commodity lock-ins entered earlier in the year. Cost of goods sold as a percentage of net sales increased by 3.9 percentage points, from 70.8% in 2021 to 74.7% in 2022. Gross profit decreased by 5.2% from Php 15.0 billion in 2021 to Php 14.2 billion in 2022.

Current processes in place for monitoring Monde Nissin's economic performance include monthly profit proofing and management business review. Moving forward, the Company will continue to pursue product innovation, loss-eliminating processes, and work system innovations to improve product quality and consumer experience, and contribute to Monde Nissin's eco-efficiency and sustainable development goals.

QUORN FOODS

Quorn Foods’ strategy is designed to support the purpose of the business: “To provide Healthy Food for People and the Planet” and focuses on three key areas. First, to continue with business transformation including accelerating research and development and new product development, energizing the Quorn brand, and building on key customer relationships across the retail, foodservice, and QSR channels. Second, to capture the next phase of growth across key markets by strengthening its category leadership in the UK, growing its presence in the Foodservice channel, and increasing Quorn Foods’ penetration in the global QSR channel. Third, to continue to invest in developing Quorn Foods’ R&D and NPD capabilities.

Quorn Foods prepares annual budgets which are approved at the board level, and long term financial forecasts to assess enterprise value. The business prepares regular forecasts in order to adjust its strategies if required. Quorn Foods regularly reviews all components of its forecasts in order to take any necessary steps to remedy negative impacts. Projects that have a positive financial impact are developed starting with a feasibility study prior to working up a business case for approval and implementation.

Quorn Foods is currently targeting significant cost reduction programs over the coming years such as those for solar energy and insourcing product manufacturing. The business recently initiated an Ingredients Business Unit to explore opportunities in the business-to-business sector.

Direct economic value generated and distributed (in Php thousands)

201-1

DISCLOSURE	MONDE NISSIN	QUORN FOODS
Direct economic value generated (revenue)	56,257,603	15,327,670
Direct economic value distributed:		
a. Operating costs	6,275,213	3,211,297
b. Employee wages and benefits	3,224,824	3,814,998
c. Payments to suppliers, other operating costs	40,982,725	10,092,046
d. Dividends given to stockholders and interest payments to loan providers	2,598,058	182,437
e. Taxes given to government	2,158,728	147,905
f. Investments to community	27,485	10,071

Feature Story:

COLLABORATING TO EMPOWER FILIPINO MSMEs



Monde Nissin collaborated with government-owned Small Business Corporation to launch RISE UP Tindahan, a loan assistance program for MSMEs.

The loan program aims to bolster MSMEs and amplify their successes after the challenges brought by the pandemic.

RISE UP Tindahan targets sari-sari stores, retail stores, dealers, and distributors under the network of partner FMCG companies. The program gives Filipinos throughout the supply chain the opportunity for financial support by providing loans of up to Php 5 million.



PROCUREMENT PRACTICES

3-3

MONDE NISSIN

Local sourcing is a practice that minimizes shipping and storage and increases local revenue among suppliers in the area. With this in mind, Monde Nissin actively searches for local suppliers to manage supply chain disruption-related risks and to promote local economic development. Less shipping distance also results in less logistical efforts and inventory.

As part of its purchasing policy, Monde Nissin tries to limit the importation of raw materials only to those not readily available in the Philippines or when there are concerns relating to the quality, supply, or price of local raw materials. Monde Nissin's imported materials consume more fuel due to distance and thus, contribute to carbon emissions. Specific to its production is the

procurement of palm oil. To address environmental and social concerns related to this area, the Company is exploring further assessments on sustainability criteria.

The Company is also aware that excessive procurement may result in increased waste. Monde Nissin reuses packaging materials such as totes, plastic corrugated boards, and crates. However, it currently does not have an available alternative for non-recyclable laminates, which it aims to resolve to better align with its eco-efficiency goals.

To better manage environmental, social, and governance risks within the supply chain, such as weather disturbances and

supply chain disruptions, Monde Nissin constantly reviews its supply chain resiliency. It has practices in place to mitigate the risk of volatile prices caused by supply chain disruptions.

A specific procurement policy is currently undergoing review within the Company alongside a review of alternative materials sourcing. This is a continuous improvement process being conducted by the NPD department. For 2023, the Company is aiming for better benchmarking practices, value creation through increased governance, collaboration and strategic sourcing with vendors, and talent development.

QUORN FOODS

Quorn Foods looks to optimize its procurement of materials through tendering, forward contacts, and other purchasing strategies to balance the economic and operational needs of the business. It has various policies that cover procurement practices including delegations of authority to ensure segregation of duties and approval at appropriate levels of seniority and anti-corruption policies, among others.

Quorn Foods undertakes regular reviews at the senior management level for all procured items. Existing practices and policies serve to ensure that Quorn Foods remains as optimized as possible with regard to the security of supply and economic impact on the business.

The business undertakes regular analysis of prices and trends to ensure that decision-making is as robust as possible. The procurement team is supported by financial business partners to aid with the analysis and monitoring of performance. Any specific actions to improve in this area are regularly discussed and, where appropriate, implemented.

In terms of supply chain management, all suppliers of raw materials must be registered in the ethical auditing system of Sedex. Quorn Foods is looking into expanding ethical auditing to suppliers of non-raw materials in the future. The business is also planning to benchmark its Scope 3 emissions in order to develop a reduction strategy that will better manage its supply chain.

Proportion of spending on local suppliers

204-1

DISCLOSURE	MONDE NISSIN	QUORN FOODS	UNIT
Percentage of procurement budget used for significant locations of operations that is spent on local suppliers	63	Data not available	%

Note: Monde Nissin's data is based on the value of spend. Local items are those purchased through local suppliers and help create and sustain the local economy. Quorn Foods does not currently define "local" as part of its procurement analysis, hence the unavailability of data.



Quorn Plant in Belasis, UK

A BETTER PLANET



Making Eco-efficiency Possible

is based on the concept of doing more with less. It is about operationalizing conservation strategies and adopting green solutions to enhance efficiency in the use of resources while minimizing creation of waste and pollution.



MONDE NISSIN'S NORTH STAR TARGETS

- ▶ **50%** reduction in the Scope 1 and Scope 2 GHG intensity of manufacturing operations by **2025**.
- ▶ **50%** reduction in the water intensity of manufacturing operations by **2025**.
- ▶ **Zero** waste-to-landfill from manufacturing operations by **2025**.
- ▶ **95%** recycle-ready packaging by **2025**.

MONDE NISSIN'S PROGRESS

- ▶ **23%** reduction in Scope 1 and Scope 2 GHG intensity versus 2021 baseline
- ▶ **23%** reduction in water intensity versus 2021 baseline
- ▶ **5%** of waste generated from Monde Nissin's manufacturing operations were disposed to landfill
- ▶ **94%** recycle-ready packaging material (in terms of volume)

EDC geothermal plant site



Feature Story:

MONDE NISSIN'S CONCERTED EFFORTS TOWARD ECO-EFFICIENCY

Collective action on behalf of Monde Nissin's Product Supply departments in 2022 resulted in the Company's collaborative eco-efficiency initiative that was implemented across its manufacturing plants.



Monde Nissin's corporate aspiration—*To improve the well-being of people and the planet, and create sustainable solutions for food security*—requires a Company-wide effort. The Company is focused on empowering its people to find their own ways to make progress toward Monde Nissin's north star targets.

Monde Nissin is constantly looking for ways to improve the eco-efficiency of its facilities. To meet its eco-efficiency goals, the Company has adopted a holistic and uniform approach across its manufacturing operations. The approach involves the following:

- Enable all employees in the manufacturing sites to understand the business linkage with sustainability.
- Understand the major key losses and sources of losses the site needs to eliminate to achieve the goals.
- Understand the capabilities and the culture needed to achieve the goals and commitments.
- Leverage and link the standardized work systems and tailor it to achieve the goals set per site.
- Provide a visual review process on the key losses and identify actions to eliminate them.

Monde Nissin uses two key tools in monitoring and improving its environmental footprint:

- ▶ Loss analysis: Identify and understand 100% of the losses within the organization.
- ▶ Loss map: Generate a map with losses pertaining to the various environmental impacts of the organization.

Monde Nissin's Product Supply teams monitored the environmental impacts of the Company's manufacturing plants and collected baseline data in 2021. From there, the teams were set on aligning their own eco-efficiency targets with Monde Nissin's corporate roadmap.

In 2022, the Product Supply teams set their own eco-efficiency initiative that has since then cascaded into the following pillars:

Electricity: Through a renewed way of monitoring and mapping its electricity consumption, Monde Nissin was able to identify areas where it could control its utilities use, such as determining a uniform setting for its electrical appliances across all plants.

Water: By brainstorming and benchmarking against the industry's best practices in water management, Monde Nissin adjusted its processes to allow for the conversion of water from operations to allow re-use and application to other plant-wide activities.

Steam: A continuous learning mindset has allowed Monde Nissin to innovate its systems to allow for more efficient use of its boilers, such as optimizing start-ups and shutdowns, harvesting rainwater, and automating processes.

ENERGY

3-3

MONDE NISSIN

By improving its processes through the eco-efficiency thrust, Monde Nissin minimizes its negative environmental impacts and optimizes its operations. This approach enables its employees to identify the gaps and implement the necessary action programs to increase energy efficiency.

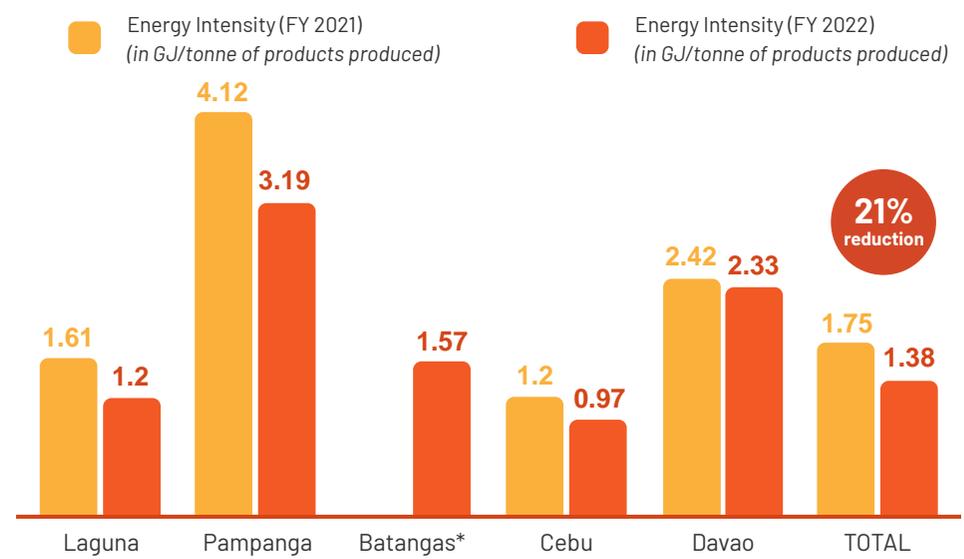
An energy conservation (*Enercon*) team was set up and meets on a weekly basis to eliminate losses on electricity, steam, and water. The same Enercon team allows Monde Nissin to benchmark results, systems, and processes across all sites, accelerating its progress on sustainability.

In July 2022, the following plant site locations shifted to renewable energy: Laguna, Batangas, and Pampanga. The Cebu plant site switched to renewable energy last December 2022. The ongoing switch is a milestone in Monde Nissin's move toward opting for green energy.

Monde Nissin has also started to generate ideas and implement process optimizations and rate increases, enabling a 10% to 30% reduction in its utilities consumption. This is applicable to Monde Nissin's Noodles and Bakery manufacturing lines. Through the initiatives of Monde Nissin's manufacturing plants, the Company achieved a 21% reduction of its energy intensity in 2022.

Energy Intensity Reduction Across Monde Nissin's Manufacturing Plants

302-3



*The Batangas Plant commenced operations only in October 2021.



MFL

MFL's goal is to become net zero in its own operations by 2030 for Scope 1 and 2 emissions and reduce Scope 3 emissions by 50% by the year 2030. To mitigate volatility in the energy market—which also impacts MFL's economic performance—the journey to decarbonization could be accelerated through energy efficiency projects and investments in renewables.

Guiding its initiatives is its cost-per-tonne strategy. To prevent negative impacts, MFL's Head of Engineering created an energy reduction roadmap. Specific projects underway include the following:

- ▶ Stokesley Transformers
- ▶ Stokesley High Efficiency Pumps
- ▶ Belasis Calcium Phosphate Reduction
- ▶ Belasis pH correction
- ▶ Belasis F5 Harmonic Filters

Part of MFL's 2023 plan is to improve metering and monitoring across manufacturing sites, in order to benchmark progress more accurately. Once metering is brought up to standard, energy use will be incorporated into routine accountability structures such as tiered meetings and reports.

MFL is currently exploring the opportunity for renewable energy at all sites in a feasibility study. It is exploring the rationalization of utilities including refrigeration and hot water at its Stokesley site to reduce energy consumption.

Energy Intensity

302-3

DISCLOSURE	MFL	UNITS
Electricity	1.23	MWh/tonne produced
Steam	1.30	MWh/tonne produced
Gas	0.77	MWh/tonne produced
Kerosene	0.00	MWh/tonne produced
LPG	0.14	MWh/tonne produced
Nitrogen	0.11	MWh/tonne produced
Carbon dioxide	0.02	MWh/tonne produced



Feature Story:

STARTING THE WIDESPREAD TRANSITION TO RENEWABLE ENERGY



Through contracts with Energy Development Corporation's (EDC's) subsidiaries, Monde Nissin began shifting all of its Philippine manufacturing plants, except the Davao plant, to renewable energy in 2022. The Davao plant's transition to renewable energy is also being planned.

The following plants have shifted to renewable energy:

- ▶ Laguna, Pampanga, and Batangas - **July 26, 2022**
- ▶ Cebu - **December 26, 2022**

The move toward clean energy exemplifies the Company's strategic pillars of Making Collective Action Possible and Making Eco-efficiency Possible.

The initiative's successful start is attributable to Monde Nissin's willingness to collaborate with other like-minded organizations to work toward sustainable solutions. At the same time, the shift is expected to reduce up to half of Monde Nissin's annual carbon emissions once completed, a significant achievement toward greening its production.

Energy consumption

302-1

DISCLOSURE	Monde Nissin						UNITS
	Laguna Plant	Pampanga Plant	Batangas Plant	Cebu Plant	Davao Plant	Total	
Biomass/ coco shell	-	-	-	7,547,684	618,160	8,165,844	kg
Solar panels	1,299,804	-	-	-	-	1,299,804	kWh
Renewable electricity (Geothermal energy)*	27,163,437	1,809,324	1,986,770	-	-	30,959,531	kWh
Gasoline	-	-	-	-	-	-	liters
LPG	1,845,900	-	1,726,791	419,846	-	3,992,537	kg
Diesel	172,080	12,600	8,000	981	4,700	198,361	liters
Non- renewable electricity	38,317,448	3,395,338	3,083,185	7,301,026	3,934,560	56,031,557	kWh
Bunker fuel	706,930	-	-	1,404,000	-	2,110,930	liters
Coal	28,651,210	7,893,732	-	-	7,522,795	44,067,737	kg

Reduction of energy consumption (FY 2022 vs. FY 2021)

302-4

DISCLOSURE	Monde Nissin						UNITS
	Laguna Plant	Pampanga Plant	Batangas Plant	Cebu Plant	Davao Plant	Total	
Electricity	9,241,321	751,208	Data unavailable*	922,720	714,840	6,560,134	kWh
Bunker fuel	2,340,595	0	Data unavailable*	1,816,000	0	4,156,595	liters
Coal	8,314,543	661,898	Data unavailable*	0	325,719	9,302,160	kg

*The Batangas Plant commenced operations only in October 2021 thus baseline data is insufficient for energy reduction comparisons.

DISCLOSURE	MFL	UNITS
Renewable source (electricity)	41,952	MWh
Renewable source (steam)	44,098	MWh
LPG	5,154	MWh
Gas	28,988	MWh
Kerosene	0	MWh
Nitrogen	4,314	MWh
Carbon dioxide	571	MWh
Non-renewable steam	4,900	MWh
Non-renewable electricity	4,388	MWh

*Monde Nissin's Cebu Plant shifted to renewable electricity last December 26, 2022. Monde Nissin's Davao Plant has yet to switch to renewable electricity as government regulations regarding local retail electricity supplier contracting is not yet in effect.

DISCLOSURE	MFL	UNITS
Electricity	8,161	MWh
Steam	16,181	MWh
LPG	1,434	MWh
Gas	11,883	MWh
Kerosene	0	MWh
Carbon dioxide	144	MWh

EMISSIONS

3-3

MONDE NISSIN

Managing emissions is important to Monde Nissin as greenhouse gases and other air pollutants generated from its operations can impact the environment and contribute to climate change which can affect the availability of Monde Nissin's inputs or raw materials in the long run.

There are emissions standards and regulations that Monde Nissin is required to comply with, geared towards ensuring that its manufacturing processes produce as few detrimental impacts on the environment as possible. Each plant has a Pollution Control and Safety Officer who monitors emissions and their sources and updates permits and records of compliance.

In 2022, Monde Nissin's Scope 1 and Scope 2 GHG intensity decreased to 0.32 tonnes of carbon dioxide equivalent (CO₂e) per tonne of product produced compared to 0.41 tonnes of CO₂e per tonne of product produced in 2021.

GHG Emissions

305-1, 305-2

DISCLOSURE	Monde Nissin						UNITS
	Laguna Plant	Pampanga Plant	Batangas Plant	Cebu Plant	Davao Plant	Total	
Scope 1 Emissions*	60,473	14,472	5,180	5,407	13,773	99,305	tonnes CO ₂ e
Scope 2 Emissions	30,522	2,633	2,432	5,200	3,068	43,855	tonnes CO ₂ e

Note: Emissions from the use of biomass/coco shells were not included in the calculations for Scope 1 emissions.

DISCLOSURE	MFL	UNITS
Scope 1 and 2 Emissions	11,964	tonnes CO ₂ e

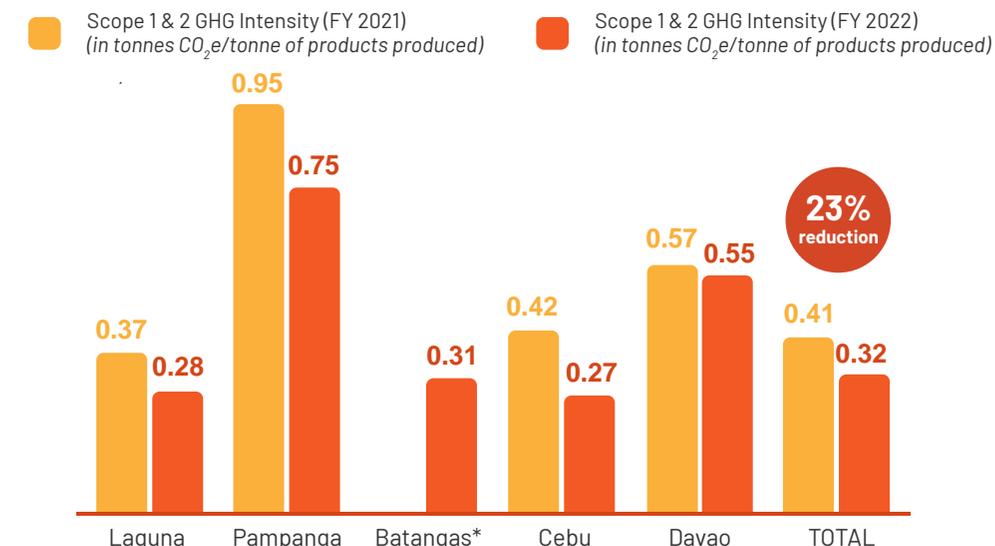
Monde Nissin is continuing to look for pathways to reduce its carbon footprint in its operations. Aside from optimizing energy use to reduce emissions, Monde Nissin has also invested in a 1.3MW solar project at its Laguna plant. The Company has a biomass facility at the Cebu plant which runs on coconut shells, while the Batangas plant uses liquefied petroleum gas to power its boilers.

The Company recognizes that adopting renewable energy may reduce its GHG emissions, resulting in cleaner air in the environment. Monde Nissin signed power supply deals with EDC's subsidiaries for the supply of green energy in the form of geothermal energy commencing on July 26, 2022, to reduce its operational carbon footprint.

It is also exploring less carbon-intensive alternatives to complement its efforts to reduce GHG emissions. Monde Nissin aims to transition to a low-carbon economy and has set an ambitious target to reduce the Scope 1 and Scope 2 GHG intensity of its manufacturing operations by 50% in 2025.

Scope 1 and Scope 2 GHG Intensity Reduction Across Monde Nissin's Manufacturing Plants

305-4



*The Batangas Plant commenced operations only in October 2021.

EDC geothermal plant site



Scope 1 and Scope 2 GHG Intensity

305-4

DISCLOSURE	MFL	UNITS
Scope 1 and 2 Emissions	11,964	tonnes CO ₂ e
Volume of Products Produced	37,641	tonnes
GHG Intensity	0.32	tonnes CO ₂ e/tonne of product produced

Note: For MFL, gasses included in the calculation for scope 1 emissions are CH₄, CO₂, and N₂O. The baseline information comes from two sources. Firstly, the business tracks energy usage from invoices and corroborates this with meter readings to assess uninvoiced usage. Secondly, the CO₂e rates are provided by the UK government and these are updated on an annual basis.

Reduction of GHG Emissions

305-5

DISCLOSURE	Monde Nissin						UNITS
	Laguna Plant	Pampanga Plant	Batangas Plant	Cebu Plant	Davao Plant	Total	
Scope 1 Emissions	21,321	1,274	Data unavailable*	5,265	587	23,267	tonnes CO ₂ e
Scope 2 Emissions	22,695	1,609	Data unavailable*	657	557	23,086	tonnes CO ₂ e

*The Batangas Plant commenced operations only in October 2021 thus baseline data is insufficient for GHG emissions reduction comparisons.

DISCLOSURE	MFL	UNITS
Scope 1 and 2 Emissions	8,087	tonnes CO ₂ e

MATERIALS

3-3

MONDE NISSIN

Given Monde Nissin's products, plastic is used for packaging because of its superior price competitiveness, barrier property, and versatility as compared with paper, glass, and other packaging materials. However, the Company is aware that, if not managed properly, accumulated waste from scraps and discarded materials can lead to land pollution. Post-consumer waste and waste leakage to bodies of water are also potential risks. To have less landfill-bound waste, Monde Nissin aims to implement resource-efficient operations.

To make Monde Nissin's packaging more efficient, the Company is reducing the usage of materials through a reduction in flexible packaging dimension and carton paper grammage. Packaging is continuously assessed for further reduction opportunities. Monde Nissin's role in waste generation and management does not stop in the production process. It is also crucial for the Company to ensure the reduction of post-consumer waste going to landfill, whomever the consumer may be.

While packaging is essential in delivering quality products to its customers, Monde Nissin is working towards minimizing its plastic packaging footprint. The Company has implemented design solutions to downsize its usage of packaging materials without compromising the quality of its products.



Key initiatives that have yielded significant reductions in packaging materials include the elimination of sachet packaging for garnish in most Lucky Me! Mini Go Cup, and decreasing the packaging of both Breadstix and Egnog products.

Furthermore, 94% of Monde Nissin's plastic packaging volume is recycle-ready. The Company is also a member of the Philippine Alliance for Recycling and Materials Sustainability (PARMS), a non-profit organization dedicated to improving waste management. Monde Nissin is one of the signatories and partner companies of PARMS members' group pledge "Ambisyon 2030: Zero Waste to Nature."

Competitive intelligence is practiced to check how Monde Nissin's packaging compares externally.

MFL

The key raw materials used by MFL are glucose, egg albumen, whey, other textured proteins, natural flavors, seasonings, coatings, vegetables, minerals, and soy (for Cauldron only). Similar to Monde Nissin, the price and availability of these raw materials are subject to volatility due to a number of external factors. This is mitigated by purchasing raw materials in advance or sourcing alternative supplies. In addition to that, MFL also faces the risk of non-performance or mal-performance of contracts by suppliers which can delay supply and suspend production. Transportation, supply chain logistics, and infrastructure are important factors to consider as well.

Any of the aforementioned adverse events under Monde Nissin could materially and adversely affect MFL's business, financial condition, results of operations, and prospects. MFL's Procurement Department ensures continuity of supply by obtaining multiple sources for the critical ingredients and a geographical spread of suppliers; it closely coordinates with the Demand and Supply Planning team to ensure that appropriate stock levels are maintained. Purchasing efficiencies also are secured by regularly benchmarking and tendering all materials.



SOLID AND HAZARDOUS WASTE

3-3, 306-1, 306-2

MONDE NISSIN

Monde Nissin acknowledges that proper waste management is essential in preventing or mitigating potential negative impacts on the environment such as land and water pollution, as this topic is one of the primary issues associated with the food industry. Potential positive impacts include minimizing plastic footprint through innovation of its packaging and responsible production in the volume of goods.

Monde Nissin is improving its waste management practices by aiming to take the measures and process improvements necessary to achieve zero waste to landfill from its manufacturing operations by 2025.

In 2022, Monde Nissin continued its Zero Waste to Landfill program across all sites. Its main program was focusing on Waste Segregation and Waste Elimination to reduce waste to landfill. Key to the program is educating employees to see sources of waste, and eliminate and segregate remaining waste properly.

In 2022, only 5% of the waste generated from Monde Nissin's manufacturing plants were disposed to landfill, while 95% were recycled or diverted from landfill. Moving forward, Monde Nissin will continue its program to achieve zero waste to landfill.

Another 2022 Monde Nissin milestone was working together with accredited waste management companies that help Monde Nissin manage residual waste. They convert the Company's residual waste from the Batangas and Pampanga plants into fuel for use in cement plants.

MFL

Waste-related impacts are generated within the manufacturing activities of MFL. To address these impacts, MFL has set targets and goals for the reduction of waste, which are discussed and measured monthly to ensure the objectives and targets are on track. MFL has a comprehensive waste management procedure that includes all waste streams for the business.

MFL utilizes a single contractor for the management of all waste, with the exception of effluents. It operates in accordance with ISO Standards 14001 and 50001 and complies with the strict regulations and enforcement of waste management which exists in the UK, especially regarding compliance with legal requirements for all waste containment, transport, and disposal. These obligations are stated in the contract and later on audited by the regulating body. For effluents from the factory processes, a treatment process takes place to ensure compliance with legal discharge standards prior to effluents entering the environment. 100% of waste from operations is recycled at MFL. Food waste is sent for anaerobic digestion while sludges from treated wastewater are collected afterward either for anaerobic digestion or as a source for fertilizer which is used at local farms.

Waste reduction is central to cost control and to the sustainability agenda of MFL. It has a dedicated safety, health, and environment (SHE) team to ensure that a proper waste management system is in place to avoid waste-related impacts. This team evaluates its management approach for solid and hazardous waste by gathering waste reports from the waste collection contractor and conducting monthly reviews, with factory waste being a standing agenda item for such reviews. Together, these actions ensure that MFL does not adversely impact the local environment as all solid waste is recycled and all liquid waste is cleaned up prior to discharge back into the local water networks.

The business has a group of 'sustainability champions' who are aligning relevant targets and ambitions; these are discussed and shared regularly. All live projects are reviewed monthly to ensure they are on track.

There have been a number of effective results and achievements such as a reduction in food waste at the Belasis site. There are regular key performance indicator (KPI) reviews to ensure compliance and effectiveness.

Converting ash to construction materials



Monde Nissin's wet and dry ash waste from its coal boiler is hauled off by contractors to be re-used as backfill material and as a component of concrete hollow blocks and barriers, respectively.

Waste generated, Waste diverted from disposal, Waste directed to disposal

306-3, 306-4, 306-5

DISCLOSURE	Monde Nissin						UNITS
	Laguna Plant	Pampanga Plant	Batangas Plant	Cebu Plant	Davao Plant	Total	
Total Solid Waste & Non-Hazardous Waste Generated	15,413	4,062	2,572	2,774	4,258	29,080	tonnes
Total Solid Waste and Non-Hazardous Waste Disposed to Landfill	753	43	106	233	341	1,476	tonnes
Total Solid Waste and Non-Hazardous Waste Recycled/Diverted from Landfill	14,660	4,019	2,466	2,541	3,917	27,604	tonnes
% of Waste Disposed to Landfill	5	1	4	8	8	5	%
% of Waste Recycled	95	99	96	92	92	95	%

DISCLOSURE	Monde Nissin						UNITS
	Laguna Plant	Pampanga Plant*	Batangas Plant	Cebu Plant	Davao Plant	Total	
Total Weight of Hazardous Waste Generated	1,474	599	109	10	48	2,240	tonnes
Total Weight of Hazardous Waste Transported	1,474	599	109	10	48	2,240	tonnes

*A portion of the hazardous waste generated and transported in 2021 was only recorded in 2022 because there was a delay in obtaining Pampanga Plant's Hazardous Waste ID in 2021.

DISCLOSURE	MFL	UNITS
Total Solid Waste & Non-Hazardous Waste Generated	37,609	tonnes
Total Solid Waste and Non-Hazardous Waste Disposed to Landfill	0	tonnes
Total Solid Waste and Non-Hazardous Waste Recycled/Diverted from Landfill	37,609	tonnes
% of Waste Disposed to Landfill	0	%
% of Waste Recycled	100	%

DISCLOSURE	MFL	UNITS
Total Weight of Hazardous Waste Generated	233	tonnes
Total Weight of Hazardous Waste Transported	233	tonnes

Note: For MFL, data was collected from three of the business' waste management reports. Septic tank sludge is considered hazardous waste.

WATER AND EFFLUENTS

3-3, 301-1, 301-2

MONDE NISSIN

Water is an essential resource for Monde Nissin's production, where it is used for machinery and other office uses. As a shared resource with nearby communities, Monde Nissin aims to enact water conservation initiatives and to practice proper disposal of treated wastewater. Failing to do so can cause water pollution and soil degradation, all of which could affect the health of aquatic environments and nearby communities.

Monde Nissin is currently operating five deep well pumps. Raw water from deep wells is converted into the following: filtered water for general purposes such as cleaning and lavatory use, soft water for machine equipment and space cooling, chlorinated water for drinking, process water for production use, and reverse osmosis (RO) water for steam production.

Rainwater directly discharges to a storm drain. For all Monde Nissin plants, influent water goes to a wastewater treatment plant for treatment before being discharged to the municipal sewer system. Monthly influent and effluent sampling is conducted per Department of Environment and Natural Resources (DENR) Administrative Orders (DAO) 2016-08 and 2021-19 through DENR-accredited third parties. When discharging water, the profile of the receiving water body is considered. Monde Nissin's Laguna Plant has a Discharge Permit issued by the Laguna Lake Development Authority pursuant to Republic Act (RA) No. 9275, or the Clean Water Act of 2004. Similar to the Laguna Plant, all other Monde Nissin Plants have the corresponding discharge permits from the DENR.

On an operational level, Monde Nissin uses water for utilities and day-to-day operations. In 2021, Monde Nissin's water intensity was 3.1 cubic meters per tonne of product produced, whereas in 2022 this was down to 2.39 cubic meters per tonne of product produced. A majority of water is used for the cleaning and sanitation of machines, space cooling, machine cooling, and steam generation.

Although none of its manufacturing plants suffer from water shortage for their operational requirements, Monde Nissin is taking measures to reduce its water consumption. The same loss elimination approach was implemented to improve the efficiency of its facilities, particularly towards water use. Monde Nissin continues to standardize and benchmark best-in-class solutions, best practices, and control measures using the latest available technologies to reduce unnecessary water use.

Monde Nissin aims to improve water use efficiency in all areas of production and has set a 10% annual reduction target for water intensity. Through the initiatives of Monde Nissin's manufacturing plants, Monde Nissin's water intensity has decreased by 23% in 2022 compared to 2021.

Monde Nissin is also considering exploring rainwater harvesting and recycling its effluents from wastewater treatment plants to further reduce its freshwater consumption.



Laguna plant water treatment



MFL

The business obtains its water from national suppliers, which water is mainly used for the production of its products at its manufacturing locations.

Water is cleaned and treated either at MFL’s own water treatment plants or by a third-party effluent treatment plant. MFL also measures effluent quality against consent limits that it is obliged to adhere to, and minimum standards for effluents set by regulators and controlled by formal discharge consents [which include standards for hourly and daily volume, temperature, the potential of hydrogen (pH), total organic carbon (TOC), and chemical oxygen demand (COD)].

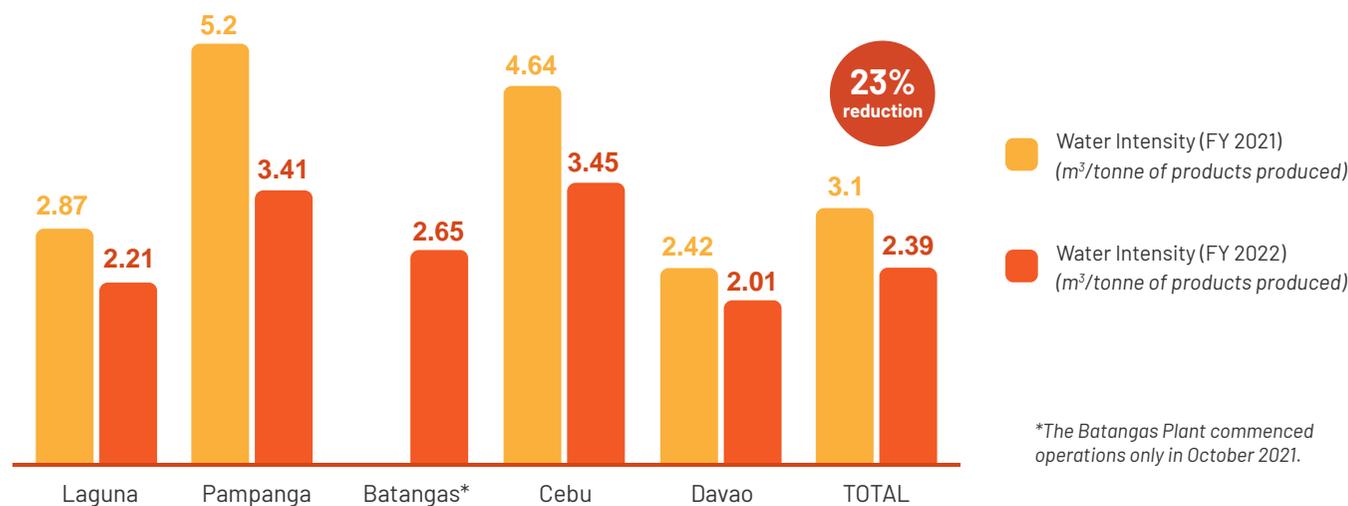
Where sites discharge to a watercourse, the consent limits and minimum standards are issued and controlled by the Environment Agency. Where they discharge to the sewer, the consent limits and minimum standards are issued and controlled by the local sewage company. Water discharge in the UK is legally controlled and discharge consents are written to control the quality of discharge from the specific facility with consideration to the potential impact on the receiving water and its biodiversity. MFL discharges the cleaned water to rivers.

MFL measures its water usage and also undertakes periodic assessments of usage against animal proteins through its sustainability report data capture. It evaluates its management approach by comparing the amount of water used in production relative to output, against water used for animal protein.

MFL must have an environmental discharge permit with minimum consent levels before it can discharge to the local river. It has recently upgraded its technology and built an additional treatment plant to reduce its impact further. It has an environmental management policy and an effluent treatment policy.

MFL’s compliance is checked daily within a sampling regime. This is analyzed both internally and externally and recorded to ensure compliance. Its effluent treatment and water usage are reported daily and escalated if necessary. All relevant actions would be assigned to an owner and closed in a timely manner to ensure compliance. It currently has champions groups and forums that regularly discuss opportunities and propose plans to the wider business.

Water Intensity Reduction Across Monde Nissin’s Manufacturing Plants



Water withdrawal, Water discharge, Water consumption

303-3, 303-4, 303-5

DISCLOSURE	Monde Nissin						UNITS
	Laguna Plant	Pampanga Plant	Batangas Plant	Cebu Plant	Davao Plant	Total	
Water withdrawal (deepwell)	728,855	0	0	134,593	61,650	925,098	m ³
Water consumption	728,855	77,527	65,744	134,593	61,650	1,068,369	m ³

*Monde Nissin Pampanga and Batangas Plants are sourcing their water supply from Industrial Parks.

DISCLOSURE	Monde Nissin						UNITS
	Laguna Plant	Pampanga Plant	Batangas Plant	Cebu Plant	Davao Plant	Total	
Water discharge	238,550	8,743	13,620	13,098	9,747	283,758	m ³
Wastewater recycled and reused	19,360	0	0	0	0	19,360	m ³
% of wastewater recycled	7.51	0	0	0	0	6.39	%
Water intensity	2.21	3.41	2.65	3.45	2.01	2.39	m ³ /tonne of product produced

DISCLOSURE	MFL	UNITS
Water withdrawal	809,281	m ³
Water consumption	809,281	m ³

DISCLOSURE	MFL	UNITS
Water discharge	Data unavailable	m ³
Wastewater recycled and reused	0*	m ³
% of wastewater recycled	0*	%
Water intensity	21.50	m ³ /tonne of product produced

*All wastewater of MFL is treated and cleaned before it is discharged into national waterways.



A BETTER SOCIETY



Making Better Food Accessibility is about innovating products and distribution systems to create food and beverages that are better for consumer health, aligned with their preferences, and within their reach.

Making Inclusivity Possible is about embracing diversity at the workplace and giving equal opportunities, while also creating inclusive growth in host communities.



MONDE NISSIN'S NORTH STAR TARGETS

- ▶ **Majority** revenue share of better and healthier products by **2030**.
- ▶ **5,000** Independent Brand Experts and **25,000** sari-sari stores provided with livelihood opportunities and financial credit, respectively, by **2030**.
- ▶ Diverse workforce where **all** have access to social safeguards, dialogue, and competency development by **2025**.

MONDE NISSIN'S PROGRESS

- ▶ **70%** revenue share of fortified product portfolio
- ▶ **59%** revenue share of sodium-reduced noodle products
- ▶ **More than 1,000** Independent Brand Experts are part of Monde Nissin's CDN
- ▶ **100%** of employees earning above minimum wage
- ▶ **100%** of employees with medical benefits
- ▶ **36%** female workers in the workforce and **49%** female in management positions
- ▶ **13.2** average training hours per regular employee

Care for Employees

EMPLOYMENT

3-3

MONDE NISSIN

Manpower is one of the main resources needed for Monde Nissin to operate its plants and offices efficiently and effectively. Supporting and providing competitive benefits to well-managed employees results in a more motivated workforce and encourages employee retention. However, failing to manage employees properly may decrease morale, and may subsequently contribute to high employee turnover.

The employment process begins with hiring. Monde Nissin prioritizes local hiring and job creation by collaborating with local employment offices such as the Public Employment Services Office (PESO), and institutions such as the Technical Education and Skills Development Authority (TESDA), Meralco Foundation, and schools for the targeted recruitment of manpower with the skills and qualifications needed for Monde Nissin's operations.

Monde Nissin has also reached out to nearby communities in its plant sites by giving preference to those residing closer to its plant. Apart from these sources, Monde Nissin leveraged employer branding agencies to attract talent. Although competition for talent remains high, the Company has made efforts to be competitive by reviewing its hiring practices and the compensation and benefits it offers through industry benchmarking practices.

The Company ensures sufficient manpower to keep its plants operating efficiently while ensuring the safety and well-being of onsite employees as they perform their duties. Onboarding processes were also streamlined and automated to make the entry for new recruits to Monde Nissin faster and smoother.

Flexible work arrangements were adopted for certain positions while Monde Nissin provided support to employees to continue their assignments even when working from home. For hybrid and onsite workers, facemasks, vitamins, and free meals were provided. Health and wellness programs were strengthened to support the employees' physical and mental well-being.



QUORN FOODS

Quorn Foods has a suite of human resources policies relating to the area of employment, understanding that the lack of benefits and support can make the business less attractive to potential candidates when advertising for vacant positions.

Such policies are widely available on the company's intranet. The business undertakes regular employee engagement surveys as well as offers a wide range of rewards to all employees through the Qmunity system. This system allows all employees to send thank-Q notes to other employees for their support. Within this system is a Q-dos award system where colleagues can nominate one another for embodying the values of Quorn Foods. Winners are then awarded vouchers to more than 600 shops. Besides this system, the business also conducts regular briefings to all staff through town hall sessions led by the CEO.

In 2022, to help with the cost-of-living-crisis, Quorn Foods made a one-time payment to all employees outside of its Short Term Incentive Plan (STIP) scheme. There were no performance criteria attached to this scheme. The company has introduced an all-employee bonus scheme for 2023 and beyond. Prior to this, a STIP scheme was only available to leadership team positions.

One of the tools to track the effectiveness of its human resource programs is the engagement survey.

Employees

2-7

DISCLOSURE*	MONDE NISSIN	QUORN FOODS	UNITS
Total number of employees	3,356	888	#
a. Number of female employees	1,210	335	#
b. Number of male employees	2,146	553	#
Total number of regular employees	2,057	888	#
a. Number of regular female employees	800	335	#
b. Number of regular male employees	1,257	553	#
Total number of probationary employees	1,299	0	#
a. Number of probationary female employees	410	0	#
b. Number of probationary male employees	889	0	#
Turnover rate*	9	27	%

Note: turnover rate includes all types of separation

*(no. of separated regular employees)/(average of total no. of employees of previous reporting year and total no. of employees of current reporting year)

A Holistic Approach to Health & Wellness:

THE SEVEN PILLARS OF BETTER ME, BETTER MONDE!

Monde Nissin launched these pillars to raise awareness on the different aspects that may affect health and wellness through informative campaigns and tailored programs:

1 PHYSICAL

Physical Wellness programs aim to maintain or improve the physical health of employees and stakeholders through proper nutrition, exercise, preventatives, and awareness talks.



5 MENTAL

The Company prioritizes the Mental Wellness of employees by including free online mental health services through its healthcare provider and providing free mental health webinars.



2 FAMILY

The Company adopts a family-centered approach and promotes Family Welfare through events that celebrate employees' families.



6 SPIRITUAL

Programs under Spiritual Wellness strive to foster employees' intrapersonal well-being through programs like personal retreats.



3 SOCIAL & 4 VOLUNTEERISM

Social Wellness and Employee Volunteerism programs are Monde Nissin's approach to nurturing employees' relationships with each other and their communities through community engagement activities.



7 FINANCIAL

Financial Wellness programs mainly consist of activities and events that develop employees' financial literacy.



TRAINING AND DEVELOPMENT

3-3

MONDE NISSIN

Training and talent development for employees enhances their skills and capabilities, and, possibly, the quality of their work at Monde Nissin. If training programs are insufficient and mismatched, the Company may have a workforce that misses out on professional development.

Insufficient and incorrect training programs can create a mismatch between evolving business needs and employee skill sets. This could lead to missed organizational targets and low morale across the workforce.

Monde Nissin is committed to providing training opportunities across different demographics of the organization. This is to ensure that the workforce is able to develop their careers and meet the constantly changing requirements of the business. The Company also committed to sufficiently upskilling its own Learning and People Development team through various external training and certifications, ensuring that they are professionally prepared and qualified to manage the learning programs needed by the business.

Monde Nissin is working with different stakeholders to identify skills gaps and design programs to bridge them. The “Training Matrix” initiative plans to create documentation of every department’s training plans for all its talents. This will then be reviewed periodically so that no employee gets left behind.

The Company is scaling its organizational learning capabilities by embracing digital. The “LMS365” rollout is a project that aims to make end-to-end learning – from employee onboarding to competency development, up to retirement preparation – digital and accessible. The “Coursera for Business” pilot rollout also aims to expand learning opportunities by providing avenues for employee self-directed learning.

Monde Nissin was able to increase its year-on-year training and education programs from approx. 13,000 hours in 2021 to approx. 36,000 in 2022. More frequent collaborations with internal stakeholders were the main contributor to this increase.

Monde Nissin’s training attendance systems are the primary source of data to measure the reach of its training and education programs. It has also instituted evaluation systems to create baseline measurements of programs delivered.

Monde Nissin plans to roll out a standard competency framework this year. One of the objectives of the initiative is to provide transparency and guidance to all managers and employees on how to drive their careers forward and align with the behaviors/skills needed by the organization.

QUORN FOODS

Quorn Foods has a skills matrix for production, engineering, and technical staff. 100% of employees are targeted to complete their Personal Development Plan for the start of the year 2023.

Quorn Foods also has a Training and Development Policy. Aside from job-specific training, Quorn Foods also provides technical support and specific on-the-job training for relevant individuals. It provides financial support for technical knowledge such as finance qualifications and transition assistance programs on a case-to-case basis.

Quorn Foods has annual performance development reviews which include identifying the development needs of the employees and creating programs to meet those needs. As and when required, it undertakes reintegration programs, such as the recent Belasis strike reintegration.

Operational training is tracked through skills matrices. Achievement against personal development goals is tracked through its online portal, Qhub.

Employee Development Programs

404-2

	GENERAL	TRANSITION ASSISTANCE
MONDE NISSIN	<ul style="list-style-type: none"> ▶ Internal training courses ▶ External training and education through funding support ▶ Provision of sabbatical periods with guaranteed return to employment 	<ul style="list-style-type: none"> ▶ Pre-retirement planning for intended retirees; ▶ Retraining for those intending to continue working; ▶ Severance pay, which can take into account employee age and years of service; ▶ Job placement services; ▶ Assistance on transitioning to a non-working life.
QUORN FOODS	<ul style="list-style-type: none"> ▶ Senior leadership program (LAB), funding of master’s study ▶ Technical training programs 	<ul style="list-style-type: none"> ▶ In-house training delivered for those leaving

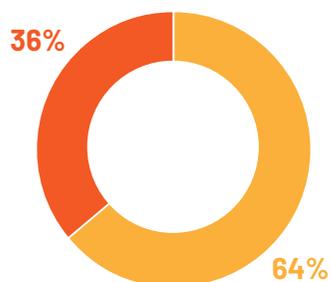
NON-DISCRIMINATION, DIVERSITY, AND EQUAL OPPORTUNITY

3-3, 406-1

Male workers in the workforce

Female workers in the workforce

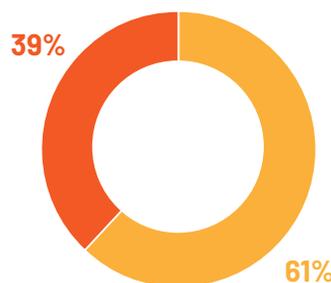
MONDE NISSIN



49%
Female in management positions

56%
Female in the Board

QUORN FOODS



41%
Female in management positions

MONDE NISSIN

Monde Nissin fosters an inclusive work environment and culture which provides equal employment opportunities and respects every employee regardless of gender, religion, disability, or race. This is done to avoid discrimination at the workplace which can lead to a less engaged workforce, poor well-being, and a high turnover rate.

Diversity and equal opportunity are aligned with Monde Nissin's commitment to collaborate with empathy. Monde Nissin respects every individual and provides everyone with equal opportunities for career growth. This strategy is practiced during hiring, onboarding, ongoing employment, disengagement, and retirement periods. Monde Nissin ensures that all employees are given equal opportunities in terms of career options, benefits, rewards, and salaries.

Monde Nissin was recognized by the SEC at its gender and diversity awarding in 2022 titled "Recognizing the Role of Women in the Corporate World" for exemplifying gender inclusivity as a publicly-listed company with the most women directors in its Board for 2022. In 2022, 49% of those in management positions in Monde Nissin were female.

In monitoring whether inclusivity and non-discrimination are practiced at the workplace, a whistleblowing policy and mechanism are in place to address, among others, issues relating to diversity or equality. In 2022, zero incidents of discrimination were reported. The hiring policy also ensures that Monde Nissin creates a pool of diverse talents for its operations. Additionally, town hall sessions are conducted with employees to collect any feedback or suggestions to further ensure equal opportunities for all.

QUORN FOODS

Quorn Foods values diversity, understanding that it can bring in fresh thoughts and ideas to the business. There were zero incidents of discrimination reported in 2022. Quorn Foods aims to eliminate the gender pay gap by 2030. It has an Equal Opportunities Policy and a Flexible Working Policy. There was an Equality, Diversity, and Inclusion (EDI) Forum formed in 2022, with membership from across the business. The EDI forum is made up of a cross-functional team of volunteers that review and improve EDI practices and initiatives within the business. An employee engagement survey that also tackles EDI is carried out annually and reviewed by the Human Resources department.

Quorn Foods is currently developing its targets and action plan. It also has non-discrimination and human resources policies that support inclusion and diversity. The business follows non-discrimination guidelines and rules.



Diversity of governance bodies and employees

405-1

MONDE NISSIN

DISCLOSURE	BOARD OF DIRECTORS	UNITS
Above 50 years old	89	%
30 - 50 years old	11	%
Below 30 years old	0	%

DISCLOSURE	BOARD OF DIRECTORS	UNITS
Female	56	%
Male	44	%

DISCLOSURE	SENIOR MANAGEMENT	UNITS
Above 50 years old	68	%
30 - 50 years old	32	%
Below 30 years old	0	%

DISCLOSURE	SENIOR MANAGEMENT	UNITS
Female	49	%
Male	51	%

DISCLOSURE	MIDDLE MANAGEMENT	UNITS
Above 50 years old	13	%
30 - 50 years old	75	%
Below 30 years old	12	%

DISCLOSURE	MIDDLE MANAGEMENT	UNITS
Female	50	%
Male	50	%

DISCLOSURE	STAFF	UNITS
Above 50 years old	5	%
30 - 50 years old	21	%
Below 30 years old	75	%

DISCLOSURE	STAFF	UNITS
Female	53	%
Male	47	%

DISCLOSURE	RANK & FILE	UNITS
Above 50 years old	4	%
30 - 50 years old	32	%
Below 30 years old	64	%

DISCLOSURE	RANK & FILE	UNITS
Female	29	%
Male	71	%

QUORN FOODS

DISCLOSURE	SENIOR MANAGEMENT	UNITS
Above 50 years old	75	%
30 - 50 years old	25	%
Below 30 years old	0	%

DISCLOSURE	SENIOR MANAGEMENT	UNITS
Female	25	%
Male	75	%

DISCLOSURE	MIDDLE MANAGEMENT	UNITS
Above 50 years old	29	%
30 - 50 years old	66	%
Below 30 years old	5	%

DISCLOSURE	MIDDLE MANAGEMENT	UNITS
Female	42	%
Male	58	%

DISCLOSURE	RANK & FILE	UNITS
Above 50 years old	35	%
30 - 50 years old	48	%
Below 30 years old	18	%

DISCLOSURE	RANK & FILE	UNITS
Female	37	%
Male	63	%

OCCUPATIONAL HEALTH AND SAFETY

3-3

MONDE NISSIN

Safeguarding the health and well-being of its workers across sites is a priority for Monde Nissin, which it addresses through its OHS measures. Having a proper OHS management system in place also mitigates the risk of an increase in work-related injuries, fines, and reputational damage, workplace injuries, illnesses, and fatalities.

In 2022, Monde Nissin recorded zero work-related fatalities and ill-health. It also established weekly safety drumbeats across its sites. The drumbeat review covers key in-process safety measures which are visible up to the Chief Operations Officer (COO) level.

In addition, Monde Nissin has started using safety trigger monitoring in each site in order to make sure that the production line is safe to operate. Monde Nissin also conducted weekly safety audits to check the conditions of equipment, working areas, and the behavior of people at each site.

The Company sustains the implementation of the Mandatory Eight-hour Safety and Health (MESH) Training safety course approved by the Department of Labor and Employment (DOLE) Occupational Safety and Health Center (OSHC) for new employees. The Company has also started conducting a safety training refresher for all employees, prioritizing the production group. Furthermore, the Company also conducted a chemicals handling, storage, and disposal initiative in 2022.

Monde Nissin provides comprehensive health benefits for its employees and dependents, which includes free consultations with the nurses and the company physician; health maintenance organization (HMO) cards and annual physical and medical check-ups for all regular employees, and free online mental health consultations.

Monde Nissin also promotes worker health by providing recreational facilities onsite for various sports and pastimes.

The Company also has its employee wellness program, "Better Me, Better Monde!" for all employees. Monde Nissin actively engages in regular sessions with its workers' representatives for the planning and formation of wellness programs.



403-1, 403-2, 403-3, 403-4, 403-5, 403-6, 403-7

The Company is complying with RA 11058 (*An Act Strengthening Compliance with Occupational Safety and Health Standards and Providing Penalties for Violations Thereof*). Its OHS Management system has been internally audited.

Monde Nissin implements hazard identification, risk assessment, and control (HIRAC) in its operations which it reviews annually. Monde Nissin is also upgrading the skills of safety officers by providing them with seminars and trainings conducted by reputable organizations. Employees are encouraged to immediately report any hazards to their superiors.

In case of incidents, Monde Nissin conducts a joint investigation led by a Safety Chairman and other members of the safety team to remove the risk immediately. A final action plan must be reported within 24 hours.

In 2022, Monde Nissin implemented several systemic interventions to prevent the occurrence of incidents, such as systems for observing behavior, analyzing job safety, and other

health, safety, and environment-related assessments. These have resulted in a lessened total recordable incident rate (TRIR), an improvement of 53.67% compared to the previous year.

The Company employs Occupational Health physicians and Occupational Health nurses. They are kept updated with current trends and practices by attending the annual conventions of their organization and attending OHS training. Monde Nissin plants have their own respective site clinics and emergency services.

The personal information and sensitive personal information of its employees are processed by Monde Nissin in accordance with the RA 10173, or the Data Privacy Act of 2012 (DPA). Policies and programs relating to the processing of the personal information and sensitive personal information of Monde Nissin employees are checked by Monde Nissin's data privacy officer (DPO).

Awareness programs are done on relevant health issues through webinars and information dissemination across digital boards.

Every month, Monde Nissin has a safety meeting attended by all safety officers of each plant together with union representatives discussing the safety concern in the plant. The Company conducts trainings on Contractors Guidelines involving the safety, security, and good manufacturing practices (GMP) policies of the Company to all third party contractors.

All Monde Nissin third party contractors are required to have an OHS program and provide a Safety team and Safety Leader in their organization before they start working at Monde Nissin.

MFL

MFL has a comprehensive objective, goals, strategies, and measures (OGSM) agenda based on SHE improvements. This plan is reviewed monthly to ensure it remains on track and all items are addressed in a timely manner.

MFL has a comprehensive SHE Management system that aligns with ISO45001. All operations within the business are accompanied with a procedure. This system is independently audited annually to ensure compliance and there are also regular audits against procedures and policies.

MFL tracks any action through site action plans and discusses these at monthly meetings at all levels. It runs monthly meetings to discuss its agendas and mini-projects to all levels of the business. Each month it has an initiative that aligns with its projects and agendas.

MFL reviews on a monthly basis if any additional support is required to meet targets. Areas needing support are identified and support is allocated to ensure MFL's goals are achieved. Monthly KPI meetings are also held to highlight any potential shortfalls or projects requiring further support.

All meetings should begin with discussing OHS as this is a current initiative that is being promoted through the business. The promotion and awareness of its 'Life Saving Behaviors' are done through monthly OGSM and KPI meetings.

403-1, 403-2, 403-3, 403-4, 403-5, 403-6, 403-7

All workers and workplace activities within the business are covered within the management system, from the factory to offices. It has a comprehensive risk management profile within its system, all risk assessments are reviewed at a minimum of once per year. All hazards are identified and control measures are implemented for all work activities. All risk assessors are adequately trained and have the relevant qualifications to risk assessment activities. All risk assessments are validated and approved by the SHE Department. From the results of its risk assessment reviews, it is able to compile a unique risk profile to ensure that adequate controls are in place and hazards are controlled.

It has an incident reporting process which is used for all accidents, incidents, and near-misses. This is used throughout the business and all new staff are trained on how to report such occurrences. All staff are regularly reminded that should they encounter an unsafe condition or a workplace hazard that they are to make it safe if it is possible to do so and report the situation to their line manager. All staff are empowered to challenge unsafe behavior and refuse to carry out a task if they feel it is unsafe to do so. When a workplace incident is raised it is assigned an investigating lead, this is normally someone with extensive knowledge of where the incident has occurred or the equipment/process involved.

At times an investigation may be assigned to multiple people to ensure a thorough and clear root cause analysis is carried out to highlight corrective actions and preventive measures. Each function has adequately trained and competent staff in hazard awareness and risk control. These skills help in identifying and eliminating workplace hazards. Its welfare facilities are checked weekly and issues are reported and corrected. All of its facilities for staff are compliant with welfare regulations. It uses a third party provider for occupational health and only authorized individuals are permitted access to the data.

Annual occupational health appointments are attended, should a staff member be struggling in a role due to their health issues, alternative employment within the business would be sought. All its documentation is stored on a shared drive and available within the technical document control system. It also has regular joint consultation committee meetings to discuss changes or relevant developments/suggestions to the system. All managers must attend the Institution of Occupational Safety and Health (IOSH) for managing safely, while all other employees must attend IOSH for working safely.

MFL has an in-depth training package for all levels of employees with relevant refresher dates set. All staff have annual occupational health appointments and should a referral be recommended further support will be provided. It holds regular occupational health campaigns to remind and highlight issues to staff—ranging from mental health awareness days to protection from exposure to hazardous substances. All tasks are comprehensively assessed and the assurance of the correct level of control is recommended to ensure the minimum amount of exposure to staff.



Workers covered by an occupational health and safety management system, Work-related injuries, Work-related ill-health

403-8, 403-9, 403-10

DISCLOSURE	Monde Nissin								UNITS
	Laguna Plant	Pampanga Plant	Batangas Plant	Cebu Plant	Davao Plant	Brixton Office	Makati Office	Total	
Safe Man-hours*	4,536,081	592,833	413,839	1,387,567	513,893	96,000	192,000	7,732,213	hours
No. of recordable work-related injuries	22	5	6	3	1	0	0	37	#
No. of work-related fatalities	0	0	0	0	0	0	0	0	#
No. of recordable work-related ill-health	0	0	0	0	0	0	0	0	#
No. of safety drills	2	2	2	2	2	1	1	12	#
Total recordable incident rate (TRIR)	0.97	1.67	2.9	0.43	0.39	0	0	0.95	%
Percentage of workers who are not employees but whose work and/or workplace is controlled by the organization, who are covered by the OHS management system	0	0	0	0	0	0	0	0	%

NOTE: Data was calculated based on 200,000 hours worked. The main types of work-related injuries are superficial injuries and open wounds. Identified through HIRAC, machine hazards pose risks for such injuries. To minimize these risks, education to all employees (Behavioral Observation System and Quick Risk Prediction), safety trigger monitoring, and defect finding and fixing are implemented.

*Safe man-hours = Total working man-hours - Loss work days and up

DISCLOSURE	MFL	UNITS
Safe Man-hours	2,039,230	hours
No. of recordable work-related injuries	Data unavailable	#
No. of work-related fatalities	0	#
No. of recordable work-related ill-health	0	#
No. of safety drills	150	#
Total recordable incident rate (TRIR)	Data unavailable	%
Percentage of workers who are not employees but whose work and/or workplace is controlled by the organization, who are covered by the OHS management system	25**	%

**The data is gathered based on each employee working 37.5 hours per week, as per SHE best practice. The business SHE Management system is regularly audited both internally and externally around the plan, do, check, and act process to ensure conformity. All incidents are reported and thoroughly investigated with accurate root cause analysis to prevent reoccurrence.

Data on the left was calculated based on 200,000 hours worked. Work-related injuries include slips, falls, and trips. The highest work-related hazard on site however is chemical-related, due to large amounts of ammonia on site which put workers at risk of asphyxiation. These hazards are determined through a robust risk assessment process which determines the risk profile. Stringent controls are in place to prevent these hazards and the hierarchy of the control model was used during this process. MFL operates a monthly risk assessment review to ensure that measures remain adequate.

Other work-related hazards stem from mixing powders for MFL's ingredients. These hazards were determined through control of substances hazardous to health (COSHH) risk assessments, with the use of material data sheets for accuracy. Risk assessments identify exposure limits to eliminate time allocated in the risk areas. MFL also has Local Exhaust Ventilation (LEV) in the area which improves airflow. The areas are monitored on a daily basis.

LABOR-MANAGEMENT RELATIONS

3-3, 402-1, 407-1

MONDE NISSIN

Monde Nissin prioritizes having a continued harmonious working relationship with its employees and thus seeks to provide the appropriate venues for employees to express concerns in order to create a peaceful and conducive work environment. This is done with the awareness that poor labor-management relations causes a strained relationship between employees and the Company, and is detrimental to work performance and employee retention.

The Company maintains open communication with union members to immediately address any employee concerns. In the event of significant operational changes, affected employees are notified at least two weeks prior to implementation and consulted as may be necessary. For collective bargaining agreements, the notice period and provisions for consultation and negotiation are specified. Monde Nissin's People and Culture department is primarily responsible for labor-management relations programs, including the setting of meetings with the union.

Labor-management relations also cover non-unionized members who are able to participate in inclusive employee engagement programs that deal with employee productivity, wellness, and health across all Monde Nissin sites. All employees are invited to participate in town hall meetings and various training programs. The Company currently conducts quarterly town hall meetings per division, corporate town halls, and quarterly *kumustahan* meetings with union leaders.



QUORN FOODS

Quorn Foods implemented the following initiatives for labor-management relations in 2022:

- ▶ Meeting and communication structures in agreement with collective bargaining leads and groups.
- ▶ Catalog of official Quorn Foods policies and guides relating to legal and official processes, along with development training for leaders to better manage performance.
- ▶ Historical contractual agreements (SA91/LWA).
- ▶ Keeping communication lines open, closing out disputes as efficiently as possible, and where appropriate, keeping proactive lines of communication open with customers and suppliers.
- ▶ Building communication and engagement initiatives, which have been agreed between all groups, and increasing leadership capability development.
- ▶ Engagement surveys and key metrics such as absence and turnover levels and reasons.

On average, employees are given 12 weeks' notice prior to the implementation of any significant operational changes that may affect them. In some cases, however, employees are notified six months before implementation.

Collective bargaining agreements

2-30

DISCLOSURE	MONDE NISSIN	QUORN FOODS	UNITS
Percentage of total regular employees covered with Collective Bargaining Agreements	38	5.7	%
Percentage of regular male employees covered with Collective Bargaining Agreements	67	Data unavailable	%
Percentage of regular female employees covered with Collective Bargaining Agreements	33	Data unavailable	%
Number of consultations conducted with employees concerning employee-related policies	12	Data unavailable	# of consultations

CHILD LABOR AND FORCED LABOR

3-3, 408-1, 409-1

MONDE NISSIN

Compliance with policies against child labor and forced labor results in a satisfied workforce that feels that the Company respects them and cares about their rights and welfare.

In line with the provisions on young workers in Presidential Decree 442, as amended, or the Labor Code of the Philippines (*Labor Code*), particularly the Labor Code’s Article 137 on the Minimum Employable Age in the Philippines, the Company has not employed any person below 15 years of age, except when they work directly under the sole responsibility of their parents or guardian, and the employment does not in any way interfere with their schooling. Further, for those on on-the-job-training (*OJTs*) who were assigned to undergo training and are between 15 and 18 years old, the Company has ensured that they only work on such a number of hours and such periods of the day as would not interfere with their regular classes.

Monde Nissin has an Anti-Modern Slavery statement that denounces the hiring of undocumented or underage workers as well as the use of forced, bonded, and involuntary labor. This is fully implemented in Monde Nissin’s hiring policies by the People and Culture Department. Such policies are published and available on the Monde Nissin website, which is accessible by employees.

At Monde Nissin, zero operations were identified to have significant risks for incidents of child labor and young workers exposed to hazardous work, as well as forced labor.

The Company does not withhold any identity papers or require compulsory deposits, nor does it compel workers, under threat of firing, to work extra hours not previously agreed.

QUORN FOODS

Quorn Foods follows laws that prohibit any form of child labor and forced labor.

DISCLOSURE	MONDE NISSIN	QUORN FOODS
No. of legal actions or employee grievances involving forced or child labor	0	0
Do you have policies that explicitly disallow violations of labor laws and human rights (e.g. harassment, bullying) in the workplace?	Y	N
a. Policy Against Forced labor	Y Clause #5: No Modern Slavery [Monde Nissin] will not engage in the exploitation or illegal hiring of undocumented or underage workers. [Monde Nissin] is committed to ensuring that its global supply chain adheres to this commitment. No forced, bonded, or involuntary labor will ever be used at any of the [Monde Nissin]’s facilities or operations.	N A ban on forced labor, child labor, and human rights violations are covered by the laws of the countries where Quorn Foods employees work
b. Policy Against Child labor	Y	N
c. Human rights policy	Y Clause # 3: Equal Opportunity And Non-Discrimination [Monde Nissin] is an equal opportunity employer that values integrity, merit, and competence in its employees. [Monde Nissin] will not tolerate discrimination, whether within or without [Monde Nissin]. [Monde Nissin] will provide equal opportunity for all in recruitment, career development, promotion, and compensation without regard to race, color, religion, gender, nationality, or geographical origin or roots, ancestry, age, disability, medical condition, pregnancy, gender expression, gender identity, sexual orientation, or any other characteristic protected by law. Clause # 4: Anti-Harassment To provide an environment that is conducive to productivity and personal growth, [Monde Nissin] prohibits workplace harassment of any kind, whether the perpetrator or the victim is a coworker, supervisor, agent, customer, guest, or supplier. [Monde Nissin] also prohibits and condemns any form of direct or indirect retaliation against anyone who has made a complaint or reported an issue or incident, whether relating to harassment occurring within the workplace or outside.	N

Care for Consumers

BETTER-FOR-YOU PRODUCTS

A food solution for addressing malnutrition

In 1997, Monde Nissin partnered with the Philippine Department of Health (DOH) to address malnutrition by fortifying Monde Nissin's noodle products with essential vitamins and minerals under the Sangkap Pinoy Fortification campaign. In 2022, products fortified with essential nutrients account for 86% revenue share of the Lucky Me! noodles portfolio.



The sodium reduction initiative for Lucky Me! that started in 2020 has continued on to 2022. In 2022, 288 million servings of Lucky Me! products were sodium-reduced, accounting for 59% of instant noodles revenue.



Monde Nissin's Lucky Me! Instant Mami and Mini Go Cups have no artificial preservatives added.



Milky Me: A Better-For-You Instant Mami

Part of Monde Nissin's thrust to promoting healthier eating is the launch of Lucky Me! Milky Me, which has 25% less sodium, is a source of Vitamin A and Iron and has milk added.

MEANINGFUL MARKETING



Kainang Pamilya Mahalaga

Monde Nissin, through its Lucky Me! brand, was the proponent of “Kainang Pamilya Mahalaga,” an advocacy that has been recognized by the Philippine government and celebrated annually in the country. It aims to encourage parents to have mealtimes with their family regularly and be involved in their lives one meal at a time.

Over the years, the advocacy gained recognition through marketing and values awards from various institutions around the country. It was institutionalized by Presidential Proclamation No. 326, series of 2012, declaring the fourth Monday of September every year as Kainang Pamilya Mahalaga Day.

Breakfast Series Campaign

In 2022, Monde Nissin continued the Breakfast Series campaign which started in 2021, through its promotion of the addition of eggs and vegetables in Instant Mami to highlight the importance of a complete and balanced meal.



Nissinlandia

Nissinlandia was launched to make learning at home a more pleasant experience for moms and their kids. In 2022, Nissin Wafer, BreadStix, and Eggnog handed out free fun sticker sheets and Back-to-School baon kits to selected mothers to acknowledge that kid-friendly snacks can make learning at home a happy time.

Learning Made Fun with Letters

Monde Nissin ran the Project Play campaign for a limited time for Nissin Breadstix, a favorite brand of children throughout the Philippines. Under Project Play, BreadStix biscuits were turned into fun letter-shapes to make learning time more fun and creative for mothers and their children.



CUSTOMER HEALTH AND SAFETY

3-3

MONDE NISSIN

Creating products that are sustainable and building a healthier portfolio is key to Monde Nissin's business goals. Therefore, consumer health and safety is of utmost importance. Apart from meeting standards of health and safety for consumers, Monde Nissin is able to innovate its current products to improve nutrient content and reduce potentially unhealthy content by honing in on its research and development.

As a result of its innovations in 2022, Monde Nissin was able to incorporate cost-effective fortificants for nutritional improvement to its major noodle SKUs which contribute to 86% of its annual Lucky Me! revenue. Milky Me Instant Mami was also fully launched with 25% less sodium and serves as a source of Vitamin A and iron and added with milk. Furthermore, Monde Nissin continues to pursue its annual sodium reduction targets in its noodles.



Monde Nissin continued fortification for its biscuits and packaged cakes as well. Products with fortification claims now account for 15% of its total revenue share.

For consumer safety, all Monde Nissin products, including Lucky Me!, are registered with the FDA and compliant with prevailing FDA regulations, ensuring the Company complies with food safety and regulatory requirements.

Monde Nissin is committed to ensuring the quality of its food products, implementing several quality and food safety management practices such as Hazard Analysis Critical Control Point (HACCP), GMP, and Food Fraud and Food Defense. Additionally, all Monde Nissin products undergo control measures before being released to trade. In case there are misses, it has a product recall process in place. Monde Nissin also closely coordinates with cross-functional teams during weekly drumbeat and monthly alignment meetings for any compliance, safety, and regulatory issues. Currently, the Laguna and Cebu plants are Food Safety System Certification (FSSC) 22000-certified. The Davao plant is ISO22000:2018-certified. The remaining manufacturing plants of Monde Nissin in the Philippines are gearing towards the same food safety certifications.

QUORN FOODS

Quorn Foods is investing in research to better understand the health effects of its products and discovering solutions to produce healthier products for consumers. Its products contain mycoprotein, which has been demonstrated to have a number of health benefits, such as the ability to lower cholesterol and potentially help manage insulin levels in people with elevated levels. It is also a source of protein and fiber.

To manage the risk of being not up-to-date with government regulations regarding food safety, all new products must meet minimum nutritional standards. Quorn Foods has its Net Positive 2030 goals, one of which is that "All products meet requirements for protein and/or fiber." The company has set 17 "Net Positive 2030" goals aligned with the UN's Sustainable Development Goals. These goals are grouped into pillars relating to "Positive Supply," "Positive Operations," "Positive Product," and "Positive Society."

Quorn Product Guidelines incorporate nutrition profiles for innovation and principles for line extensions and reformulation to ensure that Quorn & Cauldron products have as robust a nutrition profile as possible. Profiles incorporate nutrients to limit as well as nutrients to promote, which are globally applicable.

Product guidelines on nutrition must be followed as part of the New Product Development Stage Gate process. For existing products exceeding national salt reduction targets, a salt reduction program has been initiated. Quorn Foods has partnered with HEART UK during national cholesterol month to highlight the role that mycoprotein has in cholesterol reduction. Quorn Foods is also making investments in research to better understand the health benefits of mycoprotein while building communication with health professionals.



Substantiated complaints from customers* that are lodged and acted upon by government agencies

DISCLOSURE	MONDE NISSIN	QUORN FOODS	UNITS
No. of substantiated complaints on product or service health and safety	0	0	#
No. of complaints addressed	N/A	N/A	#

*Customers refer to both retailers and consumers. Complaints from consumers may be coursed through retailers and elevated to the Company.

Substantiated complaints from customers* that went through the organization's formal communication channels and grievance mechanisms

DISCLOSURE	MONDE NISSIN	QUORN FOODS	UNITS
No. of substantiated complaints on product or service health and safety	324	Data unavailable	#
No. of complaints addressed	320	Data unavailable	#

NOTE: Complaints were coursed through Customer Feedback Forms. 4 incidents: unable to contact complainant to close the incident.

*Customers refer to both retailers and consumers. Complaints from consumers may be coursed through retailers and elevated to the Company.

Assessment of the health and safety impacts of product and service categories

416-1

DISCLOSURE	MONDE NISSIN	QUORN FOODS	UNITS
Significant product and service categories which have been assessed for health and safety impacts	100	100	%

Incidents of non-compliance concerning the health and safety impacts of products and services

416-2

DISCLOSURE	MONDE NISSIN	QUORN FOODS	UNITS
Incidents of non-compliance resulting in fine or penalty	0	0	#
Incidents of non-compliance resulting in a warning	0	0	#
Incidents of non-compliance with voluntary codes	0	0	#





MARKETING AND LABELING

3-3

MONDE NISSIN

All Monde Nissin products are properly labeled and compliant with FDA's mandatory labeling guidelines to mitigate the risk of consumer complaints on product labeling, misuse of logos, undeclared allergens, and unintended use or misuse of products when preparation instructions are not followed.

Monde Nissin's labeling includes information on packaging material type and the proper disposal of material as identified on the packaging of all Monde Nissin products, which allows consumers to observe proper segregation. Monde Nissin's Marketing, New Product Development, and Regulatory Affairs departments are in charge of monitoring and managing its compliance with FDA labeling guidelines. Mechanisms are also in place to receive consumer feedback from different channels and platforms and ensure proper testing and checking of its labels.

In enhancing the positive impacts of its labeling on consumer well-being and contributing to plastic avoidance, Monde Nissin's Lucky Me! has front-of-pack labeling of calories, while the Mini Go Cup adopted the direct dispensing of garnish reducing plastic by up to 28.4 tonnes. Other packaging reduction efforts are being studied and planned by the Packaging Development team.

Through its marketing, Monde Nissin utilizes a holistic approach to promote positive values such as morals, health, family time, and fun learning. All above-the-line campaigns are carried out responsibly as evaluated by the Philippine Ad Standards Council (ASC) and are up to date with Responsible Marketing Principles.

QUORN FOODS

Quorn Foods enhances positive impacts by supporting consumer well-being through the provision of nutrition information and education on the principles of healthy eating to enable consumers to make informed food choices. Quorn Foods complies with all labeling laws in the countries in which its products are sold. Labeling of products is carefully considered with reference to brand values.

Through marketing and labeling, Quorn Foods is able to tell its story related to sustainability and the health benefits of its products. Quorn Foods also uses several channels to communicate with its consumers including TV advertising, magazine advertising, social media platforms, trade marketing support, and consumer trials and sampling. These are designed to reach as many potential consumers as possible to improve brand awareness and drive consumer penetration. To support its marketing initiatives, Quorn Foods uses in-store promotional initiatives as well to encourage new consumers to buy its products.

Substantiated complaints from customers* that are lodged and acted upon by government agencies

DISCLOSURE	MONDE NISSIN	QUORN FOODS	UNITS
No. of substantiated complaints on marketing and labeling	5	0	#
No. of complaints addressed	5	N/A	#

*Customers refer to both retailers and consumers. Complaints from consumers may be coursed through retailers and elevated to the Company.

Substantiated complaints from customers* that went through the organization's formal communication channels and grievance mechanisms

DISCLOSURE	MONDE NISSIN	QUORN FOODS	UNITS
No. of substantiated complaints on marketing and labeling	3	0	#
No. of complaints addressed	3	0	#

NOTE: Complaints were coursed through Customer Feedback Forms.

*Customers refer to both retailers and consumers. Complaints from consumers may be coursed through retailers and elevated to the Company.

Incidents of non-compliance concerning product and service information and labeling

417-2

DISCLOSURE	MONDE NISSIN	QUORN FOODS	UNITS
Incidents of non-compliance resulting in fine or penalty	0	0	#
Incidents of non-compliance resulting in a warning	0	0	#
Incidents of non-compliance with voluntary codes	0	0	#

Requirements for product and service information and labeling

417-1

DISCLOSURE	MONDE NISSIN	QUORN FOODS
Are the following types of information required by the organization's procedures for product and service information and labeling? (Y/N)		
▶ Sourcing of components of the product or service	N - Country of sourcing for all raw materials is recorded as part of our processes, but not necessarily reported on pack	N - Country of sourcing for all raw materials is recorded as part of our processes, but not necessarily reported on pack
▶ Content, particularly with regard to substances that might produce an environmental or social impact	Y - Allergen and nutrition information are declared on all packs	Y - Palm oil and soy are reported under RSPO and RTRS labeling requirements. Recyclability information is included on all packs.
▶ Safe use of the product or service	Y	Y - Cooking instructions are included on all packs that are not ready-to-eat
▶ Disposal of the product and environmental or social impacts	Y	Y - Recyclability information is included on all packs.
Significant product or service categories covered by and assessed for compliance with such procedures	100%	100%

Incidents of non-compliance concerning marketing communications including advertising, promotion, and sponsorship

417-3

DISCLOSURE	MONDE NISSIN	QUORN FOODS	UNITS
Incidents of non-compliance resulting in fine or penalty	0	0	#
Incidents of non-compliance resulting in a warning	0	0	#
Incidents of non-compliance with voluntary codes	0	0	#

CUSTOMER AND CONSUMER SATISFACTION

MONDE NISSIN

With customers (i.e., groceries and other retailers) as a primary stakeholder for Monde Nissin, the Company aims to enhance customer satisfaction and promote brand loyalty. To do so, Monde Nissin piloted a team selling concept. Monde Nissin's Sales team focused on selling and business building, while Accounting and the Supply Network teams addressed inefficiencies and identified points for improvement in their respective departments.

Apart from this, Monde Nissin does yearly business reviews to agree on targets, KPIs, and budgets. The Sales team meets monthly to update the status of agreed commitments and possible adjustments.

Maintaining customer satisfaction is crucial to prevent mistrust and dissatisfaction, which may harm brand reputation. At the same time, Monde Nissin also aims to maintain a good relationship with its customers, which are composed of groceries and other retailers.

To measure the satisfaction of its customers, Monde Nissin availed of the services of a third party, The Advantage Group International, Inc., to conduct a study on Monde Nissin's relationship with its customers. This study was a syndicated survey open to all interested suppliers and retailers. In the study, Monde Nissin ranked 7th out of more than 25 FMCGs overall. The ranking was based on four performance dimensions: the companies' ways of working and advocacy-building, the companies' operational effectiveness, the companies' suitability as a long-term partner, and the companies' ability to identify opportunities and thrive in a changing landscape.

To further improve the effectiveness of its initiatives, Monde Nissin plans on expanding the coverage of the piloted initiative and brainstorming more methods among the teams to improve current processes.

QUORN FOODS

Currently, Quorn Foods' customer service levels have scored above 98.5%. Processes that have helped achieve this rating include forecasting and inventory management aligned with service level targets.

Customer Satisfaction Score

DISCLOSURE	MONDE NISSIN	UNITS
Customer satisfaction score	7*	Rank
Did a third party conduct the customer satisfaction study? (Y/N)	Y	-

*Ranking among more than 25 FMCGs also included in the study by The Advantage Group, International, Inc.

DISCLOSURE	QUORN FOODS		UNITS
	QUORN	CAULDRON	
Customer satisfaction score	66*	21*	%
	33**	2**	%
Did a third party conduct the customer satisfaction study? (Y/N)	Y	Y	-

*Score from a survey on whether consumers would consider buying Quorn and Cauldron products. 66% and 21% of respondents stated that they would consider buying Quorn and Cauldron products respectively.

**Score from a survey on whether consumers favor Quorn and Cauldron products. 33% and 2% of respondents stated that Quorn and Cauldron respectively was their preferred brand.



CUSTOMER PRIVACY

3-3

MONDE NISSIN

Monde Nissin is subject to the DPA, its implementing rules and regulations, and the issuances of the National Privacy Commission (Data Privacy Laws). By remaining committed to upholding Data Privacy Laws, Monde Nissin may increase satisfaction amongst customers, achieve greater customer retention, or competitive business advantage by complying with existing laws and regulations concerning customer privacy and data security.

As part of the conduct of its regular business, Monde Nissin enters into contractual relationships with various service providers, suppliers, and distributors, among others, which may involve the processing of personal information (*PI*, as defined under the Data Privacy Laws) or sensitive personal information (*SPI*, as defined under the Data Privacy Laws). Monde Nissin only collects and processes PI and SPI in accordance with Data Privacy Laws. Contractual safeguards are in place to ensure that the relevant counterparties comply with the Data Privacy Laws.

Policies in place regarding customer privacy include Monde Nissin's General Privacy Policy with the following policies attached as annexes:

- ▶ Data Retention Policy
- ▶ Data Subject Rights Policy
- ▶ Security Incident Management and Data Breach Notification Policy

Monde Nissin regularly reviews and updates its policies including those related to data privacy. A Data Breach Response Team is in place to alert and mobilize key personnel, including senior management, in the event of a personal data-related security incident and/or personal data breach. As far as reasonably practicable, data privacy notices with data subject consent forms are in place for relevant Monde Nissin personal data collection points to ensure transparency to relevant data subjects.

Monde Nissin has made publicly available its General Data Privacy Policy which incorporates its data retention policy and data subject rights policy. The DPO manages Monde Nissin's compliance with Data Privacy Laws. Following a privacy by design perspective, all prospective contractual relationships involving the collection of PI and/or SPI are reviewed from a Data Privacy Laws perspective. Where PI and/or SPI are proposed to be processed, Monde Nissin assesses the proportionality of the processing to ensure there is no over-collection of PI and/or SPI. Where PI and/or SPI processing is involved, data subjects' rights to data privacy are respected through securing informed consent from the affected data subject in addition to

other lawful basis for processing PI and/or SPI available to Monde Nissin. In this connection, when third-party service providers would need to collect PI and/or SPI in the performance of their services, Monde Nissin requires such third-party service providers to execute data sharing agreements (as applicable), personal information collection statements, and to warrant its adherence to the Data Privacy Laws. Monde Nissin has physical, electronic, and administrative procedures and safeguards designed to prevent unauthorized access, maintain data security, and facilitate the correct usage of PI and SPI that Monde Nissin processes as allowed under the Data Privacy Laws.

Monde Nissin regularly monitors its data privacy hotlines and dedicated privacy email to evaluate whether it is successful in managing this topic. Monde Nissin adheres to the privacy by design perspective for processes that requires collection/processing of personal data by maintaining an inventory of the relevant data processing systems within the organization and the cross functional conduct of privacy impact assessments for systems, processes, programs and/or projects involving personal data.

To improve its data processing initiatives, the data privacy team is in collaboration with the IT department to develop a comprehensive online tool to ensure that all data processing systems with Monde Nissin are captured and monitored and a privacy impact assessment conducted for each data processing system. Monde Nissin also strives to increase awareness on its data privacy policy among its employees especially personal information handlers within the organization through regular data privacy briefing sessions with the relevant departments as well as counterparties for purposes of sharing best practices and awareness on data privacy compliance. A data privacy orientation is also included in the on-boarding process for all new hires of the organization. Monde Nissin has identified privacy point of contacts (Privacy Leads) for each priority department and has required the Privacy Leads of some relevant departments to undergo extensive external data privacy training and DPO certification course which some Privacy Leads have already completed. Monde Nissin has also implemented the IT security policies for compliance by suppliers or vendors.

Monde Nissin did not have any notifiable personal data breach within the relevant period and all exercise of data subject rights has been attended to/resolved.

QUORN FOODS

To protect customer data and privacy, Quorn Foods complies with local General Data Protection Regulations (GDPR) and enforces firewalls and data security systems. Quorn Foods does not conduct ecommerce directly with its consumers. Rather, it transacts with customers including retailers, wholesalers, and foodservice businesses. Maintaining customer privacy remains important to Quorn Foods as it takes all the necessary steps to keep data secure so as not to risk sharing commercially sensitive information. Consumer information relating to complaints is stored using secure systems with limited access governed by user log in controls.

Substantiated complaints concerning breaches of customer privacy and losses of customer data

418-1

DISCLOSURE	MONDE NISSIN	QUORN FOODS	UNITS
No. of substantiated complaints on customer privacy	1*	0	#
No. of complaints addressed	1*	0	#
No. of customers, users and account holders whose information is used for secondary purposes	0	0	#

*Refers to a non-notifiable data breach that occurred in April 2022 and involved Monde Nissin's data subjects where responses of job applicants via an online form during a recruitment fair can be viewed. Data of 215 data subjects were involved.

DATA SECURITY

MONDE NISSIN

Considering the growing recognition of Data as a valuable asset, Monde Nissin has adopted protective measures to prevent unauthorized access, corruption, and data loss.

Monde Nissin takes data security seriously. To manage any potential breach or accidental exposure, Monde Nissin's Senior Management are involved in the data security policy reviews, security measure definitions, creation, and approval while the information security personnel and relevant department personnel implement and execute the security controls. All security incidents are centrally logged through an IT Service Desk to which a security incident team responds promptly and centrally.

Policies in place regarding data security include:

1. Security Incident Management and Data Breach Notification Policy
2. Security Incident Response Policy or Process
3. Data Classification Policy

Monde Nissin engages third-party security consultants for cybersecurity maturity assessment and vulnerability assessment and penetration testing (VAPT) services. It subscribes to security training and awareness programs and campaigns throughout the year, including against phishing to educate and raise security awareness among employees. In addition, Monde Nissin is regularly reviewing and updating its policies including those related to data security and IT. Monde Nissin's General Data Privacy Policy is available and accessible on its website which also includes the data retention policy and data subject rights policy that will aid stakeholders in case of any privacy concerns. A Security Incident Response Team Procedure is in place to alert and mobilize key personnel, including senior management, in the event of a serious security incident such as data breach.

Monde Nissin updates its policies, tools, processes, and user education which includes mandatory security awareness training and orientation for all staff, including new hires. Monde Nissin continues to implement multiple layers of protection to monitor data security risks including penetration and vulnerability tests. A privacy impact assessment involving the DPO and the data privacy team is also conducted to identify the potential risks throughout the data processing life cycles. For security incidents that are raised, Monde Nissin logs these centrally to address, analyze, and monitor the incident and to have visibility on the status of the incident.

Monde Nissin also conducted table drills on data privacy and cyber security awareness with the different departments to help ensure the relevant people are ready to act and address any incident promptly, in the event of such an occurrence.

Monde Nissin has mandated Security Awareness Trainings for all new hires and a whole-year curriculum of various security awareness topics for all employees covering email security, internet security, mobile device, wifi, password and authentication, social media, and human firewall.

QUORN FOODS

Quorn Foods upholds data security and aims to have no data breaches. The business employs policies regarding data back-up and sharing of confidential or commercially sensitive material in either virtual or physical form. These protections are regularly stress-tested to ensure data security is maintained.

Quorn Foods remains vigilant at all times and provides regular security briefings and updates to its employees' practices. Data security leaks can lead to ransom requests from hackers. The business could encounter a business interruption as a result of a data security breach such as a hacking event as well as a significant economic impact.

There have been some further risks identified that the business has taken action to mitigate. No formal trackers are in place but results from breach tests are reviewed and remedial action taken.

Data breaches

DISCLOSURE	MONDE NISSIN	QUORN FOODS	UNITS
No. of data breaches, including leaks, thefts and losses of data	1*	0	#

**Refers to the same non-notifiable data breach that occurred in April 2022 and involved Monde Nissin's data subjects where responses of job applicants via an online form during a recruitment fair can be viewed. Data of 215 data subjects were involved.*





Care for Local Communities

3-3, 413-2

MONDE NISSIN

Monde Nissin aims to continue to include its host communities in equitable growth by sharing economic opportunities and supporting community development. Among the methods by which Monde Nissin contributes to its local communities are through its CDN and its relief operations. The CDN is responsible for developing alternative distribution platforms catering to end consumers. Its mission is to execute sustainable business models: first, relevant to the needs of the categories that it is in, and second, that are viable and profitable for its stakeholders. An integral part of this channel are the dealers that recruit, train, and develop small entrepreneurs who are also referred to as the Independent Brand Experts. As of December 2022, Monde Nissin has 25 dealers and more than a thousand Independent Brand Experts in key cities in Luzon.

The Company provides access to micro-financing and livelihood opportunities for product sellers, which also makes its products more accessible. Additionally, Monde Nissin contributes to its local communities through corporate social responsibility initiatives.

In 2022, Monde Nissin provided assistance to those affected by calamities such as Typhoon Paeng. Almost 60,000 cases of Monde Nissin products were donated for 2022.

Moving forward, Monde Nissin aims to continue collaborations with foundations like GMA and ABS-CBN to extend help in times of calamities, while working alongside companies such as Small Business Corporation for microfinancing programs.

QUORN FOODS

Quorn Foods works with Fare Share program and other food redistribution charities to prevent waste and feed those who need it in several locations in the North of England. This is targeted at individuals and families who are experiencing food poverty. The business was able to surpass its goal of one million servings of food redistributed. It plans to expand to other areas near sites.

Quorn Foods continues to undertake talks with universities and schools on sustainable food. It has partnerships with Liverpool FC to match donations to foodbanks from their fans and the British Dietetic Association to recommend climate-friendly diets for their patients.

Feature Story:

A SEASON OF GIVING BACK

Monde Nissin employees engage communities for Christmas Tree Project



Monde Nissin's We @ MNC Care is a platform for encouraging employees to become volunteers for outreach programs. Under this platform, Monde Nissin carried out its Community Christmas Tree initiative in 2022. By donating Php 100, employees receive a star which they can use to decorate the Community Christmas Tree.

The Laguna plant selected the Chosen Children Village as the beneficiary of its Community Christmas Tree. Through donations, the Company donated computer sets to children for their online classes and other necessities.

Elisha Anne Del Rosario, a Key Accounts Specialist, expressed that such experiences are important. Ms. Del Rosario recounts, "I've been working in Monde Nissin for five years now and it's no surprise that the company values people and the communities around us—a value that is aligned with my personal values. This value not only manifests in employee volunteerism programs for communities and organizations outside the Company, but also through the company's care for its employees in every aspect of our personal and professional life."

Employee Volunteerism is one of Monde Nissin's Seven Pillars of Health & Wellness, a framework that adopts a holistic perspective on health and well-being.

UPHOLDING ETHICAL GOVERNANCE



Exercising Good Governance

At Monde Nissin, leadership is guided by the values of good governance and the Company's aspiration. It aspires to lead by example, integrating sustainability through compliance with applicable regulations, check-and-balance systems, fair corporate policies, and strict adherence to ethical business.

ANTI-CORRUPTION

3-3

MONDE NISSIN

If Monde Nissin fails to uphold its anti-corruption policy, potential negative impacts that may arise include prosecution, criminal liability, damage to reputation, the subsequent loss of government, business partner, shareholder, and investor confidence, and substantial financial loss. Monde Nissin recognizes that bribery and corruption stifle competition, limit innovation, and cause harm to society.

In this regard, Monde Nissin is committed to acting in compliance with the anti-bribery laws in all of the countries in which it operates, with the highest standards of ethical business practice and conduct.

Monde Nissin's guiding principle is that "[w]e are expected to do the right thing at all times," which sets the expectation that all employees and parties that Monde Nissin conducts business with are to conduct themselves with the utmost integrity. The Company is committed to a zero-tolerance approach to bribery and corruption, including any form of unethical inducement or payment such as facilitation payments and 'kick-backs.'

Monde Nissin utilizes internal learning management systems, including an online certification course on Anti-bribery and Corruption (ABC) that is deployed during onboarding to keep staff aware of the latest policies. To increase the coverage of the ABC training program, Monde Nissin has acquired new licenses and will roll-out dedicated training modules for rank-and-file employees.

The Company also developed a condensed training video based on the ABC training program in Filipino. The condensed training video communicates the topic in the employees' primary language, making it easier to understand for employees across Monde Nissin, including those in operations and the warehouses.

In 2022, there were no cases of bribery and corruption in Monde Nissin. Available records also show no indicators of such incidences.

Opportunities in this area include the potential full, 100% coverage of the ABC training program to all employees and the consistent communication of anti-bribery and corruption policies to all active suppliers.

QUORN FOODS

For Quorn Foods, additional risks that arise from failing to uphold anti-corruption include paying higher costs to suppliers and gaining favorable consents from government bodies. In this regard, Quorn Foods does not tolerate corruption and has policies in place to provide anti-corruption training to all managers and to regulate the receiving and giving of gifts. The business also tracks gifts from suppliers and potential suppliers through individual declarations of staff in this area.

Quorn Foods' staff awareness and training in anti-corruption has increased. However, updated training has not yet covered new employees.

Organizational launch and induction of the founding officers of GGAPP



OTHER POLICIES

2-15, 2-26, 3-3

Monde Nissin’s comprehensive set of anti-bribery and ethics policies include:

- ▶ Code of Conduct and Ethics
- ▶ Anti-bribery and Corruption Policy
- ▶ Guidelines for Gifts, Entertainment, Hospitality and Sponsored Travel
- ▶ Whistleblowing Policy
- ▶ Conflicts of Interest Policy
- ▶ Guidelines for Engaging Business Partners
- ▶ Guidance for Corporate Transactions
- ▶ Guidelines for the Conduct of Internal Investigations
- ▶ Guidelines for Corporate Sponsorships, Charitable Donations and Political Contributions

Monde Nissin’s Whistleblowing Policy aims to provide a platform for employees, contract counterparties, and other stakeholders to raise serious and sensitive concerns of suspected improper activities relating to the business of Monde Nissin; ensure that such concerns are treated, handled, and/or addressed seriously and appropriately; and provide assurance that any person raising a concern in good faith will be protected from reprisals or retaliation.

The Board of Directors’ responsibility to oversee that an appropriate internal control system is in place within the organization is embodied in Monde Nissin’s Revised Manual on Corporate Governance (*CG Manual*) and the Board of Directors’ Charter (*Board Charter*). Monde Nissin’s Corporate Governance, Nomination, and Remuneration Committee (*CG-NRC*) champions adherence to and the implementation of the *CG Manual*’s provisions. Part of Monde Nissin’s internal control system is its Conflict of Interest Policy and, to the extent applicable, Monde Nissin’s Material Related Party Transactions Policy (*MRPT Policy*) which provide for monitoring and management mechanisms for Material Related Party Transactions (*MRPTs*), or actual or potential

conflicts of interest involving or which may involve Monde Nissin’s shareholders, directors, officers, employees, and other stakeholders.

Monde Nissin’s *CG Manual* and *MRPT Policy* require directors to notify the Board of Directors before accepting a directorship in another company.

Monde Nissin’s Conflict of Interest Policy requires all covered persons, including directors, having a potential or actual conflict of interest to promptly disclose the matter to Monde Nissin. Under Monde Nissin’s *MRPT Policy*, directors who are related parties or who have a personal interest in an *MRPT* should recuse themselves and abstain from participating in discussions and voting on such transactions.

The Risk and Related Party Transactions Committee (*RRPTC*) aids the Board in the discharge of its functions related to risk and *MRPTs*. Pursuant to Monde Nissin’s By-Laws and *CG Manual*, the *RRPTC*, in relation to its *MRPT* functions, is responsible for evaluating, on an ongoing basis, existing relations between and among businesses and counterparties to ensure that all related parties are continuously identified, *MRPTs* are monitored, and subsequent changes in relationships with counterparties (from non-related to related and vice versa) are captured, and evaluating all *MRPTs* to ensure that these are not undertaken on more favorable economic terms to such related parties than similar transactions with non-related parties under similar circumstances, and to determine any potential reputational risk issues that may arise as a result of or in connection with *MRPTs*.

It is also the Board’s duty to ensure that appropriate disclosures are made, and information is provided to regulatory and supervising authorities relating to Monde Nissin’s *MRPT* exposures.

Incidents of Corruption

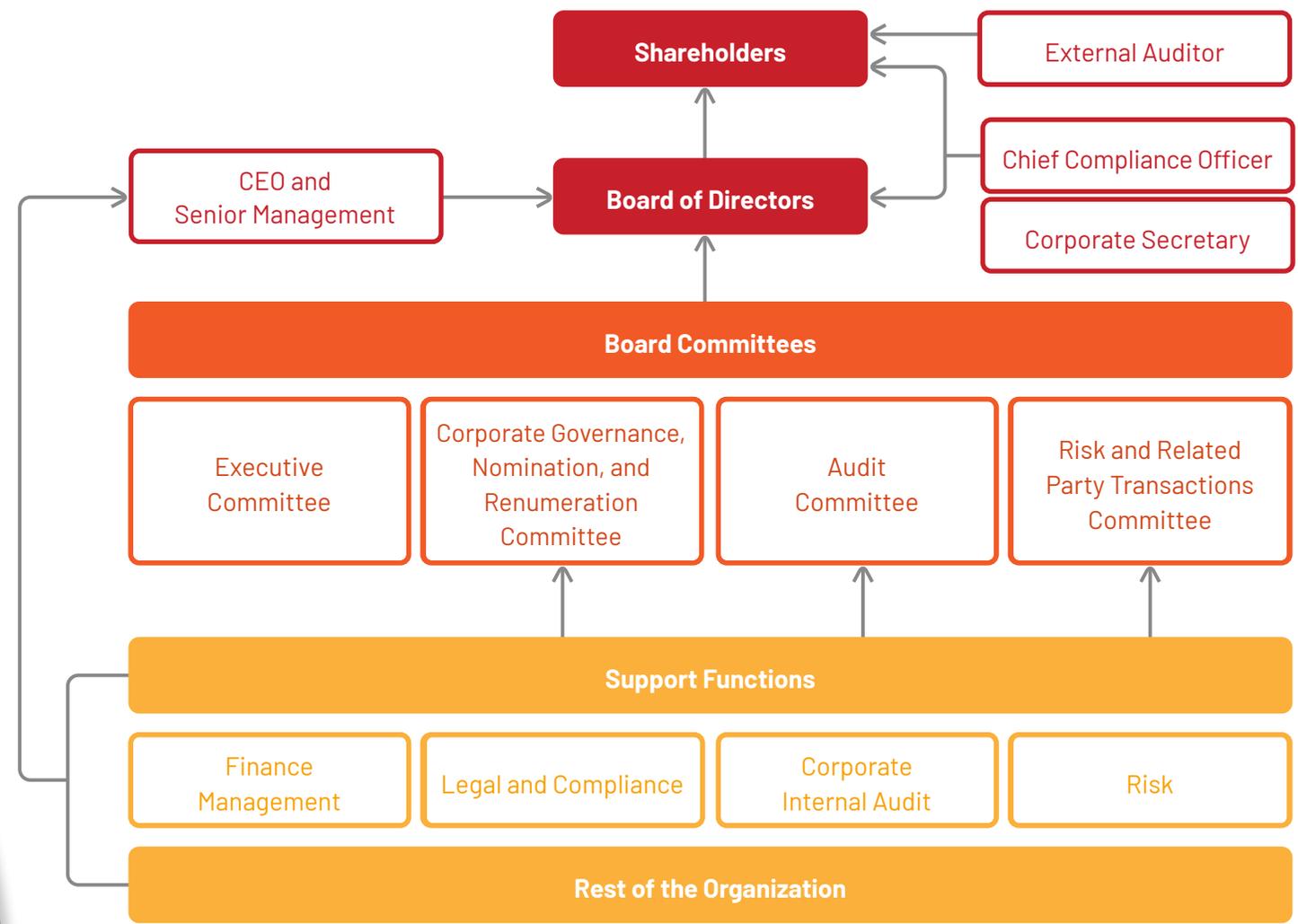
205-3

DISCLOSURE	MONDE NISSIN	MNUK	UNIT
Total number and nature of confirmed incidents of corruption	0	0	#
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	#
Public legal cases regarding corruption brought against the organization or its employees during the reporting period and the outcome of such cases	0	0	#



Governance Structure

2-9



The Board of Directors

2-9, 2-16

Consistent with applicable laws, Monde Nissin's Amended By-Laws establishes that the Board of Directors is Monde Nissin's shareholder-elected governing body. The Board of Directors, as the governing body elected by Monde Nissin's stockholders, exercises all the corporate powers, controls all properties, and conducts all of Monde Nissin's business, as mandated by RA 11232, or the Revised Corporation Code of the Philippines.

Unless the Board of Directors has delegated to Management the authority to implement any initiative, all concerns are brought up to the Board of Directors, whether directly or through the Board of Directors' committees (Board Committees; i.e., the CG-NRC, the Audit Committee, the RRPTC, and the Executive Committee). Where a matter has been expressly delegated to Management, Management timely appraises the Board of Directors and/or the relevant Board Committee of significant updates and developments.

Monde Nissin's Board of Directors comprises nine individuals, three of which are independent directors. The independent directors are led by a Lead Independent Director. Six out of nine members of the Board of Directors are non-executive directors who are not involved in the day-to-day operations of the company.

MEMBERS OF THE BOARD

Hartono Kweefanus

CHAIRPERSON EMERITUS

Also: chairman of the board of Monde M.Y. San Corporation, PT Khong Guan Biscuit Indonesia, and KBT International Holdings, Inc.; director of Monde Land, Inc., Monde Nissin Singapore Pte. Ltd., Monde Nissin International Investments Ltd., Monde Nissin Holdings (Thailand) Ltd., Monde Nissin New Zealand Limited, Suntrak Corporation, Monexco International Ltd., and Monde Nissin (Thailand) Co., Ltd. Graduated from Nanyang University, Singapore, majoring in Industrial and Business Management. Mr. Kweefanus has been a Monde Nissin Director for 43 years.

Kataline Darmono

CHAIRPERSON OF THE BOARD

Also: member, board of PT Wahana Mekar Lestari and PT Khong Guan Biscuit Indonesia. Received her Bachelor of Arts, majoring in Finance, from Lehigh University, Pennsylvania, USA, and her Master of Business Administration from Pepperdine University, California, USA. Joined Monde Nissin as Non-Executive Director on April 12, 2021.

Hoediono Kweefanus

VICE-CHAIRPERSON OF THE BOARD

Also: president and director of P.T. Nissin Biscuit and P.T. Monde Makkota; vice-chairman of KBT International Holdings, Inc.; director of Monde Nissin Singapore Pte. Ltd., Monde Nissin International Investments Ltd., Monde Nissin Holdings (Thailand) Ltd., Monde Nissin New Zealand Limited, Monexco International Ltd., and Monde Nissin (Thailand) Co. Ltd. Graduated from Nanyang University Singapore with a Bachelor of Commerce degree. Mr. Kweefanus has been a Monde Nissin Director for 10 years.

Betty T. Ang

DIRECTOR AND PRESIDENT

Also a director of Suntrak Corporation. Graduated from Assumption College with a Bachelor of Science in Commerce, majoring in Business Management. Ms. Ang has been Monde Nissin President and Director for more than 43 years, being with the Company since its incorporation on May 23, 1979.

Henry Soesanto

DIRECTOR, EXECUTIVE VICE-PRESIDENT AND CEO

Also: president of Monde M.Y. San Corporation, chairman of the board of Sarimonde Foods Corporation, All Fit & Popular Foods, Inc. and Monde Nu-Agri Corporation, and director of Monde Land, Inc., Monde Nissin Singapore Pte. Ltd., Monde Nissin UK Ltd., Monde Nissin International Investments Ltd., Monde Nissin Holdings (Thailand) Ltd., Monde Nissin New Zealand Limited, Monde Nu Agri Corporation, Suntrak Corporation, KBT International Holdings, Inc., Monexco International Ltd., and Monde Nissin (Thailand) Co. Ltd. Also treasurer and director at Monde Malee Beverage Corporation. Graduated from the Institute of Technology, Surabaya, Indonesia with a Bachelor of Science, majoring in Chemical Engineering, and a Master of Science in Chemical Engineering, and finished US-based eCornell University's Plant-Based Nutrition Certificate Program. Mr. Soesanto has been a Monde Nissin Director for 34 years, being with the Company for 41 years.

Monica Darmono

DIRECTOR AND TREASURER

Also: treasurer of director of KBT Holdings, Inc. and Monde Malee Beverage Corporation, and director at Monexco International Ltd. Graduated from the Standard College of Singapore with a Bachelor of Science, majoring in Accounting. Ms. Darmono has been a Monde Nissin Director for 17 years.

Romeo L. Bernardo

LEAD INDEPENDENT DIRECTOR

Also current lead independent director of Aboitiz Equity Ventures, Inc., independent director of Philippine Investment Management (PHINMA), Inc. and RFM Corporation, and is a director of the Bank of Philippine Islands and Globe Telecom. Also Chairman of ALFM Family of Funds, member of the Regional Board of Advisers of Vriens and Partners (Singapore), the Philippine partner of GlobalSource Partners, Senior Advisor to Wallace Business Forum, and a Governor of the Management Association of the Philippines. Co-Founder and Vice-Chairman of Foundation for Economic Freedom, a trustee of Finex Foundation, a member of the Philippine World Bank Advisory Group, and managing director of RL Bernardo and Associates, Inc. Member, Panel of Conciliators of the International Centre for Settlement of Investment Disputes of the World Bank. Received a Bachelor of Science degree in Business Economics from the University of Philippines (magna cum laude) and a Masters Degree in Development Economics from Williams College, Massachusetts, USA. Joined Monde Nissin as an Independent Director on May 10, 2022.

Nina Perpetua D. Aguas

INDEPENDENT DIRECTOR

Also current chairperson of the board and executive trustee of Insular Healthcare Inc.; chairperson of the boards of Insular Life Management & Development Corporation, Insular Investment Corporation, and Insular Foundation, Inc.; director of Unionbank of the Philippines, and Pilipinas Shell Petroleum Corporation; trustee of the Insurance Institute for Asia & the Pacific. She was the Chairperson of the Bank of Florida until December 2021, and member of the World Bank Group's Advisory Council on Gender and Development also until December 2021. Formerly CEO of The Insular Life Assurance Co. Ltd.; director, President and CEO of the Philippine Bank of Communications; Managing Director and Head of Private Bank – Asia Pacific and Managing Director and Retail Banking Head – Asia Pacific of the Australia and New Zealand (ANZ) Banking Group, Ltd.; held the following positions in the Citibank group: Managing Director and Head of Corporate Center Compliance in New York; Country Business Manager of Global Consumer Group (GCG), Philippines; Head of Sales and Distribution, GCG -Philippines; Regional Quality Director GCG – Asia Pacific; and Regional Audit Director, Citigroup, Asia Pacific. Received her Bachelor of Science in Commerce, Accounting from the University of Santo Tomas. Joined Monde Nissin as an Independent Director on April 15, 2021.

Marie Elaine Teo

INDEPENDENT DIRECTOR

Currently Chairman of The TENG Ensemble Ltd.; also: director of Mapletree Investments Pte Ltd.; Amiradou Pte. Ltd., and ICHX Tech Pte Ltd; non-executive independent director of Olam International Ltd; and GK Goh Holdings Ltd. Has around 20 years of public market investment experience. Formerly chairperson of Capital International Research Group, managing director of Capital International Inc., Asia, and director of Mapletree Oakwood Holdings Pte. Ltd. Held oversight and board level responsibilities in Asia for global emerging markets and group operations across risk control, portfolio management, operations, human capital, and client services at the Capital Group companies. Holds a Bachelor of Arts (Honours) in Experimental Psychology from Oxford University. Joined Monde Nissin as an Independent Director on April 7, 2021.

BOARD NOMINATION AND ELECTION

2-10

Pursuant to Monde Nissin's By-Laws, CG Manual, the Board Charter, and the CG-NRC's charter, the Board of Directors, through the CG-NRC, is responsible for ensuring that Monde Nissin has a formal and transparent nomination and election policy. Consistent with this mandate, the CG-NRC promulgates the Rules Governing the Nomination and Election of Directors (*Nomination and Election Rules*) and causes the same to be published on Monde Nissin's website from the opening of the nomination period to its close sixty calendar days before the date of the stockholders' regular meeting.

As stated in Monde Nissin's CG Manual, all holders of common shares, including minority shareholders, have the right to nominate and elect directors in accordance with the Revised Corporation Code of the Philippines, Monde Nissin's By-Laws, and the Nomination and Election Rules. Shareholders (including minority shareholders) wishing to nominate a person for membership on Monde Nissin's Board of Directors are able to do so by submitting a nomination in the proper form and with the proper content to Monde Nissin's Corporate Secretary within the nomination period.

The CG-NRC is also responsible for ensuring that Monde Nissin has an effective, secure, and efficient voting system. A third-party service provider is engaged to provide an online voting platform for shareholders, and an independent auditor performs independent testing of said voting platform and validates the votes cast by shareholders.

The CG-NRC is responsible for screening and shortlisting candidates to ensure that only those that possess all the qualifications and none of the disqualifications for directorship will be considered and included in the final list of qualified candidates. The qualifications and disqualifications applicable to nominees for directorship can also be found in Monde Nissin's By-Laws, CG Manual, Board Charter, the CG-NRC's charter, and Nomination and Election Rules. Among other qualifications, a director is required to:

- ▶ have at least one (1) share of stock in Monde Nissin standing in his/her name in the Company's books not later than seven (7) days before he/she assumes his/her position as a member of the Board of Directors of Monde Nissin or the date of the stockholders' meeting where he/she is up for election, whichever is earlier;
- ▶ have at least a college degree or its equivalent or adequate competence and understanding of the fundamentals of doing business or sufficient experience and competence in managing a business;
- ▶ possess relevant qualifications, such as previous business experience, membership in good standing in the relevant industry, and membership in business or professional organizations; and
- ▶ exercise integrity, probity, and diligence in the performance of his/her functions.

Further, Monde Nissin's CG Manual states that the membership of the Board of Directors should be diverse in order to avoid groupthink and to ensure that optimal decision-making is achieved. Board of Directors diversity includes diversity in business experience, gender, age, ethnicity, skills, competence, and knowledge. The CG Manual prescribes that the Board shall, as much as possible, have a membership of at least 30% female directors, or at least three female directors, whichever figure is lower, at any given time.

BOARD TRAINING AND EVALUATION

2-17, 2-18

Directors are required to attend such number of hours of continuing training involving courses on corporate governance and other related topics at least once a year as the same may be prescribed by the Securities and Exchange Commission. Among the CG-NRC's functions is the recommendation of relevant training for directors.

The Board of Directors regularly conducts a self-assessment, where its members are asked to provide assessments on the following evaluation areas: the Board of Directors, the Board of Directors and its committees, individual directors, relationship between Board of Directors and Management, and independent directors and the Board Committees. The CG-NRC oversees this periodic performance evaluation, and ensures that the results of the evaluation are shared and discussed, and that concrete action plans are developed and implemented to address the identified areas for improvement.

The performance assessment is conducted by an independent third-party consultant every three (3) years. Such third-party consultant is required, under Monde Nissin's CG Manual, to be an acknowledged expert, general professional firm, company, or partnership, or practitioner in the fields of governance, management, behavioral psychology, law, or audit.



Company Communication and Training on Anti-corruption Policies and Procedures

205-2

DISCLOSURE	MONDE NISSIN	QUORN FOODS	UNITS
Percentage of employees to whom the organization's anti-corruption policies and procedures have been communicated to	100	100	%
Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicated to	100	Data unavailable	%
Percentage of senior leaders that have received anti-corruption training	100	Data unavailable	%
Percentage of employees that have received anti-corruption training	42.6*	Data unavailable	%
Percentage of governance body members that the organization's anti-corruption policies and procedures have been communicated to	100	100	%
Percentage of governance body members that have received training on anti-corruption	100	Data unavailable	%

*This data collectively covers staff and up as well as rank and file. For staff and up, 99.7% have received anti-corruption training. For rank and file, 7.7% have received anti-corruption training.

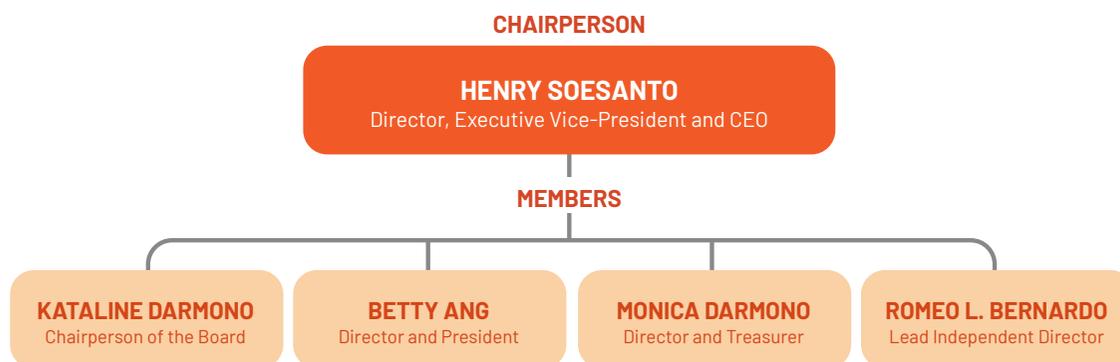
Board Committees

Pursuant to Monde Nissin’s By-Laws, the Board of Directors has established the following committees to assist it in discharging its functions: the Executive Committee, the Audit Committee, the CG-NRC, and the RRPTC.

The Board of Directors is also empowered to establish any other board committees that focus on specific board functions that it may deem necessary or advisable with respect to Monde Nissin’s affairs. The composition, functions, and responsibilities of the Board Committees are set out in Monde Nissin’s CG Manual and the Board Committees’ respective charters.

Monde Nissin’s Board and Board Committees are supported in their governance functions by Management. The qualifications and functions of key members of Management are provided for in Monde Nissin’s By-Laws and CG Manual. Certain independent officers exercising control functions also assist the Board of Directors and the Board Committees, namely, the Corporate Secretary/ Chief Legal Counsel, the Chief Compliance Officer, the Chief Risk Officer, and the Chief Internal Audit Executive.

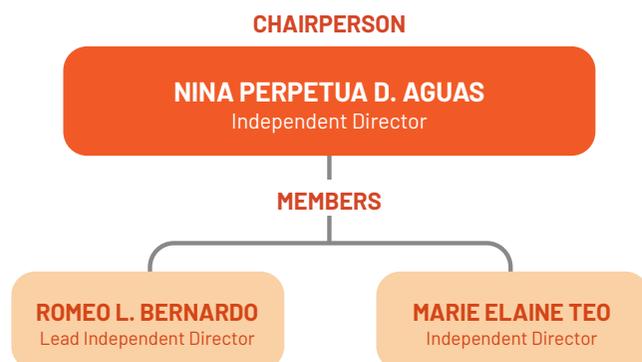
EXECUTIVE COMMITTEE



Under Monde Nissin’s By-Laws and CG Manual, the Executive Committee shall be composed of not less than three but not more than five members designated by the Board, at least a majority of whom shall be members of the Board. Currently, the Executive Committee’s members are all directors.

Function: Assists Monde Nissin’s Board of Directors and officers in the management and direction of the Company, as well as exercising duties of the Board of Directors during the intervening period between Board of Directors meetings.

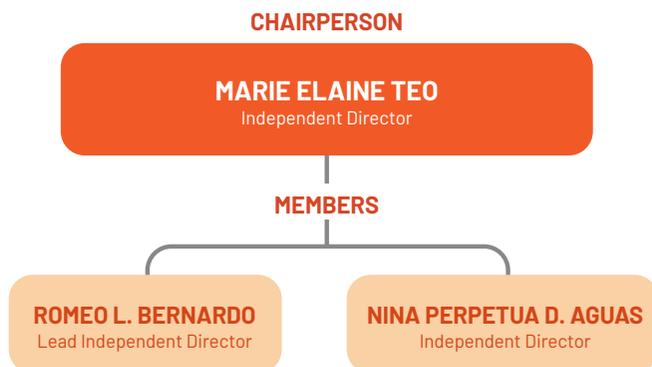
AUDIT COMMITTEE



Under Monde Nissin’s By-Laws and CG Manual, the Audit Committee shall be composed of not less than three appropriately qualified non-executive directors, the majority of whom, including the Audit Committee’s chairperson, should be independent directors. Currently, the Audit Committee’s members, including its chairperson, are all independent directors.

Function: Serves to enhance the Board of Directors’ oversight capability over Monde Nissin’s financial reporting, internal control system, internal and external audit processes, and compliance functions.

CORPORATE GOVERNANCE, NOMINATION, AND REMUNERATION COMMITTEE (CG-NRC)

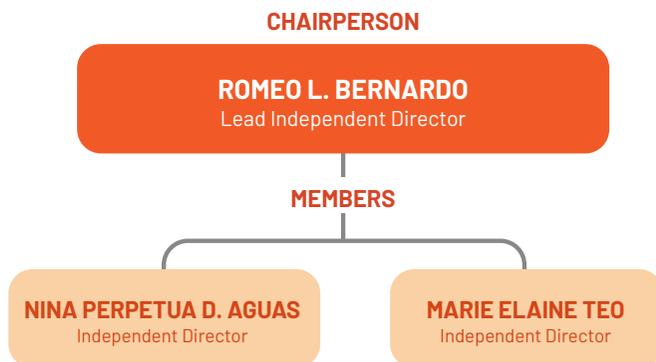


Under Monde Nissin's By-Laws and CG Manual, the CG-NRC shall be composed of at least three (3) non-executive directors, all of whom, as much as possible, should be independent directors, including its chairperson. Currently, the CG-NRC's members, including its chairperson, are all independent directors.

Function:

Assists the Board of Directors in the performance of its corporate governance responsibilities, supervises the nomination and selection of Directors, recommends the proper remuneration of Directors, oversees the periodic performance evaluation of the Board and the Board Committees, and recommends relevant training for Directors.

RISK AND RELATED PARTY TRANSACTIONS COMMITTEE



Under Monde Nissin's By-Laws and CG Manual, the RRPTC should be composed of at least three (3) non-executive directors, the majority of whom should be independent directors, including the chairperson. Currently, the RRPTC's members, including its chairperson, are all independent directors.

Function:

Oversees the Company's enterprise risk management framework and system, and reviews MRPTs.



The Management Team

Jesse C. Teo

CHIEF FINANCIAL OFFICER

Also: director at Monde Nissin Singapore Pte. Ltd., Monde Nissin UK Ltd., Monde Nissin New Zealand Ltd., Sarimonde Foods Corporation, All Fit & Popular Foods, Inc., and Monde Nu-Agri; and Chief Financial Officer at Sarimonde Foods Corporation, All Fit and Popular Foods, Inc., and Monde Nu-Agri Corporation. Received his degree in BS Management – Honours Program from Ateneo de Manila University.

Michael Stanley D. Tan

CHIEF OPERATIONS OFFICER

Previously, Value Creation Officer and Supply Chain Director. Previously: held various positions in Procter and Gamble in the Philippines, Vietnam, and Malaysia across the 4 Global Business Units including Senior Director and Supply Chain Manager was Asia Internal Consultant for integrated Work System in Product Supply. Received his Bachelor of Science in Electrical Engineering (Magna cum Laude) from Silliman University.

Samuel C. Sih

CHIEF COMMERCIAL OFFICER

He has degrees in BS Commerce, a Major in Business Management, and Graduate Studies – Management from De La Salle University.

Melissa C. Pabustan

CHIEF MARKETING OFFICER

She was previously connected with RFM Corporation. Has degrees in BS Applied Economics and BS Marketing Management from De La Salle University.

Michael J. Paska

CHIEF INVESTOR RELATIONS DIRECTOR

Previously: independent consultant at the Asian Development Bank, and was connected with Edtech Capital Advisors, Amalgamated Investment Bancorporation, Fortman Cline Capital Markets, Groveland Capital, Whitebox Advisors, Wachovia Securities (now Wells Fargo), Progress Energy (now Duke Energy), Andersen Consulting (now Accenture), and the US Central Intelligence Agency (CIA). He has a Bachelor of Science in Electrical Engineering from the University of Minnesota, a Master of Economics from North Carolina State University, and an MBA from the University of Chicago.

Marivic N. Cajucom-Uy

CHIEF SUSTAINABILITY OFFICER

Joined Monde Nissin in 1989, serving in various capacities, including Sustainability Director, Internal Consulting Director, Core Business Strategy Director, Marketing Director, and Marketing Manager. Received her Bachelor of Arts in Economics (cum laude) from the University of the Philippines.

Helen G. Tiu

CORPORATE SECRETARY

Atty. Tiu was Monde Nissin's Data Protection Officer from June 26, 2019 to March 22, 2022, and Chief Legal Officer from July, 2017 to July 2022. Also director of Sarimonde Foods Corporation, Monde Rizal Properties, Inc., Monde Malee Beverage Corporation, and Monde Nu-Agri Corporation; corporate secretary of Monde M.Y. San Corporation, Sarimonde Foods Corporation, All Fit & Popular Foods, Inc., Monde Malee Beverage Corporation, and Monde Nu-Agri Corporation; trustee, Harvard Law School Alumni Association of the Philippines; assistant corporate secretary, Philstar Daily, Inc., Pilipino Star Ngayon, Inc., and Pilipino Star Printing Co., Inc.; corporate secretary, Philstar Global Corporation and JS Publications (The Freeman) Co., Inc. Previously, independent director at NiHAO Mineral Resources International, Inc., Asiabest Group International, Inc., and Dizon Copper Silver Mines, Inc.; director in Petron Corporation; president of the Harvard Law School Alumni Association of the Philippines; corporate secretary for Aboitiz Transport System (ATSC) Corporation (now 2Go Group, Inc); partner in SGV & Co.; head executive assistant to the Secretary of Energy at the Philippine Department of Energy; instructor at the College of Business Administration, University of the Philippines. Member, Integrated Bar of the Philippines, UP Women Lawyer's Circle, Inc., Good Governance Advocates and Practitioners of the Philippines, and Harvard Club of the Philippines Foundation, Inc. Received her Bachelor of Science in Business Administration and Accountancy (cum laude), and Bachelor of Laws, from the University of the Philippines, and her Master of Laws from Harvard University.

Jon Edmarc R. Castillo

CHIEF COMPLIANCE OFFICER AND COMPANY INFORMATION OFFICER

Previously: Senior Associate, SyCip Salazar Hernandez & Gatmaitan; Litigation, Labor, and Permits Manager, Philex Mining Corporation; Researcher, University of the Philippines Law Center. Member and Accredited Arbitrator, Integrated Bar of the Philippines. Certified Compliance Officer, Center for Global Best Practices. Member, Philippine Institute of Arbitrators; Member, Good Governance Advocates and Practitioners of the Philippines. Completed Data Protection Officer Foundational and Certification Course, a joint offering of the University of the Asia and Pacific and Center for Research and Communication. Received his Bachelor of Arts (Magna Cum Laude) and Juris Doctor Degrees from the University of the Philippines.

Shiela Alarcio

CHIEF INTERNAL AUDIT EXECUTIVE

Previously: Head, Group Internal Audit, AIA PhilamLife; Head, Internal Audit, Splash Corporation; and Senior Audit Manager, PricewaterhouseCoopers (Manila and London). Received her Bachelor of Science in Accountancy from St. Scholastica's College.

Daniel Teichert

CHIEF RISK OFFICER

Previously, various financial management roles, including: Vice President Finance and IT Sourcing Division, Siemens Inc., Philippines; CFO. ATOS Philippines; Vice President Corporate – Head of Finance, Atlantic, Gulf and Pacific. Member, Good Governance Advocates and Practitioners of the Philippines. He has degrees in Industriekaufmann (IHK, DE) from Siemens AG Stammhauslehre, Bachelor in Commercial Economics from Hogeschool Zeeland, NL, and Betriebswirt (VWA), Verwaltungs und Wirtschaftakademie, (Essen DE).

Katherine C. Lee-Bacus

ASSISTANT CORPORATE SECRETARY

Previously: Associate, SyCip Salazar Hernandez & Gatmaitan; Associate, Risk and Internal Audit, Isla Lipana & Co; Audit Specialist, Bank of the Philippine Islands. Member, Integrated Bar of the Philippines. Certified Compliance Officer, Center for Global Best Practices. Completed Data Protection Officer Foundational and Certification Course, a joint offering of the University of the Asia and Pacific and Center for Research and Communication. Received her J.D. from Ateneo Law School, and her Bachelor of Science in Accountancy (magna cum laude) from Saint Louis College.

Anne Katherine N. Santos

ASSISTANT CORPORATE SECRETARY

Previously: Senior Associate, SyCip Salazar Hernandez & Gatmaitan. Member, Integrated Bar of the Philippines. Certified Compliance Officer, Center for Global Best Practices. Completed Data Protection Officer Foundational and Certification Course, a joint offering of the University of the Asia and Pacific and Center for Research and Communication. Received her J.D. from Ateneo Law School, and her B.S. in Management Engineering from Ateneo de Manila University.

Elvira S. Mensalvas

QUALITY ASSURANCE (QA) DEPARTMENT HEAD

Also: director, Philippine Chamber of Food Manufacturers, Inc., and trustee, GS1 Philippines, Inc.

Romeo L. Marañon, Jr.

HEAD OF BAKERY BUSINESS UNIT

Previously with Monde Nissin Thailand Co. Ltd. As National Sales Manager and Export Business Development Manager. Received from the University of the Philippines his Bachelor of Science in Business Administration, Major in Marketing Management and Masters in Management, Major in Business Administration and Management, General.

Wendy T. Antioquia

REGIONAL RESEARCH AND DEVELOPMENT DIRECTOR

Previously: General Manager-Biscuits and Wafer Business Unit, R&D Head, and R&D Specialist. Received her Bachelor of Science degree in Food Technology from the University of the Philippines; member of the Philippine Association of Food Technologists.

Luzviminda M. Mercurio

CHIEF PEOPLE AND CULTURE OFFICER

Previously: Vice President for HR-Training and Staffing, GE Consumer Finance; HR and Organization and Talent Development Manager, Mondelez Philippines (previously Kraft Foods Philippines); Regional Learning and Development Lead – ASEAN Region, General Electric; and Chief Executive Officer. Strategic Learning and Professional Development Consulting. Received her Bachelor of Arts in Communication from the University of the Philippines; finished the Leadership and Management Development Program of the Ateneo Graduate School of Business.

Jocelyn Jones Go So

CHIEF INFORMATION AND DIGITAL OFFICER

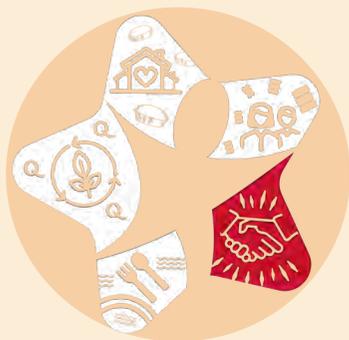
Previously with PCCW Solutions Ltd as: Senior Vice President and CMT Industry Head; Senior Vice President, Business Process Unit, HKT; and Senior Vice President, Systems Solutions Development and Integration. Received her Bachelor of Science in Math, Major in Computer Science from Ateneo de Manila University and her Master of Business Administration, Major in Information Technology from University of Western Sydney.

MAKING COLLECTIVE ACTION POSSIBLE

Monde Nissin knows that sustainability solutions can't be achieved by the Company alone. While the Company has already made its concrete commitments and targets, it is cognizant that collaboration is required to enhance positive impacts and create more meaningful change.

In the global environment where climate change affects entire ecosystems and social inequalities persist, Monde Nissin recognizes the need for collective action. Making Better Possible® can be achieved when like-minded individuals and organizations with common goals work together with internal and external stakeholders toward sustainable development.

In line with its strategic pillar of Making Collective Action Possible, Monde Nissin has forged cooperations and collaborated with organizations that share this common goal. This has resulted in progress across the sustainability-related areas of the economy, planet, society, and governance.



Making Collective Action Possible

ECONOMY

In envisioning A Better Economy, Monde Nissin works with partners and suppliers who can help invigorate its value chain and promote economically and socially sustainable impacts for the stakeholders involved.

MSMEs, which include sari-sari stores, are potential distributors of Monde Nissin's products down the supply chain. Monde Nissin collaborated with government-owned Small Business Corporation to launch RISE UP Tindahan, a loan assistance program that can empower MSMEs by providing them with much-needed financing after the economic hardships brought about by the pandemic.



PLANET



In making solutions for A Better Planet, Monde Nissin joins like-minded organizations and aligns itself with national and global strategic initiatives that act on climate change and environmental issues.

Conscious of the impacts of unsustainable packaging on the environment, Monde Nissin is a member of **PARMS**, which works toward improving waste management practices across Philippine organizations. Monde Nissin continuously finds ways to reduce packaging usage, improves the number of recyclable packaging it uses, and adopts a zero waste-to-landfill approach in its operations.

SOCIETY

In caring for A Better Society, Monde Nissin amplifies its positive societal impacts by building an accessible, healthier, and better product portfolio.

Through the **Philippine Chamber of Food Manufacturers, Inc. (PCFMI)**, the Company takes part in supporting research projects that focus on affordable and nutritious food products that are fully-compliant with local and international standards on food safety.



GOVERNANCE



In committing itself to Upholding Ethical Governance, Monde Nissin's oversight and strategic guidance is provided by the Board of Directors as the champion of ethical and good governance, and is steered towards that aspiration on a day-to-day basis by its top-level cross-functional Management team that engages in leadership across the Company's different business units and functions. Key leaders with an intimate relationship with control and good governance include the Chief Compliance Officer, the Chief Internal Audit Executive, the Chief Risk Officer, and the Chief Legal Counsel. Monde Nissin's Legal & Compliance, Risk, and Internal Audit Teams provided ready assistance to Management and other leaders in ensuring that Monde Nissin's governance systems are functioning and reliable.

The Company constantly engages with regulatory bodies and the government to stay abreast of relevant laws and regulations that affect the business. As a member of the **Good Governance Advocates & Practitioners of the Philippines**, Monde Nissin goes beyond compliance by also taking part in promoting policy development and good governance practices.

Moving forward, Monde Nissin will continue to pursue collaborative efforts and meaningful cooperations that advance progress on its sustainability goals.

ANNEX

Annex A: General Disclosures

2-6 Activities, value chain, and other business relationships

Monde Nissin has long term business relationships with downstream entities such as modern trade, general trade, CDN, foodservice, and e-commerce that sell and distribute products to intended customers.

Relevant business relationships:

Sales

- ▶ Small Business Corporation (provides credit to sari-sari stores)
- ▶ Community Distribution Network Dealers (provides a good source of livelihood for the Independent Brand Experts)
- ▶ Merchandising Agencies (ensures full availability of Monde Nissin's products on shelves)

Finance

- ▶ Banks {provide products and services that optimize the value of Monde Nissin's money [i.e. credit, investment products, and improve the process (i.e. supply chain financing; offsite check printing and releasing)]}

Corp Comm

- ▶ Caritas Manila (NGO for charitable donations)
- ▶ Rise Against Hunger (NGO for charitable donations)
- ▶ Juanito King Foundation (NGO for charitable donations)

Marketing

- ▶ Advertising and Media Agencies
- ▶ Consultants and/or Consultancy Agencies
- ▶ Design Packaging Agencies

2-28 Membership associations

ASSOCIATION	DESCRIPTION	ROLE
Good Governance Advocates & Practitioners of the Philippines	<ul style="list-style-type: none"> Promotes and advocates integrity, fairness, accountability, transparency, excellence, and social and environmental responsibility; Proactively engages with regulatory agencies and other governance organizations to contribute to the continuous development of appropriate and progressive rules, standards, and practices on good governance 	<ul style="list-style-type: none"> Monde Nissin's representative holds an officer role.
Philippine Chamber of Food Manufacturers, Inc.	<ul style="list-style-type: none"> The principal organization of the manufacturers and distributors of food products in the Philippines, with the responsibility of providing to the consumers, safe, nutritious, and affordable processed food products that are compliant to local and international standards and regulations. 	<ul style="list-style-type: none"> Monde Nissin's representative holds a board position. Monde Nissin contributes to research projects of the organization.

ASSOCIATION	DESCRIPTION	ROLE
World Instant Noodles Association	<ul style="list-style-type: none"> To accumulate and share information about technical issues related to the quality development of instant noodles so that people can enjoy instant noodles with safety and trust. 	<ul style="list-style-type: none"> Monde Nissin's representative is part of the Board of Governors.
Philippine Alliance for Recycling and Materials Sustainability	<ul style="list-style-type: none"> Promotes stakeholder collaboration leading to sustainable consumption and production, reducing the country's waste footprint. 	<ul style="list-style-type: none"> Monde Nissin is an investing partner in the organization.
Philippine Institute for Supply Management	<ul style="list-style-type: none"> The country's premiere professional association of supply management practitioners. 	<ul style="list-style-type: none"> Monde Nissin's representative holds a board position.

Annex B: Environmental Data

Recycle-ready packaging materials

DISCLOSURE	MONDE NISSIN	MN UK	UNITS
% of recycle-ready packaging materials (in terms of volume)	94	65	%

2-27 Environmental compliance

DISCLOSURE	MONDE NISSIN	MFL	UNITS
Total number of instances for which fines were incurred	1	0	#
Total amount of monetary fines for non-compliance with environmental regulations	4.46 Million	0	Php
Number of non-monetary sanctions for non-compliance with environmental regulations	0	0	#
Number of cases resolved through dispute resolution mechanism	0	0	#

Note: Monde Nissin on September 8, 2022 settled a Php4.46M assessment by the Laguna Lake Development Authority (LLDA) from a 2017 measurement of its Total Plant Effluents vis-à-vis 1990 Revised Effluent Standards for Inland Water Class "C" in certain parameters. Monde Nissin beginning August 6, 2018 has been found by the LLDA to have passed relevant effluent standards.

Monde Nissin received the assessment on August 25, 2022 (with finality within 15 days from receipt of notice, or on or before September 9, 2022). The LLDA computed the assessment as daily charges from May 4, 2017 to July 24, 2018 based on the LLDA's parameters for effluent standards. Beginning August 6, 2018, following the requisite inspection based on the company's request for re-sampling, Monde Nissin was found to have passed relevant effluent standards as affirmed by the LLDA.

Supply chain management

DISCLOSURE	MONDE NISSIN	QUORN FOODS
Do you have a supplier accreditation policy? (Y/N)	Y	Y

DO YOU CONSIDER THE FOLLOWING SUSTAINABILITY TOPICS WHEN ACCREDITING SUPPLIERS? (Y/N)

DISCLOSURE	MONDE NISSIN	IF YES, CITE REFERENCE IN THE SUPPLIER POLICY
Environmental Performance	Y (For selected industries)	Monde Nissin has a vendor accreditation process to ensure that it deals with duly registered and reputable supplier companies. The process helps avoid risks and indirectly considers environmental and social topics through the submission of regulatory documents. Monde Nissin also assesses credit risk through the Dun and Bradstreet database and evaluates third-party risk exposure to certain matters through Refinitiv World-Check.
Forced Labor		
Child Labor		
Human Rights		
Bribery and Corruption	Y	<p>Policies such as “Engaging in Business Partners” & “Conflicts of Interest” involve performing due diligence on potential business partners. Anti-corruption risks are also assessed as mandated by the Anti-Bribery and Corruption Policy.</p> <p>All vendors, agencies, and service providers are required to abide by the standards and laws set by regulatory bodies while in contract with Monde Nissin. The Company also intends to update its supplier accreditation assessment to include sustainability topics.</p>

DISCLOSURE	QUORN FOODS	IF YES, CITE REFERENCE IN THE SUPPLIER POLICY
Environmental Performance	Y	The assessment of raw materials suppliers involves the use of a Site Audit Questionnaire which is highlighted in the policy “Technical Approval of Suppliers Document (MQA059)”
Forced Labor	Y	Covered by local laws
Child Labor	Y	Covered by local laws
Human Rights	Y	Covered by local laws
Bribery and Corruption	Y	Covered by local laws

Annex C: Social Data

401-2 Benefits provided to regular employees

DISCLOSURE	MONDE NISSIN		
	Y/N	NO. OF MALE REGULAR EMPLOYEES WHO AVAILED	NO. OF FEMALE REGULAR EMPLOYEES WHO AVAILED
SSS	Y	234	112
Philhealth	Y	14	13
Pag-Ibig	Y	151	73
Solo Parent leaves	Y*	2	20
Parental leaves (Maternity / Paternity)	Y	52	9
Paid extra leaves	Y	1,127	722
Paid vacation leaves	Y	1,036	652
Paid sick leaves	Y	730	507
SSS sickness benefit	Y	120	90
Medical benefits (aside from PhilHealth)	Y	1,351	926
Life insurance	Y	1	0
Disability and invalidity coverage	Y	2	0
Housing (staff house)	Y	45	42

DISCLOSURE	MONDE NISSIN		
	Y/N	NO. OF MALE REGULAR EMPLOYEES WHO AVAILED	NO. OF FEMALE REGULAR EMPLOYEES WHO AVAILED
Housing assistance (aside from Pag-Ibig)	Y	32	30
Retirement fund (aside from SSS)	Y	848	579
Further education support	Y	9	6
Company stock option/Stock ownership	N	N/A	N/A
Telecommuting	Y	198	353
Flexible working hours	Y	303	493
Others: Above minimum wages	Y	1,351	926
Others: Equitable severance pay	Y	95	115
Others: Flexible benefits	Y	472	572
Others: Access to health and wellness programs	Y	1,351	926

*All employees are entitled to Solo Parent Leaves, provided that they have a DSWD solo parent ID. For the year 2022, only 22 employees (2 male, 20 female) were entitled to this since they were the only employees with the DSWD solo parent ID.

404-1 Average hours of training per year per employee

DISCLOSURE	MONDE NISSIN	UNIT
Total training hours provided to regular employees	27,213.09	hours
a. Female regular employees	13,996.50	hours
b. Male regular employees	13,216.59	hours
Average training hours provided to regular employees	13.23	hr/employee
a. Female regular employees	17.5	hr/employee
b. Male regular employees	11.13	hr/employee
Total training hours provided to probationary employees	8,631.99	hours
a. Female probationary employees	2,501.36	hours
b. Male probationary employees	6,130.63	hours
Average training hours provided to probationary employees	6.38	hr/employee
a. Female probationary employees	19.35	hr/employee
b. Male probationary employees	9.53	hr/employee

Annex D: SDG Contributions Summary

	<p>Monde Nissin's corporate aspiration focuses on "creating sustainable solutions for food security." Through its products and marketing campaigns, Monde Nissin aims to provide delicious, affordable, accessible, and fortified food to consumers while promoting healthier eating habits. It is currently finding ways to further improve the nutritional value of its products.</p>
	<p>Monde Nissin operates a community distribution network that provides a source of livelihood to local community Independent Brand Experts. At the same time, it recognizes the value of its workforce and implements several employee volunteerism, engagement, and well-being programs.</p>
	<p>Innovation toward resource efficiency and monitoring and mitigating the environmental impacts of its manufacturing plants continue to be part of Monde Nissin's sustainability initiatives. Furthermore, Monde Nissin imparts its progress to stakeholders through the publication of its sustainability report. Its internal stakeholders—employees—gain more knowledge on sustainability-related concepts through the Company's employee sustainability education and engagement campaign.</p> <p>Moving forward, Monde Nissin is looking for ways to improve its procurement practices to integrate sustainability-related factors.</p>
  	<p>Monde Nissin is cognizant of the environmental impacts of its operations. To minimize negative impacts, the Company has focused on adopting renewable energy at its manufacturing plants and devising effective water and energy efficiency initiatives.</p>
	<p>Monde Nissin believes that a concerted effort is necessary for achieving its sustainability goals and targets. It encourages a sustainability-focused mindset among its employees and is open to collaborating with other organizations and suppliers to find new ways to improve its current manufacturing practices.</p>

GRI Content Index

Monde Nissin Corporation has reported the information cited in this GRI content index for the period from 1 January 2022 to 31 December 2022 with reference to the GRI Standards.

GRI 1 used is GRI 1: Foundation 2021

GRI STANDARD	DISCLOSURE	PAGE NUMBER/S	DIRECT ANSWER
GRI 2: General Disclosures 2021	2-1	Organizational details	2-3,10, 97
	2-2	Entities included in the organization's sustainability reporting	3
	2-3	Reporting period, frequency and contact point	3
	2-4	Restatements of information	This report does not contain restatements of information.
	2-5	External assurance	This report did not undergo external assurance.
	2-6	Activities, value chain and other business relationships	11-13, 85
	2-7	Employees	49
	2-9	Governance structure and composition	74-76
	2-10	Nomination and selection of the highest governance body	77

GRI STANDARD	DISCLOSURE	PAGE NUMBER/S	DIRECT ANSWER
GRI 2: General Disclosures 2021	2-11	Chair of the highest governance body	The Chairperson of the Board, Ms. Kataline Darmono, is a non-executive director who is not involved in the day-to-day operations of Monde Nissin.
	2-12	Role of the highest governance body in overseeing the management of impacts	23
	2-13	Delegation of responsibility for managing impacts	23
	2-14	Role of the highest governance body in sustainability reporting	23
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