COVER SHEET

SEC Registration Number

C	S	2	0	0	3	1	5	8	7	7

COMPANY NAME

METRO RETAIL STORES GROUP, INC.

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

VICSAL BUILDING, CORNER OF C.D. SENO AND W.O. SENO STREETS, GUIZO, NORTH RECLAMATION AREA, MANDAUE CITY, CEBU

Form Type	Department requiring the report	Secondary License Type, If Applicable
17-A	CRMD	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
vicsal.sec @metroretail.ph	**(032) 236-8390**	**N/A**

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
22	**First Friday of May**	**December 31**

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Joselito G. Orense	**joel.orense @metroretail.ph**	**(032) 236-7793**	**N/A**

CONTACT PERSON's ADDRESS

Vicsal Bldg., corner of C.D.Seno & W.O. Seno Streets, Guizo, North Reclamation Area, Mandaue City, Cebu

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.*

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, 2023

2. SEC Identification Number

CS200315877

3. BIR Tax Identification No.

226527915000

4. Exact name of issuer as specified in its charter

METRO RETAIL STORES GROUP, INC.

5. Province, country or other jurisdiction of incorporation or organization

CEBU, PHILIPPINES

6. Industry Classification Code(SEC Use Only)

7. Address of principal office

VICSAL BLDG. CORNER C.D. SENO AND W.O. SENO STS. GUIZO, NORTH RECLAMATION AREA, MANDAUE CITYPostal Code6014

8. Issuer's telephone number, including area code

(032) 2368390

9. Former name or 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 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 SHARES	3,248,183,000

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:

PHILIPPINE STOCK EXCHANGE, INC. - COMMON SHARES

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

722,839,156

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

N/A

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

N/A

(c) Any prospectus filed pursuant to SRC Rule 8.1

N/A

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PART I BUSINESS AND GENERAL INFORMATION

Item 1 Business

(A) Business Development

We are one of the leading retail companies in the Philippines and in the Visayas - one of the fastest-growing geographic regions in the country. We opened our first store in Cebu City in 1982 and have steadily grown to become a market leader in the Visayas. After focusing on stability and growth during the first two decades of our operations, we started to open stores outside of the Visayas, beginning with the opening of our department store and supermarket in Legazpi City in 2001, followed by the opening of our department store and supermarket in Lucena City in 2003 and by the opening of our department store and supermarket at Metro Market! Market! at the Bonifacio Global City in Taguig in Metro Manila in 2004.

As of end of 2023, we had a total of ten (10) stores in Metro Manila and twelve (12) stores in other parts of Luzon with a total net selling space of approximately 113,000 sqm.

In addition, we have a total of forty-one (41) stores in the Visayas, with a total net selling space of approximately 147,000 sqm. This brings our total store count in the Philippines to sixty-three (63), with a total net selling space of 260,000 sqm.
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(B) Business of Issuer

1. Description of registrant

a. Principal products and Services

The Company operates through the following retail formats and are located in strategic locations in densely populated cities or municipalities:

Supermarket

Our supermarket business is operated under two brand names “Metro Supermarket” and “Metro Fresh N Easy,” which we refer to collectively herein as “Metro Supermarket.” The Metro Fresh N Easy brand name is used for our smaller scale supermarkets serving as neighborhood stores.

Metro Supermarket opened its first supermarket, Gaisano Metro Department Store and Supermarket, in Cebu City in 1982 and currently operates 36 supermarkets in the Visayas, Metro Manila, and the rest of Luzon. As of end of 2023, Metro Supermarket had a total net selling space of approximately 59,000 sqm and an average net selling space of 1,600 sqm.

Department store

We started our retail business with the opening of Gaisano Metro Department Store and Supermarket in Colon, Cebu City in 1982. Our department stores are now operated under the “Metro Department Store” brand name.

As of 2023, we had 15 department stores in strategic locations throughout the country, with a total net selling space of 156,000 sqm and an average net selling space per store of 10,400 sqm.

Hypermarket

Our hypermarket retail format is operated under the name “Super Metro.” Our hypermarkets are a hybrid between our supermarkets and department stores, providing a broad assortment of basic everyday products at value prices. We opened our first hypermarket in 2011 and we currently operate 12 hypermarkets in key cities throughout the country with a total net selling space of 45,000 sqm and an average net selling space of 3,800 sqm. Our hypermarkets are supported by the same distribution centers as our supermarkets and department stores.

Target Market

Metro Supermarket primarily targets low to middle-income consumers and offers suitable car parking facilities to accommodate customers who travel to stores by car and also locates its stores in areas close to main transportation hubs. Its customers include individuals, institutional customers and resellers. We are not dependent on any single customer in our supermarket business.

Metro Department Store primarily targets low to middle-income consumers and strategically adjusts its product mix within different stores to account for variances in local income levels and customer demographics. Metro Department Store offers suitable car parking facilities to accommodate customers who travel to stores by car and also locates its stores in areas close to main transportation hubs. We are not dependent on any single customer in our department store business.

Super Metro hypermarkets target end consumers, including retail customers and wholesalers, in locations beyond the reach of typical modern supermarkets and department stores. Super Metro targets primarily low to middle-income retail customers. Super Metro hypermarkets also sell to resellers, including small to medium sari-sari stores, restaurants, bakeries, convenience and drug stores. We are not dependent on any single customer in our hypermarket business.

Metro Rewards Card – In 2006, the Company launched the Metro Rewards Card (MRC), a loyalty card allowing its members to redeem accrued points across all stores and all formats. The MRC is a powerful tool in knowing and increasing loyalty among our customers. The Company had over a million MRC members of as of end of 2023.

Foreign Sales

The Company has no record of foreign sales as it is not exporting any of its merchandise abroad.

b. Distribution methods

We have a total of 13 warehouses nationwide (2 in Luzon and 11 in Visayas) which serve as a storage and cross docking facility for department store and supermarket items. All the warehouses are currently managed in-house. Each warehouse is equipped with racking, material handling equipment, and enabled by ORACLE warehouse management system. Our processes are compliant with Good Warehouse and Distribution Practices. Our people are professionals certified to run the facility. We also provide other services such as piece picking, kitting and assembly as requested by merchandising and store operations. Our operations are safe and compliant with the best practices on warehousing and distribution.

Delivery trucks servicing the stores come from third party truck providers.

We use major shipping lines to transport products from one warehouse to another between Luzon and Visayas.

Our key strategic initiatives are as follows in order to:

1. Support our aggressive network expansion, we will put in place one Distribution Center ("DC") in Laguna to accommodate all the demand for warehousing and logistics requirements in Luzon stores, which is targeted to go-live in the first quarter of 2023. The DC will cover both storage and cross docking operations for dry, chilled, cold and fresh operations;

2. Support our campaign on End to End Supply Chain Food Safety promise to our consumers we will continue to implement a food safety program to suppliers (Good Agricultural and Manufacturing Practices), to warehouses & transport (Good Warehouse and Distribution Practices) unto our stores (Good Retail Practices) consistent with the internal standards of Codex Alimentarius. MRSGI has received Good Manufacturing Practice (GMP) and Hazard Analysis and Critical Control Points (HACCP) certification for four (4) of our supermarkets – Metro Alabang Town Center, Metro Ayala Center Cebu, Metro Market! Market! and Metro Mandaue. We will continue to obtain and renew aforementioned certifications to uphold health and food safety for our customers.

3. Support our sales target through product availability, we will further demonstrate breakthrough performance with regards to our ability to service store orders on time, in full, right quality and no documentation errors. We will support our institutional customers with the fit-for-purpose distribution model that they will require, and will implement omni-channel strategy to keep up with the fast rising preference of our customers for online shopping;

4. Support our profit targets through putting in place productivity programs to be able to handle more products with lesser resources required, and drive cost saving initiatives in controllable operating expenses of the operations. Furthermore, we will ensure inventory record accuracy and minimize shrinkages in our operations.

c. New products and services

Adapting to the more digitally transformed retail space, MRSGI accelerated its e-commerce initiatives and further developed its digital assets. The Company launched shopmetro.ph, which serves as the online platform for both its Supermarket and Department Store and allows shoppers to have their orders delivered at their doorstep. In terms of mobile commerce, MRSGI offers Call-Text-Viber (CTV) service that enables its customers to easily reach out their preferred Metro store and order groceries and other essentials all at the safety of their homes. These digital offerings complement the Company's existing core business of department store, hypermarket, supermarket and ancillary businesses (pharmacy, bakery, food avenue, and leasing).

d. Competition

The Philippine food retail market has become increasingly competitive in recent years. We compete with both traditional stores and modern retail operators, including hypermarkets, supermarkets, convenience stores and local grocery stores, on the basis of location, shopping experience, presentation, price, supply chain and additional benefits such as loyalty programs. SM Retail; Robinsons Retail Holdings, Inc.; and Puregold Price Club, Inc. are among the top supermarket competitors in terms of retail sales value. Each of these retail chains has an established presence in the Philippines and continues to open supermarkets in the same cities, and often in the same neighborhood, where we have opened or intend to open our supermarkets. International brands such as Landers, with local partners operating stores in larger metro areas have recently begun to present a new source of competition.

We believe that Metro Supermarket's differentiators are our prices and our product assortment. We believe that we are able to provide all of the basic goods that our consumers expect while continuing to be competitive in pricing in every region that we operate in. Additionally, our strength in product assortment, particularly in non-food products with higher margins, help us compete with other retailers of food products. We believe that our prices and assortment, coupled with a best-in-class customer shopping experience, set us apart from our competitors.

The Philippine department store industry is dominated by a few top operators. SM Retail, Robinsons Retail Holdings, Inc., Landmark, and Gaisano Grand are among the top competitors in terms of retail sales value. Metro Department Store competes with major department store operators on the basis of location, product assortment, brand recognition, store image, presentation, price, understanding of market demand and value-added customer services. Each of the competing department store chains has an established presence in the Philippines and is continuing to open department stores in the same cities, and often the same neighborhood, where Metro Department Store has opened or intends to open its department stores.

Super Metro competes primarily with traditional stores and other modern retail operators, including other hypermarkets, supermarkets, convenience stores and local grocery stores. Puregold Price Club, Inc., SM Retail, Super8, and Prince Warehouse Club, Inc. are among the top hypermarket competitors in terms of retail sales value. These competitors, like Super Metro, are associated with larger brands that have an established presence in the Philippines.

We believe that Super Metro's key competitive strength is its ability to rely on our group's deep experience in providing retail services to the lower- to middle-income consumers. Cost-saving measures implemented in our existing operations are easily transplanted to the Super Metro platform, enabling us to maintain our status as a price leader in the hypermarket market. Additionally, our focus on basic everyday necessities further reduces our costs by allowing us to source more products from fewer suppliers.

e. Suppliers

With over 1,700 regular suppliers in 2023, Metro Supermarket's supplier base is diversified between local suppliers such as PMFTC Inc., Brollee Dist. & Log, Inc. and Universal Robina Corporation, and multinational corporations such as Nestle Philippines Inc. and Unilever Philippines, Inc. Metro Supermarket's top five suppliers together accounted for 26% of its net sales in 2023. For smaller local suppliers, Metro Supermarket seeks to partner with the best suppliers in each region in which it operates. We believe that our supermarket business as a whole is not dependent on any single supplier.

Metro Department Store maintains close relationships with its concessionaires and suppliers for its outright sales to ensure that it is able to continuously offer a broad range of merchandise. The concessionaires that carry competitive brands with a complete assortment of merchandise are generally placed in areas visually supported by graphics and unique fixtures, while suppliers of direct-sale merchandise are used to complete our product assortment and provide product differentiation.

With over 1,400 regular suppliers in 2023, Metro Department Store's supplier base includes suppliers such as Finden Technologies Inc., Skies Merchandise Sales Corporation, Atlas Home Products, Inc., Electrolux Philippines, Inc., and San-Yang Intertrade Corp. Metro Department Store's top five suppliers together accounted for approximately 7% of its net sales in 2023. We believe that our department store business as a whole is not dependent on any single supplier.

Super Metro's supplier base is the same as that of our supermarkets and department stores. Nestle Philippines, Inc., Universal Robina Corporation, Monde Nissin Corporation, Unilever Philippines, Inc., and Procter & Gamble Philippines Inc. are among the biggest suppliers of our hypermarket retail format. Super Metro's top five suppliers together accounted for approximately 20% of its net sales in 2023. We believe that our hypermarket business as a whole is not dependent on any single supplier.

f. Dependence upon single/few supplier/customer

MRSGI is not dependent on any single supplier. The Company's top five (5) suppliers accounted for 18% of its net sales in 2023. The Company does not rely on a single or a few customers for its retail business.

g. Transaction with related parties

In the ordinary course of our business, we engage in transactions with related parties and affiliates. On March 16, 2016, MRSGI adopted its Policy on Related-Party Transactions to ensure that these transactions are entered into at arm's length on terms no less favorable than terms available to any unconnected third party under the same or similar circumstances.

On September 5, 2019, MRSGI further adopted its Amended Policy on Related Party Transactions in Compliance to SEC Memorandum Circular 10 series of 2019.

We have the following major transactions with related parties:

- We entered into lease agreements with Vicsal Development Corporation ("VDC") for the Company's store space and warehouses. As part of the spin-off of the retail business to Metro Retail Stores Group, the land and structures which used to be owned by VDC remained with the parent company. Rent expenses followed benchmarks based on market guidance from an independent party adviser.

- We have short-term non-interest bearing payables/receivables from VDC in the normal course of business pertaining to intercompany recovery of expenses and trade-related transactions.

- In 2016, we entered into a service agreement with VDC for VDC to provide legal and operations strategy services to the Company.

- In the normal course of business, we ordinarily purchase goods and services from our related parties with the following nature of transactions:
    - Purchases of imported goods and store and office equipment from Cornerstone Diversified Goods Trading, Inc.
    - Concession purchases from Beneluxe Trading Corporation, which engages in the watch and jewelry business.
    - The use of logistical services provided by Cargo Bayan Inc. and Bayan Movers Logistics, Inc.
    - Travel ticketing and booking services from Grand Holidays, Inc.
    - Supply of goods and services to malls operated by Pacific Mall Corporation.

- We have entered into lease arrangements for store space with our related parties, including Beneluxe Trading Corporation and Wealth Development Bank Corporation
- We are parties to perpetual trademark licensing agreements with our affiliates, Metro Value Ventures, Inc. (now renamed "Taft Property Group, Inc.") and VDC, for a nominal fee.
- We have cash placements and bank accounts with Wealth Development Bank Corporation which earn interest based on prevailing market interest rates.

h. Trademarks/Tradenames

Effective August 1, 2014, we had perpetually licensed from Metro Value Ventures, Inc., a related party, the use of the following registered trade names or trademarks and devices used to identify our stores, including "Metro and Device", "Metro Gaisano", "Metro Ayala", "Metro Market Market", "Super Metro Gaisano", "Metro Fresh 'n Easy", "Metro Pharmacy", "Metro Legazpi", "Metro Lucena", "Express Mart by Metro", "Metro Wholesale Mart", "Metro Gourmet", "Metro Tropical Delights", "Metro Market", "Tita Gwapa Metro Supertinda" and "Metro Hi-Per." Effective August 1, 2014, we also perpetually licensed from Metro Value Ventures, Inc. the use of the following trade names or trademarks and devices, which are registered or covered by pending applications for registration, for: "Blue Camp", "Red Bears", "Nicole", "Junior Shop", "Young Teens", "Kiddies", "Blue Camp & Device", "Young Teens Collection & Device", "Cozy", "McKenzie & Jones", "Soft Impressions", "Firenze", "Metro Living", "Regal Comfort", "Main Course", "Metropolitan", "Ms'tique", "Swiss Precision", "Stylized Casadei", "MA.CO", "Follie", "Mei Wei", "South Sea", "Pure Soft", "Pure Max", "Pure Joy", "Lakas", "West Coast", "Best Harvest", "Q Premium Cebu's Best Lechon & Device", "Q Premium", "Q Premium Carcar's Best Chicharon", "West Coast Ice", "Savers Select", "M Copies", "Chum Girls", "Mirabella", "Cover Girl", "Natural Clothing", "Le Chateau", "Eddy & Emmy", "Metro Café", "Nautilus", "Christian Ferre", "Nina Botticelli", "Marquise", "Vicenza Silver Collection" and "Metro Ware." We pay Metro Value Ventures, Inc. an annual fee of P10,000.00 per trade name or trademark per year or a total of P 700,000.00 as consideration for the full and complete use of the foregoing trade names and trademarks, which fee may be adjusted upon the mutual consent of both parties.

As of August 1, 2014, we had also perpetually licensed the use of the registered trade names or trademarks and their devices for "Suisse Cottage", "Karen Kay", "Street Code", "Roaster Chef Grill" and "Fiesta sa Sugbo Restaurant" from Vicsal Development Corporation. We pay Vicsal Development Corporation an annual fee of P 10,000.00 per trade name or trademark per year or a total of P50,000.00 as consideration for the full and complete use of the foregoing trade names and trademarks, which fee may be adjusted upon the mutual consent of both parties.

i. Government approvals

The Company has obtained, applied for, or is in the process of applying or renewing all material permits and licenses from national and local government units and other government units required to conduct its business. The Company expects to obtain these permits and licenses in the ordinary course.

j. Effect of existing governmental regulations

In the conduct of its operations, the Company is subject to the following laws and regulations: a) The Retail Trade Liberalization Act; b) The Philippine Competition Act; c) The Food, Drug and Cosmetics Act; d) The Consumer Act; e) The Meat Inspection Code; f) The Price Act; g) The Food Safety Act; h) The Comprehensive Dangerous Drugs Act; i) The Pharmacy Law; j) The Generics Act; and k) Philippine Labor Laws; (l) Expanded Senior Citizen Act of 2010; (m) Intellectual Property Code of the Philippines; (n) Articles on Quasi-Delicts of the Civil Code; and (o) Other pertinent laws.

k. Cost and effect of compliance and environmental laws

The Company is subject to various laws relating to environmental matters. In particular, the Company is required to obtain an Environmental Compliance Certificate (ECC) and/or Certificate of No Coverage (CNC) during the construction and development of commercial establishments such as malls, supermarkets and public markets, fast food and restaurants. The ECC is required when the total store area (including parking) exceeds 10,000 sqm. Where the total store area is equal to or less than 10,000 sqm, the operators of commercial establishments may obtain a CNC pursuant to Presidential Decree No. 1586.

For company-built store buildings, the Company has obtained CNCs for Metro Canduman and Metro Sum-ag, while ECCs were obtained for Metro Tacloban and Metro Baybay. Moreover, the Company secured CNCs for stores on lease arrangement (namely Metro Maasin, Super Metro Naga and Metro

Fresh 'N Easy Banilad) in compliance to additional requirements mandated by the Department of Environment and Natural Resources or Local Government Units. For other existing stores, ECCs and CNCs were obtained by respective Lessors.

In addition to the foregoing, the Company is also subject to Ecological Solid Waste Management Act of 2000 (Republic Act No. 9003), The Clean Air Act of 1999 (Republic Act No. 8749), and the Philippine Clean Water Act of 2004 (Republic Act No. 9275).

The following table sets out the number of our employees as of December 31, 2023.

Store Operation	5,814
Warehouse Operation	529
Corporate	832
Total	**7,175**

We believe that we have a good relationship with our employees. We have always placed a high value on retention, as demonstrated by the fact that approximately 18% of our regular employees have been with the Company for at least 10 years.

l. Risks Related to Our Business

We may face increased competition from other retail companies in the Philippines.

The retail industry in the Philippines is highly competitive. The intensity of the competition in the Philippine retail industry varies from region to region, but Metro Manila is generally considered to be the most competitive market in the Philippines. The Province of Cebu and Metro Manila are two of our largest markets in terms of net sales. We compete principally with national and international retail chains in the Philippines, such as Robinsons Retail, SM Retail, Puregold, AllDay, AllHome, Wilcon, and Mercury Drug, among others. We also compete with retail stores operated by members of the broader Gaisano family. Each of these competitors competes with us on the basis of product selection, product quality, acquisition or development of new brands, customer service, price, store location or a combination of these factors. We anticipate competition from new market entrants and joint partnerships between national and international operators.

In addition, some of our competitors are also aggressively expanding their number of stores or their product offerings. Some of these competitors may have been in business longer or may have greater financial, distribution or marketing resources than us and may be able to devote greater resources to sourcing, promoting and selling their products. There can be no assurance that we will be able to compete successfully against current competitors or new entrants. Additionally, while we have a location advantage in certain underpenetrated regions of the Philippines, this advantage may decrease as our competitors expand or new entrants enter such regions. As competition in certain areas intensifies or competitors open stores within close proximity to our stores, our results of operations may be negatively impacted through a loss of sales, reductions in margins from competitive price changes or greater operating costs.

Competitive pressures, including those arising in connection with our expansion strategy, may have an adverse effect on our business, financial condition and results of operations.

Our future store openings may not be successful, and our existing stores may not be able to continue to benefit from the current favorable retail environment.

A significant part of our expansion strategy entails the opening of new stores in suitable locations in various areas of the Philippines, including in areas where we do not currently have a presence. There can be no assurance that we will be able to identify and procure suitable sites for our new stores. As of end of 2023, we had thirteen (13) stores in third-party malls. There can be no assurance that these companies will continue to grow at a rate that is consistent with our planned rate of growth. In addition, there can be no assurance that we will continue to be able to obtain "anchor tenant" status or spaces in new malls or township projects, on terms acceptable to us or at all. Generally, because of its ability to draw more customers to a particular shopping center, an anchor tenant has more flexibility in negotiating the terms of its lease contract. Due to the increased competition for desirable store sites, we may not be able to lease appropriate real estate for our new store locations, on terms and conditions acceptable to us or at all.

There is also no assurance that our new stores will be successful or profitable. While we initially focused our business in the Visayas, we have gradually expanded into other regions. Expansion into new geographical areas will also expose us to additional operational, logistical and other risks. We may find it difficult to obtain regulatory or local government approvals for our new stores in these areas due to differences in local requirements and processes. We may also experience difficulty in building our "Metro Supermarket" and other brand names in these new areas. Our proposed expansion will also place increased demands on our managerial, operational, financial and administrative resources. We may, for example, experience supply, distribution, transportation or inventory management difficulties due to our lack of familiarity with the suppliers, distribution network, third-party vendors and transportation systems in these new geographical areas. Any difficulties we experience with respect to developing our business operations in new geographical areas may materially and adversely affect our business, financial condition and results of operations.

In addition, there can be no assurance that our existing stores will be able to operate on a profitable basis if the current retail environment becomes less favorable to us. The surrounding environment of our existing stores may also change in terms of consumer demographics, or in terms of store mix, as different businesses move in or out of the surrounding areas. There can be no assurance that we will have the flexibility to move our existing store locations or to modify our existing stores in response to changes in the surrounding environment and to changes in market and consumer preferences. If we fail to predict and respond to changes in the retail environment, our business, financial condition and results of operation may be materially and adversely affected.

We are exposed to inventory risks.

Outright sales accounted for 75% and 76% of our net sales for the year ended December 31, 2023 and 2022, respectively. Our focus on outright sales exposes us to increased inventory risk, which includes inventory losses due to obsolescence, theft, pilferage, spoilage, and other damage. For products sourced for outright sales, we bear all risks and costs of inventory management, including shrinkage losses due to a discrepancy between our inventory based on a physical count and the amounts generated by our inventory system. If we fail to properly manage our inventory in relation to outright sales, we may suffer lower inventory turnover, which could have an adverse effect on our business, financial condition and results of operations.

The success of our business depends in part on our ability to develop and maintain good relationships with our current and future outright sales suppliers and concessionaires.

We derive approximately 99% of our revenue in 2023 from outright sales and sales of concession products, and our success depends on our ability to retain existing suppliers and concessionaires, and attract new suppliers and concessionaires on terms and conditions favorable to us. The sourcing of our products is dependent, in part, on our relationships with our suppliers. We have long-standing working relationships with a broad range of national and multinational suppliers across all of our retail formats. If we are unable to maintain these relationships, or if we lose suppliers for any reason, we may not be able to continue to source products at competitive prices that both meet our standards and appeal to customers. Our five largest suppliers accounted for approximately 18% of our net sales for 2023. The loss of any one of these major suppliers would have an adverse effect on our sales.

We obtain deals, discounts, and rebates from suppliers, which allow us to maintain our competitive pricing. Should changes occur in market conditions or our competitive position, we may not be able to maintain or negotiate adequate support, which could have an adverse effect on our business, financial condition and results of operations.

If we are unable to maintain good relationships with our existing suppliers and concessionaires, or if we are unable to develop and maintain new supplier and concessionaire relationships, we will be unable to carry merchandise and products that are in demand and can generate profit for us. Furthermore, if any of our outright sales suppliers or concessionaires changes its distribution methods, we may experience a disruption in our product supply. As a result, our market positioning, image and reputation may be adversely affected, and our revenue and profitability may be impaired.

We rely significantly on distributors, service providers and the distribution networks of our multinational suppliers for our logistics requirements.

We rely significantly on distributors, third-party service providers and the distribution networks of our multinational suppliers for transportation, warehousing and delivery of products to our stores. The majority of our merchandise is delivered to our distribution centers from our suppliers by third-party service providers. Any deterioration in the relationships between distributors and third-party service providers or other changes relating to these parties, including changes in supply and distribution chains, could have an adverse effect on our business, financial condition and results of operations.

In addition, there can be no assurance that we will be able to effectively coordinate our logistics strategy to the degree necessary for the realization of our growth plans. As we continue to expand, we will need to ensure that we are able to secure efficient distributors and service providers for our stores to be opened in new locations.

We may experience difficulty in implementing our growth strategy.

Our growth depends on the execution of our strategy to continue establishing and successfully operating stores in new locations in the Philippines. There are a number of factors affecting our ability to implement our growth strategy, including, among others:

- favorable economic conditions and regulatory environment;
- our ability to identify suitable sites for store locations;
- our ability to lease appropriate real estate for store locations;
- our ability to bear the increase in logistics costs when regional expansion occurs;
- our ability to open new stores in a timely manner;
- our ability to introduce new brands to the market;
- our ability to continue to attract customers to our stores;
- our ability to maintain the scale and stability of our information technology systems to support our current operations and continuous business growth;
- the hiring, training and retention of skilled store personnel;
- the identification and relocation of experienced store management personnel;
- the effective management of inventory to meet the needs of our stores on a timely basis;
- the availability of sufficient levels of cash flow or necessary financing to support our expansion; and
- our ability to successfully address competitive merchandising, distribution and other challenges encountered in connection with expansion into new geographic areas and markets.

If we fail to successfully implement our growth strategy due to the absence of, or our inability to carry out, any of the above mentioned factors, or otherwise, our business, financial condition and results of operations may be materially and adversely affected.

In addition, if we are unable to successfully manage the potential difficulties associated with store growth, we may not be able to capture the scale efficiencies that we expect from expansion. If we are unable to continue to capture scale efficiencies, improve our systems, continue our cost discipline and enhance our merchandise offerings, we may not be able to achieve our goals with respect to operating margins. Furthermore, if we do not adequately refine and improve our various ordering, tracking and allocation systems, we may not be able to increase sales or reduce inventory shrinkage, which may also cause our operating margins to stagnate or decline.

<u>We lease all of our store premises and we may not be able to continue to renew these leases or to enter into new leases in favorable locations on acceptable terms and conditions.</u>

As of 2023, we leased all of our net selling space and all of our distribution centers. Approximately 13% of our sites are leased from related parties and 87% are leased from third parties. There is no assurance that we will be able to renew our leases on acceptable terms and conditions or at all upon their expiry. Leases of store premises in large shopping centers may not be available for extension because landlords may decide to change tenants for better commercial arrangements. There is no assurance that we will be able to enter into such new agreements with third parties on terms and conditions that are acceptable to us or at all, and our failure to do so may materially and adversely affect our business, financial condition and results of operations.

Moreover, if rent prices increase significantly throughout the Philippines, or in a particular region, it may cease to be economical to lease stores and we may have to discontinue operations at some of our stores. Any inability to renew leases as they expire or acquire new leases in other favorable locations and sites on acceptable terms and conditions, termination of the existing leases, or revision of the terms and conditions of leases to our detriment may have an adverse effect on our business, financial condition and results of operations. Further, a number of our landlords are normally granted the right to terminate the leases for cause prior to their expiration. In the event that any of our leases are terminated for any reason prior to their expiration, we will need to either close our operations at such locations or relocate to alternative premises. Relocation of any of our operations may cause disruptions to our business and may require significant expenditure, and we cannot assure that we will be able to find suitable premises on acceptable terms and conditions or at all in a timely manner.

<u>Product liability claims in respect of defective goods sold in our stores and food safety and food-borne illness concerns could adversely affect our reputation and our financial prospects.</u>

Our business involves an inherent risk of product liability, product recall, adverse publicity and exposure to public liability claims. We do not currently have any product liability insurance and will therefore be subject to the full amount of any product liability we may incur. Although each of our concessionaires and suppliers provides us with a written indemnity covering the full extent of any third-party liability we incur through their operations and sales in our stores, there is no assurance that we will be successful in obtaining such indemnity payments or that the indemnity payments will fully cover all of our costs associated with the original liability. Furthermore, under the Consumer Act, we, as a seller, distributor or importer, may be subject to sanctions for goods not in conformity with applicable consumer product quality or safety standards. If we are found responsible for damage caused by defective goods sold in our stores, the reputation of our stores may be adversely affected. This could lead to erosion of consumer confidence in our brands and a subsequent reduction in sales. Such an event would be likely to have an adverse effect upon our business, financial condition, results of operations and prospects.

Preparation, packaging, transportation, storage and sale of fresh and freshly prepared food products and non-food products entail the inherent risk of product contamination, deterioration or defect, which could potentially lead to product recalls, liability claims and adverse publicity. Food and non-food products may contain contaminants that could, in certain cases, cause illness, injury or death. Any shipment or sale of contaminated, deteriorated or defective products may be grounds for a product liability claim or product recall. The risks of product liability claims or product recall obligations are particularly relevant in the context of our sales of freshly prepared food products. Although our suppliers bear the risk of product liability claims, we could incur adverse publicity through our association with such claims, which could have an adverse effect on our business, financial condition and results of operations.

As a means of fulfilling some of our labor requirements, a significant portion of our workforce is outsourced through third-party manpower agencies. Outsourcing carries with it certain inherent risks including potential litigation from the employees of our third-party manpower service providers who may claim an employer-employee relationship with us; and the risk that the current arrangements we currently have in place are later on found by the Department of Labor and Employment to be "labor-only contracting" which would have the consequence of effectively making us the employer of the relevant employees and thus, obliging us to extend to the relevant employees the same salaries and benefits we extend to our regular employees, which could have a significant impact on our labor costs. As the principal in the outsourcing arrangement, we can also be held jointly and severally liable with our third-party manpower service providers to the latter's employees for unpaid wages for work performed under their respective contracts, or for any violation by our manpower service providers of the provisions of the Labor Code.

We are party to a number of related party transactions.

Certain companies controlled by the VICSAL Group have significant commercial transactions with us, including leases for store spaces and purchases of goods, services and concession activities.

Such interdependence may mean that any material adverse changes in the operations or financial condition of the companies which are controlled by or under common control of the Metro Gaisano Family could adversely affect our results of operations.

We expect that we will continue to enter into transactions with companies directly or indirectly controlled by or associated with the Metro Gaisano Family. These transactions may involve potential conflicts of interest which could be detrimental to us or our shareholders. Conflicts of interest may also arise between the Metro Gaisano Family and us in a number of other areas relating to our businesses, including:

- major business combinations involving us;
- plans to develop our respective businesses; and
- business opportunities that may be attractive to both the Metro Gaisano Family and us.

The Company has a number of related party transactions that have been entered into on an arm's length basis. However, we have no assurance if the BIR will view these transactions as arm's length on the basis of its Transfer Pricing Regulations.

We can provide no assurance that our level of related party transactions will not have an adverse effect on our business or results of operations.

Our business and operations are dependent upon key executives.

Our key executives and members of management have greatly contributed to our success with their experience, knowledge, business relationships and expertise. If we are unable to fill any vacant key executive or management positions with qualified candidates, our business, operating efficiency and financial performance may be adversely affected.

Item 2 Legal Proceedings

As of December 31, 2023, neither the Company nor any of its properties is engaged in or a subject of any material litigation, claims or arbitration, including bankruptcy, receivership or similar proceedings, either as plaintiff or defendant, which could be expected to have a material effect on our financial position and we are not aware of any facts likely to give rise to any proceedings which would materially and adversely affect our business or operations.

Item 3 Submission of Matters to a Vote of Security Holders

There were no matters submitted to a vote of security holders during the year covered by this report.

PART II OPERATIONAL AND FINANCIAL INFORMATION

Item 4 Market for Issuer's Common Equity and Related Stockholder Matters

(A) Principal Market or Markets Where the Registrant's Common Equity is Traded

The Company's common stock is listed in the Philippine Stock Exchange.

The following table shows the high and low prices (in Php) of the Company's shares in the Philippine Stock Exchange:

		Low	High
January – March (Q1)	2021	1.22	1.55
April – June (Q2)	2021	1.20	1.49
July – September (Q3)	2021	1.24	1.48
October – December (Q4)	2021	1.28	1.45
January – March (Q1)	2022	1.35	1.45
April – June (Q2)	2022	1.28	1.46
July – September (Q3)	2022	1.18	1.48
October – December (Q4)	2022	1.09	1.41
January – March (Q1)	2023	1.35	1.44
April – June (Q2)	2023	1.34	1.60
July – September (Q3)	2023	1.14	1.41
October – December (Q4)	2023	1.15	1.27

On February 29, 2024, the Company's shares closed at Php 1.32 per share.

(B) Holders

The number of shareholders of record as of February 29, 2024 was twenty-two (22). As of February 29, 2024, common shares issued were 3,429,375,000. Of these, 3,247,899,000 were outstanding, while 181,476,000 common shares were repurchased by the Company from the market.

List of Stockholders of Record as of February 29, 2024

Rank	Name	Holdings	Rank
1	VICSAL DEVELOPMENT CORPORATION	2,627,427,299	76.62%
2	PCD NOMINEE CORPORATION (FILIPINO)	735,537,221	21.31%
3	PCD NOMINEE CORPORATION (NON-FILIPINO)	41,488,601	1.35%
4	VALUESHOP STORES INC.	24,801,489	0.72%
5	FRANCISCO C. TIU	75,000	0.00%
6	CARLOS CATANGUE CHUA	24,000	0.00%
7	STEPHEN T. TEO &/OR TERESITA R. TEO	10,000	0.00%
8	VICTOR JAYO ASUNCION	5,000	0.00%
9	JAY C. CORTIÑAS	3,000	0.00%
10	ARVIN C. LAMPA	1,000	0.00%
11	VIRGILIO C. LEGASPI	1,000	0.00%
12	ELPIDIO S. DUNGO	1,000	0.00%
13	JESUS SAN LUIS VALENCIA	300	0.00%
14	OWEN NATHANIEL S. AU ITF: LI MARCUS AU	78	0.00%

Rank	Name	Holdings	Rank
15	EDWARD S. GAISANO	2	0.00%
16	FRANK S. GAISANO	2	0.00%
17	JACK S. GAISANO	2	0.00%
18	MARGARET G. ANG	2	0.00%
19	MEDEL T. NERA	1	0.00%
20	RICARDO NICANOR N. JACINTO	1	0.00%
21	SHERISA P. NUESA	1	0.00%
22	MANUEL C. ALBERTO	1	0.00%
	Total Issued Shares	**3,429,375,000**	**100.00%**

(C) Dividends

Dividend Policy

Under Section 3 Article VIII of the Company's Fourth Amended By-Laws, dividends shall be declared and paid out of the unrestricted retained earnings, which shall be payable in cash, property or stock to all stockholders on the basis of outstanding stock held by them, as often and at such times as the Board of Directors may determine and in accordance with law.

On April 13, 2015, our Board of Directors approved and adopted an annual dividend payment ratio of approximately 20% of our net income after tax for the preceding fiscal year, payable in cash, property or shares, subject to the requirements of applicable laws and regulations, and circumstances which restrict the payment of dividends, including but not limited to undertaking major projects and developments which require substantial cash expenditures, or restrictions due to loan covenants.

The Board may, at any time, modify such dividend payout ratio taking into consideration various factors including: the level of our cash earnings, return on equity and retained earnings; our results for, and our financial condition at the end of, the year in respect of which the dividend is to be paid and its expected financial performance; the projected levels of capital expenditure and other investment plans; restrictions of payment of dividends that may be imposed on us by any of our financing arrangements and current and prospective debt service requirements; and such other factors as the Board deems appropriate.

Dividend History

The tables below set out the dividends declared from 2019, 2020, 2021, 2022 and 2023:

Cash Dividend

Year	Amount Declared	Dividend Per Share	Recorded Date	Payment Date
2019	P205,762,500.00	P0.06	April 15, 2019	May 2, 2019
2020	P205,762,500.00	P0.06	May 29, 2020	June 15, 2020
2021	–	–	–	–
2022	–	–	–	–
2023	P196,140,840.00	P0.06	April 19, 2023	May 4, 2023

(D) Restriction that Limits the Payment of Dividends on Common Shares

None

(E) Recent Sales of Unregistered or Exempt Securities, Including Recent Issuance of Securities Constituting an Exempt Transaction.

On December 23, 2022, the Board of Directors has approved the MRSGI Executive Stock Option Plan or MESOP. The Company has allotted 1% of the total outstanding capital stock as of December 20, 2022 or 32,832,230 common shares out of its Treasury Shares for the MESOP. In a Special Meeting of the stockholders held on February 7, 2023, the stockholders of MRSGI owning at least 2/3 of the total outstanding capital stock have ratified the MESOP. The Securities and Exchange Commission through SEC-MSRD Resolution No. 2, Series of 2023, issued on May 29, 2023, granted the exemption of the MRSGI Executive Stock Option Plan from the registration requirement under Section 10.2 of the Securities Regulation Code.

Item 5 Management's Discussion and Analysis or Plan of Operation

Results of Operations

The year ended December 31, 2023 compared with the year ended December 31, 2022

Revenue

Net Sales
For the year ended December 31, 2023, our net sales were ₱38,272.1 million, an increase of 0.4% compared to ₱38,101.7 million for the year ended December 31, 2022. Despite lingering inflation pressures affecting consumer spending during the year and the high base in 2022, the Company was able to sustain its sales level ending with a flattish growth in 2023.

Total food retail business dropped by 1.2% while general merchandise business grew by 4.7% over the same period last year. General merchandise continued its upward trend from the 54.3% growth posted the previous year, while food retail slightly declined due to bulk wholesale business scaling down in 2023.

Blended same store sales dropped by 0.8% over the same period last year.

Rental income
For the year ended December 31, 2023, our rental income was ₱312.0 million, an increase of 28.0% compared to ₱243.7 million for the year ended December 31, 2022. The increase in rental income is primarily due to the re-opening of the economy and non-essential tenants have become operational. Rental concessions that were extended to tenants who continued to operate during the pandemic times were totally discontinued in the last quarter of 2022.

Costs and expenses

Cost of sales
For the year ended December 31, 2023, our cost of sales was ₱30,015.6 million, a decrease of 0.1% compared to ₱30,053.2 million for the year ended December 31, 2022. There is decrease in cost of sales even with the increase in net sales as the general merchandise sales grew while the food retail sales slightly dropped. General merchandise has higher margins than supermarket.

Operating expenses
For the year ended December 31, 2023, our operating expenses were ₱7,428.8 million, an increase of 7.9% compared to ₱6,886.7 million for the year ended December 31, 2022. While the Company continued to implement cost reduction and saving measures, there were significant increases in rent and in personnel costs. Rent increased significantly as rental concessions given during the pandemic were already discontinued. Personnel costs increased as a result of the opening of new stores and government mandated minimum wage increases.

Interest and other income

For the year ended December 31, 2023, our interest and other income was ₱232.5 million, a decrease of 33.7% compared to ₱350.9 million for the year ended December 31, 2022.

While interest income from cash and cash equivalents increased in 2023, non-recurring income recognized in 2022 which include the recognition of gain on lease modification amounting to ₱106.3 million coming from revision of existing contracts with lessors, as well as gain on insurance claims pertaining to recoveries and reimbursement of losses for property damages and business interruption due to Typhoon Odette in 2021 amounting to ₱53.7 million caused the significant decrease in other income.

Finance costs

For the year ended December 31, 2023, our finance costs were ₱536.7 million, an increase of 2.5% compared to ₱523.5 million for the year ended December 31, 2022. The increase is primarily driven by the increase in interest expense related to the Company’s outstanding loans payable,

Provision for income tax

For the year ended December 31, 2023, our provision for income tax was ₱217.5 million, a decrease of 31.0% compared to the ₱315.4 million for the year ended December 31, 2022. The decrease in provision for income tax is primarily due to the decrease in income before tax.

Net income

As a result of the foregoing, for the year ended December 31, 2023, net income was ₱618.0 million, a 32.6% drop compared to the net income of ₱917.3 million for the year ended December 31, 2022. Excluding one-time gains such as PFRS gain on lease modification and insurance claims in 2022, net income in 2023 declined by 18.4% vs. prior year.

The year ended December 31, 2022 compared with the year ended December 31, 2021

Revenue

Net Sales
For the year ended December 31, 2022, our net sales were ₱38,101.7 million, an increase of 22.1% compared to ₱31,211.3 million for the year ended December 31, 2021.

Total food retail and general merchandise business grew by 13.1% and 54.3%, respectively, over the same period last year. The growth is brought about by the full reopening of the economy, pent up domestic demand and recovery in discretionary spending.

Blended same store sales grew by 19.2% over the same period last year.

Rental income
For the year ended December 31, 2022, our rental income was ₱243.7 million, an increase of 41.3% compared to ₱172.5 million for the year ended December 31, 2021. The increase in rental income is primarily due to the re-opening of the economy and non-essential tenants have become operational. Rental concessions that were extended to tenants who continued to operate during the pandemic times were totally discontinued in the last quarter of 2022.

Costs and expenses

Cost of sales
For the year ended December 31, 2022, our cost of sales was ₱30,053.2 million, an increase of 18.6% compared to ₱25,336.4 million for the year ended December 31, 2021. The increase in cost of sales is lower than the increase in net sales as the general merchandise sales grew faster than the supermarket sales. General merchandise has higher margins than supermarket.

Operating expenses
For the year ended December 31, 2022, our operating expenses were ₱6,886.7 million, an increase of 15.5% compared to ₱5,962.5million for the year ended December 31, 2021. While the Company continued to implement cost reduction and saving measures, there were significant increases in rent which were based on percentage of sales and minus the rental concessions given during the pandemic, and utilities expenses as fuel and electricity rates spiked during the year.

Interest and other income

For the year ended December 31, 2022, our interest and other income was ₱350.9 million, an increase of 788.4% compared to ₱39.5 million for the year ended December 31, 2021.

Factors that contributed to the increase include the recognition of gain on lease modification amounting to ₱106.3 million coming from revision of existing contracts with lessors. In addition, gain on insurance claims pertaining to recoveries and reimbursement of losses for property damages and business interruption due to Typhoon Odette in 2021 was also recognized during the year amounting to ₱53.7 million. Higher interest income and forex gains also contributed to the increase this year.

Finance costs

For the year ended December 31, 2022, our finance costs were ₱523.5 million, an increase of 11.5% compared to ₱469.5 million for the year ended December 31, 2021. The increase is primarily driven by the increase in interest expense related to the Company's outstanding loans payable,

Provision for income tax

For the year ended December 31, 2022, our provision for income tax was ₱315.4 million, an increase of 1272.5% compared to the benefit from income tax of ₱26.9 million for the year ended December 31, 2021. The increase in provision for income tax was primarily due to the increase in income before tax.

Net income

As a result of the foregoing, for the year ended December 31, 2022, net income was ₱917.3 million, a huge improvement of 388.4% compared to the net loss of ₱318.1 million for the year ended December 31, 2021.

The year ended December 31, 2021 compared with the year ended December 31, 2020

Revenue

Net Sales
For the year ended December 31, 2021, our net sales were ₱31,211.3 million, a decrease of 0.2% compared to ₱31,286.3 million for the year ended December 31, 2020.

Both food retail and general merchandise declined by 0.2% over the same period last year. In the middle of March 2021, department stores were temporarily closed brought about by the COVID-19 outbreak. These were gradually opened but were faced with customer traffic constraint since community quarantine is still in effect and as consumers prioritized the purchase of essential goods in general.

Blended same store sales declined by 5.2% over the same period last year.

Rental income
For the year ended December 31, 2021, our rental income was ₱172.5 million, an increase of 17.5% compared to ₱146.8 million for the year ended December 31, 2020. The increase is primarily due to the gradual re-opening of non-essential tenants.

Costs and expenses

Cost of sales
For the year ended December 31, 2021, our cost of sales was ₱25,336.4 million, an increase of 1.5% compared to ₱24,960.2 million for the year ended December 31, 2020. Cost of sales increased slightly higher than net sales as consumers prioritized the purchase of essential goods in general, which typically has low margins.

Operating expenses
For the year ended December 31, 2021, our operating expenses were ₱5,962.5 million, a decrease of 12.0% compared to ₱6,775.5 million for the year ended December 31, 2020. The decrease in operating expenses is mainly attributable to the increased efficiency and continuous cost reduction and saving measures implemented by the Company.

Interest and other income

For the year ended December 31, 2021, our interest and other income was ₱39.5 million, a decrease of 85.3% compared to ₱269.2million for the year ended December 31, 2020.

The decrease is caused by the timing of recognition of recovery from insurance claims of the Company for inventory, property and business interruption of a supermarket and department store that were damaged by fire in January 2018. This amounted to nil and ₱104.4 million for the year ended December 31, 2021 and 2020, respectively.

In addition, there is a decrease in interest income due to lower placements coupled with lower interest rates which ranges from 0.1% to 2.0% this year. This amounted to ₱29.1 million and ₱50.8 million in 2021 and 2020, respectively.

Finance costs

For the year ended December 31, 2021, our finance costs were ₱469.5 million, a decrease of 8.3% compared to ₱512.2 million for the year ended December 31, 2020. The decrease is primarily driven by the decrease in finance cost related to lease liabilities, offset with the increase on finance costs related to the Company's outstanding loans payable.

Benefit from income tax

For the year ended December 31, 2021, our benefit from income tax was ₱26.9 million, a decrease of 71.9% compared to ₱95.9 million for the year ended December 31, 2020. The decrease in benefit from income tax was primarily due to the improvement in loss before tax.

Net loss

As a result of the foregoing, for the year ended December 31, 2021, net loss was ₱318.1 million, an improvement of 29.2% compared to the net loss of ₱449.6 million for the year ended December 31, 2020.

Financial Position

The year ended December 31, 2023 compared with the year ended December 31, 2022

As of December 31, 2023 and 2022, our net current assets, or the difference between total current assets and total current liabilities, were ₱5,894.2 million and ₱7,007.1 million, respectively, representing a positive net working capital position.

Current Assets

Our current assets consist of cash and cash equivalents, trade and other receivables, merchandise inventories and other current assets. Total current assets as of December 31, 2023 and 2022 were ₱11,549.9 million and ₱12,243.1 million, respectively. The decrease of 5.7% in current assets is due to the decrease in cash and cash equivalents, and other current assets. Receivables and merchandise inventory, on the other hand, have increased.

As of December 31, 2023, short-term investment amounted to nil, receivables totaled ₱1,043.2 million, merchandise inventories totaled ₱5,866.2 million and other current assets totaled ₱486.2 million. As of December 31, 2022, short-term investment totaled nil, receivables totaled ₱954.8 million, merchandise inventories totaled ₱5,495.3 million and other current assets totaled ₱630.4 million.

As of December 31, 2023, cash and cash equivalents amounted to ₱4,154.4 million, a decrease of 19.5% from ₱5,162.6 million as of December 31, 2022. The decrease is largely attributable to the acquisition of property and equipment amounting to ₱1,530.9 million, payment of dividends amounting to ₱196.1 million, payments of lease liabilities and loans payable amounting to ₱443.7 million and ₱130.2 million, respectively. This is offset by ₱1,880.1 million net cash provided by operating activities and receipt of proceeds from insurance claims of ₱53.7 million.

Noncurrent Assets

Our noncurrent assets consist of property and equipment, right-of-use assets, deferred tax assets–net and other non-current assets. Total noncurrent assets as of December 31, 2023 and 2022 were ₱12,113.4 million and ₱10,495.9 million, respectively. The increase of 15.4% in noncurrent assets is due to the increase in property and equipment amounting to ₱1,079.2 million, increase in other noncurrent assets amounting to ₱283.7 million, increase in right-of-use assets amounting to ₱197.6 million, and increase in deferred tax assets – net amounting to ₱57.0 million.

Current Liabilities

Total current liabilities as of December 31, 2023 and 2022 were ₱5,655.7 million and ₱5,236.0 million, respectively. As of December 31, 2023 and 2022, trade and other payables totaled ₱4,942.2 million and ₱4,820.5 million, respectively, which consisted primarily of trade payables to our suppliers for purchases of inventory. Loans payable - current portion amounted to ₱398.6 million and ₱130.2 million as of December 31, 2023 and 2022, respectively.

Noncurrent Liabilities

Total noncurrent liabilities as of December 31, 2023 and 2022 were ₱8,585.3 million and ₱8,442.0 million, respectively. The increase of 1.7% in noncurrent liabilities is due to the increase in lease liability amounting to ₱474.6 million, partially offset by the decrease in loans payable amounting to ₱394.5 million.

The year ended December 31, 2022 compared with the year ended December 31, 2021

As of December 31, 2022 and 2021, our net current assets, or the difference between total current assets and total current liabilities, were ₱7,007.1 million and ₱3,449.7million, respectively, representing a positive net working capital position.

Current Assets

Our current assets consist of cash and cash equivalents, trade and other receivables, merchandise inventories and other current assets. Total current assets as of December 31, 2022 and 2021 were ₱12,243.1 million and ₱8,298.6 million, respectively. The increase of 47.5% in current assets is due to the increase in cash and cash equivalents, receivables, and merchandise inventories. Short-term investment and other current assets, on the other hand, have decreased.

As of December 31, 2022, short-term investment amounted to nil, receivables totaled ₱954.8 million, merchandise inventories totaled ₱5,495.3 million and other current assets totaled ₱630.4 million. As of December 31, 2021, short-term investment totaled ₱1,091.6 million, receivables totaled ₱669.9 million, merchandise inventories totaled ₱4,163.0 million and other current assets totaled ₱702.3 million.

As of December 31, 2022, cash and cash equivalents amounted to ₱5,162.6 million, an increase of 208.8% from ₱1,671.8 million as of December 31, 2021. The increase is mainly attributable to the availment of long-term loans amounting to ₱2,500.0 million and ₱2,197.8 million net cash provided by operating activities, offset by payments of loans payable and lease liabilities amounting to ₱1,000.0 million and ₱532.2 million, respectively and acquisition of property equipment amounting to ₱544.7 million.

Noncurrent Assets

Our noncurrent assets consist of property and equipment, right-of-use assets, deferred tax assets–net and other non-current assets. Total noncurrent assets as of December 31, 2022 and 2021 were ₱10,495.9 million and ₱11,137.1 million, respectively. The decrease of 5.8% in noncurrent assets is significantly due to the decrease in right-of-use assets amounting to ₱392.4 million, and reduction in deferred tax assets – net amounting to ₱213.0 million.

Current Liabilities

Total current liabilities as of December 31, 2022 and 2021 were ₱5,236.0 million and ₱4,848.9 million, respectively. As of December 31, 2022 and 2021, trade and other payables totaled ₱4,820.5 million and ₱3,537.0 million, respectively, which consisted primarily of trade payables to our suppliers for purchases of inventory. Loans payable - current portion amounted to ₱130.2 million and ₱1,000.0 million as of December 31, 2022 and 2021, respectively.

Noncurrent Liabilities

Total noncurrent liabilities as of December 31, 2022 and 2021 were ₱8,442.0 million and ₱6,413.6 million, respectively. The increase of 31.6% in noncurrent liabilities is significantly due to the availment of long term loans of ₱2,500.0 million in March 2022.

The year ended December 31, 2021 compared with the year ended December 31, 2020

As of December 31, 2021 and 2020, our net current assets, or the difference between total current assets and total current liabilities, were ₱3,449.7 million and ₱2,996.5 million, respectively, representing a positive net working capital position.

Current Assets

Our current assets consist of cash, short-term investments, trade and other receivables, merchandise inventories and other current assets. Total current assets as of December 31, 2021 and 2020 were ₱8,298.6 million and ₱9,722.5 million, respectively. The decrease of 14.6% in current assets is due to the decrease in inventories and cash and cash equivalents.

As of December 31, 2021, short-term investment totaled ₱1,091.6 million, receivables totaled ₱669.9 million, merchandise inventories totaled ₱4,163.0 million and other current assets totaled ₱702.3 million. As of December 31, 2020, short-term investment totaled ₱1,270.6 million, receivables totaled ₱672.1 million, merchandise inventories totaled ₱4,981.6 million and other current assets totaled ₱540.9 million.

As of December 31, 2021, cash and cash equivalents amounted to ₱1,671.8 million, a decrease of 25.9% from ₱2,257.3 million as of December 31, 2020. The decrease were mainly attributable to the additions to property and equipment amounting to ₱790.8 million and payment for lease liabilities of ₱677.2 million, offset by the decrease in short-term investments of ₱179.0 million and the ₱820.2 million cash provided by operating activities.

Noncurrent Assets

Our noncurrent assets consist of property and equipment, right-of-use assets, deferred tax assets–net and other non-current assets. Total noncurrent assets as of December 31, 2021 and 2020 were ₱11,137.1 million and ₱11,651.4 million, respectively. The decrease of 4.4% in noncurrent assets is significantly due to the movement in right-of-use assets as a result of lease modifications, recognition of allowance for impairment losses, as well as, the depreciation and amortization.

Current Liabilities

Total current liabilities as of December 31, 2021 and 2020 were ₱4,848.9 million and ₱6,726.0 million, respectively. As of December 31, 2021 and 2020, trade and other payables totaled ₱3,537.0 million and ₱4,642.3 million, respectively, and consisted primarily of trade payables to our suppliers for purchases of inventory. Loans payable - current portion amounted to ₱1,000.0 million and ₱1,500.0 million as of December 31, 2021 and 2020, respectively.

Noncurrent Liabilities

Total noncurrent liabilities as of December 31, 2021 and 2020 were ₱6,413.6 million and ₱6,111.6 million, respectively. The increase of 4.9% in noncurrent liabilities is significantly due to the availment of a long term loan of ₱500.0 million, offset by the movement in lease liabilities as a result of lease modifications.

Cash Flows

The following table sets out information from our statements of cash flows for the periods indicated.

	For the years ended December 31,		
	2023	2022	2021
	(₱ million)		
Net cash flows generated from operating activities	₱1,880.1	₱2,197.8	₱820.2
Net cash flows provided by (used in) investing activities	(1,921.6)	523.7	(568.6)
Net cash flows provided by (used in) financing activities	(984.8)	720.4	(839.9)
Net increase (decrease) in cash	(₱1,026.3)	₱3,441.9	(₱588.3)

Net cash flows from operating activities

Our net cash flows from operating activities for the year ended December 31, 2023 was ₱1,880.1 million, which is comprised of operating income before working capital changes of ₱2,185.4 million, adjusted for changes in working capital and interest received, partially offset by income tax and retirement benefits paid. The changes in working capital were attributable to the increase in merchandise inventory and receivables of ₱358.6 million and ₱155.2 million, respectively, and offset by the increase in trade and other payables of ₱123.5 million and decrease in other current assets of ₱133.5 million.

Our net cash flows from operating activities for the year ended December 31, 2022 was ₱2,197.8 million, which is comprised of operating income before working capital changes of ₱2,590.8 million, adjusted for changes in working capital and interest received, partially offset by income tax, and retirement benefits paid. The changes in working capital were attributable to the increase in merchandise inventory and receivables of ₱1,367.5 million and ₱289.9 million, respectively, and offset by the increase in trade and other payables of ₱1,285.2 million.

Our net cash flows from operating activities for the year ended December 31, 2021 was ₱820.2 million, which is comprised of operating income before working capital changes of ₱1,387.2 million, adjusted for changes in working capital and interest received, partially offset by income tax and retirement benefits paid. The changes in working capital were mainly attributable to the decrease in trade and other payables of ₱1,112.6 million and increase in other current assets of ₱212.7 million, offset by the decrease in merchandise inventory of ₱764.6 million.

Net cash flows provided by (used in) investing activities

For the year ended December 31, 2023, net cash flows used in investing activities was ₱1,921.6 million, which is significantly due to the acquisitions of property and equipment for the construction and fit outs of new stores and warehouses and for the improvements of existing stores totaling ₱1,530.9 million and for the increase in other noncurrent assets amounting to ₱444.4 million. This is partially offset by the receipt of proceeds from insurance claims of ₱53.7 million.

For the year ended December 31, 2022, net cash flows provided by investing activities was ₱523.7 million, generated from proceeds from short-term investments of ₱1,091.6 million and proceeds from sale of property and equipment of ₱49.4 million. This is partially offset by the acquisitions of property and equipment for the construction and fit outs of new stores and improvements of existing stores totaling ₱544.7 million and by the increase in other noncurrent assets by ₱72.6 million.

For the year ended December 31, 2021, net cash flows used in investing activities was ₱568.6 million, which is significantly due to the acquisitions of property and equipment for the construction and fit outs of new stores amounting to ₱790.8 million, offset by proceeds from in short-term investments of ₱179.0 million and decrease in other noncurrent assets by ₱43.2 million.

Net cash flows provided by (used in) financing activities

Net cash flows used in financing activities was ₱984.8 million for the year ended December 31, 2023, as a result of the payments of lease liabilities and loans payable amounting to ₱443.7 million and ₱130.2 million, respectively, as well as for the payment of dividends amounting to ₱196.1 million, payment of interest amounting to ₱167.5 million and for the purchase of ₱47.3 million treasury stocks.

Net cash flows provided by financing activities was ₱720.4 million for the year ended December 31, 2022, mainly generated from the availment of long-term loans of ₱2,500.0 million, and partially offset by payments of loans payable and lease liabilities amounting to ₱1,000.0 and ₱532.2 million, respectively, as well as for the payment of interest amounting ₱124.1 million and payments for the purchase of ₱104.6 million treasury stocks.

Net cash flows used in financing activities was ₱839.9 million for the year ended December 31, 2021, as a result of the payments of lease liabilities amounting to ₱677.2 million, payment of interest amounting to ₱56.4 million and purchase of treasury stock amounting to ₱102.6 million.

Indebtedness

As of December 31, 2023 and 2022, outstanding loans payable amounted to ₱2,855.0 million and ₱2,981.1 million, respectively.

Key Performance Indicators

	For the years ended December 31,		
	2023	**2022**	**2021**
The Company			
Net Sales[1] (₱ millions)	38,272.1	38,101.7	31,211.3*
Average Basket Size[2] (₱)	954*	1,002.0*	1,067.7*
Same store sales growth[3] (%)	(0.8%)*	19.2%*	-5.2%*
Number of Stores	63*	62*	61*
Net selling area[4] (sqm)	260,000*	249,824*	247,576*

excludes discontinued operations and temporary closure of stores

Notes:
(1) Net sales are gross sales, net of discounts and returns.
(2) Average basket size is the amount of net sales divided by the number of transactions for a given period.
(3) Same store sales growth is the comparisons of net sales between two periods generated by the relevant stores. The stores that are included in comparisons are those that have operated for at least 12 months preceding the beginning of the last month of the reporting period. The comparison for each store takes into account net sales by that store during the same period it was in operation in both the reporting period and the period of comparison. The net sales of all the relevant stores in the relevant period are then aggregated and compared.
(4) Net selling space is the area of the store where items are displayed, excluding the backroom and warehouse.

Quantitative and qualitative disclosure of market risk

Our principal financial instruments consist of cash and cash equivalent, short-term investment and receivables. The main purpose of our financial instruments is to fund our operations and capital expenditures. We do not actively engage in the trading of financial assets for speculative purposes nor do we write options. The main risks arising from our financial instruments are liquidity risk and credit risk. See Note 27 of the notes to our audited financial statements.

Liquidity risk
Liquidity or funding risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Company's exposure to liquidity risk relates primarily to its short-term obligations. The Company seeks to manage its liquidity profile by maintaining cash at a certain level and ensuring the availability of ample unused revolving credit facilities from banks as back-up liquidity that will enable it to finance its operating expenses. The Company maintains a level of cash deemed sufficient to finance operations. As part of its liquidity risk management, the Company regularly evaluates its projected and actual cash flows.

Credit Risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's receivables are actively monitored by its collection department to avoid significant concentrations of credit risk. The Company manages the level of credit risk it accepts through comprehensive credit risk policies setting out the assessment and determination of what constitutes credit risk for the Company. The Company's policies include: setting up of exposure limits for each counterparty; reporting of credit risk exposures; monitoring of compliance with credit risk policy; and review of credit risk policy for pertinence and the changing environment.

Trends, Events or Uncertainties that have had or that are reasonably expected to affect revenues and income

(i) There are no known trends, events or uncertainties that have had or that are reasonably expected to have a material effect on Company's liquidity.

(ii) There are no known events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.

(iii) There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entries or other persons created during the reporting period.

(iv) There are no material commitments for capital expenditures, general purposes of such commitments, expected sources of funds for such expenditures.

(v) There are no known trends, events or uncertainties that have had or that are reasonably expected to have a material effect on Sales.

(vi) The Company experiences seasonal fluctuations in operations. Historically, sales peak in December of each year, thereafter it slows down in the first quarter of the year and begins to increase in the second quarter, driven by the summer season, the school break in April and May, and particularly the beginning of the school year in the month of June. This is followed by a slowdown in sales in the third quarter due to the rainy season.

Item 6 Financial Statements and Supplementary Schedules

The financial statements are filed as part of this report.

Item 7 Changes in and Disagreements with Accountants on Accounting and Financial Disclosures

(A) External Audit Fees and Services

Audit and Audit - Related Fees

The following table sets out the aggregate fees billed to the Company and its subsidiaries for the last three years for professional services rendered by SyCip, Gorres Velayo & Co.,

Audit and Audit-Related Fees*	2023	2022	2021
Fees for services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagements	₱2,079,000	₱2,079,000	₱1,890,000
Fees for tax-related services	1,600,000	508,138	320,000
All Other Fees	455,800	327,900	321,000
Total	**₱4,134,800**	**₱2,915,038**	**₱2,531,000**

All Other Fees pertain to fees paid by the Company for the certification of the Company's Disbursement of IPO Proceeds and Progress Report. Fees for tax-related services pertains to the assistance provided by SGV & Co. in handling BIR tax assessments.

There were no disagreements with the external auditors on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which, if not resolved to their satisfaction, would have caused the auditors to make reference thereto in their reports on the financial statements of the Company.

No other service was provided by external auditors to the Company for the years ended December 31, 2023, 2022, and 2021.

The Audit and Risk Committee approves any engagement for the services of the external auditor. After reviewing the need for the services of the external auditor, the Audit and Risk Committee shall review the engagement proposal submitted. If the Audit and Risk Committee finds the engagement proposal acceptable, the Audit and Risk Committee then approves and passes a resolution appointing the external auditor and recommends that the said resolution be endorsed for the approval of the Company's stockholders during the Annual Meeting of the Stockholders of the Company. The stockholders of the Company then approves and ratifies the recommendation of the Audit and Risk Committee during the Annual Stockholders' Meeting.

PART III CONTROL AND COMPENSATION INFORMATION

Item 8 Directors and Executive Officers of the Issuer

(A) Board of Directors and Executive Officers of the Registrant

Board of Directors

Currently, the Board consists of seven (7) members, of which two (2) are independent directors.

The Table below sets forth certain information regarding the members of our Board:

Name	Age	Nationality	Position
1. Frank S. Gaisano	66	Filipino	Chairman
2. Jack S. Gaisano	70	Filipino	Director
3. Margaret Gaisano-Ang	72	Filipino	Director
4. Sherisa P. Nuesa	69	Filipino	Director
1. Manuel C. Alberto	58	Filipino	Director
7. Ricardo Nicanor N. Jacinto	63	Filipino	Independent Director
7. Medel T. Nera	69	Filipino	Independent Director

Messrs. Frank S. Gaisano, Jack S. Gaisano, and Ms. Margaret G. Ang have served their respective offices since the incorporation of the Company on August 28, 2003. Mr. Manuel C. Alberto was elected as Director on December 17, 2018, and assumed the position effective January 1, 2019, to fill in the vacancy in the Board due to the retirement of Mr. Arthur Emmanuel. Independent director, Mr. Ricardo Nicanor N. Jacinto, was elected on July 27, 2015. All the aforementioned Board Members were re-elected to the Board during the last Annual Stockholders' Meeting held on May 5, 2023. Independent Director Mr. Medel T. Nera was elected on October 23, 2023, to fill in the vacancy in the Board due to the death of Mr. Guillermo L. Parayno, Jr. On the same date, Ms. Sherisa P. Nuesa was also elected as Director to fill in the vacancy in the Board.

There are no other directors who declined to stand for re-election to the board of directors since the date of the last annual meeting of the stockholders for any reason whatsoever.

Board of Directors – Brief Description and Experience for the Last Five (5) Years

Frank S. Gaisano, 66, has been the Company's Chairman and Chief Executive Officer since May 2012 and has served on the board of directors since August 2003. He holds a Bachelor of Science degree in Civil Engineering, which he received from the Cebu Institute of Technology in 1978, and is a board-certified civil engineer. Presently, Mr. Gaisano also serves as Chairman of Pacific Mall Corporation. He is also the President and Vice-Chairman of HTLand, Inc., and President of Vicsal Securities & Stock Brokerage, Inc. He is also a Director of AB Capital & Investment Corporation, Vicsal Development Corporation, Filipino Fund, Inc., Taft Property Venture Development Corporation, Midland Development Corporation and Taft Punta Engaño Property, Inc. Additionally, he is the incumbent Chairman and President of Vicsal Foundation, Incorporated.

Jack S. Gaisano, 70, has been a Director of the Company since August 2003. He received a Bachelor of Science degree in Chemical Engineering from the University of San Carlos, Cebu City in 1976 and is a board-certified chemical engineer. He currently also serves as Chairman and President of

Taft Property Venture Development Corporation and Midland Development Corporation. He is also a Director of HTLand, Inc., Vicsal Development Corporation and Pacific Mall Corporation.

Margaret Gaisano-Ang, 72, has served as Director of the Company since August 2003 and its Corporate Secretary until July 26, 2015. Ms. Ang received a Bachelor of Science degree, major in Accounting (1974, Cum Laude), from the University of San Carlos, Cebu City and is a certified public accountant. She currently serves as Director and Corporate Secretary of Vicsal Development Corporation and Pacific Mall Corporation. Ms. Ang is also the President of Filipino Fund, Inc. and Grand Holidays, Inc. Additionally, she serves as Director of Taft Property Venture Development Corporation and Midland Development Corporation, and as a Trustee of Vicsal Foundation, Incorporated.

Manuel C. Alberto, 58, was elected as Director of the Company, and appointed as President and Chief Operating Officer, on December 17, 2018, and assumed the position effective January 1, 2019, replacing Mr. Arthur Emmanuel who retired on December 31, 2018. Before his election/appointment as President and Chief Operating Officer, he served as the Company's Chief Merchandising and Marketing Officer. He earned his Bachelor of Arts in Communication (1989) from Santa Clara University, California, USA and obtained his Master's degree in Management (1998) from the Asian Institute of Management. Before joining the Company, he served as President & General Manager of Philippine Family Mart Inc. (2014-2018), VP & Business Unit Head (2013-2015) & VP of Operations (2001-2010) of Rustan Supercenters, Inc., National Operation Director of Jollibee Foods Corp (2010-2013), Store General Manager of Pilipinas Makro Inc. (1998-2001) and Store Manager of Stroud's Linen, USA.

Sherisa P. Nuesa, 69, was elected as Director of the Company on October 23, 2023. Ms. Nuesa holds a Bachelor of Science degree in Commerce from the Far Eastern University (*Summa Cum Laude*) and is a certified public accountant. She earned her Master's degree in Business Administration from the Ateneo-Regis Graduate School of Business. She also attended the Advanced Management Program of the Harvard Business School in 1999. Concurrently, she sits on the Boards of Manila Water Company, Inc. (MWC), AREIT, Inc. (AREIT), Far Eastern University, Incorporated (FEU), FERN Realty Corporation, and Integrated Micro-Electronics, Inc. (IMI). She is an accredited lecturer of the Institute of Corporate Directors (ICD) and the FINEX (Financial Executives Institute of the Philippines) Academy, and the Vice President of NextGen Organization of Women Corporate Directors (NOWCD). She formerly served as Managing Director of the Ayala Corporation; Chief Finance Officer of MWC from 2000 to 2008 and Integrated Micro-Electronics, Inc. (IMI) from 2009 to 2010; Group Controller and Group Head for Commercial Centers of Ayala Land, Inc. (ALI); Board Member of various subsidiaries of ALI and MWC. Among her past directorships are : Ayala Land Inc., ACEN Corporation, ALFM Mutual Funds Group, Generika/Actimed Group, Blackhorse Emerging Enterprises Fund(Singapore), the state-owned Philippine Reclamation Authority and PSi Technologies. Ms. Nuesa is the recipient of the ING-FINEX Philippines CFO of the Year Award for 2008.

Ricardo Nicanor N. Jacinto, 63, was elected as an independent Director of the Company on July 27, 2015. Mr. Jacinto holds a Bachelor of Science degree in Business Economics from the University of the Philippines (*Magna Cum Laude*). He obtained his Master's Degree in Business Administration from Harvard University in 1986. Mr. Jacinto is the Chairman of SBS Philippines Corporation and Chairman and Independent Director of Maybank ATR Kim Eng Capital Partners, Inc. and Maybank ATR Kim Eng Securities, Inc. He is a Director of SBS Holding Corporation, and Independent Director of Maybank Securities (Thailand) Public Company Limited, and Etiqa Life and General Assurance Philippines, Inc. He is also a Lecturer of University of the Philippines – CE Virata School of Business. Mr. Jacinto previously served as CEO of the Institute of Corporate Directors (2013-2017) and Managing Director of Ayala Corporation

(1997-2011). During the last two years of his tenure at Ayala Corporation, he was seconded to Habitat for Humanity as its Chief Executive Officer.

Medel T. Nera, 69, was elected as Independent Director of the Company on October 23, 2023 replacing Mr. Guillermo L. Parayno, Jr. who died on August 2, 2023. Mr. Nera graduated from the Far Eastern University in Manila with a degree in Bachelor of Science in Commerce. He earned his Master of Business Administration in the Stern School of Business, New York University, New York, New York, USA. He also participated in the Pacific Rim Bankers Program in the University of Washington, Seattle, Washington, USA. He currently serves in the Boards of the House of Investments, Inc. (HOI), IPeople, Inc. (IPO), EEI Corporation (EEI), Seafront Resources Corporation (SPM), National Reinsurance Corporation of the Philippines, Inc. (NRCP), Ionics, Inc. (ION), and Holcim Philippines, Inc. (HLCM). Mr. Nera was the President and CEO of House of Investments, Inc. (HOI) from July 2011 to July 2019, a holding company of the Yuchengco group. HOI has more than a dozen significant subsidiaries and associates. These include EEI Corporation, iPeople, Inc. (which includes the Mapua University), and Honda and Isuzu Car dealership groups. He was formerly a Director of RCBC (Rizal Commercial Banking Corporation). Mr. Nera was formerly a Senior Partner of SyCip Gorres Velayo and Co. (SGV & Co.), where he had about 35 years of experience in professional services. He had served as Markets leader and Financial Services Practice Head at SGV. From 2008 - 2010, he served as Assurance Leader for the Financial Services Assurance practice of Ernst and Young in the Far East covering China, Taiwan, Hongkong, Korea, Singapore, Philippines and Vietnam. Mr. Nera was a partner for 22 years and had served in various other leadership positions. He was also the Vice President and member of the Board of Governors of the Management Association of the Philippines and a member of the Ernst & Young Far East Area Advisory Council.

Officers

The following are the names, ages, positions and citizenships of the incumbent officers of the Company:

Name	Age	Nationality	Position
Frank S. Gaisano	66	Filipino	Chairman & Chief Executive Officer
Manuel C. Alberto	58	Filipino	President & Chief Operating Officer
Joselito G. Orense	58	Filipino	Treasurer & Chief Financial Officer
Vincent E. Tomaneng	56	Filipino	Corporate Secretary and Chief Legal Counsel
Theresa Marie C. Puno-dela Peña	39	Filipino	Assistant Corporate Secretary & Compliance Officer

Brief Description - Officers

Joselito G. Orense, 58, was appointed as the Treasurer & Chief Financial Officer on March 16, 2016. He is a Certified Public Accountant. He earned his Bachelor of Science in Business Administration and Accountancy (1987, Cum Laude) from the University of the Philippines, Diliman and obtained his Master's degree in Business Management from the Asian Institute of Management in 1991. Prior to joining the Company in November 2015 as Deputy CFO, he has served as Chief Financial Officer of All Value Holdings Corp. (2012 to 2015), Adidas Philippines (2004 to 2010), and Golden Arches Development Corporation (Director of Accounting, and CFO, 1996 to 2002).

Vincent E. Tomaneng, 56, was appointed as the Corporate Secretary on July 27, 2015. He earned his Bachelor of Laws (1994) and Bachelor of Science in Accountancy (1988, Magna Cum Laude) degrees from the University of San Carlos in Cebu City. He is presently the Group General Counsel of Vicsal Development Corporation and the Metro Gaisano Group of Companies. Prior to joining Vicsal and the Metro Gaisano Group in May 2003, he has worked with Sycip Salazar

Hernandez & Gatmaitan Law Offices as a Senior Associate (1997 to 2003) and with Sycip Gorres Velayo & Co., CPA's as a Tax Supervisor (1988 to 1996). He is presently the Director and Corporate Secretary of Filipino Fund, Inc. from 2014, and Corporate Secretary of HTLand, Inc. from 2014, a Director of Pacific Mall Corporation from 2010, and the Corporate Secretary of Vicsal Foundation, Incorporated since February 2024.

Theresa Marie C. Puno-dela Peña, 39, was appointed as the Assistant Corporate Secretary and Compliance Officer on January 28, 2022, and assumed the position on February 1, 2022. She earned her Bachelor of Science in Mathematics (2005) from the University of the Philippines, Diliman and obtained her Bachelor of Laws (2010) degree from the University of San Carlos in Cebu City. Prior to joining the Company, she has served as Securities Counsel of the Securities and Exchange Commission (2011-2021).

(B) Significant Employees

The Company has no significant employee or personnel who is not an executive officer but is expected to make a significant contribution to the business.

(C) Family Relationships

Family relationships (by consanguinity or affinity within the fourth civil degree) between Directors and members of the Company's senior management are as follows:

Frank S. Gaisano, Chairman of the Board of Directors, Jack S. Gaisano, and Margaret Gaisano-Ang, Directors of the Company, are siblings.

Apart from the foregoing, there are no other family relationships up to the fourth civil degree either by consanguinity or affinity among directors or executive officers of the Company.

(D) Involvement in certain Legal Proceedings of Directors and Executive Officers

To the best of the Company's knowledge and belief and after due inquiry, none of the Company's directors, nominees for election as director, or executive officers have in the five-year period prior to the date of this Report: (1) had 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) have been convicted by final judgment in a criminal proceeding, domestic or foreign, or have been subjected to a pending judicial proceeding of a criminal nature, domestic or foreign, excluding traffic violations and other minor offenses; (3) have been the subject of 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) have been found by a domestic or foreign court of competent jurisdiction (in a civil action), the Philippine 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, such judgment having not been reversed, suspended, or vacated.

There are no material pending legal proceedings to which the Company or any of its subsidiaries and affiliates is a party.

Item 9 Executive Compensation

<u>Summary Compensation Table</u>

The following table sets out the Company's Chairman and Chief Executive Officer and four most highly compensated senior officers of the Company for the last three (3) years and projected for the ensuing year (2024):

<table>
<tr><th>Name</th><th>Position</th><th>Year</th><th>Aggregate Salary (Annual)</th><th>Bonus</th><th>Other Annual Compensation</th></tr>
<tr><td>Frank S. Gaisano</td><td>Chairman and Chief Executive Officer</td><td>2023</td><td rowspan="5">Php49,792,522.51</td><td rowspan="5">Php8,987,096.26</td><td rowspan="5">Php7,280,929.08</td></tr>
<tr><td>Manuel C. Alberto</td><td>President and Chief Operating Officer</td><td>2023</td></tr>
<tr><td>Conchita G. Lazaro</td><td>Deputy Chief Marketing and Merchandising Officer</td><td>2023</td></tr>
<tr><td>Joselito G. Orense</td><td>Chief Financial Officer and Treasurer</td><td>2023</td></tr>
<tr><td>Fili P. Mercado</td><td>Chief Strategy and Governance Officer</td><td>2023</td></tr>
<tr><td colspan="2">All Other Officers and Directors as a Group Unnamed</td><td>2023</td><td>Php 3,184,444.30</td><td>–</td><td>–</td></tr>
</table>

The following table identified and summarizes the aggregated compensation (actual and expected) of the Company's Chairman and Chief Executive Officer and the four most highly compensated executive officers of the Company in 2021, 2022 and 2023, and for the ensuing year 2024:

<table>
<tr><th>Name</th><th>Year</th><th>Aggregate Salary (Annual)</th><th>Bonus</th><th>Other Annual Compensation</th></tr>
<tr><td rowspan="4">Chairman and Chief Executive Officer and the four most highly compensated executive officers named above</td><td>2021 (Actual)</td><td>49,851,516.12</td><td>–</td><td>7,663,595.08</td></tr>
<tr><td>2022 (Actual)</td><td>47,457,667.85</td><td>–</td><td>7,280,929.08</td></tr>
<tr><td>2023 (Actual)</td><td>49,792,522.51</td><td>8,987,096.26</td><td>7,280,929.08</td></tr>
<tr><td>2024 (Projected)</td><td>49,830,551.24</td><td>–</td><td>7,280,929.08</td></tr>
<tr><td rowspan="4">All other Officers and Directors as a Group Unnamed</td><td>2021 (Actual)</td><td>2,672,615.30</td><td>–</td><td>–</td></tr>
<tr><td>2022 (Actual)</td><td>2,869,999.98</td><td>–</td><td>–</td></tr>
<tr><td>2023 (Actual)</td><td>3,184,444.30</td><td>–</td><td>–</td></tr>
<tr><td>2024 (Projected)</td><td>4,226,000.00</td><td>–</td><td>–</td></tr>
</table>

Standard Arrangements

The by-laws of the Company provide that the Board is authorized to fix and determine the compensation of the Directors and Officers in accordance with law.

By resolution of the Board, there are currently no standard arrangements pursuant to which Directors of the Company are compensated, or are to be compensated, directly or indirectly, for any services provided as a Director, except reasonable per diem for attendance in Board and/or Committee meetings, as follows:

	FIXED REMUNERATION	PER DIEM ALLOWANCE – Per BOD Meeting	PER DIEM ALLOWANCE – Per Committee Meeting
Executive Directors	Fixed monthly compensation	Nominal per diem of Php10,000.00 (net of tax)	Nominal per diem of Php10,000.00 (net of tax)
Non-Executive Directors	None	Nominal per diem of Php10,000.00 (net of tax)	Nominal per diem of Php10,000.00 (net of tax)
Independent Directors	None	₱150,000.00 (gross of tax)	Chairman:₱45,000.00 (gross of tax) Member:₱40,000.00 (gross of tax)

The total director's fees paid for each of the Company's directors as of December 31, 2023 is as follows:

Name of Director	**Total Director's Fees** (in Php)
Frank S. Gaisano *Chairman & Chief Executive Officer*	92,307.66
Margaret Gaisano-Ang *Director*	99,999.90
Jack S. Gaisano *Director*	33,333.30
Sherisa P. Nuesa* *Director*	420,000.00
Manuel C. Alberto *President & Chief Operating Officer*	76,923.05
Ricardo Nicanor N. Jacinto *Independent Director*	1,115,000.00
Medel T. Nera* *Independent Director*	345,000.00
Guillermo L. Parayno, Jr. *Independent Director until August 2, 2023*	515,000.00

* started only in October 2023

Other Arrangements

Except for Mr. Frank S. Gaisano and Mr. Manuel C. Alberto, who receive monthly salaries as Chief Executive Officer and President & Chief Operating Officer, respectively, there are no other arrangements for which the directors are compensated by the Company for services other than those provided as a director.

Employment Contracts

The Company has existing employment contracts with its executive officers. These contracts basically specify the scope of services expected from these individuals and the compensation that they shall receive.

There are no arrangements for compensation to be received by these named executive officers from the Company in the event of a change in control.

Warrants and Options Outstanding

On December 23, 2022, the Board of Directors has approved the MRSGI Executive Stock Option Plan or MESOP. The Company has allotted 1% of the total outstanding capital stock as of December 20, 2022 or 32,832,230 common shares out of its Treasury Shares for the MESOP. In a Special Meeting of the stockholders held on February 7, 2023, the stockholders of MRSGI owning at least 2/3 of the total outstanding capital stock have ratified the MESOP. The Securities and Exchange Commission through SEC-MSRD Resolution No. 2, Series of 2023, issued on May 29, 2023, granted the exemption of the MRSGI Executive Stock Option Plan from the registration requirement under Section 10.2 of the Securities Regulation Code.

As of the date of this Report, 28,028,562 MRSGI common shares have been granted as options to the qualified executives, managers, and selected employees, as follows:

(A) Chairman/Chief Executive Officer	None
(B) 4 highest paid executives who were serving at the end of the last completed fiscal year *(already included in C)*	*9,515,688*
(C) All current executive officers as a group	**20,073,489**
(D) Each nominee for election as a director *(already included in C)*	*5,078,289*
(E) Each other person who received or is to receive five percent of such options, warrants or rights *(already included in C)*	*11,096,568*
(F) All current directors as a group who are not executive officers	**None**
(G) All other employees as a group.	**7,955,073**
Total (C+F+G)	**28,028,562**

The Company's common stock is valued at Php1.30 per share as of March 31, 2024.

Item 10. Security Ownership of Certain Beneficial Owners and Management

(A) Security Ownership of Certain Record and Beneficial Owners holding more than 5% of the Company's voting securities as of March 31, 2024

As of March 31, 2024, the Company knows no one who beneficially owns in excess of 5% of the Company's common stock except set forth in the table below:

Title of Class	Name and addresses of record owners and relationship with the Company	Name of beneficial owner and relationship with record owner	Citizenship	Number of shares held	% of Total Issued Shares
Common	Vicsal Development Corporation Vicsal Building, corner of C.D. Seno and W.O. Seno Sts., Guizo, North Reclamation Area, Mandaue City (stockholder)	Same as record owner	Filipino	2,627,427,299	76.62%
Common	PCD Nominee Corporation 37th Floor, Tower 1, the Enterprise Center, 6766 Ayala Avenue corner of Paseo de Roxas 1226 Makati City, Philippines	PDTC Participants and their clients	Filipino	735,750,221	21.45%
Common	PCD Nominee Corporation 37th Floor, Tower 1, the Enterprise Center, 6766 Ayala Avenue corner of Paseo de Roxas 1226 Makati City, Philippines	PDTC Participants and their clients	Non-Filipino	41,123,601	1.20%

Notes:

1. None of the Top 100 PDTC Participants - Filipino, hold 5% or more of the Company's outstanding capital stock as of March 31, 2024.

2. None of the Top 100 PDTC Participants – Foreign, hold 5% or more of the Company's outstanding capital stock as of March 31, 2024.

(B) Security Ownership of Management as of March 31, 2024

Title of Class	Name of Beneficial Owner	Position	Amount and Nature of Beneficial Ownership		Citizenship	% to Total Out-standing
			Direct	Indirect		
Common	Frank S. Gaisano	Chairman and Chief Executive Officer	2	30,448,000	Filipino	0.94%
Common	Margaret G. Ang	Director	2	6,834,000	Filipino	0.21%
Common	Jack S. Gaisano	Director	2	0	Filipino	0
Common	Manuel C. Alberto	President and Chief Operating	1	0	Filipino	0

Title of Class	Name of Beneficial	Position	Amount and Nature of Beneficial Ownership		Citizenship	% to Total
		Officer				
Common	Sherisa P. Nuesa	Director	920,001	0	Filipino	0.03%
Common	Ricardo Nicanor N. Jacinto	Independent Director	500,001	0	Filipino	0.01%
Common	Medel T. Nera	Independent Director	1	0	Filipino	0
Common	Joselito G. Orense	Treasurer/ Chief Finance Officer	0	0	Filipino	0
Common	Vincent E. Tomaneng	Corporate Secretary	500,000	0	Filipino	0.01%
Common	Theresa Marie C. Puno-dela Peña	Asst. Corporate Secretary and Compliance Officer	0	0	Filipino	0

(C) Voting Trust Holders of 5% or more - as of December 31, 2023

There are no persons holding more than 5% of a class under a voting trust or similar agreement.

(D) Changes in Control

As of December 31, 2023, there has been no change in the control of the Company, and there are no arrangements which may result in a change in control of the Company.

Item 11. Certain Relationships and Related Transactions

Please refer to Note 22 of the Financial Statements for the Related Party Transactions.

PART IV CORPORATE GOVERNANCE

Item 12. Corporate Governance

Please refer to the Company’s Annual Corporate Governance Report.

PART V EXHIBITS AND SCHEDULES

Item 13 Exhibits and Reports on SEC Form 17-C

The table below lists the Company’s Corporate Disclosures under SEC Form 17-C:

List of Corporate Disclosures/Replies to SEC Letters Under SEC Form 17-C January 1,-December 31, 2023	
DATE	**SUBJECT**
1/3/2023 to 12/29/23	Share Buy Back Transactions
2/7/23	Results of Special Stockholders’ Meeting
3/17/23	Material Information
3/17/23	Notice of Annual Stockholders’ Meeting
3/31/23	Material Information
3/31/23	Declaration of Cash Dividends
4/12/23	Press Release
4/14/23	Amendment of Notice of Annual Stockholders’ Meeting
5/5/23	Results of Annual Stockholders’ Meeting
5/5/23	Results of Organizational Board Meeting
5/11/23	Notice of Analyst’s Meeting and Investors’ Call
5/12/23	Press Release
7/26/23	Press Release
8/3/23	Change in Directors and/or Officers
8/4/23	Press Release
8/8/23	Material Information
8/11/23	Press Release
8/11/23	Notice of Analyst’s Meeting and Investors’ Call
8/22/23	Press Release
8/31/23	Press Release
9/28/23	Press Release
10/23/23	Change in Directors and/or Officers
11/9/23	Change in Directors and/or Officers
11/14/23	Notice of Analyst’s Meeting and Investors’ Call
11/14/23	Press Release
11/22/23	Press Release
12/15/23	Press Release

Item 14 Use of Proceeds

Please refer to the Company’s Disbursement of Proceeds and Progress Report as of December 31, 2023 duly certified by the Company’s external Auditor.

Pursuant to the requirement of Section 17 of the Code and Section 141 of the Corporate Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Cebu on April 11, 2024 .

By:

FRANK S. GAISANO
Chairman and Chief Executive Officer

MANUEL C. ALBERTO
President and Chief Operating Officer

JOSELITO G. ORENSE
Treasurer and Chief Financial Officer

VINCENT E. TOMANENG
Corporate Secretary

SUBSCRIBED AND SWORN to before me this APR 11 2024 affiliants exhibiting to me their respective Philippine passports as follows.

	Passport No.	Date of Issue	Place of Issue
Frank S. Gaisano	P5597665A	12JAN 2018	DFA NCR South
Manuel C. Alberto	P7710412A	28 JUN 2018	DFA NCR South
Joselito G. Orense	P8825848A	20SEP 2018	DFA NCR South
Vincent E. Tomaneng	P6261118	02 MAR 2018	DFA CEBU

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Series of 2024

ATTY. JENNYLYN R. OJANO-SABADO
Notary Public City of Taguig
Until 31 December 2024.
IBP O.R No. 251632 issued on December 19, 2022
PTR No. 10073911 Jan. 2, 2024 Makati City
Appointment No. 9 (2023-2024)
MCLE Compliance No. VII-0003699
Unit 25, G/F Fiesta Market Market Ext.
BGC, Taguig City
Roll No. 71171

SUSTAINABILITY REPORT

2023

Company Details	
Name of Organization	Metro Retail Stores Group, Inc. (MRSGI)
Location of Headquarters	Vicsal Building, corner of C.D. Seno and W.O. Seno Streets, Guizo, North Reclamation Area, Mandaue City, Cebu, Philippines
Location of Operations	Various location across Luzon and Visayas
Report Boundary: Legal entities (e.g. subsidiaries) included in this report*	Limited to Metro Retail Stores Group, Inc.
Business Model, including Primary Activities, Brands, Products, and Services	To buy, sell, trade, deal in and deal with goods, wares and merchandise of every kind and description, and to carry on such business as wholesalers, retailers, importers and exporters; to acquire all such merchandise, supplies, materials, and other articles as shall be necessary in the conduct or to carry on the business of a supermarket and department store operator.
Reporting Period	2023
Highest Ranking Person responsible for this report	VP for Business Development and Investor Relations

**If you are a holding company, you could have an option whether to report on the holding company only or include the subsidiaries. However, please consider the principle of materiality when defining your report boundary.*

Materiality Process

Explain how you applied the materiality principle (or the materiality process) in identifying your material topics.[1]
MRSGI's primary operation is retail operations through its Metro Department Stores, Metro Supermarket, and Super Metro Hypermarket brand. Materiality is limited to operational matters which have actual and relevant impact on environment, social, and community. Economic, environmental, and social impacts that influence the decision of stakeholders were considered in identifying material topics.

[1] See *GRI 102-46* (2016) for more guidance.

ECONOMIC

Economic Performance

Direct Economic Value Generated and Distributed

Disclosure	Amount	Units
Direct economic value generated (revenue)	38,584,126,687	PhP
Direct economic value distributed:		
a. Operating costs	5,134,665,823	PhP
b. Employee wages and benefits	1,865,772,504	PhP
c. Payments to suppliers, other operating costs	30,442,504,361	Php
d. Dividends given to stockholders and interest payments to loan providers	357,593,182	PhP
e. Taxes given to government	596,743,276	PhP
f. Investments to community (e.g. donations, CSR)	7,000,000	PhP

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Primary business operations; Impact is caused by the Company's business relationship	Employees, Customers, Suppliers, and Government	The Company always strives to provide quality products and customer experience through its stores. MRSGI also aims to be a responsible corporate citizen by providing career development to our employees, mutually beneficial relationship with our suppliers, and compliant corporate entity.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Risk of loss of business due to competition	Employees, Customers, Suppliers, and Government	The Company's internal policies ensure that our stores are efficiently run, prices of goods remain competitive, and agreements & requirements are met/fulfilled.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Opportunity to provide better Customer and Partner Experience	Employees, Customers, Suppliers, and Government	The Company's Management team regularly conducts internal assessments on how to improve corporate & in-store experience as well as our relationship with suppliers and regulators.

Climate-related risks and opportunities[2]

Governance	Strategy	Risk Management	Metrics and Targets
With low weather disturbance occurred last year 2023, the company focused on the reduction of carbon footprint through solar power source.	Fast track the implementation of solar power projects in different store locations.	Installation of solar power system on top of the roofing of the stores. Restoration of damaged solar power inverter and electrical system.	100% completion of solar power projects in different stores. 100% Operational of all solar power systems in different stores with installed solar power system. Increase of KWH from solar power source to reduce carbon footprint.
Recommended Disclosures			
Not applicable.	*Not applicable.*	*Not applicable.*	*Not applicable.*

Note: The Company currently does not have sufficient information to fully assess its climate-related risks and opportunities. The Company have yet to implement an integrated program that will monitor and measure climate-related risks and opportunities through a pre-agreed set of metrics and milestones.

Procurement Practices

Proportion of spending on local suppliers

Disclosure	Quantity	Units
Percentage of procurement budget used for significant locations of operations that is spent on local suppliers	88.34%	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
MRSGI's suppliers' base is diversified between local suppliers and multinational corporations.	Suppliers	Maintain its close relationship with its concessionaires and suppliers to ensure continuous offering of broad range of products.

[2] Adopted from the Recommendations of the Task Force on Climate-Related Financial Disclosures. The TCFD Recommendations apply to non-financial companies and financial-sector organizations, including banks, insurance companies, asset managers and asset owners.

What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
No risk identified.	*Not applicable.*	*Not applicable.*
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Product offering will not be limited.	Customers	Non-dependency on single supplier.

Anti-corruption

Training on Anti-corruption Policies and Procedures

Disclosure	Quantity	Units
Percentage of employees to whom the organization's anti-corruption policies and procedures have been communicated to	Nil	%
Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicated to	Nil	%
Percentage of directors and management that have received anti-corruption training	Nil	%
Percentage of employees that have received anti-corruption training	Nil	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Which stakeholders are affected?**	**Management Approach**
Not applicable.	*Not applicable.*	*Not applicable.*
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Not applicable.	*Not applicable.*	*Not applicable.*
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Not applicable.	*Not applicable.*	*Not applicable.*

Incidents of Corruption

Disclosure	Quantity	Units
Number of incidents in which directors were removed or disciplined for corruption	Nil	#
Number of incidents in which employees were dismissed or disciplined for corruption	Nil	#
Number of incidents when contracts with business partners were terminated due to incidents of corruption	Nil	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Not applicable.	*Not applicable.*	*Not applicable.*
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Not applicable.	*Not applicable.*	*Not applicable.*
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Not applicable.	*Not applicable.*	*Not applicable.*

ENVIRONMENT

Resource Management

Energy consumption within the organization:

Disclosure	Quantity	Units
Energy consumption (renewable sources)	7,361.06	GJ
Energy consumption (gasoline)	131.57	GJ
Energy consumption (LPG)	3,810.99	GJ
Energy consumption (diesel)	5,932.73	GJ
Energy consumption (electricity)	102,911,745.88	kWh

Reduction of energy consumption

Disclosure	Quantity	Units
Energy reduction (gasoline)	1.27	GJ
Energy reduction (LPG)	25.26	GJ
Energy reduction (diesel)	(5,662.05)	GJ
Energy reduction (electricity)	13,037,409.34	kWh

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
The increase in electricity energy consumptions for the year 2023 was brought about by the addition of 3 newly constructed stores in the Visayas region; the continuous return to normalcy of economy from the pandemic situation is still to reckon with as foot traffic is increasing and adding load to the air-conditioning system and transport equipment. Also, the reduction in diesel consumption for 2023 coming from a high in 2022 due to power outage brought about by the devastation of power infrastructure by Super Typhoon Odette is an equivalent power load add-on for 2023.	All MRSGI stores.	The MRSGI management is now involved in the energy monitoring and audit mandated by RA 11285, better known as the Energy Efficiency and Conservation Law.

What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
Higher operating expenses	All MRSGI stores.	Replacement or rehabilitation of all aging equipment with deteriorating performance and adherence to the recommendations of the energy audit conducted by the third party accredited by DOE as part of the energy conservation measures.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
With good ambiance such as air-conditioned selling spaces, comfortable transport equipment and reliable power supply, MRSGI can expect the big turnaround in customer traffic to add to sales and better business.	All MRSGI stores.	Better sales to operating expense ratio.

Water consumption within the organization

Disclosure	Quantity	Units
Water withdrawal	224,979	m^3
Water consumption	671,675	m^3
Water recycled and reused	1,094	m^3

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
The other source of water supplies like the use of deep well and water recycling helps reduced the overall water consumption supplied by the water district. The limited Government approvals of installing the deep well source diverted MRSGI's intention to produce water supplies from recyclable source like the condensate of AHU's, blow down of cooling towers and rain water collections.	MRSGI have built water recycling source from stores in Angeles, Colon, Lapu Lapu, Mambaling, Mandaue, Junquera in Colon also, with more stores in pursuit of the same project as part of the 3-year strategic plans.	Lower operating expenses and environmental friendly.

What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
Not applicable.	*Not applicable.*	*Not applicable.*
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Water consumption savings.	Same stores with these type of source of water supply facility.	Lower operating expenses.

Materials used by the organization

Disclosure	Quantity	Units
Materials used by weight or volume		
• Renewable	1,093.80	kg/liters
• non-renewable	671,675.20	kg/liters
Percentage of recycled input materials used to manufacture the organization's primary products and services	0.1628%	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Not applicable.	*Not applicable.*	*Not applicable.*
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Not applicable.	*Not applicable.*	*Not applicable.*
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Not applicable.	*Not applicable.*	*Not applicable.*

Ecosystems and biodiversity (whether in upland/watershed or coastal/marine)

Disclosure	Quantity	Units
Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	N/A	
Habitats protected or restored	N/A	Ha
IUCN[3] Red List species and national conservation list species with habitats in areas affected by operations	N/A	

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Not applicable.	*Not applicable.*	*Not applicable.*
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Not applicable.	*Not applicable.*	*Not applicable.*
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Not applicable.	*Not applicable.*	*Not applicable.*

Environmental impact management

Air Emissions

GHG

Disclosure	Quantity	Units
Direct (Scope 1) GHG Emissions	407.90	Tonnes CO_2e
Energy indirect (Scope 2) GHG Emissions	42,914.20	Tonnes CO_2e
Emissions of ozone-depleting substances (ODS)	7,563.14	Tonnes

[3] International Union for Conservation of Nature

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
With the International rulings to gradually phase out all ODS and the Government's initiative to eliminate all coal sources of power generation and convert to renewable sources, MRSGI is one in implementing these assertions by building its own renewable source of power through Solar installations in MRSGI stores and purchasing aircon and refrigeration equipment that uses non-ODS medium.	MRSGI store locations with solar installations are Talisay in Negros, Lapu Lapu, Calbayog, Carcar, Carmen, AS Fortuna in Mandaue and Canduman. MRSGI store locations with on-going refrigeration equipment replacements are Colon, Mandaue, Ayala in Cebu city, Legazpi, Lucena and Market Market in Taguig. All newly constructed MRSGI stores uses non-ODS mediums in their aircon and refrigeration equipment installations.	Reduce air pollution and incorporate environmental protection through RA 8739, or better known as Philippine Clean Air Act of 1999.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Environmental pollution.	All MSRGI stores.	Reduce air pollution and incorporate environmental protection through RA 8739, or better known as Philippine Clean Air Act of 1999.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Select Retail Electricity Supplier to those MRSGI stores certified as Contestable Customers by the ERC who are using renewable means of electricity source, but then the amount of the generation rate will always matter in this option. Also, venture into more renewable energy source such as solar installations.	All MSRGI stores.	Reduce air pollution and incorporate environmental protection through RA 8739, or better known as Philippine Clean Air Act of 1999.

Air pollutants

Disclosure	Quantity	Units
NO_x	0.007000	kg
SO_x	0.002130	kg
Persistent organic pollutants (POPs)	N/A	kg
Volatile organic compounds (VOCs)	N/A	kg
Hazardous air pollutants (HAPs)	N/A	kg
Particulate matter (PM)	0.000187	kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
The lower the value of these air pollutants the better for the environment. These pollutants usually occur from the smoke emission of the genset units.	All MRSGI stores equipped with genset units.	Follow DENR mandates for the allowed pollutants parameter numbers.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Air pollution.	All MRSGI stores equipped with genset units.	Follow DENR mandates for the allowed pollutants parameter numbers.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Well maintained equipment and immediate mitigations for every failure in any parameter from the result of smoke emission test conducted.	All MRSGI stores equipped with genset units.	Follow DENR mandates for the allowed pollutants parameter numbers.

Solid and Hazardous Wastes

Solid Waste

Disclosure	Quantity	Units
Total solid waste generated	4,379.944.02	kg
Reusable	N/A	kg
Recyclable	2,187,177.78	kg
Composted	N/A	kg
Incinerated	N/A	kg
Residuals/Landfilled	2,192,826.92	kg

What is the impact and where does it occur? What is the organization’s involvement in the impact?	Which stakeholders are affected?	Management Approach
There are costs in the recycled materials out of the solid waste generated, mostly coming from the carton packaging of the merchandise items.	All MRSGI stores.	Solid Waste Management approach.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Segregation of waste is important to reduce quantities of each type of waste as only the general waste should go to the Municipal waste stream.	All MRSGI stores.	Solid Waste Management approach.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Reduces health and safety related risks to waste pickers and to the ecosystems; reduces the costs of waste; safe disposal of hazardous waste.	All MRSGI stores.	Solid Waste Management approach.

Hazardous Waste

Disclosure	Quantity	Units
Total weight of hazardous waste generated	17,427	kg
Total weight of hazardous waste transported	1,396	kg

What is the impact and where does it occur? What is the organization’s involvement in the impact?	Which stakeholders are affected?	Management Approach
This waste is called hazardous because its properties are dangerous to human health and environment. The organization's involvement is to dispose the hazardous waste through proper channel accredited by DENR.	All MRSGI stores that generate Hazardous waste.	Waste management approach to RA 6969, or better known as Toxic Substances and Hazardous and Nuclear Waste Control of 1990.

What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
They may cause damage for inadequate handling and storage, transportation and treatment or disposal operations.	All MRSGI stores that generate Hazardous waste.	Waste management approach to RA 6969, or better known as Toxic Substances and Hazardous and Nuclear Waste Control of 1990.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Human and environment safety.	All MRSGI stores that generate Hazardous waste.	Waste management approach to RA 6969, or better known as Toxic Substances and Hazardous and Nuclear Waste Control of 1990.

Effluents

Disclosure	Quantity	Units
Total volume of water discharges	328,812	m^3
Percent of wastewater recycled	0.00%	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Waste water discharges are always connected with the industrial operation. In so doing, the effluent being discharge should comply with the standards parameters set forth by DENR.	All MRSGI Stores equipped with STP and those that are inter-connected to the other STP facilities.	Waste management approach to RA 9275, or better known as Philippine Clean Water Act of 2004.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Wastewater effluent that are affecting the reactions and diffusions of pollutants in water bodies.	All MRSGI Stores equipped with STP and those that are inter-connected to the other STP facilities.	Waste management approach to RA 9275, or better known as Philippine Clean Water Act of 2004.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Secure necessary Discharge Permit for those who has the potential to discharge regulated effluent through the water body or stream.	All MRSGI Stores equipped with STP and those that are inter-connected to the other STP facilities.	Waste management approach to RA 9275, or better known as Philippine Clean Water Act of 2004.

Environmental compliance

Non-compliance with Environmental Laws and Regulations

Disclosure	Quantity	Units
Total amount of monetary fines for non-compliance with environmental laws and/or regulations	118,079	PhP
No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations	10	#
No. of cases resolved through dispute resolution mechanism	6	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
The monetary sanctions are fines superseding the non-compliance of a certain mandate from any of the Environmental Law if mitigations were not met.	All MRSGI stores.	Waste management approach to the Environmental Mandates.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Based on the provisions of the Environmental Law, hefty penalties to establishment closure are the consequences to face for failure to mitigate any violation of the mandates.	All MRSGI stores.	Waste management approach to the Environmental Mandates.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Clean environment and free sanction from the Law enforcers.	All MRSGI stores.	Waste management approach to the Environmental Mandates.

SOCIAL

Employee Management

Employee Hiring and Benefits

Employee data

Disclosure	Quantity	Units
Total number of employees[4]	7,175	#
a. Number of female employees	3,742	#
b. Number of male employees	3,433	#
Attrition rate[5]	18.36%	rate
Ratio of lowest paid employee against minimum wage	Lowest paid is at min. wage; no lower than that.	ratio

Employee benefits

List of Benefits	Y/N	% of female employees who availed for the year	% of male employees who availed for the year
SSS	Y	52.15%	47.85%
PhilHealth	Y	52.15%	47.85%
Pag-ibig	Y	52.15%	47.85%
Parental leaves	Y	0.74%	0.98%
Vacation leaves	Y	34.76%	38.05%
Sick leaves	Y	39.28%	37.32%
Medical benefits (aside from PhilHealth)	Y	39.57%	38.29%
Housing assistance (aside from Pag-ibig)	N		
Retirement fund (aside from SSS)	Y	0.13%	0.06%
Further education support	Y	13.59%	11.43%
Company stock options	Y	0.20%	0.13%
Telecommuting	N		
Flexible-working Hours	Y	6.77%	3.68%
(Others)	N		

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Not applicable.	*Not applicable.*
What are the Risk/s Identified?	**Management Approach**
Not applicable.	*Not applicable.*
What are the Opportunity/ies Identified?	**Management Approach**
Not applicable.	*Not applicable.*

[4] Employees are individuals who are in an employment relationship with the organization, according to national law or its application (GRI Standards 2016 Glossary)
[5] Attrition are = (no. of new hires – no. of turnover)/(average of total no. of employees of previous year and total no. of employees of current year)

Employee Training and Development

Disclosure	Quantity	Units
Total training hours provided to employees		
a. Female employees	25,165	hours
b. Male employees	24,950	hours
Average training hours provided to employees		
a. Female employees	2.42	hours/employee
b. Male employees	2.40	hours/employee

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Management Approach**
The learning & development initiatives improved the overall capability of employees at the core, functional and behavioral levels. Training resources support (e.g. budget, training logistics, etc.)	A mix of virtual and physical (face-to-face) training. Prioritization to leadership training, store operations functional training, and continuing support to core training (e.g. Customer Service, HACCP, BOSH, PCO, etc.)
What are the Risk/s Identified?	**Management Approach**
Not applicable.	*Not applicable.*
What are the Opportunity/ies Identified?	**Management Approach**
Not applicable.	*Not applicable.*

Labor-Management Relations

Disclosure	Quantity	Units
% of employees covered with Collective Bargaining Agreements	*Not applicable.*	%
Number of consultations conducted with employees concerning employee-related policies	*Not applicable.*	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Management Approach**
Not applicable.	*Not applicable.*
What are the Risk/s Identified?	**Management Approach**
Not applicable.	*Not applicable.*
What are the Opportunity/ies Identified?	**Management Approach**
Not applicable.	*Not applicable.*

Diversity and Equal Opportunity

Disclosure	Quantity	Units
% of female workers in the workforce	52.15%	%
% of male workers in the workforce	47.85%	%
Number of employees from indigenous communities and/or vulnerable sector*	0	#

**Vulnerable sector includes, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E).*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Not applicable.	*Not applicable.*
What are the Risk/s Identified?	**Management Approach**
Not applicable.	*Not applicable.*
What are the Opportunity/ies Identified?	**Management Approach**
Not applicable.	*Not applicable.*

Workplace Conditions, Labor Standards, and Human Rights

Occupational Health and Safety

Disclosure	Quantity	Units
Safe Man-Hours	18,716,000	Man-hours
No. of work-related injuries	47	#
No. of work-related fatalities	0	#
No. of work related ill-health	0	#
No. of safety drills	64	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
The impact of employees' work-related injuries was not significant to disrupt the whole business operation because the management was able to temporary filled up the vacant position to offset the productivity of the injured employees.	The management was able to manage the impact of employees' absences due to work-related injuries by work-load sharing of the employees in order to achieve the desired productivity rate.
What are the Risk/s Identified?	**Management Approach**
Possible disruption of the business processes whenever the employees are absent due to work-related injuries. Although, it must be noted that the total number of work related injuries is only 0.78%	Work-load sharing and extending the work hours thru overtime work of the remaining employees.

frequency rate as compare to the total numbers of employees.	
What are the Opportunity/ies Identified?	**Management Approach**
The opportunity seen on the increased numbers of work-related injuries is to focus more inculcating the safety culture to all employees.	Increase the safety orientation to be conducted by safety officers while all team leads and supervisors are encouraged to include safety matters in their daily peptalk.

Labor Laws and Human Rights

Disclosure	Quantity	Units
No. of legal actions or employee grievances involving forced or child labor	Nil	#

Do you have policies that explicitly disallows violations of labor laws and human rights (e.g. harassment, bullying) in the workplace?

Topic	Y/N	If Yes, cite reference in the company policy
Forced labor	N	
Child labor	N	
Human Rights	N	

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Not applicable.	*Not applicable.*
What are the Risk/s Identified?	**Management Approach**
Not applicable.	*Not applicable.*
What are the Opportunity/ies Identified?	**Management Approach**
Not applicable.	*Not applicable.*

Supply Chain Management

Do you have a supplier accreditation policy? If yes, please attach the policy or link to the policy:
Yes. Kindly see the Annex 1 of 2023 Sustainability Report.

Do you consider the following sustainability topics when accrediting suppliers?

Topic	Y/N	If Yes, cite reference in the supplier policy
Environmental performance	N	
Forced labor	N	
Child labor	N	
Human rights	N	
Bribery and corruption	Y	Procurement Policy, No-Gift Policy, among others set out by MRSGI's Standard Operating Procedures

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Not applicable.	*Not applicable.*
What are the Risk/s Identified?	**Management Approach**
Not applicable.	*Not applicable.*
What are the Opportunity/ies Identified?	**Management Approach**
Not applicable.	*Not applicable.*

Relationship with Community

Significant Impacts on Local Communities

Operations with significant (positive or negative) impacts on local communities (exclude CSR projects; this has to be business operations)	Location	Vulnerable groups (if applicable)*	Does the particular operation have impacts on indigenous people (Y/N)?	Collective or individual rights that have been identified that or particular concern for the community	Mitigating measures (if negative) or enhancement measures (if positive)
Not applicable.	*Not applicable.*	*Not applicable.*	*Not applicable.*	*Not applicable.*	*Not applicable.*

**Vulnerable sector includes children and youth, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E)*

For operations that are affecting IPs, indicate the total number of Free and Prior Informed Consent (FPIC) undergoing consultations and Certification Preconditions (CPs) secured and still operational and provide a copy or link to the certificates if available: Not applicable.

Certificates	**Quantity**	**Units**
FPIC process is still undergoing	N/A	#
CP secured	N/A	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Management Approach**
Not applicable.	*Not applicable.*
What are the Risk/s Identified?	**Management Approach**
Not applicable.	*Not applicable.*
What are the Opportunity/ies Identified?	**Management Approach**
Not applicable.	*Not applicable.*

Customer Management

Customer Satisfaction

Disclosure	Score	Did a third party conduct the customer satisfaction study (Y/N)?
Customer satisfaction	94%	N

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
By gathering customer feedback, we gain a direct pulse on their satisfaction and loyalty. This invaluable input fuels the development of targeted retention strategies leading to stronger relationships and sustained growth.	We capture customer sentiment and input through multiple channels, including digital surveys, physical suggestion box, social media Chabot, and email. This feedback fuels improvements in the MRSGI brand experience by highlighting areas for immediate action.
What are the Risk/s Identified?	**Management Approach**
Misunderstandings of survey questions can skew results and impact the validity of data.	Ensuring clear, simple, and consistent question wording is crucial for accurate data collection. A total of 28,358 customers all over the Philippines completed the customer satisfaction and net promoter score survey.
What are the Opportunity/ies Identified?	**Management Approach**
Increase survey respondents per store.	Larger samples better reflect the demographics and diverse perspectives of your entire customer base, reducing bias in the survey results.

Health and Safety

Disclosure	Quantity	Units
No. of substantiated complaints on product or service health and safety*	5	#
No. of complaints addressed	4	#

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

What is the impact and where does it occur? What is the organization’s involvement in the impact?	Management Approach
Lesser customer accidents in 2023 which all of the accidents still happened in Supermarket area. The impact of the lesser accidents was that our insurance broker has a leverage to negotiate for a lower premium.	With highly trained ERT members especially for First Aid trainings, all customer accidents are responded quickly and managed properly.
What are the Risk/s Identified?	**Management Approach**
Reputational risk is always exposed whenever there is a customer accident when such accident results to hospitalization. However, the management has committed to take care all the hospitalization cost of the customer to avoid escalation which might damage the company's reputation.	The reputational risks involving customers accidents especially those requiring hospitalization are being handled with urgency and importance to avoid escalating to negative media exposure.
What are the Opportunity/ies Identified?	**Management Approach**
One of the identified opportunities is to actively remind our customers with their safety through constant announcement through the public announcement system and also with the TV presentation of customer safety.	Proactive management of customer safety through constant reminder to customers in all available communication channels.

Marketing and labelling

Disclosure	Quantity	Units
No. of substantiated complaints on marketing and labelling*	Nil	#
No. of complaints addressed	Nil	#

**Substantiated complaints include complaints from customers that went through the organization’s formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

What is the impact and where does it occur? What is the organization’s involvement in the impact?	Management Approach
Not applicable.	*Not applicable.*
What are the Risk/s Identified?	**Management Approach**
Not applicable.	*Not applicable.*
What are the Opportunity/ies Identified?	**Management Approach**
Not applicable.	*Not applicable.*

Customer privacy

Disclosure	Quantity	Units
No. of substantiated complaints on customer privacy*	Nil	#
No. of complaints addressed	Nil	#
No. of customers, users and account holders whose information is used for secondary purposes	Nil	#

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Not applicable.	*Not applicable.*
What are the Risk/s Identified?	**Management Approach**
Not applicable.	*Not applicable.*
What are the Opportunity/ies Identified?	**Management Approach**
Not applicable.	*Not applicable.*

Data Security

Disclosure	Quantity	Units
No. of data breaches, including leaks, thefts and losses of data	Nil	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Not applicable.	*Not applicable.*
What are the Risk/s Identified?	**Management Approach**
Not applicable.	*Not applicable.*
What are the Opportunity/ies Identified?	**Management Approach**
Not applicable.	*Not applicable.*

UN SUSTAINABLE DEVELOPMENT GOALS

Product or Service Contribution to UN SDGs

Key products and services and its contribution to sustainable development.

Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
Metro Department Stores Metro Supermarket Super Metro Hypermarket Ancillary Businesses	Poverty Reduction Decent and economic growth Sustainable Cities and Communities Reduced inequalities Good health and well-being	Possibility of missed opportunities to serve the needs of communities	MRSGI continuous to expand into areas where it can serve the needs of far-flung communities and sustain its development
MRSGI CSR Programs	Partnerships for the goals	Possibility of being unable to serve the needs of the more vulnerable sector	MRSGI, through its Corporate Affairs Department, implements various community-related programs.

METRO RETAIL STORES GROUP, INC.	E – BUSINESS SUITE (EBS) **GUIDELINES MANUAL** GENERAL LOSS PREVENTION	Document No.	**GM-EBS-PCS-005**
		Date Released	**July 14, 2017**
		Revision No.	**000**
		Page 1 of 8	
Section	**Procurement**		
Subject	**Supplier Accreditation**		

1.0 **Objectives**

To provide policies and operating guidelines in accrediting a supplier.

2.0 **Scope**

This module covers the end to end process of accrediting a supplier

3.0 **Acronyms/ Definitions**

NVIS - **New Vendor Information Slip**

D & B - **Dun And BradStreet**

4.0 **General Guidelines**

4.1 New Supplier shall be introduce to D & B. No D&B accreditation NO MRSGI accreditation.

Note: All suppliers shall required to register and pass through Dun and BradStreet for accreditation.

Suppliers shall pay the accreditation pay and other required fees directly to D&B.

4.2 D&B will forward the results of their evaluation to MRSGI. See Exhibit 5 – D&B Result Indicators.

Note: D & B Vendor Information Report shall include but not limited to:

(a) Composite Rating based on Criteria for vendor accreditation
(b) Risk Assessment
(c) Current Investigation Findings
(d) Financial Information & Related Metrics
(e) Bank Related Information (if any)
(f) Trade Payment Summary
(g) Accounts Referred for Collection (if any)
(h) Company Registration History
(i) Principals: Stockholders, Director and Executives
(j) Registered Charges (if any)
(k) Operations Related Information
(l) Corporate Linkage (if any)

METRO RETAIL STORES GROUP, INC.	E – BUSINESS SUITE (EBS) **GUIDELINES MANUAL** GENERAL LOSS PREVENTION	Document No.	**GM-EBS-PCS-005**
		Date Released	**July 14, 2017**
		Revision No.	**000**
		Page 2 of 8	
Section	**Procurement**		
Subject	**Supplier Accreditation**		

4.3 Supplier with a remarks falling to [redacted] shall be assessed by - Trade : Chief Financial Officer and Chief Merchandising Officer/ Deputy CMO, Non-Trade: Chief Financial Officer and VP – Supply Chain, if the supplier is qualified to be accredited.

Note: [redacted] evaluation result falls in the [redacted] See *Exhibit 5*

4.4 Enrollment in Oracle EBS shall only commence when complete required documents is submitted as an attachment to the accomplished NVIS.Enrollment in Oracle EBS shall only commence when complete required documents is submitted as an attachment to the accomplished NVIS

VICSAL SEC <vicsal.sec@metroretail.ph>

SEC eFast Initial Acceptance

2 messages

noreply-cifssost@sec.gov.ph <noreply-cifssost@sec.gov.ph> Mon, Apr 15, 2024 at 1:53 PM

Greetings!

SEC Registration No: CS200315877
Company Name: METRO RETAIL STORES GROUP, INC. Doing business under the name and style of the following business names: 1. The Metro Gaisano 2. Metro Gaisano Pharmacy 3. Metro Gaisano Cafe 4. Super Metro Gaisano 5. Metro Ayala Center 6. Metro Plaza Store - Toledo 7. Metro Gaisano Express Mart 8. Tita Gwapa Supertinda 9. Metro Gourmet Dining 10. Metro Fresh 'n Easy 11. Metro Wholesalemart 12. Metro Market Market Department Store & Supermarket 13. Metro Alabang Department Store & Supermarket 14. Metro Hi-Per 15. Metro Gaisano Market 16. Metro Legazpi Dept. Store & Supermarket 17. Metro Lucena Department Store & Supermarket 18. Metro Angeles City Department Store & Supermarket 19. Metro Angeles City Pharmacy
Document Code: AFS

This serves as temporary receipt of your submission.
Subject to verification of form and quality of files of the submitted report.
Another email will be sent as proof of review and acceptance.

Thank you.

REMINDER: TO ALL FILERS OF REPORTS IN THE e-FAST Please strictly follow the instruction stated in the form. Filings not in accordance with the prescribed template for the following reports will be automatically reverted by the system to the filer. 1. General Information Sheet (GIS-Stock) 2. General Information Sheet (GIS-Non-stock) 3. General Information Sheet (GIS- Foreign stock & non-stock) 4. Broker Dealer Financial Statements (BDFS) 5. Financing Company Financial Statements (FCFS) 6. Investment Houses Financial Statements (IHFS) 7. Publicly – Held Company Financial Statement 8. General Form for Financial Statements 9. Financing Companies Interim Financial Statements (FCIF) 10. Lending Companies Interim Financial Statements (LCIF) Per Section 18 of SEC Memorandum Circular No. 3 series of 2021, the reckoning date of receipt of reports is the date the report was initially submitted to the eFast, if the filed report is compliant with the existing requirements. A report, which was reverted or rejected, is considered not filed or not received. A notification will be sent to the filer, stating the reason for the reports rejection in the remarks box.

SECURITIES AND EXCHANGE COMMISSION
SEC Headquarters, 7907 Makati Avenue,
Salcedo Village, Barangay Bel-Air, Makati City,
1209, Metro Manila, Philippines

THIS IS AN AUTOMATED MESSAGE - PLEASE DO NOT REPLY DIRECTLY TO THIS EMAIL

noreply-cifssost@sec.gov.ph <noreply-cifssost@sec.gov.ph> Mon, Apr 15, 2024 at 1:53 PM

[Quoted text hidden]

C O V E R   S H E E T

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C	S	2	0	0	3	1	5	8	7	7

C O M P A N Y   N A M E

METRO RETAIL STORES GROUP,
INC.

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

VICSAL BUILDING, CORNER OF C.D
. SENO AND W.O. SENO STREETS,
GUIZO, NORTH RECLAMATION AREA,
MANDAUE CITY, CEBU

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS	CRMD	N/A

C O M P A N Y   I N F O R M A T I O N

Company's Email Address	Company's Telephone Number	Mobile Number
vicsal.sec@ metroretail.ph	**(032) 236-8390**	**N/A**

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
22	**First Friday of May**	**December 31**

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Joselito G. Orense	**joel.orense @metroretail.ph**	**(032) 236-7793**	**N/A**

CONTACT PERSON's ADDRESS

Vicsal bldg., Corner of C.D.Seno& W.O. Seno Sts., Guizo, North Reclamation Area, Mandaue City, Cebu

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.*

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Metro Retail Stores Group, Inc. is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2023 and 2022, 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 and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, of 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.

SycipGorresVelayo and Co. (SGV), 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 the presentation upon completion of such audit.

FRANK S. GAISANO
Chairman of the Board

FRANK S. GAISANO
Chief Executive Officer

JOSELITO G. ORENSE
Chief Financial Officer

April 2, 2024

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
RECEIVED
APR 15 2024
BY: C. M A RODUAS
QAS, LT DIVISION-CEBU

SUBSCRIBED AND SWORN to before me this APR 11 2024 affiants exhibiting to me their respective Philippine passports as follows:

	Passport No.	Date of Issue	Place of Issue
Frank S. Gaisano	P5597665A	12 JAN 2018	DFA NCR South
Joselito G. Orense	P8825848A	20 SEP 2018	DFA NCR South

Doc. No. 370
Page No. 75
Book No. 19
Series of 2024

ATTY. JENN[illegible]GUANO-SABADO
Notary Public for City of Taguig
Until 31 December 2024.
IBP O.R No. 251632 Issued on December 19, 2022
PTR No. 10073911 Jan. 2, 2024 Makati City
Appointment No. 9 (2023-2024)
MCLE Compliance No. VII-0003699
Unit 25, G/F Fiesta Market Market Ext.
BGC, Taguig City
Roll No. 71171

METRO
RETAIL STORES GROUP, INC.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR ANNUAL INCOME TAX RETURN

The Management of METRO RETAIL STORES GROUP, INC. is responsible for all information and representations contained in the Annual Income Tax Return for the year ended December 31, 2023. Management is likewise responsible for all *information* and representations contained in the financial statements accompanying the Annual Income Tax Return covering the same reporting period. Furthermore, the Management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited, to the value added tax and/or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any all other tax returns.

In this regard, the Management affirms that the attached audited financial statements for the year ended December 31, 2023 and the accompanying Annual Income Tax Return are in accordance with the books and records of METRO RETAIL STORES GROUP, INC., complete and correct in all materials respects. Management likewise affirms that:

a. The Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;

b. Any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to financial accounting standards and the preparation of the income tax return pursuant to tax accounting rules has been reported as reconciling items and maintained in the Company's books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances;

c. METRO RETAIL STORES GROUP, INC, has filed all applicable tax returns, reports and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
RECEIVED
APR 15 2024
BY: C. [illegible]
LTAS, LT DIVISION-CEBU

FRANK S. GAISANO
Chairman of the Board

FRANK S. GAISANO
Chief Executive Officer

JOSELITO G. ORENSE
Chief Financial Officer

April 2, 2024 **SUBSCRIBED AND SWORN to before me this** APR 11 2024 at Taguig City affiant exhibited to ID No.

Doc. No. 369;
Page No. 75;
Book No. 19;
Series of 2024.

ATTY. JENNYLYN R. OJANO-SABADO
Notary Public City of Taguig
Until 31 December 2024.
IBP O.R No. 251632 Issued on December 19, 2022
PTR No. 10073911 Jan. 2, 2024 Makati City
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BGC, Taguig City
Roll No. 71171

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Metro Retail Stores Group, Inc.
Vicsal Building, Corner of C.D. Seno and W.O. Seno Streets
Guizo, North Reclamation Area, Mandaue City, Cebu

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Metro Retail Stores Group, Inc., which comprise the statements of financial position as at December 31, 2023 and 2022, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023 and 2022, 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 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 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 Matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the 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.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
RECEIVED
APR 15 2024
BY: C. M. ANUNWAT
QAS, LT DIVISION-CEBU

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report, including in relation to this matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the 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 financial statements.

Existence and completeness of merchandise inventories

The Company's inventories comprise 25% of its total assets as at December 31, 2023. The Company operates 63 stores (consisting of department stores, supermarkets and hypermarkets) and 13 warehouses across Luzon and Visayas. We focused on this area since inventories are material to the financial statements and are located in various sites across the country.

The Company's disclosures about inventories are included in Note 7 to the financial statements.

Audit Response

We observed the conduct of inventory count at selected stores and warehouses and performed test counts. We traced the results of the test counts to the inventory compilation to determine if the inventory compilation reflects actual inventory count results. We also traced the last documents used for shipping, receiving, transfers which were obtained during the inventory count observation to the accounting records of sales and purchases. We obtained the reconciliation of the valued physical inventory compilation and compared this with the general ledger account balances and tested selected reconciling items. On a sampling basis, we tested the rollforward and rollback procedures on inventory quantities from the date of inventory count to reporting date.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2023, but does not include the 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, 2023 are expected to be made available to us after the date of this auditor's report.

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRSs, 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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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.

SGV
Building a better working world

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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 Bangko Sentral ng Pilipinas (BSP) Circular No. 1075 and Revenue Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under BSP Circular No. 1075 in Note 29 and Revenue Regulations 15-2010 in Note 30 to the financial statements are presented for purposes of filing with the BSP and Bureau of Internal Revenue, respectively, and are not required parts of the basic financial statements. Such information are the responsibility of the management of Metro Retail Stores Group, Inc. The information have been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditor's report is Dolmar C. Montañez.

SYCIP GORRES VELAYO & CO.

Dolmar C. Montañez

Dolmar C. Montañez
Partner
CPA Certificate No. 112004
Tax Identification No. 925-713-249
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
BIR Accreditation No. 08-001998-119-2022, January 20, 2022, valid until January 19, 2025
PTR No. 10079982, January 6, 2024, Makati City

April 2, 2024

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METRO RETAIL STORES GROUP, INC.
STATEMENTS OF FINANCIAL POSITION

	December 31	
	2023	2022
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4 and 27)	**₱4,154,363,416**	₱5,162,583,002
Short-term investments (Notes 5 and 27)	**–**	–
Receivables (Notes 6 and 27)	**1,043,174,346**	954,824,757
Merchandise inventories (Note 7)	**5,866,225,830**	5,495,332,780
Other current assets (Notes 8 and 27)	**486,164,132**	630,372,608
Total Current Assets	**11,549,927,724**	12,243,113,147
Noncurrent Assets		
Property and equipment (Note 9)	**6,373,530,237**	5,294,353,429
Right-of-use ("ROU") assets (Note 24)	**4,505,295,292**	4,307,663,208
Deferred tax assets - net (Note 23)	**450,592,836**	393,572,613
Other noncurrent assets (Notes 10 and 27)	**784,031,320**	500,309,676
Total Noncurrent Assets	**12,113,449,685**	10,495,898,926
TOTAL ASSETS	**₱23,663,377,409**	₱22,739,012,073
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Notes 11 and 27)	**₱4,942,167,213**	₱4,820,527,987
Contract liabilities (Note 12)	**107,146,727**	104,828,812
Income tax payable	**105,455,968**	23,734,498
Loans payable - current portion (Notes 13 and 27)	**398,611,111**	130,208,334
Lease liabilities - current portion (Notes 24 and 27)	**102,340,465**	156,724,371
Total Current Liabilities	**5,655,721,484**	5,236,024,002
Noncurrent Liabilities		
Lease liabilities - net of current portion (Notes 24 and 27)	**5,580,838,903**	5,106,227,807
Retirement benefit obligation (Note 21)	**530,155,045**	470,417,519
Loans payable - net of current portion (Notes 13 and 27)	**2,456,425,450**	2,850,878,173
Other noncurrent liabilities (Notes 14 and 27)	**17,930,465**	14,473,976
Total Noncurrent Liabilities	**8,585,349,863**	8,441,997,475
Total Liabilities	**14,241,071,347**	13,678,021,477
Equity		
Capital stock (Note 15)	**3,429,375,000**	3,429,375,000
Additional paid-in capital (Note 15)	**2,455,542,149**	2,455,542,149
Treasury stock (Note 15)	**(254,419,975)**	(207,150,258)
Retained earnings (Note 15)	**3,711,054,879**	3,289,176,015
Share-based payment (Notes 15 and 21)	**5,001,736**	–
Remeasurement gain on defined benefit obligation (Note 21)	**75,752,273**	94,047,690
Total Equity	**9,422,306,062**	9,060,990,596
TOTAL LIABILITIES AND EQUITY	**₱23,663,377,409**	₱22,739,012,073

See accompanying Notes to Financial Statements.

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METRO RETAIL STORES GROUP, INC.
STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2023	2022	2021
REVENUE			
Net sales (Note 16)	**₱38,272,076,708**	₱38,101,661,412	₱31,211,348,935
Rentals (Notes 22 and 24)	**312,049,979**	243,657,457	172,466,727
	38,584,126,687	38,345,318,869	31,383,815,662
COSTS AND EXPENSES			
Cost of sales (Note 18)	**30,015,630,191**	30,053,235,521	25,336,357,749
Operating expenses (Note 19)	**7,428,770,340**	6,886,725,835	5,962,470,235
	37,444,400,531	36,939,961,356	31,298,827,984
OPERATING INCOME	**1,139,726,156**	1,405,357,513	84,987,678
OTHER INCOME (CHARGES) - net (Note 17)			
Interest and other income	**232,496,255**	350,851,441	39,456,118
Finance costs	**(536,661,670)**	(523,494,595)	(469,455,919)
	(304,165,415)	(172,643,154)	(429,999,801)
INCOME (LOSS) BEFORE INCOME TAX	**835,560,741**	1,232,714,359	(345,012,123)
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 23)			
Current	**268,462,787**	289,525,704	34,531,735
Deferred	**(50,921,750)**	25,914,581	(61,442,629)
	217,541,037	315,440,285	(26,910,894)
NET INCOME (LOSS)	**618,019,704**	917,274,074	(318,101,229)
OTHER COMPREHENSIVE INCOME (LOSS)			
Not to be reclassified to profit or loss in subsequent periods			
Remeasurement gain (loss) on defined benefit obligation (Note 21)	**(24,393,890)**	99,994,745	80,512,638
Income tax effect (Note 23)	**6,098,473**	(24,998,686)	(22,875,626)
	(18,295,417)	74,996,059	57,637,012
TOTAL COMPREHENSIVE INCOME (LOSS)	**₱599,724,287**	₱992,270,133	(₱260,464,217)
Basic/Diluted Earnings (Loss) Per Share (Note 25)	**₱0.19**	₱0.28	(₱0.09)

See accompanying Notes to Financial Statements.

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METRO RETAIL STORES GROUP, INC.

STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2023, 2022 and 2021

	Capital Stock (Note 15)	Additional Paid-in Capital (Note 15)	Treasury Stock (Note 15)	Retained Earnings (Note 15)	Share-based Equity (Note 15)	Remeasurement Gain on Defined Benefit Obligation (Note 21)	Total
At January 1, 2023	**₱3,429,375,000**	**₱2,455,542,149**	**(₱207,150,258)**	**₱3,289,176,015**	**₱–**	**₱94,047,690**	**₱9,060,990,596**
Net income for the year	–	–	–	618,019,704	–	–	618,019,704
Other comprehensive income	–	–	–	–	–	(18,295,417)	(18,295,417)
Total comprehensive income (loss)	–	–	–	618,019,704	–	(18,295,417)	599,724,287
Declaration of dividends (Note 15)	–	–	–	(196,140,840)	–	–	(196,140,840)
Acquisition of treasury stock (Note 15)	–	–	(47,269,717)	–	–	–	(47,269,717)
Stock option compensation (Notes 15 and 21)	–	–	–	–	5,001,736	–	5,001,736
At December 31, 2023	**₱3,429,375,000**	**₱2,455,542,149**	**(₱254,419,975)**	**₱3,711,054,879**	**₱5,001,736**	**₱75,752,273**	**₱9,422,306,062**
At January 1, 2022	₱3,429,375,000	₱2,455,542,149	(₱102,572,930)	₱2,371,901,941	₱–	₱19,051,631	₱8,173,297,791
Net loss for the year	–	–	–	917,274,074	–	–	917,274,074
Other comprehensive income	–	–	–	–	–	74,996,059	74,996,059
Total comprehensive income (loss)	–	–	–	917,274,074	–	74,996,059	992,270,133
Acquisition of treasury stock (Note 15)	–	–	(104,577,328)	–	–	–	(104,577,328)
At December 31, 2022	₱3,429,375,000	₱2,455,542,149	(₱207,150,258)	₱3,289,176,015	₱–	₱94,047,690	₱9,060,990,596
At January 1, 2021	₱3,429,375,000	₱2,455,542,149	₱–	₱2,690,003,170	₱–	(₱38,585,381)	₱8,536,334,938
Net loss for the year	–	–	–	(318,101,229)	–	–	(318,101,229)
Other comprehensive loss	–	–	–	–	–	57,637,012	57,637,012
Total comprehensive loss	–	–	–	(318,101,229)	–	57,637,012	(260,464,217)
Acquisition of treasury stock (Note 15)	–	–	(102,572,930)	–	–	–	(102,572,930)
At December 31, 2021	₱3,429,375,000	₱2,455,542,149	(₱102,572,930)	₱2,371,901,941	₱–	₱19,051,631	₱8,173,297,791

See accompanying Notes to Financial Statements.

METRO RETAIL STORES GROUP, INC.
STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2023	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax	**₱835,560,741**	₱1,232,714,359	(₱345,012,123)
Adjustments for:			
Depreciation and amortization of property and equipment (Note 9)	**611,908,961**	595,215,592	606,735,487
Finance costs (Note 17)	**536,661,670**	523,494,595	469,455,919
Depreciation and amortization of ROU assets - net (Note 24)	**327,944,683**	389,328,155	518,263,490
Gain on modification of lease (Note 24)	**–**	(106,318,492)	(4,830,438)
Retirement benefits costs (Note 21)	**62,802,363**	67,799,324	68,241,526
Interest income (Note 17)	**(145,306,737)**	(60,965,124)	(29,076,640)
Foreign currency exchange gains - net (Note 17)	**(18,061,150)**	(48,874,026)	(2,761,482)
Share-based compensation (Note 15)	**5,001,736**	–	–
Provision for impairment and write off of nonfinancial assets (Notes 8 and 19)	**(29,107,167)**	(33,608,129)	23,660,791
Provision for expected credit losses and write off of receivables (Notes 6 and 19)	**9,872,796**	11,515,752	23,447,783
Casualty loss from typhoon Odette (Notes 7, 9 and 17)	**–**	–	34,387,035
Provision (reversal) for shrinkage and decline in inventories values (Note 7)	**(12,327,115)**	35,167,252	20,076,626
Loss (gain) on retirement/disposal of fixed assets (Note 9)	**432,275**	(14,675,584)	4,649,628
Operating income before working capital changes	**2,185,383,056**	2,590,793,674	1,387,237,602
Decrease (increase) in:			
Merchandise inventories	**(358,565,935)**	(1,367,456,249)	764,605,251
Receivables	**(155,174,839)**	(289,881,881)	(25,440,019)
Other current assets	**133,484,425**	20,513,896	(212,725,910)
Increase (decrease) in:			
Trade and other payables	**123,476,370**	1,285,202,619	(1,112,623,056)
Contract liabilities	**2,317,914**	4,935,422	17,759,650
Other noncurrent liabilities	**3,456,489**	(2,656,056)	11,505,169
Cash flows generated from operations	**1,934,377,480**	2,241,451,425	830,318,687
Interest received	**148,577,790**	54,449,958	33,253,093
Income tax paid	**(175,411,263)**	(63,822,791)	(28,834,164)
Retirement benefits paid (Note 21)	**(27,458,728)**	(34,235,653)	(14,488,298)
Net cash provided by operating activities	**1,880,085,279**	2,197,842,939	820,249,318
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property and equipment (Note 9)	**(1,530,886,708)**	(544,727,723)	(790,785,583)
Proceeds from sale of property and equipment	**–**	49,400,000	–
Proceeds from insurance claims	**53,681,402**	–	–
Proceeds from (availment of) short-term investments	**–**	1,091,644,133	179,000,301
Decrease (increase) in other noncurrent assets	**(444,352,980)**	(72,605,645)	43,168,298
Net cash provided by (used in) investing activities	**(1,921,558,286)**	523,710,765	(568,616,984)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from loan availment (Note 13)	**–**	2,500,000,000	1,300,000,000
Purchase of treasury stock (Note 15)	**(47,269,717)**	(104,577,328)	(102,572,930)
Payments of:			
Loans payable	**(130,208,333)**	(1,000,000,000)	(1,300,000,000)
Lease liabilities (Note 24)	**(443,695,421)**	(532,163,610)	(677,225,703)
Debt issue cost (Note 13)	**–**	(18,750,000)	(3,750,000)
Interest	**(167,493,418)**	(124,105,588)	(56,362,076)
Cash dividends (Note 15)	**(196,140,840)**	–	–
Net cash provided by (used in) financing activities	**(984,807,729)**	720,403,474	(839,910,709)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(1,026,280,736)**	3,441,957,178	(588,278,375)
EFFECT OF CHANGES IN FOREIGN EXCHANGE RATE	**18,061,150**	48,874,026	2,761,482
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**5,162,583,002**	1,671,751,798	2,257,268,691
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱4,154,363,416**	₱5,162,583,002	₱1,671,751,798

See accompanying Notes to Financial Statements.

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1. Corporate Information and Approval of the Financial Statements

Corporate Information

Metro Retail Stores Group, Inc. (MRSGI; the Company) was incorporated and registered with the Philippine Securities and Exchange Commission (the SEC) on August 28, 2003 in the Republic of the Philippines. The Company is 80.91%-owned by Vicsal Development Corporation (VDC), 0.76%-owned by Valueshop Stores, Inc., and the rest by the public. Its primary purpose is to buy, sell and trade, goods, wares and merchandise of every kind and description and in general to carry on the businesses of a supermarket, hypermarket and department store operator. The Company began commercial operations on November 19, 2004.

The Company's common stock was listed with the Philippine Stock Exchange (PSE) on November 24, 2015 (see Note 15).

The Company's principal place of business is located at Vicsal Building, corner of C.D. Seno and W.O. Seno Streets, Guizo North Reclamation Area, Mandaue City, Cebu.

Approval of the Financial Statements

The financial statements of the Company as of December 31, 2023 and 2022 and for each of the three years in the year ended December 31, 2023 were approved and authorized for issue by the Board of Directors (BOD) on April 2, 2024.

2. Basis of Preparation, Statement of Compliance and Summary of Material Accounting Policies

Basis of Preparation

The financial statements of the Company have been prepared on a historical cost basis and are presented in Philippine Peso (₱), which is the Company's functional currency. Amounts are rounded off to the nearest Philippine Peso, except where otherwise indicated.

Statement of Compliance

The accompanying financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs).

Adoption of New and Amended Accounting Standards and Interpretations

The accounting policies adopted in the preparation of the Company's financial statements are consistent with those of the previous financial year except for the following new accounting pronouncements. Adoption of these pronouncements did not have any significant impact on the Company's financial position or performance, unless otherwise indicated:

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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. The amendments have had an impact on the Company's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the financial statements.

- 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).

- Amendments to PAS 12*, International Tax Reform – Pillar Two Model Rules*

  The amendments introduce a mandatory exception in PAS 12 from recognizing and disclosing deferred tax assets and liabilities related to Pillar Two income taxes.

  The amendments also clarify that PAS 12 applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two Model Rules published by the Organization for Economic Cooperation and Development (OECD), including tax law that implements qualified domestic minimum top-up taxes. Such tax legislation, and the income taxes arising from it, are referred to as 'Pillar Two legislation' and 'Pillar Two income taxes', respectively.

  The temporary exception from recognition and disclosure of information about deferred taxes and the requirement to disclose the application of the exception, apply immediately and retrospectively upon adoption of the amendments in June 2023.

  Meanwhile, the disclosure of the current tax expense related to Pillar Two income taxes and the disclosures in relation to periods before the legislation is effective are required for annual reporting periods beginning on or after January 1, 2023.

- 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.

<u>Standards and Interpretation Issued but not yet Effective</u>
Pronouncements issued but not yet effective are listed below. The Company intends to adopt the following pronouncements when they become effective. Unless otherwise indicated, the Company does not expect that the future adoption of the said pronouncements will have a significant impact on its financial statements.

Effective beginning on or after January 1, 2024

- Amendments to PAS 1, *Classification of Liabilities as Current or Noncurrent*

  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.

- 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.

- Amendments to PAS 7 and PFRS 7*, Disclosures: Supplier Finance Arrangements*

  The amendments specify disclosure requirements to enhance the current requirements, which are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2024. 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*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

  The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

  - A specific adaptation for contracts with direct participation features (the variable fee approach)
  - A simplified approach (the premium allocation approach) mainly for short-duration contracts

  On December 15, 2021, the FRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two (2) years after its effective date as decided by the IASB.

  PFRS 17 is effective for reporting periods beginning on or after January 1, 2025, with comparative figures required. Early application is permitted.

- Amendments to PAS 21*, Lack of exchangeability*

  The amendments specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2025. Earlier adoption is permitted and that fact must be disclosed. When applying the amendments, an entity cannot restate comparative information.

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 Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (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.

Summary of Material Accounting Policies

The following accounting policies were applied in the preparation of the Company's financial statements:

Current and Noncurrent Classification

The Company presents assets and liabilities in the statement of financial position based on current / noncurrent classification.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities, respectively.

Cash and Cash Equivalents

Cash pertains to cash on hand and in banks. Cash in banks represent cash funds that are deposited in various bank accounts of the Company. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amount of cash with original maturities of three (3) months or less from the date of acquisition and that are subject to an insignificant risk of changes in value.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (FVOCI), and fair value through profit or loss (FVPL). The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the 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 Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a FVPL, transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price determined under PFRS 15.

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.

The 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.

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 Company 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)
- 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 FVPL

As of December 31, 2023 and 2022, the Company's financial assets pertain to financial assets at amortized cost (debt instruments).

Financial assets at amortized cost (debt instruments)
This category is the most relevant to the Company. The Company measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and,
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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 the profit or loss when the asset is derecognized, modified or impaired.

The Company's financial assets at amortized cost include cash and cash equivalents, trade receivables, rentals and receivable from related parties, accrued interest receivable and security deposits under "Other current assets" and lodged in "Deposits" under "Other noncurrent assets".

<u>Derecognition</u>
A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is primarily derecognized (i.e., removed from the statement of financial position) when the rights to receive cash flows from the asset have expired.

<u>Impairment of financial assets</u>
The Company recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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 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 trade receivables and rentals the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For cash and cash equivalents, the 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 Company'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 Company uses external credit ratings of the banks to assess whether the financial instrument has significantly increased in credit risk and to estimate ECLs.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Significant increase in credit risk
In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward looking information that is available without undue cost or effort.

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations. The Company considers a financial asset to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definition.

Definition of default
The Company considers that default has occurred when a financial asset is more than 90 days past due and when an internally developed information indicate that the debtor is unlikely to pay the Company in full unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Write-off policy
The Company writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g., when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in profit or loss.

Measurement and recognition of expected credit losses
The measurement of expected credit losses is a function of the probability of default, loss given default (i.e., the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with PFRS 16, *Leases*.

If the Company has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Company measures the loss allowance at an amount equal to 12-month ECL at the current reporting date.

The Company recognizes gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowing, 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.

The Company's financial liabilities include trade and other payables (excluding statutory payables), loans payable, lease liabilities and other noncurrent liabilities.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at amortized cost

This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rates (EIR) method. Gains and losses are recognized in the profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the profit or loss. This category generally applies to trade and other payables (excluding statutory payables), loans payable, lease liabilities and other noncurrent liabilities.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired.

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value 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 to the 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.

For the purpose of fair value disclosures, the 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 the fair value hierarchy as disclosed in Note 27.

Merchandise Inventories
Merchandise inventories are stated at the lower of cost and net realizable value (NRV). Cost which includes all cost directly attributable to acquisition such as purchase price and transport cost is determined using the weighted average cost (WAC) method. NRV is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale. The Company provides for estimated inventory losses based on the Company's experience. The provision is adjusted periodically to reflect the actual physical inventory count results.

Other Assets
Deposits
Deposits include payments to lessors for rental, payments to utility companies for meter deposits which will be offset against the Company's outstanding balance at the end of the contract term which is beyond one year from the reporting date. This also include deposits for future land acquisition for the acquisition of certain land. The Deed of Absolute Sale (DOAS) for the property will be executed upon fulfillment by both parties of certain undertakings and conditions. This is expected to be transferred to "Property and equipment" within one year upon fulfillment of the conditions. These are recognized at the actual payments at transaction date.

Advances to Suppliers
These are recognized based on the amount paid at the transaction date and are applied when the goods are received or services are rendered.

Value-Added Tax (VAT)
Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.

When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the statement of financial position to the extent of the recoverable amount.

Deferred Input VAT
Deferred input VAT represents input VAT on purchase of capital goods exceeding one million pesos before January 1, 2022. The related input VAT is recognized over five years or the useful life of the capital goods, whichever is shorter.

Property and Equipment
Items of property and equipment are carried at cost less accumulated depreciation, amortization and any impairment in value.

The initial cost of property and equipment comprises its purchase price, including import duties, taxes and any directly attributable costs of bringing the property and equipment to its working condition and location for its intended use, including borrowing cost. Expenditures incurred after the property and equipment have been placed into operation, such as repairs and maintenance costs, are normally recognized in profit or loss in the period in which they are incurred. The cost of an item of property and equipment include costs incurred relating to leases of assets that are used to construct an item of property and equipment, such as depreciation of right-of-use assets. In situations where it can be clearly demonstrated that the expenditures would result in an increase in future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional cost of such property and equipment.

Construction-in-progress are carried at cost and transferred to the related property and equipment account when the construction and related activities to prepare the property for its intended use are complete, and the property is ready for occupation.

Depreciation and amortization is calculated on a straight-line method over the estimated useful lives (EUL) of the property and equipment, except for leasehold improvements, which are amortized over the term of the lease or the EUL of the improvements, whichever is shorter.

	Years
Machinery and equipment	10 to 15
Store and office equipment	3 to 10
Computer equipment	3 to 5
Transportation equipment	3 to 10
Leasehold improvements	3 to 25 or the lease term, whichever is shorter

Depreciation and amortization of an item of property and equipment begins when it becomes available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

An item of property 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 is included in profit or loss in the year the asset is derecognized.

The assets' useful lives and methods of depreciation and amortization are reviewed and adjusted, if appropriate, at each reporting date.

<u>Borrowing Costs</u>

Borrowing costs are directly attributable to the acquisition or construction 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 respective assets (included in "property and equipment" account in the statement of financial position). All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest expense from lease liabilities.

<u>Leases</u>

The 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.

<u>Company as Lessee</u>

Right-of-use assets

The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and 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. The recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term as follow.

	Years
Land	4 to 41
Building	2 to 27

The carrying amounts of right-of-use assets are adjusted for any remeasurement of lease liabilities. It is decreased to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease. The Company recognizes in profit or loss any gain or loss relating to the partial or full termination of the lease. For all other lease modifications, the Company makes a corresponding adjustment to the right-of-use asset.

Right-of-use assets are subject to impairment. Refer to the accounting policies in section impairment of non-financial assets.

Lease liabilities
At the commencement date of the lease, the 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.

In calculating the present value of lease payments, the 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. PFRS 16 requires certain adjustments to be expensed, while others are added to the cost of the related right-of-use asset.

Short-term leases and leases of low-value assets
The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (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) and leases of low-value assets (i.e., lease of office equipment below ₱250,000) 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.

Rent concession
The Company recognizes rent concessions arising as a direct consequence of the COVID-19 pandemic as variable lease payments, particularly as a deduction from depreciation of right-of-use assets having met all the following criteria of amendments to PFRS 16, *COVID-19 related Rent Concessions*:

- The rent concession is a direct consequence of COVID-19;
- The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before June 30, 2022; and
- There is no substantive change to other terms and conditions of the lease.

Company as Lessor
Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of comprehensive income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Impairment of Nonfinancial Assets
The Company assesses at each reporting date whether there is an indication that other current assets (excluding security deposits), property and equipment, right-of-use assets and other noncurrent assets (excluding security deposits -noncurrent) may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value-in-use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups 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 value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. 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 loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss, unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase. 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.

Retirement Benefit Obligation

The Company has an unfunded, non-contributory defined benefit retirement plan covering substantially all of its employees. The Company's pension liability is the aggregate of the present value of the defined benefit obligation at the end of the reporting period.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Pension cost comprises the following:

- service cost;
- interest on the pension liability; and
- remeasurements of pension liability.

Service costs which include current service costs, past service cost and gains and losses on non-routine settlements are recognized in expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated annually by independent qualified actuaries.

Interest on the Company's pension liability is the change during the period in the pension liability that arises from the passage of time which is determined by applying the discount rate based on government bonds to the pension liability. Interest on the Company's pension liability is recognized as expense in profit or loss.

Remeasurements comprising actuarial gains and losses 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.

Equity

Capital Stock and Additional paid-in capital

The Company has issued capital stock that is classified as equity. Incremental costs directly attributable to the issuance of new capital stock are shown in equity as a deduction from the proceeds. Contribution in excess of par value is accounted for as an additional paid-in capital.

Treasury shares

Own equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in additional paid-in capital. Voting rights related to treasury shares are nullified for the Company and no dividends are allocated to them respectively. When the shares are retired, the capital stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to additional paid-in capital to the extent of the specific or average additional paid-in capital when the shares were issued and to retained earnings for the remaining balance.

Retained Earnings
The amount included in retained earnings includes accumulated profit (loss) less dividends. Dividends are recognized as a liability and deducted from equity when they are approved by the Company's BOD.

Share-based Payments
In 2023, the Company has equity-settled, share-based compensation plans with its employees.

PFRS 2 Options
The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. In valuing equity-settled transactions, vesting conditions, including performance conditions, other than market conditions (conditions linked to share prices), shall not be taken into account when estimating the fair value of the shares or share options at the measurement date. Instead, vesting conditions are taken into account in estimating the number of equity instruments that will ultimately vest.

The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("vesting data"). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The income or expense for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

Where an equity-settled award is cancelled, is it treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The exercise of the options will result in the issuance of the corresponding number of common shares with an increase in "Paid-in capital" and a decrease in "Share-based payments" accounts.

Revenue from Contracts with Customers

The Company recognized revenue from sale of goods to retail customers, including the related loyalty program. Sale of goods includes food, beverage, grocery items, fashion items (e.g., shoes, bags, clothing, cosmetics), household items, home improvement products, consumer electronics and appliances, toys, and prescription and over-the-counter pharmaceutical products.

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognizes revenue when it transfers control of a product or service to a customer.

Sale of goods

The Company sells goods directly to customers through its own stores.

For sale of goods through stores, revenue is recognized when the control of the goods has transferred to the customer, being at the point the customer purchases the goods at the store. Payment of the transaction price is due immediately at the point the customer purchases the goods.

Sale of loyalty points, gift checks and stored value cards.

The Company operates a loyalty program where retail customers accumulate points for purchases made at the Company's stores that can be redeemed against any future purchases at any of the Company's stores, subject to a minimum number of points obtained. The Company also sells gift checks and stored value cards which can be used to redeem goods.

The Company allocates the consideration received to loyalty points, gift checks and stored value cards. This allocation is based on the relative stand-alone selling prices. The stand-alone selling price is estimated based on the equivalent value given when the points are redeemed by the customer and the likelihood of redemption, as evidenced by the Company's historical experience. The amount allocated to these items is deferred and is recognized as revenue when redeemed or the likelihood of the customer redeeming becomes remote. The deferred revenue is included in contract liabilities.

Contract Balances

Receivables

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

Contract liabilities

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

Rental

Rental income is recognized in profit or loss on a straight-line basis over the lease term or based on the terms of the lease as applicable.

Interest Income
Interest income pertains to income recognized as the interest accrues using the effective interest method.

Other Income
Other income (e.g., scrap sales) is recognized upon completion of the earning process and the collectability of the amount is reasonably assured.

<u>Expenses</u>
Expenses are generally recognized when the service is rendered or the expense is incurred.

Cost of Sales
Cost of sales consists of inventory costs related to goods which the Company has sold. Inventory costs include all costs of purchase, costs of conversion and other costs incurred, net of all related discounts, in bringing the inventories to their present location and condition.

Operating Expenses
Operating expenses constitute costs of administering the business and selling and marketing expenses associated with the development and execution of marketing promotion activities.

<u>Income Taxes</u>

Current Income Tax
Current income tax assets and current income tax liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted as of the reporting date.

Deferred Tax
Deferred tax is provided, using the liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amount for financial reporting purpose. Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of the excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and unused tax losses from net operating loss carryover (NOLCO), to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences and the carry-forward benefits of excess MCIT and NOLCO can be utilized.

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

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

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

Segment Reporting

The Company's store operations is its only income generating activity and such is the measure used by the chief operating decision maker (CODM) in allocating resources. Information on reporting segment is represented in Note 26 to the financial statements.

Earnings Per Share (EPS)

Basic EPS is computed by dividing net income of the Company by the weighted average number of common shares issued and outstanding during the year.

Diluted EPS amounts are calculated by dividing the net income attributable to the Company (after deducting interest on the convertible preferred shares, if any) 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 the conversion of all the dilutive potential ordinary shares into ordinary shares.

The weighted average number of common shares used in the calculation of the basic/diluted EPS is determined on the basis of the weighted average number of shares of the Company during the year.

Foreign Currency Transactions

Transactions in foreign currencies are recorded using the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency using the closing rate of exchange prevailing at the reporting date. Foreign exchange differences between rate at transaction date and rate at settlement date or reporting date are credited to or charged against current operations. Nonmonetary items that are denominated in foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Contingencies

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

Events after the Reporting Date

Events after the reporting date that provide additional information about the Company's position at the reporting date (adjusting events) are reflected in the financial statements. Events after the reporting date that are not adjusting events are disclosed when material.

3. **Significant Accounting Judgments, Estimates and Assumptions**

The preparation of the financial statements in accordance with PFRS requires the Company to exercise judgment, make accounting estimates and use assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the accounting estimates to change.

The effects of any change in accounting estimates are reflected in the Company's financial statements as they become reasonably determinable. Accounting assumptions, estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

Determination of lease term of contracts with renewal and termination options - Company as a lessee
The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised.

The Company has several lease contracts that include extension and termination options. The Company applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the 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 Company included the renewal period as part of the lease term for some leases of land and building with shorter non-cancellable period. It is reasonably certain that the Company will exercise its option to renew for these leases because there will be a significant negative effect on production if a replacement asset is not readily available.

Determining whether the loyalty points, gift checks and stored value cards provide material rights to customers
The Company has a loyalty points program which allows customers to accumulate points that can be redeemed for future purchases at any of the Company's stores, subject to a minimum number of points obtained. The loyalty points give rise to a separate performance obligation as the Company assessed that they provide a material right to the customer. Transaction price is allocated to these items issued to customers based on relative stand-alone selling price and recognized as a contract liability until these are redeemed. Revenue is recognized upon redemption of products by the customer. The Company also has gift checks and stored value cards which can be redeemed for future purchases at any of the Company's stores.

Contingencies
The Company in the ordinary course of business is a party to various legal proceedings and is subject to certain claims and exposures. The assessment of the probability of the outcome of these claims and exposures has been developed in consultation with the Company's counsels and is based upon an analysis of potential results. The Company's management and counsels believe that the eventual liabilities under these lawsuits, claims or exposures, if any, will not have a material effect on its financial statements.

Estimates and Assumptions
The key assumptions concerning the future and other key sources of estimation uncertainties at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Assessing NRV of Inventories
NRV of inventories are assessed regularly based on the prevailing selling prices of inventories less the estimated cost necessary to sell. Increase in the NRV will increase the carrying amount of inventories but only to the extent of their original acquisition costs. In the event that NRV is lower than cost, the decline is recognized as an expense.

The Company recognized provision for shrinkage and decline in inventory values amounting to ₱17.05 million and ₱35.17 million in 2023 and 2022, respectively. Allowance for shrinkage and decline in inventory values amounted to ₱88.38 million and ₱100.71 million as of December 31, 2023 and 2022, respectively (see Note 7). Merchandise inventories amounted to ₱5,866.23 million ₱5,495.33 million as of December 31, 2023 and 2022, respectively (see Note 7).

Provision for expected credit losses of trade receivables, rentals and security deposits
The Company uses a provision matrix to calculate ECLs for trade receivables, rentals and security deposits. The provision rates are based on days past due for groupings of customer segment that have similar loss patterns (i.e., customer type and guarantor).

The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every 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 Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

The Company recognized provision for expected credit losses of receivables amounting to ₱5.00 million and ₱5.27 million in 2023 and 2022, respectively. Allowance for expected credit losses of receivables amounted to ₱43.93 million and ₱38.93 million as of December 31, 2023 and 2022, respectively. The carrying amount of receivables, net of valuation allowance, amounted to ₱1,043.17 million and ₱954.82 million as of December 31, 2023 and 2022, respectively (see Note 6).

Allowance for impairment losses on security deposit amounted to ₱2.55 million as of December 31, 2023 and 2022. The carrying amount of security deposit, net of impairment losses, amounted to ₱ 236.76 million and ₱217.83 million as of December 31, 2023 and 2022, respectively (see Notes 8 and 10).

Evaluation of Impairment of Nonfinancial Assets
The Company reviews other current assets (excluding security deposits), property and equipment, right-of-use assets and other noncurrent assets (excluding security deposits - noncurrent) with definite lives for impairment of value.

The impairment evaluation for nonfinancial assets includes considering certain indications of impairment such as significant changes in asset usage, significant decline in asset's market value, obsolescence, or physical damage of an asset, significant underperformance relative to expected historical or projected operating results and significant negative industry or economic trends.

The Company decided to reduce lease spaces in certain stores in 2022 and permanently closed two of its stores in 2023. These events and conditions are impairment indicators requiring the assessment of the recoverable amount of the 'property and equipment' and 'right-of-use assets'.

The Company estimates the recoverable amount as the higher of the fair value less cost to sell and value in use. In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Company is required to make estimates and assumptions that may affect the above-mentioned nonfinancial assets. For property and equipment and right-of-use assets, this requires an estimation of the recoverable amount which is the fair value less costs to sell or value-in-use of the CGU to which the property and equipment and right-of-use assets pertains to. Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows for the cash generating unit and also to choose a suitable discount rate in order to calculate the present value of cash flows.

The significant assumptions used in the valuation are discount rates of 10.3%-11.9% and 9.6%-12.4% in 2023 and 2022, respectively, with an average growth rate of 3%.

As of December 31, 2023 and 2022, the carrying value of the Company's nonfinancial assets are, as follows:

	2023	2022
Other current assets* (Note 8)	**₱363,928,705**	₱508,075,181
Property and equipment (Note 9)	**6,373,530,237**	5,294,353,429
Right-of-use assets (Note 24)	**4,505,295,292**	4,307,663,208
Other noncurrent assets** (Note 10)	**576,234,013**	312,827,117

**Excluding security deposits, net of allowance*
***Excluding security deposits, net of allowance and deposit to utility companies*

In 2023 and 2022, the Company recognized a provision for impairment loss amounted to nil and ₱4.81 million, respectively, which pertains to estimated unrecoverable security deposits and long outstanding advances to nontrade suppliers (see Note 8 and 10).

In 2022, the Company recognized provision for impairment loss amounting to ₱27.97 million pertaining to leasehold improvements and building machineries and equipment which may not be recoverable with the approved permanent closure of two non-performing stores in 2023 (see Notes 9 and 19).

Leases - Estimating the incremental borrowing rate
The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the 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 Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The 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 Company's stand-alone credit rating).

The Company's lease liabilities amounted to ₱5,683.18 million and ₱5,262.95 million as of December 31, 2023 and 2022, respectively (see Note 24).

Estimating Retirement Benefits Obligation
The determination of the Company's obligation and cost of pension is dependent on the selection of certain assumptions in calculating such amounts. Those assumptions are described in Note 21 of the financial statements and include, among others, discount rates and future salary increase rates.

Actual results that differ from the Company's assumptions are accumulated and amortized over future periods and therefore, generally affect the Company's recognized expenses and recorded obligation in such future periods. While management believes that its assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the Company's retirement benefits obligation.

The Company's retirement benefits costs amounted to ₱62.80 million, ₱67.80 million and ₱68.24 million in 2023, 2022 and 2021, respectively. Retirement benefits obligation amounted to ₱530.16 million and ₱470.42 million as of December 31, 2023 and 2022, respectively (see Note 21).

4. **Cash and Cash Equivalents**

This account consists of:

	2023	2022
Cash on hand	**₱114,609,727**	₱209,836,470
Cash in banks	**1,574,814,344**	2,126,827,451
Cash equivalents	**2,464,939,345**	2,825,919,081
	₱4,154,363,416	₱5,162,583,002

Cash in banks earn interest at the respective bank deposit rates. Cash equivalents are made for varying periods of up to three months, depending on the immediate cash requirements of the Company, and earn annual interest at the respective short-term rates that range from 0.10%–6.50% in 2023, 0.10%–4.50% in 2022 and 0.10%–2.00% in 2021.

Interest income earned from cash and cash equivalents amounted to ₱145.31 million, ₱40.13 million and ₱6.77 million in 2023, 2022 and 2021, respectively (see Note 17).

5. Short-term Investments

This account pertains to money market placements made for varying periods of up to one year depending on the immediate cash requirement of the Company and earn annual interest at the respective short-term investment rates that range from 1.89% to 2.05% and 1.70% to 2.00% in 2022 and 2021, respectively.

Short term investments amounted to nil as of December 31, 2023 and 2022.

Interest income earned from short-term investments amounted to nil, ₱19.63 million and ₱21.43 million in 2023, 2022 and 2021, respectively (see Note 17).

6. Receivables

This account consists of:

	2023	2022
Trade		
Third parties	**₱895,450,692**	₱682,401,888
Rentals	**87,993,013**	81,238,183
Nontrade		
Related parties (Note 22)	**50,536,997**	120,897,945
Receivable from insurance	**–**	53,681,402
Receivable from SSS	**29,377,373**	30,062,455
Accrued interest receivable	**7,025,419**	10,296,471
Others	**16,716,552**	15,173,408
	1,087,100,046	993,751,752
Less allowance for expected credit losses	**(43,925,700)**	(38,926,995)
	₱1,043,174,346	₱954,824,757

Trade receivables from third parties pertain to credit sales mainly from the Company's credit account holders and credit card companies. These are noninterest-bearing and are generally collectible within 30–90 days.

Rentals pertain to receivables from tenants that lease spaces in the Company's stores. These are noninterest-bearing and are collectible within 15 days.

As of December 31, 2022, the Company recognized receivable from insurance pertaining to Insurance claims for the damage in inventory and assets amounting to ₱45.44 million and business interruption claims amounting to ₱8.24 million (see Note 17). As of December 31, 2023, this is already fully collected.

Receivable from Social Security System (SSS) pertains to maternity loans proceeds and are collectible within one (1) year.

Others consist of, among others, advances to employees and construction cash bond for store fit-outs which are collectible within the year.

Movements in the allowance for expected credit losses for individually and collectively impaired trade and rentals from third parties follow:

Trade receivables

	2023	2022	2021
At January 1	**₱28,926,995**	₱25,606,019	₱21,595,332
Add provisions (Note 19)	**–**	5,272,136	7,376,230
Less write-off	**–**	(1,951,160)	(3,365,543)
At December 31	**₱28,926,995**	₱28,926,995	₱25,606,019

Rentals

	2023	2022	2021
At January 1	**₱10,000,000**	₱10,000,000	₱10,000,000
Add provisions (Note 19)	**4,998,705**	–	–
At December 31	**₱14,998,705**	₱10,000,000	₱10,000,000

The Company has directly written off receivables which are deemed uncollectible amounting to ₱4.87 million, ₱6.24 million and ₱16.07 million in 2023, 2022 and 2021, respectively (see Note 19).

7. Merchandise Inventories

The rollforward analysis of this account follows:

	2023	2022	2021
Beginning inventory	**₱5,495,332,780**	₱4,163,043,783	₱4,981,620,260
Add purchases - net	**30,442,504,361**	31,415,449,276	24,568,611,392
Cost of goods available for sale	**35,937,837,141**	35,578,493,059	29,550,231,652
Less cost of merchandise sold (Note 18)	**(29,983,229,280)**	(29,982,451,133)	(25,287,751,375)
Less inventory loss due to typhoon Odette (Note 17)	–	–	(33,894,600)
	5,954,607,861	5,596,041,926	4,228,585,677
Less allowance for shrinkage and decline in inventory values (Note 3)			
Beginning balance	**(100,709,146)**	(65,541,894)	(45,465,268)
Provision	**(17,049,701)**	(35,167,252)	(20,076,626)
Reversal	**29,376,816**	–	–
	(88,382,031)	(100,709,146)	(65,541,894)
Ending inventory	**₱5,866,225,830**	₱5,495,332,780	₱4,163,043,783

Net purchases include cost of inventory, freight charges, insurance and customs duties.

In December 2021, various stores in Visayas were hit by typhoon Odette. The cost of the damaged inventories amounted to ₱33.89 million (see Note 17).

The inventories carried at NRV, which is the lower of cost or NRV, amounted to ₱67.72 million and ₱41.65 million as of December 31, 2023 and 2022, respectively. The related costs of the inventories carried at NRV amounted to ₱156.10 million and ₱150.36 million as of December 31, 2023 and 2022, respectively.

The Company recognized provision for shrinkage and decline in inventory values amounting to ₱17.05 million, ₱35.17 million and ₱20.08 million in 2023, 2022 and 2021, respectively. The Company recognized reversal of provision on sold inventories amounting to ₱29.38 million. These are lodged under "Others" in the Cost of Sales section in the statements of comprehensive income (see Note 18).

No inventories have been used or pledged as security for the Company's obligations in 2023 and 2022. The Company does not have any purchase commitments as of December 31, 2023 and 2022.

8. **Other Current Assets**

This account consists of:

	2023	2022
Advances to trade suppliers		
Related parties (see Note 22)	**₱132,082,544**	₱101,031,984
Third parties	**285,860**	6,296,916
Security deposits – current	**124,785,427**	124,847,427
Prepayments		
Third parties	**122,816,150**	121,028,920
Related parties (see Note 22)	**3,069,563**	–
Input VAT – net	**52,550,568**	187,983,257
Supplies	**41,349,567**	52,141,333
Deferred input VAT – current	**11,774,453**	39,634,557
	488,714,132	632,964,394
Allowance for impairment losses	**(2,550,000)**	(2,591,786)
	₱486,164,132	₱630,372,608

Advances to suppliers pertain to down payments made to suppliers for purchases of merchandise inventories, supplies and other services.

Prepayments consist of prepaid insurance and advance rental payments on short-term leases.

Security deposits - current pertains to leases with remaining lease period of one year or less from reporting period.

Input VAT pertains to taxes imposed on purchase of goods and services. These are expected to be fully amortized within one year.

Supplies pertain to office and store supplies purchased by the Company for general and administrative purposes. These are recognized at cost.

Allowance for impairment losses pertains to estimated unrecoverable security deposits and long-outstanding advances to third party trade suppliers. Movements in the allowance for impairment loss for other current assets follow:

Security deposits

	2023	2022	2021
At January 1	**₱2,550,000**	₱6,223,444	₱–
Provision for impairment losses (Note 19)	–	–	6,223,444
Reclassification (Note 10)	–	(3,673,444)	–
At December 31	**₱2,550,000**	₱2,550,000	₱6,223,444

Advances to trade suppliers

	2023	2022	2021
At January 1	**₱41,786**	₱41,786	₱41,786
Write-off	**(41,786)**	–	–
At December 31	**₱–**	₱41,786	₱41,786

The Company has directly written off security deposits identified to be unrecoverable amounting to nil, ₱11.55 million and ₱17.44 million in 2023, 2022 and 2021 respectively. This is recognized under operating expenses in the statements of comprehensive income (see Note 19).

9. **Property and Equipment**

2023

	Land	Machinery and Equipment	Store and Office Equipment	Computer Equipment	Transportation Equipment	Building and Leasehold Improvements	Construction-in-Progress (Note 24)	Total
Cost:								
At January 1	**₱231,957,199**	**₱1,661,816,968**	**₱2,049,569,955**	**₱1,497,512,366**	**₱–**	**₱3,903,191,799**	**₱298,862,429**	**₱9,642,910,716**
Additions	**–**	**67,796,671**	**195,201,849**	**68,344,700**	**65,804**	**100,393,669**	**1,259,715,353**	**1,691,518,046**
Retirements/Disposals	**–**	**(11,585,693)**	**(34,921,644)**	**(5,107,554)**	**–**	**(135,502,192)**	**–**	**(187,117,083)**
Reclassifications	**–**	**43,998,670**	**11,627,698**	**1,754,663**	**–**	**862,490,972**	**(919,872,003)**	**–**
At December 31	**231,957,199**	**1,762,026,616**	**2,221,477,858**	**1,562,504,175**	**65,804**	**4,730,574,248**	**638,705,779**	**11,147,311,679**
Less Accumulated Depreciation and Amortization:								
At January 1	**–**	**397,426,822**	**1,715,089,323**	**1,236,346,603**	**–**	**971,724,218**	**–**	**4,320,586,966**
Depreciation and amortization (Notes 18 and 19)	**–**	**147,371,257**	**153,987,162**	**105,528,406**	**5,484**	**205,016,653**	**–**	**611,908,962**
Retirements/Disposals	**–**	**(8,251,076)**	**(34,776,756)**	**(5,045,891)**	**–**	**(110,640,763)**	**–**	**(158,714,486)**
Reclassifications	**–**	**37,087**	**48,178**	**–**	**–**	**(85,265)**	**–**	**–**
At December 31	**–**	**536,584,090**	**1,834,347,907**	**1,336,829,118**	**5,484**	**1,066,014,843**	**–**	**4,773,781,442**
Less: Allowance for impairment loss								
At January 1	**–**	**3,594,748**	**–**	**–**	**–**	**24,375,573**	**–**	**27,970,321**
Write-off	**–**	**(3,594,748)**	**–**	**–**	**–**	**(24,375,573)**	**–**	**(27,970,321)**
At December 31	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Net Book Value	**₱231,957,199**	**₱1,225,442,526**	**₱387,129,951**	**₱225,675,057**	**₱60,320**	**₱3,664,559,405**	**₱638,705,779**	**₱6,373,530,237**

2022

	Land	Machinery and Equipment	Store and Office Equipment	Computer Equipment	Transportation Equipment	Building and Leasehold Improvements	Construction-in-Progress (Note 24)	Total
Cost:								
At January 1	₱231,169,293	₱1,533,566,340	₱1,968,887,208	₱1,448,870,378	₱388,423,082	₱3,646,207,888	₱225,940,834	₱9,443,065,023
Additions	787,906	58,175,778	63,943,626	53,421,611	–	69,225,845	409,417,954	654,972,720
Retirements	–	(7,553,915)	(20,082,708)	(5,711,273)	(382,621,361)	(39,157,770)	–	(455,127,027)
Reclassifications	–	77,628,765	36,821,829	931,650	(5,801,721)	226,915,836	(336,496,359)	–
At December 31	231,957,199	1,661,816,968	2,049,569,955	1,497,512,366	–	3,903,191,799	298,862,429	9,642,910,716
Less Accumulated Depreciation and Amortization:								
At January 1	–	263,115,196	1,586,927,878	1,139,199,617	338,534,922	789,908,343	–	4,117,685,956
Depreciation and amortization (Notes 18 and 19)	–	138,514,225	146,757,924	102,851,428	18,795,174	188,296,841	–	595,215,592
Retirements	–	(7,488,403)	(19,549,491)	(5,704,442)	(354,037,498)	(5,534,748)	–	(392,314,583)
Reclassifications	–	3,285,804	953,012	–	(3,292,598)	(946,218)	–	–
At December 31	–	397,426,822	1,715,089,323	1,236,346,603	–	971,724,218	–	4,320,586,966
Less: Allowance for impairment loss								
Impairment losses (Note 19)	–	3,594,748	–	–	–	24,375,573	–	27,970,321
Net Book Value	₱231,957,199	₱1,260,795,398	₱334,480,632	₱261,165,763	₱–	₱2,907,092,008	₱298,862,429	₱5,294,353,429

In 2022, the Company recognized provision for impairment loss for the immovable property and equipment of two stores approved to be closed in 2023 amounting to ₱27.97 million under "Provision for impairment of nonfinancial assets" in the Operating Expenses section of the statement of comprehensive income (see Note 19). In 2023, the Company wrote-off these property and equipment.

In 2022, Company sold and retired property and equipment from various stores with carrying values of ₱34.72 million and recognized a gain on sale and retirement of ₱14.68 million. In 2021, carrying values of retired property and equipment amounted to ₱4.65 million. This was included under Other Income (Charges) section of the statements of comprehensive income (see Note 17).

Construction-in-progress pertains to ongoing construction of building and leasehold improvement on stores, installation and related activities of certain leasehold improvements or other equipment necessary to prepare it for use. These are located in various locations and are transferred to the related property and equipment account once construction is completed and is ready for service.

Borrowing costs from loans payable capitalized to construction in progress amounted to nil and ₱4.32 million in 2023 and 2022, respectively (see Note 13).

There are no items of property and equipment that are pledged as security to liabilities as of December 31, 2023 and 2022.

The Company has contractual purchase commitments related to construction-in-progress amounting to ₱1,150.40 million and ₱765.57 million as of December 31, 2023 and 2022, respectively.

10. **Other Noncurrent Assets**

This account consists of:

	2023	2022
Advances to nontrade suppliers		
Third parties	**₱448,781,378**	₱226,362,463
Related parties (see Note 22)	**75,212,955**	22,450,521
Deposits	**249,340,143**	229,025,395
Deferred input VAT	**23,142,536**	34,916,989
	796,477,012	512,755,368
Less allowance for impairment loss (Note 19)	**(12,445,692)**	(12,445,692)
	₱784,031,320	₱500,309,676

Deposits consist of the following:

	2023	2022
Security deposits	**₱114,519,506**	₱95,531,108
Deposit to utility companies*	**93,277,801**	91,951,451
Others	**41,542,836**	41,542,836
	₱249,340,143	₱229,025,395

**Deposit to utility companies is presented at cost since the timing and amounts of future cash flows are linked to the termination of the contract which cannot be reasonably and reliably estimated.*

Accretions of the security deposits amounted to ₱3.38 million, ₱1.21 million and ₱0.88 million in 2023, 2022 and 2021, respectively and are presented under “Interest and other income - net” of Other Income (Charges) section in the statements of comprehensive income (see Note 17).

Others under “Deposits” pertain to payments made in relation to a lease agreement that has not yet commenced.

Advances to nontrade suppliers pertain to advance payments made for the acquisition of property and equipment and are to be delivered up to six months.

Deferred input VAT arises from purchases of capital goods above ₱1.00 million prior to 2022. This is amortized for a period of five years or over the useful life of the asset purchased, whichever is shorter.

Allowance for impairment losses pertains to long outstanding advances to nontrade suppliers and security deposits.

Movements in the allowance for impairment loss for advances to supplier follow:

	2023	2022	2021
At January 1	**₱12,445,692**	₱8,772,248	₱8,772,248
Reclassification (Note 8)	**–**	3,673,444	–
December 31	**₱12,445,692**	₱12,445,692	₱8,772,248

11. **Trade and Other Payables**

This account consists of:

	2023	2022
Trade		
Third parties	**₱3,269,715,795**	₱3,257,205,865
Related parties (Note 22)	**58,061,743**	33,107,812
Nontrade		
Third parties	**606,198,467**	510,371,092
Related parties (Note 22)	**27,941,607**	44,907,446
Accrued expenses	**520,556,561**	473,731,762
Credit cash bonds	**235,571,609**	241,652,844
Taxes payable	**58,939,987**	61,335,831
Others	**165,181,444**	198,215,335
	₱4,942,167,213	₱4,820,527,987

Trade payables pertain to payables to third parties and related parties arising mainly from purchases of merchandise inventories. These are generally noninterest-bearing and are normally settled in 30 days.

Nontrade payables consist of purchases of supplies, property and equipment and other services and retention payables to contractors for the Company's store equipment, leasehold improvements and liabilities in line with the Company's operating expenses. These are normally settled within twelve months.

Accrued expenses consist of:

	2023	2022
Suppliers and contractors	**₱150,935,569**	₱146,358,298
Short-term rentals	**107,176,281**	81,189,838
Utilities	**95,278,593**	115,123,772
Marketing-related cost	**22,065,947**	21,846,947
Professional fees	**17,025,718**	14,076,720
Other accruals	**128,074,453**	95,136,187
	₱520,556,561	₱473,731,762

Other accruals pertain to government remittances, retirement benefits and other operating related expenses.

Credit cash bonds pertain to cash bonds received by the Company as security for the unpaid balances of the receivables from credit account holders. This will be refunded if the account holder no longer wants to avail of the Company's credit line. These bonds earn interest annually at a fixed rate ranging from 1%–6% based on accumulated cash bond and purchases volume. Finance cost included in profit or loss pertaining to cash bonds amounted to ₱8.36 million, ₱8.91 million and ₱10.74 million in 2023, 2022 and 2021, respectively. Interest incurred from cash bonds are settled through deduction from the Company's receivables from these credit account holders (see Note 17).

Taxes payable pertains to amount of taxes withheld by the Company on income payments yet to be remitted to the government.

Others include amounts payable to government agencies for mandatory contributions and payments to the SSS, Philippine Health Insurance Corporation (PHIC), and the Home Development Mutual Fund (HDMF), current portion of tenants deposits which pertains to security deposits from tenants for the lease of space in the Company's stores with remaining lease period of one year or less from reporting period and other sundry payables.

12. **Contract Liabilities**

This account consists of:

	2023	2022
Gift check outstanding	**₱43,263,101**	₱40,017,200
Accrued customer loyalty reward	**32,390,404**	39,593,712
Stored value cards	**31,493,222**	25,217,900
	₱107,146,727	₱104,828,812

These items can only be redeemed from the Company's own stores. These are recognized as revenue upon redemption and are expected to be redeemed within twelve months.

The rollforward analysis of this account follows:

	2023	2022
At January 1	**₱104,828,812**	₱99,893,390
Deferred during the year	**2,064,343,310**	1,869,561,186
Recognized as revenue during the year	**(2,062,025,395)**	(1,864,625,764)
At December 31	**₱107,146,727**	₱104,828,812

13. **Loans Payable**

This account consists of the following:

	2023	2022
Long-term bank loans with nominal interest rates ranging from 4.0%–6.4% per annum	**₱2,869,791,666**	₱3,000,000,000
Less current portion of loans payable and unamortized debt issue cost	**(398,611,111)**	(130,208,334)
	2,471,180,555	2,869,791,666
Less noncurrent portion unamortized debt issue cost	**(14,755,105)**	(18,913,493)
Noncurrent portion of loans payable	**₱2,456,425,450**	₱2,850,878,173

Long-term bank loans
On March 30, 2021, the Company availed an unsecured long-term loan of ₱500.00 million payable in thirty-two equal quarterly installments of ₱15.63 million commencing on June 30, 2023 to March 28, 2031. The loan bears a nominal interest rate of 4.0% per annum.

On March 3, 2022, the Company availed an unsecured long-term loan of ₱500.00 million payable in thirty-six equal quarterly installments of ₱13.89 million commencing on June 5, 2023 to March 3, 2032. The loan bears a nominal interest rate of 6.0%-6.4% per annum.

On March 17, 2022, the Company availed an unsecured long-term loan of ₱500.00 million payable in thirty-six equal quarterly installments of ₱13.89 million commencing on June 5, 2023 to March 3, 2032. The loan bears a nominal interest rate of 6.0%-6.4% per annum.

On March 24, 2022, the Company availed an unsecured long-term loan of ₱1,500.00 million payable in twenty equal quarterly installments of ₱75.00 million commencing on June 24, 2024 to March 23, 2029. The loan bears a nominal interest rate of 5.09% per annum.

The Company's long-term debt consists of:

	2023	2022
10-year loan due on March 28, 2031	**₱453,125,000**	₱500,000,000
10-year loan due on March 3, 2032	**458,333,333**	500,000,000
10-year loan due on March 3, 2032	**458,333,333**	500,000,000
7-year loan due on March 23, 2029	**1,500,000,000**	1,500,000,000
	2,869,791,666	3,000,000,000
Less unamortized debt issue cost	**(14,755,105)**	(18,913,493)
	₱2,855,036,561	₱2,981,086,507

The Company has no negative covenants and no prepayment options for its loans payable outstanding as of December 31, 2023 and 2022.

Interest expense from bank loans amounted to ₱161.45 million, ₱121.05 million and ₱53.30 million in 2023, 2022 and 2021, respectively (see Notes 9 and 17). This includes the amortization of unamortized debt issue cost amounted to ₱4.16 million, ₱3.17 million and ₱0.42 million in 2023, 2022 and 2021, respectively.

Borrowing costs from loans payable capitalized to construction in progress amounted to nil and ₱4.32 million in 2023 and 2022, respectively (see Note 9).

The movement of the unamortized debt issue cost follows:

	2023	2022
At January 1	**₱18,913,493**	₱3,330,090
Additions	–	18,750,000
Amortization	**(4,158,388)**	(3,166,597)
At December 31	**₱14,755,105**	₱18,913,493

The repayment schedule of Company's long-term debt is as follows:

	2023	2022
2023	**₱–**	₱130,208,334
2024	**398,611,111**	398,611,111
2025	**473,611,111**	473,611,111
2026	**473,611,111**	473,611,111
2027-2032	**1,523,958,333**	1,523,958,333
	₱2,869,791,666	₱3,000,000,000

14. **Other Noncurrent Liabilities**

Other noncurrent liabilities pertain to security deposits from tenants for the lease of space in the Company's stores, with remaining lease period of more than one year from the reporting period. These security deposits are refundable to the tenants upon termination of contract.

15. **Equity**

Capital Stock

The Company's common stock consists of:

	2023		2022	
	No. of shares	**Amount**	No. of shares	Amount
Common stock - ₱1.00 par value				
Authorized	**10,000,000,000**	**₱10,000,000,000**	10,000,000,000	₱10,000,000,000
Issued	**3,429,375,000**	**3,429,375,000**	3,429,375,000	3,429,375,000
Outstanding, beginning of year	**3,282,303,000**	**3,222,224,742**	3,355,996,000	3,326,802,070
Treasury shares acquired during the year	**(34,120,000)**	**(47,269,717)**	(73,693,000)	(104,577,328)
Outstanding, end of year	**3,248,183,000**	**₱3,174,955,025**	3,282,303,000	₱3,222,224,742

The Company was listed on the Main Board of the PSE on November 24, 2015 wherein it offered 905,375,000 shares at an offer price of ₱3.99 per share.

As of December 31, 2023 and 2022, the Company has 22 and 21 existing shareholders, respectively.

Additional Paid-in Capital

The Company recorded additional paid-in capital amounting to ₱2,455.54 million, net of transaction costs. The Company incurred transaction costs incidental to the IPO amounting to ₱251.53 million charged against "Additional paid-in capital" in the statements of financial position.

Treasury Shares

On January 22, 2021, the BOD of the Company approved the implementation of a share buyback program of up to ₱300.00 million worth of the Company's common shares to be taken from the Company's existing cash (without using the IPO proceeds) and supported by the unrestricted retained earnings.

In 2023 and 2022, the Company bought back from the market 34,120,000 shares and 73,693,000 shares or ₱47.27 million and ₱104.58 million, respectively. As of December 31, 2023 and 2022, the Company repurchased a total of 181,192,000 shares and 147,072,000 shares, respectively, for a total amount of ₱254.42 million and ₱207.15 million, respectively. These treasury shares are recorded at cost.

Stock Option Plan

The BOD and stockholders of the Company have adopted resolutions on July 27, 2015 approving the establishment of a stock option plan to offer up to 103,320,000 shares out of its unissued capital stock to key personnel.

On December 23, 2022, the BOD approved the MRSGI Executive Stock Option Plan or MESOP. The Company has allotted 1% of the total outstanding capital stock as of December 20, 2022 or 32,832,230 common shares out of its Treasury Shares for the MESOP. In a Special Meeting of the stockholders held on February 7, 2023, the stockholders of MRSGI ratified the MESOP. An application for the approval of the MESOP was submitted to the Securities and Exchange Commission on February 17, 2023 and this was approved by the Commission on May 29, 2023.

Further information regarding the MESOP is provided in Note 21 to the financial statements.

Retained Earnings

On March 31, 2023, the BOD approved the declaration of cash dividends amounting to ₱196.14 million or ₱0.06 per share, out of the Company's retained earnings as of December 31, 2022 to stockholders of record as of April 19, 2023 and paid on May 4, 2023.

The balance of retained earnings is restricted to payments of dividends to the extent of the cost of treasury shares.

Capital Management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, or issue new shares. No changes were made in the objectives, policies or processes for the years ended December 31, 2023 and 2022. The Company considers equity as capital excluding remeasurement effects on defined benefit obligation. The Company is not subject to externally imposed capital requirements.

The Company considers the following as capital:

	2023	2022
Capital stock	**₱3,429,375,000**	₱3,429,375,000
Additional paid-in capital	**2,455,542,149**	2,455,542,149
Retained earnings	**3,711,054,879**	3,289,176,015
Treasury stock	**(254,419,975)**	(207,150,258)
	₱9,341,552,053	₱8,966,942,906

16. Revenue from Contracts with Customers

All of the Company's net sales and portion of other income are revenue from contracts with customers recognized at a point in time or when it transfers control of a product to a customer.

The Company's revenue from contracts with customers accounted for under PFRS 15 are presented in the statements of comprehensive as follows:

	2023	2022	2021
Net sales	**₱38,272,076,708**	₱38,101,661,412	₱31,211,348,935
Other income (Note 17)	**59,138,793**	53,425,158	24,964,299
	₱38,331,215,501	₱38,155,086,570	₱31,236,313,234

The following table disaggregates the Company's net sales by geographical markets and major goods or service lines for the years ended December 31, 2023, 2022 and 2021:

	2023	2022	2021
Geographical markets:			
Luzon	**₱11,532,369,857**	₱12,999,828,695	₱11,634,257,160
Visayas	**26,739,706,851**	25,101,832,717	19,577,091,775
Total revenue from contracts with customers from net sales	**₱38,272,076,708**	₱38,101,661,412	₱31,211,348,935
Major goods/service lines:			
Food retail	**₱27,238,221,231**	₱27,558,361,389	₱24,376,405,905
General merchandise	**11,033,855,477**	10,543,300,023	6,834,943,030
Total revenue from contracts with customers from net sales	**₱38,272,076,708**	₱38,101,661,412	₱31,211,348,935

17. **Other Income (Charges)**

Interest and other income - net

	2023	2022	2021
Interest income (Notes 4, 5, 7 and 10)	**₱145,306,737**	₱60,965,124	29,076,640
Foreign currency exchange gain - net	**18,061,150**	48,874,026	2,761,482
Scrap sales	**10,421,850**	12,911,655	16,859,922
Gain on insurance claims - net	**–**	53,681,402	–
Gain on modification of lease (Note 24)	**–**	106,318,492	4,830,438
Casualty loss from typhoon Odette (Notes 7 and 9)	**–**	–	(34,387,035)
Gain (loss) on retirement and disposal of fixed assets (Note 9)	**(432,275)**	14,675,584	(4,649,628)
Others (Note 16)	**59,138,793**	53,425,158	24,964,299
	₱232,496,255	₱350,851,441	₱39,456,118

Interest income pertains to the interest earned from deposits in banks, cash placements and finance charges earned from short-term installment receivables from guarantors and employees.

Scrap sales pertain to the sale of non-reusable cartons, sacks, containers, and other scrap items from the Company's stores.

Gain on insurance claims pertains to insurance recoveries and reimbursement of losses against insurance coverage for property damages and business interruption claims in relation to the 2021 typhoon casualty losses.

Casualty loss from typhoon Odette pertains to cost of inventories and net book value of properties damaged last December 16, 2021 amounting to ₱33.89 million and ₱0.50 million, respectively.

Others include income from various sources such as parking income, lotto operations, penalties and others.

Finance costs

	2023	2022	2021
Finance cost on lease liabilities (Note 24)	**₱366,847,009**	₱397,857,648	₱410,445,495
Interest expense from bank loans (Note 13)	**161,452,342**	116,726,975	48,275,142
Interest expense on cash bond (Note 11)	**8,362,319**	8,909,972	10,735,282
	₱536,661,670	₱523,494,595	₱469,455,919

18. **Cost of Sales**

	2023	2022	2021
Cost of merchandise sold (Note 7)	**₱29,983,229,280**	₱29,982,451,133	₱25,287,751,375
Others (Notes 7, 9 and 20)	**32,400,911**	70,784,388	48,606,374
	₱30,015,630,191	₱30,053,235,521	₱25,336,357,749

Others pertain to direct labor, other overhead costs, depreciation and amortization, and provision for shrinkage and decline in inventories values.

Depreciation and amortization charged to cost of sales amounted to ₱0.04 million, ₱0.03 million, and ₱0.05 million in 2023, 2022 and 2021, respectively (see Note 9).

19. **Operating Expenses**

	2023	2022	2021
Personnel cost (Note 20)	**₱1,865,772,504**	₱1,708,345,310	₱1,646,863,783
Rental (Notes 22 and 24)	**1,491,791,377**	1,290,582,389	802,565,292
Light, water and communication	**1,056,515,764**	1,131,136,263	758,921,442
Depreciation and amortization of property and equipment (Note 9)	**611,869,701**	595,187,972	606,680,884
Taxes and licenses	**421,332,013**	342,747,716	359,305,821
Contracted services (Note 22)	**398,470,441**	371,486,341	336,848,942
Depreciation and amortization of right-of-use assets - net (Note 24)	**327,944,683**	389,328,155	518,263,490
Repairs and maintenance	**303,953,531**	277,133,141	199,703,664
Advertising	**185,547,333**	116,845,642	106,311,345
Supplies	**161,152,843**	157,127,117	126,591,620
Commission	**143,533,208**	127,736,755	89,370,431
Subscriptions	**140,016,170**	121,883,420	111,916,552
Professional fees	**122,894,752**	93,708,383	89,934,377
Insurance	**112,528,139**	107,736,040	112,398,330
Transportation and travel	**60,181,645**	40,191,769	20,442,148
Representation and entertainment	**38,540,064**	32,334,577	25,243,540
Write-off of assets (Notes 6 and 8)	**4,874,091**	17,789,308	33,508,900
Provision for (reversal of):			
Expected credit losses (Note 6)	**4,998,705**	5,272,136	7,376,230
Impairment of nonfinancial assets (Notes 8, 9, 10 and 24)	**(29,107,167)**	(45,153,820)	6,223,444
Others	**5,960,543**	5,307,221	4,000,000
	₱7,428,770,340	₱6,886,725,835	₱5,962,470,235

Depreciation and amortization of right-of-use assets recorded in the statements of comprehensive income is net of the recognized effect of waived rentals for COVID-19 related rent concessions amounting to ₱26.48 million, ₱51.24 million and ₱187.47 million in 2023, 2022 and 2021, respectively (see Note 24).

Write-off of assets pertains to receivables, unrecoverable security deposits and advances to suppliers where there is no reasonable expectation of recovery and have been long outstanding.

Provision for impairment of nonfinancial assets pertains to provisions for impairment of property and equipment as a result of permanent store closures, right-of-use assets arising from the Company's planned reduction of lease premises, estimated forfeiture of security deposits due to planned reduction of lease premises and long outstanding advances to supplier and nonrefundable deposits relating to lease agreements that were already terminated, net of gain on pre-termination of lease agreements.

In 2023, the Company recognized gain on pre-termination of lease contract of ₱29.11 million as a result of permanent store closure (see Note 24).

Provision for impairment of nonfinancial asset in 2022 pertains to the impairment of property and equipment relating to the pre-terminated leases amounting to ₱27.97 million (see Note 9), net of gain on pre-termination of lease contracts amounted to ₱73.12 million (see Note 24).

Others pertain to representation, entertainment, donations and contributions.

20. Personnel Cost

	2023	2022	2021
Salaries and wages	**₱1,532,599,891**	₱1,412,884,164	₱1,360,720,226
Retirement benefits costs (Note 21)	**62,802,363**	67,799,324	68,241,526
Other employee benefits	**324,122,776**	269,732,303	265,731,179
	₱1,919,525,030	₱1,750,415,791	₱1,694,692,931

Personnel cost that were recognized as cost of sales amounted to ₱27.54 million, ₱20.55 million and ₱19.78 million in 2023, 2022 and 2021, respectively (see Note 18).

Personnel cost that were capitalized as part of construction-in-progress amounted to ₱26.21 million, ₱21.52 million and ₱28.05 million in 2023, 2022 and 2021, respectively (see Note 9).

Other employee benefits consist of the required employer contributions to SSS, PHIC and HDMF, 13th month pay and other incentives.

21. **Retirement Benefit Obligation and Executive Stock Option Plan**

Retirement Benefit Obligation

The Company has an unfunded, noncontributory defined benefit retirement plan. The accounting method and actuarial assumptions used were in accordance with the provisions of PAS 19. Actuarial valuation by an independent actuary was made based on employee data as of valuation dates.

The following tables summarize the components of the retirement benefit costs and the retirement benefit obligation recognized in the statements of financial position for the Company's retirement plan.

The components of net retirement benefit expense (included in "Personnel cost" under "Operating expenses") in the statements of comprehensive income are as follows:

	2023	2022	2021
Interest cost	**₱34,340,479**	₱27,379,278	₱22,544,320
Current service cost	**28,461,884**	36,522,861	45,065,091
Net transferred liabilities	–	3,897,185	–
Past service cost - curtailment	–	–	632,115
	₱62,802,363	₱67,799,324	₱68,241,526

The remeasurement effects recognized in other comprehensive income (included in "Equity" under "Remeasurement (losses) gains on defined benefit obligation") in the statements of financial position are as follows:

	2023	2022	2021
Remeasurement (loss) gain due to:			
Changes in financial assumptions	**(₱52,938,632)**	₱102,814,152	₱65,655,522
Experience adjustments	**28,544,742**	(2,819,407)	14,857,116
	(₱24,393,890)	₱99,994,745	₱80,512,638

The rollforward analysis of the retirement benefit obligation follows:

	2023	2022
At January 1	**₱470,417,519**	₱536,848,593
Current service cost	**28,461,884**	36,522,861
Interest cost	**34,340,479**	27,379,278
Net transferred liabilities	–	3,897,185
Benefits paid	**(27,458,728)**	(34,235,653)
Remeasurement gain due to:		
Changes in financial assumptions	**52,938,632**	(102,814,152)
Experience adjustments	**(28,544,742)**	2,819,407
At December 31	**₱530,155,044**	₱470,417,519

The benefits paid include payments in connection with the Company's workforce rationalization and rightsizing program.

The principal actuarial assumptions used in determining retirement obligations are as follows:

	2023	2022	2021
Salary increase rate	**4.00%**	4.00%	4.00%
Discount rate	**6.10%**	7.30%	5.10%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as at the valuation date are open to subjectivity, assuming if all other assumptions were held constant and do not consider more complex scenarios in which changes other than those assumed may be deemed to be more reasonable.

	2023		2022	
	Increase (decrease)	**Net retirement benefit liability**	Increase (decrease)	Net retirement benefit liability
Discount Rates	+1.0%	**(₱44,801,978)**	+1.0%	(₱36,055,755)
	–1.0%	**52,814,380**	–1.0%	42,161,506
Salary increase rate	+1.0%	**50,565,813**	+1.0%	₱40,537,877
	–1.0%	**(43,653,224)**	–1.0%	(35,189,203)

The Company does not maintain a fund for its retirement benefit obligation. Shown below is the maturity analysis of the benefit payments as of December 31:

	2023	2022
1 year and less	**₱–**	₱–
More than one year to 5 years	**194,585,457**	230,514,015
More than 5 years to 10 years	**318,562,073**	257,225,242
More than 10 years to 15 years	**296,334,791**	326,116,200
More than 15 years to 20 years	**2,320,954,754**	2,214,632,289
	₱3,130,437,075	₱3,028,487,746

The weighted average duration of the defined benefit obligation is 14 years in 2023 and 2022.

Executive Stock Option Plan

The Company has stock option plans covering 1% of the Company's authorized capital stock. The grantee is selected based on certain criteria like outstanding performance over a defined period of time.

The ESOP grantees may exercise in whole or in part the vested allocation in accordance with the vesting percentage and vesting schedule stated in the ESOP. Also, the grantee must be an employee of the Company.

In 2023, 28,028,562 stock options were granted. Likewise, there were no exercise or cancellation of stock options during the year.

The options have a contractual term of 3 years. As of December 31, 2023, the weighted average remaining contractual life of options outstanding is 3 years and the exercise price is 1.18.

The assumptions used to determine the fair value of the stock options are as follows:

Weighted average share price	₱1.42
Exercise price	1.18
Expected volatility	33.22%
Expected dividends	4.39%
Risk-free interest rate	5.73%

The expected life of the options is based on the expected exercise behavior of the stock option holders and is not necessarily indicative of the exercise patterns that may occur. The volatility is based on the average historical price volatility which may be different from the expected volatility of the shares of stock of the Company.

Total expense arising from share-based payments recognized by the Company in 2023 amounted to ₱5.00 million recognized as part of “Personnel cost” under Operating expenses section of the statement of comprehensive income.

22. **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. Related parties maybe individuals or corporate entities.

Terms and Conditions of Transactions with Related Parties

Transactions with related parties are made at terms agreed by the parties. Outstanding balances at year end are unsecured, noninterest-bearing and settled in cash usually within one year. There have been no guarantees or collaterals provided or received for any related party receivables or payables.

The significant related party transactions and outstanding balances as of and for the years ended December 31, 2023 and 2022 are as follows:

December 31, 2023

	Amount/Volume	Outstanding	Terms and Conditions
Parent Company (VDC)			
Advances (Note 6; a)	**₱26,824,925**	**₱2,085,962**	**Noninterest-bearing and due in 30 days, unsecured**
Prepayment on rentals (Note 8; b)	**1,193,743,888**	**3,069,563**	**Noninterest-bearing and due in 30 days, unsecured**
Entities Under Common Control			
Advances and rental income (Note 6; c, d and f)	**132,854,223**	**48,451,035**	**Noninterest-bearing and due in 30 days, not impaired**
Advances to suppliers (Notes 8 and 10; d)	**1,593,576,020**	**207,295,499**	**Noninterest-bearing and for application within 30 days, not impaired**
Due from related parties		**₱260,902,059**	

	Amount/Volume	Outstanding	Terms and Conditions
Parent Company (VDC)			
Lease liabilities (Note 24; b)	**₱462,041**	**(₱11,471,199)**	**Noninterest-bearing and payable in 30 days, unsecured**
Management fee (Note 11; e)	**65,066,900**	**–**	**Noninterest-bearing and payable in 30 days, unsecured**
Entities Under Common Control			
Purchase of goods (Note 11; d)	**127,007,056**	**(58,061,743)**	**Noninterest-bearing and payable in 30 days, unsecured**
Purchases of services and rent expense (Note 11; c and d)	**172,888,804**	**(27,941,607)**	**Noninterest-bearing and payable in 30 days, unsecured**
Due to related parties		**(₱97,474,549)**	

December 31, 2022

	Amount/Volume	Outstanding	Terms and Conditions
Parent Company (VDC)			
Advances (Note 6; a)	₱84,991,507	₱55,932,734	Noninterest-bearing and due in 30 days, unsecured
Entities Under Common Control			
Advances and rental income (Note 6; c and f)	152,776,135	64,965,211	Noninterest-bearing and due in 30 days, not impaired
Advances to suppliers (Notes 8 and 10; d)	1,039,404,940	123,482,505	Noninterest-bearing and for application within 30 days, not impaired
Due from related parties		₱244,380,450	

	Amount/Volume	Outstanding	Terms and Conditions
Parent Company (VDC)			
Lease liabilities (Note 24; b)	₱2,221,455	(₱27,427,889)	Noninterest-bearing and payable in 30 days, unsecured
Rent expense (Note 11; b)	1,185,817,559	(10,638,049)	Noninterest-bearing and for application within 30 days, unsecured
Management fee (Note 11; e)	40,781,093	–	Noninterest-bearing and payable in 30 days, unsecured
Entities Under Common Control			
Purchase of goods (Note 11; d)	148,124,872	(35,361,323)	Noninterest-bearing and payable in 30 days, unsecured
Purchases of services and rent expense (Note 11; c)	132,489,365	(32,015,886)	Noninterest-bearing and payable in 30 days, unsecured
Due to related parties		(₱105,443,147)	

The Company, in the normal course of business, entered into the following transactions with related parties:

a. Advances to VDC pertain to expenses paid by the Company on behalf of VDC and vice versa.
b. Rentals from leases for the Company's store spaces and warehouses. The Company recognized "Lease liabilities" for fixed rent and "Prepayments" under Other Current Assets representing advance payments to the lessor to be applied to the subsequent billing and "Trade and other payables" for variable rent.
c. The Company has receivables and payables pertaining to rental transactions in the Company's stores. These are noninterest-bearing and are collectible within 30 days.
d. The Company has short-term noninterest-bearing receivables and payables in the normal course of business pertaining to the recovery of expenses, sales and purchases of goods and services.
e. The Company entered into an agreement with VDC for legal and other services. Management fee is lodged in "Contracted services" under "Operating expenses" in the statements of comprehensive income.
f. In 2022, the Company sold used equipment to its affiliates amounting to ₱49.40 million.

The Company has an approval requirement and limits on the amount and extent on any related party transactions which is 10% or higher of the Company's total assets based on its latest audited financial statements.

Cash placements and bank accounts with Wealth Development Bank Corporation (an entity under common control) amounted to ₱925.27 million and ₱1,175.88 million in 2023 and 2022, respectively, which earn interest based on prevailing market interest rates amounting to ₱31.05 million and ₱7.06 million in 2023 and 2022 respectively.

Compensation of the Company's key management personnel by benefit type follows:

	2023	2022	2021
Short-term employee benefits	**₱122,189,559**	₱115,724,245	₱114,053,170
Post-employment benefits	**6,251,032**	6,649,482	6,721,883

There are no amounts due to or due from members of key management as of December 31, 2023 and 2022.

The Company has not recognized any impairment losses on amounts due from related parties in 2023 and 2022. This assessment is undertaken each financial year through a review of the financial position of the related party and the market in which the related party operates.

23. Income Tax

Provision for (benefit from) income tax consists of:

	2023	2022	2021
Current			
MCIT/RCIT	**₱242,549,969**	₱279,591,374	₱28,099,188
Final	**25,912,818**	9,934,330	6,432,547
	268,462,787	289,525,704	34,531,735
Deferred	**(50,921,750)**	25,914,581	(61,442,629)
	₱217,541,037	₱315,440,285	(₱26,910,894)

The Company's provision for current income tax in 2023 and 2022 represents regular corporate income tax.

The components of the Company's net deferred tax assets (liabilities) are as follows:

	2023	2022
Recognized at profit or loss:		
Lease liabilities (Note 24)	**₱1,419,592,432**	₱1,315,738,045
Right-of-use assets, including provision for impairment losses (Note 24)	**(1,119,166,531)**	(1,078,534,577)
Retirement benefit obligation (Note 21)	**157,789,518**	148,953,610
Provision for decline in value of inventories (Note 7)	**13,688,064**	25,177,287
Unrealized foreign exchange gain	**(16,449,497)**	(12,066,276)
Contract liability from customer loyalty program (Note 12)	**8,097,601**	9,898,428
Allowance for impairment of receivables (Note 6)	**10,981,425**	9,731,749
Allowance for impairment of property and equipment (Note 9)	**–**	6,992,580

(Forward)

	2023	2022
Unamortized debt issuance cost (Note 13)	**(₱3,688,776)**	(₱4,728,373)
Equity-based compensation not yet exercised	**1,250,434**	–
Allowance for impairment of advances to suppliers (Note 10)	**3,748,923**	3,759,370
	475,843,593	424,921,843
Recognized at other comprehensive income:		
Remeasurement gain on defined benefit obligation	**(25,250,757)**	(31,349,230)
	₱450,592,836	₱393,572,613

The reconciliation of statutory income tax to effective income tax follows:

	2023	2022	2021
Provision for income tax computed at statutory rate	**₱208,890,185**	₱308,178,590	(₱86,253,031)
Tax effects of:			
Nondeductible expenses	**18,114,716**	15,655,773	11,869,918
Income subjected to final tax	**(9,463,864)**	(4,953,610)	(362,793)
Nontaxable excess of insurance proceeds on damaged fixed assets	–	(3,440,468)	(21,054,858)
Remeasurements to prior period taxes relating to changes in tax rates	–	–	68,889,871
	₱217,541,037	₱315,440,285	(₱26,910,894)

24. Lease Commitments

Company as a lessee

The Company enters into lease agreements with third parties and related parties for Company's stores, warehouses and corporate office space. The Company also entered into lease arrangements covering various computer equipment used in the operations of the Company. These leases have terms ranging from one to 41 years and generally provide for either: (a) fixed monthly rent; or (b) minimum rent or a certain percentage of gross revenue, whichever is higher. Certain leases include a clause to enable upward revision on the rental charge on an annual basis based on prevailing market conditions.

The Company's obligations under its leases are subject to interest and penalty in cases of default of payment. There are several lease contracts that include extension and termination options and variable lease payments, which are further discussed below.

The Company also has certain leases of equipment and staff-houses with lease terms of 12 months or less and leases of equipment with low value. The Company applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

The rollforward analysis of right-of-use assets follows:

December 31, 2023

	Land	Building	Total
Cost			
At January 1, 2023	**₱1,760,106,298**	**₱4,861,840,783**	**₱6,621,947,081**
Additions	**165,803,546**	**468,299,288**	**634,102,834**
Retirements	**–**	**(237,750,933)**	**(237,750,933)**
At December 31, 2023	**1,925,909,844**	**5,092,389,138**	**7,018,298,982**
Accumulated depreciation			
At January 1, 2023	**860,144,688**	**1,349,467,233**	**2,209,611,921**
Depreciation	**53,038,907**	**301,388,274**	**354,427,181**
Retirement	**–**	**(129,430,169)**	**(129,430,169)**
At December 31, 2023	**913,183,595**	**1,521,425,338**	**2,434,608,933**
Less allowance for impairment losses			
At January 1	**–**	**104,671,952**	**104,671,952**
Write-off	**–**	**(26,277,195)**	**(26,277,195)**
	–	**78,394,757**	**78,394,757**
Net Book Value	**₱1,012,726,249**	**₱3,492,569,043**	**₱4,505,295,292**

December 31, 2022

	Land	Building	Total
Cost			
At January 1, 2022	₱1,760,106,298	₱5,001,943,908	₱6,762,050,206
Lease modification	–	(140,103,125)	(140,103,125)
At December 31, 2022	1,760,106,298	4,861,840,783	6,621,947,081
Accumulated depreciation			
At January 1, 2022	800,465,064	1,161,667,406	1,962,132,470
Depreciation	59,679,624	374,542,598	434,222,222
Lease modification	–	(186,742,771)	(186,742,771)
At December 31, 2022	860,144,688	1,349,467,233	2,209,611,921
Less allowance for impairment losses			
At January 1	–	(99,862,314)	(99,862,314)
Provision	–	(4,809,638)	(4,809,638)
	–	(104,671,952)	(104,671,952)
Net Book Value	₱899,961,610	₱3,407,701,598	₱4,307,633,208

In 2023, the Company derecognized right-of-use assets and lease liabilities amounting to ₱108.32 million and ₱111.15 million, respectively, and wrote-off allowance for impairment loss amounting to ₱26.27 million, due to the pre-termination of leases on stores closed, resulting to a recognition of gain on lease termination. Gain on lease termination for pre-terminated leases in 2023, 2022 and 2021 amounted to ₱29.11 million, ₱73.12 million and nil, respectively (see Note 19).

The Company also entered into various agreements to revise existing lease contracts with its lessors which were accounted for by the Company as lease modifications resulting to a gain amounting to nil, ₱106.32 million and ₱4.83 million in 2023, 2022 and 2021, respectively (see Note 17).

The following are the amounts recognized in the statement of income:

	2023	2022
Variable lease payments (Note 19)*	**₱1,205,782,932**	₱1,157,150,033
Finance cost on lease liabilities (Note 17)	**366,847,009**	397,857,648
Depreciation expense of right-of-use assets - net (Note 19)	**327,944,683**	389,328,155
Expenses relating to short-term leases and lease of low-value assets (Note 19)*	**286,008,445**	133,432,356
Gain on modification of lease (Note 17)	**–**	106,318,492
Gain on pre-termination of lease (Note 19)	**29,107,167**	73,124,141

**Included in "Rental" under "Operating Expenses" in the statement of comprehensive income*

The rollforward analysis of lease liabilities follows:

	2023	2022
At January 1	**₱5,262,952,178**	₱5,574,955,193
Additions	**634,708,834**	–
Finance cost (Note 17)	**366,847,009**	397,857,648
Payments	**(443,695,421)**	(532,163,609)
Lease modification, termination and waived rentals	**(137,633,232)**	(177,697,054)
At December 31	**₱5,683,179,367**	₱5,262,952,178

Classification of lease liabilities is as follows:

	2023	2022
Current portion	**₱102,340,465**	₱156,724,371
Noncurrent portion	**5,580,838,903**	5,106,227,807
	₱5,683,179,368	₱5,262,952,178

The Company was granted waived rentals from its lessors amounting to ₱26.48 million and ₱51.24 million in 2023 and 2022, respectively (see Note 19). The waived rentals were deducted from outstanding lease liabilities.

Shown below is the maturity analysis of the undiscounted lease payments:

	2023	2022
Within one year	**₱626,496,805**	₱530,014,484
More than one year but not more than five years	**1,863,614,236**	2,737,160,622
More than five years	**8,021,950,676**	9,261,481,261
	₱10,512,061,718	₱12,528,656,367

Company as lessor
The Company entered into lease agreements with tenants for the use of space in the Company's stores. These lease agreements have terms ranging from one to four years. Certain leases include a clause to enable upward revision on the rental charge on an annual basis based on prevailing market rate conditions.

Tenants are required to pay for security deposits, subject to adjustment if minimum rent increases; refundable at the end of the lease term, after deducting the amount of damages to the leased premises and unpaid charges, if any. Security deposits amounted to ₱91.72 million and ₱130.85 million as of December 31, 2023 and 2022, respectively (see Notes 11 and 14). Rental income amounted to ₱312.05 million, ₱243.66 million and ₱172.47 million in 2023, 2022 and 2021, respectively.

Shown below is the maturity analysis of the undiscounted lease payments to be received:

	2023	2022
Within one year	**₱35,245,417**	₱97,758,557
More than one year but not more than five years	**177,321,825**	106,215,298
More than five years	**12,112,908**	14,925,385
	₱224,680,150	₱218,899,240

25. **Earnings Per Share**

The following table presents information necessary to calculate EPS on net income:

	2023	2022	2021
Net income (loss)	**₱618,019,704**	₱917,274,074	(₱318,101,229)
Weighted-average number of common shares for basic EPS	**3,259,957,836**	3,310,752,027	3,401,269,747
Add: Dilutive shares arising from stock options	**28,028,562**	–	–
Adjusted weighted average number of common shares for diluted EPS	**3,287,986,398**	3,310,752,027	3,401,269,747
Basic/Diluted Earnings (Loss) Per Share	**₱0.19**	₱0.28	(₱0.09)

Basic EPS is computed by dividing net income for the year attributable to common equity holders of the Company by the weighted average number of common shares issued and outstanding during the year.

Diluted EPS is computed by dividing net income for the year attributable to common equity holders of the Company by the weighted average number of common shares issued and outstanding during the year plus the weighted average number of common shares that would be issued on conversion of all the dilutive potential common shares into common shares. The calculation of diluted earnings per share does not assume conversion, exercise, or other issue of potential common shares that would have an antidilutive effect on earnings per share.

26. Segment Reporting

The Company has determined that it is operating as one operating segment. Based on management's assessment, no part or component of the business of the Company meets the qualifications of an operating segment as defined by PFRS 8.

The Company's store operation is its only income generating activity and such is the measure used by the CODM in allocating resources.

The Company conducts its operations through the following store formats:

Department Stores
Department stores are engaged in the business of trading goods, commodities, wares and merchandise of any kind, such as clothes, bags, accessories, toys, and household goods.

Supermarket
Supermarkets offer a wide selection of meats, seafoods, fruits and vegetables and organic produce. This format also offers ancillary services such as pharmacy, bakeshop, café and fastfood outlets. A supermarket maybe a stand-alone supermarket or opened together with a department store.

Hypermarkets
Hypermarkets consist of "superstores" which is a combination of supermarket and department store which offer a wide range of product including full grocery lines and general merchandise.

The Company does not report its results based on geographical segments. The Company has no significant customer which contributes 10% or more to the revenues of the Company.

27. Financial Instruments

Fair Value of Financial Instruments
As of December 31, 2023 and 2022, the Company has no financial asset and liability carried at fair value.

Fair Value Hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Quoted (unadjusted) 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

Financial Assets

Due to the short-term nature of the transaction, the fair values of cash and cash equivalents, short-term investments, trade receivables, rentals and receivable from related parties, accrued interest receivable and security deposits under "Other current assets" approximate the carrying values at yearend.

The fair value of security deposits lodged in "Deposits" under "Other noncurrent assets" is disclosed below and is classified as Level 3 in the fair value hierarchy:

	2023		2022	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Security deposits, net of allowance for impairment losses (Note 10)	**₱207,797,307**	**₱206,852,108**	₱187,482,557	₱173,790,498

The fair value of security deposits lodged in "Deposits" under "Other noncurrent assets" were based on the discounted value of future cash flow using applicable interest rates ranging from 5.87%–6.12% for 2023 and 1.70%–7.22% for 2022.

Financial Liabilities

Due to the short-term nature of trade and other payables (excluding statutory payables), loans payable - current portion, current portions of lease liabilities, their carrying values approximate fair value.

The fair value of long-term loans payable and tenant's deposits under "Other noncurrent liabilities" is disclosed below and is classified as Level 3 in the fair value hierarchy:

	2023		2022	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Noncurrent portion of long-term loans payable (see Note 13)	**₱2,456,425,450**	**₱2,480,739,227**	₱2,850,878,173	₱2,634,236,671
Other noncurrent liabilities (Note 14)	**17,930,465**	**17,960,816**	14,473,976	12,079,811

The fair value of loans payable were determined by discounting future cash flows using the applicable rate of 6.00% to 6.08% for 2023 and 5.30% to 6.89% for 2022.

There were no transfers between levels 1, 2 and 3.

Financial Risk Management Objectives and Policies
The main purpose of the Company's financial instruments is to fund its operations and capital expenditures. The main risks arising from the Company's financial instruments are liquidity risk and credit risk. The Company does not actively engage in the trading of financial assets for speculative purposes nor does it write options.

Liquidity risk
Liquidity or funding risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Company's exposure to liquidity risk relates primarily to its short-term obligations.

The Company seeks to manage its liquidity profile by maintaining cash at a certain level and ensuring the availability of ample unused revolving credit facilities from banks as back-up liquidity that will enable it to finance its operating expenses. The Company has a total available credit line of up to ₱11,550.00 million and ₱10,700.00 million with various local banks as of December 31, 2023 and 2022, respectively.

The Company maintains a level of cash deemed sufficient to finance operations. As part of its liquidity risk management, the Company regularly evaluates its projected and actual cash flows.

The table below shows the maturity profile of the financial liabilities of the Company as of December 31, 2023 and 2022 based on the remaining period at the reporting date to their contractual maturities and are also presented based on contractual undiscounted repayment obligations.

December 31, 2023

	On Demand	Within One (1) Year	More than One (1) Year	Total
Financial liabilities:				
Trade and other payables				
Trade				
Third parties	₱–	₱3,269,715,796	₱–	₱3,269,715,796
Related parties	–	58,061,743	–	58,061,743
Nontrade				
Third parties	–	606,198,467	–	606,198,467
Related parties	–	27,941,607	–	27,941,607
Accrued expenses	–	520,556,561	–	520,556,561
Credit cash bonds	–	235,571,609	–	235,571,609
Others*	–	159,695,524	–	159,695,524
Long-term bank loans:				
Principal	–	398,611,111	2,471,180,555	2,869,791,666
Future interest payments	–	125,962,700	317,730,221	443,692,921
Lease liabilities	–	626,496,805	9,885,564,913	10,512,061,718
Other noncurrent liabilities	–	–	17,930,465	17,930,465
	₱–	₱6,028,811,923	₱12,692,406,154	₱18,721,218,077

**Excluding statutory payables*

December 31, 2022

	On Demand	Within One (1) Year	More than One (1) Year	Total
Financial liabilities:				
Trade and other payables				
Trade				
Third parties	₱–	₱3,257,205,865	₱–	₱3,257,205,865
Related parties	–	33,107,812	–	33,107,812
Nontrade				
Third parties	–	510,371,092	–	510,371,092
Related parties	–	44,907,447	–	44,907,447
Accrued expenses	–	473,731,762	–	473,731,762
Credit cash bonds	–	241,652,844	–	241,652,844
Others*	–	192,720,915	–	192,720,915
Long-term bank loans:				
Principal	–	130,208,333	2,869,791,667	3,000,000,000
Future interest payments	–	134,977,683	443,692,921	578,670,604
Lease liabilities	–	530,014,484	11,998,641,883	12,528,656,367
Other noncurrent liabilities	–	–	14,473,976	14,473,976
	₱–	₱5,548,898,237	₱15,326,600,447	₱20,875,498,684

**Excluding statutory payables*

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Company's receivables are actively monitored by its collection department to avoid significant concentrations of credit risk.

The Company manages the level of credit risk it accepts through comprehensive credit risk policies setting out the assessment and determination of what constitutes credit risk for the Company. The Company's policies include: setting up of exposure limits for each counterparty; reporting of credit risk exposures; monitoring of compliance with credit risk policy; and review of credit risk policy for pertinence and the changing environment. The table below shows the exposure of the Company to credit risk:

	2023			
	Maximum exposure to credit risk	**Fair value of collaterals or credit enhancements**	**Net exposure**	**Financial effect of collaterals or credit enhancements**
Receivables:				
Trade				
Third parties	**₱895,450,692**	**₱235,571,609**	**₱659,879,083**	**₱235,571,609**
Rentals	**87,993,013**	**73,100,705**	**14,892,308**	**73,100,705**
Nontrade				
Related parties	**50,536,997**	–	**50,536,997**	–
Accrued interest receivable	**7,025,419**	–	**7,025,419**	–
Receivable from insurance	–	–	–	–
Others*	**16,716,552**	–	**16,716,552**	–
	₱1,057,722,673	**₱308,672,314**	**₱749,050,359**	**₱308,672,314**

	2022			
	Maximum exposure to credit risk	Fair value of collaterals or credit enhancements	Net exposure	Financial effect of collaterals or credit enhancements
Receivables:				
Trade				
Third parties	₱682,401,888	₱241,652,844	₱440,749,044	₱241,652,844
Rentals	81,238,183	64,497,675	16,740,508	64,497,675
Nontrade				
Related parties	120,897,945	–	120,897,945	–
Accrued interest receivable	10,296,471	–	10,296,471	–
Receivable from insurance	53,681,402	–	53,681,402	
Others*	15,173,408	–	15,173,408	–
	₱963,689,297	₱306,150,519	₱657,538,778	₱306,150,519

Collaterals or credit enhancements pertain to cash bonds posted by credit account holders to secure payment of credit purchases through the Company's credit facilities. These also pertain to tenants' security deposits which shall be applied against the tenants' last billing.

Other than those disclosed above, the carrying amount of the financial assets represent the maximum exposure of the Company to credit risk.

Impairment of financial assets
The Company has the following financial assets that are subject to the expected credit loss model:

- trade receivables from third party and related parties for sales of inventory;
- rent receivables from third party and related parties for rental of spaces;
- other debt instruments carried at amortized cost

Other debt instruments carried at amortized cost include cash and cash equivalents, accrued interest receivables, refundable security deposits and receivable from insurance. These are also subject to the impairment requirements of PFRS 9, the identified impairment losses were immaterial.

Trade and rent receivables
The Company applies the PFRS 9 simplified approach in measuring ECL which uses a lifetime expected loss allowance for all trade and rent receivables. To measure the expected credit losses, trade and rent receivables have been grouped based on shared credit risk characteristics and the days past due. The ECL on trade and rent receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified the GDP and the unemployment rate of the country in which it sells its goods and accordingly adjusts the historical loss rates based on expected changes in these factors.

Below is the information about the credit risk exposure on the Company's trade receivables using a provision matrix as of December 31, 2023 and 2022:

December 31, 2023
Trade receivables

	Current Stage 1 (12-month ECL)	Credit-impaired Stage 3	Total
Expected credit loss rates	0.00%	98.59%	
Gross carrying amount	₱866,111,324	₱29,339,368	₱895,450,692
ECL	–	28,926,995	28,926,995

Rental

	Current Stage 1 (12-month ECL)	Credit-impaired Stage 3	Total
Expected credit loss rates	17.05%	%	
Gross carrying amount	₱87,993,013	₱–	₱87,993,013
ECL	14,998,705	–	14,998,705

December 31, 2022
Trade receivables

	Current Stage 1 (12-month ECL)	Credit-impaired Stage 3	Total
Expected credit loss rates	0.02%	98.84%	
Gross carrying amount	₱653,239,485	₱29,162,403	₱682,401,888
ECL	102,735	28,824,260	28,926,995

Rental

	Current Stage 1 (12-month ECL)	Credit-impaired Stage 3	Total
Expected credit loss rates	12.31%	0.00%	
Gross carrying amount	₱81,238,183	₱–	₱81,238,183
ECL	10,000,000	–	10,000,000

The Company recognized provision for impairment loss on trade receivables and rentals amounting to ₱5.00 million, ₱5.27 million and ₱7.38 million in 2023, 2022, and 2021, respectively (see Note 6).

Trade receivables are written off when there is no reasonable expectation of recovery. All of the indicators that there is no reasonable expectation of recovery should be present prior to write off which include, amongst others, the failure of a debtor to engage in a repayment plan with the Company, debtor is experiencing significant financial difficulties, and a failure to make contractual payments for a period of greater than 90 days past due. Provisions are measured using Stage 3 ECL where receivables are considered credit impaired.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

28. **Note to Statements of Cash Flows**

The Company's noncash activities are as follows:

a) The Company entered into various agreements to revise existing lease contracts with its lessors which were accounted for by the Company as lease modifications resulting to a gain amounting to nil, ₱106.32 million and ₱4.83 million in 2023, 2022 and 2021, respectively. The Company also recognized a gain on lease termination for its pre-terminated leases in 2023, 2022 and 2021 amounting to ₱29.11 million, ₱73.12 million and nil, respectively, presented as net of the provision for impairment of nonfinancial assets under "Operating expenses" (see Notes 17 and 19).
b) In 2022, gain on insurance claims pertaining to insurance recoveries and reimbursement of losses against insurance coverage for property damages and business interruption claims in relation to the 2021 typhoon casualty losses was recognized amounting to ₱53.68 million and presented under "Other income/charges" (see Notes 17).
c) The Company recognized in 2022 provision for impairment losses amounting to ₱27.97 million pertaining to immovable property and equipment which may not be recoverable due to the closure of non-performing stores (see Notes 9 and 19). The provision was reversed upon retirement of the assets.
d) Transfers from other noncurrent assets (advances to suppliers) to property and equipment amounted to ₱160.63 million, ₱82.16 million and ₱172.31 million for 2023, 2022 and 2021, respectively.

The following are the cash flow movements of the Company's financing activities in 2023, 2022 and 2021:

			2023		
	January 1	**Net cash flows**	**Accretion of interest**	**Others**	**December 31**
Lease liabilities	**₱5,262,952,178**	**(₱443,695,421)**	**₱366,847,009**	**₱497,075,601**	**₱5,683,179,367**
Loans payable:					
Short-term bank loans	**–**	**–**	**–**	**–**	**–**
Long-term bank loans	**2,981,086,507**	**(130,208,334)**	**4,158,388**	**–**	**2,855,036,561**

			2022		
	January 1	Net cash flows	Accretion of interest	Others	December 31
Lease liabilities	₱5,574,955,193	(₱532,163,609)	₱397,857,648	(₱177,697,054)	₱5,262,952,178
Loans payable:					
Short-term bank loans	₱1,000,000,000	(₱1,000,000,000)	–	–	–
Long-term bank loans	496,669,910	2,500,000,000	(15,583,403)	–	2,981,086,507

			2021		
	January 1	Net cash flows	Accretion of interest	Others	December 31
Lease liabilities	₱6,021,950,271	(₱677,225,703)	₱418,922,032	(₱188,691,407)	₱5,574,955,193
Loans payable:					
Short-term bank loans	1,000,000,000	–	–	–	1,000,000,000

Others include the effect of the additional lease liabilities, waived rentals and lease modification affecting lease liabilities account.

29. Supplementary Information Required Under BSP Circular No. 1075

Presented below are the supplementary information required by the BSP under Section 4172N of the BSP Manual of Regulations for Non-Bank Financial Institutions (MORNBFI) to be disclosed as part of the notes to financial statements based on BSP Circular 1075, Amendments to Regulations on Financial Audit of Non-Bank Financial Institutions (BSFIs).

Money Changing/Foreign Exchange Transactions

	2023			2022		
	No. of Transactions	**Amount in USD**	**Amount in PHP**	No. of Transactions	Amount in USD	Amount in PHP
Foreign currencies bought	**52,653**	**35,021,364**	**₱1,951,921,713**	40,807	33,064,490	₱1,817,261,903
Foreign currencies sold	**818**	**817,490**	**45,544,608**	618	618,050	34,013,268

Quantitative Indicators of Financial Performance

	2023	2022
Return on average equity: $\dfrac{\text{Net income}}{\text{Average total equity}}$	**6.69%**	10.64%
Return on average assets: $\dfrac{\text{Net income}}{\text{Average total assets}}$	**2.66%**	4.35%

30. Supplementary Information Required Under Revenue Regulations 15-2010

The Company reported and/or paid the following taxes for 2023:

Value added tax (VAT)
The National Internal Revenue Code (NIRC) of 1997, as amended, also provides for the imposition of VAT on sales of goods and services. Accordingly, the Company's sales are subject to output VAT while its purchases from other VAT-registered individuals or corporations are subject to input VAT.

The Company has zero-rated and exempt sales pursuant to Section 106(A)(2)(a)(5) of the Tax Code and Sections 109(A), 109(K) and 109 of the Tax Code, respectively.

Details of the Company's net sales/receipts, output VAT and input VAT accounts are as follows:

a. Net sales/receipts and Output VAT declared in the Company's VAT returns filed for 2023 are as follows:

	Net Sales/ Receipts	Output VAT
Sales subject to 12% VAT	₱34,416,607,937	₱4,129,992,952
Zero-rated sales	95,299,371	–
VAT-exempt sales	4,613,166,090	–
Total Sales	₱39,125,073,398	₱4,129,992,952

b. The amount of input VAT claimed are broken down as follows:

At January 1, 2023	₱187,993,672
Input VAT on purchases of goods exceeding ₱1 million deferred from prior period	82,226,233
Current year's domestic purchases of goods	4,038,068,514
Current year's capital goods purchases	–
Current year's services rendered by nonresidents	–
Total available input VAT	4,308,288,419
Less: Deductions from input VAT	
Input VAT on purchases of goods exceeding ₱1 million deferred to the succeeding period	34,916,989
Input VAT allocable to exempt sales	68,733,575
Total allowable input tax	4,204,637,855
Less: Input VAT applied to Output VAT	4,129,992,952
Add: VAT withheld on sales to government	2,098,721
At December 31, 2023	₱76,743,624

Taxes and Licenses

The following are taxes, licenses, registration fees and permit fees for the year ended December 31, 2023.

Business tax	₱292,033,473
Real property tax	78,202,763
Documentary stamp tax	14,675,218
Motor vehicle tax	246,782
Others	36,173,777
Total	₱421,332,013

Withholding Taxes

The amount of withholding taxes paid and accrued in 2023 consists of the following:

Expanded withholding taxes	₱498,718,779
Tax on compensation and benefits	81,117,500
Final withholding taxes	4,388,705
Total	₱584,224,984

Tax Assessment and Cases

The Company has no outstanding Final Assessment Notice and/or Formal Letter of Demand from the Bureau of Internal Revenue (BIR) for alleged deficiency income tax, VAT and withholding tax.

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

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Fax: (632) 8819 0872
ey.com/ph

INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Metro Retail Stores Group, Inc.
Vicsal Building, Corner of C.D. Seno and W.O. Seno Streets
Guizo, North Reclamation Area, Mandaue City, Cebu

We have audited in accordance with Philippine Standards on Auditing, the financial statements of Metro Retail Stores Group, Inc. (the Company) as at December 31, 2023 and 2022 and for each of the three years in the period ended December 31, 2023, and have issued our report thereon dated April 2, 2024. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Supplementary Schedules are the responsibility of the Company'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 financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic 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 financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Dolmar C. Montañez
Partner
CPA Certificate No. 112004
Tax Identification No. 925-713-249
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
BIR Accreditation No. 08-001998-119-2022, January 20, 2022, valid until January 19, 2025
PTR No. 10079982, January 6, 2024, Makati City

April 2, 2024

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
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INDEPENDENT AUDITOR'S REPORT ON
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Stockholders and the Board of Directors
Metro Retail Stores Group, Inc.
Vicsal Building, Corner of C.D. Seno and W.O. Seno Streets
Guizo, North Reclamation Area, Mandaue City, Cebu

We have audited in accordance with Philippine Standards on Auditing, the financial statements of Metro Retail Stores Group, Inc. (the Company) as at December 31, 2023 and 2022 and for each of the three years in the period ended December 31, 2023, and have issued our report thereon dated April 2, 2024. Our audits were made for the purpose of forming an opinion on the basic 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 Company'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 financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the Company's financial statements as at December 31, 2023 and 2022 and for each of the three years in the period ended December 31, 2023 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Dolmar C. Montañez

Dolmar C. Montañez
Partner
CPA Certificate No. 112004
Tax Identification No. 925-713-249
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PTR No. 10079982, January 6, 2024, Makati City

April 2, 2024

A member firm of Ernst & Young Global Limited

INDEX TO THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

Schedule	Contents
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 the Consolidation of Financial Statements
D	Long-Term Debt
E	Indebtedness to Related Parties
F	Guarantees of Securities of Other Issuers
G	Capital Stock
H	Map Showing the Relationships Between and Among the Companies in the Group, its Ultimate Parent Company and Co-subsidiaries
I	Reconciliation of Retained Earnings Available for Dividend Declaration

SCHEDULE A

METRO RETAIL STORES GROUP, INC.
SUPPLEMENTARY SCHEDULE OF FINANCIAL ASSETS
DECEMBER 31, 2023

Name of Issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Income received or accrued
Cash and cash equivalents			
Wealth Development Bank	₱925,271,736	₱925,271,736	
Bank of the Philippine Islands	582,724,675	582,724,675	
Land Bank of the Philippines	900,813,846	900,813,846	
Philippine National Bank	745,342,574	745,342,574	
Development Bank of the Philippines	655,651,826	655,651,826	
Security Bank	126,337,473	126,337,473	
Others	218,221,286	218,221,286	
	4,154,363,416	4,154,363,416	₱145,306,737
Short-term Investment			
	-	-	-
Receivables			
Third parties	895,450,692	895,450,692	
Related parties	50,536,997	50,536,997	
Rentals	87,993,013	87,993,013	
Others	53,119,344	53,119,344	
	1,087,100,046	1,087,100,046	-
	₱5,241,463,462	₱5,241,463,462	₱145,306,737

METRO RETAIL STORES GROUP, INC.

SUPPLEMENTARY SCHEDULE OF AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES, AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)

DECEMBER 31, 2023

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected	Current	Not Current	Balance at the end of the period
N/A	N/A	N/A	N/A	N/A	N/A	N/A

METRO RETAIL STORES GROUP, INC.

SUPPLEMENTARY SCHEDULE OF AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2023

	Receivable Balance	Payable Balance	Current Portion
Total Eliminated Receivables/Payables	N/A	N/A	N/A

SCHEDULE D

METRO RETAIL STORES GROUP, INC.

SUPPLEMENTARY SCHEDULE OF LONG-TERM DEBT
DECEMBER 31, 2023

Long-term Debt

Title of Issue and type of obligation	Amount authorized by indenture	Amount shown under caption "current portion of long-term" in related balance sheet	Amount shown under caption "long-term debt" in related balance sheet
Term Loan	₱3,000,000,000	₱398,611,111	₱2,456,425,450

SCHEDULE E

METRO RETAIL STORES GROUP, INC.

SUPPLEMENTARY SCHEDULE OF INDEBTEDNESS TO RELATED PARTIES (LONG-TERM LOANS FROM RELATED COMPANIES)
DECEMBER 31, 2023

Indebtedness to related parties (Long-term loans from Related Companies)

Name of related party	Balance at beginning of period	Balance at end of period
N/A	N/A	N/A

METRO RETAIL STORES GROUP, INC.

SUPPLEMENTARY SCHEDULE OF GUARANTEES OF SECURITIES OF OTHER ISSUERS
DECEMBER 31, 2023

Guarantees of Securities of Other Issuers

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is file	Nature of guarantee
N/A	N/A	N/A	N/A	N/A

METRO RETAIL STORES GROUP, INC.

SUPPLEMENTARY SCHEDULE OF CAPITAL STOCK
DECEMBER 31, 2023

Capital Stock						
Title of Issue	Number of shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options warrants, conversion and other rights*	Number of shares held by related parties	Directors, officers and employees	Others
Common Shares	10,000,000,000	3,248,183,000	136,152,230	2,652,950,870	39,202,010	–
Preferred Shares	–	–	–	–	–	–
	10,000,000,000	3,248,183,000	136,152,230	2,652,950,870	39,202,010	–

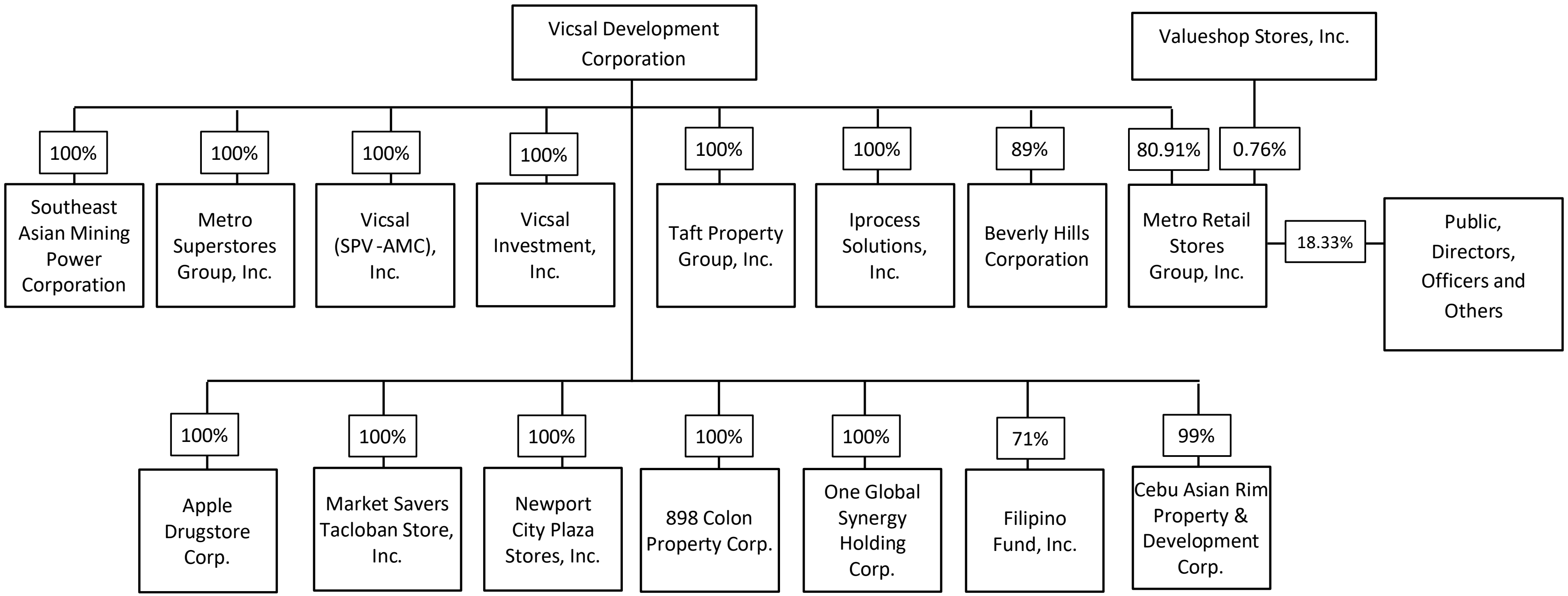
**Including treasury shares*

SCHEDULE H

METRO RETAIL STORES GROUP, INC.

MAP SHOWING THE RELATIONSHIPS BETWEEN AND AMONG THE COMPANIES IN THE GROUP, ITS ULTIMATE PARENT COMPANY AND CO-SUBSIDIARIES

DECEMBER 31, 2023



SCHEDULE I

METRO RETAIL STORES GROUP, INC.

SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
DECEMBER 31, 2023

Unappropriated Retained Earnings, beginning of reporting period		**₱3,289,176,015**
Add: Category A: Items that are directly credited to Unappropriated Retained Earnings		
Reversal of Retained Earnings Appropriation/s	–	
Effects of restatements or prior-period adjustments	–	
Others	–	–
Less: Category B: Items that are directly debited to Unappropriated Retained Earnings		
Dividend declaration during the reporting period	(196,140,840)	
Retained earnings appropriated during the reporting period	–	
Effect of restatements or prior-period adjustments	–	
Deferred tax assets that reduced the amount of income tax expense and Treasury shares	(632,112,384)	(828,253,224)
Unappropriated retained earnings, adjusted to available for dividend declaration, beginning		**2,460,922,791**
Add/Less: Net Income (loss) for the current year		**618,019,704**
Less: Category C.1: Unrealized income recognized in the profit or loss during the reporting period (net of tax)		
Equity in net income of associate/joint venture, net of dividends declared	–	
Unrealized foreign exchange gain, except those attributable to cash and cash equivalents	–	
Unrealized fair value adjustment (market-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	–	
Unrealized fair value adjustment gain of Investment Property	–	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	–	–
Subtotal		3,078,942,495
Add: Category C.2: Unrealized income recognized in the profit or loss in prior reporting periods but realized in the current reporting period (net of tax)	–	
Realized foreign exchange gain, except those attributable to Cash and cash equivalents		
Realized fair value adjustment (market-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	–	
Realized fair value adjustment gain of Investment Property	–	
Other realized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	–	
Subtotal		3,078,942,495

Add: Category C.3: Unrealized income recognized in profit or loss in prior periods but reversed in the current reporting periods (net of tax)	–	
Reversal of previously recorded foreign exchange gain, except those attributable to cash and cash equivalents	–	
Reversal of previously recorded fair value adjustment (market-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	–	
Reversal of other unrealized fair value adjustment gain of Investment Property	–	
Reversal of other realized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS, previously recorded	–	
Subtotal		–
Adjusted Net Income/Loss		**–**
Add: Category D: Non-actual losses recognized in profit or loss during the reporting period (net of tax)		
Depreciation on revaluation increment (after tax)	–	
Subtotal		–
Add/less: Category E: Adjustments related to relief granted by the SEC and BSP		
Amortization of the effect of reporting relief	–	
Total amount of reporting relief granted during the year	–	
Other	–	
Subtotal		–
Add/less: Category F: Other items that should be excluded from the determination of the amount of available for dividend distribution		
Net movement of treasury shares (except for reacquisition of redeemable shares)	(47,269,717)	
Net movement of deferred tax asset not considered in the reconciling items under the previous categories	(50,921,750)	
Net movement in the deferred tax asset and deferred tax liabilities related to same transaction, e.g., set up right of use of asset and lease liability, set up of asset and asset retirement obligation, and set-up of service concession asset and concession payable	–	
Adjustment due to deviation from PFRS/GAAP – gain (loss)	–	
Other	–	
Subtotal		(98,191,467)
Unappropriated Retained Earnings, as adjusted, ending		**₱2,980,751,028**

METRO RETAIL STORES GROUP, INC.

SUPPLEMENTARY SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
DECEMBER 31, 2023

<table>
<tr><th>Ratio</th><th>Formula</th><th>2023</th><th>2022</th></tr>
<tr><td>Current Ratio</td><td>Total current assets divided by total current liabilities

Total current assets ₱11,549,927,724
Total current liabilities 5,655,721,484
Current ratio 2.04</td><td>2.04</td><td>2.34</td></tr>
<tr><td>Acid test ratio</td><td>Quick assets (total current assets less merchandise inventories and other current assets) divided by total current liabilities

Total current assets ₱11,549,927,724
Merchandise inventories 5,866,225,830
Other current assets 486,164,132
Quick assets 5,197,537,762
Total current liabilities 5,655,721,484
Acid test ratio 0.92</td><td>0.92</td><td>1.17</td></tr>
<tr><td>Debt-to-equity ratio</td><td>Total net debt (debt less cash and cash equivalents) divided by total equity

Debt ₱2,855,036,561
Cash and cash equivalents 4,154,363,416
Net debt (1,299,326,855)
Total equity 9,422,306,062
Debt-to-equity ratio (0.14)</td><td>(0.14)</td><td>(0.24)</td></tr>
<tr><td>Asset-to-equity ratio</td><td>Total assets divided by total equity

Total assets ₱23,663,377,409
Total equity 9,422,306,062
Asset-to-equity ratio 2.51</td><td>2.51</td><td>2.51</td></tr>
</table>

METRO RETAIL STORES GROUP, INC.

SUPPLEMENTARY SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

DECEMBER 31, 2023

Ratio	Formula		2023	2022
Interest rate coverage ratio	EBITDA divided by finance cost		**4.04**	5.12
	Net income	₱618,019,704		
	Provision for income tax	217,541,037		
	Interest and other financing charges	536,661,670		
		1,372,222,411		
	Interest Income	(145,306,737)		
	EBIT	1,226,915,674		
	Depreciation and amortization	939,814,384		
	EBITDA	2,166,730,058		
	Finance costs	536,661,670		
	Interest rate coverage ratio	4.04		
Return on equity	Net income divided by average total equity		**6.69%**	10.64%
	Net income	₱618,019,704		
	Total equity CY	9,422,306,062		
	Total equity PY	9,060,990,596		
	Average total equity	9,241,648,329		
	Return on equity	6.69%		
Return on assets	Net income divided by average total assets		**2.66%**	4.35%
	Net income	₱618,019,704		
	Total assets CY	23,663,377,409		
	Total assets PY	22,739,012,073		
	Average total assets	23,201,194,741		
	Return on assets	2.66%		
Net profit margin	Net income divided by revenue		**1.61%**	2.41%
	Net income	₱618,019,704		
	Revenue	38,272,076,708		
	Net profit margin	1.61%		

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
RECEIVED
APR 1 5 2024
BY: C. MANAVAS
QAS, LT DIVISION-CEBU

Securities and Exchange Commission
PHILIPPINES

SEC FORM – I-ACGR

INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT

1. For the fiscal year ended: **2022**

2. SEC Identification Number: **CS200315877** 3. BIR Tax Identification No:. **226-527-915**

4. Exact name of issuer as specified in its charter: **METRO RETAIL STORES GROUP, INC.**

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

6. (SEC Use Only)
   Industry Classification Code:

7. **Vicsal Building, corner of C.D Seno and W.O Seno Sts., Guizo, North Reclamation Area, Mandaue City, Cebu, Philippines**
   Address of principal office
   6014
   Postal Code

8. **(032) 236-8390**
   Issuer's telephone number, including area code

9. Not applicable
   Former name, former address, and former fiscal year, if changed since last report.

INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT

	COMPLIANT/ NON-COMPLIANT	ADDITIONAL INFORMATION	EXPLANATION
The Board's Governance Responsibilities			
Principle 1: The company should be headed by a competent, working board to foster the long- term success of the corporation, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the long- term best interests of its shareholders and other stakeholders.			
Recommendation 1.1			
1. Board is composed of directors with collective working knowledge, experience or expertise that is relevant to the company's industry/sector.	Compliant	Third Amended Manual of Corporate Governance of the Company ("AMCG"), Article IV, (A) 1) The Corporation should be headed by a competent and working Board to foster the long-term success of the Corporation, and to sustain its competitiveness, growth and profitability in a manner consistent with its corporate objectives and the long-term best interests of its shareholders and stakeholders. 2) In the election of the members of its Board of Directors, the Corporation should be guided by the following standards: a) The Board should be composed of directors with a collective working knowledge, experience or expertise that is relevant to the Corporation's industry. The Board should always ensure that it has an appropriate mix of competence and expertise	
2. Board has an appropriate mix of competence and expertise.	Compliant		
3. Directors remain qualified for their positions individually and collectively to enable them to fulfill their roles and responsibilities and respond to the needs of the organization.	Compliant		

		and that its members remain qualified for their positions individually and collectively to enable it to fulfill its roles and responsibilities and respond to the needs of the organization based on the evolving business environment and strategic direction. The Board consists of seven (7) members, of which two (2) are independent directors. Name / Position: 1. Frank S. Gaisano – Chairman 2. Jack S. Gaisano – Director 3. Edward S. Gaisano – Director 4. Margaret G. Ang – Director 5. Manuel C. Alberto – Director 6. Guillermo L. Parayno, Jr. – Independent Director 7. Ricardo Nicanor N. Jacinto – Independent Director Messrs. Frank S. Gaisano, Jack S. Gaisano, Edward S. Gaisano, and Ms. Margaret G. Ang have served their respective offices since the incorporation of the Company on August 2003. Mr. Manuel C. Alberto was elected as Director on December 17, 2018, and assumed the position effective January 1, 2019. The independent directors, Mr. Guillermo L.	

Name	Position
1. Frank S. Gaisano	Chairman
2. Jack S. Gaisano	Director
3. Edward S. Gaisano	Director
4. Margaret G. Ang	Director
5. Manuel C. Alberto	Director
6. Guillermo L. Parayno, Jr.	Independent Director
7. Ricardo Nicanor N. Jacinto	Independent Director

NKJ

		Parayno, Jr. and Mr. Ricardo Nicanor N. Jacinto, were elected on July 16 and 27, 2015, respectively. All 7 Board Members were re-elected to the Board during the Annual Stockholders' Meeting held last May 6, 2022. *2022 Board Of Directors – Brief Description and Experience* *Frank S. Gaisano*, 65, has been the Company's Chairman and Chief Executive Officer since 2012 and has served on the board of directors since 2003. He holds a Bachelor of Science degree in Civil Engineering, which he received from the Cebu Institute of Technology in 1978, and is a board-certified civil engineer. Presently, Mr. Gaisano also serves as Chairman of Pacific Mall Corporation. He is also a Director of AB Capital & Investment Corporation, Vicsal Development Corporation, Filipino Fund, Inc., Taft Property Venture Development Corporation, Taft Punta Engaño Property Inc. and HTLand, Inc. Additionally, he is a Trustee of Vicsal Foundation, Incorporated. *Jack S. Gaisano*, 69, has been a Director of the Company since 2003. He received a Bachelor of Science degree in Chemical Engineering from the University of San Carlos, Cebu City in 1976 and is a board-certified chemical engineer. He currently also serves as Chairman and President of Taft Property Venture Development	

		Corporation and Midland Development Corporation. He is the President of HTLand, Inc. He is also a Director of Vicsal Development Corporation and Pacific Mall Corporation. *Edward S. Gaisano*, 67, has served as a Director of the Company since 2003. He has been a board-certified Doctor of Medicine since 1980. Mr. Gaisano is currently Chairman and President of Vicsal Development Corporation. He is also Chairman of Wealth Development Bank Corporation, Hyundai Alabang, Inc. and Hyundai Southern Mindanao, Inc. He is a Director of Taft Property Venture Development Corporation, HTLand, Inc. and Taft Punta Engano Property, Inc.; and is the President of Pacific Mall Corporation and former President of the Cebu Chamber of Commerce & Industry. Additionally, Mr. Gaisano is a member of the Society of Fellows of the Institute of Corporate Directors. *Margaret G. Ang*, 71, has served as Director of the Company since 2003 and its Corporate Secretary until July 26, 2015. Ms. Ang received a Bachelor of Science degree, major in Accounting (1974, Cum Laude), from the University of San Carlos, Cebu City and is a certified public accountant. She currently serves as Director, Corporate Secretary and Treasurer of Vicsal Development Corporation, Taft Property Venture Development Corporation and	

		Vicsal Securities & Stock Brokerage, Inc. Ms. Ang is also the President of Filipino Fund, Inc. and of Grand Holidays, Inc. Additionally, she serves as a Director of Manila Water Consortium, Inc. and as a Trustee of Vicsal Foundation, Incorporated. *Manuel C. Alberto*, 57, was elected as Director of the Company, and appointed as President and Chief Operating Officer, on December 17, 2018, and assumed the position effective January 1, 2019. Before his election/appointment as President and Chief Operating Officer, he served as the Company's Chief Merchandising and Marketing Officer. He earned his Bachelor of Arts in Communication (1989) from Santa Clara University, California, USA and obtained his Master's degree in Management (1998) from the Asian Institute of Management. Before joining the Company, he served as President & General Manager of Philippine FamilyMart Inc. (2014-2018), VP & Business Unit Head (2013-2015) & VP of Operations (2001-2010) of Rustan Supercenters, Inc., National Operation Director of Jollibee Foods Corp (2010-2013), Store General Manager of Pilipinas Makro Inc.(1998-2001) and Store Manager of Stroud's Linen, USA. *Ricardo Nicanor N. Jacinto*, 62, was elected as an Independent Director of the Company on July 27, 2015. He obtained his Master's Degree in Business Administration from Harvard University in 1986. Mr. Jacinto is the Chairman of SBS Philippines	

		Corporation and Chairman and Independent Director of Maybank ATR Kim Eng Capital Partners, Inc and Maybank ATR Kim Eng Securities, Inc. He is a Director of Torre Lorenzo Development Corp., and Independent Director of Maybank Securities (Thailand) Public Company Limited, and Etiqa Life and General Assurance Philippines, Inc. He is also a Lecturer of University of the Philippines – CE Virata School of Business. Mr. Jacinto previously served as CEO of the Institute of Corporate Directors (2013-2017) and Managing Director of Ayala Corporation (1997-2011). During the last two years of his tenure at Ayala Corporation, he was seconded to Habitat for Humanity as its Chief Executive Officer. *Guillermo L. Parayno, Jr.*, 74, was elected as an Independent Director of the Company on July 16, 2015. Mr. Parayno is also the Chairman and CEO of E-Konek Pilipinas, Inc. and the Director and Vice Chairman of Philippine Veterans Bank. He is also President of the Parayno Consultancy Services on logistics and distribution, customs, information, technology and taxation, and the Chairman & President of Bagong Silang Farms, Inc. Previously, Mr. Parayno led several Asian Development Bank Missions relating to Trade Facilitation and served as Commissioner of Customs from 1992 to 1998, and Commissioner of the Bureau of Internal Revenue from 2002-2005.	

<table>
<tr><td colspan="4">Recommendation 1.2</td></tr>
<tr><td>1. Board is composed of a majority of non-executive directors.</td><td>Compliant</td><td>AMCG, Article IV, (A), 2.

b. The Board should be composed of a majority of non-executive directors who possess the necessary qualifications to effectively participate and help secure objective, independent judgment on corporate affairs and to substantiate proper checks and balances.

Composition of the Board:
<table><tr><td>Name of Director</td><td>Type of Director (ED – Executive Director) (NED – Non-Executive Director (ID – Independent Director)</td></tr><tr><td>Frank S. Gaisano</td><td>ED</td></tr><tr><td>Edward S. Gaisano</td><td>NED</td></tr><tr><td>Margaret G. Ang</td><td>NED</td></tr><tr><td>Jack S. Gaisano</td><td>NED</td></tr><tr><td>Manuel C. Alberto</td><td>ED</td></tr><tr><td>Guillermo L. Parayno, Jr.</td><td>ID and NED</td></tr><tr><td>Ricardo Nicanor N. Jacinto</td><td>ID and NED</td></tr></table></td><td></td></tr>
<tr><td colspan="4">Recommendation 1.3</td></tr>
<tr><td>1. Company provides in its Board Charter</td><td>Compliant</td><td>AMCG, Article IV, 2</td><td></td></tr>
</table>

and Manual on Corporate Governance a policy on training of directors.		c) First time directors are required to attend an orientation program to be provided by a training provider duly accredited by the Commission and all directors are required to attend an annual continuing training to be provided by such accredited training provider. The courses for the orientation program and continuing training shall comply with the applicable SEC rules and regulations.	
2. Company has an orientation program for first time directors.	Compliant	All directors have complied with SEC Memorandum Circular No. 20, series of 2013 and SEC Memorandum Circular No. 2, series of 2015. See PSE Disclosure http://edge.pse.com.ph/openDiscViewer.do?edge_no=0b1991e5204c29af3318251c9257320d#sthash.DrQFgjOx.dpbs https://edge.pse.com.ph/openDiscViewer.do?edge_no=c44a6a8a8da7d224efdfc15ec263a54d	
3. Company has relevant annual continuing training for all directors.	Compliant	The members of the Board of Directors and the Corporate Officers attended the Company's Annual Corporate Governance Training for the year 2022 on November 8, 2022 conducted by the Institute of Corporate Directors duly accredited by the Securities and Exchange Commission.	
Recommendation 1.4			
1. Board has a policy on board diversity.	Complaint	AMCG, Article IV, 2 d) Board diversity shall be a consideration in the nomination and election of the members of the Corporation's Board of	

		Directors.	
Optional: Recommendation 1.4			
1. Company has a policy on and discloses measurable objectives for implementing its board diversity and reports on progress in achieving its objectives.	-		
Recommendation 1.5			
1. Board is assisted by a Corporate Secretary.	Compliant	The Corporate Secretary of the Corporation is Atty. Vincent E. Tomaneng, while the Compliance Officer of the Corporation, as of February 1, 2022, is Atty. Theresa Marie C. Puno-dela Peña. The Corporate Secretary is not a member of the Board. *Vincent E. Tomaneng*, 55, was appointed as the Corporate Secretary on July 27, 2015. He earned his Bachelor of Laws (1994) and Bachelor of Science in Accountancy (1988, Magna Cum Laude) degrees from the University of San Carlos in Cebu City. He is presently the Group General Counsel of Vicsal Development Corporation and the Metro Gaisano Group of Companies. Prior to joining Vicsal and the Metro Gaisano Group in May 2003, he has worked with Sycip Salazar Hernandez & Gatmaitan Law Offices as a Senior Associate (1997 to 2003) and with Sycip Gorres Velayo & Co., CPA's as a Tax Supervisor (1988 to 1996). He is presently the Director and Corporate	
2. Corporate Secretary is a separate individual from the Compliance Officer.	Compliant		
3. Corporate Secretary is not a member of the Board of Directors.	Compliant		

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		Secretary of Filipino Fund, Inc. from 2014, and Corporate Secretary of HTLand, Inc. from 2014, a Director of Pacific Mall Corporation from 2010, and the Vice-President-External of Vicsal Foundation, Incorporated since February 2021.	
4. Corporate Secretary attends training/s on corporate governance.	Compliant	The Corporate Secretary attended the Company's Annual Corporate Governance Training for the year 2022 on November 8, 2022 conducted by the Institute of Corporate Directors duly accredited by the Securities and Exchange Commission.	
Optional: Recommendation 1.5			
1. Corporate Secretary distributes materials for board meetings at least five business days before scheduled meeting.	Compliant		
Recommendation 1.6			
1. Board is assisted by a Compliance Officer.	Compliant	The Compliance Officer of the Corporation, as of February 1, 2022, is Atty. Theresa Marie C. Puno-dela Peña. AMCG, Article IV, (C) , 14 Appoint a Compliance Officer. The	
2. Compliance Officer has a rank of Senior Vice President or an equivalent position with adequate stature and authority in the corporation.	Non-Compliant		The Compliance Officer of the Corporation need not have the rank of Senior Vice-President or an equivalent position so long as she is able to comply with her duties and responsibilities as Compliance Officer.

3. Compliance Officer is not a member of the board.	Compliant	Compliance Officer need not have the rank of Senior Vice-President or an equivalent position, but he/she must be able to faithfully comply with his/her duties and responsibilities.	
4. Compliance Officer attends training/s on corporate governance.	Compliant	The Compliance Officer attended the Company's Annual Corporate Governance Training for the year 2022 on November 8, 2023 conducted by the Institute of Corporate Directors duly accredited by the Securities and Exchange Commission.	
Principle 2: The fiduciary roles, responsibilities and accountabilities of the Board as provided under the law, the company's articles and by-laws, and other legal pronouncements and guidelines should be clearly made known to all directors as well as to stockholders and other stakeholders.			
Recommendation 2.1			
1. Directors act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the company.	Compliant	On 13 April 2015, the Board of Directors has adopted the Company's Manual on Corporate Governance, which aims to institutionalize the principles of good corporate governance (i.e. fairness, accountability, and transparency) in the entire organization (the "Manual"). In the Manual, the Company recognizes that corporate governance is a necessary component of what constitutes sound strategic business management and will therefore undertake every effort necessary to	

		create awareness within the organization. On May 5, 2017, the Company's Board of Directors has approved and ratified the First Amended Manual on Corporate Governance (the "AMCG") in compliance with Securities and Exchange Commission (SEC) Memorandum Circular No. 19 Series of 2016, (the "Code of Corporate Governance for Publicly Listed Companies") The Corporation's Second Amended Manual on Corporate Governance was approved by the Board of Directors on November 12, 2019. Subsequently, in compliance with SEC Memorandum Circular No. 24, series of 2019, the Company has approved on June 9, 2020 its Third Amended Manual on Corporate Governance.	
Recommendation 2.2			
1. Board oversees the development, review and approval of the company's business objectives and strategy.	Compliant	AMCG, Article IV (C) (2) Provide sound strategic policies and guidelines to the Corporation on major capital expenditures. Approve and oversee the development of the Corporation's business objectives, strategies, and programs in order to sustain the Corporation's long-term viability and strength. Periodically evaluate and monitor	
2. Board oversees and monitors the implementation of the company's business objectives and strategy.	Compliant		

		the implementation of such policies, strategies, and programs, including the business plans, operating budgets and Management's overall performance.	
Supplement to Recommendation 2.2			
1. Board has a clearly defined and updated vision, mission and core values.	Compliant	**VISION STATEMENT** By 2025, we will be an agile retail-based company in the Philippines that provides best-in-class customer experience through operational excellence **MISSION - VALUES** To delight MRSGI customers with products and services that give the best value for money in exciting ways	
2. Board has a strategy execution process that facilitates effective management performance and is attuned to the company's business environment, and culture.	Compliant	AMCG, Article IV, (C) (7) Approve the selection and assess the performance of Management led by the Key Officers. The Board shall establish an effective performance management framework that will ensure that the Management, and the personnel's performance are at par with the standards set by the Board and Senior Management.	

Recommendation 2.3			
1. Board is headed by a competent and qualified Chairperson.	Compliant	Mr. Frank S. Gaisano, the Chairman of the Board of Directors, is highly competent and qualified.	
Recommendation 2.4			
1. Board ensures and adopts an effective succession planning program for directors, key officers and management.	Compliant	AMCG, Article V, (B), (4) The Board, through its Nomination & Compensation Committee, ensures that there is a succession plan for the CEO, President & COO, and senior executives. The Nomination and Compensation Committee shall recommend a succession plan for board members and senior officers and establish a formal and transparent procedure for developing a policy on remuneration of directors and officers to ensure that their compensation is consistent with the Company's culture, strategy and the business environment in which it operates, and which shall be commensurate to corporate and individual performance. The remuneration policy should be aligned with the long-term interest of the Corporation and should specify the relationship between remuneration and performance.	
2. Board adopts a policy on the retirement for directors and key officers.	Compliant		

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Recommendation 2.5			
1. Board aligns the remuneration of key officers and board members with long-term interests of the company.	Compliant	AMCG, Article IV, (I) REMUNERATION OF DIRECTORS AND OFFICERS The levels of remuneration of the Corporation should be sufficient to be able to attract and retain the services of qualified and competent directors and officers. A portion of the remuneration of executive directors may be structured or be based on corporate and individual performance. The Corporation shall establish formal and transparent procedures for the development of a policy on executive remuneration or determination of remuneration levels for individual directors and officers, which shall be prepared by the Nomination and Compensation Committee. No director should participate in deciding on his remuneration.	
2. Board adopts a policy specifying the relationship between remuneration and performance.	Compliant		
3. Directors do not participate in discussions or deliberations involving his/her own remuneration.	Compliant		
Optional: Recommendation 2.5			
1. Board approves the remuneration of senior executives.	Compliant	Please refer to Article V, (B), (4) of the AMCG.	
2. Company has measurable standards to align the performance-based	-		

remuneration of the executive directors and senior executives with long-term interest, such as claw back provision and deferred bonuses.			
Recommendation 2.6			
1. Board has a formal and transparent board nomination and election policy.	Compliant	AMCG, Article V.(B) NOMINATION AND COMPENSATION COMMITTEE 1) The Board shall create a Nomination and Compensation Committee which shall have at least three (3) members and one (1) of whom must be an independent director, to review and evaluate the qualifications of all individuals nominated to the Board and other appointments that require Board approval, and to assess the effectiveness of the Board's processes and procedures in the election or replacement of directors. 2) At least, thirty calendar (30) days before the Annual Stockholders' Meeting, the Nomination and Compensation Committee shall accept, pre-screen, and shortlist all candidates nominated to become a member of the Board in	
2. Board nomination and election policy is disclosed in the company's Manual on Corporate Governance.	Complaint		
3. Board nomination and election policy includes how the company accepted nominations from minority shareholders.	Compliant		
4. Board nomination and election policy includes how the board shortlists candidates.	Compliant		
5. Board nomination and election policy includes an assessment of the effectiveness of the Board's processes in the nomination, election or replacement of a director.	Compliant		
6. Board has a process for identifying the quality of directors that is aligned with the strategic direction of the company.	Compliant		

		accordance with the qualifications and disqualifications of a director. In the evaluation of the nominees, the Committee shall consider whether the candidates: a) Possess the knowledge, skills, experience, and particularly in the case of non-executive directors, independence of mind given their responsibilities to the Board and in light of the Corporation's business and risk profile. b) Have a record of integrity and good repute. c) Have sufficient time to carry out their responsibilities. d) Have the ability to promote a smooth interaction between board members. The Nomination and Compensation Committee may engage the services of professional search firms or other external sources when searching for candidates to the Board. 3) The Nomination and	

		Compensation Committee shall fully disclose all relevant and material information on individual board members and key executives to evaluate their experience and qualifications, and assess any potential conflicts of interest that might affect their judgment.	
Optional: Recommendation to 2.6			
1. Company uses professional search firms or other external sources of candidates (such as director databases set up by director or shareholder bodies) when searching for candidates to the board of directors.	-		The Company deems that this is not necessary.
Recommendation 2.7			
1. Board has overall responsibility in ensuring that there is a group-wide policy and system governing related party transactions (RPTs) and other unusual or infrequently occurring transactions.	Compliant	AMCG, Article IV, (C)(9) Formulate and implement policies and procedures that would ensure the integrity and transparency of Related Party Transactions and other unusual or infrequently occurring transactions, particularly those which pass certain thresholds of materiality.	
2. RPT policy includes appropriate review and approval of material RPTs, which guarantee fairness and transparency of the transactions.	Compliant		
3. RPT policy encompasses all entities within the group, taking into account their size, structure, risk profile and complexity of operations.	Compliant	This is echoed under the functions of the Audit and Risk Committee as provided under the AMCG, Article V (A), (4), (c) Related Party Transactions Functions	

		a. Evaluates on an ongoing basis existing relations between and among businesses and counterparties to ensure that all Related Parties are continuously identified, Related Party Transactions are monitored, and subsequent changes in relationships with counterparties (from non-related to related and vise versa) are captured. Related parties, Related Party Transactions and changes in relationships should be reflected in the relevant reports to the Board and regulators; b. Evaluates all material Related Party Transactions to ensure that these are not undertaken on more favorable economic terms (e.g. price, commissions, interest rates, fees, tenor, collateral requirement) to such related parties than similar transactions with non-related parties under similar circumstances and that no corporate or business resources of the Corporation are misappropriated or misapplied, and to determine any potential	

		reputational risk issues that may arise as a result of or in connection with the transactions. In evaluating Related Party Transactions, the Committee takes into account, among others, the following: i. The Related Party's relationship to the Corporation and interest in the transaction; ii. The material facts of the proposed Related Party Transaction, including the proposed aggregate value of such transaction; iii. The benefits to the Corporation of the proposed Related Party Transaction; iv. The availability of other sources of comparable products or services; and v. An assessment of whether the proposed Related Party Transaction is on terms and conditions that are comparable to the terms generally available	

		to an unrelated party under similar circumstances. The Committee shall ensure that the Corporation has an effective price discovery system in place and exercise due diligence in determining a fair price for Related Party Transactions. c. Ensures that appropriate disclosure is made, and/or information is provided to regulating and supervising authorities relating to the Corporation's Related Party Transactions exposures, and policies on conflicts of interest or potential conflicts of interest. The disclosure should include information on the approach to managing material conflicts of interest that are inconsistent with such policies, and conflicts that could arise as a result of the Corporation's affiliation or transactions with other related parties. d. Reports to the Board of Directors on a regular basis, the	

		status and aggregate exposures to each related party, as well as the total amount of exposures to all related parties. e. Ensures that transactions with related parties, including write-off of exposures are subject to a periodic independent review or audit process. f. Oversees the implementation of the system for identifying, monitoring, measuring, controlling, and reporting Related Party Transactions, including a periodic review of Related Party Transactions policies and procedures.	
Supplement to Recommendations 2.7			
1. Board clearly defines the threshold for disclosure and approval of RPTs and categorizes such transactions according to those that are considered *de minimis* or transactions that need not be reported or announced, those that need to be disclosed, and those that need prior shareholder approval. The aggregate amount of RPTs within any twelve (12) month period should be considered for purposes of applying the thresholds for	Compliant	Please refer to the Corporation's Amended Policy on Related-Party Transactions to comply with Securities and Exchange Commission (SEC) Memorandum Circular No. 10, series of 2019, dated September 5, 2019. https://edge.pse.com.ph/openDiscViewer.do?edge_no=d6abe1996e709ed2efdfc15ec263a54d	

disclosure and approval.			
2. Board establishes a voting system whereby a majority of non-related party shareholders approve specific types of related party transactions during shareholders' meetings.	Compliant		
Recommendation 2.8			
1. Board is primarily responsible for approving the selection of Management led by the Chief Executive Officer (CEO) and the heads of the other control functions (Chief Risk Officer, Chief Compliance Officer and Chief Audit Executive).	Compliant	AMCG, Article IV, (C) **DUTIES AND FUNCTIONS** To insure a high standard of best practices for the Corporation, its shareholders and stakeholders, the Board, in close coordination with the Corporation's Officers and Managers, shall conduct itself with honesty and integrity in the performance of, among others, the following duties and functions: 1. Implement a process for the selection of directors who can add value and contribute independent judgment to the formulation of sound corporate strategies and policies. Appoint competent, professional, honest and highly motivated management officers. Adopt an effective succession planning	
2. Board is primarily responsible for assessing the performance of Management led by the Chief Executive Officer (CEO) and the heads of the other control functions (Chief Risk Officer, Chief Compliance Officer and Chief Audit Executive).	Compliant		

		program for directors and Management to ensure growth and a continued increase in the shareholders' value. The succession plan shall include, as far as practicable, a policy on the retirement age for directors and key officers as part of management succession and to promote dynamism in the Corporation. xxx 7. Approve the selection and assess the performance of Management led by the Key Officers. The Board shall establish an effective performance management framework that will ensure that the Management, and the personnel's performance are at par with the standards set by the Board and Senior Management. xxx 14. Appoint a Compliance Officer. The Compliance Officer need not have the rank of Senior Vice-President or an equivalent position, but he/she must be able	

		to faithfully comply with his/her duties and responsibilities.	
Recommendation 2.9			
1. Board establishes an effective performance management framework that ensures that Management's performance is at par with the standards set by the Board and Senior Management.	Compliant	AMCG, Article IV.(C) (7) Approve the selection and assess the performance of Management led by the Key Officers. The Board shall establish an effective performance management framework that will ensure that the Management, and the personnel's performance are at par with the standards set by the Board and Senior Management.	
2. Board establishes an effective performance management framework that ensures that personnel's performance is at par with the standards set by the Board and Senior Management.	Compliant		
Recommendation 2.10			
1. Board oversees that an appropriate internal control system is in place.	Compliant	AMCG, Article II DEFINITION OF TERMS xxx Internal Control – the process designed and effected by the Board of Directors and Management, to provide reasonable assurance on the achievement of the Corporation's objectives through efficient and effective operations; reliable, complete and timely financial and management information; and compliance with applicable laws,	
2. The internal control system includes a mechanism for monitoring and managing potential conflict of interest of the Management, members and shareholders.	Compliant		

		regulations and the Corporation's policies and procedures; AMCG, Article IV (C) (6) DUTIES AND FUNCTIONS OF THE BOARD: Adopt a system of check and balance within the Board. A regular review of the effectiveness of such system should be conducted to ensure the integrity of the decision-making and reporting processes at all times. There should be a continuing review of the Corporation's internal control system in order to maintain its adequacy and effectiveness. AMCG, Article IV (E) INTERNAL CONTROL RESPONSIBILITIES OF THE BOARD The Board shall oversee that an appropriate internal control system is in place, including setting up a mechanism for monitoring and managing potential conflicts of interest of Management, the Board members, and shareholders. The control environment of the Corporation shall consist of the following:	

		1) The Board which ensures that the Corporation is properly and effectively managed and supervised. 2) A Management that actively manages and operates the Corporation in a sound and prudent manner. 3) The organizational and procedural controls which are duly supported by effective management information and risk management reporting systems. 4) An independent audit mechanism to monitor the adequacy and effectiveness of the Corporation's governance, operations, and information systems, including the reliability and integrity of financial and operational information, the	

		effectiveness and efficiency of operations, the safeguarding of assets, and compliance with laws, rules, regulations and contracts. The minimum internal control mechanisms for the performance of the Board's oversight responsibility shall include: 1) Definition of the duties and responsibilities of the Chairman/Chief Executive Officer ("CEO") and President/Chief Operating Officer ("COO") who are ultimately accountable for the Corporation's organizational and operational controls. 2) Selection of the persons who possess the ability, integrity and expertise essential for the positions of Chairman/CEO and President/COO. 3) Evaluation of proposed	

		senior management appointments. 4) Selection and appointment of qualified and competent management officers. 5) Review of the Corporation's human resource policies, conflict of interest situations, compensation program for employees, and management succession plan. 6) Approval the Corporation's Internal Audit Charter. AMCG, Article V (A) (1) The Audit and Risk Committee is responsible for overseeing the senior management in establishing and maintaining an adequate, effective, and efficient internal control framework. It ensures that systems and processes are designed to provide assurance in areas including reporting and monitoring compliance with laws, regulations,	

		and internal policies, efficiency and effectiveness of operations, and safeguarding of assets. AMCG, Article X (1) The Corporation shall establish and implement an adequate and effective internal control system and an enterprise risk management framework in the conduct of its business, taking into account its size, risk profile, and complexity of operations.	
3. Board approves the Internal Audit Charter.	Compliant	Please refer to the functions of the Audit and Risk Committee under Article V (A) of the AMCG.	
Recommendation 2.11			
1. Board oversees that the company has in place a sound enterprise risk management (ERM) framework to effectively identify, monitor, assess and manage key business risks.	Compliant	AMCG, Article IV (C), (15) DUTIES AND FUNCTIONS OF THE BOARD: Implement a sound enterprise risk management (ERM) framework to effectively identify, monitor, assess, and manage key business risks. In this connection, the Board shall be responsible for defining the Corporation's level of risk tolerance and provide oversight over its risk management policies and procedures. The Audit and Risk Committee shall have the following functions under	
2. The risk management framework guides the board in identifying units/business lines and enterprise-level risk exposures, as well as the effectiveness of risk management strategies.	Compliant		

		the AMCG: Risk Oversight Functions a. Assess the probability of each risk becoming a reality and shall estimate its possible effect and cost. b. Define the strategies for managing and controlling the major risks. Identify practical strategies to reduce the chance of harm and failure, or minimize losses if the risk becomes real. c. Oversee the implementation of the risk management strategies and policies. d. Develop a formal enterprise risk management plan which contains the following elements: (i) common language or register of risks, (ii) well-defined risk management goals, objectives and oversight, (iii) uniform processes of assessing risks and developing strategies to manage prioritized risks, (iv) designing and implementing risk management strategies, and (v) continuing assessments to improve risk strategies,	

		processes and measures. e. Oversee the implementation of the enterprise risk management plan through a Management Risk Oversight Committee. The Committee conducts regular discussion on the Corporation's prioritized and residual risk exposures based on regular risk management reports and assesses how the concerned units or offices are addressing and managing these risks. f. Evaluates the risk management plan to ensure its continued relevance, comprehensiveness and effectiveness. The Committee revisits defined risk management strategies, looks for emerging or changing material exposures, and stays abreast of significant development that seriously impact the likelihood of harm or loss. g. Advise the Board on its risk appetite levels and risk tolerance limits.	

		h. Review at least annually the Corporation's risk appetite levels and risk tolerance limits based on changes and developments in the business, the regulatory framework, the external economic and business environment, and when major events occur that are considered to have major impacts on the Corporation. i. Assess the probability of each identified risk becoming a reality and estimates its possible significant financial impact and likelihood of occurrence. Priority areas of concern are those risks that are the most likely to occur and to impact the performance and stability of the Corporation and its stakeholders. j. Provides oversight over Management's activities in managing credit, market liquidity, operational, legal and other risk exposures of the Corporation. This function includes regularly receiving	

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		information on risk exposures and risk management activities from Management. k. Report to the Board on a regular basis, or as deemed necessary, the Corporation's material risk exposures, the actions taken to reduce the risks, and recommend further actions or plans, as necessary. AMCG Article X, (4) The Corporation shall have a separate risk management function to identify, assess and monitor key risk exposures. The risk management function involves the following activities, among others: a) Defining a risk management strategy. b) Identifying and analyzing key risks exposure relating to economic, environmental, social and governance factors and achievement of the organization's strategic objectives. c) Evaluating and categorizing each identified risk using the	

		Corporation's predefined risk categories and parameters. d) Establishing a risk register with clearly defined, prioritized and residual risks. e) Developing a risk mitigation plan for the most important risks to the Corporation, as defined by the risk management strategy. f) Communicating and reporting significant risk exposures including business risks (i.e., strategic, compliance, operational, financial and reputational risks), control issues and risk mitigation plan to the Audit and Risk Committee. g) Monitoring and evaluating the effectiveness of the organization's risk management processes.	
Recommendation 2.12			
1. Board has a Board Charter that formalizes and clearly states its roles, responsibilities and accountabilities in carrying out its fiduciary role.	Compliant	Please refer to the Corporation's Code of Conduct for Directors and Senior Management. www.metroretail.com.ph	
2. Board Charter serves as a guide to the directors in the performance of their functions.	Compliant		
3. Board Charter is publicly available and posted on the company's website.	Compliant		

Additional Recommendation to Principle 2			
1. Board has a clear insider trading policy.	Compliant	Please refer to the Corporation's Code of Conduct for Directors and Senior Management. Further, this insider trading policy is contained in the Guidelines on Transactions concerning MRSGi shares issued on February 4, 2016.	
Optional: Principle 2			
1. Company has a policy on granting loans to directors, either forbidding the practice or ensuring that the transaction is conducted at arm's length basis and at market rates.	Compliant	Please refer to the Corporation's Code of Conduct for Directors and Senior Management.	
2. Company discloses the types of decision requiring board of directors' approval.	Compliant	Please refer to the Corporation's disclosures in the PSE Edge.	
Principle 3: Board committees should be set up to the extent possible to support the effective performance of the Board's functions, particularly with respect to audit, risk management, related party transactions, and other key corporate governance concerns, such as nomination and remuneration. The composition, functions and responsibilities of all committees established should be contained in a publicly available Committee Charter.			
Recommendation 3.1			
1. Board establishes board committees that focus on specific board functions to aid in the optimal performance of its roles and responsibilities.	Compliant	The Corporation has the following Board Committees: 1. Audit and Risk Committee 2. Corporate Governance Committee 3. Nomination and Compensation	

		Committee 4. Investment Committee	
Recommendation 3.2			
1. Board establishes an Audit Committee to enhance its oversight capability over the company's financial reporting, internal control system, internal and external audit processes, and compliance with applicable laws and regulations.	Compliant	AMCG, Article IV, C DUTIES AND FUNCTIONS To insure a high standard of best practices for the Corporation, its stockholders and stakeholders, the Board, in close coordination with the Corporation's Officers and Managers, shall conduct itself with honesty and integrity in the performance of, among others, the following duties and functions: 10) Constitute an Audit Committee and such other committees it deems necessary to assist the Board in the performance of its duties and responsibilities. Please refer to the constitution of the Audit and Risk Committee and its functions under AMCG, Article V, (A) 1) The Audit and Risk Committee is responsible for overseeing the senior management in establishing and maintaining an adequate, effective, and efficient internal control framework. It ensures that	

		systems and processes are designed to provide assurance in areas including reporting and monitoring compliance with laws, regulations, and internal policies, efficiency and effectiveness of operations, and safeguarding of assets. 2) The Audit and Risk Committee shall be responsible for the oversight of the Corporation's Enterprise Risk Management system to ensure its functionality and effectiveness. 3) The Audit and Risk Committee shall consist of three (3) non-executive directors, who shall preferably have accounting and finance backgrounds, majority of whom shall be independent directors. The chair of the Audit and Risk Committee should be an independent director, and should not be the Chairperson of the Board or any other committees. At least one member of the committee must have relevant thorough knowledge and experience on	

		risk management. 4) The committee shall have the following functions: a. Audit Functions b. Risk Oversight Functions c. Related Party Transactions Functions	
2. Audit Committee is composed of at least three appropriately qualified non-executive directors, the majority of whom, including the Chairman is independent.	Compliant	AMCG, Article V, (A), (3) The Audit and Risk Committee shall consist of three (3) non-executive directors, who shall preferably have accounting and finance backgrounds, majority of whom shall be independent directors. The chair of the Audit and Risk Committee should be an independent director, and should not be the Chairperson of the Board or any other committees. At least one member of the committee must have relevant thorough knowledge and experience on risk management.	
3. All the members of the committee have relevant background, knowledge, skills, and/or experience in the areas of accounting, auditing and finance.	Compliant	The members of the Company's Audit and Risk Management Committee (2022) are: 1. Guillermo L. Parayno, Jr. – Chairman, Independent Director, Non-Executive Director	

		2. Margaret G. Ang - Member, Non-Executive Director 3. Ricardo Nicanor N. Jacinto – Member, Independent Director, Non-Executive Director who are all highly qualified and competent to act as such.	
4. The Chairman of the Audit Committee is not the Chairman of the Board or of any other committee.	Compliant	The Chairman of the Audit and Risk Committee, Mr. Guillermo L. Parayno, Jr., is not the Board Chairman nor a Chairman of any other committee.	
Supplement to Recommendation 3.2			
1. Audit Committee approves all non-audit services conducted by the external auditor.	Compliant	AMCG, Article V, (A), (4)(a)(n) AUDIT AND RISK COMMITTEE Evaluate and determine the non-audit work, if any, of the external auditor, and review periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to the Corporation's overall consultancy expenses. The Audit and Risk Committee shall disallow any non-audit work that will conflict with his duties as an external auditor or may pose a threat to his independence. The non-audit work, if	

		allowed, should be disclosed in the Corporation's Annual Report and Annual Corporate Governance Report.	
2. Audit Committee conducts regular meetings and dialogues with the external audit team without anyone from management present.	Compliant	AMCG, Article V, (A), (4)(a) (o) As far as practicable, the Audit and Risk Committee shall endeavour to meet with the Board at least every quarter without the presence of the CEO or other management team members, and periodically meets with the head of the internal audit.	
Optional: Recommendation 3.2			
1. Audit Committee meet at least four times during the year.			
2. Audit Committee approves the appointment and removal of the internal auditor.	Compliant	AMCG, Article V, (A), (a) (f) FUNCTIONS OF THE AUDIT AND RISK COMMITTEE: (f) Organize and oversee the Internal Audit Department, and recommends the appointment and/or grounds for approval of an Internal Audit Head, as well as approve the terms and conditions for internal audit services, if necessary.	
Recommendation 3.3			
1. Board establishes a Corporate	Compliant	AMCG, Article V, (C)	

Governance Committee tasked to assist the Board in the performance of its corporate governance responsibilities, including the functions that were formerly assigned to a Nomination and Remuneration Committee.		GOVERNANCE COMMITTEE 1) The Corporate Governance Committee is tasked with ensuring compliance with and proper observance of corporate governance principles and practices. 2) The Governance Committee shall consist of three (3) directors, one (1) of whom shall be an independent director. 3) The Committee shall have the following functions, among others that may be delegated by the Board: a) Oversees the implementation of the corporate governance framework and periodically reviews the said framework to ensure that it remains appropriate in light of material changes to the Corporation's size, complexity and business strategy, as well as its business and regulatory environments.	

		b) Oversees the periodic performance evaluation of the Board and its committees as well as Management, and conducts an annual self-evaluation of its performance. c) Ensures that the results of the Board evaluation are shared, discussed, and that concrete action plans are developed and implemented to address the identified areas for improvement. d) Recommends continuing education and/or relevant training programs for directors. e) Develop, review and recommend to the Board a set of corporate governance policies and guidelines applicable to the Corporation, including the amendments or revisions to this Manual, and ensures that these are reviewed and updated regularly.	

		f) Responsible for overseeing the Corporation's implementation and effectiveness of its corporate governance, including the annual accomplishment of the scorecard on the scope, nature and extent of the actions undertaken by the Corporation to meet the objectives of this Manual. g) To maintain an informed status on issues related to the Corporation's corporate social responsibility, public policy and philanthropy, and those affecting the name, reputation and goodwill of the Corporation.	
2. Corporate Governance Committee is composed of at least three members, all of whom should be independent directors.	Non-Compliant	The members of the Company's Corporate Governance Committee (2022) are: 1. Edward S. Gaisano – Chairman and Non-Executive Director 2. Margaret G. Ang – Member, Non-Executive Director 3. Guillermo L. Parayno, Jr. – Member, Independent Director 4. Ricardo Nicanor N. Jacinto –	Two (2) independent directors sit in this committee, while the Chairperson is an ICD Fellow.

		Member, Independent Director 5. Manuel C. Alberto – Member, Executive Director	
3. Chairman of the Corporate Governance Committee is an independent director.	Non-compliant		The incumbent Chairman, Mr. Edward S. Gaisano, is not an independent director, but has relevant background, knowledge, skills, and/or experience in the area of corporate governance being a member of the Society of Fellows of the Institute of Corporate Directors.
Optional: Recommendation 3.3.			
1. Corporate Governance Committee meet at least twice during the year.	-		
Recommendation 3.4			
1. Board establishes a separate Board Risk Oversight Committee (BROC) that should be responsible for the oversight of a company's Enterprise Risk Management system to ensure its functionality and effectiveness.	Compliant	AMCG, Article V, (A), (4), (b) The Audit and Risk Committee is tasked, among others, to: a) Assess the probability of each risk becoming a reality and shall estimate its possible effect and cost. b) Define the strategies for managing and controlling the major risks. Identify practical strategies to reduce the chance of harm and failure, or minimize losses if the risk becomes real. c) Oversee the implementation of	

		the risk management strategies and policies. d) Develop a formal enterprise risk management plan which contains the following elements: (i) common language or register of risks, (ii) well-defined risk management goals, objectives and oversight, (iii) uniform processes of assessing risks and developing strategies to manage prioritized risks, (iv) designing and implementing risk management strategies, and (v) continuing assessments to improve risk strategies, processes and measures. e) Oversee the implementation of the enterprise risk management plan through a Management Risk Oversight Committee. The Committee conducts regular discussion on the Corporation's prioritized and residual risk exposures based on regular risk management reports and assesses how the concerned units or offices are addressing and managing these risks.	

		f) Evaluates the risk management plan to ensure its continued relevance, comprehensiveness and effectiveness. The Committee revisits defined risk management strategies, looks for emerging or changing material exposures, and stays abreast of significant development that seriously impact the likelihood of harm or loss. g) Advise the Board on its risk appetite levels and risk tolerance limits. h) Review at least annually the Corporation's risk appetite levels and risk tolerance limits based on changes and developments in the business, the regulatory framework, the external economic and business environment, and when major events occur that are considered to have major impacts on the Corporation. i) Assess the probability of each identified risk becoming a reality	

		and estimates its possible significant financial impact and likelihood of occurrence. Priority areas of concern are those risks that are the most likely to occur and to impact the performance and stability of the Corporation and its stakeholders. j) Provides oversight over Management's activities in managing credit, market liquidity, operational, legal and other risk exposures of the Corporation. This function includes regularly receiving information on risk exposures and risk management activities from Management. k) Report to the Board on a regular basis, or as deemed necessary, the Corporation's material risk exposures, the actions taken to reduce the risks, and recommend further actions or plans, as necessary.	
2. BROC is composed of at least three members, the majority of whom should be independent directors, including the Chairman.	Complaint	The members of the Company's Audit and Risk Committee are: 1. Guillermo L. Parayno, Jr. – Chairman, Independent	

		Director, Non-Executive Director 2. Margaret G. Ang - Member, Non-Executive Director 3. Ricardo Nicanor N. Jacinto – Member, Independent Director, Non-Executive Director	
3. The Chairman of the BROC is not the Chairman of the Board or of any other committee.	Compliant	The Chairman of the Audit and Risk Committee, Mr. Guillermo L. Parayno, Jr., is not a Board Chairman nor a Chairman of any other committee.	
4. At least one member of the BROC has relevant thorough knowledge and experience on risk and risk management.	Compliant	Messrs. Parayno and Jacinto possess the necessary knowledge, competence, and experience on risk and risk management.	
Recommendation 3.5			
1. Board establishes a Related Party Transactions (RPT) Committee, which is tasked with reviewing all material related party transactions of the company.	Compliant	AMCG, Article V. (A). (4). (c) The Audit and Risk Committee is tasked with reviewing all material related party transactions of the Corporation, and specifically: a) Evaluates on an ongoing basis existing relations between and among businesses and counterparties to ensure that all Related Parties are continuously identified, Related Party Transactions are monitored, and subsequent changes in	The tasks of the RPT Committee are performed by the Audit and Risk Committee.

		relationships with counterparties (from non-related to related and vise versa) are captured. Related parties, Related Party Transactions and changes in relationships should be reflected in the relevant reports to the Board and regulators; b) Evaluates all material Related Party Transactions to ensure that these are not undertaken on more favorable economic terms (e.g. price, commissions, interest rates, fees, tenor, collateral requirement) to such related parties than similar transactions with non-related parties under similar circumstances and that no corporate or business resources of the Corporation are misappropriated or misapplied, and to determine any potential reputational risk issues that may arise as a result of or in connection with the transactions. In evaluating Related Party Transactions, the Committee takes into account, among others, the following:	

		i. The Related Party's relationship to the Corporation and interest in the transaction; ii. The material facts of the proposed Related Party Transaction, including the proposed aggregate value of such transaction; iii. The benefits to the Corporation of the proposed Related Party Transaction; iv. The availability of other sources of comparable products or services; and v. An assessment of whether the proposed Related Party Transaction is on terms and conditions that are comparable to the terms generally available to an unrelated party under similar circumstances. The Committee shall ensure that the Corporation has an effective price discovery system in place and exercise due diligence in determining a fair price for Related Party Transactions. c) Ensures that appropriate disclosure is made, and/or information is provided to	

		regulating and supervising authorities relating to the Corporation's Related Party Transactions exposures, and policies on conflicts of interest or potential conflicts of interest. The disclosure should include information on the approach to managing material conflicts of interest that are inconsistent with such policies, and conflicts that could arise as a result of the Corporation's affiliation or transactions with other related parties. d) Reports to the Board of Directors on a regular basis, the status and aggregate exposures to each related party, as well as the total amount of exposures to all related parties. e) Ensures that transactions with related parties, including write-off of exposures are subject to a periodic independent review or audit process. f) Oversees the implementation of the system for identifying, monitoring, measuring,	

		controlling, and reporting Related Party Transactions, including a periodic review of Related Party Transactions policies and procedures.	
2. RPT Committee is composed of at least three non-executive directors, two of whom should be independent, including the Chairman.	Compliant	The members of the Company's Audit and Risk Management Committee are: 1. Guillermo L. Parayno, Jr. – Chairman, Independent Director, Non-Executive Director 2. Margaret G. Ang - Member, Non-Executive Director 3. Ricardo Nicanor N. Jacinto – Member, Independent Director, Non-Executive Director	
Recommendation 3.6			
1. All established committees have a Committee Charter stating in plain terms their respective purposes, memberships, structures, operations, reporting process, resources and other relevant information.	Compliant	Please refer to the specific functions of the Board Committees under Article V of the AMCG.	
2. Committee Charters provide standards for evaluating the performance of the Committees.	Compliant		
3. Committee Charters were fully disclosed on the company's website.	Compliant	https://www.metroretail.com.ph/index.php/disclosures/charter-documents	

Principle 4: To show full commitment to the company, the directors should devote the time and attention necessary to properly and effectively perform their duties and responsibilities, including sufficient time to be familiar with the corporation's business.			
Recommendation 4.1			
1. The Directors attend and actively participate in all meetings of the Board, Committees and shareholders in person or through tele-/videoconferencing conducted in accordance with the rules and regulations of the Commission.	Compliant	AMCG, Article IV, (G) The members of the Board should attend and actively participate in the regular and special meetings of the Board in person or through videoconferencing and teleconferencing conducted in accordance with the rules and regulations of the SEC and the By-laws. Independent directors should always attend Board meetings. To promote transparency, the presence of at least one independent director shall be required in all its meetings. Attendance of the BOD is disclosed in the Company's Definitive Information Statement which is distributed to its shareholders. See Definitive Information Statement https://edge.pse.com.ph/openDiscViewer.do?edge_no=2c8258bd44be47149e4dc6f6c9b65995	
2. The directors review meeting materials for all Board and Committee meetings.	Compliant	AMCG, Article IV, (D), (2) DUTIES AND RESPONSIBILITIES OF THE BOARD:	
3. The directors ask the necessary questions or seek clarifications and explanations during the Board and Committee meetings.	Compliant		

		Devote the time and attention necessary to properly and effectively perform his duties and responsibilities. A director should devote sufficient time to familiarize himself with the Corporation's business. He should be constantly aware of and knowledgeable with the Corporation's operations to enable him to meaningfully contribute to the Board's work. He should attend and actively participate in Board and committee meetings, review meeting materials and, if called for, ask questions or seek explanation.	
Recommendation 4.2			
1. Non-executive directors concurrently serve in a maximum of five publicly-listed companies to ensure that they have sufficient time to fully prepare for minutes, challenge Management's proposals/views, and oversee the long-term strategy of the company.	Compliant	No non-executive director of the Corporation serves in more than five publicly-listed companies. AMCG , Article IV, (H) BOARD SEATS The non-executive directors of the Board should not concurrently serve as directors to more than ten (10) public companies and/or registered issuers. However, the maximum concurrent directorships shall be five (5) public companies and/or registered issuers if the director also sits in at least three (3) publicly-listed companies.	

Recommendation 4.3			
1. The directors notify the company's board before accepting a directorship in another company.	Compliant	AMCG , Article IV, (H), 2nd paragraph xxx A director should notify the Board where he is an incumbent director before accepting a directorship in another company.	
Optional: Principle 4			
1. Company does not have any executive directors who serve in more than two boards of listed companies outside of the group.	Compliant	No executive director of the Corporation serves in more than two (2) boards of listed companies outside of the group.	
2. Company schedules board of directors' meetings before the start of the financial year.	Compliant	The board of directors' meetings for the fiscal year 2022-2023 is scheduled during the Organizational board meeting.	
3. Board of directors meet at least six times during the year.	Compliant	In 2022, the Board met 9 times.	
4. Company requires as minimum quorum of at least 2/3 for board decisions.			

Principle 5: The board should endeavor to exercise an objective and independent judgment on all corporate affairs			
Recommendation 5.1			
1. The Board has at least 3 independent directors or such number as to constitute one-third of the board, whichever is higher.	Non - Compliant	The Board has two (2) independent directors, out of the seven (7) seats, namely: 1. Guillermo L. Parayno, Jr. 2. Ricardo Nicanor N. Jacinto	The Corporation is compliant with Section 3 of SEC Memorandum Circular No. 16, series of 2002 which provides: GUIDELINES ON THE NOMINATION AND ELECTION OF INDEPENDENT DIRECTORS III. NUMBER OF INDEPENDENT DIRECTORS A. All companies are encouraged to have independent directors. However, issuers of registered securities and public companies are required to have at least two (2) independent directors or at least 20% of its board size, whichever is the lesser. Provided further that said companies may choose to have more independent directors in their boards than as above required. Further, the Corporation is also compliant the Revised Code of Corporate Governance under Article 3 of SEC Memorandum Circular No. 6, series of 2009 which provides: Article 3 (a) The Board shall be composed of at least five (5), but not more than fifteen (15), members who are elected by the stockholders.

			All companies covered under this Code shall have at least two (2) independent directors or such number of independent directors that constitutes twenty percent (20%) of the members of the Board, whichever is lesser, but in no case less than two (2). All other companies are encouraged to have independent directors in their boards.
Recommendation 5.2			
1. The independent directors possess all the qualifications and none of the disqualifications to hold the positions.	Compliant	Independent Directors submit a certification for independent directors annually. The same is submitted with the Annual Report.	
Supplement to Recommendation 5.2			
1. Company has no shareholder agreements, by-laws provisions, or other arrangements that constrain the directors' ability to vote independently.	Compliant	The Company does not have any shareholder agreements, by-laws provisions, or other arrangements that constrain the directors' ability to vote independently.	
Recommendation 5.3			
1. The independent directors serve for a cumulative term of nine years.	Compliant	Guillermo L. Parayno, Jr. – Independent Director Date First Elected: July 16, 2015 Date Last Elected: May 5, 2023 No. of Years Served as Director: seven (7) years and ten (10) months Ricardo Nicanor N. Jacinto – Independent Director Date First Elected: July 27, 2015 Date Last Elected: May 5, 2023	

		No. of Years Served as Director: seven(7) years and ten (10) months	
2. The company bars an independent director from serving in such capacity after the term limit of nine years.	Compliant	AMCG, Article IV, (F), Independent Directors (4) INDEPENDENT DIRECTORS Term and Cessation of Independent Directorship The Board's independent directors should serve for a maximum cumulative term of nine (9) years. After which, the independent director should be perpetually barred from re-election as such in the Corporation, but may continue to qualify for nomination and election as non-independent director. In the instance that the Corporation intends to retain an independent director who has served for nine (9) years, as a non-independent director, the Board shall provide meritorious justifications/s and obtain shareholders' approval during the annual shareholders meeting.	
3. In the instance that the company retains an independent director in the same capacity after nine years, the board provides meritorious justification and seeks shareholders' approval during the annual shareholders' meeting.	Not applicable	No independent director has served in the same capacity for more than nine years.	

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Recommendation 5.4			
1. The positions of Chairman of the Board and Chief Executive Officer are held by separate individuals.	Non-Compliant	Mr. Franks S. Gaisano is the Chairman and Chief Executive Officer.	Although held by one and the same person, the Corporation's Fourth Amended By-Laws and AMCG specifically delineated the functions of the Chairman and the Chief Executive Officer, and President and Chief Operating Officer, in order to provide checks and balances to ensure that the Board gets the benefit of independent views and perspectives.
2. The Chairman of the Board and Chief Executive Officer have clearly defined responsibilities.	Compliant	Please refer to the delineated and specific functions of the Chairman and the Chief Executive Officer, and President and Chief Operating Officer, as enumerated under Article V of the Fourth Amended By-Laws and Articles VI and VII of the AMCG.	
Recommendation 5.5			
1. If the Chairman of the Board is not an independent director, the board designates a lead director among the independent directors.	Compliant	The AMCG (VI) provides that if the positions of Chairman and CEO are not separate and matters for resolution of the Board involve the accountability of Management and there is a perceived conflict of interest in relation thereto, the Chairman shall appoint a lead director from among the independent directors to temporarily preside in the meeting to ensure the independence of the Board.	

Recommendation 5.6			
1. Directors with material interest in a transaction affecting the corporation abstain from taking part in the deliberations on the transaction.	Compliant	Code of Conduct for Directors and Senior Management The Board Members and senior managers shall at all times: disclose any personal interest that they may have regarding any matters that may come before the Board, and abstain from discussion, voting, or otherwise influencing a decision on any matter in which the concerned director, or senior manager has, or may have such interest; xxx abstain from discussion, voting, or otherwise influencing a decision on any matters that may come before the Board in which they may have a conflict or potential conflict of interest. xxx	
Recommendation 5.7			
1. The non-executive directors (NEDs) have separate periodic meetings with the external auditor and heads of the internal audit, compliance and risk functions, without any executive present.	Compliant	AMCG, Article V, (A), (4), (a), (o) As far as practicable, the Audit and Risk Committee shall endeavour to meet with the Board at least every quarter without the presence of the CEO or other management team members, and periodically meets	
2. The meetings are chaired by the lead independent director.	Compliant		

		with the head of the internal audit. Mr. Guillermo Parayno, Jr., an independent director, Chairman of the Audit and Risk Committee, and non-executive director, leads the meetings with the external and internal auditors.	
Optional: Principle 5			
1. None of the directors is a former CEO of the company in the past 2 years.	Compliant	The current CEO has been the CEO of the company since 2012	
Principle 6: The best measure of the Board's effectiveness is through an assessment process. The Board should regularly carry out evaluations to appraise its performance as a body, and assess whether it possesses the right mix of backgrounds and competencies.			
Recommendation 6.1			
1. Board conducts an annual self-assessment of its performance as a whole.	Compliant	AMCG, Article IV, (J) ASSESSMENT OF BOARD PERFORMANCE 1) The Board should conduct an annual self-assessment of its performance, including the performance of the Chairman, individual members and committees. The assessment may be supported by an external facilitator. 2) Upon recommendation of the Corporate Governance	
2. The Chairman conducts a self-assessment of his performance.	Compliant		
3. The individual members conduct a self-assessment of their performance.	Compliant		
4. Each committee conducts a self-assessment of its performance.	Compliant		
5. Every three years, the assessments are supported by an external facilitator.	Compliant		

		Committee, the Board shall prescribe the criteria and process to determine the performance of the Board, the individual directors, committees, and provide for a feedback mechanism from the shareholders.	
Recommendation 6.2			
1. Board has in place a system that provides, at the minimum, criteria and process to determine the performance of the Board, individual directors and committees.	Compliant	Please refer to Article IV, (J) of the AMCG.	
2. The system allows for a feedback mechanism from the shareholders.	Compliant		
Principle 7: Members of the Board are duty-bound to apply high ethical standards, taking into account the interests of all stakeholders.			
Recommendation 7.1			
1. Board adopts a Code of Business Conduct and Ethics, which provide standards for professional and ethical behavior, as well as articulate acceptable and unacceptable conduct and practices in internal and external dealings of the company.	Compliant	The Board has adopted a Code of Conduct for Directors and Senior Management.	
2. The Code is properly disseminated to the Board, senior management and employees.	Compliant	The Code of Conduct for Directors and Senior Management is properly disseminated to the Board of Directors and Senior Management.	
3. The Code is disclosed and made available to the public through the company website.	Compliant	https://www.metroretail.com.ph/	

Supplement to Recommendation 7.1			
1. Company has clear and stringent policies and procedures on curbing and penalizing company involvement in offering, paying and receiving bribes.	Compliant	Code of Conduct for Directors and Senior Management The Board Members and senior managers shall at all times: act honestly, fairly, ethically, and with integrity; xxx will not accept from or give to stakeholders gifts or other benefits not customary in normal social intercourse; xxx	
Recommendation 7.2			
1. Board ensures the proper and efficient implementation and monitoring of compliance with the Code of Business Conduct and Ethics.	Compliant	Code of Conduct for Directors and Senior Management Directors and Senior Management shall annually sign a confirmation that they have read, have complied with and will continue to comply with the Code.	
2. Board ensures the proper and efficient implementation and monitoring of compliance with company internal policies.	Compliant		
Disclosure and Transparency			

Principle 8: The company should establish corporate disclosure policies and procedures that are practical and in accordance with best practices and regulatory expectations.

Recommendation 8.1			
1. Board establishes corporate disclosure policies and procedures to ensure a comprehensive, accurate, reliable and timely report to shareholders and other stakeholders that gives a fair and complete picture of a company's financial condition, results and business operations.	Compliant	AMCG, Article IV, (C), 18 DUTIES AND FUNCTIONS To insure a high standard of best practices for the Corporation, its shareholders and stakeholders, the Board, in close coordination with the Corporation's Officers and Managers, shall conduct itself with honesty and integrity in the performance of, among others, the following duties and functions: The Board should establish corporate disclosure policies and procedures to ensure a comprehensive, accurate, reliable and timely report to shareholders and stakeholders, that gives a fair and complete picture of the Corporation's financial condition, results and business operations. The disclosure policy shall include disclosure of non-financial information, with emphasis on the management of economic, environmental, social and governance issues of its business, which underpin sustainability. The Corporation shall adopt a globally recognized standard/framework in reporting sustainability and non-financial issues.	

		This is echoed under Article XV (1) of the AMCG which provides as follows: All material information about the Corporation which could affect its viability or the interests of its shareholders and stakeholders should be publicly and timely disclosed. Such information should include, among others, earnings results, acquisition or disposition of material assets, off balance sheet transactions, related party transactions, and direct and indirect remuneration of members of the Board and Management. All such information shall be disclosed through the appropriate Exchange mechanisms and submissions to the SEC.	
Supplement to Recommendations 8.1			
1. Company distributes or makes available annual and quarterly consolidated reports, cash flow statements, and special audit revisions. Consolidated financial statements are published within ninety (90) days from the end of the fiscal year, while interim reports are published within forty-five (45) days from the end of the reporting period.	Compliant	See Annual Report https://edge.pse.com.ph/openDiscViewer.do?edge_no=3f2dc89568b3442b9e4dc6f6c9b65995 The Annual Report contains the Company's Audited Financial Statements for the year ended December 31, 2022. The Audited Financial Report for year ended December 31, 2022 was duly received by the BIR on April 11, 2023	

		and the SEC on April 11, 2023.	
2. Company discloses in its annual report the principal risks associated with the identity of the company's controlling shareholders; the degree of ownership concentration; cross-holdings among company affiliates; and any imbalances between the controlling shareholders' voting power and overall equity position in the company.	Compliant	See Annual Report https://edge.pse.com.ph/openDiscViewer.do?edge_no=3f2dc89568b3442b9e4dc6f6c9b65995	
Recommendation 8.2			
1. Company has a policy requiring all directors to disclose/report to the company any dealings in the company's shares within three business days.	Compliant	AMCG, Article XV (4) All directors and officers shall disclose/report to the Corporation's Compliance Officer any dealing in the Corporation's shares within three (3) business days from the date of the transaction.	
2. Company has a policy requiring all officers to disclose/report to the company any dealings in the company's shares within three business days.	Compliant		
Supplement to Recommendation 8.2			
1. Company discloses the trading of the corporation's shares by directors, officers (or persons performing similar functions) and controlling shareholders. This includes the disclosure of the company's purchase of its shares from the market (e.g. share buy-back program).	Compliant	The trading of the Corporation's shares by directors, officers (or persons performing similar functions) and controlling shareholders is duly reported to the SEC and the PSE. See Annual Report https://edge.pse.com.ph/openDiscViewer.do?edge_no=3f2dc89568b3442	

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Recommendation 8.3			
1. Board fully discloses all relevant and material information on individual board members to evaluate their experience and qualifications, and assess any potential conflicts of interest that might affect their judgment.	Compliant	See Annual Report https://edge.pse.com.ph/openDiscViewer.do?edge_no=3f2dc89568b3442b9e4dc6f6c9b65995	
2. Board fully discloses all relevant and material information on key executives to evaluate their experience and qualifications, and assess any potential conflicts of interest that might affect their judgment.	Compliant		
Recommendation 8.4			
1. Company provides a clear disclosure of its policies and procedure for setting Board remuneration, including the level and mix of the same.	Compliant	AMCG, Article IV, (I) REMUNERATION OF DIRECTORS AND OFFICERS	
2. Company provides a clear disclosure of its policies and procedure for setting executive remuneration, including the level and mix of the same.	Compliant	The levels of remuneration of the Corporation should be sufficient to be able to attract and retain the services of qualified and competent directors and officers. A portion of the remuneration of executive directors may be structured or be based on corporate and individual performance. The Corporation shall establish formal	

		and transparent procedures for the development of a policy on executive remuneration or determination of remuneration levels for individual directors and officers, which shall be prepared by the Nomination and Compensation Committee. No director should participate in deciding on his remuneration.	
3. Company discloses the remuneration on an individual basis, including termination and retirement provisions.	Compliant	This is disclosed in the 2022 Annual Report.	
Recommendation 8.5			
1. Company discloses its policies governing Related Party Transactions (RPTs) and other unusual or infrequently occurring transactions in their Manual on Corporate Governance.	Compliant	AMCG, Article XV, 5 The Corporation should disclose its policies governing Related Party Transactions. The material or significant RPTs reviewed and approved during the year should be disclosed in its Annual Corporate Governance Report. Further, the Corporation has adopted a Policy on Related Party Transactions.	
2. Company discloses material or significant RPTs reviewed and approved during the year.	Compliant	See Annual Report https://edge.pse.com.ph/openDiscViewer.do?edge_no=3f2dc89568b3442b9e4dc6f6c9b65995	

Supplement to Recommendation 8.5			
1. Company requires directors to disclose their interests in transactions or any other conflict of interests.	Compliant	AMCG, Article IV, D, 1. SPECIFIC DUTIES AND REPONSIBILITIES OF A DIRECTOR A director shall have the following duties and responsibilities: 1) Conduct fair business transactions with the Corporation, and ensure that his personal interest does not conflict with the interests of the Corporation. The basic principle to be observed is that a director should not use his position to profit or gain some benefit or advantage for himself and/or his related interests. He should avoid situations that may compromise his impartiality. If an actual or potential conflict of interest may arise on the part of a director, he should fully and immediately disclose it and should not participate in the decision-making process. A conflict of interest shall be considered material if the director's personal or business interest is antagonistic to that of the Corporation, or stands	

		to acquire or gain financial advantage at the expense of the Corporation. A director who has a continuing material conflict of interest should seriously consider resigning from his position. Article XV (2) of the AMCG Provides: The Board shall commit at all times to fully disclose material information dealings. It shall cause the filing of all required information through the appropriate Exchange mechanisms for listed companies and submissions to the SEC for the interest of its shareholders and stakeholders. Code of Conduct for Directors and Senior Management provides: The Board members and senior managers shall at all times: • Disclose any personal interest that they may have regarding any matters that may come before the Board and abstain from discussion, voting or otherwise influencing a decision on any matter in which the concerned Director or senior manager has or may have such an interest; • Abstain from discussion, voting or otherwise influencing a decision on any matters that may come before the Board in which they have a conflict or potential conflict of interest.	
Optional : Recommendation 8.5			
1. Company discloses that RPTs are conducted in such a way to ensure that they are fair and at arms' length.	Compliant	This is duly disclosed in the 2022 Annual Report.	
Recommendation 8.6			
1. Company makes a full, fair, accurate and timely disclosure to the public of every material fact or event that occur, particularly on the acquisition or disposal of significant assets, which could adversely affect the	Compliant	AMCG, Article XV, (1) All material information about the Corporation which could affect its viability or the interests of	

viability or the interest of its shareholders and other stakeholders.		its shareholders and stakeholders should be publicly and timely disclosed. Such information should include, among others, earnings results, acquisition or disposition of material assets, off balance sheet transactions, related party transactions, and direct and indirect remuneration of members of the Board and Management. All such information shall be disclosed through the appropriate Exchange mechanisms and submissions to the SEC.	
2. Board appoints an independent party to evaluate the fairness of the transaction price on the acquisition or disposal of assets.	Compliant	The Corporation did not dispose any of its assets for the year 2022.	
Supplement to Recommendation 8.6			
1. Company discloses the existence, justification and details on shareholder agreements, voting trust agreements, confidentiality agreements, and such other agreements that may impact on the control, ownership, and strategic direction of the company.	Compliant	There are no shareholder agreements, voting trust agreements, confidentiality agreements, and such other agreements that may impact on the control, ownership, and strategic direction of the Corporation.	
Recommendation 8.7			
1. Company's corporate governance policies, programs and procedures are contained in its Manual on Corporate Governance (MCG).	Compliant	See PSE Disclosure on Amended Manual of Corporate Governance https://edge.pse.com.ph/openDiscViewer.do?edge_no=305ebd9a609d03340de8473cebbd6407	
2. Company's MCG is submitted to the SEC and PSE.	Compliant		

3. Company's MCG is posted on its company website.	Compliant		
Supplement to Recommendation 8.7			
1. Company submits to the SEC and PSE an updated MCG to disclose any changes in its corporate governance practices.	Compliant	The Corporation has amended its Manual on Corporate Governance in order to comply with SEC Memorandum Circular No. 19 series of 2016 or the Code of Corporate Governance for Publicly-Listed Companies. See PSE Disclosure on Amended Manual of Corporate Governance http://edge.pse.com.ph/openDiscViewer.do?edge_no=2e57ad90d247e22e3318251c9257320d#sthash.pieHR00e.dpbs This was disclosed to the PSE on May 30, 2017. On November 12, 2019, the Corporation approved its Second Amended Manual on Corporate Governance. Subsequently, on June 9, 2020 and in compliance with SEC Memorandum Circular No. 24, series of 2019, the Corporation adopted its Third Amended Manual on Corporate Governance. https://edge.pse.com.ph/openDiscViewer.do?edge_no=305ebd9a609d03340de8473cebbd6407	

Optional: Principle 8			
1. Does the company's Annual Report disclose the following information:		See Annual Report and Definitive Information Statement https://edge.pse.com.ph/openDiscViewer.do?edge_no=3f2dc89568b3442b9e4dc6f6c9b65995 https://edge.pse.com.ph/openDiscViewer.do?edge_no=2c8258bd44be47149e4dc6f6c9b65995	
a. Corporate Objectives	Compliant		
b. Financial performance indicators	Compliant		
c. Non-financial performance indicators	Compliant		
d. Dividend Policy	Compliant		
e. Biographical details (at least age, academic qualifications, date of first appointment, relevant experience, and other directorships in listed companies) of all directors	Compliant		
f. Attendance details of each director in all directors meetings held during the year			
g. Total remuneration of each member of the board of directors	Compliant		
2. The Annual Report contains a statement confirming the company's full compliance with the Code of Corporate Governance and where there is non-compliance, identifies and explains reason for each such issue.	Compliant	See Annual Report https://edge.pse.com.ph/openDiscViewer.do?edge_no=3f2dc89568b3442b9e4dc6f6c9b65995	
3. The Annual Report/Annual CG Report	Compliant	See Annual Report	

disclose that the board of directors conducted a review of the company's material controls (including operational, financial and compliance controls) and risk management systems.		https://edge.pse.com.ph/openDiscViewer.do?edge_no=3f2dc89568b3442b9e4dc6f6c9b65995	
4. The Annual Report/Annual CG Report contains a statement from the board of directors or Audit Committee commenting on the adequacy of the company's internal controls/risk management systems.	Compliant	See Annual Report https://edge.pse.com.ph/openDiscViewer.do?edge_no=3f2dc89568b3442b9e4dc6f6c9b65995	
5. The company discloses in the Annual Report the key risks to which the company is materially exposed to (i.e. financial, operational including IT, environmental, social, economic).	Compliant	See Annual Report https://edge.pse.com.ph/openDiscViewer.do?edge_no=3f2dc89568b3442b9e4dc6f6c9b65995	
Principle 9: The company should establish standards for the appropriate selection of an external auditor, and exercise effective oversight of the same to strengthen the external auditor's independence and enhance audit quality.			
Recommendation 9.1			
1. Audit Committee has a robust process for approving and recommending the appointment, reappointment, removal, and fees of the external auditors.	Compliant	AMCG, Article V, (A), (4), (a), m. Recommends to the Board the appointment, reappointment, removal and fees of the external auditor, duly accredited by the Commission, who undertakes an independent audit of the Corporation, and provides an objective assurance on the manner by which the financial statements should be prepared and presented to the	

		shareholders. For this purpose, the Audit and Risk Committee should establish the procedure for approving and recommending the appointment, reappointment, removal, and fees of the external auditor. The appointment, reappointment, removal and fees of the external auditor should be recommended by the Audit and Risk Committee, approved by the Board, and ratified by the shareholders.	
2. The appointment, reappointment, removal, and fees of the external auditor is recommended by the Audit Committee, approved by the Board and ratified by the shareholders.	Compliant	Please see attached the Corporation's disclosure on the Results of the 2022 and 2023 Annual Stockholders' Meeting wherein SyCip, Gorres, Velayo & Co. was re-appointed as external auditor. https://edge.pse.com.ph/openDiscViewer.do?edge_no=62781f3164cefa493470cea4b051ca8f https://edge.pse.com.ph/openDiscViewer.do?edge_no=98fbbff89bc035ca9e4dc6f6c9b65995	
3. For removal of the external auditor, the reasons for removal or change are disclosed to the regulators and the public through the company website and required disclosures.	Compliant	The Company has not removed or changed its external auditor.	
Supplement to Recommendation 9.1			
1. Company has a policy of rotating the lead audit partner every five years.	Compliant	AMCG, Article XII, (1) (E) ACCOUNTABILITY AND AUDIT	

		The external auditor should be rotated or changed every five (5) years, or the signing partner of the external auditing firm assigned to the Corporation, should be changed with the same frequency.	
Recommendation 9.2			
1. Audit Committee Charter includes the Audit Committee's responsibility on: i. assessing the integrity and independence of external auditors; ii. exercising effective oversight to review and monitor the external auditor's independence and objectivity; and iii. exercising effective oversight to review and monitor the effectiveness of the audit process, taking into consideration relevant Philippine professional and regulatory requirements.	Compliant	AMCG, Article V, (A) (4) (a), m. Recommends to the Board the appointment, reappointment, removal and fees of the external auditor, duly accredited by the Commission, who undertakes an independent audit of the Corporation, and provides an objective assurance on the manner by which the financial statements should be prepared and presented to the shareholders. For this purposes, the Audit and Risk Committee should establish the procedure for approving and recommending the appointment, reappointment, removal, and fees of the external auditor. The appointment, reappointment, removal and fees of the external auditor should be recommended by the Audit and Risk Committee, approved by the Board, and ratified by the shareholders.	
2. Audit Committee Charter contains the Committee's responsibility on reviewing and monitoring the external auditor's	Compliant	AMCG Article V (A), (4), (a) a., c., e., k., m	

suitability and effectiveness on an annual basis.		The Audit and Risk Committee shall have the following functions: a. Assist the Board in the performance of its oversight responsibility for the financial reporting process, system of internal control, audit process, and monitoring of compliance with applicable laws, rules and regulations. xxx c. Perform oversight functions over the Corporation's internal and external auditors. It should ensure that the internal and external auditors act independently from each other, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions. xxx e. Prior to the commencement of the audit, discuss with the external auditor the nature, scope and expenses of the audit, and ensure proper coordination if more than one audit firm is involved in the activity to secure proper	

		coverage and minimize duplication of efforts. xxx k. Reviews the recommendations in the external auditor's management letter; xxx m. Recommends to the Board the appointment, reappointment, removal and fees of the external auditor, duly accredited by the Commission, who undertakes an independent audit of the Corporation, and provides an objective assurance on the manner by which the financial statements should be prepared and presented to the shareholders. For this purpose, the Audit and Risk Committee should establish the procedure for approving and recommending the appointment, reappointment, removal, and fees of the external auditor. The appointment, reappointment, removal and fees of the external auditor should be recommended by the Audit and Risk Committee, approved by the Board, and ratified by the shareholders.	

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Supplement to Recommendations 9.2			
1. Audit Committee ensures that the external auditor is credible, competent and has the ability to understand complex related party transactions, its counterparties, and valuations of such transactions.	Compliant	Please refer to Article V (A). (4). (a) a., c., e., k., m of the AMCG.	
2. Audit Committee ensures that the external auditor has adequate quality control procedures.	Compliant	Please refer to Article V (A). (4). (a) a., c., e., k., m of the AMCG.	
Recommendation 9.3			
1. Company discloses the nature of non-audit services performed by its external auditor in the Annual Report to deal with the potential conflict of interest.	Compliant	No non-audit services were performed by the external auditor for 2022.	
2. Audit Committee stays alert for any potential conflict of interest situations, given the guidelines or policies on non-audit services, which could be viewed as impairing the external auditor's objectivity.	Compliant	AMCG, Article V.(A). (4).(a). n. The Audit and Risk Committee shall have the following functions: Evaluate and determine the non-audit work, if any, of the external auditor, and review periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to the Corporation's overall	

		consultancy expenses. The Audit and Risk Committee shall disallow any non-audit work that will conflict with his duties as an external auditor or may pose a threat to his independence. The non-audit work, if allowed, should be disclosed in the Corporation's Annual Report and Annual Corporate Governance Report.	
Supplement to Recommendation 9.3			
1. Fees paid for non-audit services do not outweigh the fees paid for audit services.	Compliant	No non-audit services were performed by the external auditor for 2022.	
Additional Recommendation to Principle 9			
1. Company's external auditor is duly accredited by the SEC under Group A category.	Compliant	1. Name of the audit engagement partner; MA. GENALIN Q. AREVALO 2. SEC Partner Accreditation No. 108517-SEC (Group A) Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions 3. SEC Firm Accreditation No. 0001-SEC (Group A) Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions 4. BIR Accreditation No. 08-001998-123-2023, January 25, 2023, valid until January 24, 2026 Name of firm:	

		Sycip Gorres Velayo & Co.	
2. Company's external auditor agreed to be subjected to the SEC Oversight Assurance Review (SOAR) Inspection Program conducted by the SEC's Office of the General Accountant (OGA).	Compliant	Sycip Gorres Velayo & Co. has agreed to this. Date it was subjected to SOAR inspection – November 12-23, 2018	
Principle 10: The company should ensure that the material and reportable non-financial and sustainability issues are disclosed.			
Recommendation 10.1			
1. Board has a clear and focused policy on the disclosure of non-financial information, with emphasis on the management of economic, environmental, social and governance (EESG) issues of its business, which underpin sustainability.	Compliant	AMCG, Article XV DISCLOSURE AND TRANSPARENCY 1) All material information about the Corporation which could affect its viability or the interests of its shareholders and stakeholders should be publicly and timely disclosed. Such information should include, among others, earnings results, acquisition or disposition of material assets, off balance sheet transactions, related party transactions, and direct and indirect remuneration of members of the Board and Management. All such information shall be disclosed through the appropriate Exchange mechanisms and submissions to the SEC.	
2. Company adopts a globally recognized standard/framework in reporting sustainability and non-financial issues.	Compliant		

		2) The Board shall commit at all times to fully disclose material information dealings. It shall cause the filing of all required information through the appropriate Exchange mechanisms for listed companies and submissions to the SEC for the interest of its shareholders and stakeholders.	
Principle 11: The company should maintain a comprehensive and cost-efficient communication channel for disseminating relevant information. This channel is crucial for informed decision-making by investors, stakeholders and other interested users.			
Recommendation 11.1			
1. Company has media and analysts' briefings as channels of communication to ensure the timely and accurate dissemination of public, material and relevant information to its shareholders and other investors.	Compliant	AMCG, Article XV, (6) The Corporation, through its Investor Relations Office, shall regularly conduct media and analysts' briefings as channels of communication to ensure the timely and accurate dissemination of public, material and relevant information to its shareholders and other investors.	
Supplemental to Principle 11			
1. Company has a website disclosing up-to-date information on the following:	Compliant	http://www.metroretail.com.ph	
a. Financial statements/reports (latest quarterly)	Compliant		

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b. Materials provided in briefings to analysts and media	Compliant		
c. Downloadable annual report	Compliant		
d. Notice of ASM and/or SSM	Compliant		
e. Minutes of ASM and/or SSM	Compliant		
f. Company's Articles of Incorporation and By-Laws	Compliant		
Additional Recommendation to Principle 11			
1. Company complies with SEC-prescribed website template.	Compliant	The Corporation is compliant with SEC Memorandum Circular No. 11, series of 2014, and SEC Memorandum Circular No 2, series of 2018 on the SEC prescribed website template.	
Internal Control System and Risk Management Framework			
Principle 12: To ensure the integrity, transparency and proper governance in the conduct of its affairs, the company should have a strong and effective internal control system and enterprise risk management framework.			
Recommendation 12.1			
1. Company has an adequate and effective internal control system in the conduct of its business.	Compliant	AMCG, Article X, 1 and 2 INTERNAL CONTROL SYSTEM AND ENTERPRISE RISK MANAGEMENT FRAMEWORK 1) The Corporation shall establish and implement an adequate and effective internal control system and an enterprise risk management framework in the	

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		conduct of its business, taking into account its size, risk profile, and complexity of operations. 2) The Corporation shall establish an independent internal audit function that provides an independent and objective assurance and consulting services designed to add value and improve the Corporation's operations. The following are the functions of the internal audit, among others: a) Provides an independent risk-based assurance to the Board, Audit and Risk Committee and Management, focusing on reviewing the effectiveness of the governance and control process in (i) promoting the right values and ethics, (ii) ensuring effective performance management and accounting in the organization, (iii) communicating risk and control information, and (iv) coordinating the activities and information among the Board, external and internal auditors, and Management.	

		b) Performs regular and special audit as contained in the annual audit plan and/or based on the Corporation's risk assessment. c) Performs consulting and advisory services related to governance and controls as appropriate for the organization. d) Performs compliance audit on relevant laws, rules and regulations, contractual obligations and other commitments, which could have a significant impact on the organization. e) Reviews, audits and assesses the efficiency and effectiveness of the internal control system of all areas of the Corporation. f) Evaluates operations or programs to ascertain whether results are consistent with established objectives and goals, and whether the operations or programs are being carried out as planned. g) Evaluates specific operations	

		at the request of the Board or Management as appropriate. h) Monitors and evaluates governance process.	
2. Company has an adequate and effective enterprise risk management framework in the conduct of its business.	Compliant	AMCG, Article X, (4) INTERNAL CONTROL SYSTEM AND ENTERPRISE RISK MANAGEMENT FRAMEWORK The Corporation shall have a separate risk management function to identify, assess and monitor key risk exposures. The risk management function involves the following activities, among others: a) Defining a risk management strategy. b) Identifying and analyzing key risks exposure relating to economic, environmental, social and governance factors and achievement of the organization's strategic objectives. c) Evaluating and categorizing each identified risk using the Corporation's predefined risk categories and parameters. d) Establishing a risk register with clearly defined, prioritized and residual risks. e) Developing a risk mitigation plan for the most important	

		risks to the Corporation, as defined by the risk management strategy. f) Communicating and reporting significant risk exposures including business risks (i.e., strategic, compliance, operational, financial and reputational risks), control issues and risk mitigation plan to the Audit and Risk Committee. g) Monitoring and evaluating the effectiveness of the organization's risk management processes.	
Supplement to Recommendations 12.1			
1. Company has a formal comprehensive enterprise-wide compliance program covering compliance with laws and relevant regulations that is annually reviewed. The program includes appropriate training and awareness initiatives to facilitate understanding, acceptance and compliance with the said issuances.	Compliant	AMCG, Article IV, (C), (3) DUTIES AND FUNCTIONS OF THE BOARD: Ensure the Corporation's faithful compliance with all applicable laws, regulations and best business practices. AMCG, Article IX, 2.B and 2.C THE COMPLIANCE OFFICER B. Monitors, reviews, evaluates and ensures compliance by the Corporation with this Manual and the rules and	

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		regulations of regulatory agencies and, if any violations are found, report the matter to the Board and recommend the imposition of appropriate disciplinary action on the responsible parties and the adoption of measures to prevent a repetition of the violation. C. Reports to the Board if violations are found and recommends the imposition of appropriate disciplinary action.	
Optional: Recommendation 12.1			
1. Company has a governance process on IT issues including disruption, cyber security, and disaster recovery, to ensure that all key risks are identified, managed and reported to the board.	-		
Recommendation 12.2			
1. Company has in place an independent internal audit function that provides an independent and objective assurance, and consulting services designed to add value and improve the company's operations.	Compliant	AMCG, Article X, (3) INTERNAL CONTROL SYSTEM AND ENTERPRISE RISK MANAGEMENT FRAMEWORK The Corporation shall have a qualified Internal Audit Head appointed by the Board. The Internal Audit Head shall oversee and	

		be responsible for the internal audit activity of the organization, including that portion that is outsourced to a third party service provider.	
Recommendation 12.3			
1. Company has a qualified Chief Audit Executive (CAE) appointed by the Board.	Compliant	The in-house internal auditor of the Corporation is Ms. Kareen A. Tablizo, CPA, who has at least ten (10) years of audit experience.	
2. CAE oversees and is responsible for the internal audit activity of the organization, including that portion that is outsourced to a third party service provider.	Compliant	AMCG, Article X, (3) INTERNAL CONTROL SYSTEM AND ENTERPRISE RISK MANAGEMENT FRAMEWORK The following are the responsibilities of the Internal Audit Head, among others: a) Periodically reviews the internal audit charter and presents it to senior management and the Audit and Risk Committee for approval. b) Establishes a risk-based internal audit plan, including policies and procedures, to determine the priorities of the internal audit activity, consistent with the organization's goals. c) Communicates the internal	

		audit activity's plans, resource requirements and impact of resource limitations, as well as significant interim changes, to senior management and the Audit and Risk Committee for review and approval. d) Spearheads the performance of the internal audit activity to ensure it adds value to the organization. e) Reports periodically to the Audit and Risk Committee on the internal audit activity's performance relative to its plan. f) Presents findings and recommendations to the Audit and Risk Committee and gives advice to senior management and the Board on how to improve internal processes.	
3. In case of a fully outsourced internal audit activity, a qualified independent executive or senior management personnel is assigned the responsibility for managing the fully outsourced internal audit activity.	Not Applicable		There was no instance wherein the Corporation had outsourced the internal audit activity.
Recommendation 12.4			
1. Company has a separate risk management function to identify, assess	Compliant	AMCG, Article X, 4 and 5	

and monitor key risk exposures.		INTERNAL CONTROL SYSTEM AND ENTERPRISE RISK MANAGEMENT FRAMEWORK 4. The Corporation shall have a separate risk management function to identify, assess and monitor key risk exposures. The risk management function involves the following activities, among others: a) Defining a risk management strategy. b) Identifying and analyzing key risks exposure relating to economic, environmental, social and governance factors and achievement of the organization's strategic objectives. c) Evaluating and categorizing each identified risk using the Corporation's predefined risk categories and parameters. d) Establishing a risk register with clearly defined, prioritized and residual risks. e) Developing a risk mitigation plan for the most important risks to the Corporation, as defined by the risk management strategy. f) Communicating and reporting significant risk exposures including business	

		risks (i.e., strategic, compliance, operational, financial and reputational risks), control issues and risk mitigation plan to the Audit and Risk Committee. g) Monitoring and evaluating the effectiveness of the organization's risk management processes. 5. In managing the Corporation's Risk Management System, the Corporation should have a Risk Management Officer (RMO), who is the ultimate champion of Enterprise Risk Management (ERM) and has adequate authority, stature, resource and support to fulfill his/her responsibilities, subject to the Corporation's size, risk profile and complexity of operations. There should be clear communication between the Audit and Risk Committee and the RMO. The RMO has the following functions, among others: a. Supervises the entire ERM process and spearheads the development, implementation, maintenance and continuous improvement of	

		ERM processes and documentation. b. Communicates the top risks and the status of implementation of risk management strategies and action plans to the Audit and Risk Committee. c. Collaborates with the Chairman/CEO and President/COO in updating and making recommendations to the Audit and Risk Committee. d. Suggest ERM policies and related guidance, as may be needed. e. Provides insights on the following: i) Risk management processes are performing as intended. ii) Risk measures reported are continuously reviewed by risk owners for effectiveness. iii) Established risk policies and procedures are being complied with.	
Supplement to Recommendation 12.4			
1. Company seeks external technical support in risk management when such competence is not available internally.	Compliant	Technical support in risk management is being handled by the Risk Management Officer of the Corporation. She is allowed to seek external help and support when necessary.	

Recommendation 12.5			
1. In managing the company's Risk Management System, the company has a Chief Risk Officer (CRO), who is the ultimate champion of Enterprise Risk Management (ERM).	Compliant	The Corporation's Chief Risk Officer (CRO) is Ms. Floradema Jayme, CPA. The Corporation also has a Crisis Management Committee ("CMC") which is responsible for working with all departments to help aggregating risk outputs from all departments to form an enterprise level risk register, have all the key risks analyzed, evaluated, and report to the Senior Management and Board on critical and emerging risks as per Board requirements.	
2. CRO has adequate authority, stature, resources and support to fulfill his/her responsibilities.	Compliant		
Additional Recommendation to Principle 12			
1. Company's Chief Executive Officer and Chief Audit Executive attest in writing, at least annually, that a sound internal audit, control and compliance system is in place and working effectively.	Compliant	The Audit and Risk Committee and the Board of Directors annually discuss, approve, and act on the findings and recommendations of the External Auditor.	
Cultivating a Synergic Relationship with Shareholders			
Principle 13: The company should treat all shareholders fairly and equitably, and also recognize, protect and facilitate the exercise of their rights.			
Recommendation 13.1			
1. Board ensures that basic shareholder rights are disclosed in the Manual on Corporate Governance.	Compliant	These are contained under Articles XIII and XIV of the AMCG.	
2. Board ensures that basic shareholder rights are disclosed on the company's website.	Compliant	http://www.metroretail.com.ph	
Supplement to Recommendation 13.1			
1. Company's common share has one vote for one share.	Compliant	Shareholders shall have the right to vote the number of shares of stock standing, on record date, in his own	
2. Board ensures that all shareholders of the	Compliant		

same class are treated equally with respect to voting rights, subscription rights and transfer rights.		name on the stock and transfer book of the Corporation; and such shareholder may vote such number of shares for as many individuals as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit; Provided that, the total number of votes cast by him shall not exceed the number of shares owned by him as shown in the books of the Corporation multiplied by the whole number of directors to be elected. This can be found in the online Voting Ticket that all registered shareholders are given access to prior to the Annual Stockholders' Meeting.	
3. Board has an effective, secure, and efficient voting system.	Compliant	Please refer to Section 8, Article III of the Corporation's Fourth Amended By-Laws. Please refer to Guidelines for Participating via Remote Communication and Voting in Absentia in the Definitive Information Statement.	

4. Board has an effective shareholder voting mechanisms such as supermajority or "majority of minority" requirements to protect minority shareholders against actions of controlling shareholders.	Not Applicable		The Corporation has no supermarjority or "majority of minority" requirements.
5. Board allows shareholders to call a special shareholders' meeting and submit a proposal for consideration or agenda item at the AGM or special meeting.	Compliant	AMCG, Article XIII Although all shareholders should be treated equally or without discrimination, the Board should give minority shareholders the right to propose the holding of meetings and the items for discussion in the agenda that relate directly to the business of the Corporation.	
6. Board clearly articulates and enforces policies with respect to treatment of minority shareholders.	Compliant	Please refer to Article XIII of the AMCG.	
7. Company has a transparent and specific dividend policy.	Compliant	Fourth Amended By-Laws, Article VIII Section 3. Dividends – Dividends shall be declared and paid out of the unrestricted retained earnings which shall be payable in cash, property or stock to all stockholders on the basis of outstanding stock held by the, as often and at such times as the Board of Directors may determine in	

		accordance with law. The Corporation has also adopted a Dividend Policy under Board Resolution No. 013B-8-15.	
Optional: Recommendation 13.1			
1. Company appoints an independent party to count and/or validate the votes at the Annual Shareholders' Meeting.	Compliant	This is done by *Stock Transfer Service Inc.*, the Corporation's stock transfer agent.	
Recommendation 13.2			
1. Board encourages active shareholder participation by sending the Notice of Annual and Special Shareholders' Meeting with sufficient and relevant information at least 28 days before the meeting.	Compliant	The 2022 and 2023 Notices of the Annual Stockholders' Meeting and the Agenda were sent to the stockholders of record at least two (2) weeks prior to the date designated for the 2022 and 2023 Annual Stockholders' Meetings pursuant to Section 4, Article II of the Amended By-laws. The Agenda for the 2022 and 2023 Annual Stockholders' Meetings were uploaded and disclosed to PSE Edge at: See PSE Disclosure: https://edge.pse.com.ph/openDiscViewer.do?edge_no=e1e56300e2d365053470cea4b051ca8f See PSE Disclosure: https://edge.pse.com.ph/openDiscViewer.do?edge_no=23d0fef8491f6cdf9e4dc6f6c9b65995	

Supplemental to Recommendation 13.2			
1. Company's Notice of Annual Stockholders' Meeting contains the following information:			
a. The profiles of directors (i.e., age, academic qualifications, date of first appointment, experience, and directorships in other listed companies)	Compliant	Profiles of Directors including age, academic qualifications, date of first appointment, experience and directorship in other listed companies are disclosed in the Annual Report and the Definitive Information Statement.	
b. Auditors seeking appointment/re-appointment	Compliant	See PSE Disclosure on Notice of Annual Stockholders' Meeting https://edge.pse.com.ph/openDiscViewer.do?edge_no=23d0fef8491f6cdf9e4dc6f6c9b65995	
c. Proxy documents	Compliant	See PSE Disclosure on Notice of Annual Stockholders' Meeting https://edge.pse.com.ph/openDiscViewer.do?edge_no=23d0fef8491f6cdf9e4dc6f6c9b65995	
Optional: Recommendation 13.2			
1. Company provides rationale for the agenda items for the annual stockholders meeting	Non-Compliant		The Corporation's Notice of Annual Stockholders' Meeting does not provide the rationale for the agenda items for these are self-explanatory.
Recommendation 13.3			
1. Board encourages active shareholder	Compliant	The results of the Annual	

participation by making the result of the votes taken during the most recent Annual or Special Shareholders' Meeting publicly available the next working day.		Stockholders' Meeting are disclosed within ten (10) minutes after the said meeting. https://edge.pse.com.ph/openDiscViewer.do?edge_no=98fbbff89bc035ca9e4dc6f6c9b65995	
2. Minutes of the Annual and Special Shareholders' Meetings were available on the company website within five business days from the end of the meeting.	Compliant	http://www.metroretail.com.ph	
Supplement to Recommendation 13.3			
1. Board ensures the attendance of the external auditor and other relevant individuals to answer shareholders questions during the ASM and SSM.	Compliant	Representatives from Sycip, Gorres Velayo & Co. ("SGV&Co."), the external auditor of the Corporation were present during the Annual Stockholders Meeting.	
Recommendation 13.4			
1. Board makes available, at the option of a shareholder, an alternative dispute mechanism to resolve intra-corporate disputes in an amicable and effective manner.	Compliant	AMCG, Article IV, (C).(19) DUTIES AND FUNCTIONS OF THE BOARD: The Board should approve and implement a policy on alternative dispute mechanism to resolve intra-corporate disputes in an amicable and effective manner.	
2. The alternative dispute mechanism is included in the company's Manual on Corporate Governance.	Compliant		
Recommendation 13.5			
1. Board establishes an Investor Relations Office (IRO) to ensure constant engagement with its shareholders.	Compliant	AMCG, Article XIII, last paragraph The Corporation shall establish an	

		Investor Relations Office (IRO) to ensure constant engagement with its shareholders. The IRO should be present at every shareholders' meeting. 1. Name of IRO: Mr. Arnold M. Leoncio 2. Telephone number (032) 236-8390 3. Fax number (032) 236-8365 4. E-mail address arnie.leoncio@metroretail.ph	
2. IRO is present at every shareholder's meeting.	Compliant	Mr. Arnold M. Leoncio was present during the 2022 and 2023 ASM.	
Supplemental Recommendations to Principle 13			
1. Board avoids anti-takeover measures or similar devices that may entrench ineffective management or the existing controlling shareholder group	Compliant	There are no any anti-takeover measures or similar devices that may entrench ineffective management or existing controlling shareholders group.	
2. Company has at least thirty percent (30%) public float to increase liquidity in the market.	Non-compliant	The public float of the Corporation based on its Public Ownership Report is 18.01% as of December 31, 2022. See PSE Disclosure on Public Ownership Report https://edge.pse.com.ph/openDiscViewer.do?edge_no=358939873951ddee9e4dc6f6c9b65995	The legally required minimum public float on Initial Public Offerings is twenty percent (20%) pursuant to SEC Memorandum Circular No. 13, series of 2017. For existing publicly listed companies, like the Corporation, the legally required minimum public float to date is only ten percent (10%).
Optional: Principle 13			
1. Company has policies and practices to	Compliant	AMCG, Article XIV(3)	

encourage shareholders to engage with the company beyond the Annual Stockholders' Meeting		(3) The Corporation shall adopt a framework and process that allow stakeholders to communicate with the Corporation and to obtain redress for the violation of their rights.	
2. Company practices secure electronic voting in absentia at the Annual Shareholders' Meeting.	Compliant	Please refer to Guidelines for Participating via Remote Communication and Voting in Absentia in the Definitive Information Statement.	
Duties to Stakeholders			
Principle 14: The rights of stakeholders established by law, by contractual relations and through voluntary commitments must be respected. Where stakeholders' rights and/or interests are at stake, stakeholders should have the opportunity to obtain prompt effective redress for the violation of their rights.			
Recommendation 14.1			
1. Board identifies the company's various stakeholders and promotes cooperation between them and the company in creating wealth, growth and sustainability.	Compliant	See Annual Report https://edge.pse.com.ph/openDiscViewer.do?edge_no=3f2dc89568b3442b9e4dc6f6c9b65995	
Recommendation 14.2			
1. Board establishes clear policies and programs to provide a mechanism on the fair treatment and protection of stakeholders.	Compliant	Please refer to Article XIV of the AMCG.	
Recommendation 14.3			
1. Board adopts a transparent framework and process that allow stakeholders to communicate with the company and to obtain redress for the violation of their rights.	Compliant	Please refer to the Corporation's Whistle-Blowing Policy.	
Supplement to Recommendation 14.3			
1. Company establishes an alternative dispute resolution system so that conflicts	Compliant	AMCG, Article IV, C. 11	

and differences with key stakeholders is settled in a fair and expeditious manner.		Establish and maintain an alternative dispute resolution system in the Corporation that can amicably settle conflicts or differences between the Corporation and its shareholders, and the Corporation and third parties, including the regulatory authorities.	
Additional Recommendations to Principle 14			
1. Company does not seek any exemption from the application of a law, rule or regulation especially when it refers to a corporate governance issue. If an exemption was sought, the company discloses the reason for such action, as well as presents the specific steps being taken to finally comply with the applicable law, rule or regulation.	Compliant	The Corporation has not sought or is not seeking any exemption from the application of a law, rule or regulation especially when it refers to a corporate governance issue.	
2. Company respects intellectual property rights.	Compliant	The Corporation has not violated any intellectual property rights.	
Optional: Principle 14			
1. Company discloses its policies and practices that address customers' welfare	-		
2. Company discloses its policies and practices that address supplier/contractor selection procedures	-		

Principle 15: A mechanism for employee participation should be developed to create a symbiotic environment, realize the company's goals and participate in its corporate governance processes.

Recommendation 15.1			
1. Board establishes policies, programs and procedures that encourage employees to actively participate in the realization of the company's goals and in its governance.	Compliant	The Board has adopted a Whistle Blowing Policy, and Code of Conduct for Directors & Senior Management which encourage employees to actively participate in the realization of the company's goals and in its governance.	
Supplement to Recommendation 15.1			
1. Company has a reward/compensation policy that accounts for the performance of the company beyond short-term financial measures.	Compliant	The Corporation's compensation philosophy is to pay competitive base salaries and to reward employees for their individual performance. Salary increases are dependent upon the company's performance and the employee's performance rating. The MRSGI Executive Stock Option Plan (MESOP) was approved by the Board of Directors on December 23, 2022, and was ratified by the Stockholders (representing at least 2/3 of the Total Outstanding Capital Stock) on February 7, 2023. The MESOP is currently awaiting approval from the Securities and Exchange Commission.	
2. Company has policies and practices on health, safety and welfare of its employees.	Compliant	All regular full-time active employees of the Corporation who are between 18 to 64 years old are eligible to	

		participate and are covered by Life, Hospitalization and Accident insurance policies with various insurers. Health and wellness of its employees are a priority for the Corporation. For the Corporation prevention is key to wellness, thus, the need to establish health and safety programs for the welfare of its employees. The Corporation ensures that its employees are all well and healthy on a regular basis through the Annual Physical Examination given to the Corporation's employees. Physicians have also been retained for every store on a weekly basis to ensure proper consultation is done. A full shift nurse is likewise assigned to on-site clinics of every store as well as the Corporate Office to ensure delivery of medical services on real time. Apart from the readily available facilities, employees are covered with hospitalization benefits to cater to cases needing admission. In addition to the foregoing, the Corporation offers its employees various programs and activities	

		relative to health and wellness: Health Talks: • Hypertension and Obesity • Pneumonia • Common Heart Diseases • Influenza • Cervical Cancer • Eye Care and Safety • HIV/AIDS Awareness • Caring for our mental health in the time of Covid - 19 • COVID 19: Case Management Plan General Orientation • Covid-19 Safety Protocol Refresher • Get Vaccinated: Possible Side Effects after Getting the COVID-19 Vaccine • Wellness Talk on Emerging Sars-CoV2 Variants and Vaccines: What We Need To Know • Wellness Seminar: Hakuna Matata (Mental Health Effects of Stress) Health Bulletins posted at Boards: • Hand Hygiene Technique • Causes and Symptoms of Heart Attack • Breast Cancer Awareness	

		• Hepatitis Prevention • Chicken Pox • Blood type Diet • How to eat Right • Viral Hepatitis • Malaria Awareness • Social Distancing at Canteen • Workplace Preparedness 101 • Distribution of face mask with logo • Mandatory wearing of face shield and face mask • Covid-19 Vaccine Survey and Registration Form • Covid-19 Vaccination: Our Frontline Health Professionals' Message • Covid-19 Vaccination: Here's your Dose of Hope from our Doctors Other Activities: • Flu Vaccine • Cervical Vaccine • Hepatitis B Vaccine • Blood Donation • Race to Beauty Fun Run • Free Eye Check Up • HIV Screening • Ergonomic Exercise • Zumba • Mobile Blood Donation To ensure compliance with Labor	

		Standards on health and safety of the Corporation's employees, the following policies have also been established: • Occupational Health and Safety & Administration Standards Manual • Drug Free Workplace Policy • Tuberculosis Prevention Program in the Workplace • Workplace Program and Policy on Hepatitis B • HIV/Aids Workplace Program and Policy • Covid Management at Workplace Safety practices are likewise of priority to the Company. Fire and Earthquake Drills, lectures and orientations are done thrice a year for all Hypermarket and Big Store Formats. The Security Teams are given Lectures on Updates on Safety and Security Practices in coordination with the Fire Department, National Bureau of Investigation (NBI) and the Armed Forces of the Philippines (AFP).	
3. Company has policies and practices on training and development of its employees.	Compliant	The Corporation, through the Human Resource Department, conducts various trainings and seminars,	

		depending on the needs of the business.	
Recommendation 15.2			
1. Board sets the tone and makes a stand against corrupt practices by adopting an anti-corruption policy and program in its Code of Conduct.	Compliant	Code of Conduct for Directors and Senior Management The Board Members and senior managers shall at all times: xxx 1. Will not accept from or give to stakeholders gifts or other benefits not customary in normal social intercourse; 2. Not use any information or opportunity received by them in their capacity as Directors or senior managers in a manner that would be detrimental or prejudicial to the interest of the Corporation xxx	
2. Board disseminates the policy and program to employees across the organization through trainings to embed them in the company's culture.	Compliant	All policies adopted by the Board are disseminated to concerned employees across the organization through trainings to embed them in the company's culture.	
Supplement to Recommendation 15.2			
1. Company has clear and stringent policies and procedures on curbing and penalizing employee involvement in offering, paying and receiving bribes.	Compliant	Code of Conduct for Directors and Senior Management Any concern involving malpractice or wrongdoing by any member of	

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		the Board of Directors or any senior manager of the Corporation shall be reported to the Chief Strategy and Governance Officer. The Corporation's Governance Committee shall the proceed to investigate the said concern and report directly, and make the appropriate recommendations, to the Chairman and Chief Executive Officer.	
Recommendation 15.3			
1. Board establishes a suitable framework for whistleblowing that allows employees to freely communicate their concerns about illegal or unethical practices, without fear of retaliation	Compliant	The Board has adopted a Whistle Blowing Policy that allows employees to freely communicate their concerns about illegal or unethical practices, without fear of retaliation.	
2. Board establishes a suitable framework for whistleblowing that allows employees to have direct access to an independent member of the Board or a unit created to handle whistleblowing concerns.	Compliant	The Board has adopted a Whistle Blowing Policy that allows employees to have direct access to an independent member of the Board or a unit created to handle whistleblowing concerns.	
3. Board supervises and ensures the enforcement of the whistleblowing framework.	Compliant	Please refer to the Whistle-Blowing Policy of the Corporation.	
Principle 16: The company should be socially responsible in all its dealings with the communities where it operates. It should ensure that its interactions serve its environment and stakeholders in a positive and progressive manner that is fully supportive of its comprehensive and balanced development.			
Recommendation 16.1			
1. Company recognizes and places importance on the interdependence	Compliant	The Corporation embraces its civic and social responsibility by	

between business and society, and promotes a mutually beneficial relationship that allows the company to grow its business, while contributing to the advancement of the society where it operates.		continuously supporting communities where it operates through sustainable civic outreach programs, environmental conservation efforts, skills training, livelihood and other employment generating activities. Please see link on Corporate Social Responsibility http://www.metroretail.com.ph/index.php/corporate-affairs/corporate-social-responsibility Yearly, the Corporation donates to Vicsal Foundation, Incorporated, a duly registered non-stock, non-profit organization which is duly accredited with the Philippine Council for NGO Certification.	
Optional: Principle 16			
1. Company ensures that its value chain is environmentally friendly or is consistent with promoting sustainable development	-		
2. Company exerts effort to interact positively with the communities in which it operates	-		

Pursuant to the requirement of the Securities and Exchange Commission, this Integrated Annual Corporate Governance Report is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in Mandaue City on May 30, 2023.

SIGNATURES

FRANK S. GAISANO
Chairman of the Board/Chief Executive Officer

MANUEL C. ALBERTO
President/Chief Operating Officer

GUILLERMO L. PARAYNO JR.
Independent Director

RICARDO NICANOR N. JACINTO
Independent Director

ATTY. VINCENT E. TOMANENG
Corporate Secretary

ATTY. THERESA MARIE C. PUNO-DELA PEÑA
Compliance Officer

SUBSCRIBED AND SWORN to before me this 30th day of May 2023, affiants exhibiting to me the following competent evidence of identities:

NAME	IDENTIFICATION	DATE/PLACE ISSUED
FRANK S. GAISANO	Passport No. P5597665A	DFA-NCR South/ valid until January 11, 2028
MANUEL C. ALBERTO	Passport No. P7710412A	DFA-NCR South/ valid until June 27, 2028
GUILLERMO L. PARAYNO JR.	Passport No. P8360629B	DFA-Manila/ valid until December 1, 2031
RICARDO NICANOR N. JACINTO	Passport No. P6245151B	DFA-NCR South/ valid until February 8, 2031
ATTY. VINCENT E. TOMANENG	Passport No. P6261118A	DFA-Cebu/ valid until March 1, 2028
ATTY. THERESA MARIE C. PUNO-DELA PEÑA	UMID CRN:000-6266-2207-9	

Doc. No. ___;
Page No. ___;
Book No. II;
Series of 2023.

ATTY. PRINCESS CHRISTINE C. CARLOBOS

tpd

SGV
Building a better
working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

AGREED-UPON PROCEDURES REPORT ON THE QUARTERLY PROGRESS REPORT ON THE USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING OF EQUITY SECURITIES

The Board of Directors and Shareholders
Metro Retail Stores Group, Inc.
Vicsal Building, Corner of C.D Seno and W.O Seno Streets
Guizo, North Reclamation Area
Mandaue City, Cebu
Philippines

Purpose of this Agreed-Upon Procedures Report

We have performed the procedures which were agreed to by Metro Retail Stores Group, Inc. (the Company) and enumerated below with respect to the Quarterly Progress Report for the year ended December 31, 2023. Our report is solely for the purpose of assisting the Company in complying with the requirements of Philippine Stock Exchange Inc. (PSE) relating to the use of proceeds of your Initial Public Offering (IPO), and this may not be suitable for another purpose.

Restriction on Use

This agreed-upon procedures report ("AUP Report") is intended solely for the information and use of Company and is not intended to be and should not be used by anyone else.

Responsibilities of the Company

The Company has acknowledged that the agreed-upon procedures are appropriate for the purpose of the engagement.

The Company is responsible for the Subject Matter on which the agreed-upon procedures are performed. The sufficiency of these procedures is solely the responsibility of the Company.

Practitioner's Responsibilities

We have conducted the agreed-upon procedures engagement in accordance with Philippine Standard on Related Services (PSRS) 4400 (Revised), *Agreed-Upon Procedures Engagements*. An agreed-upon procedures engagement involves our performing the procedures that have been agreed with the Company, and reporting the findings, which are the factual results of the agreed-upon procedures performed. We make no representation regarding the appropriateness or the sufficiency of the agreed-upon procedures described below either for the purpose for which this AUP Report has been requested or for any other purpose.

This agreed-upon procedures engagement is not an assurance engagement. Accordingly, we do not express an opinion or an assurance conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported.

Professional Ethics and Quality Management

In performing the Agreed-Upon Procedures engagement, we complied with the ethical requirements in the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics). We are not required to be independent for the purpose of this engagement. We are the independent auditor of the Company and complied with the independence requirements of the Code of Ethics that apply in context of the financial statement audit.

Our firm applies Philippine Standard on Quality Control 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements,* and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Procedures and Findings

We have performed the procedures below, which were agreed upon with the Company in terms of engagement dated March 20, 2023, on the Subject Matter.

We report our findings below:

1. We obtained the Quarterly Progress Report on Use of Proceeds from the IPO for the year ended December 31, 2023 (the "Progress Report") and mathematical checked the accuracy of the Progress Report. No exceptions were noted.

2. We compared the net proceeds to the bank statement and journal voucher noting the date received and amount recorded. The Company earned Seventeen Million Six Hundred Twenty-One Thousand Twenty-Nine and Seventy-Seven Hundredths (₱17,621,029.77) interests from time deposits, net of final taxes, which were rolled over together with the principal for another period and thus forms part of the Company's IPO fund. No exceptions were noted.

3. We obtained the list of disbursements for the year ended December 31, 2023 (the "Disbursement Schedule") and checked its mathematical accuracy. No exceptions were noted.

4. We compared the disbursements in the Progress Report to the Disbursement Schedule. There were total disbursements from the IPO account for the current quarter amounting to Three Hundred Sixty-Four Million Seven Hundred Eighteen Thousand Six Hundred Forty and One Hundredth (₱364,718,640.01) No exceptions were noted.

5. On a sample basis, we traced the amounts and dates of the disbursements to the supporting documents such as progress billing statements, bank statements, invoices, official receipts and check vouchers, and agreed the amounts and dates of the disbursements to the accounting records. No exceptions were noted.

6. On a sample basis, we compared the nature and amount of disbursements in the Progress Report to the schedule of planned use of IPO proceeds. The nature of the disbursements in the Progress Report are in line with the planned use of IPO proceeds. No exceptions were noted.

Explanatory Paragraph

The Company is responsible for the source documents that are described in the specified procedures and related findings section. We were not engaged to perform, and we have not performed any procedures other than those previously listed. We have not performed procedures to test the accuracy or completeness of the information provided to us except as indicated in our procedures. Furthermore, we have not performed any procedures with respect to the preparation of any of the source documents.

This AUP Report relates only to the Quarterly Progress Report for the year ended December 31, 2023, as specified above and do not extend to the financial statements of the Company, taken as a whole.

We take no responsibility to update this AUP Report for events and circumstances occurring after the AUP Report is issued.

SYCIP GORRES VELAYO & CO.

Carlo Paolo V. Manalang

Carlo Paolo V. Manalang
Partner
CPA Certificate No. 111947
Tax Identification No. 210-730-804
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
BIR Accreditation No. 08-001998-127-2023, January 25, 2023, valid until January 24, 2026
PTR No. 10079969, January 6, 2024, Makati City

January 31, 2024

METRO RETAIL STORES GROUP, INC.

January 31, 2024

THE PHILIPPINE STOCK EXCHANGE
Philippine Stock Exchange Plaza
6th Floor, PSE Tower
Bonifacio Global City, Taguig

Attention: Ms. Alexandra D. Tom Wong
Officer-in-Charge, Disclosure Department

Subject: Annual Progress Report on the Disbursement of Proceeds from the Initial Public Offering ("IPO") of Metro Retail Stores Group, Inc. ("MRSGI")

Dear Ms. Tom Wong,

We are pleased to submit our Progress Report on the Application of Proceeds for 2023, duly certified by our external auditors, in compliance with the disclosure requirements of the Philippine Stock Exchange.

Please be advised that as of December 31, 2023, the remaining balance of the proceeds from the MRSGI common shares IPO amounts to Two Hundred Twenty Nine Million Nine Hundred Thirty Three Thousand Seven Hundred Forty Pesos and Thirty-Six Centavos (Php 229,933,740.36).

The details of the movement for the Calendar Year 2023 are as follows:

Balance of IPO Proceeds as of December 31, 2022		Php	**577,031,350.60**
Add:	Interest Earned		**17,621,029.77**
Less:	Capital Expenditure for Sta. Rosa Project		**364,718,640.01**
Balance of IPO Proceeds as of December 31, 2023		**Php**	**229,933,740.36**

Thank you.

Very truly yours,

JOSELITO G. ORENSE
Treasurer / Chief Financial Officer