ROBINSONS
RETAIL
HOLDINGS, INC.

Salute to **Frontliners**

2020 ANNUAL AND SUSTAINABILITY REPORT

About the Cover

Our cover features cashiers from Robinsons Supermarket at the height of community lockdowns. When the COVID-19 outbreak reached the Philippines, our essential formats, namely our supermarkets, drugstores and convenience stores, remained open to serve our customers.

The 2020 Annual and Sustainability Report is entitled “Salute to Frontliners” in recognition of the efforts of our employees during these trying times. We are grateful for the dedication they have shown, and we continue to value the contributions of our people in our journey as one of the leading retailers in the Philippines.

Contents

Business Profile

102-1, 102-2, 102-3, 102-4, 102-6, 102-7, 102-16

Corporate Information

Robinsons Retail Holdings, Inc. (RRHI) is one of the Philippines' largest and most diverse multi-format retailers. Everday, we serve a broad spectrum of customers across the nation through our stores and online channels. Through a vast array of products and services, we are dedicated to providing the needs of the Filipino consumer.

Vision

We enrich the lives of every Filipino with trusted products and solutions that bring them joy.

Founded in 1980 by the late entrepreneur and philanthropist John L. Gokongwei, Jr., the Company began with the first Robinsons Department Store at Robinsons Place Manila. The Company's portfolio then diversified to food and grocery retail, do-it-yourself, convenience stores, drugstores, mass merchandise and specialty stores. We became publicly-listed in 2013 and are currently part of the Philippine Stock Exchange Index.

Our culture of customer-centricity and creating shared success is reflected in our strategies to adapt to the dynamic space of the retail industry, such as our continuous pursuit for digitalization, disciplined expansion and embedding sustainability across different aspects of our operations. Through the years, we have established meaningful collaborations with various partners and suppliers. We have also contributed to the growth of local economies, provided employment to thousands of individuals and ushered in modern retail in many parts of the country.

Mission

Our mission is to:

We aim to be an innovative lifestyle partner and customer-centric retailer of choice that provides delightful shopping experiences to every Filipino.

Brand Portfolio & Acquisitions

102-45

1980

Robinsons Department Store

We opened the 1st Robinsons Department Store in Robinsons Place Manila.

1985

Robinsons Supermarket

Our entry into food retail was marked by the 1st Robinsons Supermarket in Robinsons Place Cebu.

1994

HANDYMAN Do it Best

The first Handyman store opened in Robinsons Galleria, our first Do-It-Yourself format.

2000

Robinsons Appliances

We entered electronics and appliances retailing with Robinsons Appliances.

MINISTOP

We brought Japan's Ministop to the Philippines.

2006

Toys R Us

We became a sub-licensee of Toys 'R' Us Asia.

2007

True Value

Our first major acquisition, we acquired 66.7% of True Value from Amon Trading Corporation.

2009

DAISO JAPAN

We brought Daiso Japan to the Philippines as the exclusive franchise license holder of the brand.

2012

southstar drug

We acquired 90% stake in Southstar Drug, the oldest and one of the country's biggest drugstore chains. Founded by the Dy family, it began to serve the market in the Bicol region in 1937.

2013

Robinsons REWARDS

We launched our Loyalty Card Program to engage our customers better.

PSE

We were listed in the Philippine Stock Exchange on Nov 11, 2013.

2014

We launched Robinsons Easymart, a minimart format catering to urban residential areas.

We entered the cosmetics landscape with the acquisition of Beauty Skinnovations Retail, Inc., licensed resellers of int'l cosmetics brands Benefit and Shiseido.

2015

We acquired 90% of Savers Appliances, an appliance chain whose operations are concentrated in Central Luzon and Cagayan Valley.

2016

We acquired 51% of TGP, which has the highest store network of its kind in the Philippines at more than 2,000 community drugstores.

2017

We invested in a minority stake in the country's leading beauty e-commerce site, BeautyMNL.

2018

Our biggest acquisition to date which was structured as a share swap with Dairy Farm Intl. Ltd. valued at around ₱18bn. The stores are under the banners of The Marketplace, Shopwise, Shopwise Express and Wellcome.

We were appointed exclusive franchisee of Pet Lovers Centre Singapore, the biggest pet chain in Singapore.

We invested in a convertible note issued by B2B platform Growsari Inc, equivalent to 28.6% of the company upon conversion.

2019

We were appointed exclusive franchisee for No Brand and Scentence of E-Mart in South Korea.

We opened our first Super50 store

2020

We launched our own e-commerce platforms:

gorobinsons.ph
southstardrug.com.ph
robinsonsappliances.com.ph

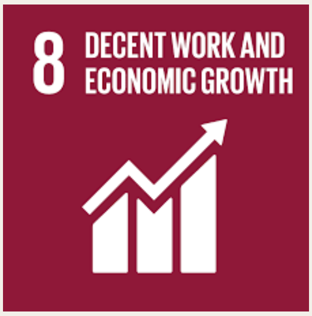
We acquired 100% of Cebu-based Rose Pharmacy from Dairy Farm Intl. Ltd, which operates mostly in the Visayas and Mindanao.

Contributions to the **Sustainable Development Goals**

Robinsons Retail actively takes into account the United Nations Sustainable Development Goals as a framework in its operations and targetive initiatives on Sustainability.

Highlights

Inclusive Workforce



- Over **18,000** Direct Hire Employees

Women Empowerment

- Workforce Composition of **70%** female employees

Health & Economic Empowerment

- **1,057** SKUs of Generic Medicines

- Empowering **539** Franchisees of TGP and Ministop

Robinsons Supermarket's Programs

- **100** mothers under the Wellness Moms Program
- **121** World Vision Beneficiaries
- **599** Farmers in the Farm to Table Program
- **9,158 SKUs** sourced from SMEs
- **1,177** products with biodegradable packaging
- **19.2%** reduction in energy consumption with Water Loop Airconditioning System in Robinsons Supermarket Capitol Hills

Investment in Growsari

- Serving over **20,000** Sari-Sari Store owners

“Of the many lessons we learned, the pandemic further validated a principle that we value in Robinsons Retail’s journey in sustainability: that people are the heart of our business.”

Chairman & President's Message

102-14

Lance Gokongwei
Chairman

Robina Gokongwei Pe
President & CEO

Dear Shareholders,

This year, we are sharing with you a combined Annual and Sustainability Report for Robinsons Retail Holdings, Inc. 2020 was marked by the emergence of the COVID-19 pandemic, and needless to say, it was a difficult year for everyone. The virus tested our flexibility to remain operational in the face of large-scale disruption, and our capability to respond to the call of greater involvement from the private sector to aid communities in crisis.

But it was also a year of triumph where we saw shining moments of collective action. We believe there is reason to remain hopeful about the future.

The macro-economic headwinds impacted our financial metrics, but we remained relatively resilient with a decline in net sales of only 7.3% to Php151.1 billion. Our major KPI, same-store-sales (SSSG), however, contracted to -8.9%.

On a more positive note, our Supermarket Segment, whose essential stores remained open as mandated by government during stringent community quarantines, experienced relative stability with full-year sales at Php94.1 billion and SSSG at 7.7%. Further manifesting our digitalization strategies, our e-commerce pivot also came to fruition through our very own order and delivery services. We launched GoRobinsons, which can be downloaded as a mobile app for iOs and Android. This was alongside our continued partnerships with third party online marketplaces.

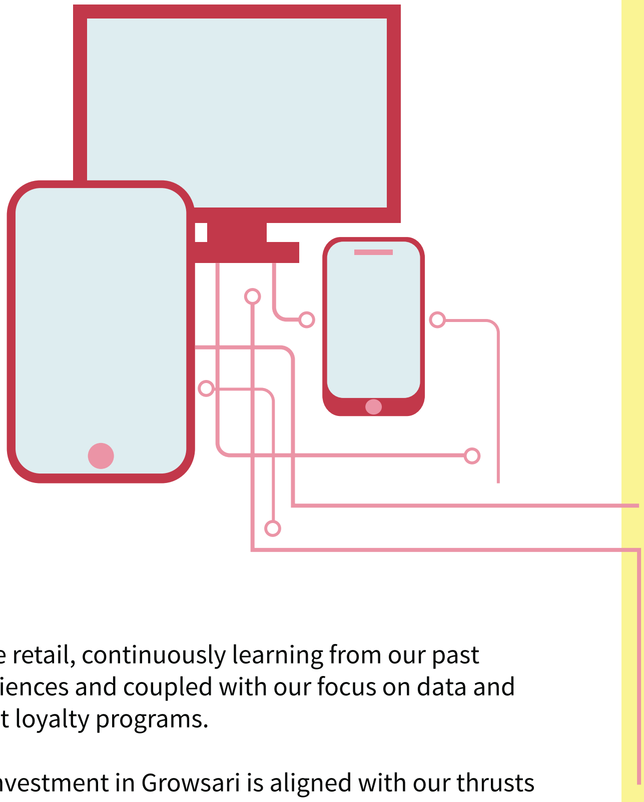
On October 30, 2020, we acquired Rose Pharmacy, Inc. from Dairy Farm International Holdings, Ltd. Rose Pharmacy is the leading drugstore chain Visayas and Mindanao, and we added over 297 Rose Pharmacy stores to our network. Together with Southstar Drug's presence in Luzon and Metro Manila, the acquisition puts in place opportunities to further strengthen our position in the industry, in the same manner that we pursued synergies between Robinsons Supermarket and Rustan Supercenters, Inc. We acquired Rustan Supercenters, Inc. from Dairy Farm as well, which was done through a share-swap agreement in 2018.

We rationalized our banner portfolio as we divested our ownership of Chic Centre Corporation. Lastly, we winded down on our specialty fashion segment, as our UK-based principals, the Arcadia Group, fell into administration and nullified all global franchise agreements.

Chairman & President's Message

Bridging Gaps through Technology

102-14



We relied on implementing business continuity programs and strategic ways to take advantage of opportunities in technology. One of the most significant lessons of 2020 in Robinsons Retail was the confirmation that e-commerce was tremendously relevant in addressing the needs of our customers today.

Catalyzed by limited consumer mobility, Robinsons Retail's e-commerce sales increased exponentially—growing three times from 2019—and contributed 1.1% of total sales in 2020. Together with our participation in third party marketplaces, our brands established virtual Viber communities for click and collect services to ensure that we have alternative means to connect with our customers.

The growth of our e-commerce share was driven by a major strategic step that we pursued in the year, which was the launch of our own e-commerce platforms. In March and August, respectively, Southstar Drug and Robinsons Appliances launched their own e-commerce platforms through their company websites, southstardrug.com.ph and robinsonsappliances.com.ph.

We publicly launched GoRobinsons in June 2020. As our very own e-commerce website, gorobinsons.ph piloted with order and delivery services for Robinsons Supermarket, and has since then grown to house The Marketplace, Shopwise, Toys 'R' Us in 2020, and Handyman and No Brand in February 2021. GoRobinsons is also available as a mobile app downlaodable for iOs and Android.

It is important to us to build gorobinsons.ph in such a way that we make more meaningful connections with our customers. Complementary to our strong offline presence, we envision gorobinsons.ph to become a lifestyle partner for the Filipino shopper, serving as the Group's integrated platform that addresses virtually all of our customers' basic needs, as well as offer diverse options of discretionary products.

As of end 2020, the uptake for gorobinsons.ph was substantial, with customers in Manila and areas in Rizal. Moving forward, we aim to widen this scope farther to serve more customers across the country.

Prior to the disruption of COVID-19, the indispensable role of e-commerce was already clear for the future of retail. The launches and initiatives we undertook in 2020 were manifestations of a long-term strategy that had its beginnings from our strategic investments in e-commerce platforms such Growsari and BeautyMNL, and participation in third party marketplaces, which we started to engage as early as 2015. Today, we continue to deepen our presence online retail, continuously learning from our past experiences and coupled with our focus on data and robust loyalty programs.

Our investment in Growsari is aligned with our thrusts for sustainability, as it empowers sari-sari store owners through inclusive business and technology. The B2B platform, which recorded GMV (gross merchandise value) of Php2.0 billion in 2020, allows sari-sari stores to replenish supplies through a mobile-based app, with merchandise being sourced from Robinsons Supermarket stores. BeautyMNL, on the other hand, recorded GMV of around Php900 million and remains one of the largest pure Filipino e-commerce sites. Offering beauty, skincare, and apparel, it campaigns for inclusivity through celebrating Filipina beauty in all its diversity.

Our digitalization thrusts are strategically linked with data analytics. Robinsons Retail has 40% stake in Data Analytics Ventures, Inc. (DAVI), our loyalty and data unit joint venture with JG Summit Holdings, Inc., which oversees the Robinsons Rewards Loyalty program and Cebu Pacific's GetGo program. Together, the programs have a combined network of 8.9 million members.

DAVI's data-driven solutions allow for precision marketing and omnichannel campaigns through unique consumer insights, all the while ensuring that consumer rights, data, and privacy are protected. Insights are then translated into responsive promotions and campaigns coursed through the Robinsons Rewards App and the gorobinsons.ph platform.

Our strategic onboarding of our banners in gorobinsons.ph, targeted campaigns and loyalty programs are all part of fortifying our digital foundations, and our aim is to bring customers closer to products and services that are meaningful to them at various touchpoints, offering convenience amidst a challenging environment.

Chairman & President's Message

Protecting Our People

Of the many lessons we learned, the pandemic further validated a principle that we value in Robinsons Retail's journey in Sustainability: that people are at the heart of our business.

Entitled "Salute to Frontliners," this report pays homage to our frontline employees in stores and distribution centers, and we offer our gratitude for essential work they have done at the height of lockdowns due to the pandemic. These include our frontliners in formats that were allowed by government to remain open during the declaration of community quarantine from March 17 to May 15, namely our supermarkets, convenience stores and drugstores. During these eight weeks, our discretionary formats and Head Office remained closed.

We also dedicate this report to all our shared services employees based in our headquarters, our partners, and our loyal customers who continued to support our brands.

One of the first decisions we made in management was to ensure that our employees working onsite were given personal protective equipment (PPEs) and safety training, emphasizing the importance of wearing masks and social distancing. From the declaration of General Community Quarantine on March 12, 2020, we quickly implemented work-from-home arrangements for those who are able to work remotely, and operated with a skeleton workforce among all our departments. This was throughout the subsequent implementation of Enhanced Community Quarantine a week later, the variable lockdowns imposed by government that followed.

We made sure that while in lockdown, we gave incentive allowances to employees working in the frontlines. We conducted regular sanitation and disinfection procedures across all our sites of operations, and required the daily submission of health declaration forms before entering work premises. We implemented policies strictly requiring the usage of facemasks and face shields, and encouraged regular hand-washing and the use of rubbing alcohol and hand sanitizers.

Through COVID Care, the Gokongwei Group's Telemedicine Hotline, our employees could access information on the virus and consultation services in case they experienced symptoms. For our stores, we put in place mechanisms for contact-tracing in case of infection, and put up information campaigns and highly visible materials to educate our customers on measures to protect themselves as well as others.

Internally, the new reality of quarantine entailed for us to rely more on technology to remain connected as an organization. Face-to-face meetings have inherent advantages as the experience is more personal, but we have learned to adopt virtual means to communicate both with our internal and external stakeholders. The programs we use now to conduct meetings on a regular basis, such as Microsoft Teams and Zoom web conferences, became all the more applicable and crucial in 2020.

Stable internet connection and getting used to talking on screen were minor hurdles we had to overcome, we came to understand that it gave us certain advantages as well. Going virtual was not only safer, but it gave us the capability to engage more people, such as through our webinar-based town halls, and conference calls with partners both local and abroad. We even began to conduct our training courses online, which gave an avenue for our employees to continue their learning for career development in the company.

Chairman & President's Message

Deeper into Sustainability

Sustainability in Robinsons Retail had its foundations in social responsibility and corporate governance. Over the past few years, we delved more into the discourse of further integrating ESG (Environment, Social, and Governance) data and developments into our disclosures. We continue to initiate steps to fully embed Sustainability into the culture of how we do business.

We continued our CSR (corporate social responsibility) projects, many of which were framed in the context of the needs presented by COVID-19 and the numerous natural disasters that hit the country in 2020, from the Taal eruption to Typhoons Rolly, Siony, and Ulysses. Our initiatives in disaster-response are underpinned with a growing understanding of climate change and resilience, and we are in the process of further enhancing our efforts in climate risk assessment and management.

Working with partners such as the Gokongwei Brothers Foundation and World Vision, we were able to provide assistance throughout the year to various groups, from medical frontliners to communities in need through the provision of basic necessities and PPEs, as well as our own employees affected by calamities.

In 2020, we conducted two Sustainability townhalls to have even wider awareness on Sustainability across the Group. We held the first one on February 4, 2020, which explained in detail our vision and roadmap for Robinsons Retail and why Sustainability has become a significant metric among our stakeholders that guides their choices in relation to the company, either as investors or consumers.

Here, we reviewed our Sustainability Framework, which we solidified in 2018, to show how our present activities, such as corporate social responsibility programs, energy-saving measures, compliance to governance standards, and partnerships with small business partners were intimately woven to the overall objectives of fostering a sustainable company.

Conducted on November 11, 2020, our second townhall was held virtually in response to restrictions to mass gatherings, allowing numerous participants from across our business units store and distribution center operations to join remotely. It focused on the Supply Chain and Sustainability, which heavily touches on our materiality and is one of the most complex aspects of our business.

Anchored on efficiency, it involved an overview and structural changes implemented in our Supermarket Supply Chain, as well as improvements in inventory and warehousing in Robinsons Appliances. Looking towards the future, we explored the potential of technology to transform supply chain processes with systems that aided both the business units and suppliers, from real-time data analytics to automation.

Our sustainability journey is far from over. There is still much room to grow in further enhancing our capacities to create positive impacts to society and the environment, navigating through the complexities of sustainability, which in itself is an evolving conversation involving multiple actors and interests. COVID-19 outlined the reality that the private sector indeed plays a pivotal role advancing society towards a more resilient future.

Chairman & President's Message

A New Normal, A New Era for Business

After the shock of 2020, we face 2021 with hope. Through crafting recovery programs and strengthening the health sector, the Philippines is setting the necessary safeguards to rebuild the economy and the industries that need to bounce back. We see vaccination roadmaps being put into place with key priorities being frontliners and the most vulnerable sectors, and we see consumer confidence rise as our customers adapt to the routine of wearing masks, sanitation, and social distancing as they go out and visit stores, and greater confidence in e-commerce.

As apocalyptic as our situation seemed at first, we are learning to live with the virus. COVID-19 invited in a new age of reflection and reassessing the structures we have in place for business continuity and sustainable consumption. It will not likely disappear, and new strains and diseases will inevitably emerge, but we are also more prepared than we were at the beginning of 2020.

We acknowledge the fact that common issues require shared solutions and responsibility. But we are bravely optimistic for the future and our capability to come together. This is evident in our story, as Robinsons Retail faced its toughest year yet and we were able to get through it with the crucial and collaborative work of our employees and our partners, to whom we remain unceasingly grateful. Likewise, we are grateful to our customers who continue to have faith in us in delivering the goods and services that they need.

"Robinsons Retail faced its toughest year yet and we were able to get through it with the crucial and collaborative work of our employees and our partners, to whom we remain unceasingly grateful."

Our hearts go out to the countless lives lost and changed by the pandemic. The world is changing, but what remains unwavering is our commitment to all our stakeholders to not simply adapt to new normal, but to work towards a better one.

Sincerely,

Lance Gokongwei
Chairman

Robina Gokongwei Pe
President & CEO

Management Discussion and Analysis

Robinsons Retail Holdings, Inc. concluded 2020 with Php151.1bn in net sales, down 7.3% versus 2019, as it operated in an austere economic backdrop brought about by the COVID-19 health crisis. Sales of the discretionary formats were mainly affected but the strong performance of the supermarket segment cushioned the effect of the economic downturn, that allowed the company to recover 93% of 2019 pre-pandemic sales.

RRHI's 2020 sales includes the two month's results of Rose Pharmacy (RPI) which was acquired by the Company in October 2020. Rose Pharmacy is the leading drugstore player in the Visayas, with Php8.0 billion in annual sales, opening opportunities for synergies and growth in the drugstore business.

E-commerce sales surged three times (3x) compared to the previous year. This trajectory is a result of the Company's efforts to accelerate growth in its e-commerce presence. Robinsons Retail has taken huge steps towards achieving its long-term goal of becoming an omnichannel business. This comes in time with the lasting societal changes that altered consumer behavior that the once-in-a-century pandemic has brought on.

In 2020, it deepened its digital footprint with the launch of its own e-commerce sites. Southstar Drug launched southstardrug.com.ph on March 11, 2020. Gorobinsons.ph went live to the public on June 3, 2020, initially offering delivery services for food and grocery items from Robinsons Supermarket. By year-end, it has onboarded other banners including The Marketplace, Shopwise and Toys 'R' Us and is set to add other formats in 2021. GoRobinsons is integrated with Robinsons Rewards and members can earn and redeem rewards points if they purchase products through the site. In August 2020, Robinsons Appliances also activated its own website—robinsonsappliances.com.ph.

Selling via third party platforms also remained an important component in RRHI's efforts to widen its channels to reach customers better. In addition, RRHI provided a click/call and collect/delivery as another integrated access point for customers to reach its products and services. Investments in e-commerce platforms such as BeautyMNL and Growsari had also made its significant contribution to strengthening e-commerce traction.

Meanwhile, Robinsons Retail total store count as of end-December reached 2,157, which included 264 supermarkets, 49 department stores, 225 do-it-yourself stores, 472 convenience stores, 829 drugstores and 318 specialty stores. On top of these are 2,025 franchised stores of TGP.

Blended same store sales growth (SSSG) was -8.9% in 2020 with most formats posting negative SSSG mainly due to the lockdowns imposed by government and ordinances prohibiting individuals below 15 and above 65 years old to go out. Strong supermarket SSSG on the back of pandemic-induced sales counteracted this while the drugstore segment matched the previous year's SSSG.

Gross profit margin dipped 100 basis points (bps) to 21.8% primarily attributable to mix change given higher-margin discretionary products' sales decline. Sustained efforts in cost management, on the other hand, pulled down operating expenses as percentage to sales to bring full year EBITDA margin to 8.5%, down by only 50bps.

Net income attributable to equity holders of the parent company ended at Php3.2 billion.

Supermarket

Supermarket segment delivered strong net sales in 2020 that surged 6.3% to Php94.1 billion, given robust SSSG at 7.7%. Topline results were propelled by the pantry loading prior to the lockdown, with increased demand for products in food, cleaning, health and hygiene categories. E-commerce sales breached the Php1 billion mark, recording more than double the sales from 2019.

Gross margins slightly compressed to 20.9% which was partially attributable to the increase in the mix of lower margin staple products. EBITDA margin, on the other hand, expanded by 50bps to 8.3% due to the cost-efficiencies from the Rustan integration efforts, rent discounts and better distribution center (DC) cost recovery which completely nullified incremental expenses related to COVID-19.

Supermarket segment delivered strong net sales in 2020 that surged 6.3% to Php94.1 billion.

As of end December, there were 143 Robinsons Supermarket, 35 The Marketplace, 16 Shopwise and 70 Robinsons Easymart bringing its total network to 264 stores. Its products can also be accessed in RRHI's own e-commerce website, gorobinsons.ph. The supermarket segment also partnered with Metromart, Grabmart and Pickaroo for grocery delivery services.

Department Store

Robinsons Department Store's total net sales was at Php8.5 billion, down 53.2%, with SSSG at a parallel 52.0% decline with the temporary closure of all 49 stores during the enhanced community quarantine (ECQ) from March to mid May.

However, online sales stepped up, growing by more than 7x from the previous year, including the sales from the call and collect and deliver service We Shop For You. Robinsons Department Store products can also be reached through the gorobinsons website, and third-party platforms Lazada and Shopee.

Gross margin expanded by 190bps to 29.6% benefitting from higher DC fees and better category mix. EBITDA margin ended at 3.3%.

Do-It-Yourself and Big box Hardware

The Do-It-Yourself (DIY) segment contributed Php11.4 billion in net sales with full-year SSSG at -23.4%, impacted by the temporary store closures during the ECQ but partly tempered by the improvement in footfall towards the end of the year. E-commerce sales, on the other hand, grew almost four-folds compared to the previous year.

Gross margin was maintained at 32.5% with better category mix and additional supplier trade discounts, despite the effects of the pandemic.

However, EBITDA margin compressed 70bps to 15.6% but was partly mitigated by cost efficiency improvement efforts that brought down operating expenses OPEX to Php3.0 billion from Php3.5 billion the previous year.

DIY portfolio totaled 225 stores comprising of: 177 Handyman Do It Best, 32 True Value, and 16 Robinsons Builders. Handyman Do-It-Best and True Value have a partnership with Lazada, Metromart, Grabmart and Pickaroo, and also offer call and collect services.

Convenience Stores

Impacted by COVID-mitigation efforts, Ministop's full year system-wide and merchandise sales were at Php6.4 billion and P4.8 billion, respectively, with -31.8% SSSG. Sales were partially restored towards the latter part of the year through increased product assortment and restore ready-to-eat (RTE) food sales.

Total e-commerce sales doubled, benefiting from the tie-up online delivery services. In the third quarter of 2020, Ministop also introduced more financial services, such as e-cash top-up by GCash, Paymaya and bill payments.

Gross profit and royalty income margin dipped 90bps to 34.2% in 2020 due to higher number of company-owned stores. Full-year EBITDA margin was at 6.6% compared to 8.6% in 2019. OPEX declined to Php2.0 billion from Php2.4 billion as result of sustained efforts in cost management including substantial rental discounts which helped mitigate margin contraction.

As of year-end, Ministop had 472 branches and has partnered with Grabfood, Grabmart, Angkas, MyKuya and JoyRide for online delivery services.

Drugstore

Total net sales of the drugstore segment grew significantly by 7.8% to Php19.1 billion in 2020, with the two-month consolidation of Rose Pharmacy. Excluding Rose Pharmacy, net sales increased by 1.1% to Php17.9 billion. Online sales contributed 0.4% of total sales.

Southstar Drug's SSSG was flat for 2020. 2019 reflected heightened sales due to the meningococcemia scare, rapid progression of dengue in the country, and flu outbreak. Increase in sales at the early part of the year due to COVID-19 compensated the lower demand for prescription medicines due to the decline in outpatient visits to hospitals.

Blended gross and EBITDA margins both dipped 30bps to 19.0% and 10bps to 9.3%, respectively with the consolidation of lower margin business of Rose Pharmacy. Excluding Rose Pharmacy, gross and EBITDA margins increased by 10bps to 19.4% and 30bps to 9.7%, respectively, with the shift in sales mix in favor of higher-margined pharma products and managed operating expenses.

Total net sales of the drugstore segment grew significantly by 7.8% to Php19.1 billion in 2020.

The drugstore segment ended the year with 532 Southstar drugstores, 297 Rose Pharmacy, 2,025 TGP branches. Southstar Drug and Rose Pharmacy websites, southstardrug.com.ph. and rosepharmacy.com, were also developed into e-commerce portals. Access to drugstore products is also available through Metromart and the call and collect/deliver service.

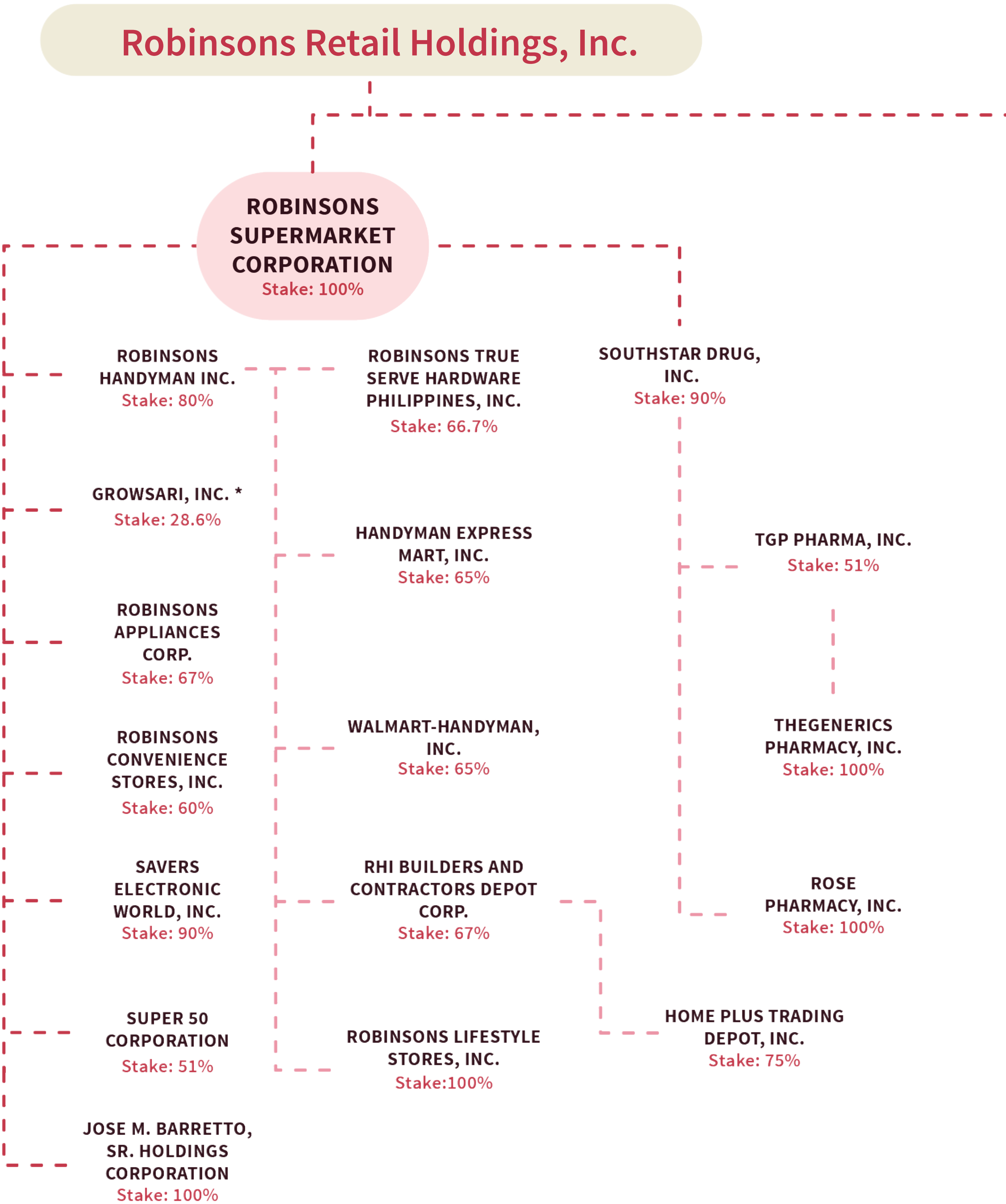
Specialty Stores

RRHI's Specialty Segment financials are consolidated from formats under appliances, mass merchandise, toys, pets, fashion and beauty, and Korean grocery No Brand and B2B delivery services Growsari. The segment's net sales reached Php13.3 billion with the consumer appliances and electronics format contributing 61% of total specialty sales. SSSG ended at -28.0% with sales challenged for most of the year, although slightly lifted by the improvement in the holiday season. E-commerce sales contribution to sales has increased to 1.8% from only 0.7% in 2019.

Gross margin at 20.6% was lower than the previous year, with margin contraction from most segments partially offset by the margin improvement of Toys 'R' Us. EBITDA margin, likewise, declined due to challenged SSSG.

The specialty store portfolio totaled 318 specialty stores as of end 2020. Specialty formats have partnerships with Lazada, Shopee and Zalora and the call and collect/deliver service. Robinsons Appliance Center and Savers have their own e-commerce websites—robinsonsappliances.com.ph and saversappliances.com.ph.

Corporate Structure:



Conglomerate Map

EVERYDAY CONVENIENCE STORES, INC. (INACTIVE)
Stake: 100%

ROBINSONS DAISO DIVERSIFIED CORP.
Stake: 90%

RHD DAISO SAIZEN, INC.
Stake: 59.4%

RHMI MANAGEMENT AND CONSULTING, INC.
Stake: 100%

RRHI MANAGEMENT AND CONSULTING, INC.
Stake: 100%

RRG TRADEMARKS AND PRIVATE LABELS, INC.
Stake: 100%

TASTE CENTRAL CURATORS, INC.
Stake: 30%

ROBINSONS BANK CORP.
Stake: 40%

NEW DAY VENTURES LTD.
Stake: 100%

G2M SOLUTIONS PHILIPPINES, INC. *
Stake: 15%

RRHI TRADEMARKS MANAGEMENT, INC.
Stake: 100%

DATA ANALYTICS VENTURES, INC.
Stake: 40%

Store Network

264
Supermarket

143
Robinsons Supermarket

35
The Marketplace

70
Robinsons Easymart

16
Shopwise

49
Department Store & Beauty

472
Ministop Convenience Stores

225
Do-It-Yourself & Big Box Hardware

177
Handyman Do-It-Best

32
True Value

16
Robinsons Builders and De Oro Pacific Home Plus

2,854
Drugstore

532
Southstar Drug

2,025
TGP

297
Rose Pharmacy

130
Appliance & Consumer Electronics

92
Robinsons Appliances

38
Savers Appliances

175
Mass Merchandise & Specialty Stores

41
Toys R Us

103
Daiso

9
Super 50

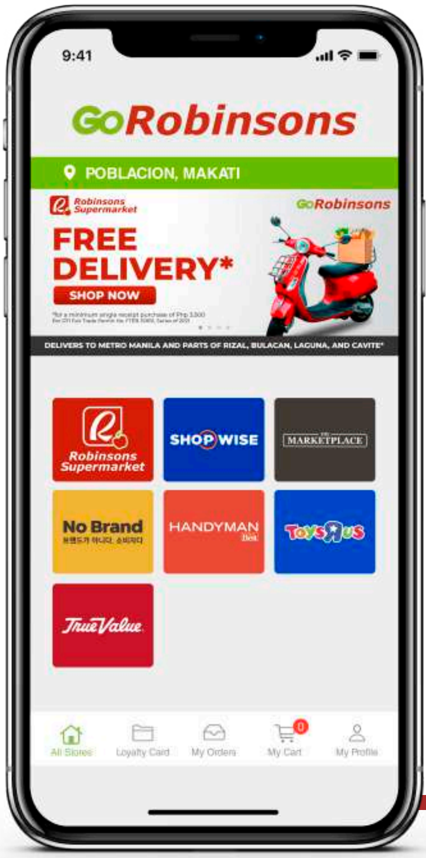
14
Beauty

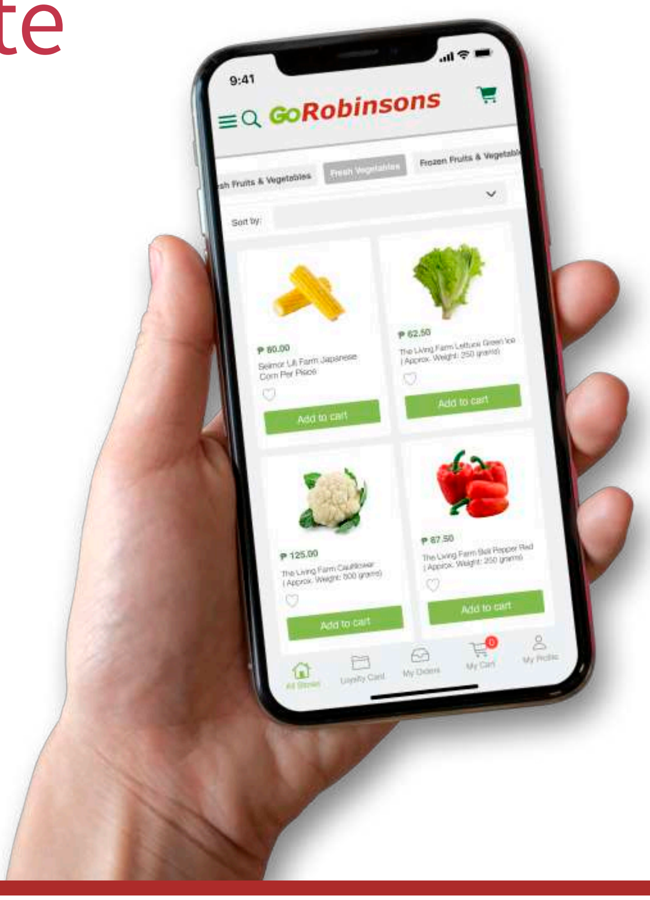
4
Pet Lovers Centre

4
No Brand

GoRobinsons:

Robinsons Retail's Group-Wide E-Commerce Site





Gorobinsons.ph was launched in June 2020 as an e-commerce site envisioned to serve as a virtual marketplace for all the group's formats. The website offers a convenient platform for everyone to shop for their daily needs from trusted brands – anytime. It has a wide assortment of products sold at the same price as the store and allows advanced booking for up to 3 days.

Going online was an inevitable step Robinsons Retail had to take, and we see gorobinsons.ph as a one-stop online shop and lifestyle partner for our shoppers. The new dynamic of social distancing and quarantine made the role of e-commerce all the more crucial to keep serving customers.

Gorobinsons.ph currently serves as an online store for supermarket banners Robinsons Supermarket, The Marketplace and Shopwise, offering fresh produce and grocery items as well as imported gourmet selections. Toys 'R' Us is also in gorobinsons.ph, housing a diverse portfolio of popular children's toys and educational products. Most recently, Handyman and No Brand were added to the platform. With the inclusion of Handyman Do it Best, customers may now shop online for a wide range of hardware and home improvement products. No Brand, on the other hand, offers private label grocery and frozen food items from Korea.

Gorobinsons.ph has a mobile app which can be downloaded in IOS and Playstore. The service currently covers select areas in Metro Manila and Rizal, and is set to expand its scope further in the coming months.

Our aim is to bring our customers closer to products and services that they need at various touchpoints, and we are banking on technological synergies to make this all possible. The strategic onboarding of Robinsons Retail banners in gorobinsons.ph and targeted digital campaigns are all part of deepening our digital footprint. The platform is also integrated with the Robinsons Rewards Program, whose 3.1 million members can earn rewards points if they purchase products through gorobinsons.ph.

Our Products and Business Units














Business Unit Profiles
Supermarket

102-45

Robinsons Retail's Supermarket business is the largest in its portfolio and is composed of the following banners: Robinsons Supermarket, The Marketplace, Robinsons Easymart, and Shopwise. Collectively, the supermarkets target a broad market through inclusive options, from budget items to premium products, through its differentiated formats. Working closely with partner vendors, charities, government and non-government organizations, the Supermarket segment contributes to various initiatives on social involvement and community engagement.

Robinsons Supermarket

Robinsons Supermarket is the Philippines' first mainstream supermarket anchored on health and wellness. Putting forward locally sourced produce, health-oriented campaigns, and a color-coded system by the Food and Nutrition Research Institute for certified healthy products, the supermarket aims to empower customers through diverse selections. In June 2020, Robinsons Supermarket became the first format to launch under Gorobinsons, Robinsons Retail's very own group-wide e-commerce platform.

THE MARKETPLACE

Offering imported and gourmet food and beverage selections as its primary differentiation, The Marketplace is the company's premium grocery retail format. Catering primarily to an upscale market, The Marketplace has doors located in several central business districts and high-end developments.

It became part of the Robinsons Retail portfolio in 2018, and is part of the holding company's largest acquisition to date, Rustan Supercenters, Inc. the fourth largest grocery food retailer in the Philippines.

Store Count

Robinsons Supermarket	Shopwise
143	16
The Marketplace	**Robinsons Easymart**
35	70

SHOPWISE

Shopwise first opened in 1998 and it is one of the pioneers of the hypermarket format in the Philippines. Focusing on the daily needs of the Filipino homemaker, our hypermarkets conveniently offer a variety of fresh produce, grocery items, home appliances, and apparel. The Shopwise banner was part of the acquisition of Rustan Supercenters, Inc. in 2018.

Robinsons Easymart

Robinsons Easymart is a standalone mini-mart store that brings quality products closer to homes. Smaller than the typical supermarket, it is conveniently located in residential areas and offers both basic food and non-food items.

Business Unit Profiles

Department Store, Beauty, & Toys

Store Count

Department Store & Beauty
49

Beauty
14

Robinsons Department Store

Business Center

Robinsons Department Store is located in all Robinsons Malls across the country, serving as an anchor tenant. The first Robinsons Department Store opened in 1980, the first retail store under the holdings company. Offering global and local brands of apparel, curated items for the home, toys, and personal care and beauty products, RDS aims to serve as a one-stop lifestyle shop to delight the Filipino family. Through its Tindahan and Go Lokal section located in select branches, it proudly features locally made products and supports SMES by connecting their products to the mainstream market.

Each store also has the Robinsons Business Center, which conveniently offer various financial products and services.

benefit SAN FRANCISCO

SHISEIDO GINZA TOKYO

Elizabeth Arden NEW YORK

From the premium to the affordable, RRHI's Beauty portfolio aims to empower all women from different walks of life and professions. Through an agreement with Luxasia, Robinsons Retail is a licensed operator of Shiseido, Benefit and Elizabeth Arden, with standalone stores located in premier malls in the country. Likewise, the Robinsons Department Store Beauty Section offers a plethora of options from global and local cosmetics and skin care brands, such as the Estée Lauder Companies names and, most recently, Scentence from Korea.

Toys R Us

41

Toys 'R' Us Philippines is a sub-licensee of Toys 'R' Us – Asia and is one of the leading toy stores in the country. The format understands the value of toys and educational products in fostering learning and creativity, and houses a multitude of global and private brands for children. With children as the primary target market, the format pays special attention to ensure that its products are made with child-safe materials and that they pass stringent quality standards.

Business Unit Profiles

Convenience Store

Store Count

Ministop

472

Ministop is the company's convenience store business, which has over 500 locations in highly urbanized areas and business districts. Best known for its ready-to-eat section, it offers value for money meals that are freshly prepared at the stores for the budget-conscious but on-the-go shopper. Normally open 24hrs in high traffic areas, the stores are a quick and convenient place to get basic items, such as food and beverage, personal care, general supplies.

Ministop is also an agile format, as it shifted its merchandise categories leaning towards grocery items for customers amidst the transport challenges of the COVID-19 pandemic.

Business Unit Profiles

Do-It-Yourself & Big Box Hardware

Store Count

Handyman Do-it-Best	True Value
177	32

Located in malls, Handyman Do it Best and True Value are the primary Do-it-Yourself business units of Robinsons Retail. The Company also operates Big Box Hardware formats under the banners Robinsons Builders and De Oro Pacific Home Plus.

True Value

True Value is positioned as a high-end home improvement store in the Philippines. The brand caters to an empowered demographic that aspires to design and invest in their homes in the best way they can. True Value is also the holding company's first major acquisition, which was completed in 2007 through a joint venture with Amon Trading Corp. True Value's is also a long-term partner in Hands On Manila's Servathon, which serves as an avenue for employee volunteerism to help bring useful items, such as sanitation supplies, to marginalized communities.

HANDYMAN Do it Best

Handyman Do it Best targets a broad middle-income market and it opened its first store in Robinsons Galleria in 1994. In 2001, it partnered with the Do-it-Best Corporation, one of America's largest hardware cooperatives, which forges partnerships around the world with top performing players in the industry. Renamed Handyman Do-it-Best, its stores currently feature several reputable international brands and a vast selection of merchandise for home owners.

Handyman Do it Best is also involved in CSR projects that focus on disaster response, helping communities rebuild from natural calamities.

Robinsons Builders and De Oro Pacific Home Plus

16

ROBINSONS BUILDERS

De Oro Pacific HOME PLUS

Robinsons Builders and De Oro Pacific Home Plus were acquired in 2014 and 2016, respectively. Collectively, the stores are significant regional players in major urban areas in the Visayas and Northern Mindanao. Post-acquisition, the stores were modernized and renovated to improve overall customer experience. The formats aim build relationships with customers through excellent in-store and after-sales service, while offering affordable and high-quality merchandise for the residential market, from tiles, lavatory items, to lumber and electrical supplies.

Business Unit Profiles
Drugstore

Robinsons Retail's drugstore portfolio currently consists of Southstar Drug, TGP and Rose Pharmacy, with each format focused on making high-quality pharmaceuticals and healthcare more accessible to communities nationwide.

Store Count

Southstar Drug	TGP	Rose Pharmacy
532	2,025	297

southstar drug

Southstar Drug operates directly-owned stores that primarily feature branded pharmaceuticals. In March 2020, it was the first in the Retail Group to launch its own e-commerce site, further aiding customers by ensuring access to medicines through home deliveries while in a pandemic. Southstar Drug was founded by the Dy Family and with its beginnings at the heart of the Bicol region in 1973, the drugstore chain is currently one of the most expansive in the country in terms of store network, with over 500 stores nationwide. The format caters to a broad middle-income market with branded pharmaceuticals as the primary product, alongside quality generics, medical supplies, and food and personal care products.

TGP

THE GENERICS PHARMACY

Founded by the pioneer and current Vice Chairman Ben Liuson, TGP is a franchise model of community drugstores that sells effective and inexpensive generic medicines for lower-income groups in communities across the country. With its expansion plans directly linked to franchisee partners, the format also encourages entrepreneurship and small business ownership. It is also the country's largest chain of community drugstores with over 2000 stores.

Rose Pharmacy

Rose Pharmacy was acquired Robinsons Retail in October 2020, through its subsidiary, Southstar Drug. With close to 300 branches, Rose Pharmacy is the leading drugstore in the Visayas, providing customers with easy access to quality health and beauty products. Through RosExpress Delivery, the store offers home delivery services to customers. It also provides round-the-clock service with 24-Hour stores, offers high quality prescription and over the counter medicines Rose Pharmacy Generics, and affordable personal care products under the Guardian line.

Business Unit Profiles

Appliance & Consumer Electronics

Store Count

Robinsons Appliances	Savers Appliances
92	38

Robinsons Appliances

Established in 2000, Robinsons Appliances now operates a network of close to 100 branches nationwide, housing a wide array of quality appliances and consumer electronics. Over the years, it has developed expertise in delivering value-for-money solutions to both its residential and commercial clientele. Partnering with reputable global brands to bring the top entertainment systems, appliances and gadgets, Robinsons Appliances has become a favorite destination among techies, and home and business owners.

SAVERS APPLIANCES

Savers Appliances was acquired by Robinsons Retail in 2015 and is one of the country's leading names in the appliance industry. Savers Appliances stores are located in Central Luzon, Cagayan Valley, Metro Manila and South Luzon, and the format has become a respected and reliable partner of various industrial and building solution products among top corporations in the Philippines. On September 20, 2020, Savers Appliances' flagship store in Angeles City, Pampanga launched a modern 400-square meter lifestyle showroom featuring leading appliances and electronics brands. Each brand has a uniquely designed showroom highlighting value that suits their customers' needs and preferences.

Business Unit Profiles

Mass Merchandise, Pets, and Korean Grocery

DAISO JAPAN

Established in 2000, Robinsons Appliances now operates a network of close to 100 branches nationwide, housing a wide array of quality appliances and consumer electronics. Over the years, it has developed expertise in delivering value-for-money solutions to both residential and commercial clientele. Partnering with reputable global brands to provide the top entertainment systems, appliances and gadgets, Robinsons Appliances has become a favorite destination among techies, and home and business owners.

Pet Lovers Centre
Pet Care Since 1973
All Passion. All Pets™

Pet Lovers Centre was established in 1973 in Singapore by David and Robert Ng. From having fresh and dry food options with the proper nutritional requirements for pets, to accessories such as toys, beds and flea shampoos, the store was a pioneer in the retail landscape. In 2018, it became part of Robinsons Retail's portfolio through an exclusive franchise agreement with Pet Lovers Centre Singapore. The format encourages responsible ownership and its service philosophy is encompassed by the tagline "All passion, all pets."

Store Count

Daiso Japan	Pet Lovers Centre
103	4
Super 50	**No Brand**
9	4

No Brand
브랜드가 아니다. 소비자다

No Brand was launched in 2015 by E-mart Inc., one of the largest multi-format retailer based in South Korea, where it currently has over 250 branches worldwide. Through an exclusive franchise-agreement with Robinsons Retail Holdings, Inc., No Brand expanded to the Philippines and opened its first store outside Korea in Robinsons Galleria. No Brand features private label products with a simplified approach to marketing and packaging, thereby reducing costs in the process. In the Philippines, No Brand serves as a specialty shop for authentic Korean grocery and lifestyle products.

Super50 is a one-stop shop offering a great selection of products for Php50, ranging from home and kitchen items, cleaning products, accessories, office supplies, and many more. The banner is a joint venture between Robinsons Retail and Peso Tree, and with a very affordable price point, the format aims to provide accessible products to a broad market.

Acquisition of Rose Pharmacy

Representatives of Robinsons Retail Holdings, Inc. and Dairy Farm International Holdings, Ltd. conduct a virtual signing ceremony for the acquisition of Rose Pharmacy Inc.

On October 30, 2020 Robinsons Retail Holdings, Inc. (RRHI), through its subsidiary, South Star Drug Inc., and Mulgrave Corporation B.V (MCBV), a wholly-owned subsidiary of Dairy Farm International Holdings, Ltd., acquired 100% of Rose Pharmacy Inc. At present, it is one of the leading drugstore chains in the Philippines with over 300 stores strategically located in Visayas and Mindanao.

Rose Pharmacy was established in 1952 as a family-run drugstore in Cebu City with the goal of providing quality and affordable medicines to communities. Dairy Farm acquired 49% share in the Cebu-based business in 2015, and in November 2018, Dairy Farm increased its interest in Rose Pharmacy to 100%.

Rose Pharmacy is a very strategic addition to our drugstore portfolio with its highly-regarded brand in VisMin and complementary network to Southstar Drug's strong presence in Luzon and Metro Manila. Together, we can leverage our scale and synergies to drive wider product assortment, better customer service and offer greater value to our customers across Philippines when they need it most.

The acquisition further bolsters our strategic partnership with Dairy Farm to strengthen our position in Philippine multi-format retailing. We first worked with Dairy Farm for the acquisition of Rustan Supercenters, Inc. in 2018, which deepened our footprint in the premium supermarket space. Our acquisition of Rose Pharmacy yet again offers ripe opportunities for innovation through strategic synergies.

Product Quality, Health and Safety

416-1, 417-1

Across all our formats, we ensure that our customers always receive products of good quality. We are meticulous with quality—from our selection of suppliers to proper transportation and handling to storage and product display. We use the "First In, First Out" inventory method, especially for fast-selling goods, to ensure that no expired goods are sold to our customers. We follow all possible measures to minimize customer returns and product recalls.

Aside from the National Meat Inspection Service (NMIS) and Hazard Analysis and Critical Control Points certifications, we also engage vendors who have organic certification from Organic Certification Center the Philippines (OCCP) and Good Agricultural Practices (GAP) Certification from the Bureau of Agricultural and Fisheries Products Standards (BAFPS). The GAP Certification process is a meticulous audit of multiple aspects of farming, from the history of the farm site, the quality of the soil, farming practices, health and hygiene of farmers, and other factors.

Our drugstores guarantee safety at all times. We follow a similarly strict monitoring process of expiration dates and product condition, as well as correct product dispensing.

At Toys 'R' Us, we guarantee that not a single toy marketed will put a child or a family member at risk. All our toys comply with the Philippine National Standards (PNS) for Safety of Toys and carry a Certificate of Conformity (COC). Also, all our distributors and manufacturers must have a valid License to Operate (LTO) from the Department of Health (DOH) at all times. All toys are tested for physical and mechanical safety, flammability, electrical safety, and proper age warning labeling.

Savers Appliances' Modern Lifestyle Showroom

Ribbon Cutting Ceremony during the Lifestyle Showroom launch. (L-R) Jansen Ivan Uy, Deputy General Manager of Savers Electronic World, Inc.; Carmelo "Jon" Lazatin II, First District Representative, Pampanga; Robina Y. Gokongwei – Pe, President & CEO of Robinsons Retail Holdings, Inc.; Jovito U. Santos, Group General Manager, Appliance Segment of Robinsons Retail Holdings, Inc.; and Jack Uy, Founder and Chairman of Savers Group Holdings. The event was also attended by Government Officials of Pampanga, namely Carmelo "Pogi" Lazatin Jr., City Mayor of Angeles; Irish Calaguas, Vice President CIAC Pampanga; Raffy Angeles, Executive Assistant City Information; and Atty. Bernard Bolisay, Porac Municipal Administrator.

Savers Appliances launched a modern 400-square meter lifestyle showroom in its flagship store in Angeles City, Pampanga on September 30, 2020. The event was attended by select officials from the Pampanga and Angeles City Government and representatives from Savers management and vendor partners. Sanitation measures and social distancing were implemented to ensure the safety of all those who attended.

With a contemporary interior vibe to reflect the current needs of the market, the new lifestyle showroom features today's top-quality brands of appliances: Sony, Carrier, Condura, Samsung, Haier, TCL, Whirlpool, Fujidenzo, Sharp, Eurotek, Kolin, American Master, Electrolux, Midea, Toshiba and Tosot.

Each brand has a uniquely designed showroom with a renewed interior, highlighting the value that suits their customers' needs and preferences. The showroom also offers assistance from product inquiry, design, and installation services.

The Electrolux Brand Showroom, featuring a vast range of home and kitchen appliances of home and kitchen appliances

Cutting-edge technology on home electronics and digital appliances at the Samsung Brand Showroom

Kolin's brand showroom features high-quality air conditioners and services at affordable prices

Fujidenzo, Whirlpool and Tecnogas' appliances that feature their latest technological innovations

The TCL showroom with its focus on delivering better experiences to customers

The Eurotek Showroom showcasing value for money chillers and refrigerators

Sustainability Framework

Enablers

Business integrity

- Direct economic value distribution to government
- Compliance to regulations
- Risk management

Resource Management

- Materials used
- Energy consumption
- Emissions
- Water consumption
- Effluents and waste generation

Community programs

- Direct economic value distribution to communities
- Community Engagement

Value creation for stakeholders

Product diversity for customers

- Access to key consumer goods
- Savings on key consumer goods

Economic opportunities for suppliers and entrepreneurs

- Direct economic value distribution to suppliers
- Jobs supported in the supply chain
- Local sourcing
- Impact to local business growth

Employment opportunities

- Direct economic value distribution to employees
- Total jobs supported directly in stores
- Diversity and equal opportunity
- Career development
- Health and safety

Materiality

102-46, 102-47

Retail is one of the most important sectors of the Philippine economy as it serves as a key interface between producers and consumers. As one of the largest multi-format retailers in the country, we recognize our key role in promoting sustainable development. This especially rings true for our impacts on supplier practices, employee welfare, and consumer health and well-being.

We generated our material topics by probing the impacts of our business units along our key business activities – from product sourcing to empowering our employees and customers, to giving access to quality goods. These topics were validated through workshops with key people from our business units and stakeholder groups. The material topics and our management approaches identified here will serve as guideposts for regular monitoring and evaluation. These will determine how we can better navigate complex sustainability challenges and deliver greater value to society in the coming years.

Stakeholder Engagement

A deeper knowledge of the concerns and needs of our stakeholders is crucial to our sustainability strategy and growth. That is why we promote dialogue with all our key stakeholder groups, especially our customers, employees, partners, and investors. To better understand their perspectives and manage expectations, we aim to continuously monitor the inputs of our stakeholders at various levels.

Stakeholder group and why they are important 102-40, 102-42	**How they are engaged and frequency of engagement** 102-43	**Concerns raised** 102-44	**Company response** 102-44
Customers We exist for our customers. Their concerns, needs, and wants become integral to our operations and evolving business strategy.	›› Regular feedback through social media ›› Engagement with our front-line employees during store hours	›› Quality of products ›› Price of products ›› Accessibility of stores	We follow strict measures to ensure that all our products pass safety and quality regulations. We price reasonably to reach a wider economic spectrum. Through our disciplined expansion, we carefully assess new locations and look into other sites outside Metro Manila.

Stakeholder group and why they are important 102-40, 102-42	How they are engaged and frequency of engagement 102-43	Concerns raised 102-44	Company response 102-44
Employees Our employees are our most valuable capital. They drive our operations and growth and represent the company in engaging customers.	› Various engagement activities › Employee engagement survey	› Wages and benefits › Leadership › Career development	We benchmark our wages and benefits against the best in the industry. We maintain a work culture that is grounded on our corporate values. We also value leadership that drives growth without compromising employee concerns. We value our employees and ensure that we provide avenues for them to develop their skills. As much as we can, we fill higher-level positions with internal candidates.
Suppliers and Franchisees They are our partners in delivering value to our customers through the products that they (suppliers) produce or consolidate and the stores that they (franchisees) manage	› Engagement through the operations manager and the buyers	› Procurement terms › Payment schedule › Availability of stocks for fast moving SKUs	We value collaboration and ensure that we both leave the negotiating table as winners. We are fair and reasonable in our terms and we make it a point to engage treasury for prompt payment of products. We are committed to improving our engagement with our supply chain for warehousing, distribution and stocking to ease business transactions for all our partners.
Investors As part owners of the company, our investors have a role in setting our direction based on their financial and nonfinancial expectations from our performance.	› Ad hoc, monthly, quarterly conference calls and face-toface meetings with our investor relations team and senior management	› Integration and alignment of business strategy with key SDGs › Communication on plans, actions, and impacts on environmental, social, and governance (ESG) topics and how these affect brand and reputation › Transparency, direction, and clarity on financial targets and longterm value on sustainability	We publish annual reports that show our financial performance and other transactions. Recently, we will also be publishing sustainability reports that will show how we contribute to the SDGs and our performance in ESG and sustainability topics.

Shared Success:
Growsari Enabling Small Business Owners

B2B
grocery delivery services to sari-sari store owners through a mobile app.

20,000
Active sari-sari stores

Recorded net sales of
₱1.57 bn
in 2020 vs. P972mn in 2019

Growsari is the Philippines' first tech start-up which provides B2B grocery delivery services to sari-sari store (neighborhood sundry stores) owners through a mobile app. In September 2018, Robinsons Supermarket invested in a convertible note issued by Growsari Inc, equivalent to 28.6% of the company upon conversion. Through this joint partnership, Robinsons Supermarket promotes inclusive businesses that put micro and small enterprises at the heart of their business model, with merchandise is sourced from Robinsons Supermarket branches.

GrowSari's tech infrastructure is all developed in-house, from call center operations, warehouse management, delivery fleet management, customer relationship management, to data analytics. Users simply need to go online to order the items they need, which will then be delivered to their stores the next day. This saves them time and energy, as they no longer need to go to supermarkets, or transact with various middlemen, to replenish their supplies.

Economic Value
Generated & Distributed

Direct economic value generated (revenue)	₱151,070 million

Direct economic value distributed:

₱20,366 million	₱9,165 million	₱121,303 million
a. Operating costs	b. Employee wages and benefits	c. Payments to suppliers, other operating costs
₱2,067* million	₱1,767 million	₱17.2 million
d. Dividends given to stockholders and interest payments to loan providers	e. Taxes given to government	f. Investments to community (e.g. donations, CSR)

**Dividends + interest payments*

As we conduct business day to day, we believe that we positively contribute to economic growth and social mobility among our stakeholders. The economic value generated from Robinsons Retail's activities primarily affect the economic conditions of the areas where we operate.

Our operations and supply chain allow us to directly and indirectly support employment and foster a sophisticated system of partners and suppliers from across various entrepreneurial backgrounds, from big manufacturers to small and medium enterprises for both the trade and non-trade needs of our formats. In 2020, this constituted to over 80.3% of direct economic value generated at Php121 billion in payments to suppliers and other operating costs.

To continue contributing to economic growth, we aim to retain our position as one the largest multi-format retailers in the Philippines, catering to the broad market through our diverse formats. We plan to further widen our participation in e-commerce spaces and expand our store network across with focus on regions outside of Metro Manila where modern retail penetration is still low. Aside from organic expansion, part of our strategy is to participate in the market's consolidation by entering into mergers and acquisitions in existing and complementary retail formats, while targeting consistent sales growth and improving margins to ensure sustainability of operations.

Our Dividend Policy

On March 9, 2020, the Board of Directors of Robinsons Retail Holdings, Inc. approved the adoption of a new dividend policy effective 2020. Under the dividend policy, the Corporation shall implement an annual cash dividend payout ratio of forty percent (40%) of the net income attributable to parent for the preceding fiscal year.

Please see Corporate Objectives and Dividend Policy in RRHI 2020 SEC Disclosure 17-A, page 55.

Financial Highlights

In ₱ millions

For the year ended December 31

Net Sales

-7.3 % change

Gross Profit

-11.5 % change

Operating Income

-25.9 % change

Net Income

-23.4 % change

Net Income attributable to equity holders of the Parent company

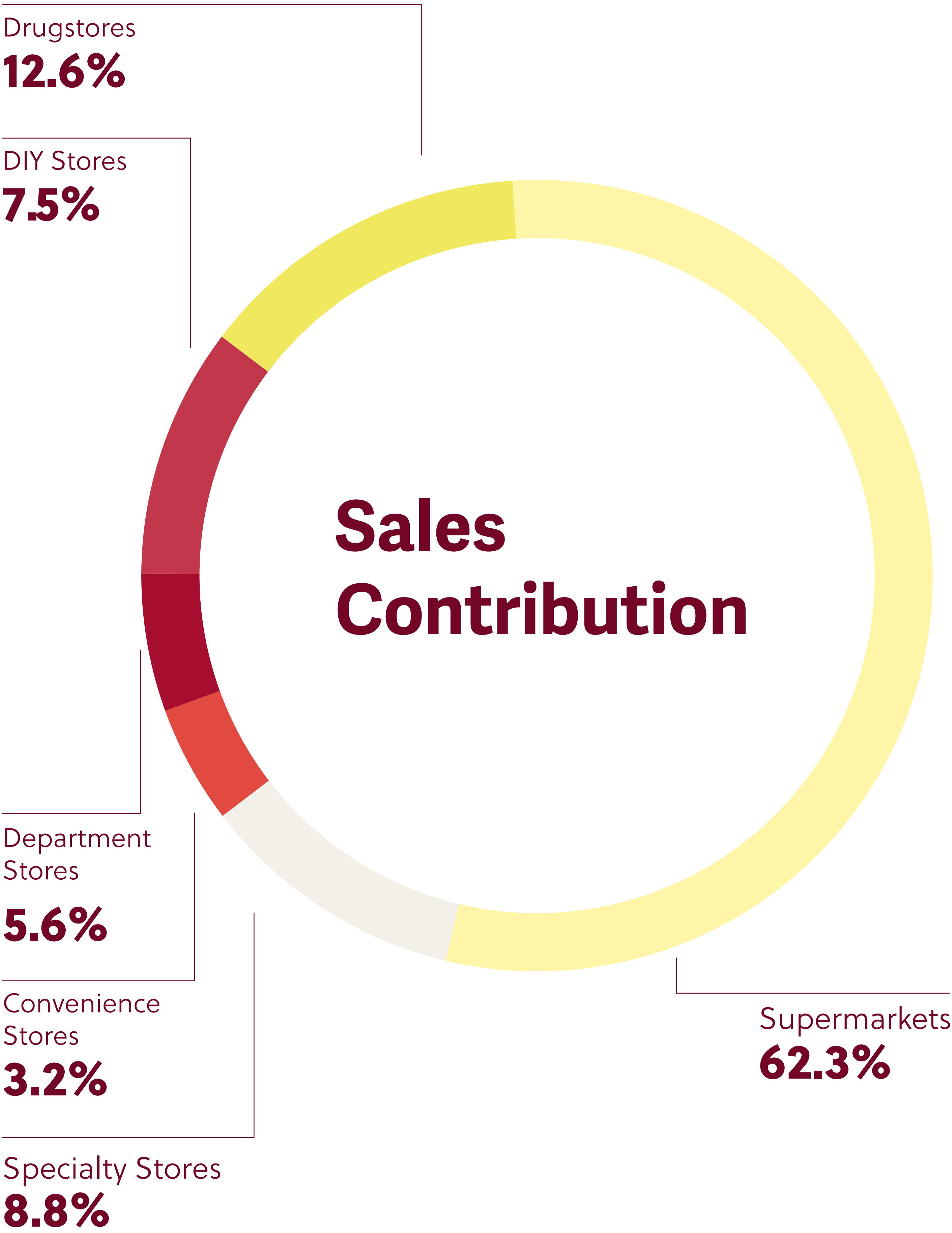
-17.9 % change

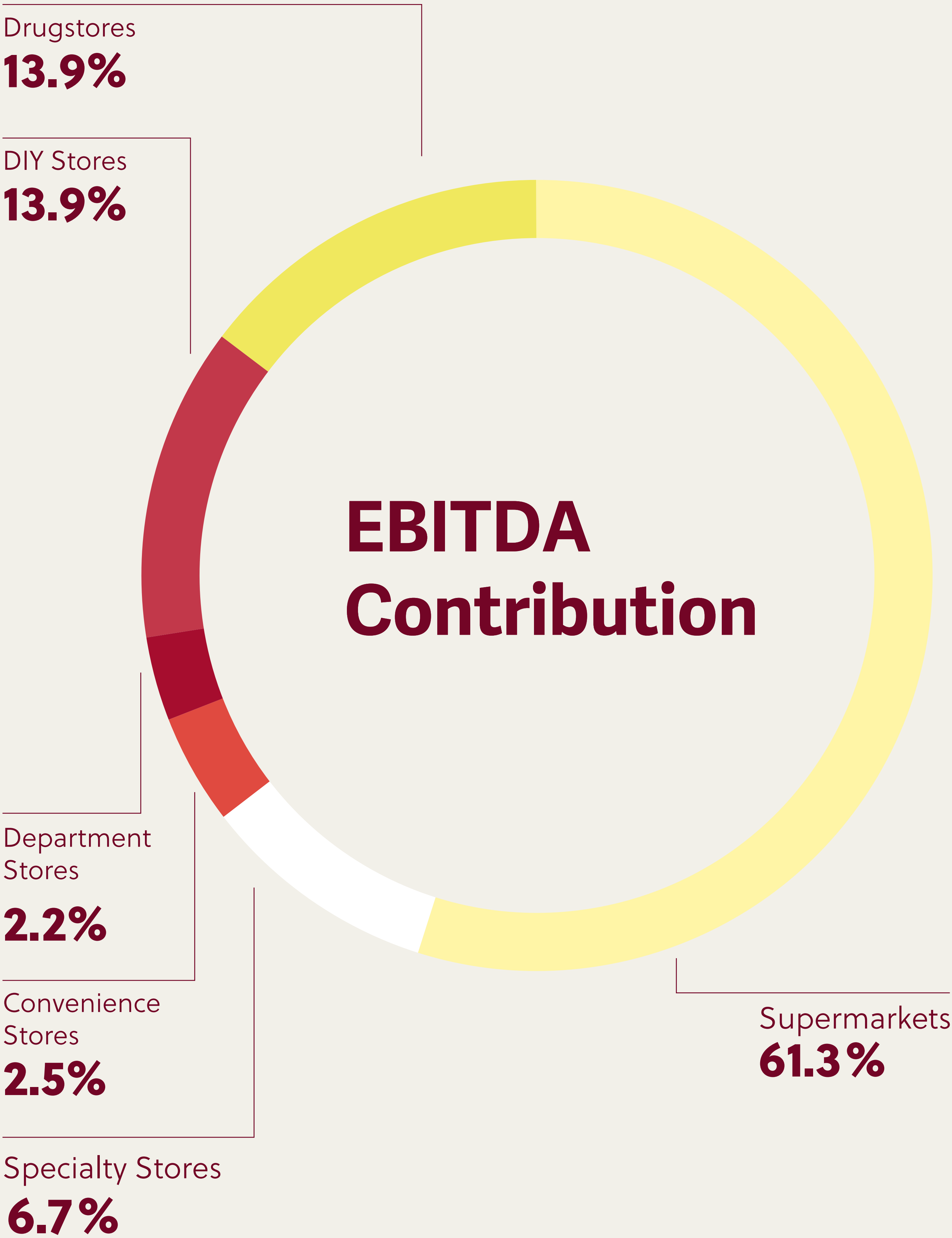
EBITDA

-13.0 % change

Earnings per share
(₱/share) *

-17.6 % change


Sales
Contribution
Drugstores
12.6%
DIY Stores
7.5%
Department Stores
5.6%
Convenience Stores
3.2%
Specialty Stores
8.8%
Supermarkets
62.3%


EBITDA Contribution
Drugstores
13.9%
DIY Stores
13.9%
Department Stores
2.2%
Convenience Stores
2.5%
Specialty Stores
6.7%
Supermarkets
61.3%

Our Digitalization Strategy

One of Robinsons Retail's key business initiatives is our investments in digital platforms directed towards enhancing customer experience, as well as advance our performance in terms of growth and improved efficiencies. Our investments in Data Analytics Ventures, Inc., BeautyMNL and Growsari have allowed us to leverage on synergies driven by digitalization and data in various areas of the Robinsons Retail ecosystem.

O2O (Online-to-Offline) Services:
We are able to increase foot traffic to our stores through click-and-collect models.

B2B (Business-to-Business) Presence:
We have expanded our customer coverage with small business owners (sari-sari store owners) through our investment in Growsari.

Fulfillment:
We leverage our extensive store network for last mile fulfillment centers allowing for an asset-light business model for our investments.

Marketing:
The integration of loyalty and rewards program across all platforms allow our customers to earn points wherever they shop.

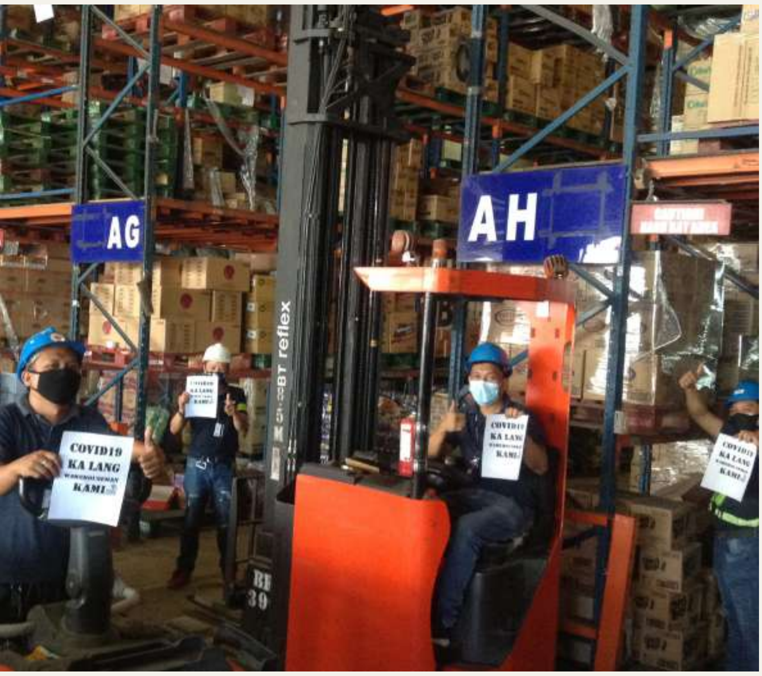
Data Analytics:
The use of business, consumer behavior and supplier analyses across different platforms allow for data-driven decision-making for management.

Technology Investments:
Our investments fulfill our Digital Transformation Initiatives with the use of Cloud, Machine Learning, Automation and Mobile Technologies.

Expanded Retail Platform:
With our investments, we create new digital and traditional platforms and integrate them to improve performance and increase efficiencies.

Merchandising:
Our digital investments further enrich our omnichannel business model with new channels and purchase paths for our formats' expansive merchandise portfolio.

Our COVID-19 Response


AG
AH
BT reflex
COVID19
KA LANG
KAMI


CUSTOMER SERVICE
BILLS PAYMENT
IT'S HERE!
Thank you for your patience. You may now claim your mesh market bags at the customer service area.
FLOR


Thank you, Frontliners!
MARKETPLACE


EQ Dry

Solidarity in Times of Crisis

413-1

Social involvement in the private sector became especially relevant and visible in 2020. We continued to show our commitment to communities by doing what we can to provide aid in times of crisis, and helped to build back communities through our corporate social responsibility initiatives.

For many of our projects on disaster-response, we worked closely with the Gokongwei Brothers Foundation, which is heavily involved in organizing the Gokongwei Group's philanthropic efforts. We collaborated with various local government units, vendor partners, and civil society organizations to serve as the crucial links for us to reach our beneficiaries. Led by our Marketing Teams, our employees also contribute meaningfully as volunteers, providing much needed manpower in the consolidation of donations and transporting them to their final destination.

Mobilizing for Taal

The first of many natural disasters occured early in the year. From January 12-26, 2020, Taal Volcano became active once again with major ashfalls affecting vast areas of Luzon. We acted quickly to ensure the safety of our employees while operations were temporarily in severely affected areas and reiterated messages from the Department of Health on the wearing of proper masks if exposed to volcanic ash. We organized donation drives to families affected by the eruption, which included various grocery items such as water, rice, canned goods, medicines and toiletries to the hundreds of families in the evacuation centers.

Supporting Medical Frontliners

As strict lockdowns were declared and we saw the daunting rise in the number of COVID-19 cases, it became clear that the health sector was experiencing significant strain both in terms of resources and morale. One major challenge was the shortage of personal protective equipment or PPEs and supplies for sanitation and disinfection, and we saw an opportunity to leverage on our supply chain and logistics capabilities to aid health workers and hospitals.

Addressing the concern of PPE shortages, in coordination with the Gokongwei Brothers Foundation, TGP, The Marketplace, and Shopwise sourced of medical supplies and their immediate delivery to local hospitals.

TGP

9,000
face masks

4,000
face shields

45,455
surgical masks

67,500
pairs of surgical gloves

242
gallons of alcohol

588
Vitamin C bottles

The Marketplace and Shopwise

14,400
face masks


OPLAN
HATID LABAN
SA COVID
AND
DAISO,
JAPAN
THANK
YOU SO
MUCH !
FROM:
PERITONEAL
DIALYSIS UNIT
PD UNIT


THANK YOU PO!
TRUE VALUE


DAISO JAPAN
One Love a Day
DAISO JAPAN


OPLAN HATID
Thank You to our Frontliners

Ministop donated packs of Uncle John's Fried Chicken to hospitals and in collaboration with partner suppliers, The Marketplace initiated the Breakfast Festival and celebrated the International Coffee Day, bringing healthy meals and coffee to hospital workers.

10,000
Uncle John's Fried Chicken meals

to

60
Hospitals

2,900
Breakfast meals for healthworkers

in

7
Hospitals

Robinsons Supermarket supports Communities

Robinsons Supermarket's ongoing commitments with its partner NGOs were strengthened as vulnerable sectors needed more help in the pandemic. Beneficiaries included mothers and children, senior citizens, and local farmers.

Working with the Ateneo Center for Educational Development, Robinsons Supermarket launched the Wellness Moms Program. Envisioned to aid and build a community of young mothers by providing food assistance and education. The program currently serves 100 mothers, whose babies are monitored during their first 1,000 days to ensure that they receive proper nutrition.

Robinsons Supermarket supported local communities by lending trucks to the Ateneo de Manila University to deliver much-needed relief goods to beneficiary communities in Novaliches and Caloocan. Most recently, they also helped pick-up 10 tons of squash from local farmers of Sitio, Nueva Ecija. These were being sold at Php5.00/kilo and were bought by the partner university to distribute to their sponsored communities.

Handyman partners with Herco Trading for Typhoon Victims

Handyman Do it Best and Herco Trading launched relief efforts in Legaspi City, Albay and Virac, Catanduanes for communities affected by Super Typhoon Rolly (International Name: Typhoon Goni), which made landfall in the Philippines on November 2, 2020.

With local non-profit partners St. Agnes Academy Alumni Association and the Social Action Center of Diocese of Legazpi in Albay, and the Ando Cua Foundation of in the Municipality of Virac, donations to were distributed to affected families on December 11 and 12, 2020. Donated items consisted of food items, cleaning materials, and Greenfield construction tools and hand tools.

Southstar Drug: We Care A Little More

Southstar Drug's "We Care A Little More" motto is anchored on its mission to provide quality medicine to its customers, but it is also what drives its ongoing projects to give back to communities in need.

From November 11, 2020 to February 4, 2021, Southstar Drug's most recent run of outreach projects came in the form of donations for the Christmas season, as well as aid to families still recovering from the devastation of last year's major typhoons, Rolly and Ulysses. Beneficiaries were provided with basic necessities in Tuguegarao, Camarines Sur, Albay, Pasig, Marikina, Batangas, Cavite, Rizal, Pampanga, Davao, and Cebu, along with typhoon-affected employees in the Bicol Region, Metro Manila, Central Luzon, and CALABARZON.

1,300
beneficiaries

450
Southstar Drug employees

Southstar Drug's corporate social responsibility programs rely on the employee volunteerism and close collaboration with partners. The drugstore works with local government units and agencies such as the Department Education in Central Luzon, as well as civil society organizations such as Bahay Pag-Ibig in Pampanga, and Camarines Sur Pharmacist Association and Riders Association Camarines Sur, both in Bicol Region. These partners on the ground were crucial in identifying barangays and beneficiaries most in need, with those recovering from the trauma and economic challenges from natural calamities prioritized for engagement, as well as children and senior citizens from low income families.

Pet Lovers Centre Donates to Animal Welfare NGOs

True to its tagline, "All Passion, All Pets", Pet Lovers Centre Philippines showed its support to various organizations during the pandemic and amid natural disasters. These partners include Philippine Animal Welfare Society, CARA Welfare Philippines, Hound Haven Philippines, Animal Kingdom Foundation, and Island Rescue Organization. Ensuring that the groups' rescued and housed animals remain healthy during quarantine, Pet Lovers Centre Philippines donated boxes pet food and treats for the dogs and cats under the care of these groups.

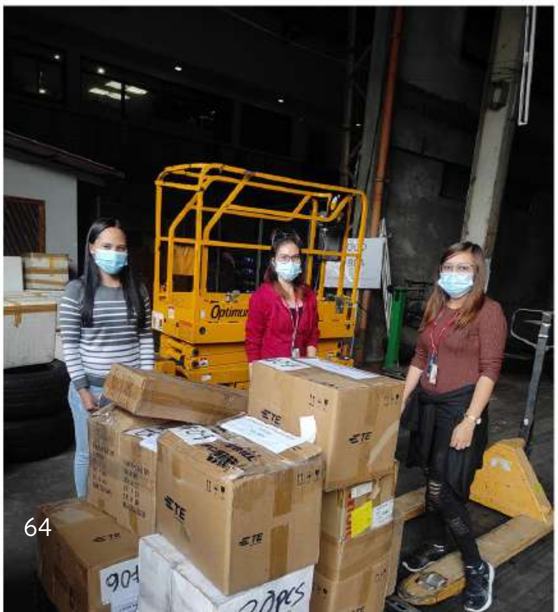
Our People

“Your employees are your partners.”

- *Lessons from Dad, John L. Gokongwei, Jr.*
by Lance Gokongwei

"Pumasok po ako para po kahit papano, makatulong sa mga nangangailangan. Konting bagay pero malaking tulong na 'yun. Iyon lang naman ang aming maitutulong ko sa kapwa natin."
— Jenny Indita, cashier.

[I go to work so no matter what, I'm able to help those with needs. It's a small deed on my part, but it goes a long way; it's my way of helping others.]



"Pumapasok kami para sa aming mga pamilya na umaasa sa amin, at para din sa ibang mga tao sa mga kailangan nila. Ginawa naming ito dahil gusto namin makatulong hindi lang sa aming pamilya, para din sa ating mga kababayan."
— Michelle Padilla, merchandiser.

[We work for our families who depend on us, and to serve people's needs. We do this not only to help our families, but our fellow Filipinos.]

"Para sa akin, sa gitna ng banta sa kaligtasan at kalusugan ko, masaya ako sa ginagawa ko. Mahal ko trabaho ko kahit malayo ang inuuwian ko. Yung makita ko lang na nakakatulong ako sa gitna ng ganitong sitwasyon, yung willingness ko na pumasok kahit alam ko mahihirapan ako sa pagpasok at paguwi kasi alam ko na sa ganitong paraan ako makakatulong sa mga tao,"
said Ricci Brazil, sales clerk.

[For me, despite the risks on my safety and health, I am happy doing my work. I love my work, even if I live far. I see that if I can be useful in the midst of this situation, even if I have difficulty coming and going to work, this is how I can help other people.]

"It's not just any more about the business, but more on the mission. We're working doubly-hard to provide basic goods much needed by consumers in these difficult times and I am proud to be working side by side with colleagues in a mission-driven company like Robinsons Supermarket,"
-Paul Pasia, IT Manager of Robinsons Supermarket of Robinsons Supermarket.

"Dahil kailangan ng customer ang serbisyo natin, paano na lang 'pag wala sila makain? Unang-una ang grocery ay needs yan, hindi naman wants lang. Hindi naman bibili lang kasi gusto mo lang. Bibili ka kasi kailangan mo. Oo, andon ang sasahod tayo pero ang maganda doon, sumahod ka nag-serve ka pa ng serbisyo sa ibang tao."
—Mark Tilan, bagger.

[Our customers need our service. What if they don't have food to eat? Grocery items are needs, not just wants. Yes, we get paid to do our jobs, but it's nice to earn a living by fulfilling the services required by others.]

Safety at the Workplace

In 2020, we executed a comprehensive Business Continuity Plan that prioritized employee safety during the COVID-19 outbreak. For frontliners in essential formats, namely supermarkets, drugstores and convenience stores, they were provided with personal protection equipment, sanitizers, and trained on social distancing measures. Stores and the Head Office also operated on a skeleton workforce, and management adapted work-from-home schemes, primarily for support services, during Enhanced Community Quarantine.

Periodic sanitation and disinfection were also done at all points of contact, and on-site employees were required to submit daily health reports before entering work premises during General Community Quarantine. The Company also informed employees on COVID through the Gokongwei Group COVID Care Program, which shares pertinent information on the virus, its symptoms, and a hotline which gives access to healthcare providers in case they suspect that they may have contracted the disease.

As a matter of policy, we give importance to the health and safety of our employees. We have in place our policy on Stakeholders' Health, Safety and Welfare, which is publicly available in our corporate website. Under this policy, Robinsons Retail is committed to undertake all reasonable steps to ensure the health, safety and welfare for the best interest of our stakeholders and the communities where we live and work by complying with the provisions of law, industry rules and regulations, standards of independent accreditation bodies where the Company obtained accreditation, and contractual obligations.

The policy aims to:

1. Provide a guiding principle to ensure health, safety and welfare of the Company's stakeholders.

2. Identify responsibility and accountability of every personnel and department in the organization to ensure the health, safety and welfare of stakeholders.

3. Integrate health and safety practices in all activities to ensure efficiency and quality of products and services.

The policy shall define the guiding principles and responsibilities for managing health, safety and welfare of the stakeholders of Robinsons Retail Holdings, Inc. (RRHI), its subsidiaries and affiliates. The complete Stakeholders' Health, Safety, and Welfare policy can be downloaded here: https://bit.ly/30UtzZO

Inclusivity at the Workplace

Robinsons Retail celebrates inclusivity and valuing the contributions of each employee as part of its organizational culture. We believe that respect for diversity and equal treatment are key in managing a progressive environment for our employees, therefore we do not discriminate based on any characteristic that is considered a human right, such as gender, age, religion, or disability. As of end 2020, we employed over 18,000 individuals from various fields of expertise and backgrounds, with women consisting 70% of the total workforce.

Female representation in Robinsons Retail is apparent across all levels, with several key executive and senior management roles fulfilled by women. 52 of the 91 executive level positions and 4,598 out 7,901 managerial and supervisorial roles are likewise held by women.

The professional space in Robinsons Retail is merit-based, and we do our best to recognize the performance of our employees while providing ample opportunities to grow. On October 16, 2020, Robinsons Retail became part of the Forbes' World's Best Employers list composed of 750 corporations headquartered in 45 countries. Ranked 236th, RRHI is the highest placed Filipino company on the list, which also included Jollibee Foods and the Alliance Global Group.

The 2020 edition of the list was compiled by the US-based financial news publication in partnership with Statista, a German market research firm. To obtain the rankings, they surveyed 160,000 full-time and part-time employees working for multinational companies or at firms with operations in multiple nations or regions. The surveys were conducted from June to July with anonymous participants who were asked to rate their companies based on several criteria, which included the employees' willingness to recommend their employers to friends and family; their employers' image, economic footprint, talent development, gender equality, and social responsibility; and their satisfaction with how their employers' dealt with Covid-19.

Forbes

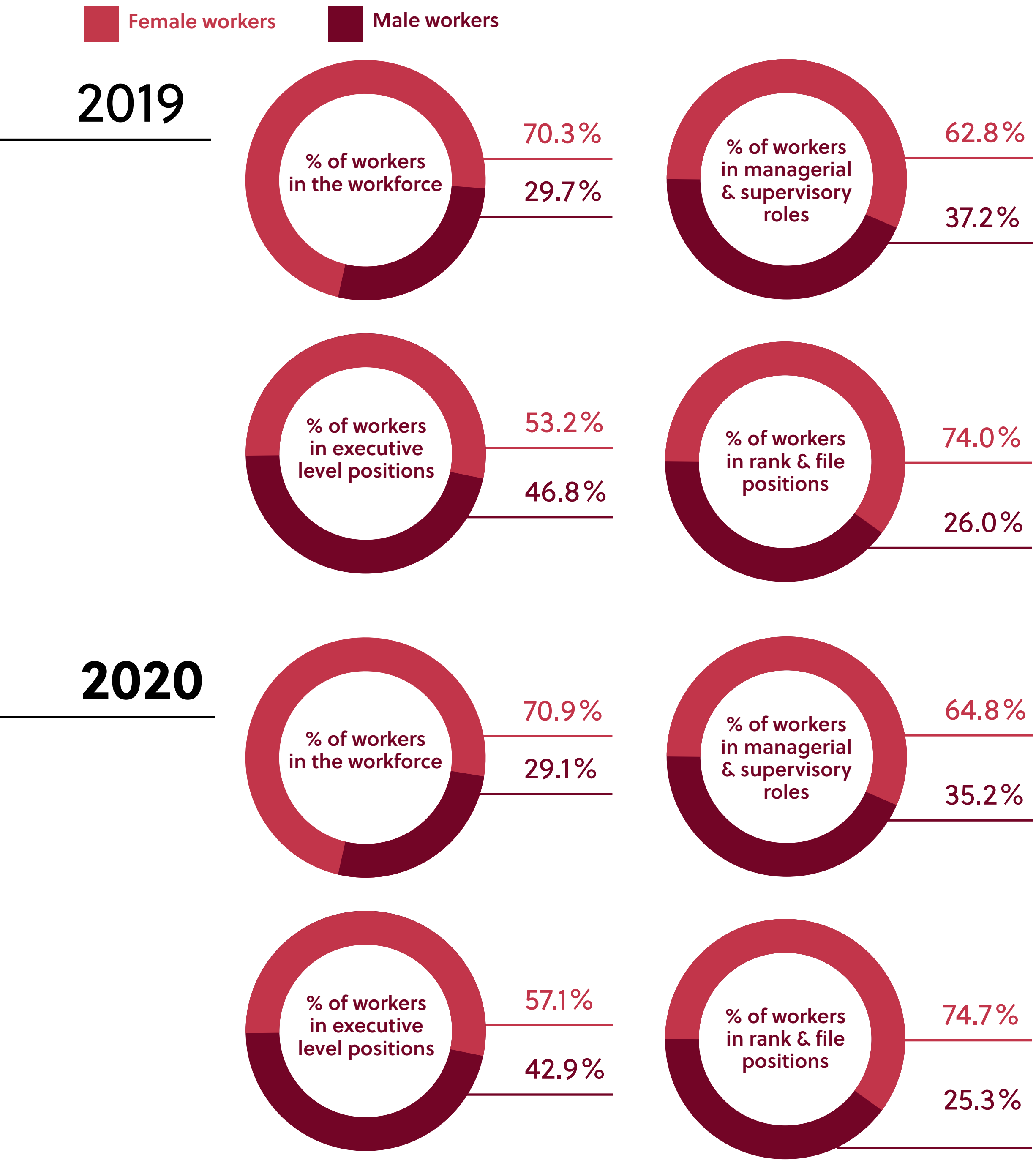
230	Analog Devices	Semiconductors, Electronics, Electrical Engineering, Technology Hardware & Equipment
231	CACI International	Professional Services
232	Lululemon Athletica	Clothing, Shoes, Sports Equipment
233	Fortune Brands Home & Security	Engineering, Manufacturing
234	Valero Energy	Construction, Oil & Gas Operations, Mining and Chemicals
235	Banque Saudi Fransi	Banking and Financial Services
236	Robinsons Retail Holdings	Retail and Wholesale
237	Nielsen	Professional Services
238	Kimberly-Clark	Packaged Goods
239	Jollibee Foods	Food, Soft Beverages, Alcohol & Tobacco
240	ABB	Semiconductors, Electronics, Electrical Engineering, Technology Hardware & Equipment
241	Raytheon Technologies	Aerospace & Defense
242	Ace Hardware	Retail and Wholesale
243	Nippon Paint	Construction, Oil & Gas Operations, Mining and Chemicals
244	Xerox	Semiconductors, Electronics, Electrical Engineering, Technology Hardware & Equipment

2020

18,555
Total number of employees

13,149
Number of female employees

5,406
Number of male employees



By Tenure

< 1 years	4,346
1-3 years	8,418
3-5 years	2,365
5-7 years	1,151
7+ years	2,275

By Age Group

Employees under 30 years old	
Number of Male employees	2,179
Number of Female employees	7,351
Employees 30 - 50 years old	
Number of Male employees	3,120
Number of Female employees	5,608
Employees over 50 years old	
Number of Male employees	107
Number of Female employees	190

Women at Work:
Mylene Kasiban is ING-FINEX 2020 CFO of the Year

Robinsons Retail's Chief Financial Officer (CFO) Mylene Kasiban was selected as the 14th ING-FINEX CFO of Year for 2020. This award is the Philippines' longest-running and only search that honors outstanding chief financial officers.

The search was first launched in 2006 through a permanent partnership between Financial Executives Institute of the Philippines (FINEX) and ING Bank, N.V., envisioned to "herald a legacy for future generations of Philippine financial leaders." Awardees were selected based on strong evidence of performance and initiative across all four CFO qualities as a Strategist, Catalyst, Steward, and Operator.

FINEX is the premier professional organization for finance executives and decision makers in Philippine business and ING Bank, N.V. is one of world's largest banks and a leading global financial institution offering banking, insurance, and investment management services.

Mylene was selected based on her career track record as a finance professional, with an in-depth discussion on leading progressive and innovative initiatives in the field. The selection process also outlined how the candidate contributed to achieving their institution's corporate and sustainability goals.

As RRHI CFO and through working effectively with different departments and business unit heads, Mylene implemented various measures to simplify business processes to take advantage of automation and digitization in place of manual procedures. She is also involved in resource management and negotiations for significant business deals, such as RRHI's major mergers and acquisitions.

In light of the global COVID-19 pandemic, she played a key role in the Company's Business Continuity Programs, the launching of e-commerce platforms such as Gorobinsons, and implementing necessary austerity measures to ensure financial liquidity for the Company.

From L-R: Gabby Tagala, RRHI VP for Human Resources; Robina Gokongwei-Pe, RRHI President & CEO; Mylene Kasiban, RRHI CFO; Jody Gadia, RRHI Managing Director – Supermarket Segment; and Rolly Salvador, RRHI Corporate Controller at the CFO of the Year awarding ceremony on November 18, 2020 at the Hyundai Hall of Areté, Ateneo De Manila University

"I am very proud and honored to receive this award as the second woman CFO of the year, after 12 years. May this award continue to be an inspiration to the women CFOs to keep on doing their best, to be their best authentic self. This award is for Robinsons Retail, a tribute, and my way of honoring our founder, Mr. John Gokongwei and of course to Mr. James Go, Mr. Lance Gokongwei and Ms. Robina Gokongwei Pe. They are my inspiration in getting this award. It is a joy going to the office everyday knowing that you can make a difference and your voice can be heard. It is a company that values good governance and sustainability," said Mylene Kasiban in her acceptance speech at the 14th ING-FINEX CFO of the Year Awarding Ceremony.

Sexual Harassment and Pro-Women Branding

In line with fostering an inclusive environment at the workplace, Robinsons Retail has in place provisions in its Code of Conduct where sexual harassment in any form is not tolerated, where proven cases are subject to immediate dismissal. It is important to us to provide a safe space for all of our employees, especially since the majority of our workforce are women. We understand the need to not only be inclusive, but acknowledge the vulnerabilities faced by different sectors. We seek to provide avenues that genuinely empower them, both among our employees and customers.

As part of our branding and process in developing marketing campaigns, our formats take into account the optics of the final output and make sure that it is free from gender biases against women or the LGBTQ+ community. We believe that sensitivity is important in crafting the messages we share in our advertisements and promotions, especially since many of our products are marketed specifically to women. In our community engagement projects, we have also worked with various partners that celebrate and empower women. Robinsons Supermarket's Wellness Moms specifically builds an online community among mothers, which allows avenues for learning and awareness on products that are able to address their needs.

Learning Beyond Distance

404-1, 404-2

Before the onset of COVID-19, the Learning and Development team of our Human Resources Department conducted various face-to-face programs for training and career advancement through the Robinsons Retail Academy. To adapt to social distancing measures, we transitioned to remote learning to continue offering courses to our employees.

We crafted additional programs to facilitate this transition, starting with the basics of Microsoft Teams meetings, digital body language, and effective coordination between managers and their teams. Beyond fostering familiarity with on screen interactions, we introduced programs to aid our employees in coping with the uncertainty of the times, and made use of various materials on management. We emphasized the importance of building resilience and taking care of oneself through a safe and healthy environment, whether they work onsite or at home. Likewise, we wanted to prepare our leaders to not just weather the current challenges of the crisis, but to look beyond and be ready for market recovery.

Total training hours provided to employees

	Female employees	Male employees
2019	147,815 hrs	54,776 hrs
2020	95,021 hrs	28,884 hrs

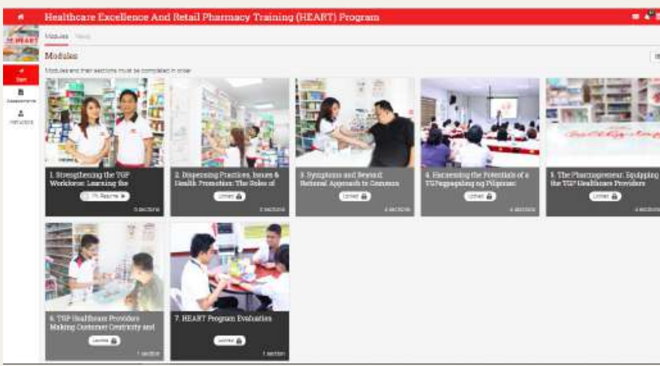
Average training hours provided to employees

	Female employees	Male employees
2019	17.4 hrs/employee	9.7 hrs/employee
2020	14.6 hrs/employee	11.7 hrs/employee

TGP Academy

TGP's strong commitment to empower and foster professional effectiveness and development for its frontliners was manifested with the launch its online Learning Management System in December 2020. The TGP Training and Development team in collaboration with the IT Department, commenced the initiative of creating the online learning and training platform for its healthcare providers - the Pharmacists, Pharmacy Assistants, other drugstore personnel. The platform was also opened to franchise owners.

Branded as TGP Academy, it houses Training Courses to provide learning options that go beyond just classroom training. With over 300 participants so far, the TGP Academy is envisioned to improve the learner's digital experience with an online registration and notification system, intuitive user interface, access to learning content at any time from any device, carries assessment tools to gauge retention and comprehension and analytics to monitor learner's performance.



Our Supply Chain

102-9

At Robinsons Retail, we value collaboration to achieve mutually-beneficial terms with our suppliers. We directly engage a large network of trade and non-trade vendors through Merchandising, Operations, Supply Chain Management, as well as through the Marketing Departments for joint programs and promotions. Through our stakeholder engagement and internal assessments, we identified that the procurement terms, payment schedule, proper waste disposal, and the availability of stocks for fast moving items are material in conducting business with our suppliers.

27
Distribution Centers

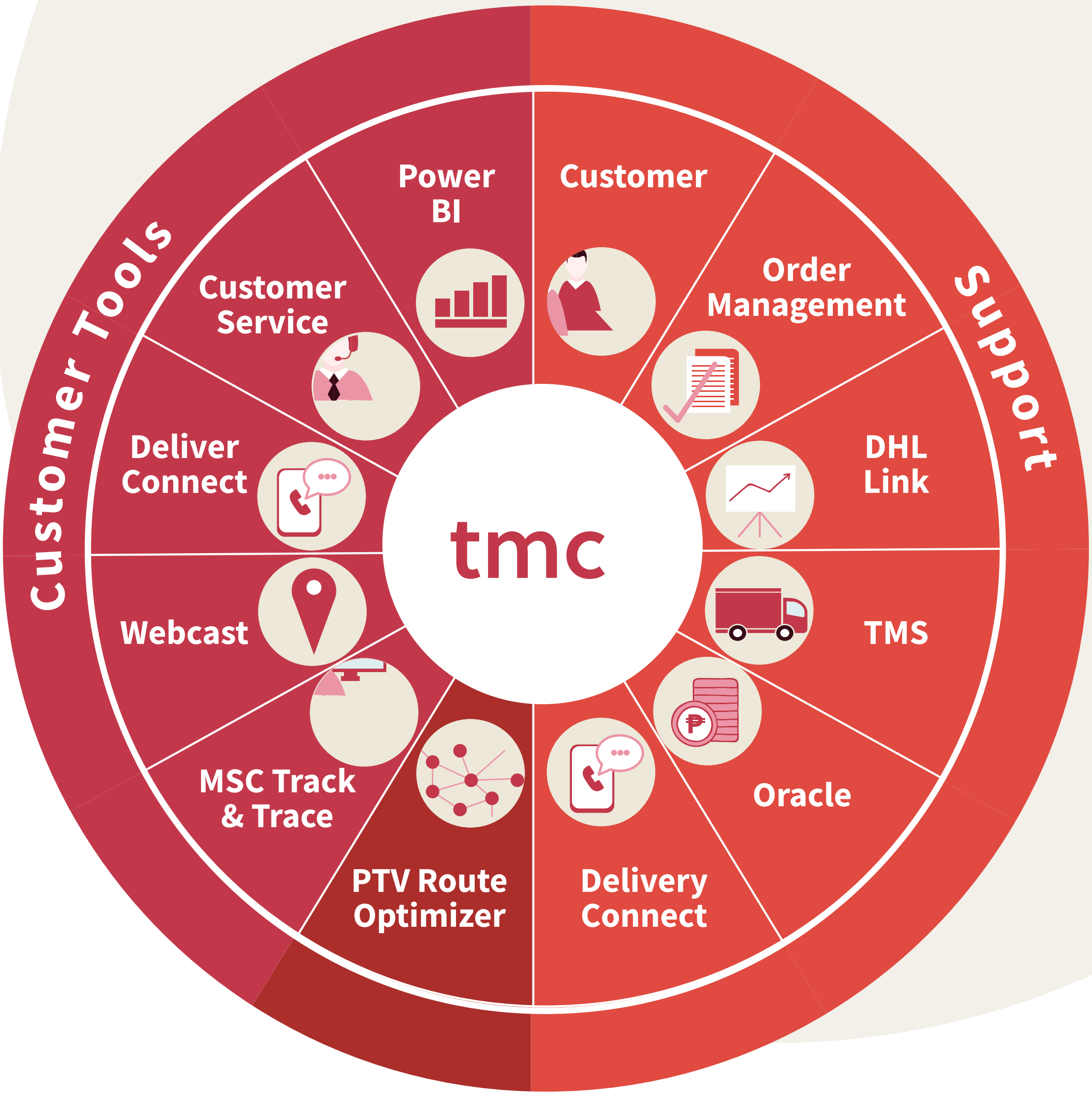
1.5
Million SKUs

As a retailer, we rely on the meaningful engagements we have with various suppliers, from large multinational corporations to small and medium enterprises. We believe that as we conduct business together, we positively impact local economies as we support livelihood and provide access to goods for end consumers.

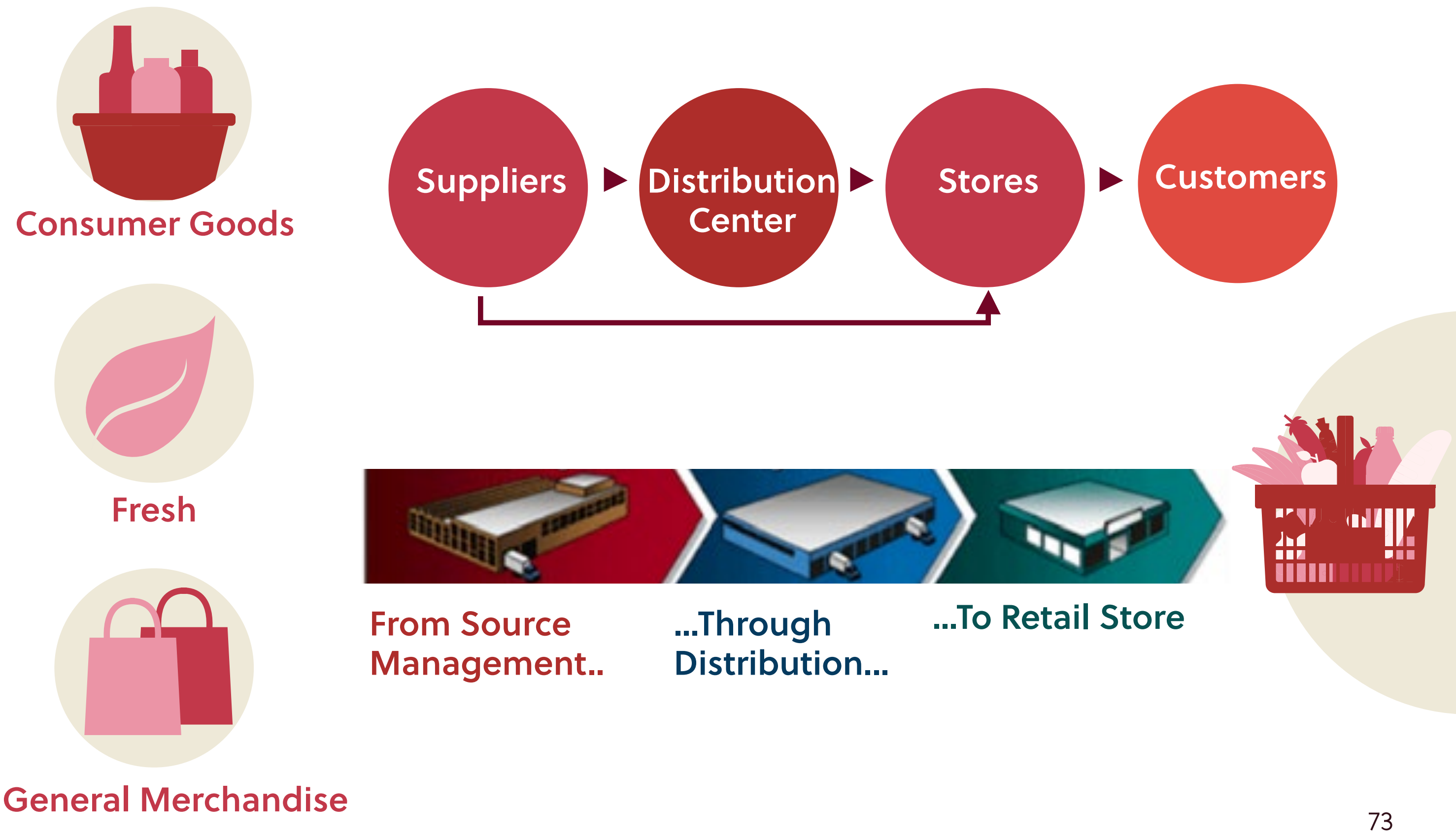
Robinsons Retail has a supplier accreditation policy to assure that suppliers have the capacity to meet the demands of the business at consistent quality. Goods and stores are also monitored by quality assurance officers and each business unit also has standard store procedures on the proper disposal of waste and expired items.

To reduce the likelihood of producing waste and to keep stores in stock, our business units are continuously improving methods and process to forecast demand more accurately to maintain a just-in time inventory system. This, in return, increases supply efficiency as goods arrive only when they are needed. Our distribution centers follow a cross-docking system, where goods from suppliers are consolidated and sent to RRHI's stores in a strict, time-bound manner. This enables the faster delivery of products and reduces the unnecessary maintenance of stocks.

In 2020, we bolstered our Supply Chain Management with the DHL Summit Solutions, Inc. Transport Management Center (TMC), the result from joint venture between DHL and JG Summit. The TMC provides 24/7 tractability of vehicles and orders, and provides real time planning to ensure route optimization and excellent service. Alongside Universal Robina Corporation, the RRHI formats currently included in this process are Robinsons Supermarket, Ministop, Southstar Drug, and TGP.



Merchandise Flow



Key Performance Areas

- Demand forecast, Order Quantity
- Vendor Fill-Rate
- DC Order Fill-Rate
- On Time Delivery (DC, Vendor)
- Storage Capacity Utilization
- Inventory Record Accuracy
- Days in Inventory
- Out-of-stocks, Overstocks
- DC Cost (to Sales, to Throughput)
- Cost/Case
- DC Cost Recovery

Supporting Small and Medium Enterprises

215
SME suppliers for Robinsons Department Store

106
SME suppliers for Robinsons Supermarket's Farm to Table Project

SME sales contribution to Robinsons Department Store

₱1,102.9 million
(7.07%) in 2019

₱425.6 million
(5.13%) in 2020

The role played by small and medium enterprises to the Philippine economy is significant as they comprise the majority of businesses in the country and employ around half of the labor force. We believe in fostering opportunities to work with SMEs and include them in our growth story, as they offer goods and services that are essential in our operations and to our consumers. Our engagement with SMEs are primarily through trade suppliers in our department stores and supermarkets. We also annually contract at least 35 third-party SME truckers through our Central Procurement Department, which offer crucial logistics services in our distribution centers and stores.

Robinsons Department Store's Proudly Filipino Selections

Robinsons Department Store celebrates locally produced items and Filipino creativity through the Go Lokal! program and the Tindahan section in Robinsons Department Store Galleria. The sections feature items produced by medium scale enterprises, many of which are carefully handmade crafts, health and beauty products and local delicacies. The department stores provide mainstream access to these items, as well as marketing assistance to participating small enterprises in the form of assisted visual displays, planograms, and social media exposure.

On September 8, 2020, Robinsons Galleria reinvented its Home Section, re-envisioned as a 1,500 square-meter space that features a wide selection of trusted brands of home décor, furnishings, domestic appliances, storage units, and houseware. It also highlights a 160 square-meter flagship store of Curated Home, Robinsons Department Store's exclusive brand. Curated Home provides a treasure trove of décor and accent pieces that are personally hand-picked by the brand's Creative Director, renowned furniture designer and visual storyteller Ito Kish. Over the years, Robinsons Department Store has built a close relationship with Ito Kish, whose insight and sensibilities play a huge role in curating items in the Home and Lifestyle Section of our stores.

Empowering Farmers: **Robinsons Supermarket's Farm to Table Program**

11,427
FTT products

1,177
FTT products with biodegradable packaging

599
FTT Farmers

Robinsons Supermarket's Farm to Table Project (FTT) engages close to 600 small-hold farmers, offering stable demand for fresh produce at fair market prices. The project also empowers and encourages farmers to adapt sustainable farming practices that preserve soil health, use less water, and have less dependence on artificial pesticides. Through FTT, we brought quality produce from provinces in the Philippines, empowering both local producers and our consumers. At present, most fresh fruits and vegetables are sourced from farms in Luzon, namely Abra, Batangas, Benguet, Bulacan, Cavite, Laguna, Quezon, Rizal, and Zambales. Some farms are also located in Metro Manila and Visayas (Cebu and Bacolod) and Mindanao (Davao).

The project started in 2018 and empowers farmers primarily through farm-gate rates and fair-market deals, which we establish through close collaboration and discourse. With farmers initially relying solely on wet markets and various middlemen, where prices and orders often fluctuate, FTT also gives much needed security to the partners through stable order quantities of produce. The array of fresh products is extensive, ranging from classic Filipino dish staples like ampalaya, string beans, okra, tomatoes, eggplant, squash, and camote; to much loved fruits like Carabao Mango and dragon fruit, and many more.

Customers also benefit from the project because measures are undertaken to guarantee freshness, safety, and quality. Information displayed on where and how the goods were farmed and sourced. The visibility organic and GAP (Good Agricultural Practices) certified farms also inform consumers about the kind of work that go into the products. Information is key to transparency, and as it lends authenticity to the project and bridges farmers to customers.

From a sustainability standpoint, the FTT addresses a need to support the agricultural sector and recognizes the irreplaceable role it plays in society in its provision of food - the most basic of necessities. Given that food is a major part of the supermarket business, it is directly tied to our operations and our supermarkets' health and wellness value proposition to customers.

Supplier Accreditation

Robinsons Retail has a supplier accreditation policy to assure that suppliers have the capacity to meet the demands of the business at consistent quality. Goods and stores are also monitored by quality assurance officers and each business unit also has standard store procedures on the proper disposal of waste and expired items. To guarantee that our suppliers meet our standards, we employ a comprehensive supplier accreditation system. The process starts with an assessment of the product quality and marketability of merchandise from prospective partners. Suppliers that pass the assessment then submit the required government documents and undergo interviews to confirm their commitment to working with us. Through the years, we have forged long-term partnerships with some trusted suppliers with whom we have grown our business. We make sure that all suppliers, big or small, are given opportunities to grow their business.

Our supplier selection process is a critical aspect of our business. Only accredited suppliers can provide the goods and service requirements of the company and only those products or services that received accreditation shall be supplied by an accredited supplier.

All potential suppliers shall undergo the accreditation process to ensure that only qualified suppliers are selected to supply the goods and services requirements of the company. Inclusion of additional commodity/ies from an existing supplier shall require accreditation.

Inspection, evaluation and accreditation of potential suppliers shall be carried out our Supplier Accreditation Teams, who are composed of individuals who have the qualifications and capabilities to evaluate the eligibility of the suppliers to be accredited.

The Supplier Accreditation Rating System

The Supplier Accreditation Teams appraise all suppliers applying for accreditation using a rating system

The rating system include both product and company evaluation.

- Supplier rating shall be documented through the Supplier Accreditation Rating Sheet (SARS).
- Supplier with Overall rating equal or above seventy-five (75%) shall qualify for accreditation approval.
- In cases when certain criteria for accreditation is deemed not applicable, the passing requirement of 75% shall be computed based on the total applicable criteria.
- A premium or additional five (5%) points shall be added to the rating of supplier who are Sole Distributors of products provided that the Sole Distributorship Certification has been obtained and verified.
- An additional three (3%) points shall be added to the rating of supplier if distributorship of the product is limited to two (2) suppliers only. Certification from the manufacturer on the limited distributorship has to be obtained and verified.
- The Rating System for each accreditation criteria may vary by commodity group and may be customized by the BU according to strategic importance.
- Supplier with a total rating below seventy five percent (75%) may still be recommended for accreditation provided:
- The product or service is needed to comply with regulatory requirements
- Supplier is a sole distributor; and
- Other justified reasons.

Sustainable Supply Chain Townhall

On November 11, 2020, we conducted our second townhall on Sustainability, focusing on the Supply Chain. The event, which was held virtually via Microsoft Teams, began with a discussion on the basic processes of the supply chain, then transitioned into opportunities to further improve upon how it is managed, with examples on initiatives done by the Robinsons Supermarket and Robinsons Supermarket. We also touched upon the potential of technology and sustainability in informing decisions to develop this area in business.

In the townhall, we emphasized the strategic ways to perceive business performance in respect to environment, social and governance concerns, as it has become one of the crucial criteria for the investment community in evaluating potential investments. In the supply chain of retail specifically, ESG issues can carry significant reputational and operational risks, such upstream and downstream traceability. The ESG criteria serves as a guideline for environmentally friendly, socially acceptable, and ethically righteous supply chain activities: from procurement, sourcing, supplier relationship-management actions.

Robinsons Supermarket Capitol Hills'
Water Loop System

303-1, 303-5

600% reduction in refrigerant use

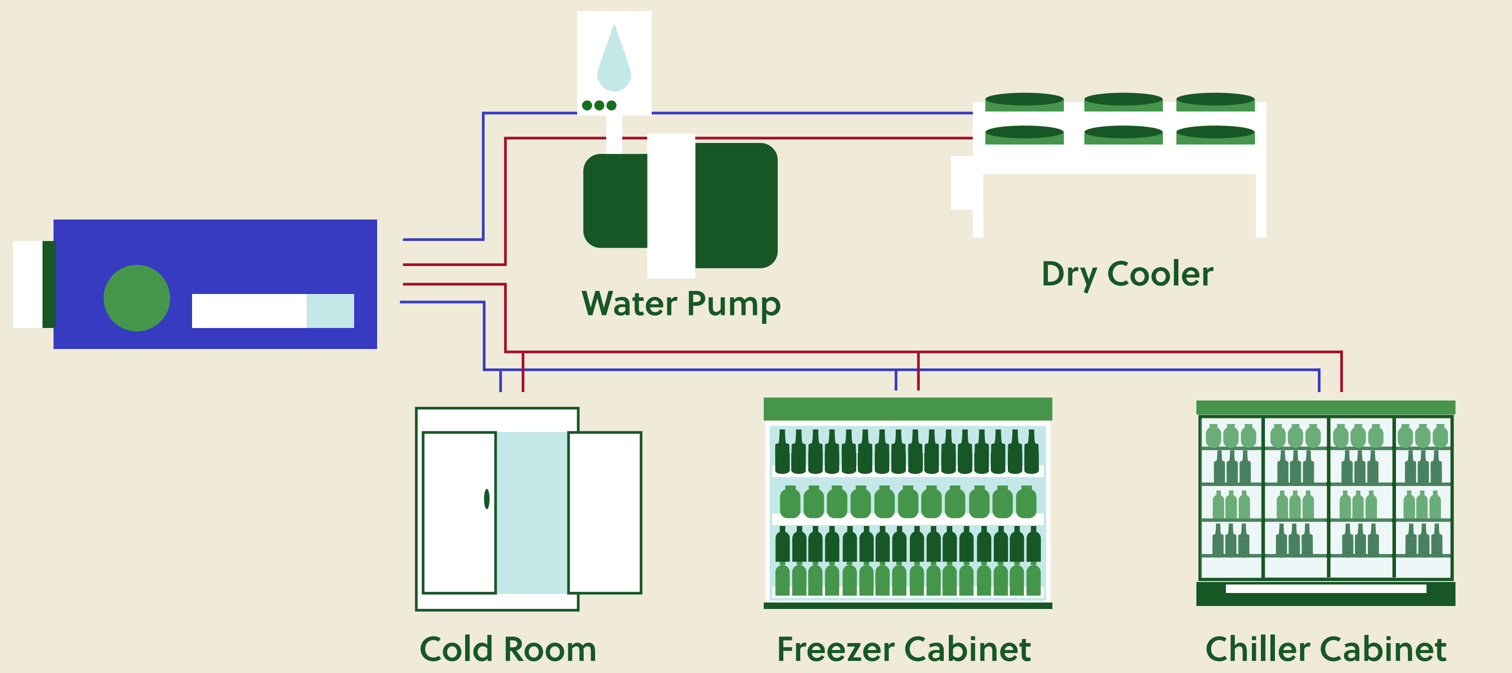
50% lower Global Warming Potential

19.2% lower energy consumption

In an effort to reduce GHG emissions in our stores, Robinsons Supermarket's Capitol Hills branch became the experimental site for the Water Loop Refrigeration system. The technology uses recirculated water as the main component in its cooling system and uses refrigerant R-410A, which has a 50% lower Global Warming Potential (GWP) compared to R-404A used in conventional centralized aiconditioning systems for the same area. Aside from using a refrigerant with less GWP, conventional systems also use seven times more refrigerants than the Water Loop System.

Aside from Robinsons Supermarket Capitol Hills, the format is looking at other potential stores which can be converted to the system as it needs an open space to operate, with studies currently being done for its stores located in Robinsons Galleria and Tagaytay.

EPTA Blue Water Loop System



Our Environment

Climate Action Targets

305-1, 305-2, 305-4, 305-5

20%

GHG intensity reduction by 2030

10%

Energy intensity reduction by 2030

Promote Sustainable Farming by Adding 100 farmers to the Farm to Table Program by end 2021

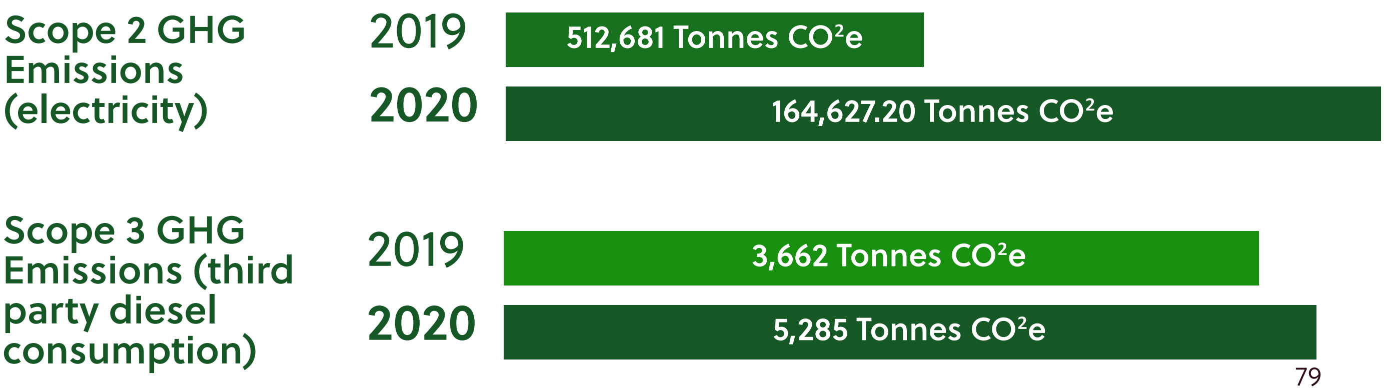
Throughout our Sustainability Journey, we have grown to understand the importance of Climate Action and for Robinsons Retail to become part of solutions that promote environmental stewardship. In light of this, we commit to a target of reducing GHG intensity by 20% by 2030, measured as GHG emissions relative financial performance in terms of revenue. Under our Supermarket Segment, our biggest business segment, we will also pursue initiatives to reduce energy intensity by 10% through more energy-efficient materials and equipment in stores, as well as the usage of lower impact refrigerants. Likewise, for 2021, the Supermarket Segment aims increase engagement with farmers under the Farm to Table Program, targeting to grow the sales contribution from the program 0.60% from 0.53% in 2020, and add 100 more farmers to its current pool of 599. The project also encourages sustainable practices in production.

We have also begun to engage partners in our goal of crafting comprehensive Climate Action Plan, which includes scenario-building, long-term targets, and conducting further studies within the next two to three years that further delineate the areas of materiality in terms of its impacts to the environment and potential contributions to Climate Change, as well as opportunities to engage environmental conservation.

Although still in need of adaptation and further study on its overall impact upon climate change metrics, we have been continually implementing energy-saving practices over the past years in select areas of our operations. While RRHI is not water-intensive as a business, it also acknowledges the importance of reducing water consumption and implements daily maintenance checks on our facilities.

We recognize plastic use as a material topic in Climate Action, as it has implications on reputational risks among our customers, investors and regulators, and the health of the environment and the preservation of natural biodiversity through plastic leakage. Our primary use of plastic is through the packaging and handling of goods that are ultimately sold to customers through our stores.

GHG



Energy, Emissions and Water

302-1, 302-3, 302-4

We rely on electricity and fuel for our daily operations and across its supply chain. Energy is sourced primarily from the local electrical grid that services areas where the Company's stores operate. For this report, we implemented a more comprehensive monitoring mechanism for energy consumption across our major business units.

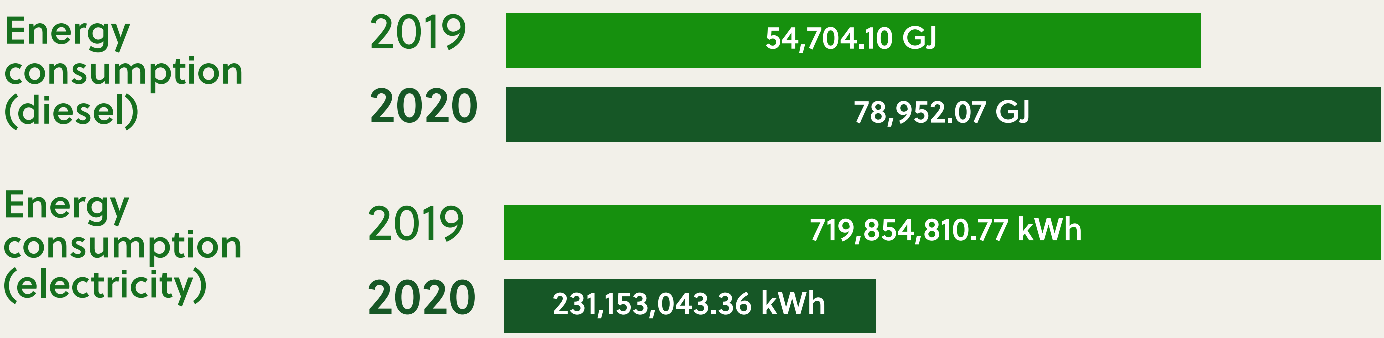
At present, we implement energy-saving practices such as maintenance and conversion to energy efficient materials and appliances, such as LED bulbs, inverter technology airconditioners, and refrigeration systems with less impact on the environment. The Company also closely monitors compliance requirements from the Department of Energy on standardized measures for energy and resources, especially for sites that may cross the materiality threshold on required disclosures for the agency.

We are setting developing action plans to reduce the dependence on high-intensity equipment across its operations. Our Engineering Department spearheads initiatives on the conversion to energy efficient equipment which use less energy and make use of refrigerants with a lower carbon footprint once old equipment reach their end-of-life usage, with a projected 7% reduction in energy consumption. We also believe there are ripe opportunities in exploring the potential of renewable sources of energy for our sites of operations, specifically buildings which it directly manages, such as the Robinsons Townville Community Malls, Shopwise hypermarkets, and standalone Robinsons Supermarket and The Marketplace stores.

For the distribution of our goods, we also rely on a network of third-party truckers, and in 2020, we began our data collection as baseline for our fuel consumption in this area of our business. Our future plans for the group's supply chain are also being crafted with sustainability in mind, as we seek ways to make resource use more efficient, while taking advantage of opportunities in technologies that can enhance the performance of our distribution centers.

In 2020, energy consumption and intensity was reduced primarily due to the temporary store closures and reduced operating hours, as mandated by government in response to COVID-19, while the increase in fuel consumption was attributed to net increase in store count across the group.

Energy consumption within the organization:



Intensity of energy consumption

Diesel

2019 — 0.009 L/revenue

2020 — 0.014 L/revenue

Electricity

2019 — 4.41 kWh/revenue

2020 — 1.53 kWh/revenue

**based on FY revenue in millions Php*

As a retailing company, RRHI's core operations are not water intensive as compared to other businesses and sources water through local third-party lines. The company primarily consumes water through employee lavatories and maintenance of cleanliness in work areas and stores. Water consumption is monitored and daily maintenance and monitoring of office pipes is conducted to address leakage.

Water consumption within the organization

Water consumption

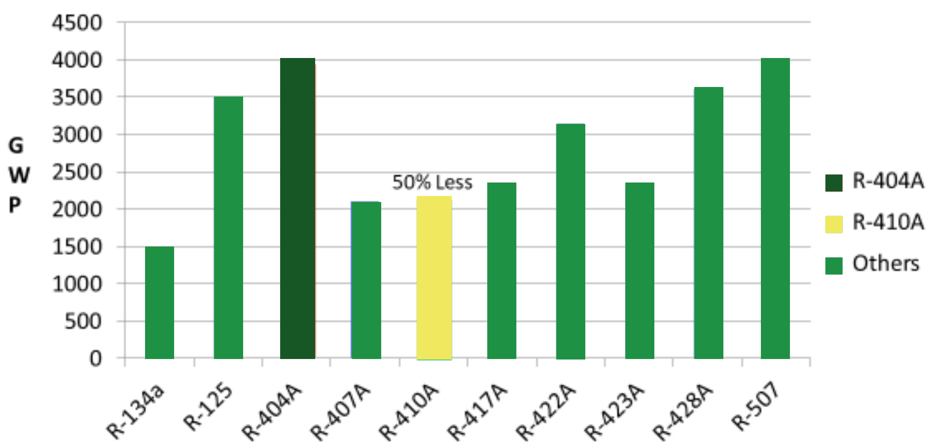
2019 — 688,514.40* Cubic meters

2020 — 1,072,384.63 Cubic meters

**2019 data excludes consumption from Shopwise and The Marketplace due to the unavailability of data.*

Global Warming Potential comparison between R-404A and R-410A

Global Warming Potential (GWP) is the ratio between the amount of greenhouse gases and carbon dioxide in the air



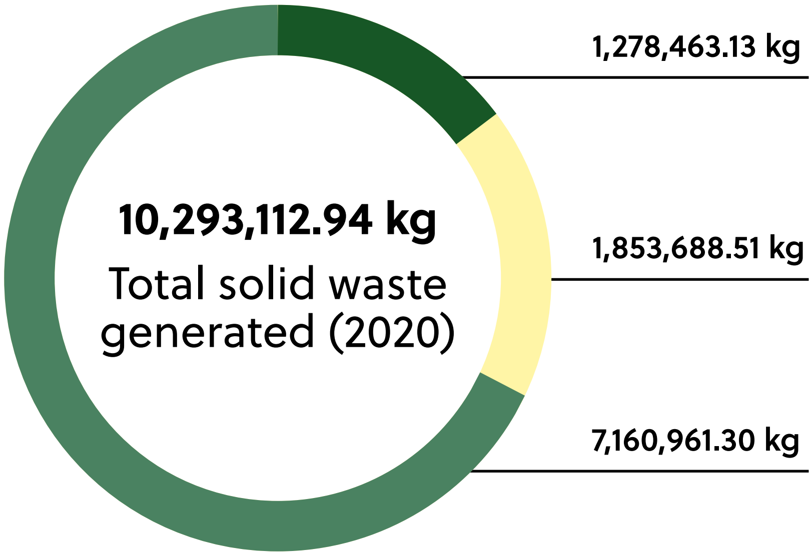
Solid Waste Management

306-2

Managing our solid waste footprint is a relevant aspect in our operations. As part of our quality assurance to customers, we have stringent rules to maintain store cleanliness, proper storage and management of inventory, and waste processing to prevent cross-contamination. In coordination with our vendors, we also strictly comply with requirements on proper disposal of identified "bad" or expired products and makes sure that sub-par items do not reach the market. For produce and consumable merchandise, some supermarkets, such as Shopwise, currently engages partners to reduce food waste through donations to charities that act as food banks. Lastly, we also rely on licensed recyclers and haulers as part of our waste management.

Our stores and distribution centers have policies in place for proper waste segregation, however, a challenge we encountered was the development of a data collection system that accurately quantifies the waste produced in our stores and distribution centers. This is a crucial aspect in our monitoring of waste, and we are starting initially with our Supermarket Segment to gather data in this area, which is especially material due to the diverse waste profile of the business. The data disclosed here is based on estimates from the store and distribution center operations for 2020.

To have a firmer grasp in addressing issues surrounding solid waste and alongside strengthening our data collection systems, a number of our stores have begun engagements with partners to explore the potential of treating waste as a resource. The principle of circularity informed our collaboration with Robinsons Malls in General Trias and Las Piñas and USAID, with a project specifically targeting residual plastic waste. This waste produced by the malls, which includes our stores which are tenants, is collected and transported to be recycled Sentinel, a manufacturer of plastic products. The initiative seeks to find value chains in the waste stream of our stores, and in 2021, we plan to onboard more of our stores into the project.



**data from Supermarkets*

Material Use and Initiatives in Procurement

↓27% reduction in plastic bags in 2020 vs. 2019

↓37% reduction in paper bags in 2020 vs. 2019

We approach material efficiency from both the perspective of compliance and customer engagement, and we observe strict adherence with the pertinent regulations on using plastic and paper from local governments of our stores.

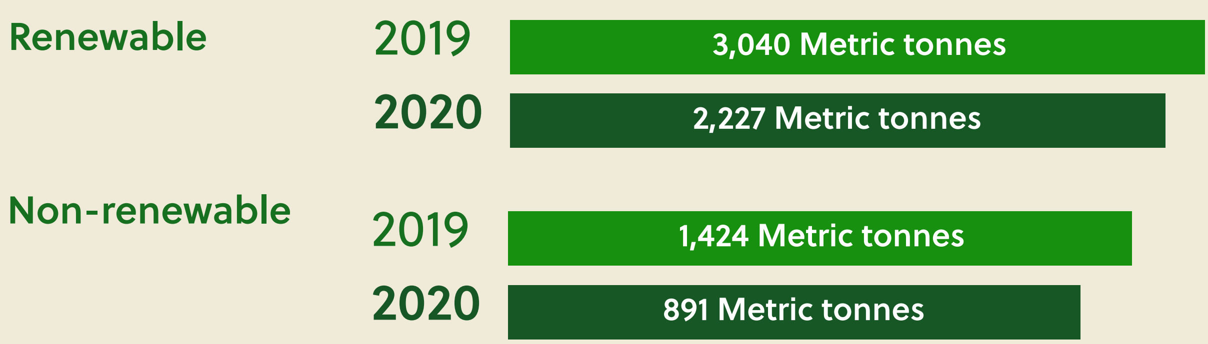
Digitalization also plays a key-role in resource management for the company. The Company's Shared Services Departments also implemented resource reduction initiatives with less reliance on paper across transactions and investment in printing equipment that make use of less ink and materials. The Business Unit Marketing Departments have likewise reduced dependence on printed collaterals in favor of Digital Marketing.

Our formats rely on the paper and plastic as primary materials for packing goods at the point of sale, which consumers will transport to their homes. The scope of this disclosure includes estimates of weighted plastics and paper (renewable) and plastic (non-renewal) bags centrally procured for the Company's most material business segments: supermarkets, department stores, and DIY stores.

Materials used by the organization

301-1

Materials used by weight or volume



In 2020, we decreased procurement of both renewable paper bags and non-renewable plastic bags, alongside initiatives to encourage customers to bring their own eco-bags in stores.

Plastics, particularly plastic packaging, is ubiquitous and currently crucial to our business and supply chain, given its ease of transportation, ability to aid in decreasing incidences of contamination and quality reduction during transport and product display, as well aid in increasing shelf-life and food-safety for end consumers. The latter is inseparable from our primary business of fresh food and grocery retail through supermarkets.

However, we acknowledge the issues that surround plastic waste and are exploring ways and partnerships to prevent its leakage into the environment, as well as mitigate the potential harmful effects that it does indeed have on wildlife and natural environments. These include conducting information programs that educate customers on the harms of plastic pollution, diverting plastic waste into recycled items, and encouraging the use of reusable containers and shopping bags in our stores.

Board of Directors

Lance Y. Gokongwei
Chairman

James L. Go
Vice Chairman

Robina Gokongwei Pe
President, Chief Executive Officer & Director

Ian Mcleod
Director

Samuel Sanghyun Kim
Director

Antonio L. Go
Independent Director

Roberto R. Romulo
Independent Director

Rodolfo P. Ang
Independent Director

Cirilo P. Noel
Independent Director

Business Unit Heads

01
Justiniano S. Gadia
Managing Director - Robinsons Supermarket, The Marketplace, Shopwise and Robinsons Easymart

02
Celina N. Chua
Group General Manager - Robinsons Department Store and Toys'R'Us

03
Stanley C. Co
Group General Manager - Handyman Do it Best, True Value, Robinsons Builders, Home Plus, Daiso Japan, Super 50 and Pet Lovers Centre

04
Jose Paulo R. Lazaro
General Manager - Robinsons Builders and Home Plus

05
Jovito U. Santos
Group General Manager - Robinsons Appliances and Savers Appliances

06
Maria Carmina Pia G. Quizon
General Manager - Robinsons Department Store, Shiseido, Benefit and Elizabeth Arden

07
Katherine Michelle Q. Yu
General Manager - Daiso Japan and Super 50

08
Paz Regina A. Salgado
General Manager - Robinsons Department Store Business Center and Financial Products

09
Edna T. Belleza
General Manager - GoRobinsons

10
May Theresa C. Abarquez
General Manager - TGP

11
Suresh Ramalinggam
General Manager - Ministop

12
Christine O. Tueres
General Manager - Southstar Drug and Rose Pharmacy


01


02


03


04


05


06


07


08


09


10


11


12

Senior Management

Robina Gokongwei Pe	Director, President and Chief Executive Officer
Mylene A. Kasiban	Chief Financial Officer
Atty. Rosalinda F. Rivera	Corporate Secretary
Atty. Gilbert S. Millado, Jr.	General Counsel, Compliance Officer, and Data Privacy Officer
Graciela A. Banatao	Treasurer
Justiniano S. Gadia	Managing Director- Robinsons Supermarket, The Marketplace, Shopwise and Robinsons Easymart
Celina N. Chua	Group General Manager - Robinsons Department Store and Toys 'R 'Us
Wilfred T. Co	Chairman - Handyman Do it Best, True Value, Robinsons Builders, Home Plus, and Daiso Japan
Stanley C. Co	Group General Manager - Handyman Do it Best, True Value, Robinsons Builders, Home Plus, Daiso Japan, Super 50 and Pet Lovers Centre
Jose Paulo R. Lazaro	General Manager - Robinsons Builders and Home Plus
Suresh Ramalinggam	General Manager - Ministop
Jovito U. Santos	Group General Manager - Robinsons Appliances and Savers Appliances
Jansen Ivan K. Uy	Deputy Managing Director - Savers Appliances
Maria Carmina Pia G. Quizon	General Manager - Robinsons Department Store, Shiseido, Benefit and Elizabeth Arden
Katherine Michelle Q. Yu	General Manager - Daiso Japan and Super 50
Christine O. Tueres	General Manager - Southstar Drug and Rose Pharmacy
Benjamin I. Liuson	Vice Chairman - TGP
May Theresa C. Abarquez	General Manager - TGP
Paz Regina A. Salgado	General Manager - Robinsons Department Store Business Center and Financial Products
Edna T. Belleza	General Manager - GoRobinsons
Mark O. Tansiongkun	Vice President, Procurement and Administration
Stephen M. Yap	Vice President, Chief Information Officer
Gabriel D. Tagala III	Vice President, Human Resources
Gina Roa-Dipaling	Vice President, Corporate Planning and Investor Relations Officer; Head of Sustainability

Our Leadership and Corporate Governance

Corporate governance is the framework of rules, systems and processes of Robinsons Retail that governs the performance of the Board of Directors and Management of their respective duties and responsibilities to the stakeholders. The Revised Corporate Governance Manual, was adopted to institutionalize corporate governance principles as a guide for the daily conduct of business.

We continuously strive to strengthen and improve its corporate governance practices by adopting best practices, which includes building a competent board, aligning strategies with goals, managing risk effectively, adhering to high standards of ethics and integrity, and promoting accountability by defining roles and responsibilities.

As we continue our journey in Sustainability, we are also further strengthening and articulating our policies on Climate Action and Human Rights, to fully realize alignment on a policy level in the recognition of relevant issues in ESG, such environmental protection, climate risks, sustainable consumption, gender equality and children's rights. We are working with closely with the Board and Management across the different Business Units, and have continued to integrate ESG into our policy and operational frameworks.

To download Robinsons Retail's Corporate Governance Manual, follow this link:

https://bit.ly/39t7GW3

To access our BOD's profiles, please see pages 50-52 of RRHI's 2020 SEC Form 17-A Disclosure.

The Board of Directors

The Board of Directors ("The Board") is primarily responsible for the governance of the Company and provides an independent check on management. It has the duty to foster the long-term success of the Company and to ensure that the Company's competitiveness and profitability will be sustained in a manner consistent with its corporate objectives for the best interest of the company and its stakeholders.

The Board formulates the Company's vision, mission, strategic objectives, policies and procedures that guide its activities, including the means to effectively monitor Management's performance. It provides direction and approval in relation to matters concerning the Company's business strategies, policies and plans, while the day-to-day business operations are delegated to the Executive Committee.

The Board exercises care, skill and judgment and observes good faith and loyalty in the conduct and management of the business and affairs of the Company. It ensures that all its actions are within the scope of power and authority as prescribed in the Articles of Incorporation, By-Laws, and existing laws, rules and regulations. To uphold high standard for the Company, its Shareholders and other Stakeholders, the Board conducts itself with honesty and integrity in the performance of its duties and responsibilities.

Board Duties and Responsibilities

The Company's Corporate Governance Manual specifies the roles, duties and responsibilities of the Board of Directors in compliance with relevant laws, rules and regulations. In adherence to the principles of corporate governance, the Board is tasked to perform the following:

General Responsibilities

It is the Board's responsibility 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 in the best interest of the Corporation, its Shareholders and Stakeholders, as a whole.

Duties and Functions

To ensure high standard for the Corporation, its Shareholders and other Stakeholders, the Board shall conduct itself with honesty and integrity in the performance of, among others, the following duties and responsibilities:

- Act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the Company and all Stakeholders;
- Oversee the development of and approve the Company's business objectives and strategy, and monitor their implementation, in order to sustain the Company's long-term viability and strength. The Board shall review and guide corporate strategy, major plans of action, risk management policies and procedures, annual budgets and business plans; set performance objectives; monitor implementation and corporate performance; and oversee major capital expenditures, acquisitions and divestitures;
- Oversee the adoption of an effective succession planning program and remuneration policies;
- Adopt policies on board nomination and election that will ensure diversity in board composition in terms of knowledge, expertise and experience;
- Oversee the implementation of a policy and system on RPTs which shall include the review and approval of material or significant RPTs and ensure fairness and transparency of the transactions;
- Oversee the adoption of policies on the selection of Management and Key Officers and the assessment of their performance;
- Oversee the establishment of an internal control system to monitor and manage potential conflicts of interest and an ERM framework to identify, monitor, assess and manage key business risks;
- Annually review, together with Management, the Company's vision and mission;
- Ensure the Corporation's faithful compliance with all applicable laws and regulations, and best business practices;
- Establish and maintain an Investor Relations Program that will keep the Shareholders informed of important developments in the Corporation. The Corporation's CEO shall exercise oversight responsibility over this program;
- Identify the Corporation's Stakeholders in the community in which it operates or are directly affected by its operations and formulate a clear policy of accurate, timely, and effective communication with them;
- 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;
- Ensure that the Corporation has an independent audit mechanism for the proper audit and review of the Corporation's financial statements by independent auditors;
- Ensure that the Corporation establishes appropriate Corporate Governance policies and procedures pursuant to this Manual and the Governance Code, including but not limited to, policies on conflict of interest, and oversee the effective implementation thereof; and
- Consider the implementation of an alternative dispute resolution system for the amicable settlement of conflicts or differences between the Corporation and its Shareholders, if applicable.

Board Independence

The Board has four independent directors that possess all the necessary qualifications and none of the disqualifications to hold the position, with two independent directors added in 2020. The Company reinforce proper mechanisms for disclosure, protection of the rights of shareholders, equitable treatment of shareholders, and the accountability of the Board and Management are in place. In cases of conflicts of interest, Directors with a material interest in any transaction with the Company abstain from participating in the deliberation of the same.

Board Training and Orientation

The Company ensures that directors are able to perform their functions effectively in this rapidly changing environment to cope with heightened regulatory policies, foreign and local demands, and the growing complexity of the business. Orientation programs are conducted for first-time directors to ensure that new members are appropriately apprised of their duties and responsibilities. This includes overview of the Company's operations, Code of Conduct, Corporate Governance framework and other relevant topics essential in the performance of their functions. As a matter of continuous professional education, the Company facilitates the training opportunities provided for the Directors and Key Officers.

Board Meetings

The Board schedules meetings at the beginning of the year, holds regular meetings in accordance with its By-Laws and convene special meetings when required by business exigencies. The notice and agenda of the meeting and other relevant meeting materials are furnished to the Directors at least five (5) business days prior to each meeting. Meetings are duly minuted. The Independent Directors shall always attend Board meetings. Unless otherwise provided in the By-Laws, their absence shall not affect the quorum requirement. However, the Board may, to promote transparency, require the presence of at least one (1) Independent Director in all its meetings.

To monitor the Directors' compliance with the attendance requirements, the Company submits to the Commission an advisement letter on the Directors' record of attendance in Board meetings.

Attendance of Directors in Board Meetings

January 1, 2020 to December 31, 2020

Directors	No. of Meetings Attended/Held	Attendance Percentage
James L. Go	8/8	100%
Lance Y. Gokongwei	8/8	100%
Robina Y. Gokongwei-Pe	8/8	100%
Ian McLeod	8/8	100%
Samuel Sanghyun Kim	8/8	100%
Antonio L. Go	8/8	100%
Roberto R. Romulo	8/8	100%
Rodolfo P. Ang	8/8	100%
Cirilo P. Noel	3/8*	37.5

**Mr. Cirilo P. Noel was elected as an Independent Director of the Corporation on August 12, 2020*

The Board Committees

To enable better and more focused attention on the affairs of the Company and aid in the optimal performance of its roles and responsibilities, the Board delegates particular matters to the Board Committees set up for the purpose mainly (a) Audit Committee, (b) Corporate Governance Committee and (c) Board Risk Oversight Committee (BROC).

A. Audit Committee

The Audit Committee provides oversight over the Company's financial reporting, Internal Control System, Internal and External Audit processes, and monitor compliance with applicable laws and regulations. It ensures that systems and processes are put in place to provide assurance in areas including reporting, monitoring compliance with laws, regulations and internal policies, efficiency and effectiveness of business operations, and proper safeguarding and use of the Company's resources and assets.

Audit Committee

1. Cirilo P. Noel - Chariman
2. Antonio L. Go
3. Roberto R. Romulo
4. Samuel Sanghyun Kim

Audit Advisory Member

1. James L. Go

B. Corporate Governance Committee

The Corporate Governance Committee oversees the development and implementation of Corporate Governance principles and policies and recommends a formal framework on the nomination, remuneration and evaluation of the performance of the Directors and key Management Officers consistent with the Company's culture, strategies and the business environment.

Corporate Governance Committee

1. Rodolfo P. Ang - Chairman
2. Roberto R. Romulo
3. Cirilo P. Noel

C. Board Risk Oversight Committee

The Board Risk Oversight Committee oversees the establishment of ERM framework that effectively identify, monitor, assess and manage key business risks and assess the effectiveness of risk management strategies. The BROC is responsible for defining the Company's level of risk tolerance and providing oversight over its risk management policies and procedures to anticipate, minimize, control or manage risks or possible threats to its operational and financial viability.

Board Risk Oversight Committee

1. Antonio L. Go - Chairman
2. Rodolfo P. Ang
3. Cirilo P. Noel
4. Robina Gokongwei-Pe

D. Remuneration Committee

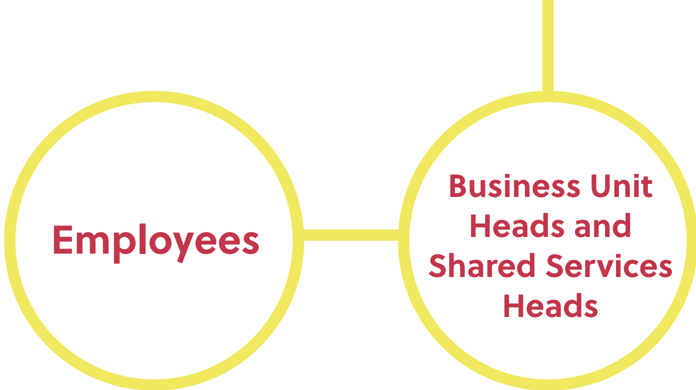
The Remuneration Committee objectively recommends a formal and transparent framework of remuneration and evaluation for Directors and key Management Officers to ensure that their compensation is consistent with the Corporation's culture, strategies and the business environment in which it operates and to enable them to run the Corporation successfully.

Remuneration Committee

1. Lance Y. Gokongwei –Chairman
2. Robina Gokongwei-Pe
3. James L. Go
4. Antonio L. Go
5. Ian McLeod

Delegating Authority for Sustainability

102-11, 102-15, 102-19, 102-20,



In RRHI, the President and CEO of the company, who directly reports to the Board of Directors, has been appointed with oversight over economic, social, and environmental topics. Any top-level directives and decisions are cascaded down to our Corporate Planning team, which in turn disseminates information and strategizes sustainability initiatives with the Business Unit and Shared Services Heads of the company, who then further cascade sustainability to their respective employees. The Corporate Planning Department will facilitate efforts among the Business Units and Shared Services Departments to further foster a culture of Sustainability within the RRHI, facilitate data-gathering and monitoring of ESG metrics, as well as serve as the liaison body between RRHI and the Gokongwei Group on topics and issues related to Sustainability.

Enterprise Risk Management, Accountability and Audit

The Company recognizes the increasing importance of sound risk management practices to drive business growth and sustainability. The Company implemented systems and processes to facilitate proper risk identification, monitoring and control, which are key to effective corporate governance. Timely and accurate management and financial reporting systems, internal controls, and audits are also employed to protect and maximize stakeholders' value.

The Board oversees Management's adoption and implementation of a sound risk management framework for identifying, monitoring and managing key risk areas. The BOD reviews Management reports with due diligence to enable the company to anticipate, minimize, control and manage risks or possible threats to its operational and financial viability.

Enterprise Risk Management

Through a sound Enterprise Risk Management (ERM) framework, the Company effectively identifies, monitors, assesses and manages key business risks. The framework guides the Board in identifying units/business lines and enterprise level risk exposures, as well as the effectiveness of risk management strategies.

The **ERM framework** revolves around the following eight interrelated risk management approaches:

1. **Internal Environmental Scanning** - it involves the review of the overall prevailing risk profile of the Business Unit (BU) to determine how risks are viewed and addressed by the management. This is presented during the strategic planning, annual budgeting and mid-year performance reviews of the BU.

2. **Objective Setting** - the Company's Board mandates Management to set the overall annual targets through strategic planning activities, in order to ensure that management has a process in place to set objectives that are aligned with the Company's goals.

3. **Event Identification** – it identifies both internal and external events affecting the Group's set targets, distinguishing between risks and opportunities.

4. **Risk Assessment** - the identified risks are analyzed relative to the probability and severity of potential loss that serves as basis for determining how the risks will be managed. The risks are further assessed as to which risks are controllable and uncontrollable, risks that require management's action or monitoring, and risks that may materially weaken the Company's earnings and capital.

5. **Risk Response** - the Company's Board, through the oversight role of the Internal Control Group ensures action plan is executed to mitigate risks, either to avoid, self-insure, reduce, transfer or share risk.

6. **Control Activities** - policies and procedures are established and approved by the Company's Board and implemented to ensure that the risk responses are effectively carried out enterprise-wide.

7. **Information and Communication** - relevant risk management information is identified, captured and communicated in form and substance that enable all personnel to perform their risk management roles.

8. **Monitoring** - the Internal Control Group of the respective Company and BUs and Corporate Internal Audit constantly monitor the management of risks through audit reviews, compliance checks, revalidation of risk strategies and performance reviews.

Risk Assessment Tool

To help Business Units in the Risk Assessment Process, the Risk Assessment Tool, which is a database driven web application, was developed for departments and units to facilitate the assessment, monitoring and management of risks.

The Risk Assessment Tool documents the following activities:

1. **Risk Identification** – is the critical step of the risk management process. The objective of risk identification is the early identification of events that may have negative impact on the Company's ability to achieve its goals and objectives.

    1.1 Risk Indicator – is a potential event or action that may prevent the continuity of operation or business

    1.2 Risk Driver – is an event or action that triggers the risk to materialize

    1.3 Value Creation Opportunities – is the positive benefit of addressing or managing the risk

2. **Identification of Existing Control Measures** – activities, actions or measures already in place to control, prevent or manage the risk.

3. **Risk Rating/Score** – is the quantification of the likelihood and impact to the Company if the risk materializes. The rating has two (2) components:

    3.1 Probability – the likelihood of occurrence of risk

    3.2 Severity – the magnitude of the consequence of risk

4. **Risk Management Strategy –** is the structured and coherent approach to managing the identified risk.

5. **Risk Mitigation Action Plan –** is the overall approach to reduce the risk impact severity and/or probability of occurrence.

Results of the Risk Assessment Process is summarized in a Dashboard that highlights the risks that require urgent actions and mitigation plan. The dashboard helps Management to monitor, manage and decide a risk strategy and needed action plan.

Data Privacy Policy

Data Privacy impacts the rights of customers to the security of their data and it occurs through cashless transactions, participation in any promotional or marketing activities, online transactions, as well as when they access the Company and its subsidiaries' websites.

RRHI is committed to safeguard our customers' privacy online and is transparent in the kind of data that is collected. Through our Data Privacy Policy, we inform customers that we collect, store as necessary and analyze their data for trends and statistics to help us provide them with better and secure service. We define "personal data" as all types of personal information, sensitive personal information and privileged information.

Personal information refers to "any information, whether recorded in a material from or not, from which the identity of an individual is apparent or can be reasonably and directly ascertained by the entity holding the information, or when put together with other information would directly and certainly identify an individual".

In general, the data is used for any of the following purposes:

- To generate statistical insights to improve the product line and customer experience;
- To respond to specific complaints, inquiries, and requests or to provide requested information;
- To provide customer care activities, monitor our quality and security, and provide services timely and efficiently; and,
- To comply with RRHI obligations under law and as required by government organizations and/or agencies such as, but not limited to, the following: NPC, BIR, HDMF or Pag-IBIG, PhilHealth, SSS and so on;
- To comply with legal and regulatory requirements or obligations; and,
- To perform such other processing or disclosure that may be required under law or regulations.

The Data Privacy Policy was crafted in accordance with the Data Privacy Act of 2012 (DPA), its Implementing Rules and regulations (IRR), other issuances of National Privacy Commission (NPC) and other relevant laws of the Philippine.

To know more about our data privacy policy, follow this link:
www.robinsonsretailholdings.com.ph › privacy-policy

Stakeholders Welfare, Transparency, and Anti-corruption

Robinsons Retail Holdings, Inc. acknowledges that good corporate governance is essential to build an environment of trust, transparency and accountability necessary for fostering long-term performance, financial stability, business integrity and sustainability of the company for the protection of the interests of shareholders and other stakeholders.

The Company believes that sound and effective corporate practices are fundamental to the smooth, effective and transparent operation of the company, its ability to attract investment and enhance shareholder value. This includes the Company's commitment to ensure fair and equitable treatment of all shareholders, including the minority, and the protection of their rights that include:

1. Right to vote on all matters that require their consent or approval
2. Right to inspect corporate books and records
3. Right to information
4. Right to dividends
5. Appraisal right

Notice of Annual and Special Shareholders' Meeting

The Company is transparent and fair in the conduct of the annual and special Shareholders' meetings. To foster active shareholder participation, the Board sends the with sufficient and relevant information at least fifteen (15) business days before the meeting, compliant with the Securities Regulation Code. The Shareholders are encouraged to personally attend such meetings and those who are unable to attend are apprised ahead of time of their right to appoint a proxy. Subject to the requirements of law, rules and regulations and the By-Laws, the exercise of that right shall not be unduly restricted and any doubt about the validity of a proxy shall be resolved in the favor of the shareholder.

Guided by the principles of fairness, accountability and transparency to the shareholding public, the Company ensures that the result of the votes taken during the most recent Annual or Special Shareholders' Meeting are made available the next working day. In addition, the Minutes of the Annual and Special Shareholders' Meeting may be accessed through the Company Website within five (5) business days from the end of the meeting.

Duty to Other Stakeholders

The Company recognizes and places importance on the interdependence between business and society, and promote a mutually beneficial relationship that encourages the Company's sustainable growth, while contributing to the advancement of the society where it operates. The Company employs value chain processes that take into consideration Economic, Environmental and Social Governance (EESG) issues and concerns.

Customers' Welfare

The Company adopts customer relations policies and procedures to protect customer's welfare. This includes providing and making available the customer relations contact information who is empowered to address and attend to customer questions and concerns.

Supplier/Contractor Selection

The Company follows the Supplier Accreditation Policy to ensure that the Company's suppliers and contractors are qualified to meet its commitments. Apart from the accreditation process, suppliers and contractors also undergo orientation on Company policies and ethical practices.

Employees

The Board also establishes policies, programs and procedures that encourage employees to actively participate in the realization of the Company's goals and its governance including but not limited to:

- Health, safety and welfare;
- Training and development; and
- Reward and compensation.

1. Performance-enhancing mechanisms for employee participation

The Company abides by the standards and policies set by the Department of Labor and Employment. Likewise, the Company has Security and Safety Manuals that are implemented, reviewed and regularly updated to ensure the security, safety, health, and welfare of the employees in the workplace.

The Company continuously provides learning and development opportunities for its employees through the Robinsons Retail Academy, the training platform for systematic and sustained development programs across the group. Its mission is to enable a high performing organization that will facilitate the learning process and develop the intellectual and personal growth of all employees through targeted and customized trainings and development programs.

2. Anti-corruption programs and procedures

Training on Anti-corruption Policies and Procedures

	%
Percentage of employees to whom the organization's anti-corruption policies and procedures have been communicated to	100%
Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicated to	100%
Percentage of directors and management that have received anti-corruption training	73%
Percentage of employees that have received anti-corruption training	100%

The Company is committed to promoting transparency and fairness to all stakeholders. The Board sets the tone and make a stand against corrupt practices by adopting anti-corruption policies and programs. Some of the Company's Anti-Corruption programs are embodied in the Code of Business Conduct and Ethics, Conflict of Interest, Offenses Subject to Disciplinary Action (OSDA), among others. The same are disseminated to all employees across the Company through trainings to embed them in the Company's culture. New employees are oriented regarding policies and procedures related to Business Conduct and Ethics and similar policies. All employees are given periodic reminders. Further, all concerned employees of the Conglomerate are required to comply with the Self-Disclosure Activity on Conflict of Interest and Declaration of Gifts Received on an annual basis.

The Company also has an established suitable framework for whistleblowing and ensure its enforcement to allow employees and other stakeholders to freely communicate their concerns about illegal or unethical practices without fear of retaliation, and to have direct access to an independent member of the Board or a unit created to handle whistleblowing concerns.

The anti-corruption programs and procedures of the Company are summarized below:

Business Conduct & Ethics	Policy Statement
Conflict of Interest	The Company's Code of Business Conduct and Conflict of Interest Policy require employees to make a conscious effort to avoid conflict of interest situations; that his judgment and discretion are not influenced by considerations of personal gain or benefit. A conflict of interest may also occur because of the actions, employment, or investments of an immediate family member of an employee.
Conduct of Business and Fair Dealings	The Company's employees who recommend, endorse, or approve the procurement or sale of goods and services should make a conscious effort to avoid any conflict of interest situation in transactions they are involved in.
Receipt of Gifts from Third Parties	The Company discourages the acceptance of gifts. However, gifts like advertising novelties may be given or accepted during the Christmas season. There is no restriction in the value of the gift that may be accepted. However, accepted gift with estimated value over Php2,000.00 must be disclosed to the Conflicts of Interest Committee.
Compliance with Laws and Regulations	The Company ensures that all transactions comply with relevant laws and regulations. Any deficiencies are immediately rectified.
Respect for Trade Secrets/ Use of Non-public Information	The Company has policies that ensure proper and authorized disclosure of confidential information. Disclosures to the public can only be done after the disclosure to SEC and PSE by the Company's authorized officers.
Use of Company Funds, Assets and Information	Employees are required to safeguard Company resources and assets with honesty and integrity. Employees must ensure that these assets are efficiently, effectively, and responsibly utilized.
Employment and Labor Laws and Policies	The Company ensures the observance, strict implementation and compliance with employment and labor laws and policies with regards to recruitment, employment, retention and benefits of the employees.
Disciplinary Action	Violation of any provision of the Code of Business Conduct may result to disciplinary action, including dismissal and reimbursement for any loss to the Company that resulted from the employee's actions. If appropriate, a violation may result in legal action against the employee or referral to the appropriate government authorities.
Whistleblowing	The stakeholders may discuss or disclose in writing any concern on potential violation of the Code of Business Conduct with the Conflicts of Interest Committee. Reports or disclosures can be made in writing or by email using the following contact details: a. email address cicom@robinsonsretail.com.ph b. fax number 8395-3888 c. mailing address Must be sent in a sealed envelope clearly marked "Strictly Private and Confidential-To Be Opened by Addressee Only" CICOM 40th Flr. Robinsons Equitable Tower ADB Avenue, Cor., Poveda Road, Pasig City The complaint shall be filed using the Complaint/Disclosure Form (CDF) available in the company website. All information received in connection with the reports or disclosures shall be strictly confidential and shall not be disclosed to any person without prior consent of CICOM. The Company commits to protect those who report in good faith from retaliation, harassment and even informal pressures. It will take the necessary and appropriate action to do so in enforcing the policy.
Conflict Resolution	The Conflicts of Interest Committee submits recommendations on courses of action to be taken on conflicts of interest situations. The decision is done by the Executive Committee.

Internal Controls

With the leadership of the Company's Chief Financial Officer (CFO), internal control is embedded in the operations of the company and in each BU thus increasing their accountability and ownership in the execution of the BU's internal control framework. To accomplish the established goals and objectives, BUs implement robust and efficient process controls to ensure:

1. Compliance with policies, procedures, laws and regulations
2. Economic and efficient use of resources
3. Check and balance and proper segregation of duties
4. Identification and remediation control weaknesses
5. Reliability and integrity of information
6. Proper safeguarding of company resources and protection of company assets through early detection and prevention of fraud.

Adequate and Timely Information

To enable the Directors to properly fulfill their duties and responsibilities, Management provides the Directors with complete, adequate, and timely information about the matters to be taken up in their meetings. Information may include the background or explanation on matters brought before the Board, disclosures, budgets, forecasts, and internal financial documents. If the information provided by Management is not sufficient, further inquiries may be made by a Director to enable him to properly perform his duties and responsibilities. The Directors have independent access to Management and to the Corporate Secretary.

The Directors, either individually or as a Board, and in the performance of their duties and responsibilities, may seek access to independent professional advice within the guidelines set by the Board.

Accountability and Audit

The Board ensures that its Shareholders are provided with a balanced and comprehensible assessment of the Company's performance, position and prospects on a quarterly basis. Interim and other reports that could adversely affect its business are also made available in the Company website including its submissions and disclosures to the SEC and PSE. Management formulates the rules and procedures on financial reporting and internal control for presentation to the Audit Committee in accordance with the following guidelines:

1. The extent of its responsibility in the preparation of the financial statements of the Company, with the corresponding delineation of the responsibilities that pertain to the External Auditor, should be clearly defined;

2. An effective system of internal control that will ensure the integrity of the financial reports and protection of the assets of the Company for the benefit of all Shareholders and other Stakeholders;

3. On the basis of the approved Internal Audit Plan, Internal Audit examinations should cover, at the minimum, the evaluation of the adequacy and effectiveness of controls that cover the Company's governance, operations and information systems, including the reliability and integrity of financial and operation information, effectiveness and efficiency of operations, protection of assets, and compliance with contracts, laws, rules, and regulations;

4. The Company consistently complies with the financial reporting requirements of the SEC;

5. The External Auditor shall be rotated or changed every five (5) years or earlier, or the signing partner of the External Auditing firm assigned to the Company, should be changed with the same frequency. The Corporate IA Head should submit to the Audit Committee and Management an annual report on the Internal Audit department's activities, responsibilities, and performance relative to the Internal Audit Plan as approved by the Audit and Risk Committee. The annual report should include significant risk exposures, control issues, and such other matters as may be needed or requested by the Board and Management. The Internal Audit Head should certify that he conducts his activities in accordance with the International Standards on the Professional Practice of Internal Auditing. If he does not, the Internal Audit Head shall disclose to the Board and Management the reasons why he has not fully complied with the said documents; and

6. The Board, after consultations with the Audit Committee shall recommend to the Shareholders an External Auditor duly accredited by the SEC who shall undertake an independent audit of the Company, and shall provide an objective assurance on the matter by which the financial statements shall be prepared and presented to the Shareholders.

Internal Audit

The Corporate Internal Audit is focused on delivering its mandate of determining whether the governance, risk management and control processes, as designed and represented by management, are adequate and functioning in a manner that provides reasonable level of confidence that:

1. Employees' actions are compliant with policies, standards, procedures, and applicable laws and regulations;
2. Quality and continuous improvement are fostered in the control processes;
3. Programs, plans, and objectives are achieved;
4. Resources are acquired economically, used efficiently, and protected adequately;
5. Significant financial, managerial, and operating information is accurate, reliable, and timely;
6. Significant key risks are appropriately identified and managed; and
7. Significant legislative or regulatory issues impacting the Company are recognized and properly addressed.

Opportunities for improving management control, profitability and the Company's reputation may be identified during audits.

Company Website

The Company updates the public with operating and financial results through timely disclosures filed with SEC and PSE. These are available on the company's website: http://www.robinsonsretailholdings.com.ph/

List of Corporate Disclosures / Replies to SEC letters under SEC Form 17-C

June 1, 2019 to December 31, 2020

Date of Disclosure	Description
Jan. 3, 2020	Merger of Robinsons Inc., Robinsons Toys, Inc. and Robinsons Gourmet Food and Beverage Inc., with and into Robinson's Supermarket Corporation
Feb. 19, 2020	Sale by Robinson's Supermarket Corporation of Chic Centre Corporation
Feb. 27, 2020	Amendment to the Articles of Incorporation in order to reduce the no. of board seats from 11 to 9
Feb. 28, 2020	Press release entitled "Rustan Supercenters is EBIT positive for FY 2019"
March 5, 2020	Solicitation of Written Assent of Stockholders for the Amendment of the Articles of Incorporation
March 9, 2020	Approval of Share Buyback Program Adoption of a New Dividend Policy Election of an Independent Director
March 12, 2020	Reply to Exchange's Query on Additional Information on the Share Buyback Program

Date of Disclosure	Description
March 16, 2020	Covid 19 Impact, Risks and Mitigation Efforts
March 24, 2020	Share Buyback
March 25, 2020	Written Assent of the Stockholders for the Amendment of the Articles of Incorporation
March 25, 26 and 27 2020	Share Buyback
March 27, 2020	Notice of Annual Meeting of Stockholders
March 30, 2020 April 2 and 3, 2020	Share Buyback
April 8, 2020	Receipt by RRHI of the Written Assent of the Stockholders Approving the Amendment of the Articles of Incorporation
April 14, 2020	Amendment of the Notice of the Annual Meeting of Stockholders
April 17, 20, 21, 22, 23, 24, and 27, 2020	Share Buyback
April 29, 2020	Press release entitled "Robinsons Retail's 1Q 2020 Net Income to Parent up by 45%"
May 4,5,6,7,8,11,12 and 13, 2020	Share Buyback
May 13, 2020	Amendments to By-Laws to allow attendance, participation and voting of stockholders via remote communication and voting in absentia Declaration of cash dividends
May 14, 2020	Share Buyback Results of Annual Meeting of Stockholders Results of Organizational Meeting of the Board of Directors
May 15, 27, 28 and 29, 2020	Share Buyback
June 1, 2, 15, 16, 17, 18, 19, 22, 23, 24, 25, 26, 29 and 30, 2020	Share Buyback

Date of Disclosure	Description
July 1, 2, 3, 6, 7, 8, 9, 10, 13, 14, 15, 16, 17, 20, 21, 22, 23, 24, 27, 28 and 29, 2020	Share Buyback
July 30, 2020	Share Buyback Press release entitled "Robinsons Retail's 1 H 2020 Net Income to Parent at P1.6 billion"
Aug. 3, 4, 5, 6, 7 and 10, 2020	Share Buyback
Aug. 12, 2020	Election of an Independent Director Appointment of the Chairman and members of the Board Committees Re-allocation of the Use of Proceeds from the Initial Public Offering Share Buyback
Aug. 13, 14, 17, 18, 19, 20, 24, 25, 26, 27 and 28, 2020	Share Buyback
Sept. 1, 2, 3, 4, 7, 8, 9, 10, 11, 14, 15, 16, 17, 18, 22 and 23, 2020	Share Buyback
Oct. 1, 6, 7 and 9 2020	Share Buyback
Oct. 14, 2020	Approval by the SEC of the Amendment to the Articles of Incorporation
Oct. 16, 2020	Acquisition of Leading Visayas Drugstore Chain Rose Pharmacy Approval by the SEC of the Amendments to the By-Laws
Oct. 27 and 28, 2020	Share Buyback
Oct. 29, 2020	Press release entitled "Robinsons Retail's 3Q 2020 Results Climb From 2Q Low"
Oct. 29 and 30, 2020	Share Buyback
Nov. 3, 4, 5, 9, 10, 11 and 13, 2020	Share Buyback
Dec. 9, 10, 11, 14, 15, 16, 17, 19, 21, 22, 23, 28 and 29, 2020	Share Buyback

Corporate Directory

Corporate Head Office

Robinsons Retail Holdings, Inc.

43rd Floor, Robinsons Equitable Tower
ADB Avenue corner Poveda Streets, Ortigas Center
Pasig City, Metro Manila, Philippines
Tel No.: (632) 8635 0751 to 64

www.robinsonsretailholdings.com.ph

Investor Relations

Gina Roa-Dipaling

Tel No.: (632) 8635 0751 to 64 local 555
Email: gina.dipaling@robinsonsretail.com.ph

General Counsel

Atty. Gilbert S. Millado, Jr.

Tel No. (632) 8635 0751 to 64 local 206
Email: gilbert.millado-jr@robinsonsretail.com.ph

Independent Public Accountants

Sycip, Gorres, Velayo & Co.

Certified Public Accountants
SGV Building, 6760 Ayala Avenue
Makati City, Philippines

Common Stock
(Stock symbol: RRHI)

Listed on the

Philippine Stock Exchange, Inc.

3rd Floor Philippine Stock Exchange
Ayala Triangle, Ayala Avenue
Makati City, Philippines

Stock Transfer & Dividend Paying Agent

Rizal Commercial Banking Corporation

Ground Floor, West Wing
221 GPL (Grepalife) Building
Sen. Gil Puyat Avenue
Makati City, Philippines

Member Associations

Robinsons Supermarket

1. Philippine Consumer Centric Traders Association
2. Management Association of the Philippines
3. The Consumer Goods Forum
4. Supply Chain Management Association of the Philippines

TGP

1. Philippine Chamber of Pharmaceutical Industry
2. Pharmaceutical and Healthcare Association of the Philippines
3. Philippine Retail Association
4. Philippine Franchise Association
5. Association of Filipino Franchisers, Inc
6. Drugstore Association of the Philippines
7. Philippine Pharmacist Association
8. Marketing Executives of the Pharmaceutical Industry
9. Philippine Marketing Association
10. Philippine Chamber of Commerce and Industry
11. Philippine Business for Social Progress
12. Medicine and Transparency Alliance

Southstar Drug

1. Philippine Retailers' Association (PRA)
2. Drugstores Association of the Philippines (DSAP)
3. People Management Association of the Philippines (PMAP)
4. Philippine Society for Talent Development (PSTD)

Ministop

1. Philippine Franchise Association (PFA)
2. Philippine Retailers' Association (PRA)

GRI Content Index

RRHI referenced the GRI Standards in this report.

GRI Standard	Disclosure	Page Number
GRI 101:		
GENERAL DISCLOSURES		
GRI 102	102-1 Corporate Information	4
	102-2 Corporate Information	4
	102-3 Corporate Information	4
	102-4 Corporate Information	4
	102-6 Corporate Information	4
	102-7 Corporate Information	4
	102-9 Our Supply Chain	72
	102-11 Enterprise Risk Management, Accountability and Audit	94
	102-14 Chairman & President's Message	11-12
	102-15 Enterprise Risk Management, Accountability and Audit	94
	102-16 Vision	4
	102-19 Delegating Authority for Sustainability	94
	102-20 Delegating Authority for Sustainability	94
	102-45 Brand Portfolio and Acquisitions	6
	102-45 Business Unit Profiles: Supermarket	26
GRI 201	201-1 Economic Value: Generated & Distributed	45
GRI 301	301-1 Materials used by the organization	83
GRI 302	302-1 Energy, Emissions and Water	80
	302-3 Energy, Emissions and Water	80
	302-4 Energy, Emissions and Water	80
GRI 303	303-1 Robinsons Supermarket Capitol Hills' Water Loop System	78
	303-5 Robinsons Supermarket Capitol Hills' Water Loop System	78
GRI 305	305-1 GHG	79
	305-2 GHG	79
	305-4 GHG	79
	305-5 GHG	79
GRI 306	306-2 Solid Waste Management	82
GRI 404	404-1 Learning Beyond Distance	70
	404-2 Learning Beyond Distance	70
GRI 413	413-1 Solidarity in Times of Crisis	56

Robinsons Retail Holdings, Inc. and Subsidiaries

Consolidated Financial Statements
December 31, 2020 and 2019
and Years Ended December 31, 2020, 2019
and 2018

and

Independent Auditor's Report

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

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

BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and the Stockholders
Robinsons Retail Holdings, Inc.

Opinion

We have audited the consolidated financial statements of Robinsons Retail Holdings, Inc. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Acquisition of Rose Pharmacy, Inc.

On October 25, 2020, the Group completed the 100% acquisition of Rose Pharmacy, Inc. (RPI) for a total consideration amounting to ₱4.33 billion cash. The Company accounted for this acquisition as a business combination. This transaction is significant to our audit as business combination transaction requires significant management judgment and estimates, which includes determining whether the transaction is an acquisition of a business or group of assets and allocating the purchase consideration to the identifiable assets acquired and liabilities assumed. The provisional goodwill arising from this business acquisition amounted to ₱2.34 billion.

The disclosures related to the acquisition are included in Notes 5 and 19 to the consolidated financial statements.

Audit Response

We read the purchase agreement and documents related to the acquisition. We evaluated management's judgment on whether the transaction qualifies as an acquisition of a business or group of assets by reference to the existing inputs, processes and outputs of RPI at the date of acquisition. We reviewed the identification of the underlying assets and liabilities of the investee based on our understanding of RPI's business and existing customer, vendor and employee contracts. We reviewed the provisional purchase price allocation including the valuation of trademarks. We assessed the competence, capabilities, and objectivity of the Group's specialist involved in the valuation of the underlying assets acquired. We involved our internal specialist to assist us in evaluating the methodology and assumptions used by the Group for the purchase price allocation exercise, specifically on the determination of the fair values of the trademarks. We assessed the methodology adopted by comparing common valuation models and compared the relevant information supporting the sales forecast, royalty rate and growth rate against historical and industry performance and relevant external information, taking into consideration the impact associated with corona virus pandemic. We evaluated the discount rate used by assessing whether the underlying parameters used represent current market assumptions of risks specific to the asset being valued. We also reviewed the disclosures in the notes to the consolidated financial statements.

Existence and completeness of inventory

The Group's inventories amounted to ₱22.23 billion which comprise 16% of its total assets as of December 31, 2020, as disclosed in Note 9 of the consolidated financial statements. The Group has 2,157 company-owned stores and warehouses throughout the country as of December 31, 2020. We focused on this area since inventories are material to the consolidated financial statements and are located in various sites across the country.

Audit Response

We obtained an understanding of the inventory management process which includes inventory count procedures. We assessed and tested the relevant inventory controls, and observed the conduct of the inventory count procedures for 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 reviewed the reconciliation of the valued physical inventory compilation with the general ledger account balances and tested the reconciling items. We reviewed the roll forward or roll backward procedures performed by management and on a sampling basis, we tested the transactions from the date of inventory count to reporting date.

Impairment assessment of trademarks and goodwill

Under PFRS, the Group is required to annually test for impairment the amount of trademarks with indefinite useful lives and goodwill. As of December 31, 2020, the Group's trademarks and goodwill arising from business combinations amounted to ₱7.92 billion and ₱14.75 billion, respectively, which are significant to the consolidated financial statements. In addition, management's assessment process requires significant judgment and estimation and is based on assumptions which are subject to higher level of estimation uncertainty due to the current economic conditions which have been impacted by the coronavirus pandemic, specifically gross margins, revenue growth and discount rates for value-in-use calculation and selected comparable entities for EV/EBITDA (enterprise value/earnings before interest, taxes, depreciation and amortization) multiple.

The Group's disclosures about trademarks and goodwill are included in Notes 5 and 14 of the consolidated financial statements.

Audit Response

We involved our internal specialist in evaluating the methodologies and the assumptions used and performed a recalculation of the value-in-use and EV/EBITDA multiple provided. For value-in-use, these assumptions include gross margin, revenue growth rates and discount rates. We compared the key assumptions used, such as revenue growth rate against the historical performance of the CGU, industry/market outlook and other relevant external data, taking into consideration the impact associated with coronavirus pandemic. We tested the parameters used in the determination of the discount rate against market data. For EV/EBITDA, we assessed if the selected comparable entities obtained by the Group closely represent each cash generating unit to which the goodwill is allocated.

We also reviewed the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive; specifically those that have the most significant effect on the determination of the recoverable amounts of trademarks and goodwill.

SGV
Building a better working world

Other Information

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Wenda Lynn M. Loyola.

SYCIP GORRES VELAYO & CO.

Wenda Lynn M. Loyola

Wenda Lynn M. Loyola
Partner
CPA Certificate No. 109952
SEC Accreditation No. 1540-AR-1 (Group A),
January 10, 2019, valid until January 9, 2022
Tax Identification No. 242-019-387
BIR Accreditation No. 08-001998-117-2019,
January 28, 2019, valid until January 27, 2022
PTR No. 8534313, January 4, 2021, Makati City

March 29, 2021

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2020	2019
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 7 and 27)	**₱21,338,418,561**	₱20,292,913,953
Trade and other receivables (Notes 8, 24 and 27)	**3,144,095,464**	3,865,460,884
Merchandise inventories (Note 9)	**22,234,439,282**	19,810,252,511
Other current assets (Note 10)	**2,655,714,261**	2,951,281,172
Total Current Assets	**49,372,667,568**	46,919,908,520
Noncurrent Assets		
Debt and equity instrument financial assets (Notes 11 and 27)	**13,931,757,447**	14,857,352,941
Property and equipment (Note 12)	**18,173,764,218**	19,289,528,200
Right-of-use assets (Note 28)	**25,038,299,389**	26,317,960,761
Investment in associates (Note 13)	**8,584,762,373**	7,845,458,176
Intangible assets (Notes 14 and 19)	**22,672,884,904**	19,039,174,367
Deferred tax assets - net (Note 25)	**1,531,779,268**	1,009,492,860
Retirement plan asset (Notes 22 and 23)	**25,576,541**	72,103,151
Other noncurrent assets (Notes 15 and 27)	**2,264,691,275**	2,515,091,337
Total Noncurrent Assets	**92,223,515,415**	90,946,161,793
	₱141,596,182,983	₱137,866,070,313

LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Notes 16, 24 and 27)	**₱23,363,164,229**	₱25,101,993,192
Short-term loans payable (Notes 17 and 27)	**9,584,000,000**	4,634,000,000
Lease liabilities - current portion (Note 28)	**2,714,936,166**	2,163,735,524
Income tax payable	**351,704,061**	797,969,171
Other current liabilities (Note 27)	**255,281,634**	267,245,302
Total Current Liabilities	**36,269,086,090**	32,964,943,189
Noncurrent Liabilities		
Lease liabilities - net of current portion (Note 28)	**24,612,504,568**	25,889,035,549
Deferred tax liabilities - net (Note 25)	**2,549,824,361**	2,065,854,524
Retirement obligation (Notes 22 and 23)	**574,533,710**	419,840,441
Total Noncurrent Liabilities	**27,736,862,639**	28,374,730,514
Total Liabilities	**64,005,948,729**	61,339,673,703
Equity (Note 18)		
Capital stock	**1,576,489,360**	1,576,489,360
Additional paid-in capital	**40,768,202,897**	40,768,202,897
Treasury stock	**(810,018,635)**	–
Other comprehensive income (Notes 11, 13 and 23)	**434,295,080**	272,839,305
Equity reserve	**(995,284,977)**	(989,776,800)
Retained earnings		
Appropriated	**27,852,852,847**	26,944,852,847
Unappropriated	**4,225,869,025**	3,548,986,390
Total equity attributable to equity holders of the Parent Company	**73,052,405,597**	72,121,593,999
Non-controlling interest in consolidated subsidiaries	**4,537,828,657**	4,404,802,611
Total Equity	**77,590,234,254**	76,526,396,610
	₱141,596,182,983	₱137,866,070,313

See accompanying Notes to Consolidated Financial Statements.

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2020	2019	2018
SALES - Net of sales discounts and returns (Notes 6, 20 and 24)	**₱151,070,260,790**	₱162,915,687,301	₱132,680,466,776
COST OF MERCHANDISE SOLD (Notes 6 and 9)	**118,172,338,279**	125,734,533,662	102,845,384,354
GROSS PROFIT (Note 6)	**32,897,922,511**	37,181,153,639	29,835,082,422
ROYALTY, RENT AND OTHER REVENUE (Notes 6, 20, 24 and 29)	**1,618,219,672**	2,740,181,024	2,422,195,884
GROSS PROFIT INCLUDING OTHER REVENUE (Note 6)	**34,516,142,183**	39,921,334,663	32,257,278,306
OPERATING EXPENSES (Notes 21, 22, 23, 28 and 29)	**(28,736,744,849)**	(32,123,178,669)	(25,631,402,164)
OTHER INCOME (CHARGES)			
Interest income (Notes 6, 7 and 11)	**676,545,269**	1,015,573,149	981,862,604
Equity in net earnings in associates (Notes 6 and 13)	**196,514,026**	104,749,733	108,739,236
Dividend income (Notes 6 and 11)	**27,347,725**	100,315,156	111,500,000
Foreign currency exchange gains (loss) - net (Note 6)	**(170,615,372)**	(134,619,196)	200,867,038
Interest expense (Notes 6 and 17)	**(2,326,256,810)**	(2,578,499,847)	(159,071,734)
Others (Notes 11, 14, 19 and 28)	**235,944,534**	(196,094,467)	(272,614,314)
	(1,360,520,628)	(1,688,575,472)	971,282,830
INCOME BEFORE INCOME TAX (Note 6)	**4,418,876,706**	6,109,580,522	7,597,158,972
PROVISION FOR INCOME TAX (Note 25)			
Current	**1,422,672,062**	2,056,973,505	1,807,600,901
Deferred	**(489,409,753)**	(497,680,792)	(35,579,353)
	933,262,309	1,559,292,713	1,772,021,548
NET INCOME	**3,485,614,397**	4,550,287,809	5,825,137,424
OTHER COMPREHENSIVE INCOME (LOSS)			
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:			
Changes in fair value of debt securities at fair value through other comprehensive income (FVOCI) (Note 11)	**168,422,421**	769,066,737	(922,610,678)
Share in change in fair value of debt financial assets in associates (Note 13)	**95,150,278**	411,345,068	(23,818,458)
Share in change in translation adjustment in associates (Note 13)	**34,967,113**	3,656,329	(6,962,641)
Cumulative translation adjustment	**(56,091,667)**	(40,371,837)	36,670,185
Income tax effect	**(39,035,217)**	(124,500,419)	9,234,330
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:			
Changes in fair value of equity securities at FVOCI (Note 11)	**20,836,500**	67,083,500	(153,600,000)
Share in actuarial gain (losses) on retirement obligation in associates (Note 13)	**840,628**	(8,190,337)	(1,243,379)
Remeasurement gain (losses) on retirement obligation (Note 23)	**(181,971,717)**	(364,536,075)	342,862,134
Income tax effect	**32,263,492**	111,817,924	(102,485,627)
	75,381,831	825,370,890	(821,954,134)
TOTAL COMPREHENSIVE INCOME	**₱3,560,996,228**	₱5,375,658,699	₱5,003,183,290

	Years Ended December 31		
	2020	2019	2018
Net income attributable to:			
Equity holders of the Parent Company	**₱3,216,636,348**	₱3,918,623,046	₱5,107,328,539
Non-controlling interest in consolidated subsidiaries	**268,978,049**	631,664,763	717,808,885
	₱3,485,614,397	₱4,550,287,809	₱5,825,137,424
Total comprehensive income attributable to:			
Equity holders of the Parent Company	**₱3,319,269,860**	₱4,755,279,388	₱4,253,812,839
Non-controlling interest in consolidated subsidiaries	**241,726,368**	620,379,311	749,370,451
	₱3,560,996,228	₱5,375,658,699	₱5,003,183,290
Basic/Diluted Earnings Per Share (Note 26)	**₱2.05**	₱2.49	₱3.65

See accompanying Notes to Consolidated Financial Statements.

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Total Equity Attributable to Equity Holders of the Parent Company								Non-controlling Interest in Consolidated Subsidiaries (Note 18)	Total
						Retained Earnings				
	Capital Stock (Note 18)	Additional Paid-in Capital (Note 18)	Treasury Stock (Note 18)	Other Comprehensive Income (Loss) (Notes 11, 13,and 23)	Equity Reserve (Note 18)	Appropriated (Note 18)	Unappropriated (Note 18)	Total		
					For the Year Ended December 31, 2020					
Balance at beginning of year	**₱1,576,489,360**	**₱40,768,202,897**	**₱–**	**₱272,839,305**	**(₱989,776,800)**	**₱26,944,852,847**	**₱3,548,986,390**	**₱72,121,593,999**	**₱4,404,802,611**	**₱76,526,396,610**
Net income	–	–	–	–	–	–	**3,216,636,348**	**3,216,636,348**	**268,978,049**	**3,485,614,397**
Other comprehensive income	–	–	–	**102,633,512**	–	–	–	**102,633,512**	**(27,251,681)**	**75,381,831**
Total comprehensive income	–	–	–	**102,633,512**	–	–	**3,216,636,348**	**3,319,269,860**	**241,726,368**	**3,560,996,228**
Capital contribution of non-controlling interest	–	–	–	–	–	–	–	–	**200,000,000**	**200,000,000**
Purchase of treasury shares	–	–	**(810,018,635)**	–	–	–	–	**(810,018,635)**	–	**(810,018,635)**
Dividends declared (Note 18)	–	–	–	–	–	–	**(1,572,931,450)**	**(1,572,931,450)**	**(308,700,322)**	**(1,881,631,772)**
Transfer of actuarial losses on retirement obligation	–	–	–	**58,822,263**	–	–	**(58,822,263)**	–	–	–
Disposal of a subsidiary	–	–	–	–	**(5,508,177)**	–	–	**(5,508,177)**	–	**(5,508,177)**
Appropriations	–	–	–	–	–	**948,000,000**	**(948,000,000)**	–	–	–
Reversal of appropriations	–	–	–	–	–	**(40,000,000)**	**40,000,000**	–	–	–
Balance at end of year	**₱1,576,489,360**	**₱40,768,202,897**	**(₱810,018,635)**	**₱434,295,080**	**(₱995,284,977)**	**₱27,852,852,847**	**₱4,225,869,025**	**₱73,052,405,597**	**₱4,537,828,657**	**₱77,590,234,254**
					For the Year Ended December 31, 2019					
Balance at beginning of year	₱1,576,489,360	₱40,768,202,897	₱–	(₱563,817,037)	(₱970,435,361)	₱24,151,852,847	₱3,558,435,683	₱68,520,728,389	₱4,183,439,610	₱72,704,167,999
Net income	–	–	–	–	–	–	3,918,623,046	3,918,623,046	631,664,763	4,550,287,809
Other comprehensive income	–	–	–	836,656,342	–	–	–	836,656,342	(11,285,452)	825,370,890
Total comprehensive income	–	–	–	836,656,342	–	–	3,918,623,046	4,755,279,388	620,379,311	5,375,658,699
Acquisition of non-controlling interest	–	–	–	–	(19,341,439)	–	–	(19,341,439)	(49,605,929)	(68,947,368)
Dividends declared (Note 18)	–	–	–	–	–	–	(1,135,072,339)	(1,135,072,339)	(349,410,381)	(1,484,482,720)
Appropriations	–	–	–	–	–	3,186,000,000	(3,186,000,000)	–	–	–
Reversal of appropriations	–	–	–	–	–	(393,000,000)	393,000,000	–	–	–
Balance at end of year	₱1,576,489,360	₱40,768,202,897	₱–	₱272,839,305	(₱989,776,800)	₱26,944,852,847	₱3,548,986,390	₱72,121,593,999	₱4,404,802,611	₱76,526,396,610
					For the Year Ended December 31, 2018					
Balances at beginning of year	₱1,385,000,000	₱27,227,385,090	₱–	₱289,698,663	(₱1,021,894,669)	₱15,212,852,847	₱8,387,307,144	₱51,480,349,075	₱3,737,665,384	₱55,218,014,459
Net income	–	–	–	–	–	–	5,107,328,539	5,107,328,539	717,808,885	5,825,137,424
Other comprehensive loss	–	–	–	(853,515,700)	–	–	–	(853,515,700)	31,561,566	(821,954,134)
Total comprehensive income (loss)	–	–	–	(853,515,700)	–	–	5,107,328,539	4,253,812,839	749,370,451	5,003,183,290
Acquisition of a subsidiary- net of transaction cost	191,489,360	13,540,817,807	–	–	–	–	–	13,732,307,167	–	13,732,307,167
Capital contribution of non-controlling interest (Notes 2, 18 and 19)	–	–	–	–	–	–	–	–	14,700,000	14,700,000
Acquisition of non-controlling interest	–	–	–	–	51,459,308	–	–	51,459,308	(51,459,308)	–
Dividends declared (Note 18)	–	–	–	–	–	–	(997,200,000)	(997,200,000)	(266,836,917)	(1,264,036,917)
Appropriations	–	–	–	–	–	9,222,000,000	(9,222,000,000)	–	–	–
Reversal of appropriation	–	–	–	–	–	(283,000,000)	283,000,000	–	–	–
Balance at end of year	₱1,576,489,360	₱40,768,202,897	₱–	(₱563,817,037)	(₱970,435,361)	₱24,151,852,847	₱3,558,435,683	₱68,520,728,389	₱4,183,439,610	₱72,704,167,999

See accompanying Notes to Consolidated Financial Statements.

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2020	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱4,418,876,706**	₱6,109,580,522	₱7,597,158,972
Adjustments for:			
Depreciation and amortization (Notes 6, 12, 14, 21 and 28)	**6,987,147,534**	6,879,793,222	2,395,085,036
Interest expense (Notes 6, 17 and 28)	**2,326,256,810**	2,578,499,847	159,071,734
Loss on impairment of assets (Notes 10, 12, 14 and 15)	**371,618,243**	15,046,221	117,234,205
Retirement expense (Notes 22 and 23)	**184,997,443**	192,082,476	155,999,283
Unrealized foreign currency exchange loss (gain) - net (Note 6)	**170,615,372**	134,619,196	(200,867,038)
Provision for inventory obsolescence (Note 9)	**123,976,912**	7,377,588	–
Changes in fair value of debt instruments at fair value through profit or loss (FVTPL) (Note 11)	**547,120**	(18,936,056)	18,528,989
Provision for (reversal of) expected credit losses (Notes 8 and 11)	**91,213,750**	(6,173,028)	59,878,944
Loss (gain) on sale of debt instruments at FVOCI (Note 11)	**(2,305,843)**	(7,655,666)	21,587,505
Dividend income (Notes 6 and 11)	**(27,347,725)**	(100,315,156)	(111,500,000)
Gain on disposal of a subsidiary (Note 19)	**(58,900,769)**	–	–
Equity in net earnings in associates (Notes 6 and 13)	**(196,514,026)**	(104,749,733)	(108,739,236)
Interest income (Notes 6, 7 and 11)	**(676,545,269)**	(1,015,573,149)	(981,862,604)
COVID-19 rent concessions and gain on derecognition of lease liabilty (Note 28)	**(1,711,637,199)**	–	–
Operating income before working capital changes	**12,001,999,059**	14,663,596,284	9,121,575,790
Decrease (increase) in:			
Trade and other receivables	**708,043,559**	(419,271,938)	(229,620,430)
Merchandise inventories	**(1,161,167,314)**	(1,182,238,583)	(707,718,702)
Other current assets	**361,662,515**	152,411,971	176,931,590
Increase (decrease) in:			
Trade and other payables	**(2,788,688,367)**	482,279,221	2,076,894,127
Other current liabilities	**(11,963,668)**	(12,598,703)	(20,759,045)
Other noncurrent liabilities	**–**	(152,155,543)	15,314,465
Net cash flows generated from operations	**9,109,885,784**	13,532,022,709	10,432,617,795
Interest received	**667,047,012**	1,052,577,024	997,459,296
Retirement contributions and benefits paid (Note 23)	**(395,352,456)**	(438,934,567)	(408,772,972)
Income tax paid	**(1,767,169,604)**	(2,096,686,222)	(1,934,225,139)
Net cash flows provided by operating activities	**7,614,410,736**	12,048,978,944	9,087,078,980
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Investment in associates (Note 13)	**(411,832,152)**	(519,600,000)	(1,466,050,429)
Debt and equity instrument financial assets (Note 11)	**(2,751,866,909)**	(1,761,156,662)	(847,021,924)
Property and equipment (Note 12)	**(1,867,821,170)**	(3,346,395,390)	(4,419,447,522)

(Forward)

	Years Ended December 31		
	2020	2019	2018
Franchise (Note 14)	**₱–**	₱–	(₱7,583,430)
Proceeds from disposals of debt and equity instrument financial assets (Note 11)	**3,623,828,843**	7,344,882,499	734,662,184
Dividends received (Note 11)	**27,347,725**	100,315,156	111,500,000
Acquisitions from non-controlling interest (Notes 2 and 18)	**–**	(68,947,368)	–
Acquisition through business combination - net of cash received (Note 19)	**(4,081,314,515)**	–	38,661,161
Proceeds from disposal of a subsidiary, net of tax	**199,671,350**	–	–
Decrease (increase) in other noncurrent assets	**324,804,291**	68,725,044	(518,493,215)
Net cash flows provided by (used in) investing activities	**(4,937,182,537)**	1,817,823,279	(6,373,773,175)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from loan availments (Notes 17 and 30)	**9,450,000,000**	915,000,000	7,508,045,137
Additional investments from non-controlling interest (Notes 2 and 18)	**200,000,000**	–	14,700,000
Interest paid (Notes 17 and 30)	**(146,433,977)**	(300,683,731)	(159,071,734)
Dividends paid (Notes 18 and 30)	**(1,920,805,654)**	(1,456,975,501)	(1,266,370,255)
Payment of loans (Notes 17 and 30)	**(4,500,000,000)**	(3,075,000,000)	(8,592,000,000)
Purchase of treasury shares	**(792,720,459)**	–	–
Lease payments (Notes 28 and 30)	**(3,934,601,315)**	(4,442,136,373)	–
Net cash flows used in financing activities	**(1,644,561,405)**	(8,359,795,605)	(2,494,696,852)
EFFECTS OF FOREIGN EXCHANGE RATE ON CASH AND CASH EQUIVALENTS	**12,837,814**	(2,133,278)	4,393,754
NET INCREASE IN CASH AND CASH EQUIVALENTS	**1,045,504,608**	5,504,873,340	223,002,707
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**20,292,913,953**	14,788,040,613	14,565,037,906
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 7)	**₱21,338,418,561**	₱20,292,913,953	₱14,788,040,613

See accompanying Notes to Consolidated Financial Statements.

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Robinsons Retail Holdings, Inc., (herein referred to as either "RRHI" or the "Parent Company") is a stock corporation organized under the laws of the Philippines. The Parent Company was registered with the Philippine Securities and Exchange Commission (SEC) on February 4, 2002. The Parent Company's common stock was listed with the Philippine Stock Exchange (PSE) on November 11, 2013, the Parent Company's initial public offering (IPO).

The primary purpose of the Parent Company and its subsidiaries (herein referred to as "the Group") is to engage in the business of trading goods, commodities and merchandise of any kind.

As of December 31, 2020, the Parent Company is 31.00% owned by JE Holdings, Inc., 36.19% owned by PCD Nominee Corporation, 20.00% by Dairy Farm International Holdings, Ltd. through its subsidiaries Mulgrave Corporation B.V. (MCBV) and GCH Investments Pte. Ltd., and the rest by the public.

The registered office address and principal place of business of the Parent Company is at 43rd Floor, Robinsons Equitable Tower, ADB Avenue corner Poveda Sts., Ortigas Center, Pasig City, Metro Manila.

2. Basis of Preparation

<u>Basis of Preparation</u>
The consolidated financial statements have been prepared under the historical cost basis, except for financial assets at FVTPL, financial assets at FVOCI and plan assets, which are measured at fair value. The consolidated financial statements are presented in Philippine Peso (₱), the Parent Company's functional and presentation currency. All amounts are rounded to the nearest peso unless otherwise indicated.

<u>Statement of Compliance</u>
The consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs).

<u>Basis of Consolidation</u>
The consolidated financial statements as of December 31, 2020 and 2019 and for each of the three (3) years in the period ended December 31, 2020 represent the consolidation of the financial statements of RRHI and the following subsidiaries directly and indirectly owned by the Parent Company.

	Effective Percentages of Ownership					
	2020		2019		2018	
Investee Companies	**Direct**	**Indirect**	Direct	Indirect	Direct	Indirect
Robinson's Supermarket Corporation (RSC)	100.00%	–	100.00%	–	100.00%	–
Jose M. Barretto, Sr. Holdings Corporation (JMBHC)	–	100.00%	–	–	–	–
Robinsons Appliances Corp. (RAC)	–	67.00%	–	67.00%	–	67.00%
Robinsons Ventures Corporation (RVC)	–	65.00%	–	–	–	–
Robinsons Convenience Stores, Inc. (RCSI/Ministop)	–	60.00%	–	–	–	–
Savers Electronic World, Inc. (SEWI)	–	90.00%	–	–	–	–
Super50 Corporation (Super50)	–	51.00%	–	–	–	–

(Forward)

	Effective Percentages of Ownership					
	2020		2019		2018	
Investee Companies	**Direct**	**Indirect**	Direct	Indirect	Direct	Indirect
South Star Drug, Inc. (SSDI)	–	90.00%	–	45.00%	–	45.00%
TGP Pharma, Inc. (TGPPI)	–	45.90%	–	45.90%	–	45.90%
TGP Franchising Corp. (TFC)	–	–	–	–	–	45.90%
TheGenerics Pharmacy Inc. (TPI)	–	45.90%	–	45.90%	–	45.90%
Rose Pharmacy, Inc. (RPI)	–	90.00%	–	–	–	–
Robinson's Handyman, Inc. (RHMI)	–	80.00%	–	80.00%	–	80.00%
Handyman Express Mart, Inc. (HEMI)	–	52.00%	–	52.00%	–	52.00%
Waltermart-Handyman, Inc. (WHI)	–	52.00%	–	52.00%	–	52.00%
Robinsons True Serve Hardware Philippines, Inc. (RTSHPI)	–	53.33%	–	53.33%	–	53.33%
RHI Builders and Contractors Depot Corp. (RHIB)	–	53.60%	–	53.60%	–	53.60%
Home Plus Trading Depot, Inc. (HPTDI)	–	40.20%	–	40.20%	–	40.20%
Robinsons Lifestyle Stores, Inc. (RLSI)	–	80.00%	–	80.00%	–	80.00%
Angeles Supercenter, Inc. (ASI)	–	–	–	100.00%	–	67.00%
Everyday Convenience Stores, Inc. (ECSI)	100.00%	–	100.00%	–	100.00%	–
Robinsons Daiso Diversified Corp. (RDDC)	90.00%	–	90.00%	–	90.00%	–
RHD Daiso-Saizen, Inc. (RHDDS)	59.40%	–	59.40%	–	59.40%	–
RHMI Management and Consulting, Inc.	100.00%	–	100.00%	–	100.00%	–
RRHI Management and Consulting, Inc.	100.00%	–	100.00%	–	100.00%	–
RRG Trademarks and Private Labels, Inc.	100.00%	–	100.00%	–	100.00%	–
RRHI Trademarks Management, Inc. (RRHI-TMI)	100.00%	–	100.00%	–	100.00%	–
New Day Ventures Limited (NDV Limited)	100.00%	–	100.00%	–	100.00%	–
Rustan Supercenters, Inc. (RSCI)	–	–	100.00%	–	100.00%	–
Robinson's, Incorporated (RI)	–	–	100.00%	–	100.00%	–
Robinsons Ventures Corporation (RVC)	–	–	–	65.00%	–	65.00%
Robinsons Toys, Inc. (RTI)	–	–	–	100.00%	–	100.00%
Robinsons Convenience Stores, Inc. (RCSI/Ministop)	–	–	–	60.00%	–	59.05%
South Star Drug, Inc. (SSDI)	–	–	–	45.00%	–	45.00%
TGP Pharma, Inc. (TGPPI)	–	–	–	45.90%	–	45.90%
TGP Franchising Corp. (TFC)	–	–	–	–	–	45.90%
TheGenerics Pharmacy Inc. (TPI)	–	–	–	45.90%	–	45.90%
Robinsons Gourmet Food and Beverages, Inc. (RGFBI)	–	–	–	100.00%	–	100.00%
Savers Electronic World, Inc. (SEWI)	–	–	–	90.00%	–	90.00%
Chic Centre Corporation (CCC)	–	–	–	100.00%	–	100.00%
Super50 Corporation (Super50)	–	–	–	51.00%	–	51.00%

All subsidiaries are incorporated in the Philippines and the functional currency is the Philippine Peso (₱) except for NDV Limited which is incorporated in British Virgin Islands (BVI) and the functional currency is US Dollar ($).

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at December 31, 2020 and 2019. Control is achieved when the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Parent Company controls an investee if, and only if, the Parent Company has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Parent Company has less than a majority of the voting or similar rights of an investee, the Parent Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Parent Company's voting rights and potential voting rights

The Parent Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one (1) or more of the three (3) elements of control. Subsidiaries are consolidated from the date of acquisition, being the date on which the Parent Company obtains control, and continue to be consolidated until the date when such control ceases. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Parent Company gains control until the date the Parent Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company and to the non-controlling interests (NCI), even if this results in the NCI having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full consolidation.

NCI represent the portion of profit or loss and net assets in subsidiaries not held by the Parent Company and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from the equity holders of the Parent Company.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. Any difference between the amount by which the NCI are adjusted and the fair value of the consideration paid or received is recognized directly in equity as "Equity reserve" and attributed to the owners of the Parent Company. If the Parent Company loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any NCI
- Derecognizes the cumulative translation differences recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the Parent Company's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate.

Investments and Acquisitions
On November 9, 2020, RSC acquired 100% ownership of JMBHC for a total consideration amounting to ₱411.77 million. JMBHC's only asset is related to land leased out to RSCI (Note 12).

On October 30, 2020, SSDI acquired 100% ownership interest on the shares of stock of RPI for ₱4.33 billion. RPI was incorporated in the Philippines and is primarily engaged in the business of trading medical and pharmaceutical goods, on either wholesale or retail basis (Note 19).

On February 17, 2020, the BOD of RSC approved the sale of 100% of the shares of stocks owned in CCC for a total consideration of ₱230.00 million (Note 19).

On November 4, 2019, RI purchased 18,947,368 RCSI shares from Ministop Co.,Ltd for a consideration of ₱18.95 million. As a result of the transaction, RI's ownership interest in RCSI increased from 59.05% to 60.00% (Note 18).

On April 3, 2019, an NCI sold its 33% ownership interest in ASI to RSC. As a result of the transaction, RSC's ownership interest in ASI increased from 67% to 100% (Note 18).

On February 1, 2019, the Board of Directors (BOD) and stockholders of TGPPI and TFC representing at least 2/3 vote of the outstanding capital stock of the companies approved the plan of merger between the companies with TGPPI as the surviving company. The Plan of Merger was approved by the SEC on July 22, 2019 and was implemented on August 1, 2019.

On November 23, 2018, RRHI acquired 100.00% ownership in RSCI, a company engaged in the business of food retailing (Notes 18 and 19).

On November 16, 2018, RRHI subscribed 40% ownership interest in Data Analytics Ventures, Inc. (DAVI) of which ₱0.40 million was paid. DAVI's principal activities include building a digital rewards program and creating a robust data infrastructure and analytics business. Accordingly, the Group accounted the investment in DAVI under investment in associates (Note 13). In 2020 and 2019, RRHI made additional capital infusion to DAVI amounting to ₱192.00 million and ₱239.60 million, respectively (Note 13).

On September 20, 2018, RRHI made an investment in G2M Solutions Philippines Pte. Ltd. (G2M) amounting to ₱160.65 million through convertible note which will provide the RRHI 14.90% ownership interest upon conversion of the note. The terms of the agreement entitled RRHI to one (1) out of three (3) board seats and participation to board key decisions. G2M is providing neighborhood sundry stores enablement platform and software in the Philippines. Accordingly, the Group accounted the investment in G2M under investment in associates (Note 13). In 2020, the Group made additional cash infusion to G2M amounting to ₱219.83 million (Note 13).

On August 28, 2018, Mitsubishi sold its entire ownership interest (12%) in RCSI to RI and Ministop; 161,052,632 shares to RI and 78,947,367 shares to Ministop. As a result of the transaction, RI's ownership interest in RCSI increased from 51.0% to 59.05% while Ministop ownership increased from 36.9% to 40.9% (Note 18).

On August 16, 2018, RSC made an investment in GrowSari, Inc. (GrowSari) amounting to ₱105.00 million through convertible note which will provide the RSC 28.60% ownership interest upon conversion of the note. The terms of the agreement also provide technical information and entitled RSC to two (2) out of seven (7) board seats and participation to board key decisions. GrowSari is engaged in selling wholesale goods to sari sari business owners. Accordingly, the Group accounted the investment in GrowSari as investment in associates (Note 13).

On July 12, 2018, RRHI made additional capital infusion in RBC amounting to ₱1.20 billion to meet the ₱15.0 billion minimum capital required by the Bangko Sentral ng Pilipinas for a bank to operate a network of over 100 branches (Note 13).

On February 27, 2018, RI and an NCI incorporated Super50, a company engaged in the business of retail and wholesale goods with paid-up capital amounting to ₱30.0 million. RI's ownership interest in Super50 is 51.0% (Note 18).

On February 22, 2018, RHMI incorporated RLSI, with a paid-up capital amounting to ₱50.00 million. RLSI is primarily engaged in the business of trading goods, commodities and merchandise of any kind.

Mergers
On March 4, 2019, the BOD and stockholders of RSC, RI, RTI and RGFBI approved the Plan of Merger of the companies with RSC as the surviving company. The merger was approved by the stockholders representing at least 2/3 vote of the outstanding capital stock of the companies. On September 30, 2019, the SEC approved the Plan of Merger between RSC, RI and RGBFI with RSC as the surviving entity effective January 1, 2020.

On October 21, 2019, the BOD and stockholders of RSC, ASI, RSSI and RSCI approved the plan of merger of the companies with RSC as the surviving company. The merger was approved by the stockholders representing at least 2/3 vote of the outstanding capital stock of the companies. On June 17, 2020, the SEC approved the Plan of Merger between RSC, ASI, RSSI and RSCI with RSC as the surviving entity effective July 1, 2020.

3. Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year, except that the Group applied for the first time certain pronouncements, which are effective for annual periods beginning on or after January 1, 2020. Adoption of these pronouncements did not have a significant impact on the Group's financial position or performance unless otherwise indicated.

- Amendments to PFRS 3*, Business Combinations, Definition of a Business*

  The amendments to PFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments did not have significant impact on the acquisitions of the Group during the year.

- Amendments to PFRS 7*, Financial Instruments: Disclosures and PFRS 9, Financial Instruments, Interest Rate Benchmark Reform*

  The amendments to PFRS 9 provide a number of reliefs, which apply to all hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments had no significant impact on the Group.

- Amendments to PAS 1*, Presentation of Financial Statements, and PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

  The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no significant impact on the Group.

- Conceptual Framework for Financial Reporting issued on March 29, 2018

  The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the standard-setters in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

  The revised Conceptual Framework includes new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

- Amendments to PFRS 16, *COVID-19-related Rent Concessions*

  The amendments provide relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

  - 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, 2021; and
  - There is no substantive change to other terms and conditions of the lease.

  A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

  The amendments are effective for annual reporting periods beginning on or after June 1, 2020.

  The Group adopted the amendments beginning June 1, 2020.

  The Group has applied the practical expedient to all rent concessions that meet the above conditions. Please refer to Note 28 for the impact of the amendments.

Standards Issued But Not Yet Effective

Pronouncements issued but not yet effective are listed on the next page. Unless otherwise indicated, the Group does not expect the future adoption of the said pronouncements to have a significant impact on its financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2021

- Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

  The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):
  - Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
  - Relief from discontinuing hedging relationships
  - Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

  The Group shall also disclose information about:
  - The about the nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and
  - Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition

  The amendments are effective for annual reporting periods beginning on or after January 1, 2021 and apply retrospectively, however, the Group is not required to restate prior periods. The amendments are not expected to impact the Consolidated Financial Statements.

Effective beginning on or after January 1, 2022

- Amendments to PFRS 3, *Reference to the Conceptual Framework*

  The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential 'day 2'gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately.

  At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

  The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

- Amendments to PAS 16 , *Plant and Equipment: Proceeds before Intended Use*

  The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have a material impact on the Group.

- Amendments to PAS 37, *Onerous Contracts - Costs of Fulfilling a Contract*

  The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

- *Annual Improvements to PFRSs* 2018-2020 Cycle
  - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*

    The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

    The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.

  - Amendments to PFRS 9, *Financial Instruments*, *Fees in the '10 per cent' test for derecognition of financial liabilities*

    The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

    The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

- Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

  The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

  An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.

Effective beginning on or after January 1, 2023

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

  The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:
  - What is meant by a right to defer settlement
  - That a right to defer must exist at the end of the reporting period
  - 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, 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

- 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

  PFRS 17 is effective for reporting periods beginning on or after January 1, 2023, with comparative figures required.

PFRS 17 is not applicable to the Group since it is not engaged in providing insurance nor issuing insurance contact.

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.

  The amendments will have no significant impact on the Group's financial position or performance.

4. Summary of Significant Accounting Policies

Revenue from Contracts with Customers

Revenue from contracts with customers is recognized when control of the goods is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods. The Group concluded that it is acting as principal in all its revenue arrangements. The Group recognized revenue from the following major sources:

- Sale of goods to retail customers, including the related loyalty programme and warranties granted under local legislation. Sale of goods include 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;
- Sale of merchandise to franchisees;
- Franchise revenue under Ministop and TGP franchise agreements;
- Royalty fees

Sale of Goods - Retail Customers

The Group sells goods directly to customers through its own retail outlets and through its own e-commerce platform and in partnership with major e-commerce players in the country.

For sale of goods through retail outlets 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 retail outlet. Payment of the transaction price is due immediately at the point the customer purchases the goods.

For e-commerce sales, revenue is recognized when control of the goods has transferred to the customer, being at the point the goods are delivered to the customer. Delivery occurs when the goods have been shipped to the customer's specific location.

Under the Group's standard contract terms for sale to retail customers (from both retail outlet and e-commerce sales), customers have a right of return within seven (7) days. The right of return is not a separate performance obligation and is not considered in establishing the transaction price since right of return entitles the customer to exchange the product bought for another product of the same type, quality, condition and price (for example, one color or size for another).

Sale of Goods - Wholesale Market
The Group also sell goods in the wholesale market. Sales are recognized when control of the products has transferred, being when the products are delivered to the wholesaler, the wholesaler has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the group has objective evidence that all criteria for acceptance have been satisfied.

The sale of goods to the wholesale market often includes volume discounts based on current purchases. Revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts. No element of financing is deemed present as the sales are made with a credit term of 30 days, which is consistent with market practice.

A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Sale of Loyalty Points and Gift Checks
In 2019 and 2018, the Group operates a loyalty programme where retail customers accumulate points for purchases made at any participating retail outlets and partner establishments that can be redeemed against any future purchases at any participating retail outlets and partner establishments, subject to a minimum number of points obtained. The Group also sells gift checks at face value which can be used to redeem goods.

The Group allocates a portion of the consideration received to loyalty points. 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 Group's historical experience.

A contract liability is recognized for revenue relating to the loyalty points and gift checks at the time of the initial sales transaction. Revenue from the loyalty points and gift checks are recognized when the points are redeemed by the customer. Revenue for loyalty points and gift checks that are not expected to be redeemed is recognized in proportion to the pattern of rights exercised by customers.

Starting January 1, 2020, the management and operation of the loyalty programme has been transferred to DAVI, a related party. With the new arrangement, the Group concluded that it only acts as an agent of DAVI and recognizes revenue relating to loyalty points on a net basis.

Sale of Merchandise - Franchisees
For sale of merchandise to franchisees, revenue is recognized when control of the goods has transferred to the franchisees, being at the point the goods are delivered to the franchisees. Delivery occurs when the goods have been shipped to the franchisee's specific location.

Franchise Revenue
The Group's franchise agreement includes payment of non-refundable upfront fee. The revenue from non-refundable upfront fees is recognized on a straight-line basis over the period the franchisee has access to the license (the term of the franchise agreement). Continuing franchise fees in exchange for the franchise right granted over the term of the franchise agreement are recognized as revenue when the subsequent sale of merchandise by the franchisees occurs.

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

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

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

Financial Instruments - Initial Recognition and Subsequent Measurement

Financial Assets
The Group recognizes a financial asset in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument.

Initial Recognition and Measurement
Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, FVOCI, and FVTPL.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in case not at FVTPL, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under PFRS 15.

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 Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent Measurement
For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at FVTPL

Financial Assets at Amortized Cost (Debt Instruments). The Group 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 EIR method and are subject to impairment. Gains and losses are recognized in the consolidated statement of comprehensive income when the asset is derecognized, modified or impaired.

As of December 31, 2020 and 2019, the Group's financial assets at amortized cost includes cash and cash equivalents, trade receivables and refundable security deposits included under 'Other noncurrent assets'.

FVOCI (Debt Instruments). The Group measures debt instruments at FVOCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; 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.

For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the consolidated statement of comprehensive income and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI in the consolidated statement of comprehensive income. Upon derecognition, the cumulative fair value change recognized in other comprehensive income is recycled to profit or loss in the consolidated statement of comprehensive income.

As of December 31, 2020 and 2019, the Group's debt instruments at FVOCI includes investments in quoted debt instruments.

Financial Assets Designated at FVOCI (Equity Instruments). Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation and Disclosure* are not held for trading. The classification is determined on an instrument-by instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the consolidated statement of comprehensive income when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at FVOCI are not subject to impairment assessment.

The Group elected to classify irrevocably its listed equity investments under this category.

Financial Assets at FVTPL. Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets with cash flows that are not SPPI are classified and measured at FVTPL, irrespective of the business model.

Financial assets at FVTPL are carried in the consolidated statement of financial position at fair value with net changes in fair value recognized in profit or loss in the consolidated statement of comprehensive income.

As of December 31, 2020 and 2019, the Group's financial assets at FVTPL includes investments in debt instruments which contain loss absorption feature.

Impairment of Financial Assets
The Group recognizes an allowance for ECLs for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group 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.

The ECL allowance is based on the credit losses expected to arise on a 12-month duration if there has been no significant increase in credit risk of the financial asset since origination (12-month ECL). Otherwise if a significant increase in credit risk is observed, then the ECL estimation is extended until the end of the life of the financial asset (Lifetime ECL). The 12-month ECL represents the losses that result from default events on a financial asset which may happen within 12 months after the reporting date. The Lifetime ECL on the other hand represents the losses that result from default events on a financial asset which may happen over its life. Both Lifetime ECLs and 12-month ECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

Financial instruments subject to the ECL methodology are categorized into three stages:

- Stage 1 is comprised of all non-impaired financial instruments which have not experienced a significant increase in credit risk since initial recognition. Entities are required to recognize 12-month ECL for stage 1 financial instruments. In assessing whether credit risk has increased significantly, entities are required to compare the risk of 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.

- Stage 2 is comprised of all non-impaired financial instruments which have experienced a significant increase in credit risk since initial recognition. Entities are required to recognize lifetime ECL for stage 2 financial instruments. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a significant increase in credit risk since initial recognition, then entities shall revert to recognizing 12-month ECL.

- Financial instruments are classified as stage 3 when there is objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition with a negative impact on the estimated future cash flows of a financial instrument or a portfolio of financial instruments. The ECL model requires that lifetime ECL be recognized for impaired financial instruments, which is similar to the requirements under PAS 39 for impaired financial instruments.

A default is considered to have occurred when (a) there is a breach of financial covenants by the counterparty; or (b) information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group). Irrespective of the analysis, the Company considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

At each reporting date, the Group shall assess whether the credit risk on a loan or credit exposure has increased significantly since initial recognition. Group's assessment of significant increase in credit risk involves looking at quantitative element and qualitative element. The quantitative element is being looked through statistical models or credit ratings process or scoring process that captures certain information which the Group shall consider as relevant in assessing changes in credit risk. The Group may also look at the number of notches downgrade of credit risk rating or certain thresholds for the probabilities of default being generated from statistical models to determine whether significant increase in credit risk has occurred subsequent to initial recognition date.

Credit exposures shall be transferred from Stage 1 to Stage 2 if there is significant increase in credit risk from initial recognition date. Exposures shall be classified as Stage 2 if (a) the exposure have potential weaknesses, based on current and/or forward-looking information, that warrant management's close attention. Said weaknesses, if left uncorrected, may affect the repayment of these exposures; (b) If there are adverse or foreseen adverse economic or market conditions that may affect the counterparty's ability to meet the scheduled repayments in the future.

Exposures shall be transferred from Stage 3 (non-performing) to Stage 1 (performing) when there is sufficient evidence to support their full collection. Such exposures should exhibit both the quantitative and qualitative indicators of probable collection prior to their transfer. Quantitative indicator is characterized by payments made within an observation period. Qualitative indicator pertains to the results of assessment of the borrower's financial capacity.

ECLs are generally measured based on the risk of default over one of two different time horizons, depending on whether there has been significant increase in credit risk since initial recognition. ECL calculations are based on the following components:

- Probability-of-default (PD) - an estimate of the likelihood that a borrower will default on its obligations over the next 12 months for Stage 1 or over the remaining life of the credit exposure for Stages 2 and 3.

- Loss-given-default (LGD) - an estimate of the loss arising in case where defaults occur at a given time. It is based on the difference between the contractual cash flow due and those that the Group would expect to receive, including from any collateral.

- Exposure-at-default (EAD) - an estimate of the exposure at a future/default date taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, expected drawdown on committed facilities and accrued interest from missed payments.

Forward-looking information shall be considered in estimating/determining the 12-month and lifetime PD, LGD and EAD depending on the credit exposure.

ECL measurement is determined by evaluating a range of possible outcomes and using reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions. Experienced credit judgment is essential in assessing the soundness of forward-looking information and in ensuring that these are adequately supported. Forward-looking macroeconomic information (e.g. inflation rate and consumer price index) and scenarios shall consider factors that may affect the general economic or market conditions in which the Group operates.

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

For debt instruments at FVOCI, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument.

The Group's debt instruments at FVOCI comprise solely of quoted bonds that are graded in the top investment category by the S&P and, therefore, are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Group uses the ratings from the S&P both to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

For other debt financial instruments e.g., cash and cash equivalents and security deposits ECLs the Company applies the general approach. Therefore, the Group track changes in credit risk at every reporting date.

Financial Liabilities

Initial Recognition

Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL and other financial liabilities at amortized cost. The initial measurement of financial liabilities, except for designated at FVPL, includes transaction costs.

As of December 31, 2020 and 2019, the financial liabilities of the Group are classified as other financial liabilities.

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

Other Financial Liabilities. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in the statement of comprehensive income when the liabilities are derecognized as well as through amortization process.

This accounting policy relates primarily to the Group's Trade and other payables, Short-term loans, Lease liabilities and other obligations that meet the above definition (other than liabilities covered by other accounting standards, such as income tax payable and retirement obligation).

<u>Offsetting of Financial Assets and Liabilities</u>
Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

<u>Derecognition of Financial Assets and Liabilities</u>
Financial Asset
A financial asset (or, where applicable a part of a financial asset or part of a Group of similar financial assets) is derecognized where:

- the right to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a pass-through' arrangement; or
- the Group has transferred its right to receive cash flows from the asset and either; (a) has transferred substantially all the risks and rewards of the asset; or (b) has neither transferred nor retained the risk and rewards of the asset but has transferred the control of the asset.

Where the Group has transferred its right to receive cash flows from an asset but has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial Liability
A financial liability is derecognized when the obligation under the liability is discharged, cancelled, or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of comprehensive income.

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 Group.

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

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Cash and Cash Equivalents

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

Merchandise Inventories

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

NRV is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale. In the event that NRV is lower than cost, the decline shall be recognized as an expense in the consolidated statement of comprehensive income.

Investment in Associates
Associates are entities in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of investee, but is not control or joint control over those policies. Investment in associates is accounted for under the equity method of accounting.

Under the equity method, the investment in associates is carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share in the net assets of the associates, less any impairment in value. The profit or loss reflects the share of the results of the operations of the associates reflected a "Equity in net earnings of associates" under "Other income (charges)" in the consolidated statement of comprehensive income. Goodwill relating to associate is included in the carrying amount of the investment and is not amortized. The Group's share in the investees' post acquisition movements in the investees' equity reserves is recognized directly in equity. Profit and losses resulting from transactions between the Group and the associates are eliminated to the extent of the interest in the associate and for unrealized losses to the extent that there is no evidence of impairment of the assets transferred. Dividends received are treated as a reduction of the carrying value of the investment.

The Group discontinues applying the equity method when the investment associates is reduced to zero (0). Accordingly, additional losses are not recognized unless the Group has guaranteed certain obligations of the associates. When the associates subsequently report net income, the Group will resume applying the equity method but only after its share of that net income equals the share of net losses not recognized during the period the equity method was suspended.

The reporting dates of the associates and the Group are identical and associate's accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

After application of the equity method, the Group determines whether it is necessary to recognize an additional impairment loss on the Group's investment in associates. The Group determines at each reporting date whether there is any objective evidence that the investment in associates is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associates and its carrying value and recognizes the amount under "Other expenses" in the consolidated statement of comprehensive income.

Upon loss of significant influence over the associates, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associates upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in the consolidated statement of comprehensive income.

Business Combination and Goodwill
If the initial accounting for a business combination can be determined only provisionally by the end of the period in which the combination is effected because either the fair values to be assigned to the acquiree's identifiable assets, liabilities or contingent liabilities or the cost of the combination can be determined only provisionally, the Group accounts for the combination using those provisional values. The Group recognizes any adjustments to those provisional values as a result of completing the initial accounting within twelve (12) months of the acquisition date as follows: (i) the carrying amount of the identifiable asset, liability or contingent liability that is recognized or adjusted as a result of completing the initial accounting shall be calculated as if its fair value at the acquisition date had been recognized from that date; (ii) goodwill or any gain recognized shall be adjusted by an

amount equal to the adjustment to the fair value at the acquisition date of the identifiable asset, liability or contingent liability being recognized or adjusted; and (iii) comparative information presented for the periods before the initial accounting for the combination is complete shall be presented as if the initial accounting has been completed from the acquisition date.

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the Group will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with PFRS 9 either in profit or loss or as a change to OCI. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss as bargain purchase gain.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For purposes of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating unit (CGUs), or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Each unit or group of units to which the goodwill is allocated should:

- represent the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- not be larger than an operating segment determined in accordance with PFRS 8, *Operating Segments*.

Impairment is determined by assessing the recoverable amount of the CGU (or group of CGUs), to which the goodwill relates. Where the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount, an impairment loss is recognized. Where goodwill forms part of a CGU (or group of CGUs) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in these circumstances is measured based on the relative values of the operation disposed of and the portion of the CGU retained. If the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the acquirer shall recognize immediately in the consolidated statement of comprehensive income any excess remaining after reassessment.

Combination of Entities under Common Control
Business combinations under common control are those in which all of the combining entities or businesses are controlled by the same party or parties both before and after the business combination, and that control is not transitory. Business combinations are accounted for using the acquisition method except for business combinations under common control in which an accounting similar to pooling of interest method accounted for prospectively from the acquisition date as allowed under PIC Q&A 2012-01. Under the prospective pooling of interest method, the assets and liabilities of the combining entities are reflected at their carrying amounts. No adjustments are made to reflect fair values, or recognize any new assets and liabilities, at the date of the combination. No new goodwill is recognized. The adjustments made, if any, are only to the extent to harmonize accounting policies within the Group. The difference between the book value of net asset acquired and the consideration paid or transferred is recognized in equity, under "Equity reserve". The profit and loss of the acquirees are consolidated from the acquisition date. Comparative periods are not restated.

Acquisition of Assets
When assets are acquired, through corporate acquisitions or otherwise, management considers the substance of the assets and activities of the acquired entity in determining whether the acquisition represents an acquisition of a business. When such an acquisition is not judged to be an acquisition of a business, it is not treated as a business combination. Rather, the cost to acquire the entity is allocated between the identified assets and liabilities of the entity based on their relative fair values at the acquisition date. Accordingly, no goodwill or additional deferred tax arises.

Property and Equipment
Property and equipment, except land are carried at cost less accumulated depreciation and amortization and accumulated impairment in value, if any. Land is carried at cost less any impairment in value. The initial cost of property and equipment comprises its purchase price, including any directly attributable costs of bringing the asset to its working condition and location for its intended use. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance expenses are charged to the consolidated statement of comprehensive income during the financial period in which they are incurred.

Construction in-progress (CIP) are transferred to the related "Property and equipment" account when the construction or installation and related activities necessary to prepare the property and equipment for their intended use are completed, and the property and equipment are ready for service. CIP is not depreciated until such time when the relevant assets are completed and available for use.

Depreciation and amortization is computed using the straight-line method over the estimated useful lives (EUL) of the assets. Leasehold improvements are amortized over the EUL of the improvements or the term of the related lease, whichever is shorter.

The EUL of property and equipment in general are as follow:

	Years
Building and other equipment	20 - 25
Leasehold improvements	6 - 10
Store furniture and fixtures	5 - 10
Office furniture and fixtures	5 - 10
Transportation equipment	5 - 10
Computer equipment	3 - 10

The assets' useful lives and the depreciation and amortization method are reviewed periodically to ensure that the period and the method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated statement of comprehensive income in the period the item is derecognized.

The assets' residual values, useful lives and methods of depreciation and amortization are reviewed and adjusted, if appropriate, at each financial year-end.

Fully depreciated and amortized property and equipment are maintained in the accounts until these are no longer in use.

Intangible Assets
Intangible assets acquired separately are measured on initial recognition at cost. The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the EUL and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statement of comprehensive income as the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the CGU level. The assessment of indefinite useful life is reviewed annually to determine whether the indefinite useful life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Licenses
The Group acquired the license to use the brand and operate its stores. The license shall be amortized using the straight-line method over a period of ten (10) years. The amortization of the license is recorded in the consolidated statement of comprehensive income under "Operating expenses" account.

Trademarks
Trademarks, which were acquired through business combinations in 2012 (SSDI), 2015 (SEWI), 2016 (TGPPI), 2018 (RSCI) and 2020 (RPI) were recognized at fair value at the date of acquisition and assessed to have indefinite useful lives. Following initial recognition, the trademarks are carried at cost and subject to annual impairment testing.

Franchise
The Group acquired the franchise to use the brand and operate its stores. The franchise shall be amortized using the straight-line method over a period of ten (10) years. The amortization of the franchise is recorded in the consolidated statements of comprehensive income under "Operating expenses" account.

Impairment of Nonfinancial Assets
This accounting policy primarily applies to the Group's property and equipment, ROU assets, investment in associates and intangible assets.

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's 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, taking into consideration the impact of the coronavirus pandemic. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly-traded subsidiaries or other available fair value indicators.

Impairment losses of continuing operations are recognized in the consolidated statement of comprehensive income in the expense category consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to equity. In this case the impairment is also recognized in equity up to the amount of any previous revaluation.

For nonfinancial assets excluding goodwill, 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 Group makes an estimate of recoverable amount. 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 and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of comprehensive income.

The following criteria are also applied in assessing impairment of specific assets:

Investment in Associates
After application of the equity method, the Group determines whether it is necessary to recognize any additional impairment loss with respect to the Group's net investment in associates. The Group determines at each reporting date whether there is any objective evidence that the investment in associates is impaired. If this is the case, the Group calculates the amount of impairment as being the difference between the recoverable amount and the carrying value of the investment in associates and recognizes the difference in the consolidated statement of comprehensive income.

Impairment Testing of Goodwill and Trademarks
Goodwill and trademarks are reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired.

The Group performed its annual impairment test for the years ended December 31, 2020 and 2019. The CGU are concluded to be the entire entities acquired by the Group. The impairment testing may be performed at any time in the annual reporting period, but it must be performed at the same time every year and when circumstances indicate that the carrying amount is impaired. The impairment testing also requires an estimation of the recoverable amount, which is the net selling price or value-in-use of the CGU to which the goodwill and intangibles are allocated.

The most recent detailed calculation made in a preceding period of the recoverable amount of the CGU may be used for the impairment testing for the current period provided that:

- The assets and liabilities making up the CGU have not changed significantly from the most recent calculation;
- The most recent recoverable amount calculation resulted in an amount that exceeded the carrying amount of the CGU by a significant margin; and
- The likelihood that a current recoverable amount calculation would be less than the carrying amount of the CGU is remote based on an analysis of events that have occurred and circumstances that have changed since the most recent recoverable amount calculation.

Impairment is determined for goodwill and trademarks by assessing the recoverable amount of the CGU (or group of CGU) to which the goodwill and trademarks relate. Where the recoverable amount of the CGU (or group of CGU) is less than the carrying amount of the CGU (or group of CGU) to which goodwill and trademarks have been allocated, an impairment loss is recognized immediately in the consolidated statement of comprehensive income. Impairment loss recognized for goodwill and trademarks shall not be reversed in future periods.

<u>Retirement Cost</u>
Defined Benefit Plan
The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting date reduced by the fair value of plan assets, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

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

Defined benefit costs comprise the following:
(a) service cost;
(b) net interest on the net defined benefit liability or asset; and
(c) remeasurements of net defined benefit liability or asset.

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss in the consolidated statement of comprehensive income. Past service costs are recognized when plan amendment or curtailment occurs.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss in the consolidated statement of comprehensive income.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in the consolidated statement of comprehensive income subsequent periods.

Retirement plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Retirement plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Value-Added Taxes (VAT)
Input tax represents the VAT paid on purchases of goods and services that the Group can apply against any future liability for output VAT on sale of goods and services subjected to VAT. The input VAT can also be recovered as tax credit under certain circumstances and can be applied against future income tax liability of the Group upon approval of the BIR. Input VAT is stated at its estimated NRV. Output VAT pertains to the 12.0% tax due on the local sale of goods by the Group.

If at the end of any taxable month, the output VAT exceeds the input VAT, the outstanding balance is included under "Trade and other payables" account. If the input VAT exceeds the output VAT, the excess shall be carried over to the succeeding months and included under "Other current assets".

Creditable Withholding Taxes (CWT)
CWT included under other current assets are attributable to taxes withheld by third parties arising from the sale of goods, rental fees and other services and will be applied against future taxes payable.

Income Tax
Current Tax
Current tax assets and 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 are enacted or substantively enacted at the reporting date.

Deferred Tax
Deferred tax is provided, using the balance sheet liability method, on all temporary differences, with certain exceptions, at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, with certain exceptions. Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits from excess of minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and net operating loss carryover (NOLCO), to the extent that it is probable that taxable income will be available against which the deductible temporary differences and carryforward of unused tax credits from excess MCIT and NOLCO can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rate that is expected to apply to 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 relating to items recognized outside the consolidated statement of comprehensive income is recognized outside the consolidated statement of comprehensive income. Deferred tax items are recognized in correlation to the underlying transaction either in the consolidated statement of comprehensive income or other comprehensive income.

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

Capital Stock
Capital stock is measured at par value for all shares issued. When the Group issues shares in excess of par, the excess is recognized as additional paid-in capital (APIC) (Note 18). Incremental costs incurred directly attributable to the issuance of new shares are treated as deduction from APIC. If APIC is not sufficient, the excess is charged against retained earnings.

Equity Reserve
Equity reserve consist of equity transactions other than capital contributions, such as equity transactions arising from transactions with NCI and combination or entities under common control.

Retained Earnings
Retained earnings represent accumulated earnings of the Group less dividends declared and any adjustment arising from application of new accounting standards, policies or correction of errors applied retroactively. It includes the accumulated equity in undistributed earnings of consolidated subsidiaries which are not available for dividends until declared by subsidiaries. Appropriated retained earnings are those that are restricted for store expansion. Unappropriated retained earnings are those that can be allocated for specific purposes and can be distributed as dividend (Note 18).

Leases Effective January 1, 2019

Leases
The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date. The arrangement is assessed for whether the fulfillment of the arrangement is dependent on the use of a specific asset ot assets and the arrangement conveys a right to use the asset or assets, evein if that right is not explicitly specified in an arrangement.

Group as a Lessee
The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and ROU assets representing the right to use the underlying assets.

ROU assets. The Group recognizes ROU assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). ROU assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of ROU assets includes the amount of lease liabilities recognized, initial direct costs incurred, 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, unless those costs are incurred to produce inventories. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized ROU assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term as follows:

	Years
Land	10-25
Warehouses	10-15
Store spaces	6-10
Office spaces	6-10
Building	10

ROU assets are presented separately in the consolidated financial position and are also subject to impairment test.

Lease liabilities. At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Lease liabilities (current and noncurrent) are presented separately in the consolidated statement of financial position.

Short-term leases and leases of low-value assets. The Group 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). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value (e.g ₱250,000 or below). 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.

Group as Lessor
Leases where the Group does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Leases prior January 1, 2019

Leases
The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

A reassessment is made after inception of the lease, only if one of the following applies:

a) there is a change in contractual terms, other than a renewal or extension of the arrangement;
b) a renewal option is exercised or extension granted, unless the term of the renewal or extension;
c) there is a change in the determination of whether fulfillment is dependent on a specified asset; or
d) there is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) and at the date of renewal or extension period for scenario (b).

Group as Lessee
Leases where the lessor does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Operating lease payments are recognized as an expense in the consolidated statement of comprehensive income on a straight-line basis over the lease term.

Group as Lessor
Leases where the Group does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rental income. Contingent rents are recognized as revenue in the period in which they are earned.

<u>Foreign Currency Transactions</u>
Transactions in foreign currencies are initially recorded in the Group's functional currency using the exchange rates prevailing at the dates of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency using the Bankers Association of the Philippines (BAP) closing rate prevailing at the reporting date. Exchange gains or losses arising from foreign exchange transactions are credited to or charged against operations for the period.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the prevailing closing exchange rate as of the date of initial transaction.

Financial statements of consolidated foreign subsidiaries which are considered foreign entities are translated into the presentation currency of the Parent Company (Peso) at the closing exchange rate at end of reporting period and their statements of income are translated using the monthly weighted average exchange rates for the year. The exchange differences arising from the translation are taken directly to a separate component of equity (under cumulative translation adjustment). On disposal of a foreign entity, the deferred cumulative amount recognized in equity relating to that particular foreign operation is recognized in the consolidated statement of comprehensive income.

<u>Earnings Per Share (EPS)</u>
Basic EPS is computed by dividing net income for the year applicable to common stock by the weighted average number of common shares issued and outstanding during the year, adjusted for any subsequent stock dividends declared.

Diluted EPS is calculated by dividing the net income for the year attributable to ordinary equity holders of the Group 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 calculation of diluted EPS does not assume conversion, exercise, or other issue of potential common shares that would have an antidilutive effect on EPS.

The Parent Company does not have any potential dilutive ordinary shares for the years ended December 31, 2020, 2019 and 2018 (Note 26).

Provisions

Provisions are recognized only when the following conditions are met: (a) there exists a present obligation (legal or constructive) as a result of a past event; (b) it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense in profit or loss. Provisions are reviewed at each reporting period and adjusted to reflect the current best estimate.

Contingencies

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

Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker (CODM). The CODM, who is responsible for resource allocation and assessing performance of the operating segment, has been identified as the President. The nature of the operating segment is set out in Note 6.

Events After the Reporting Date

Post year-end events that provide additional information about the Group's position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are non-adjusting events are disclosed in the consolidated financial statements when material.

5. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements in conformity with PFRSs requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The estimates and assumptions used in the accompanying consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. Actual results could differ from such estimates.

Judgments

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

Determination of Acquisition of Group of Assets as a Business in Accordance with PFRS 3
Management uses judgment in assessing if the group of assets and liabilities acquired would constitute a business. In accordance with PFRS 3, business is defined as an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefits directly to investors or other owners, members or participants. Management assessed that the acquisition of RPI constitute a business while the acquisition of JMBHC constitute a purchase of an asset.

Determination of lease term of contracts with renewal and termination options - Company as a lessee (Applicable Beginning January 1, 2019)
The Group has several lease contracts that include extension and termination options. The Group 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 option (eg. construction of significant leasehold improvements). After the commencement date, the Group reassess 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.

Right to Access - Performance Obligation Satisfied Over Time
The Group considered the following in assessing whether the non-refundable upfront franchise fee is a right to access the Ministop and TGP licenses: (a) the franchisee reasonably expects that the entity will undertake activities that will significantly affect the license to which the customer has rights (i.e. the characters); (b) the rights granted by the franchise agreement directly expose the franchisee to any positive or negative effects of the Group's activities because the franchise agreement requires the customer to use the latest characters; and (c) even though the franchisees may benefit from those activities through the rights granted by the franchise agreement, they do not transfer a good or service to the customer as those activities occur.

The Group concludes that non-refundable upfront franchise fee is a payment to provide the franchisees with access to the Ministop and TGP licenses as it exists throughout the franchise period. Consequently, the entity accounts for the upfront franchise fee as a performance obligation satisfied over time.

Determination if Consideration Received from Suppliers is Not Distinct
The Group in the ordinary course of business received consideration from suppliers for product placements (e.g. slotting fees) and other programs. The Group determines that the consideration received from the suppliers is not in exchange for a distinct good or service that transfers to the supplier because of the following considerations:

- the standalone selling price of the good or service for which the consideration is received cannot be reasonably estimated; and
- the supplier does not obtain control of the goods or service.

Accounting for Investment in GrowSari and G2M through Convertible Note
The Group has investments in GrowSari, Inc. and G2M Solutions Philippines Pte. Ltd. through convertible note which will provide the Group 28.60% and 14.90% ownership interest, respectively, upon conversion of the note. The Group assessed that it has significant influence as evidenced by provision of technical information, board seats and service agreement in the term sheet. Thus, the investments are accounted for as investments in associates.

Determination of Control
The Group determined that it has control over its investees by considering, among others, its power over the investee, exposure or rights to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect its returns.

The following were also considered:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual agreements; and
- The Group's voting rights and potential voting rights.

Contingencies
The Group is currently involved in certain legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the defense in these matters and is based upon an analysis of potential results. The Group currently does not believe that these proceedings will have a material adverse effect on the Group's financial position and results of operations. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings (Note 31).

Estimates and Assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty 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 discussed below.

Recoverability of Goodwill and Trademarks
In the course of the Group's business combinations, goodwill and trademarks were acquired (Note 14). These assets have indefinite useful lives.

The Group performed its annual impairment test as at December 31, 2020 and 2019. The recoverable amounts of the CGUs have been determined based on value in use (VIU) and enterprise value or earnings before interest, taxes, depreciation and amortization (EV/EBITDA) multiple calculations.

As of December 31, 2020 and 2019, below are the CGUs from which trademarks with indefinite useful life are allocated and tested for annual impairment:

	Basis	Amount
RSCI	VIU	₱3,205,411,607
SSDI	VIU	1,566,917,532
TGPPI	VIU	1,264,098,435
SEWI	VIU	364,914,493
		₱6,401,342,067

As of December 31, 2020 and 2019, below are the CGUs from which goodwill is allocated and tested for annual impairment:

	Basis	**2020**	2019
RSCI	VIU	**₱9,109,386,061**	₱9,109,386,061
TGPPI	EV/EBITDA	**1,281,428,830**	1,281,428,830
SSDI	EV/EBITDA	**745,887,131**	745,887,131
SEWI	VIU	**715,103,869**	715,103,869
Eurogrocer Corporation	EV/EBITDA	**199,870,222**	199,870,222
RHIB	VIU	**145,655,320**	145,655,320
RTSHPI	EV/EBITDA	**85,161,468**	85,161,468
Jayniths Supermarket	EV/EBITDA	**71,732,435**	71,732,435
HPTDI	VIU	**30,000,000**	30,000,000
GNC Pharma Corp.	EV/EBITDA	**23,250,000**	23,250,000
Beauty Skinnovations Retail, Inc. (BSRI)	VIU	**–**	83,324,691
		₱12,407,475,336	₱12,490,800,027

Value In Use
The recoverable amount of some CGU has been determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. The projected cash flows have been updated to reflect the demand for products and services, taking into consideration the impact of the coronavirus pandemic.

The pre-tax discount rate applied to cash flow projections is 8.63% to 10.68% in 2020 (5.70% to 10.00% in 2019) and cash flows beyond the five-year period are extrapolated using a 1.00% to 5.00% in 2020 growth rate (1.00% to 5.00% in 2019) that is the same as the long-term average growth rate for the respective industries. As a result of this analysis, management concluded that the goodwill and trademarks are not impaired.

The calculation of value in use of the CGUs is most sensitive to the following assumptions:

- Gross margins
- Discount rate
- Price inflation
- Growth rates used to extrapolate cash flows beyond the forecast period

Gross Margins
Gross margins are based on average values achieved in one (1) to five (5) years preceding the beginning of the budget period. These are increased over the budget period for anticipated efficiency improvements. A 24.0% to 30.0% gross margin per annum was applied. A decreased demand can lead to a decline in gross margin.

Discount Rates
Discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate.

Price Inflation
Forecast price inflation which impacts the forecast for operating expenses lies within a range of 2.25% to 6.00% in 2020 and 2019. If price increases greater than the forecast price inflation and the Group is unable to pass on or absorb these increases through efficiency improvements, then the Group will have to recognize an impairment.

Growth Rate Estimates
Rates are based on published industry research. A reduction in the long-term growth rate would result in impairment.

EV/EBITDA Multiple
The Group utilized the use of EV/EBITDA multiple in the impairment testing of its goodwill from the acquisitions of some of its subsidiaries wherein the Group obtained and selected comparable entities which closely represent each entity from which goodwill was acquired. The characteristics taken into account include, among others, the geographical area where the comparable resides, nature of business or operations of the comparable entities and economic environment from which the comparable entities operate.

As such, the Group has selected EV/EBITDA multiples limited to retail entities in the Philippines as the management of the Group believes that these entities reasonably represent each acquired entity after carefully taking into account the future viability of the assumptions used and ability of each entity to attain such position in the future as it relates to the overall growth in the industry and in the country.

In 2020 and 2019, the Group used the EV/EBITDA multiple ranging from 9.28 to 10.20 and 10.69 to 11.20 multiples for impairment testing of goodwill and concluded and satisfied that goodwill from the acquired entities are not impaired.

In 2020, the Group impaired goodwill related to acquisition of BSRI amounting to ₱83.32 million (Note 14).

Leases - Estimating the incremental borrowing rate (Applicable Beginning January 1, 2019)
The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its IBR to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the ROU asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain estimates based on the Group credit worthiness.

Provision for ECL of Trade and Other Receivables
The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group calibrated 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.

Provision for expected credit losses in 2020, 2019 and 2018 amounted to ₱92.94 million, nil and ₱46.75 million, respectively. As of December 31, 2020 and 2019, allowance for expected credit losses on trade and other receivables amounted to ₱29.09 million and ₱79.34 million, respectively.

As of December 31, 2020 and 2019, the carrying value of the Group's trade and other receivables amounted to ₱3.14 billion and ₱3.87 billion, respectively (Note 8).

Estimating NRV of Merchandise Inventories
The Group carries merchandise inventory at NRV whenever the utility of it becomes lower than cost due to damage, physical deterioration, obsolescence, changes in price levels, losses or other causes.

The estimate of the NRV is reviewed regularly.

Estimates of NRV are based on the most reliable evidence available at the time the estimates are made on the amount the inventories are expected to be realized. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after reporting date to the extent that such events confirm conditions existing at reporting date.

Provision for inventory obsolescence amounted to ₱123.98 million in 2020, ₱7.38 million in 2019 and ₱59.50 million in 2018.

Merchandise inventories amounted to ₱22.23 billion and ₱19.81 billion as of December 31, 2020 and 2019, respectively (Note 9).

Evaluation of Impairment of Nonfinancial Assets
The Group reviews property and equipment, ROU assets, investment in associates and intangible assets with definite lives for impairment of value.

The Group 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 Group is required to make estimates and assumptions that may affect property and equipment, investment in associates and intangible assets.

The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model, taking into consideration the impact of the coronavirus pandemic. The cash flows are derived from the budget for the next five (5) years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

In 2020, 2019 and 2018, the Group recognized impairment on assets amounting to ₱338.15 million, ₱65.93 million and ₱117.23 million, respectively (Notes 12, 14 and 15).

As of December 31, 2020 and 2019, the carrying value of the Group's property and equipment amounted to ₱18.17 billion and ₱19.29 billion, respectively (Note 12), ROU assets amounted to ₱25.04 billion and ₱26.32 billion, respectively (Note 28), investment in associates amounted to ₱8.58 billion and ₱7.85 billion, respectively (Note 13) and trademarks and franchise with definite useful life amounted to ₱5.88 million and ₱147.04 million, respectively (Note 14).

Retirement and Other Benefits
The determination of the obligation and cost of retirement and other benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 23, and include, among others, discount rate and salary rates increase.

As of December 31, 2020, the carrying value of the retirement plan amounted to ₱25.58 million asset and ₱574.53 million obligation. As of December 31, 2019 the carrying value of the retirement plan amounted to ₱72.10 million asset and ₱419.84 million obligation.

Recoverability of Deferred Tax Assets
The Group reviews the carrying amounts of deferred taxes at each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. Management has determined based on business forecast of succeeding years that there is enough taxable income against which recognized deferred tax assets will be realized.

As of December 31, 2020, and 2019, the Group has deferred tax assets amounting ₱1.53 billion and ₱1.01 billion, respectively. Unrecognized deferred tax assets amounted to ₱145.37 million and ₱71.18 million as of December 31, 2020 and 2019, respectively (Note 25).

Determining Whether the Loyalty Points and Gift Checks 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 Group's retail outlets and participating stores, subject to a minimum number of points obtained. The loyalty points give rise to a separate performance obligation as they provide a material right to the customer. The transaction price is allocated to the product and the points on a relative stand-alone selling price basis. Management estimates the stand-alone selling price per point on the basis of the discount granted when the points are redeemed and on the basis of the likelihood of redemption, based on past experience. The Group also has gift checks which can be redeemed for future purchases at any of the Group's retail outlets.

Starting January 1, 2020, the management and operation of the loyalty programme has been transferred to DAVI, a related party. Management assessed that they are agent with the new arrangement and that DAVI has the primary responsibility to fulfill the related services attached to the points.

As of December 31, 2020 and 2019, contract liabilities arising from customer loyalty program and gift checks amounted to ₱164.01 million and ₱273.60 million, respectively (Note 16). Contract liabilities are classified under "Trade and other payables".

Determination of Fair Values of Identifiable Assets and Liabilities
In the process of determining the goodwill in relation to the Group's acquisition of a subsidiary, management uses estimates and assumptions in determining the fair value of identifiable assets and liabilities of the subsidiary. Management is required to use a suitable discount rate and determine the present of value of cash flows. While the Group believes that the assumptions used are reasonable and appropriate, these estimates and assumptions can materially affect the consolidated financial statements. The goodwill and the share in the fair values of identifiable assets and liabilities of RPI are disclosed in Note 19 to the consolidated financial statements.

COVID-19 Pandemic
The impact of COVID-19 to the Group's business operations relates to any potential interruptions or disruptions. The operations in the Philippines remain fully operational with disruptions on non-essential businesses due to travel and mobility restrictions imposed by the government

To ensure ongoing impacts of COVID-19 have been appropriately reflected in the Group's consolidated financial statements, the Group has assessed the impact of COVID-19 on its assets and liabilities:

- The forecast used for impairment testing include the Group's best estimates of the potential future impact from COVID-19 pandemic.
- Collectability of accounts with corporate customers and franchisees continues to be closely monitored. A material change in the provision for impairment of trade receivables and due from franchisee has not been identified.
- The Group has also considered the increased uncertainty in determining key assumptions within the assessment of future taxable income of the entities of the Group upon which recognition of deferred tax assets is assessed, including forecast of revenue and expenses, among others.

The Group continues to monitor the risks and the ongoing impacts from COVID-19 on its business.

6. Operating Segments

Business Segment

The business segment is determined as the primary segment reporting format as the Group's risks and rates of return are affected predominantly by each operating segment.

Management monitors the operating results of its operating segments separately for the purpose of making decision about resource allocation and performance assessment. Group financing (including interest income, dividend income and interest expense) and income taxes are managed on a group basis and are not allocated to operating segments. The Group evaluates performance based on earnings before interest and taxes, and earnings before interest and taxes, depreciation and amortization. The Group does not report its results based on geographical segments because the Group operates only in the Philippines.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

Cost and expenses exclude interest, taxes, depreciation and amortization.

The amount of segment assets and liabilities are based on the measurement principles that are similar with those used in measuring the assets and liabilities in the consolidated statement of financial position which is in accordance with PFRSs.

The Group derives its revenue from the following reportable units:

- *Supermarket Division*
  The supermarket division operates under seven (7) formats with the acquisition of Rustan Supercenters, Inc. in 2018. It has Robinsons Supermarket, Robinsons Easymart, Robinsons Selections, The Marketplace by Rustan's, Shopwise, Wellcome and Jaynith's Supermarket. Robinsons Supermarket is a major supermarket chain in the country that focuses on health and wellness. It also offers fresh food products at competitive prices. RSC actively encourages consumers to adopt a healthy lifestyle by providing a wide range of high quality health and wellness products. Such products are given a specifically allocated section within each of the supermarkets and are made highly visible to consumers.

- *Department Store Division*
  Robinsons Department Store (RDS) offers a large selection of local and international brands that are grouped into categories such as shoes, bags and accessories (including beauty and personal care), ladies' and men's wear, children's wear, household items and others. RDS is focused on catering to middle-income customers.

- *Do-It-Yourself (DIY) Division*
  The five (5) DIY brands Handyman Do it Best, True Value, True Home, Robinsons Builders and Home Plus have grown to have a reputation of quality and dependability in the Philippine retail market, as well as being aggressive in terms of expansion among mall and big box hardware and home improvement centers in the country. The DIY segment aims to cover the Philippine landscape with more branches in key commercial centers to promote self-reliance among do-it yourselfers, as well as offer a wide selection of construction materials for contractors and builders.

- *Convenience Store Division*
  Ministop is a 24 - hour convenience store chain and is a franchise of Ministop Co. Ltd. - Japan (Ministop), one of the largest convenience store chains in Japan. The store carries a wide assortment of merchandise and an extensive selection of ready to eat products.

- *Drug Store Division*
  The Drug Store segment operates three (3) formats namely: South Star Drug, Rose Pharmacy and TGP which primarily offer high quality pharmaceutical drugs, which constitutes to over a thousand reputable branded and affordable options including TGP's house brands for generic medicines. The segment's other major product categories are staged milk and non-pharmaceutical selections, which include a vast array personal care items, food and beverage, and other convenience store grocery items.

- *Specialty Store Division*
  The Specialty Store format is the lifestyle arm of the Group. It is committed to bringing a diverse spectrum of products and services to the Philippine market. The segment operates six (6) formats of specialty stores, namely: 1) toys and juvenile products retail under Toys "R" Us; 2) consumer electronics and appliances stores operated under Robinsons Appliances and Savers Appliance, 3) international fashion and beauty retail, 4) mass merchandise stores under Daiso Japan, Arcova and Super50, 5) pet retail under Pet Lovers Centre; and 6) Korean hard discount store No Brand.

2020

	Supermarket Division	Department Store Division	DIY Division	Convenience Store Division	Drug Store Division	Specialty Store Division	Parent Company	Intersegment Eliminating Adjustments	Consolidated
Segment net sales	**₱94,121,288,564**	**₱8,450,525,571**	**₱11,357,701,521**	**₱4,811,079,503**	**₱19,058,775,778**	**₱13,270,889,853**	**₱–**	**₱–**	**₱151,070,260,790**
Intersegment net sales	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total net sales	**94,121,288,564**	**8,450,525,571**	**11,357,701,521**	**4,811,079,503**	**19,058,775,778**	**13,270,889,853**	**–**	**–**	**151,070,260,790**
Segment cost of merchandise sold	**74,496,606,972**	**5,951,862,621**	**7,668,439,716**	**4,088,783,407**	**15,429,375,991**	**10,537,269,572**	**–**	**–**	**118,172,338,279**
Intersegment cost of merchandise sold	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total cost of merchandise sold	**74,496,606,972**	**5,951,862,621**	**7,668,439,716**	**4,088,783,407**	**15,429,375,991**	**10,537,269,572**	**–**	**–**	**118,172,338,279**
Gross profit	**19,624,681,592**	**2,498,662,950**	**3,689,261,805**	**722,296,096**	**3,629,399,787**	**2,733,620,281**	**–**	**–**	**32,897,922,511**
Segment other income	**449,865,663**	**19,849,634**	**–**	**922,266,746**	**173,820,873**	**52,416,756**	**–**	**–**	**1,618,219,672**
Intersegment other income	**107,946,940**	**–**	**–**	**–**	**–**	**–**	**–**	**(107,946,940)**	**–**
Total other income	**557,812,603**	**19,849,634**	**–**	**922,266,746**	**173,820,873**	**52,416,756**	**–**	**(107,946,940)**	**1,618,219,672**
Gross profit including other income	**20,182,494,195**	**2,518,512,584**	**3,689,261,805**	**1,644,562,842**	**3,803,220,660**	**2,786,037,037**	**–**	**(107,946,940)**	**34,516,142,183**
Segment operating expenses	**12,362,894,148**	**2,209,248,027**	**1,898,036,532**	**1,326,876,172**	**1,990,712,816**	**1,915,334,553**	**46,495,067**	**–**	**21,749,597,315**
Intersegment operating expenses	**–**	**27,239,860**	**18,757,090**	**–**	**42,750,397**	**19,199,593**	**–**	**(107,946,940)**	**–**
Total operating expenses	**12,362,894,148**	**2,236,487,887**	**1,916,793,622**	**1,326,876,172**	**2,033,463,213**	**1,934,534,146**	**46,495,067**	**(107,946,940)**	**21,749,597,315**
Earnings before interest, taxes and depreciation and amortization	**7,819,600,047**	**282,024,697**	**1,772,468,183**	**317,686,670**	**1,769,757,447**	**851,502,891**	**(46,495,067)**	**–**	**12,766,544,868**
Depreciation and amortization	**3,286,552,797**	**745,931,227**	**956,139,304**	**584,095,430**	**477,888,321**	**936,540,455**	**–**	**–**	**6,987,147,534**
Earnings (loss) before interest and taxes	**4,533,047,250**	**(463,906,530)**	**816,328,879**	**(266,408,760)**	**1,291,869,126**	**(85,037,564)**	**(46,495,067)**	**–**	**5,779,397,334**
Interest income	**38,462,463**	**5,925,894**	**25,324,940**	**831,064**	**13,302,989**	**14,156,333**	**578,541,586**	**–**	**676,545,269**
Equity in net earnings of an associate	**(47,345,883)**	**–**	**–**	**–**	**–**	**–**	**243,859,909**	**–**	**196,514,026**
Dividend income	**–**	**–**	**–**	**–**	**–**	**–**	**27,347,725**	**–**	**27,347,725**
Foreign exchange gain (loss) - net	**9,445,408**	**3,127,934**	**–**	**–**	**105,424**	**58**	**(183,294,196)**	**–**	**(170,615,372)**
Interest expense	**(1,263,446,584)**	**(178,795,472)**	**(275,583,930)**	**(127,449,171)**	**(214,360,317)**	**(266,536,880)**	**(84,456)**	**–**	**(2,326,256,810)**
Others	**559,317,948**	**(70,927,508)**	**–**	**–**	**–**	**(256,550,085)**	**4,104,179**	**–**	**235,944,534**
Income before income tax	**₱3,829,480,602**	**(₱704,575,682)**	**₱566,069,889**	**(₱393,026,867)**	**₱1,090,917,222**	**(₱593,968,138)**	**₱623,979,680**	**₱–**	**₱4,418,876,706**
Assets and liabilities									
Segment assets	**₱47,041,826,708**	**₱6,586,613,349**	**₱10,788,240,150**	**₱3,800,112,679**	**₱17,810,789,079**	**₱9,667,597,347**	**₱30,206,428,685**	**₱15,694,574,986**	**₱141,596,182,983**
Investment in subsidiaries - at cost	**4,590,607,224**	**3,879,212,333**	**–**	**–**	**–**	**–**	**21,632,839,151**	**(30,102,658,708)**	**–**
Total segment assets	**₱51,632,433,932**	**₱10,465,825,682**	**₱10,788,240,150**	**₱3,800,112,679**	**₱17,810,789,079**	**₱9,667,597,347**	**₱51,839,267,836**	**(₱14,408,083,722)**	**₱141,596,182,983**
Total segment liabilities	**₱31,101,571,095**	**₱6,611,816,732**	**₱5,539,935,910**	**₱2,498,415,783**	**₱11,086,105,648**	**₱5,935,268,621**	**₱229,079,840**	**₱1,003,755,100**	**₱64,005,948,729**
Other segment information:									
Capital expenditures	**₱1,130,319,183**	**₱174,896,526**	**₱139,939,413**	**₱160,874,438**	**₱182,119,695**	**₱79,671,915**	**₱–**	**₱–**	**₱1,867,821,170**

2019

	Supermarket Division	Department Store Division	DIY Division	Convenience Store Division	Drug Store Division	Specialty Store Division	Parent Company	Intersegment Eliminating Adjustments	Consolidated
Segment net sales	₱88,514,715,048	₱18,039,637,214	₱14,382,541,311	₱6,744,155,713	₱17,684,834,470	₱17,549,803,545	₱–	₱–	₱162,915,687,301
Intersegment net sales	–	–	–	–	–	1,733,507,154	–	(1,733,507,154)	–
Total net sales	88,514,715,048	18,039,637,214	14,382,541,311	6,744,155,713	17,684,834,470	19,283,310,699	–	(1,733,507,154)	162,915,687,301
Segment cost of merchandise sold	69,902,996,664	11,317,374,859	9,707,107,667	6,223,507,105	14,266,050,062	14,317,497,305	–	–	125,734,533,662
Intersegment cost of merchandise sold	–	1,733,507,154	–	–	–	–	–	(1,733,507,154)	–
Total cost of merchandise sold	69,902,996,664	13,050,882,013	9,707,107,667	6,223,507,105	14,266,050,062	14,317,497,305	–	(1,733,507,154)	125,734,533,662
Gross profit	18,611,718,384	4,988,755,201	4,675,433,644	520,648,608	3,418,784,408	4,965,813,394	–	–	37,181,153,639
Segment other income	635,713,065	66,708,741	–	1,846,781,976	184,814,712	6,162,530	–	–	2,740,181,024
Intersegment other income	151,042,982	16,190,774	–	–	–	–	–	(167,233,756)	–
Total other income	786,756,047	82,899,515	–	1,846,781,976	184,814,712	6,162,530	–	(167,233,756)	2,740,181,024
Gross profit including other income	19,398,474,431	5,071,654,716	4,675,433,644	2,367,430,584	3,603,599,120	4,971,975,924	–	(167,233,756)	39,921,334,663
Segment operating expenses	12,487,678,031	3,696,369,137	2,304,072,907	1,790,025,263	1,898,210,428	3,019,707,906	47,321,775	–	25,243,385,447
Intersegment operating expenses	13,880,355	45,259,787	32,015,211	–	48,500,765	27,577,638	–	(167,233,756)	–
Total operating expenses	12,501,558,386	3,741,628,924	2,336,088,118	1,790,025,263	1,946,711,193	3,047,285,544	47,321,775	(167,233,756)	25,243,385,447
Earnings before interest, taxes and depreciation and amortization	6,896,916,045	1,330,025,792	2,339,345,526	577,405,321	1,656,887,927	1,924,690,380	(47,321,775)	–	14,677,949,216
Depreciation and amortization	3,235,289,418	729,798,334	1,016,146,334	590,493,211	385,963,873	922,102,052	–	–	6,879,793,222
Earnings before interest and taxes	3,661,626,627	600,227,458	1,323,199,192	(13,087,890)	1,270,924,054	1,002,588,328	(47,321,775)	–	7,798,155,994
Interest income	83,324,817	40,772,404	73,211,287	17,696,102	26,660,346	29,503,503	774,657,635	(30,252,945)	1,015,573,149
Equity in net earnings of an associate	(53,622,712)	–	–	–	–	–	158,372,445	–	104,749,733
Dividend income	–	–	–	–	–	–	100,315,156	–	100,315,156
Foreign exchange gain (loss) - net	(1,849,148)	–	–	–	–	–	(132,770,048)	–	(134,619,196)
Interest expense	(1,402,546,324)	(218,541,965)	(312,547,186)	(81,939,518)	(224,246,955)	(325,963,626)	(42,967,218)	30,252,945	(2,578,499,847)
Others	(153,000,603)	–	–	–	–	(75,858,614)	32,764,750	–	(196,094,467)
Income before income tax	₱2,133,932,657	₱422,457,897	₱1,083,863,293	(₱77,331,306)	₱1,073,337,445	₱630,269,591	₱843,050,945	₱–	₱6,109,580,522
Assets and liabilities									
Segment assets	₱48,077,501,547	₱6,990,849,907	₱10,791,258,928	₱3,961,746,250	₱10,326,202,964	₱12,596,289,253	₱32,367,134,542	₱12,755,086,922	₱137,866,070,313
Investment in subsidiaries - at cost	2,840,607,224	3,907,012,333	–	–	–	–	21,632,839,151	(28,380,458,708)	–
Total segment assets	₱50,918,108,771	₱10,897,862,240	₱10,791,258,928	₱3,961,746,250	₱10,326,202,964	₱12,596,289,253	₱53,999,973,693	(₱15,625,371,786)	₱137,866,070,313
Total segment liabilities	₱30,658,205,176	₱5,681,493,878	₱5,854,617,277	₱2,356,267,743	₱6,029,724,180	₱8,766,432,844	₱170,329,510	₱1,822,603,095	₱61,339,673,703
Other segment information:									
Capital expenditures	₱1,459,447,307	₱333,015,880	₱461,289,318	₱474,754,257	₱141,239,470	₱476,649,158	₱–	₱–	₱3,346,395,390

2018

	Supermarket Division	Department Store Division	DIY Division	Convenience Store Division	Drug Store Division	Specialty Store Division	Parent Company	Intersegment Eliminating Adjustments	Consolidated
Segment net sales	₱62,362,494,774	₱17,780,879,313	₱13,905,046,303	₱6,176,910,080	₱15,823,983,850	₱16,631,152,456	₱–	₱–	₱132,680,466,776
Intersegment net sales	–	–	–	–	–	1,568,651,424	–	(1,568,651,424)	–
Total net sales	62,362,494,774	17,780,879,313	13,905,046,303	6,176,910,080	15,823,983,850	18,199,803,880	–	(1,568,651,424)	132,680,466,776
Segment cost of merchandise sold	50,173,801,793	11,443,464,329	9,460,319,004	5,618,210,168	12,747,050,339	13,402,538,721	–	–	102,845,384,354
Intersegment cost of merchandise sold	–	1,568,651,424	–	–	–	–	–	(1,568,651,424)	–
Total cost of merchandise sold	50,173,801,793	13,012,115,753	9,460,319,004	5,618,210,168	12,747,050,339	13,402,538,721	–	(1,568,651,424)	102,845,384,354
Gross profit	12,188,692,981	4,768,763,560	4,444,727,299	558,699,912	3,076,933,511	4,797,265,159	–	–	29,835,082,422
Segment other income	162,751,481	198,958,936	–	1,889,319,320	164,641,071	6,525,076	–	–	2,422,195,884
Intersegment other income	144,495,404	44,841,440	–	–	–	–	–	(189,336,844)	–
Total other income	307,246,885	243,800,376	–	1,889,319,320	164,641,071	6,525,076	–	(189,336,844)	2,422,195,884
Gross profit including other income	12,495,939,866	5,012,563,936	4,444,727,299	2,448,019,232	3,241,574,582	4,803,790,235	–	(189,336,844)	32,257,278,306
Segment operating expenses	8,579,889,094	4,040,030,422	2,981,694,608	2,107,644,276	2,012,498,291	3,487,345,939	27,214,498	–	23,236,317,128
Intersegment operating expenses	32,609,266	51,205,816	35,245,707	–	36,905,778	33,370,277	–	(189,336,844)	–
Total operating expenses	8,612,498,360	4,091,236,238	3,016,940,315	2,107,644,276	2,049,404,069	3,520,716,216	27,214,498	(189,336,844)	23,236,317,128
Earnings before interest, taxes and depreciation and amortization	3,883,441,506	921,327,698	1,427,786,984	340,374,956	1,192,170,513	1,283,074,019	(27,214,498)	–	9,020,961,178
Depreciation and amortization	1,015,186,857	420,756,132	228,641,219	239,384,103	121,015,571	370,101,154	–	–	2,395,085,036
Earnings before interest and taxes	2,868,254,649	500,571,566	1,199,145,765	100,990,853	1,071,154,942	912,972,865	(27,214,498)	–	6,625,876,142
Interest expense	(7,527,908)	(30,348,756)	(3,250,945)	–	(89,640,324)	(41,799,314)	(17,398,472)	30,893,985	(159,071,734)
Interest income	37,536,597	22,019,745	51,216,724	20,774,167	21,398,014	19,549,062	840,262,280	(30,893,985)	981,862,604
Dividend income	–	–	–	–	–	–	111,500,000	–	111,500,000
Foreign exchange gain - net	–	–	–	–	–	–	200,867,038	–	200,867,038
Equity in net earnings of an associate	(4,031,405)	–	–	–	–	–	112,770,641	–	108,739,236
Others	(58,645,174)	(17,004,745)	(7,700,105)	(5,132,025)	(8,907,987)	(127,158,744)	(48,065,534)	–	(272,614,314)
Income before income tax	₱2,835,586,759	₱475,237,810	₱1,239,411,439	₱116,632,995	₱994,004,645	₱763,563,869	₱1,172,721,455	₱–	₱7,597,158,972
Assets and liabilities									
Segment assets	₱30,641,562,719	₱5,107,770,668	₱6,528,041,665	₱3,111,410,150	₱8,983,261,961	₱9,252,631,153	₱31,697,362,422	₱12,455,066,456	₱107,777,107,194
Investment in subsidiaries - at cost	2,790,607,224	3,878,258,269	62,500,000	–	–	–	21,632,839,151	(28,364,204,644)	–
Total segment assets	₱33,432,169,943	₱8,986,028,937	₱6,590,541,665	₱3,111,410,150	₱8,983,261,961	₱9,252,631,153	₱53,330,201,573	(₱15,909,138,188)	₱107,777,107,194
Total segment liabilities	₱15,061,073,844	₱3,937,639,289	₱2,097,554,693	₱1,381,766,940	₱5,178,010,004	₱5,788,948,538	₱1,594,271,333	₱33,674,554	₱35,072,939,195
Other segment information:									
Capital expenditures	₱2,300,718,232	₱598,770,330	₱447,306,797	₱211,404,175	₱133,088,174	₱728,159,814	₱–	₱–	₱4,419,447,522

The revenue of the Group consists mainly of sales to external customers through its retail and e-commerce channels. Inter-segment revenue arising from purchase arrangements amounting nil, ₱1.73 billion and ₱1.57 billion in 2020, 2019 and 2018, respectively, were eliminated on consolidation.

No operating segments have been aggregated to form the above reportable segments.

Capital expenditures consist of additions to property and equipment arising from current acquisitions and those acquired through business combinations plus any adjustments made in the fair values of the acquired property and equipment.

The Group has no significant customer which contributed to 10.00% or more to the revenue of the Group.

7. Cash and Cash Equivalents

This account consists of cash on hand and in banks and cash equivalents amounting to ₱21.34 billion and ₱20.29 billion as of December 31, 2020, and 2019, respectively.

Cash in banks earns interest at the respective bank deposit rates. Cash equivalents are made for varying periods of one (1) to three (3) months, depending on the immediate cash requirements of the Group, and earn annual interest at the respective short-term investment rates that ranges from 0.12% to 3.20%, 0.80% to 5.40% and 0.90% to 5.52% in 2020, 2019 and 2018, respectively.

Interest income arising from cash in banks and cash equivalents amounted to ₱163.56 million, ₱292.85 million and ₱193.64 million in 2020, 2019 and 2018, respectively.

8. Trade and Other Receivables

This account consists of:

	2020	2019
Trade (Notes 24 and 27)	**₱2,423,558,010**	₱2,460,624,381
Nontrade (Notes 24 and 27)	**710,519,575**	874,803,571
Due from franchisees (Notes 27 and 29)	**39,106,088**	609,368,201
	3,173,183,673	3,944,796,153
Less allowance for impairment losses (Notes 27 and 29)	**29,088,209**	79,335,269
	₱3,144,095,464	₱3,865,460,884

Trade receivables are noninterest-bearing and are generally on a one (1) to thirty (30) days' term.

Nontrade receivables include receivable from insurance companies amounting to ₱100.71 million and ₱280.38 million as of December 31, 2020, and 2019, respectively. The remaining balance consists of operational advances, receivable from lessees and interest receivable arising from short-term investments.

Movement in the allowance for impairment losses is as follows:

	2020	2019
Balance at beginning of year	**₱79,335,269**	₱156,346,848
Provision for impairment losses (Note 21)	**92,943,700**	–
Reversals and write-off	**(143,190,760)**	(77,011,579)
Balance at end of year	**₱29,088,209**	₱79,335,269

9. **Merchandise Inventories**

The rollforward analysis of this account follows:

	2020	2019
Balance at beginning of year	**₱19,810,252,511**	₱18,628,013,928
Acquisition through business combination (Note 19)	**1,386,996,369**	–
Deconsolidation of a subsidiary (Note 19)	**(210,675,616)**	–
Add purchases - net of purchase discounts and allowances	**119,563,958,796**	126,941,727,050
Cost of goods available for sale	**140,550,532,060**	145,569,740,978
Less Cost of merchandise sold	**118,172,338,279**	125,734,533,662
Allowance for inventory obsolescence	**143,754,499**	24,954,805
Balance at end of year	**₱22,234,439,282**	₱19,810,252,511

The cost of merchandise inventories charged to the consolidated statements of comprehensive income amounted to ₱118.17 billion, ₱125.73 billion and ₱102.85 billion in 2020, 2019 and 2018, respectively.

Movements in the allowance for shrinkage, obsolescence and other losses is as follows:

	2020	2019
Balance at beginning of year	**₱24,954,805**	₱43,177,218
Provisions	**123,976,912**	7,377,588
Write-off	**(5,177,218)**	(25,600,001)
Balance at end of year	**₱143,754,499**	₱24,954,805

There are no merchandise inventories pledged as security for liabilities as of December 31, 2020 and 2019.

10. **Other Current Assets**

This account consists of:

	2020	2019
Input VAT - net	**₱1,790,435,301**	₱1,977,497,856
Prepayments	**219,704,456**	513,735,800
CWT	**554,559,773**	432,017,049
Others	**91,014,731**	28,030,467
	₱2,655,714,261	₱2,951,281,172

Input VAT will be applied against output VAT in the succeeding periods. In 2020, the Group written-off prepayments amounting to ₱33.47 million.

Prepayments consist of advance payments for insurance, taxes and utilities.

CWT will be applied against income tax payable in future periods.

Others consist mainly of excess payments of income taxes.

11. Debt and Equity Instrument Financial Assets

The Group's debt and equity instrument financial assets classified as FVOCI and FVTPL which are carried at fair value is as follows:

		2020	2019
Debt securities			
FVOCI with recycling	(a)	**₱12,695,937,447**	₱13,541,822,321
FVTPL	(b)	**–**	100,547,120
		12,695,937,447	13,642,369,441
Equity securities at FVOCI without recycling		**1,235,820,000**	1,214,983,500
		₱13,931,757,447	₱14,857,352,941

Debt Securities

a. The Group's debt securities consist of Peso and Dollar-denominated bond securities with fixed coupon rate per annum ranging from 4.38% to 7.88% and term of five (5) to ten (10) years.

   Rollforward analysis of debt securities at FVOCI with recycling as of December 31, 2020 and 2019 follows:

	2020	2019
Amortized cost:		
At beginning of year	**₱13,457,645,945**	₱16,817,785,321
Additions	**2,751,866,909**	563,656,662
Disposals	**(3,518,027,065)**	(3,753,666,886)
Foreign exchange gain	**(186,949,121)**	(170,129,152)
At end of year	**12,504,536,668**	13,457,645,945
Amortization of premium on debt securities	**(147,525,252)**	(84,597,284)
Change in fair value of financial assets:		
At beginning of year	**175,731,382**	(593,335,355)
Changes in fair value recognized in OCI	**166,416,166**	775,460,132
Transfer to profit or loss	**2,006,255**	(6,393,395)
At end of year	**344,153,803**	175,731,382
Allowance for expected credit losses	**(5,227,772)**	(6,957,722)
	338,926,031	168,773,660
	₱12,695,937,447	₱13,541,822,321

b. The Group's debt securities at FVTPL pertain to Metrobank Basel III Tier 2 Notes and BDO Tier 2 Notes with fixed interest rate of 5.38% and 5.19%, respectively. The notes will mature on June 27, 2024 and March 10, 2020, respectively.

On January 7, 2020, BDO Unibank, Inc. (BDO) exercised its right to redeem its notes on March 10, 2020. The note is redeemed for cash at redemption price.

On February 13, 2019, the BOD of Metropolitan Bank & Trust Company (Metrobank) approved to exercise the call option on the subordinated debt on June 27, 2019.

	2020	2019
At beginning of year	**₱100,547,120**	₱1,665,171,011
Disposals	**(100,000,000)**	(1,583,559,947)
Changes in fair value recognized in profit or loss	**(547,120)**	18,936,056
	₱–	₱100,547,120

In 2020, 2019 and 2018, the Group recognized gain or loss on disposal of debt instrument financial assets amounting to ₱2.31 million gain, ₱7.66 million gain and ₱21.59 million loss, respectively.

Interest income arising from debt instrument financial assets amounted to ₱512.99 million, ₱722.72 million and ₱788.22 million in 2020, 2019 and 2018, respectively.

Accretion of interest pertains to the amortization of interest income resulting from the difference of the carrying value and face value of debt instrument financial assets.

Equity Securities

Quoted equity securities pertain to investment in stock listed in the PSE. The Group elected to classify irrevocably its listed equity investments under FVOCI as it intends to hold these investments for the foreseeable future.

Rollforward analysis of equity securities at FVOCI without recycling for the years ended December 31, 2020 and 2019 follows:

	2020	2019
Cost		
At beginning of year	**₱1,197,500,000**	₱2,000,000,000
Additions	–	1,197,500,000
Disposals	–	(2,000,000,000)
	1,197,500,000	1,197,500,000
Change in fair value of equity instrument financial assets:		
At beginning of year	**17,483,500**	(49,600,000)
Disposals	–	(20,000,000)
Changes in fair value	**20,836,500**	87,083,500
At end of year	**38,320,000**	17,483,500
	₱1,235,820,000	₱1,214,983,500

Dividend income earned by the Group amounted to ₱27.35 million in 2020, ₱100.32 million in 2019 and ₱111.50 million in 2018.

Fair value changes on debt and equity instrument financial assets attributable to the equity holders of the Parent Company follow:

	2020	2019
Balances at the beginning of year	**₱193,920,007**	(₱642,230,230)
Change in fair value during the year - OCI	**187,252,666**	842,543,632
Transfers to profit or loss	**2,006,255**	(6,393,395)
Balances at the end of year	**₱383,178,928**	₱193,920,007

12. **Property and Equipment**

2020

	Land	Building and Other Equipment	Leasehold Improvements	Store Furniture and Fixtures	Office Furniture and Fixtures	Transportation Equipment	Computer Equipment	Total
Cost								
At beginning of year	**₱609,382,477**	**₱2,824,802,243**	**₱17,447,361,600**	**₱11,154,763,381**	**₱3,149,458,471**	**₱225,023,573**	**₱3,464,917,442**	**₱38,875,709,187**
Additions	**404,831,821**	**14,093,138**	**618,705,325**	**202,391,992**	**251,208,657**	**2,882,768**	**373,707,469**	**1,867,821,170**
Additions from business combination (Note 19)	**–**	**–**	**111,994,455**	**83,301,487**	**22,663,434**	**685,868**	**25,252,631**	**243,897,875**
Deconsolidation of a subsidiary (Note 19)	**–**	**(81,841,649)**	**(2,384,079)**	**(22,145,276)**	**(3,510,444)**	**(5,516,223)**	**(4,393,993)**	**(119,791,664)**
Disposals and reclassifications	**42,560,000**	**38,625,963**	**(333,979,245)**	**(62,348,386)**	**(37,403,617)**	**(2,751,988)**	**(34,053,301)**	**(389,350,574)**
At end of year	**1,056,774,298**	**2,795,679,695**	**17,841,698,056**	**11,355,963,198**	**3,382,416,501**	**220,323,998**	**3,825,430,248**	**40,478,285,994**
Accumulated depreciation and amortization								
At beginning of year	**–**	**892,682,843**	**9,020,506,194**	**6,264,851,638**	**1,181,512,097**	**152,602,792**	**1,998,225,491**	**19,510,381,055**
Depreciation and amortization (Note 21)	**–**	**127,011,907**	**1,415,088,632**	**667,552,116**	**464,909,002**	**15,757,701**	**344,056,088**	**3,034,375,446**
Deconsolidation of a subsidiary (Note 19)	**–**	**(47,193,262)**	**(1,145,160)**	**(17,709,505)**	**(3,009,721)**	**(3,883,532)**	**(3,037,506)**	**(75,978,686)**
Disposals and reclassifications	**–**	**11,896,845**	**(214,270,756)**	**(131,317,724)**	**(29,982,776)**	**(709,690)**	**(14,909,018)**	**(379,293,119)**
At end of year	**–**	**984,398,333**	**10,220,178,910**	**6,783,376,525**	**1,613,428,602**	**163,767,271**	**2,324,335,055**	**22,089,484,696**
Allowance for impairment losses								
At beginning and end of year	**–**	**–**	**49,567,673**	**25,882,986**	**–**	**–**	**349,273**	**75,799,932**
Provision for impairment losses		**20,608,826**	**47,698,867**	**54,701,734**	**2,296,986**	**61,458**	**13,869,277**	**139,237,148**
At end of year	**–**	**20,608,826**	**97,266,540**	**80,584,720**	**2,296,986**	**61,458**	**14,218,550**	**215,037,080**
	₱1,056,774,298	**₱1,790,672,536**	**₱7,524,252,606**	**₱4,492,001,953**	**₱1,766,690,913**	**₱56,495,269**	**₱1,486,876,643**	**₱18,173,764,218**

2019

	Land	Building and Other Equipment	Leasehold Improvements	Store Furniture and Fixtures	Office Furniture and Fixtures	Transportation Equipment	Computer Equipment	Total
Cost								
At beginning of year	₱609,382,477	₱2,806,347,351	₱16,184,847,447	₱10,943,361,979	₱2,749,061,388	₱214,640,752	₱3,204,209,258	₱36,711,850,652
Additions	–	18,502,392	1,917,798,691	644,800,383	417,762,818	15,223,857	332,307,249	3,346,395,390
Disposals and derecognition	–	(47,500)	(655,284,538)	(433,398,981)	(17,365,735)	(4,841,036)	(71,599,065)	(1,182,536,855)
At end of year	609,382,477	2,824,802,243	17,447,361,600	11,154,763,381	3,149,458,471	225,023,573	3,464,917,442	38,875,709,187
Accumulated depreciation and amortization								
At beginning of year	–	827,792,789	7,720,367,463	5,990,962,008	908,288,918	143,590,710	1,775,835,924	17,366,837,812
Depreciation and amortization (Note 21)	–	64,937,554	1,752,528,369	617,850,135	291,598,137	14,320,733	282,421,632	3,023,656,560
Disposals and derecognition	–	(47,500)	(452,389,638)	(343,960,505)	(18,374,958)	(5,308,651)	(60,032,065)	(880,113,317)
At end of year	–	892,682,843	9,020,506,194	6,264,851,638	1,181,512,097	152,602,792	1,998,225,491	19,510,381,055
Allowance for impairment losses								
At beginning and end of year	–	–	49,567,673	25,882,986	–	–	349,273	75,799,932
	₱609,382,477	₱1,932,119,400	₱8,377,287,733	₱4,864,028,757	₱1,967,946,374	₱72,420,781	₱1,466,342,678	₱19,289,528,200

On November 9, 2020, RSC acquired 100% ownership of JMBHC for a total consideration amounting to ₱411.77 million. JMBHC's only asset is related to land leased out to RSCI. The transaction is treated as an acquisition of assets.

In 2020 and 2019, the Group disposed property and equipment with net book value of ₱10.06 million and ₱149.51 million, respectively. Allowance for impairment losses pertain to closing of non-performing stores. Cost of fully depreciated property and equipment still in use amounted to ₱10.40 billion and ₱11.27 billion as of December 31, 2020 and 2019, respectively.

There are no property and equipment pledged as security for liabilities as of December 31, 2020 and 2019.

13. Investment in Associates

This account consists of investments in shares of stocks as follow (Note 2):

	2020	2019
RBC	**₱7,624,214,187**	₱7,119,421,401
TCCI	**298,919,850**	326,689,847
DAVI	**283,959,037**	191,350,616
G2M	**377,669,299**	160,650,429
GrowSari	–	47,345,883
	₱8,584,762,373	₱7,845,458,176

The details of the investment in common stock of RBC follow:

	2020	2019
Shares of stock - at equity:		
At beginning and end of year	**₱5,950,238,902**	₱5,950,238,902
Accumulated equity in net earnings:		
Balance at beginning of year	**1,232,788,244**	960,380,963
Equity in net earnings	**373,834,767**	272,407,281
Balance at end of year	**1,606,623,011**	1,232,788,244
Share in fair value changes of financial assets of RBC:		
Balance at beginning of year	**(5,677,976)**	(417,023,044)
Share in fair value changes of financial assets at FVOCI	**95,150,278**	411,345,068
Balance at end of year	**89,472,302**	(5,677,976)
Share in translation loss adjustments:		
Balance at beginning of year	**(44,350,609)**	(48,006,938)
Share in translation adjustments	**34,967,113**	3,656,329
Balance at end of year	**(9,383,496)**	(44,350,609)
Share in remeasurement losses on retirement obligation:		
Balance at beginning of year	**(13,577,160)**	(5,386,823)
Share in remeasurement loss on retirement obligation	**840,628**	(8,190,337)
Balance at end of year	**(12,736,532)**	(13,577,160)
	₱7,624,214,187	₱7,119,421,401

RBC is incorporated in the Philippines and is engaged in commercial and thrift banking whose principal activities include deposit-taking, lending, foreign exchange dealing and fund transfers or remittance servicing. The Group has 40.00% ownership in RBC.

Summarized financial information of RBC follows:

	2020	2019
Total assets	**₱151,215,387,210**	₱131,108,212,486
Total liabilities	**132,889,772,851**	114,082,988,400
Net income	**934,586,917**	681,018,202
Other comprehensive income	**237,875,695**	1,028,362,670

The consolidated statements of comprehensive income follow:

	2020	2019	2018
Total operating income	**₱8,790,116,183**	₱4,992,311,801	₱4,125,255,244
Total operating expenses and tax	**7,855,529,266**	4,311,293,599	3,811,698,727
Net income	**934,586,917**	681,018,202	313,556,517
Other comprehensive income (loss)	**237,875,695**	1,028,362,670	(59,546,145)
Total comprehensive income	**₱1,172,462,612**	₱1,709,380,872	₱254,010,372
Group's share of profit for the year	**₱373,834,767**	₱272,407,281	₱125,422,607

The reconciliation of the net assets of RBC to the carrying amounts of the interest in RBC recognized in the consolidated financial statements follows:

	2020	2019
Net assets of RBC	**₱18,338,460,903**	₱17,076,478,938
Proportionate ownership in the associate	**40%**	40%
Total share in net assets	**7,335,384,361**	6,830,591,575
Carrying amount of the investment	**7,624,214,187**	7,119,421,401
Difference	**₱288,829,826**	₱288,829,826

The difference is attributable to the commercial banking license and goodwill.

Fair value changes on financial assets and remeasurement losses on retirement obligation of associates attributable to the equity holders of the Parent Company follows:

	2020	2019
Changes in fair value of financial assets of associates:		
Balances at the beginning of year	**(₱101,711,653)**	(₱394,669,733)
Change in fair value during the year	**56,115,061**	292,958,080
Balances at end of year	**(45,596,592)**	(101,711,653)
Remeasurement losses on retirement obligation of associates:		
Balances at the beginning of year	**(16,489,992)**	(8,299,655)
Remeasurement loss during the year	**840,628**	(8,190,337)
Balances at end of year	**(15,649,364)**	(16,489,992)
	(₱61,245,956)	(₱118,201,645)

TCCI
On December 13, 2017, the Parent Company acquired 20.00% ownership interest in TCCI or 1.00 million shares for a total consideration amounting to ₱125.00 million or ₱25.00 per share. On March 28, 2019, the Parent Company acquired additional 875,011 common shares representing 10% ownership interest for a total consideration amounting to ₱280.00 million. Ownership interest of the Parent Company in TCCI as of December 31, 2020 and 2019 is 30%. TCCI is incorporated in the Philippines and is the operator of BeautyMNL, an e-commerce site.

Carrying value of TCCI's investment as of December 31, 2020 and 2019 amounted to ₱298.92 million and ₱326.69 million, respectively. Details follow:

	2020	2019
Shares of stock - at equity:		
Balance at beginning of year	**₱405,000,000**	₱125,000,000
Additional investment (Note 2)	**–**	280,000,000
Balance at end of year	**405,000,000**	405,000,000
Accumulated equity in net earnings:		
Balance at beginning of year	**(78,310,153)**	(12,924,701)
Equity in net loss	**(27,769,997)**	(65,385,452)
Balance at end of year	**(106,080,150)**	(78,310,153)
	₱298,919,850	₱326,689,847

DAVI
On November 16, 2018, the Parent Company subscribed 40% ownership interest in DAVI of which ₱0.40 million was paid in 2018. DAVI's principal activities include processing, managing and analyzing data. DAVI is incorporated in the Philippines. On June 5, 2020, RRHI made additional capital infusion to DAVI amounting to ₱192.00 million.

Carrying value of DAVI's investment as of December 31, 2020 and 2019 amounted to ₱283.96 million and ₱191.35 million, respectively. Details follow:

	2020	2019
Shares of stock - at equity:		
Balance at beginning of year	**₱240,000,000**	₱400,000
Additional investment (Note 2)	**192,000,000**	239,600,000
Balance at end of year	**432,000,000**	240,000,000
Accumulated equity in net earnings:		
Balance at beginning of year	**(48,649,384)**	–
Equity in net loss	**(99,391,579)**	(48,649,384)
Balance at end of year	**(148,040,963)**	(48,649,384)
	₱283,959,037	₱191,350,616

G2M
On September 20, 2018, the Parent Company made an investment in G2M amounting to ₱160.65 million through convertible note which will provide the Parent Company 14.90% ownership interest upon conversion of the note. The terms of the agreement also provide and entitled the Parent Company to one (1) out of three (3) board seats. G2M is principally engaged in the business of providing neighborhood sundry stores enablement platform and software in the Philippines. G2M is incorporated in Singapore. On September 16, 2020, the Parent Company assigned its investment in G2M to NDV.

In 2020, the Group made additional cash infusion to G2M amounting to ₱219.83 million.

	2020	2019
Shares of stock - at equity:		
Balance at beginning of year	**₱160,650,429**	₱160,650,429
Additional investment (Note 2)	**219,832,152**	–
Balance at end of year	**380,482,581**	160,650,429
Accumulated equity in net earnings:		
Balance at beginning of year	**–**	–
Equity in net loss	**(2,813,282)**	–
Balance at end of year	**(2,813,282)**	–
	₱377,669,299	₱160,650,429

GrowSari
On August 16, 2018, RSC made an investment in GrowSari amounting to ₱105.00 million through convertible note which will provide the Company 28.60% ownership interest upon conversion of the note. The terms of the agreement also provide technical information and entitled the Company to two (2) out of seven (7) board seats. GrowSari is engaged in selling wholesale goods to sari sari business owners. GrowSari is incorporated in the Philippines.

Carrying value of Growsari's investment as of December 31, 2020 and 2019 amounted to nil and ₱47.35 million, respectively. Details follow:

	2020	2019
Shares of stock - at equity:		
At beginning and end of year	**₱105,000,000**	₱105,000,000
Accumulated equity in net earnings:		
Balance at beginning of year	**(57,654,117)**	(4,031,405)
Equity in net loss	**(47,345,883)**	(53,622,712)
Balance at end of year	**(105,000,000)**	(57,654,117)
	₱–	₱47,345,883

14. **Intangible Assets**

This account consists of:

	2020	2019
Goodwill (Note 19)	**₱14,751,090,162**	₱12,490,800,027
Trademarks (Note 19)	**7,915,917,598**	6,541,738,841
Franchise	**5,877,144**	6,635,499
	₱22,672,884,904	₱19,039,174,367

Goodwill
The Group's goodwill as of December 31, 2020 and 2019 pertains to the excess of the acquisition cost over the fair value of the net assets of acquired subsidiaries which also represents separate CGUs. Details follow (Note 19):

	2020	2019
RSCI (Note 19)	**₱9,109,386,061**	₱9,109,386,061
TGPPI	**1,281,428,830**	1,281,428,830
SSDI	**745,887,131**	745,887,131
SEWI	**715,103,869**	715,103,869
EC	**199,870,222**	199,870,222
RHIB	**145,655,320**	145,655,320
RTSHPI	**85,161,468**	85,161,468
BSRI	–	83,324,691
JRMC	**71,732,435**	71,732,435
HPTDI	**30,000,000**	30,000,000
GPC	**23,250,000**	23,250,000
	12,407,475,336	12,490,800,027
Provisional goodwill RPI (Note 19)	**2,343,614,826**	–
	₱14,751,090,162	₱12,490,800,027

In 2020, the goodwill related to the acquisition of BSRI amounting to ₱83.32 million was impaired.

Trademarks
The trademarks were acquired through business combinations and were recognized at fair value at the date of acquisition. Details follow:

	2020	2019
RSCI (Note 19)	**₱3,205,411,607**	₱3,345,808,381
RPI (Note 19)	**1,514,575,531**	–
SSDI	**1,566,917,532**	1,566,917,532
TGPPI	**1,264,098,435**	1,264,098,435
SEWI	**364,914,493**	364,914,493
	₱7,915,917,598	₱6,541,738,841

Included in the trademarks acquired through acquisition of RSCI in 2018 is the right to use a brand and trademark for a period of almost five (5) years. In 2020 and 2019, amortization related to trademarks acquired through acquisition of RSCI amounted to ₱24.81 million and ₱49.62 million, respectively. In 2020, the Group impair the remaining value of trademarks amounting to ₱115.59 million.

As of December 31, 2020 and 2019, the carrying value of the trademarks with definite useful life amounted to nil million and ₱140.40 million, respectively.

Licenses
Acquisition of trademark by RSSI to secure a franchise/license
On September 21, 2012, RSSI acquired a local trademark registered in the Philippine Intellectual Property Rights Office which is similar to a known international mark for ₱121.21 million. Due to such acquisition, RSSI was able to secure a franchise/license to exclusively use the similar known international mark in the Philippines. The franchise/license agreement is for an initial period of five (5) years which can be renewed for another five (5) years upon mutual agreement of the parties.

Amortization amounted to ₱12.12 million in 2018 and 2017 (Note 21). In 2018, RSSI written off the remaining value of the license amounting to ₱48.48 million due to debranding.

Franchise
On July 29, 2014, Costa International Limited granted the Group the development and operating rights to carry on the Costa business in the Philippines. The development agreement includes a development fee, 60.00% of which is payable upon execution of the agreement and the remaining 40.00% is payable one (1) year after the date of the agreement, and a service fee equal to a certain percentage of sales. As of December 31, 2018, the Group has franchise amounting to ₱16.73 million.

In 2019, the Group wrote off the remaining value of its franchise amounting to ₱15.05 million due to permanent store closure.

On January 10, 2018, Pet Lovers Centre International Pte. Ltd, granted the Group the right to develop its business including its trademarks, system, manuals and image in the Philippines for ₱7.58 million. The Group started Pet Lovers Centre operations in October 2018. The franchise shall be amortized using straight-line method over a period of ten (10) years.

The rollforward analysis of the franchise follows:

	2020	2019
Beginning balance	**₱6,635,499**	₱24,125,885
Amortization (Note 21)	**(758,355)**	(2,444,165)
Write-off	−	(15,046,221)
	₱5,877,144	₱6,635,499

15. Other Noncurrent Assets

This account consists of:

	2020	2019
Security and other deposits	**₱2,199,111,643**	₱2,479,555,628
Construction bonds	**65,579,632**	35,535,709
	₱2,264,691,275	₱2,515,091,337

Security and other deposits mainly consist of advances for the lease of stores which are refundable at the end of the lease term.

In 2018, the Group impaired other noncurrent assets amounting to ₱68.75 million.

16. Trade and Other Payables

This account consists of:

	2020	2019
Trade	**₱14,704,322,104**	₱16,866,916,950
Nontrade (Note 24)	**7,608,841,130**	7,264,214,185
Others	**1,050,000,995**	970,862,057
	₱23,363,164,229	₱25,101,993,192

Trade payables are noninterest-bearing and are normally settled on forty-five (45) to sixty (60) in days' term arising mainly from purchases of merchandise inventories for resale.

Nontrade payables consist mainly of liabilities/obligations payable to nontrade suppliers and due to related parties.

Others mainly consist of taxes and licenses payable.

Contract Liabilities

The Group identified its gift check outstanding, accrued customer loyalty rewards and deferred revenue, recorded under nontrade payables, as contract liabilities as of December 31, 2020 and 2019. These represent the Group's obligation to provide goods or services to the customers for which the Group has received consideration from the customers. Substantially, all of the contract liabilities at year-end will be recognized as revenue in the following year.

	2020	2019
Gift check outstanding	**₱164,006,567**	₱155,168,913
Accrued customer loyalty reward	–	118,434,504
Deferred revenue	**13,450,713**	13,450,713
	₱177,457,280	₱287,054,130

Below is the rollforward of contract liabilities as December 31, 2020 and 2019:

	2020	2019
At January 1	**₱287,054,130**	₱197,899,218
Deferred during the year	**405,660,600**	658,570,734
Transferred to DAVI	**(118,434,504)**	–
Recognized as revenue during the year	**(396,822,946)**	(569,415,822)
At December 31	**₱177,457,280**	₱287,054,130

17. Short-term Loans Payable

Details of short-term loans follow:

	2020	2019
Balance at beginning of year	**₱4,634,000,000**	₱6,794,000,000
Availments	**9,450,000,000**	915,000,000
Payments	**(4,500,000,000)**	(3,075,000,000)
	₱9,584,000,000	₱4,634,000,000

The balances of short-term loans of the subsidiaries are as follows:

	2020	2019
RSC	**₱4,200,000,000**	₱300,000,000
SSDI	**4,109,000,000**	1,929,000,000
RCSI	**770,000,000**	–
RHDDS	**400,000,000**	400,000,000
RHIB	**55,000,000**	55,000,000
HPTD	**50,000,000**	50,000,000
RSCI	–	1,900,000,000
	₱9,584,000,000	₱4,634,000,000

a.) RSC's short-term loans payable consist of loans availed from a local commercial bank at interest rates of 2.90% per annum in 2020 and 3.0% per annum in 2019. In 2020 and 2019, RSC availed short-term loans amounting to ₱4.20 billion and ₱300.0 million, respectively. In 2020 and 2019, RSC paid ₱300 million and nil in 2020 and 2019, respectively. The short-term loans payable of RSC as of December 31, 2020 and 2019 amounted to ₱4.20 billion and ₱300 million, respectively.

b.) SSDI's short-term loans payable consist of loans availed from local commercial banks at interest rates of 2.95%-5.00% per annum in 2020 and 4.35%-5.90% per annum in 2019. In 2020 and 2019, SSDI availed short-term loans amounting to ₱3.65 billion and nil, respectively. In addition, SSDI paid ₱1.47 billion and ₱253.0 million in 2020 and 2019, respectively. The short-term loans payable of SSDI as of December 31, 2020 and 2019 amounted to ₱4.11 billion and ₱1.93 billion, respectively.

c.) RCSI's short-term loans payable consist of loans availed from a local commercial bank at interest rates of 3.10% - 4.50% per annum in 2020. In 2020, RCSI availed short-term loan amounting ₱770.0 million. The short-term loans payable as of December 31, 2020 and 2019 amounted to ₱770.0 million and nil, respectively.

d.) RHDDS's short-term loans payable consist of a loan availed from a local commercial bank at an interest rates of 3.10%-5.50% per annum in 2020 and 4.70%-6.75% per annum in 2019. In 2019, RHDDS availed short-term loan amounting ₱180.0 million. The short-term loans payable as of December 31, 2020 and 2019 amounted to ₱400.0 million.

e.) RHIB's short-term loans payable consists of loans availed from a local commercial bank at an interest rate of 3.10%-5.50% per annum in 2020 and 4.70%-6.75% per annum in 2019. No payment of short-term loan was made during the year. The short-term loans payable as of December 31, 2020 and 2019 amounted to ₱55.0 million.

f.) HPTD's short-term loans payable consist of loans availed from local commercial banks at an interest rates of 3.10%-5.50% per annum in 2020 and 4.70%-6.75% per annum in 2019. No payment of short-term loan was made during the year. The short-term loans payable as of December 31, 2020 and 2019 amounted to ₱50.0 million.

g.) RSCI's short-term loans payable consist of loans availed from a local commercial bank at interest rates of 4.60%-6.75% per annum in 2019 amounting to ₱380.0 million. The loans were obtained to finance RSCI's working capital requirements. The loan was paid in full in 2019.

Total interest expense charged to operations amounted to ₱146.43 million, ₱300.68 million and ₱159.07 million in 2020, 2019 and 2018, respectively.

The above loans are not subject to any loan covenants. In addition, there are no loan modification or deferral during the year.

18. **Equity**

Capital Stock
The details of this account follow:

	2020		2019		2018	
	Amount	**No. of shares**	Amount	No. of shares	Amount	No. of shares
Common stock - ₱1 par value						
Authorized shares	**₱2,000,000,000**	**2,000,000,000**	₱2,000,000,000	2,000,000,000	₱2,000,000,000	2,000,000,000
Issued shares	**1,576,489,360**	**1,576,489,360**	1,576,489,360	1,576,489,360	1,576,489,360	1,576,489,360
Outstading shares	**1,563,460,430**	**1,563,460,430**	1,576,489,360	1,576,489,360	1,576,489,360	1,576,489,360
Treasury shares	**810,018,635**	**13,028,930**	–	–	–	–

Registration Track Record
On November 11, 2013, the Parent Company listed with the Philippine Stock Exchange its common stock wherein it offered 484,750,000 shares to the public at ₱58.00 per share. All shares were sold. Of the total shares sold, 18,871,950 shares were subsequently reacquired by the Parent Company at ₱58.00 per share or an aggregate cost of ₱1,094.57 million. The Parent Company incurred transaction costs incidental to the IPO amounting ₱745.65 million, charged against "Additional paid-in capital".

On December 9, 2014, the Parent Company sold its treasury shares at ₱69.0 per share or ₱1,309.06 million, incurring transaction costs amounting to ₱8.22 million.

On November 23, 2018, the Parent Company issued 191,489,360 new common shares for the acquisition of RSCI (Notes 1 and 19). The market value of the share amounted to ₱72.05 per share on November 23, 2018. Transaction cost related to the issuance of new shares amounted to ₱64.50 million.

Treasury stock
On March 9, 2020, the Parent Company's BOD authorized the buy-back of RRHI's common shares of up to ₱2.0 billion. The repurchased shares are presented under 'Treasury stock' account in the statement of changes in equity.

As of December 31, 2020, RRHI has repurchased 13.03 million shares for ₱810.0 million under the buyback program. Under the Revised Corporation Code, a stock corporation can purchase or acquire its own shares provided that it has unrestricted retained earnings to cover the shares to be purchased or acquired.

Equity Reserve
Details of equity reserve follow:

	2020	2019	2018
Acquisition of additional shares from non-controlling interest			
Beginning	**(₱995,284,977)**	(₱975,943,538)	(₱1,027,402,846)
Additions/Deductions	**–**	(19,341,439)	51,459,308
	(₱995,284,977)	(₱995,284,977)	(975,943,538)
Acquisition of subsidiary under common control			
Beginning	**5,508,177**	5,508,177	–
Additions/Deductions	**(5,508,177)**	–	5,508,177
	₱–	₱5,508,177	₱5,508,177

Acquisition of a Subsidiary under Common Control
On October 3, 2016, RI acquired 28,800 common shares, representing 100% ownership of Chic Centre Corporation for a total consideration of ₱27.80 million. Net assets of Chic Centre Corporation at the date of acquisition amounted to ₱33.34 million. As a result of the combination of the entities, the difference between the consideration paid for the acquisition and the net assets acquired amounting to ₱5.51 million is accounted for as “Equity reserve”. On February 17, 2020, the BOD of RSC approved the sale of 100% of the shares of stocks owned in CCC for a total consideration of ₱230.00 million.

Acquisition of Additional Shares from a Non-Controlling Shareholder
On November 4, 2019, RI acquired additional 18,947,368 common shares, representing 0.95% of RCSI from a non-controlling shareholder for ₱18.95 million. As a result of the acquisition, RI then holds 60.00% interest in RCSI. The Group recognized equity reserve from the acquisition amounting to ₱1.36 million included in “Equity reserve” representing the excess consideration paid for the carrying amount of the non-controlling interest.

On April 3, 2019, RSC acquired additional 1,650,000 common shares, representing 33% of ASI from a non-controlling shareholder for ₱50.00 million. As a result of the acquisition, RSC then holds 100.00% interest in ASI. The Group recognized equity reserve from the acquisition amounting to ₱17.98 million included in “Equity reserve” representing the excess consideration paid for the carrying amount of the non-controlling interest.

On August 28, 2018, RI acquired additional 161,052,632 common shares, representing 8.05% of RCSI from a non-controlling shareholder for ₱85.36 million. As a result of the acquisition, RI then holds 59.05% interest in RCSI. The Group recognized equity reserve from the acquisition amounting to ₱51.46 million included in “Equity reserve” representing the excess of carrying amount of the non-controlling interest acquired over consideration paid.

On December 5, 2014, RSC acquired additional 2,500,000 common shares, representing 25%, of RHMI from a non-controlling shareholder for ₱1.45 billion. As a result of the acquisition, RSC then holds 80% interest in RHMI.

The Group recognized equity reserve from the acquisition amounting to ₱1.02 billion included in “Equity reserve” in the consolidated statements of changes in equity representing the excess of consideration paid over the carrying amount of the non-controlling interest acquired. The equity reserve from the acquisition will only be recycled to the consolidated statements of comprehensive income in the event that RSC will lose its control over RHMI.

In 2015, the total consideration was adjusted from ₱1.45 billion to ₱1.48 billion. The difference is recognized as an adjustment to equity reserve. Of the total amount, ₱1.31 billion was received and settled in 2014. The remaining balance was fully settled in cash in 2015.

Retained Earnings
The income of the subsidiaries and accumulated equity in net income of the associates that are recognized in the consolidated statements of comprehensive income are not available for dividend declaration unless these are declared by the subsidiaries and associates. The accumulated earnings of subsidiaries included in retained earnings amounted to ₱32.00 billion and ₱30.49 billion as of December 31, 2020 and 2019, respectively, while the accumulated equity in net income of the associates amounted to ₱1,244.69 million and ₱1,048.17 million as of December 31, 2020 and 2019, respectively (Note 13).

Dividend Declaration
Details of the Parent Company's dividend declarations follow:

	2020	2019	2018
Date of declaration	**May 13, 2020**	May 30, 2019	May 28, 2018
Dividend per share	**₱1.00**	₱0.72	₱0.72
Total dividends	**₱1,572,931,450**	₱1,135,072,339	₱997,200,000
Date of record	**June 03, 2020**	June 20, 2019	June 18, 2018
Date of payment	**June 30, 2020**	July 12, 2019	July 12, 2018

Appropriation of Retained Earnings
Rollforward analysis of appropriated retained earnings follows:

	2020	2019	2018
Balance at beginning of year	**₱26,944,852,847**	₱24,151,852,847	₱15,212,852,847
Appropriation	**948,000,000**	3,186,000,000	9,222,000,000
Reversal of appropriation	**(40,000,000)**	(393,000,000)	(283,000,000)
Balance at end of year	**₱27,852,852,847**	₱26,944,852,847	₱24,151,852,847

On December 11, 2020, the Group's BOD approved the appropriation of retained earnings which shall be used to augment new stores with the Group's nationwide expansion which is expected to complete in next two (2) to five (5) years. Details are as follow:

Entity	Amount
RHIMI	₱306,000,000
WHMI	36,000,000
HEMI	4,000,000
TV	22,000,000
SSD	525,000,000
SEWI	55,000,000
	₱948,000,000

On November 8, 2019, the Group's BOD approved the appropriation of retained earnings which shall be used to augment new stores with the Group's nationwide expansion which is expected to complete in next two (2) to five (5) years. Details are as follow:

Entity	Amount
RSC	₱1,000,000,000
RHMI	674,000,000
RTI	310,000,000
SSDI	300,000,000
RAC	235,000,000
RHDDS	162,000,000
SEWI	110,000,000
RTSHPI	90,000,000
WHMI	87,000,000
HEMI	3,000,000
	₱2,971,000,000

On March 14, 2019, the Group's BOD approved the appropriation of retained earnings of RAC amounting to ₱215.00 million which shall be used to augment new stores with the Group's nationwide expansion which is expected to complete in next two (2) to five (5) years.

In 2018, the Group's BOD approved the appropriation of retained earnings which shall be used to augment new stores with the Group's nationwide expansion which is expected to complete in next two (2) to five (5) years. Details are as follow:

	Appropriations				
Entity	February 20	March 7	March 8	December 20	Total
RRHI	₱2,800,000,000	₱–	₱–	₱–	₱2,800,000,000
RSC	–	1,250,000,000	–	1,100,000,000	2,350,000,000
RHMI	–	553,000,000	–	617,000,000	1,170,000,000
SSDI	–	300,000,000	–	500,000,000	800,000,000
RI	–	400,000,000	–	250,000,000	650,000,000
RAC	–	260,000,000	–	–	260,000,000
RTSHPI	–	93,000,000	–	105,000,000	198,000,000
SEWI	–	–	180,000,000	15,000,000	195,000,000
RHDDS	–	114,000,000	–	65,000,000	179,000,000
RTI	–	150,000,000	–	220,000,000	370,000,000
WHMI	–	50,000,000	–	97,000,000	147,000,000
CCC	–	–	–	40,000,000	40,000,000
RDDC	–	–	–	33,000,000	33,000,000
ASI	–	–	–	15,000,000	15,000,000
HEMI	–	7,000,000	–	8,000,000	15,000,000
	₱2,800,000,000	₱3,177,000,000	₱180,000,000	₱3,065,000,000	₱9,222,000,000

In 2020, the BOD of the subsidiaries of the Group approved the reversal of appropriated retained earnings of RAC amounting to ₱40.00 million due to completion of certain store expansions and renovations.

In 2019, the BOD of the subsidiaries of the Group approved the reversal of appropriated retained earnings due to completion of certain store expansions and renovations. Details are as follow:

Entity	Date of reversal	Amount
RHMI	June 14	₱191,000,000
WHMI	June 14	77,000,000
RSSI	November 8	75,000,000
RDDC	November 8	33,000,000
HEMI	June 14	17,000,000
Total		₱393,000,000

In 2018, the BOD of the subsidiaries of the Group approved the reversal of appropriated retained earnings due to completion of certain store expansions and renovations. Details are as follow:

Entity	Date of reversal	Amount
RTSHPI	December 12	₱3,000,000
RTI	July 6	150,000,000
RHMI	June 16	100,000,000
SEWI	March 22	30,000,000
Total		₱283,000,000

Declaration of Dividends of the Subsidiaries

On May 15, 2020 and December 1, 2020, the BOD of TGP approved the declaration of cash dividends amounting to ₱300.00 million and ₱330.00 million, respectively, which was paid on June 19, 2020 and December 6, 2020, respectively.

In 2019, the BOD of the below subsidiaries approved the declaration of cash dividends as follows:

Entity	Date of declaration	Amount
RRHI TMI	November 8	₱600,000,000
TGP	June 10	560,007,000
RHMI	June 14	200,000,000
HEMI	June 14	20,000,000
WHMI	June 14	80,000,000
CCC	September 30	2,585,332
Total		₱1,462,592,332

In 2018, the BOD of the below subsidiaries approved the declaration of cash dividends as follows:

Entity	Date of declaration	Amount
SEWI	May 30	₱30,000,000
ASI	June 4	15,000,000
TGP	May 3	200,000,000
	December 14	220,000,000
RHMI	June 14	100,000,000
RTI	July 6	150,000,000
RRHI TMI	December 2	700,000,000
RTSHPI	December 12	35,000,000
Total		₱1,450,000,000

NCI

Acquisition of NCI

In November 2019, the Group acquired NCI in RCSI increasing the Group's ownership stake from 59.05% to 60.00%.

In April 2019, the Group acquired NCI in ASI increasing the Group's ownership stake from 67% to 100%.

Investment from NCI

In September 2020, an NCI made an investment in SSDI amounting to ₱200.0 million.

On February 27, 2018, an NCI made an investment which represents 49% ownership in Super50 amounting to ₱14.70 million.

Dividends to NCI

In 2020, 2019 and 2018, dividends declared attributable to NCI amounted to ₱308.70 million, ₱349.41 million and ₱266.84 million, respectively.

Material Partly-Owned Subsidiary
In 2020 and 2019, the Group has 49.00% proportion of equity interest held by non-controlling interests attributable to TGPPI. Accumulated balances of material non-controlling interest amounted to ₱1,169.39 million, ₱942.16 million and ₱580.69 million in 2020, 2019 and 2018, respectively. Profit allocated to material non-controlling interest amounted to ₱284.45 million, ₱322.28 million and ₱238.68 million in 2020, 2019 and 2018, respectively. Total assets of TGPPI as of December 31, 2020 and 2019 amounted to ₱2,074.23 million and ₱2,127.47 million, respectively, while total liabilities as of December 31, 2020 and 2019 amounted to ₱873.47 million and ₱881.32 million, respectively. Total sales in 2020, 2019 and 2018 amounted to ₱4,825.95 million, ₱4,783.81 million and ₱4,335.08 million, respectively. Net income in 2020, 2019 and 2018 amounted to ₱580.50 million, ₱631.93 million and ₱464.73 million, respectively.

Capital Management
The primary objective of the Group's capital management policy is to ensure that it maintains healthy capital in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for the years ended December 31, 2020 and 2019.

The Group considers the following as its main source of capital:

	2020	2019
Capital stock	**₱1,576,489,360**	₱1,576,489,360
Additional paid-in capital	**40,768,202,897**	40,768,202,897
Treasury stock	**(810,018,635)**	–
Other comprehensive income	**434,295,080**	272,839,305
Equity reserve	**(995,284,977)**	(989,776,800)
Retained earnings		
Appropriated	**27,852,852,847**	26,944,852,847
Unappropriated	**4,225,869,025**	3,548,986,390
Total equity attributable to equity holders of the Parent Company	**73,052,405,597**	72,121,593,999
Non-controlling interest in consolidated subsidiaries	**4,537,828,657**	4,404,802,611
Total Equity	**₱77,590,234,254**	₱76,526,396,610

19. **Business Combinations and Disposal of a Subsidiary**

Business Combination and Goodwill
On October 30, 2020, SSDI acquired 100% of RPI for a total consideration of ₱4.33 billion. RPI was incorporated in the Philippines and is primarily engaged in the business of trading medical and pharmaceutical goods, on either wholesale or retail basis

As of December 31, 2020, the Group is still yet to finalize its purchase price allocation. The provisional purchase price allocation resulted in goodwill of ₱2.34 billion.

The purchase price consideration has been allocated to the assets and liabilities on the basis of provisional values at the date of acquisition as follows:

	Provisional fair values recognized on acquisition
Assets	
Cash	₱251,725,265
Trade and other receivables	7,195,614
Merchandise inventories (Note 9)	1,386,996,369
Other current assets	99,567,541
Property and equipment (Note 12)	243,897,875
ROU assets (Note 28)	685,580,674
Deferred tax assets	125,891,598
Trademarks arising from acquisition (Note 14)	1,514,575,531
Other noncurrent assets	74,404,229
	4,389,834,696
Liabilities	
Trade and other payables	912,464,473
Income tax payable	1,835,968
Lease liability (Note 28)	780,263,614
Retirement obligation (Note 23)	251,473,028
Deferred tax liability	454,372,659
	2,400,409,742
Net assets acquired	1,989,424,954
Provisional goodwill from the acquisition (Note 14)	2,343,614,826
Purchase consideration transferred	₱4,333,039,780

The net assets recognized at the date of acquisition were based on provisional fair values of the assets owned by RPI. The result of the valuation had not been finalized as at March 29, 2021.

Total consolidated revenue would have increased by ₱8.14 billion, while consolidated net income would have decreased by ₱208.23 million for the year ended December 31, 2020 had the acquisition of RPI took place at the beginning of the year. Total revenues and net loss of RPI from October 30, 2020 to December 31, 2020 included in the consolidated statement of comprehensive income amounted to ₱1.29 billion and ₱10.63 million, respectively.

As a result of the transaction, provisional goodwill amounting to ₱2.34 billion was recognized, representing the difference between the total consideration of ₱4.33 billion and the provisional value of net assets acquired of ₱1.99 billion (Note 14). The provisional goodwill of ₱2.34 billion is attributable to the expected synergies arising from acquisition. The provisional goodwill and trademarks were not tested for impairment since the acquisition occurred in the fourth quarter of 2020 and there was no material change in RPI's business.

Net cash arising from the acquisition follows:

Cash consideration	₱4,333,039,780
Less cash acquired	251,725,265
	₱4,081,314,515

Acquisition of RSCI
On March 23, 2018, the BOD of RRHI and MCBV approved the acquisition by RRHI of MCBV's 100% stake in RSCI through a share for share swap involving shares of RSCI in exchange for primary common shares of RRHI equivalent to 12.15% stake. RSCI was incorporated in the Philippines and operates food retail brands "Marketplace by Rustan's", "Rustan's Supermarket", "Shopwise Hypermarket", "Shopwise Express" and "Wellcome".

RRHI agreed to pay MCBV at an agreed price which was settled by the issuance of 191.49 million new RRHI common shares as consideration for the value of the net assets of RSCI. RRHI engaged an independent financial advisor to review the transaction and render a fairness opinion on the transaction and the consideration payable by RRHI. The independent financial advisor completed its review and concluded that the acquisition of the net assets is fair and reasonable and in the interest of RRHI shareholders as a whole.

The completion of the acquisition was subjected to the procurement of certain regulatory and other approvals including:

i. Approval by the shareholders of RRHI of the issuance of primary shares;
ii. Approval of the transaction by the Philippine Competition Commission; and
iii. Confirmation by the SEC of the valuation of the entire issued share capital of RSCI to be exchanged for the primary shares of RRHI.

The acquisition was completed on November 23, 2018 as agreed in the Shareholders Agreement which is seven days after the confirmation by the SEC of the valuation of the entire issued share capital of RSCI to be exchanged for the primary shares of RRHI on November 16, 2018.

Approvals (i) and (ii) were obtained on May 28, 2018 and August 16, 2018, respectively. On November 23, 2018, the market value of RRHI shares amounted to ₱72.05 per share. Transaction costs related to the issuance of new shares amounted to ₱64.50 million was charged to 'Additional paid-in capital'.

In 2019, the Group finalized the purchase price allocation and the fair value computation of goodwill. There were no adjustments to the provisional amounts that were made during the measurement period. The final purchase price allocation resulted in goodwill of ₱9.11 billion. The goodwill of ₱9.11 billion comprises the fair value of expected synergies arising from acquisition.

The fair values of the identifiable assets and liabilities of RSCI at the date of acquisition were:

	Fair values recognized on acquisition
Assets	
Cash	₱103,162,382
Trade and other receivables	384,075,105
Merchandise inventories	3,073,734,206
Other current assets	912,897,897
Property and equipment	3,897,725,011
Trademarks arising from acquisition (Note 14)	3,398,600,050
Other noncurrent assets	684,781,136
	12,454,975,787

(Forward)

	Fair values recognized on acquisition
Liabilities	
Trade and other payables	₱4,633,625,787
Loans payable	1,500,000,000
Income tax payable	39,346,173
Other current liabilities	60,595,212
Retirement obligation	283,655,342
Deferred tax liability	961,623,483
Other noncurrent liabilities	288,707,463
	7,767,553,460
Net assets acquired	4,687,422,327
Goodwill from the acquisition (Note 14)	9,109,386,061
Purchase consideration transferred	₱13,796,808,388

Disposal of a Subsidiary
In February 2020, RSC entered into a Deed of Absolute Sale to sell its 100% equity interest in CCC for a total consideration amounting to ₱230.0 million.

Impact of the disposal of the subsidiary in the consolidated financial statement follows:

Assets	
Cash	₱18,388,383
Trade and other receivables	60,387,728
Merchandise inventories (Note 9)	210,675,616
Property and equipment (Note 12)	43,812,978
ROU assets (Note 28)	39,954,612
Deferred tax assets	12,236,857
Other assets	8,366,577
	393,822,751
Liabilities	
Trade and other payables	177,379,432
Lease liabilities (Note 28)	42,260,296
Income tax payable	11,542,593
Retirement obligation (Note 23)	21,869,849
	253,052,170
Net assets of deconsolidated subsidiary	140,770,581
Consideration, net of transaction costs	199,671,350
Gain on deconsolidation of a subsidiary	₱58,900,769

The deconsolidation of CCC did not have significant impact on the Group’s consolidated statements of comprehensive income and consolidated statements of cash flows.

20. Sales Revenue

Sales are recognized from customers at the point of sale in the stores and upon delivery.

Sales returns and sales discounts deducted from the sales to arrive at the net sales amounted to ₱4.44 billion, ₱4.64 billion and ₱4.55 billion in 2020, 2019 and 2018, respectively.

Disaggregated revenue information
Set out below is the disaggregation of the Company's revenue from contracts with customers:

	For the year ended December 31, 2020						
Segments	**Supermarket**	**Department Store**	**DIY**	**Convenience Store**	**Drug Store**	**Specialty Store**	**Total**
Type of goods or service							
Sale of goods - retail	**₱94,121,288,564**	**₱8,450,525,571**	**₱11,357,701,521**	**₱1,158,100,710**	**₱19,058,775,778**	**₱13,270,889,853**	**₱147,417,281,997**
Sale of merchandise to franchisees	**–**	**–**	**–**	**3,652,978,793**	**–**	**–**	**3,652,978,793**
Franchise revenue	**–**	**–**	**–**	**6,025,040**	**33,726,531**	**–**	**39,751,571**
Royalty fee	**–**	**–**	**–**	**916,241,707**	**58,662,829**	**–**	**974,904,536**
	₱94,121,288,564	**₱8,450,525,571**	**₱11,357,701,521**	**₱5,733,346,250**	**₱19,151,165,138**	**₱13,270,889,853**	**₱152,084,916,897**
Timing of revenue recognition							
Goods transferred at point in time	**₱94,121,288,564**	**₱8,450,525,571**	**₱11,357,701,521**	**₱4,811,079,503**	**₱19,058,775,778**	**₱13,270,889,853**	**₱151,070,260,790**
Services transferred over time	**–**	**–**	**–**	**922,266,747**	**92,389,360**	**–**	**1,014,656,107**
	₱94,121,288,564	**₱8,450,525,571**	**₱11,357,701,521**	**₱5,733,346,250**	**₱19,151,165,138**	**₱13,270,889,853**	**₱152,084,916,897**

	For the year ended December 31, 2019						
Segments	**Supermarket**	**Department Store**	**DIY**	**Convenience Store**	**Drug Store**	**Specialty Store**	**Total**
Type of goods or service							
Sale of goods - retail	₱88,514,715,048	₱18,039,637,214	₱14,382,541,311	₱–	₱17,684,834,470	₱17,549,803,545	₱156,171,531,588
Sale of merchandise to franchisees	–	–	–	6,744,155,713	–	–	6,744,155,713
Franchise revenue	–	–	–	6,676,528	49,168,502	–	55,845,030
Royalty fee	–	–	–	1,840,105,448	60,181,952	–	1,900,287,400
	₱88,514,715,048	₱18,039,637,214	₱14,382,541,311	₱8,590,937,689	₱17,794,184,924	₱17,549,803,545	₱164,871,819,731
Timing of revenue recognition							
Goods transferred at point in time	₱88,514,715,048	₱18,039,637,214	₱14,382,541,311	₱6,744,155,713	₱17,684,834,470	₱17,549,803,545	₱162,915,687,301
Services transferred over time	–	–	–	1,846,781,976	109,350,454	–	1,956,132,430
	₱88,514,715,048	₱18,039,637,214	₱14,382,541,311	₱8,590,937,689	₱17,794,184,924	₱17,549,803,545	₱164,871,819,731

	For the year ended December 31, 2018						
Segments	**Supermarket**	**Department Store**	**DIY**	**Convenience Store**	**Drug Store**	**Specialty Store**	**Total**
Type of goods or service							
Sale of goods - retail	₱62,362,494,774	₱17,780,879,313	₱13,905,046,303	₱–	₱15,823,983,850	₱16,631,152,456	₱126,503,556,696
Sale of merchandise to franchisees	–	–	–	6,176,910,080	–	–	6,176,910,080
Franchise revenue	–	–	–	7,221,915	42,472,718	–	49,694,633
Royalty fee	–	–	–	1,882,097,405	59,926,262	–	1,942,023,667
	₱62,362,494,774	₱17,780,879,313	₱13,905,046,303	₱8,066,229,400	₱15,926,382,830	₱16,631,152,456	₱134,672,185,076
Timing of revenue recognition							
Goods transferred at point in time	₱62,362,494,774	₱17,780,879,313	₱13,905,046,303	₱6,176,910,080	₱15,823,983,850	₱16,631,152,456	₱132,680,466,776
Services transferred over time	–	–	–	1,889,319,320	102,398,980	–	1,991,718,300
	₱62,362,494,774	₱17,780,879,313	₱13,905,046,303	₱8,590,937,689	₱15,926,382,830	₱16,631,152,456	₱134,672,185,076

Intersegment eliminating adjustments related to sale of goods amounted to nil, ₱1.73 and ₱1.57 billion in 2020, 2019 and 2018, respectively (Note 6).

21. **Operating Expenses**

This account consists of:

	2020	2019	2018
Rental and utilities (Notes 24 and 28)	**₱6,144,201,142**	₱8,884,787,244	₱10,508,824,120
Personnel costs and contracted services (Notes 22 and 23)	**9,164,608,686**	9,801,982,310	7,585,433,667
Depreciation and amortization (Notes 12, 14 and 28)	**6,987,147,534**	6,879,793,222	2,395,085,036
Transportation and travel	**1,877,331,677**	1,666,796,549	1,241,660,822
Supplies	**948,089,911**	1,013,015,415	806,241,418
Repairs and maintenance	**719,396,515**	830,280,835	587,624,491
Bank and credit charges	**695,843,837**	754,389,132	663,624,324
Advertising	**534,776,923**	755,776,814	705,204,990
Provision for impairment losses (Note 8)	**222,959,210**	–	46,748,194
Royalty expense (Note 29)	**116,986,146**	213,685,744	189,196,515
Commission expense	**86,616,534**	34,918,933	74,488,998
Tolling fee	**21,935,172**	10,241,643	23,634,461
Others	**1,216,851,562**	1,277,510,828	803,635,128
	₱28,736,744,849	₱32,123,178,669	₱25,631,402,164

Others consist mainly of taxes and licenses, insurance and professional fees.

Depreciation and amortization pertains to:

	2020	2019	2018
Property and equipment (Note 12)	**₱3,034,375,446**	₱3,023,656,560	₱2,377,059,872
Trademarks, franchise and license fees (Note 14)	**25,570,661**	52,068,805	18,025,164
Amortization of ROU assets (Note 28)	**3,927,201,427**	3,804,067,857	–
	₱6,987,147,534	₱6,879,793,222	₱2,395,085,036

22. **Personnel Costs and Contracted Services**

This account consists of:

	2020	2019	2018
Salaries, allowances and benefits (Note 21)	**₱5,299,306,985**	₱5,570,643,300	₱4,162,098,867
Contracted services (Note 21)	**3,865,301,701**	4,231,339,010	3,423,334,800
	₱9,164,608,686	₱9,801,982,310	₱7,585,433,667

Details of salaries, allowances and benefits:

	2020	2019	2018
Salaries, wages and allowances	**₱5,114,309,542**	₱5,378,560,824	₱4,006,099,584
Retirement expense (Note 23)	**184,997,443**	192,082,476	155,999,283
	₱5,299,306,985	₱5,570,643,300	₱4,162,098,867

23. **Employee Benefits**

The Group has a funded, non-contributory, defined benefit pension plan covering all regular permanent employees. Benefits are dependent on years of service and the respective employee's final compensation. The benefits are paid in a lump-sum upon retirement or separation in accordance with the terms of the Robinsons Retail Multi-Employer Retirement Plan, South Star Drug Retirement Plan and Rustan Supercenters Retirement Plan (the Plan).

The Group computes the actuarial valuation every year by hiring the services of a professional third party qualified actuary.

The Group is a member of the Plan which is administered separately by the Trustee, RBC, Metrobank Corporation and Bank of the Philippine Islands, so named under the Trust Agreement. The Trustee is under the supervision of the Retirement Working Committee (the Committee) of the Plan. The Committee shall have all the powers necessary or useful in the discharge of its duties, including but not limited, to implement and administer the plan, propose changes and determine the rights of the members of the plan. However, changes or revisions in the Plan shall be approved by the Executive Retirement Committee.

The Committee may seek the advice of counsel and appoint an investment manager or managers to manage the Retirement Fund, an independent accountant to audit the Fund and an actuary to value the Plan.

The Plan was amended effective April 1, 2019. The effect of the change in retirement plan is reflected as past service cost and recognized immediatey in the 2019 retirement expense. In 2019, certain number of employees of RSCI were involuntarily separated. The settlement gain, as a result of the event, is also reflected in the retirement expense.

Under the existing regulatory framework, Republic Act (RA) No. 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

The components of retirement expense under "Operating expenses" account in the consolidated statements of comprehensive income are as follow:

	2020	2019	2018
Current service cost	**₱194,010,535**	₱143,133,157	₱135,673,669
Net interest cost (income)	**10,341,246**	(19,202,019)	20,325,614
Net settlement gain	**–**	11,772,256	–
Past service cost (income)	**(19,354,338)**	56,379,082	–
Retirement expense	**₱184,997,443**	₱192,082,476	₱155,999,283

Net retirement obligation as of December 31, 2020 and 2019 recognized in the consolidated statements of financial position follow:

	2020	2019
Present value of defined benefit obligation	**₱1,923,209,146**	₱1,410,838,083
Fair value of plan assets	**(1,374,251,973)**	(1,063,100,793)
Net retirement obligation	**₱548,957,173**	₱347,737,290

The movements in net retirement obligation recognized in the consolidated statements of financial position follow:

	2020	2019
Balance at beginning of year	**₱347,737,290**	₱234,207,686
Remeasurement loss	**181,971,717**	364,536,075
Retirement expense	**184,997,443**	192,082,476
Additions arising from business combination (Note 19)	**251,473,028**	–
Derecognition of remeasurement loss (gain)	–	(4,154,380)
Deconsolidation of a subsidiary (Note 19)	**(21,869,849)**	–
Actual contribution	**(166,679,081)**	(387,614,498)
Benefits paid from direct payments	**(228,673,375)**	(51,320,069)
Balance at end of year	**₱548,957,173**	₱347,737,290

Remeasurement effects recognized in OCI:

	2020	2019
Remeasurement gains (losses) on:		
Retirement obligation	**(₱190,707,671)**	(₱336,546,144)
Retirement plan assets	**8,735,954**	(23,835,551)
Derecognition of cumulative loss (gain)	–	(4,154,380)
	(₱181,971,717)	(₱364,536,075)

In 2020, cumulative loss amounting to ₱58.82 million were derecognized from RSCI and in 2019, cumulative gain amounting to ₱4.15 million were derecognized from RGFBI. Cumulative gains are not to be reclassified in profit or loss in the consolidated financial statements of comprehensive income.

Movements of cumulative remeasurement effect recognized in OCI:

	2020	2019
Balance at beginning of year	**(₱327,255,317)**	₱37,280,758
Actuarial loss	**(190,707,671)**	(336,546,144)
Derecognition of cumulative loss (gain)	**58,822,263**	(4,154,380)
Return on assets excluding amount included in net interest cost	**8,735,954**	(23,835,551)
Total remeasurement	**(450,404,771)**	(327,255,317)
Income tax effect	**135,121,431**	98,176,595
	(₱315,283,340)	(₱229,078,722)

Changes in the present value of defined benefit obligation follow:

	2020	2019
Balance at beginning of year	**₱1,410,838,083**	₱1,052,484,292
Additions arising from business combination (Note 19)	**369,117,970**	–
Current service cost	**194,010,535**	143,133,157
Remeasurement (gain) loss arising from:		
Changes in financial assumptions	**252,702,366**	310,057,697
Changes in demographic assumptions	**12,835,944**	15,502,052
Experience adjustments	**(74,830,639)**	10,986,395
Interest cost	**66,706,387**	75,576,860
Transfers	**4,542,041**	–
Effect of curtailment	–	(181,030,230)
Settlement	–	192,802,486
Past service cost (income)	**(19,354,338)**	56,379,082
Deconsolidation of a subsidiary (Note 19)	**(31,058,314)**	–
Benefits paid	**(262,300,889)**	(265,053,708)
Balance at end of year	**₱1,923,209,146**	₱1,410,838,083

Movements in the fair value of plan assets follow:

	2020	2019
Balance at beginning of year	**₱1,063,100,793**	₱818,276,606
Actual contribution	**166,679,081**	387,614,498
Additions arising from business combination (Note 19)	**117,644,942**	–
Interest income included in net interest cost	**56,365,141**	94,778,879
Remeasurement gain (loss)	**8,735,954**	(23,835,551)
Transfers	**4,542,041**	–
Deconsolidation of a subsidiary (Note 19)	**(9,188,465)**	–
Benefits paid	**(33,627,514)**	(213,733,639)
Balance at end of year	**₱1,374,251,973**	₱1,063,100,793

The fair value of net plan assets of the Group by each class as at the end of the reporting period are as follows:

	2020	2019
Cash and cash equivalents		
Savings deposit	**₱9,246,244**	₱1,533,873
Time deposit	**634,960**	–
Investments in government securities		
Fixed rate treasury notes	**85,153,207**	16,823,198
Retail treasury bonds	**7,078,070**	
Investments in UITF	**1,244,593,525**	1,023,540,040
Other receivables	**27,637,258**	21,425,167
Accrued trust fee payable	**(91,291)**	(221,485)
	₱1,374,251,973	₱1,063,100,793

The principal assumptions used in determining pensions for the Group's plan are shown below:

	2020	2019
Discount rates	**3.84% - 5.01%**	4.80% - 7.40%
Salary increase rates	**5.70% -6.00%**	2.50% - 9.00%

The carrying amounts disclosed above reasonably approximate fair values at each reporting period. The actual return (loss) on plan assets amounted to ₱55.96 million, ₱70.94 million and (₱30.60 million) in 2020, 2019 and 2018, respectively.

The Group expects to contribute ₱247.53 million to the defined benefit plan in 2021.

Remeasurement effects attributable to the equity holders of the Parent Company follows:

	2020	2019
Balances at the beginning of year	**₱201,372,594**	₱445,262,395
Remeasurement losses during the year	**(122,456,544)**	(243,889,801)
Balances at end of year	**₱78,916,050**	₱201,372,594

The sensitivity analyses that follow has been determined based on reasonably possible changes of the assumption occurring as of the end of the reporting period, assuming if all other assumptions were held constant.

		Increase (Decrease)	Effect in Defined Benefit Obligation
2020	**Salary increase**	**+1.00%**	**₱73,344,201**
		-1.00%	**(195,342,415)**
	Discount rates	**+1.00%**	**(194,181,315)**
		-1.00%	**74,795,934**
2019	Salary increase	+1.00%	₱173,337,407
		-1.00%	(147,799,483)
	Discount rates	+1.00%	(141,379,808)
		-1.00%	168,739,864

Each year, an Asset-Liability Matching Study (ALM) is performed with the result being analyzed in terms of risk-and-return profiles. The principal technique of the Group's ALM is to ensure the expected return on assets to be sufficient to support the desired level of funding arising from the defined benefit plans.

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

	2020	2019
Less than 1 year	**₱50,588,379**	₱73,004,268
More than 1 year but less than 5 years	**228,571,400**	274,556,901
More than 5 years but less than 10 years	**420,350,802**	607,497,556
More than 10 years but less than 15 years	**685,807,954**	985,217,891
More than 15 years but less than 20 years	**1,082,084,579**	1,466,962,240
More than 20 years	**4,473,713,582**	6,421,733,661

24. **Related Party Disclosures**

Parties are 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 and the parties are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Significant Related Party Transactions
The Group, in the regular conduct of business, has receivables from/payables to related parties arising from the normal course of operations.

1. The following are the Group's transactions with its related parties:

	Amount			Due from (Due to)	
	2020	2019	2018	**2020**	2019
Other affiliates under common control					
a. Trade and other receivables					
Sales	**₱2,105,106,040**	₱4,158,993,927	₱3,214,288,927	**₱9,161,738**	₱574,940,992
Royalty income	**740,475,141**	1,681,857,691	1,443,589,170	–	–
b. Trade and other payable					
Purchases - net	**(3,276,056,450)**	(2,925,027,729)	(2,896,390,334)	–	–
Rent and utilities	**(3,328,644,890)**	(4,694,100,343)	(4,462,345,647)	**(559,221,088)**	(626,847,493)

Below are the Group's transactions with its related parties:

a. As of December 31, 2020 and 2019, the Group has outstanding balances from its other affiliates arising primarily from sales of merchandise inventories and royalty income for grant of use and right to operate stores of the Group.

b. As of December 31, 2020 and 2019, the Group has outstanding payable to its other affiliates arising from purchases of merchandise inventories for resale to its customers which are normally paid within the year and expenses for rent and utilities relative to the Group's operations. Lease agreements normally have terms of 5 to 20 years with escalation clauses ranging from 5% to 10% every year.

c. The Group maintains savings and current accounts and money market placements with RBC. Cash and cash equivalents earns interest at the prevailing bank deposit rates.

Affiliates are related parties by the Group by virtue of common ownership and representations to management where significant influence is apparent.

2. There are no agreements between the Group and any of its directors and key officers providing for benefits upon termination of employment, except for such benefits to which they may be entitled under the Group's retirement plans.

   The details of compensation and benefits of key management personnel for 2020, 2019 and 2018 follow:

	2020	2019	2018
Short-term employee benefits	**₱182,790,525**	₱174,301,314	₱144,741,622
Post-employment benefits	**38,966,507**	44,379,656	25,737,872
	₱221,757,032	₱218,680,970	₱170,479,494

Terms and Conditions of Transactions with Related Parties
Outstanding balances at year-end are unsecured, interest-free and settlement occurs in cash. There have been no guarantees provided or received for any related party payables or receivables. The Group did not recognize provision for expected credit losses relating to amounts due from related parties for the years ended December 31, 2020, 2019 and 2018. 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.

Approval Requirements and Limits on the Amount and Extent of Related Party Transactions
Material related party transactions (MRPT) refers to any related party transaction/s, either individually, or in aggregate over a twelve (12)-month period with the same related party, amounting to ten percent (10%) or higher of the Group's total consolidated assets based on its latest audited financial statements.

All individual MRPT's shall be approved by at least two-thirds (2/3) vote of the BOD, with at least a majority of the Independent Directors voting to approve the MRPT. In case that a majority of the Independent Directors' vote is not secured, the MRPT may be ratified by the vote of the stockholders representing at least two-thirds (2/3) of the outstanding capital stock.

Aggregate RPT transactions within a 12-month period that meets or breaches the materiality threshold shall require the same BOD approval mentioned above.

25. **Income Tax**

a. Provision for income tax for the years ended December 31 follows:

	2020	2019	2018
Current	**₱1,422,672,062**	₱2,056,973,505	₱1,807,600,901
Deferred	**(489,409,753)**	(497,680,792)	(35,579,353)
	₱933,262,309	₱1,559,292,713	₱1,772,021,548

b. The components of the net deferred tax assets of the Group as of December 31, 2020 and 2019 pertain to the deferred tax effects of the following:

	2020	2019
Tax effects of:		
Items recognized in profit or loss:		
Lease liabilities	**₱683,031,942**	₱532,370,210
MCIT	**243,771,864**	180,183,648
NOLCO	**169,669,840**	57,471,277
Unamortized past service cost	**122,912,830**	106,529,705
Allowance for inventory write-obsolescence	**72,523,249**	8,977,236
Allowance for expected credit losses	**68,750,365**	40,162,454
Deferred revenue	**10,707,744**	14,527,365
Accrued expenses	**1,379,388**	1,446,846
Unrealized foreign exchange - net	**(3,736,010)**	(2,687,617)
Retirement obligation	**(37,393,921)**	(27,664,859)
	1,331,617,291	911,316,265

(Forward)

	2020	2019
Item recognized directly in other comprehensive income:		
Remeasurement loss on retirement obligation	**₱200,161,977**	₱98,176,595
	₱1,531,779,268	₱1,009,492,860

In 2020, the Group recognized previously unrecognized deferred tax assets on MCIT amounting to ₱103.60 million. In addition, deferred tax assets acquired in a business combination affecting profit or loss amounted to ₱56.42 million. Deferred tax assets on deconsolidation of CCC amounted to ₱12.24 million. In 2019, the Group derecognized deferred tax assets amounting to ₱1.25 million related to the retirement obligation of RGBFI.

c. The components of the net deferred tax liabilities of the Group as of December 31, 2020 and 2019 represent deferred tax effects of the following:

	2020	2019
Tax effect of:		
Items recognized in profit or loss:		
Business combination (Note 19)	**₱2,375,668,081**	₱1,921,295,422
Asset revaluation	**28,289,414**	37,979,643
	2,403,957,495	1,959,275,065
Item recognized directly in other comprehensive income:		
Fair value adjustments on investment in an associate	**145,866,866**	106,579,459
	₱2,549,824,361	₱2,065,854,524

d. The Group has the following deductible temporary differences that are available for offset against future taxable income or tax payable for which deferred tax assets have not been recognized:

	2020	2019
Tax effects of:		
MCIT	**₱60,996,225**	₱697,208
NOLCO	**54,021,691**	13,936,252
Allowance for impairment losses	**22,739,980**	22,739,980
Lease liabilities	**9,968,058**	–
Retirement asset	**(2,351,616)**	33,809,451
	₱145,374,338	₱71,182,891

e. On September 30, 2020, the BIR issued Revenue Regulations No. 25-2020 implementing Section 4(bbbb) of "Bayanihan to Recover As One Act" which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over and claimed as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

As of December 31, 2020, RRHI, RDDC, RI, RCSI, RGFBI, RHIB, HPTD, RSSI, RLSI and Super50 has incurred NOLCO before taxable year 2020 which can be claimed as deduction from the regular taxable income for the next three (3) consecutive taxable years, as follows:

Inception Year	Amount	Applied	Expired	Reversals	Balance	Expiry Year
2019	₱213,280,729	₱31,508,157	₱–	₱–	₱181,772,572	2022
2018	3,960,517	–	–	3,544,685	415,832	2021
2017	20,783,849	–	20,783,849	–	–	2020
Total	₱238,025,095	₱31,508,157	₱20,783,849	₱3,544,685	₱182,188,404	

In 2019, RLSI recognized deferred tax assets pertaining to NOLCO amounting to ₱0.42 million which was unrecognized in prior year.

As of December 31, 2020, RRHI, RDSI, RAC, RVC, RCSI, RHIB, HPTD and RPI has incurred NOLCO in taxable year 2020 which can be claimed as deduction from the regular taxable income for the next five (5) consecutive taxable years pursuant to the Bayanihan to Recover As One Act, as follows:

Inception Year	Amount	Applied	Expired	Balance	Expiry Year
2020	₱563,450,033	₱–	₱–	₱563,450,033	2025

f. Details of the Group’s MCIT related to RRHI, RSC, RPI, RVC, RCSI, RHIB, RSSI, RDDC and RPI follow:

Inception Year	Amount	Applied	Expired	Balance	Expiry Year
2020	₱140,798,803	₱–	₱–	₱140,798,803	2023
2019	67,040,246	–	–	67,040,246	2022
2018	96,929,041	–	–	96,929,041	2021
2017	16,911,569	–	16,911,569	–	2020
Total	₱321,679,659	₱–	₱16,911,569	₱304,768,090	

g. The reconciliation of statutory income tax rate to the effective income tax rate follows:

	2020	2019	2018
Statutory income tax rate	**30.00%**	30.00%	30.00%
Add (deduct) tax effects of:			
Nondeductible interest expense	**3.31**	4.92	–
Nondeductible expense	**1.91**	–	0.17
Effect of PFRS 9 and 15 adoption		–	(0.24)
Effect of OSD	–	(0.69)	(0.50)
Nontaxable income subject to final tax	–	(0.70)	(0.82)
Derecognized DTA for NOLCO	**(0.02)**	(1.70)	(0.82)
Dividend income	**(0.19)**	(0.49)	(0.44)
Change in unrecognized deferred tax assets	**(0.20)**	(0.14)	(0.15)
Expired MCIT and NOLCO	**(0.47)**	(0.40)	–
Franchise income	**(0.76)**	(0.22)	–
Interest income subject to final tax	**(5.74)**	(4.99)	(3.88)
Nontaxable income not subject to final tax	**(6.72)**	(0.07)	–
Effective income tax rate	**21.12%**	25.52%	23.32%

On November 26, 2008, the BIR issued Revenue Regulation No. 16-2008 which implemented the provisions of RA No. 9504 on Optional Standard Deduction (OSD). This regulation allowed both individual and corporate taxpayers to use OSD in computing their taxable income. For corporations, they may elect standard deduction in an amount equivalent to 40% of the gross income, as provided by law, in lieu of the itemized allowable deductions. In 2020, 2019 and 2018 certain subsidiaries elected OSD in the computation of its taxable income.

Republic Act No. 11534 otherwise known as the Corporate Recovery and Tax Incentives for Enterprises Act or CREATE

President Rodrigo Duterte signed into law on March 26, 2021 the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act (RA) 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It takes effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.

The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact on the Group:

- Effective July 1, 2020, regular corporate income tax (RCIT) rate is reduced from 30% to 25% for domestic corporations. For domestic corporations with net taxable income not exceeding ₱5 million and with total assets not exceeding ₱100 million (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%.

- Minimum corporate income tax (MCIT) rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.

- Imposition of improperly accumulated earnings tax (IAET) is repealed.

As clarified by the Philippine Financial Reporting Standards Council in its Philippine Interpretations Committee Q&A No. 2020-07, the CREATE Act was not considered substantively enacted as of December 31, 2020 even though some of the provisions have retroactive effect to July 1, 2020. The passage of the CREATE Act into law on March 26, 2021 is considered as a non-adjusting subsequent event. Accordingly, current and deferred taxes as of and for the year ended December 31, 2020 continued to be computed and measured using the applicable income tax rates as of December 31, 2020 (i.e., 30% RCIT / 2% MCIT) for financial reporting purposes.

Applying the provisions of the CREATE Act, the Group would have been subjected to lower regular corporate income tax rate of 25% effective July 1, 2020.

- This will result in lower provision for current income tax for the year ended December 31, 2020 and lower income tax payable as of December 31, 2020, which will be reflected in the Group's 2020 annual income tax return but will only be recognized for financial reporting purposes in its 2021 financial statements. Pending clarification from the tax authorities on how the taxable income for the period beginning July 1, 2020 will be computed, the Group has not quantified the impact of the lower corporate income tax rate on the 2020 current income tax.

- This will result in lower deferred tax assets and liabilities as of December 31, 2020 by ₱40.78 million and ₱0.79 million, respectively, and provision for deferred tax for the year then ended by ₱39.99 million. These reductions will be recognized in the 2021 financial statements.

26. Earnings Per Share

The following table presents information necessary to calculate EPS on net income attributable to equity holders of the Parent Company:

	2020	2019	2018
Net income attributable to equity holders of the Parent Company	**₱3,216,636,348**	₱3,918,623,046	₱5,107,328,539
Weighted average number of common shares	**1,570,606,945**	1,576,489,360	1,400,957,447
Basic and Diluted EPS	**₱2.05**	₱2.49	₱3.65

	2020	2019	2018
No. of shares at the beginning of year	**1,576,489,360**	1,576,489,360	1,385,000,000
Weighted average number of shares issued during the year	**–**	–	15,957,447
Weighted average number of treasury shares	**(5,882,415)**	–	–
Weighted average number of common shares	**1,570,606,945**	1,576,489,360	1,400,957,447

The Parent Company has no dilutive potential common shares in 2020, 2019 and 2018.

27. Risk Management and Financial Instruments

Governance Framework

The primary objective of the Group’s risk and financial management framework is to protect the Group’s shareholders from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. Key management recognizes the critical importance of having efficient and effective risk management systems in place.

The BOD approves the Group’s risk management policies and meets regularly to approve any commercial, regulatory and organizational requirements of such policies. These policies define the Group’s identification of risk and its interpretation, limit structure to ensure the appropriate quality and diversification of assets and specify reporting requirements.

Financial Risk

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

Market Risk

Market risk is the risk of loss to future earnings, to fair value of cash flows of a financial instrument as a result of changes in its price, in turn caused by changes in interest rates, foreign currency exchange rates equity prices and other market factors.

Interest Rate Risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group has minimal interest rate risk because the interest-bearing loans are short-term in nature and bear fixed interest rates.

Price Interest Rate Risk

The Group is exposed to the risks of changes in the value/future cash flows of its financial instruments due to its market risk exposures. The Group's exposure to interest rate risk relates primarily to the Group's financial assets at FVTPL and FVOCI.

The table below shows the impact on income before tax of the estimated future yield of the related market indices of the Group's financial assets at FVTPL and FVOCI using a sensitivity approach.

	Change in Income Before Income Tax	
Reasonably Possible Changes in Interest Rates	**2020**	2019
+100 basis points (bps)	**₱6,232,559**	₱7,091,164
-100 bps	**(6,232,559)**	(7,091,164)

Foreign Currency Risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's principal transactions are carried out in Philippine Peso (₱) but maintain a minimal balance of foreign currency. The Group's currency risk arises mainly from foreign currency-denominated cash and cash equivalents, interest receivable, and financial assets at FVOCI which are denominated in currency other than the Group's functional currency.

The following tables demonstrate the sensitivity to a reasonably possible change in foreign exchange rates, with all variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

	Increase (decrease) in foreign currency rate		**Effect on income before income tax (₱)**	
	2020	2019	**2020**	2019
USD	**+1.25%**	+0.99%	**₱60,663,525**	₱47,902,028
	-1.25%	-0.99%	**(60,663,525)**	(47,902,028)

The Group used foreign exchange rate of ₱48.02:USD1 and ₱50:64:USD1 as of December 31, 2020, and 2019, respectively, in converting its dollar-denominated financial assets to peso.

The sensitivity analyses shown above are based on the assumption that the movements in US dollars will more likely be limited to the upward or downward fluctuation of 1.25% and 0.99% in 2020 and 2019, respectively. The forecasted movements in percentages used were sourced by management from an affiliated bank. These are forecasted movements in the next twelve months.

The foreign currency-denominated financial assets in original currencies and equivalents to the functional and presentation currency in 2020 and 2019 are as follows:

	2020		2019	
	USD	**PHP**	USD	PHP
Cash and cash equivalents	**$2,150,150**	**₱103,256,653**	$4,136,036	₱209,428,183
Receivables	**1,229,498**	**59,044,182**	1,043,879	52,856,813
FVOCI with recycling	**97,371,363**	**4,676,064,965**	90,618,545	4,588,470,026
Total	**$100,751,011**	**₱4,838,365,800**	$95,798,460	₱4,850,755,022

The effect on the Group's income before tax is computed on the carrying value of the Group's foreign currency denominated financial assets and liabilities as at December 31, 2020 and 2019. There is no impact on equity other than those already affecting income before income tax.

Equity Price Risk
The Group's equity price risk exposure at year-end relates to financial assets whose values will fluctuate as a result of changes in market prices, principally, equity securities classified as financial assets at FVOCI in 2020 and 2019.

Quoted equity securities are subject to price risk due to changes in market values of instruments arising either from factors specific to individual instruments or their issuers or factors affecting all instruments traded in the market.

Quoted equity security consists of marketable equity security that is listed and traded on the PSE. The fair market value of the listed shares is based on the quoted market price as of December 31, 2020 and 2019.

The analyses below are performed for reasonably possible movements in the PSE Index with all other variables held constant, showing the impact on equity:

	Change in variable	**Effect on equity-Other comprehensive income**
2020	**+33.54%**	**₱151,915,119**
	-33.54%	**(₱151,915,119)**
2019	+14.70%	₱28,693,491
	-14.70%	(28,693,491)

The sensitivity analyses shown above are based on the assumption that the movement in PSE composite index and other quoted equity securities will be most likely be limited to an upward or downward fluctuation of 33.54% and 14.70% in 2020 and 2019, respectively.

For quoted securities, the Group, used as basis of these assumptions, the annual percentage change in PSE composite index.

The impact of sensitivity of equity prices on the Group's equity already excludes the impact on transactions affecting the consolidated statements of income.

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 Group seeks to manage its liquidity profile to be able to finance its capital expenditures and operations. The Group maintains a level of cash and cash equivalents deemed sufficient to finance operations. As part of its liquidity risk management, the Group regularly evaluates its projected and actual cash flows.

The table below shows the maturity profile of the financial instruments of the Group as of December 31, 2020 and 2019 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, 2020

	On Demand	One (1) year	More than One (1) year	Total
Financial Assets				
Amortized cost				
Cash and cash equivalents	**₱21,338,418,561**	**₱–**	**₱–**	**₱21,338,418,561**
Trade receivables	**29,088,209**	**2,394,469,801**	–	**2,423,558,010**
Nontrade receivables	–	**710,519,575**	–	**710,519,575**
Due from franchisees	–	**39,106,088**	–	**39,106,088**
Other noncurrent assets:				
Security and other deposits	–	–	**2,199,111,643**	**2,199,111,643**
Construction bonds	–	–	**65,579,632**	**65,579,632**
FVOCI	–	–	**13,931,757,447**	**13,931,757,447**
	₱21,367,506,770	**₱3,144,095,464**	**₱16,196,448,722**	**₱40,708,050,956**
Financial Liabilities				
Other financial liabilities				
Trade and other payables*	**₱–**	**₱22,794,728,769**	**₱–**	**₱22,794,728,769**
Short-term loans payable	–	**9,584,000,000**	–	**9,584,000,000**
Lease liabilities	–	**2,714,936,166**	**24,612,504,568**	**27,327,440,734**
Other current liabilities	–	**255,281,634**	–	**255,281,634**
	₱–	**₱35,348,946,569**	**₱24,612,504,568**	**₱59,961,451,137**

**Excluding statutory liabilities amounting ₱568,435,460.*

December 31, 2019

	On Demand	One (1) year	More than One (1) year	Total
Financial Assets				
Amortized cost				
Cash and cash equivalents	₱20,292,913,953	₱–	₱–	₱20,292,913,953
Trade receivables	79,335,269	2,381,289,112	–	2,460,624,381
Nontrade receivables	–	874,803,571	–	874,803,571
Due from franchisees	–	609,368,201	–	609,368,201
Other noncurrent assets:				
Security and other deposits	–	–	2,479,555,628	2,479,555,628
Construction bonds	–	–	35,535,709	35,535,709
FVOCI	–	–	14,756,805,821	14,756,805,821
FVTPL	–	100,547,120	–	100,547,120
	₱20,372,249,222	₱3,966,008,004	₱17,271,897,158	₱41,610,154,384
Financial Liabilities				
Other financial liabilities				
Trade and other payables*	₱–	₱24,326,887,881	₱–	₱24,326,887,881
Short-term loans payable	–	4,634,000,000	–	4,634,000,000
Lease liabilities	–	4,569,408,586	38,556,862,394	43,126,270,980
Other current liabilities	–	267,245,302	–	267,245,302
	₱–	₱31,391,868,707	₱38,556,862,394	₱72,354,404,163

**Excluding statutory liabilities amounting ₱775,105,311.*

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 Group's trade and other receivables are actively monitored by the Collection Services Department to avoid significant concentrations of credit risk.

The Group has adopted a no-business policy with customers lacking an appropriate credit history where credit records are available.

The Group manages the level of credit risk it accepts through a comprehensive credit risk policy setting out the assessment and determination of what constitutes credit risk for the Group. The Group's policies include the following: setting up of exposure limits by each counterparty or group of counterparties; right of offset where counterparties are both debtors and creditors; 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 Group's maximum exposure in financial assets (excluding cash on hand amounting to ₱1.31 billion and ₱1.47 billion in 2020 and 2019, respectively) are equal to their carrying amounts. This was determined based on the nature of the counterparty and the Group's experience.

Credit Quality
The Group maintains internal credit rating system. Neither past due nor impaired financial assets are graded as either "A" or "B" based on the following criteria:

- Grade A are accounts considered to be of high value. The counterparties have a very remote likelihood of default and have consistently exhibited good paying habits.
- Grade B are active accounts with minimal to regular instances of payment default, due to collection issues. These accounts are typically not impaired as the counterparties generally respond to the Group's collection efforts and update their payments accordingly.

Cash in banks and cash equivalents are short-term placements and working cash fund placed, invested or deposited in reputable foreign and local banks in the Philippines. These financial assets are classified as Grade A due to the counterparties' low probability of insolvency.

Receivables and due from franchisees are Grade A because they are from related parties, employees and accredited customers who are highly reputable, progressive and consistently pay their accounts.

Security and other deposits and construction bond are Grade A since these were paid to creditworthy third parties.

Financial assets at FVOCI and FVTPL are Grade A because these are securities placed in entities with good favorable credit standing.

The Group's financial assets considered as neither past due nor impaired amounting to ₱39.37 billion and ₱39.96 billion as of December 31, 2020 and 2019, respectively are all graded "A" based on the Group's assessment.

The tables below show the aging analysis of financial assets classified as amortized cost and FVOCI as of December 31, 2020 and 2019.

2020

	Neither past due nor impaired	**Past due but not impaired**	**Impaired Financial Assets**	**Total**
Financial Assets				
Amortized cost				
Cash and cash equivalents (excluding cash on hand)	**₱20,028,069,048**	**₱–**	**₱–**	**₱20,028,069,048**
Trade receivables	**2,394,469,801**	**–**	**29,088,209**	**2,423,558,010**
Nontrade receivables	**710,519,575**	**–**	**–**	**710,519,575**
Due from franchisees	**39,106,088**	**–**	**–**	**39,106,088**
Other noncurrent assets:				
Security and other deposits	**2,199,111,643**	**–**	**–**	**2,199,111,643**
Construction bond	**65,579,632**	**–**	**–**	**65,579,632**
FVOCI	**13,931,757,447**	**–**	**–**	**13,931,757,447**
	₱39,368,613,234	**₱–**	**₱29,088,209**	**₱39,397,701,443**

2019

	Neither past due nor impaired	Past due but not impaired	Impaired Financial Assets	Total
Financial Assets				
Amortized cost				
Cash and cash equivalents (excluding cash on hand)	₱18,825,510,649	₱–	₱–	₱18,825,510,649
Trade receivables	2,381,289,112	–	79,335,269	2,460,624,381
Nontrade receivables	874,803,571	–	–	874,803,571
Due from franchisees	609,368,201	–	–	609,368,201
Other noncurrent assets:				
Security and other deposits	2,479,555,628	–	–	2,479,555,628
Construction bond	35,535,709	–	–	35,535,709
FVOCI	14,756,805,821	–	–	14,756,805,821
	₱39,962,868,691	₱–	₱79,335,269	₱40,042,203,960

Impairment of Financial Assets. The Company has the following financial assets that are subject to the expected credit loss model under PFRS 9:

- Cash and cash equivalents;
- Trade receivables;
- Debt securities at FVOCI; and
- Other debt instruments carried at amortized cost

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

Cash and Cash Equivalents and Debt Securities at FVOCI. Credit risk from balances with banks and financial institutions is managed by the Group's treasury department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. The Group invests only on quoted debt securities with very low credit risk. The Group's debt instruments at FVOCI comprised solely of quoted bonds that are have a minimum BBB- credit rating by S&P Global Ratings and, therefore, are considered to be low credit risk investments. The Group recognized recoveries of (provision for) expected credit losses on its debt instruments at FVOCI amounting to ₱5.23 million and ₱6.96 million in 2020 and 2019, respectively (Note 11).

Trade Receivables. The Group applies the PFRS 9 simplified approach in measuring ECL which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The ECL on trade 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 (Note 8).

A summary of Group exposure to credit risk under general and general approach as of December 31, 2020 and 2019 follows:

2020

	General Approach			Simplified
	Stage 1	Stage 2	Stage 3	Approach
Amortized cost				
Cash and cash equivalents	₱20,028,069,048	₱–	₱–	₱–
Trade receivables	–	–	–	2,423,558,010
Due from franchisees	–	–	–	39,106,088
Nontrade receivables	710,519,575	–	–	–
Security and other deposits	2,264,691,275	–	–	–
FVOCI	13,931,757,447	–	–	–
Total gross carrying amounts	36,935,037,345	–	–	2,462,664,098
Less allowance	5,227,772	–	–	29,088,209
	₱36,929,809,573	₱–	₱–	₱2,433,575,889

2019

	General Approach			Simplified
	Stage 1	Stage 2	Stage 3	Approach
Amortized cost				
Cash and cash equivalents	₱18,825,510,649	₱–	₱–	₱–
Trade receivables	–	–	–	2,460,624,381
Due from franchisees	–	–	–	609,368,201
Nontrade receivables	874,803,571	–	–	–
Security and other deposits	2,515,091,337	–	–	–
FVOCI	14,756,805,821	–	–	–
Total gross carrying amounts	36,972,211,378	–	–	3,069,992,582
Less allowance	6,957,722	–	–	79,335,269
	₱36,965,253,656	₱–	₱–	₱2,990,657,313

In 2020 and 2019, there were no movements between stage 1, 2 and 3.

Fair Values of Financial Assets and Liabilities

The methods and assumptions used by the Group in estimating the fair value of financial asset and other financial liabilities are:

- Due to the short-term nature of the transaction, the fair value of cash and cash equivalents and trade and other receivables approximates the carrying values at year-end.

- Security and other deposits and construction bond are presented at cost since the timing and amounts of future cash flows related to the refundable deposits are linked to the termination of the contract which cannot be reasonably and reliably estimated.

- Debt and equity instrument financial assets amounting to ₱13.93 billion and ₱14.86 billion as at December 31, 2020 and 2019, respectively were carried at fair values. Investments in bonds and quoted equity securities are derived from quoted market prices in active markets.
- Due to the short-term nature of trade and other payables, short-term loans payable and other current liabilities, their carrying values approximate fair values.

- Due to the long-term nature of lease contracts, lease payments are discounted using an incremental borrowing rate to approximate the fair value of lease liablities.

In 2020 and 2019, the Company's financial assets measured at fair value are categorized within the Level 1 fair value hierarchy.

28. Lease Commitments

Group as Lessee (Effective Beginning January 1, 2019)
The Group has lease contracts for various land and building wherein the offices, stores and warehouses are located and built. Lease terms are generally between one (1) year up to thirty (30) years. Most lease are renewable at certain agreed terms and conditions. The monthly fees are based on fixed rate subject to 2%-5% escalation rate or percentage of sales, whichever is higher.

Set out below are the carrying amounts of right-of-use assets recognized and the movements for the years ended December 31, 2020 and 2019 as follows:

	2020	2019
Beginning balance	**₱26,317,960,761**	₱28,188,970,775
Net additions during the year	**1,961,959,381**	1,933,057,843
Additions from business combination (Note 19)	**685,580,674**	–
Amortization of ROU assets (Note 21)	**(3,927,201,427)**	(3,804,067,857)
	₱25,038,299,389	₱26,317,960,761

Set out below are the carrying amounts of lease liabilities and the movements for the years ended December 31, 2020 and 2019 as follows:

	2020	2019
Beginning balance (Note 30)	**₱28,052,771,073**	₱28,284,869,213
Accretion of interest expense	**2,179,822,833**	2,277,816,116
Net additions during the year (Note 30)	**1,077,519,013**	1,932,222,117
Additions from business combination (Note 19)	**780,263,614**	–
Deconsolidation of a subsidiary (Note 19)	**(42,260,296)**	–
COVID-19 rent concessions	**(786,074,188)**	–
Lease payments	**(3,934,601,315)**	(4,442,136,373)
	27,327,440,734	28,052,771,073
Less current portion of lease liabilities	**2,714,936,166**	2,163,735,524
Noncurrent portion of lease liabilities	**₱24,612,504,568**	₱25,889,035,549

In 2020, the Group derecognized ROU assets and lease liabilities amounting to ₱6.41 billion and ₱7.34 billion, respectively.

The following are the amounts recognized in profit or loss for the years ended December 31, 2019 and 2020 as follows:

	2020	2019
Amortization of ROU assets (Note 21)	**₱3,927,201,427**	₱3,804,067,857
Interest expense on lease liabilities	**2,179,822,833**	2,277,816,116
Expenses relating to short-term leases and variable lease payments, net of negative variable lease (Note 21)	**889,996,049**	3,469,829,538
	₱6,997,020,309	₱9,551,713,511

Shown below is the maturity analysis of the undiscounted lease payments as of December 31, 2020 and 2019:

	2020	2019
Within one (1) year	**₱4,362,004,444**	₱4,569,408,586
After one (1) year but not more than five (5) years	**16,814,827,322**	17,979,615,424
More than five (5) years	**15,464,062,934**	20,577,246,970
	₱36,640,894,700	₱43,126,270,980

The Company's additions to ROU assets and lease liabilities as of January 1, 2019 are considered non-cash activities.

Rental expense in 2018 amounted to ₱6.26 billion, respectively (Notes 21 and 24).

Group as a Lessor
The Group has entered into operating leases on its building. Income from these leases is included in the "Royalty, Rent and Other Revenue" account in the consolidated statements of comprehensive income (Note 29).

There are no contingent rental income and expense under these operating leases both as lessee and lessor.

29. Agreements

a) The Group has exclusive right to use the Ministop System in the Philippines which was granted to the Group by Ministop Co. Ltd., a corporation organized in Japan. In accordance with the franchise agreement, the Group agrees to pay, among others, royalties to Ministop based on a certain percentage of gross profit.

   Royalty expense amounted to ₱55.37 million, ₱87.96 million and ₱82.17 million in 2020, 2019 and 2018, respectively (Note 21). Royalty payable to Ministop included under "Other current liabilities" as of December 31, 2020 and 2019 amounted to ₱40.75 million and ₱7.43 million, respectively (Note 16).

b) The Group has franchise agreements which mainly include providing store facilities and equipment to franchisees. Other services rendered by Ministop consist of providing personnel and utilities. The lease/royalty fee is based on a certain percentage of the gross profit of the lessee/franchisee. The related royalty income amounted to ₱916.24 million, ₱1.84 billion and ₱1.88 billion in 2020, 2019 and 2018, respectively.

As of December 31, 2020 and 2019, amounts due from franchisees amounted to ₱39.11 million and ₱609.37 million, respectively. No provision for impairment losses on due from franchisees was recognized in 2020, 2019 and 2018 (Note 8).

c) The Group obtained a license to use the Daiso Business Model in the Philippines that was granted to the Group by Daiso Industries Co., Ltd. (DICL) in Japan. In accordance with the license agreement, the Group agrees to pay, among others, royalties to DICL based on a certain percentage of monthly net sales.

   Royalty expenses amounted to ₱8.03 million, ₱11.42 million and ₱10.11 million in 2020, 2019 and 2018, respectively.

d.) The Group is a sub-licensee of Toys R Us in the Philippines. The royalty fee is based on fixed percentage of gross monthly sales of sub-licensee. Royalty expense amounted to ₱46.94 million, ₱93.52 million and ₱89.78 million in 2020, 2019 and 2018, respectively.

e.) On April 25, 2019, Emart Inc., granted the Group, an exclusive and non-transferrable right to carry on the “NO BRAND” business in the Philippines. The Group pays royalty fee amounting to ₱139,868 for 2019 representing 0.5% of the net revenue arising from sale of “NO BRAND” products and EMART sourced products in the Philippines.

f.) In 2019, the Group paid royalty fee in the amount of ₱15.70 million. This represents 0.5% royalty fee on net sales for the use of “Rustan’s” trademarks. The royalty fee is payable to a third party.

g.) The Group has other licenses and franchises to carry various global brands.

30. Changes in Liabilities Arising from Financing Activities

2020

	January 1, 2020	Net Cash Flows	Dividend Declaration	Others	December 31, 2020
Lease liabilities	₱28,052,771,073	(₱3,934,601,315)	₱–	₱3,209,270,976	₱27,327,440,734
Short-term loans payable	4,634,000,000	4,950,000,000	–	–	9,584,000,000
Dividends payable	39,173,881	(1,920,805,654)	1,881,631,773	–	–
Total liabilities from financing activities	₱32,725,944,954	(₱905,406,969)	₱1,881,631,773	₱3,209,270,976	₱36,911,440,734

2019

	January 1, 2019	Net Cash Flows	Dividend Declaration	Others	December 31, 2019
Lease liabilities	₱28,284,869,213	(4,442,136,373)	₱–	₱4,210,038,233	₱28,052,771,073
Short-term loans payable	6,794,000,000	(2,160,000,000)	–	–	4,634,000,000
Dividends payable	11,666,662	(1,456,975,501)	1,484,482,720	–	39,173,881
Total liabilities from financing activities	₱35,090,535,875	(₱8,059,111,874)	₱1,484,482,720	₱4,210,038,233	₱32,725,944,954

In 2020, others include new leases of the Group and accretion of interest expense on lease liabilities amounted to ₱1.08 billion and ₱2.18 billion, respectively.

In 2019, others include new leases of the Group and accretion of interest expense on lease liabilities amounted to ₱1.93 billion and ₱2.28 billion, respectively.

Interest paid in 2020, 2019 and 2018 amounted to ₱146.43 million, ₱300.68 million and ₱159.07 million, respectively.

31. Contingencies

The Group has various contingent liabilities from legal cases arising from the ordinary course of business which are either pending decision by courts or are currently being contested by the Group, the outcome of which are not presently determinable.

In the opinion of the management and its legal counsel, the eventual liability under these lawsuits or claims, if any, will not have material adverse effect in the Group's financial position and results of operations.

32. Other Matters

Events After Reporting Period

a. On February 26, 2021, the BOD of the Parent Company approved the execution of a joint venture agreement for the establishment of a joint venture company (JVC) in the Philippines which will operate a digital bank in the country, subject to approval of the Bangko Sentral ng Pilipinas and the investment of up to 20% of the share capital and voting rights of the JVC.

b. On February 26, 2021, the BOD of RRHI agreed to extend the share buyback program for an additional amount of ₱2.0 billion to improve shareholder value. This will be on top of the ₱2.0 billion share buyback approved on March 9, 2020.

   The program will be implemented in the open market through the trading facilities of the PSE and will be supervised by the President and Chief Executive Officer and Chief Financial Officer, as authorized by the BOD.

COVID-19 Impact
On March 11, 2020, the World Health Organization has declared the novel coronavirus (COVID-19) outbreak a global pandemic. In the Philippines, in a move to contain the COVID-19 pandemic, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed an enhanced community quarantine throughout the island of Luzon until May 15, 2020. Subsequently, as a measure to limit the spread of COVID-19 in the Philippines, lockdowns officially characterized as "community quarantines" by the government, of varying strictness were imposed in numerous parts of the country. The whole Metro Manila will be under general community quarantine until April 4, 2021.

These measures created significant volatility across the business of the Group. The sales from supermarket segment rose with customers shopping less frequently but with bigger baskets given COVID-19 related movement restrictions and customer behavioral changes. Sales from drugstore segment also rose because of the demand for health and sanitation products. Other business segments show decline in sales especially in the second quarter of 2020 because of different quarantine and mobility restrictions resulting to lower foot traffic in malls where significant number of the stores are located. Also, there are additional costs incurred due to additional team hours to support the safety of team members and customers, additional costs associated with cleaning, security and personal protective equipment and incremental supply chain costs to meet increased demand.

The scale and duration of these developments remain uncertain as of the report date. Considering the evolving nature of the pandemic, the Group will continue to monitor the situation.

33. Approval of the Consolidated Financial Statements

The accompanying consolidated financial statements were approved and authorized for issue by the BOD on March 29, 2021.