COVER SHEET

4 4 8 5 2

D & L INDUSTRIES INC

(Company's Full Name)

65 INDUSTRIA ST BAGUMBAYAN

QUEZON CITY

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

KRISTINE ANN CATINDIG-ONG
Contact Person

8635-0680
Company Telephone Number

1	2		3	1

Month Day
Fiscal Year

SEC Form Form 20-IS Definitive Information Statement
FORM TYPE

0	6		0	3

Month Day
Annual Meeting

Secondary License Type, if Applicable

C F D
Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

203
Total No. of Stockholders

P 15,477,823,713
Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

D&L

NOTICE OF ANNUAL STOCKHOLDERS' MEETING

Notice is hereby given that the Annual Stockholders Meeting of D&L INDUSTRIES, INC. will be held virtually on Monday, 03 June 2024 at 9:00 o'clock in the morning. The meeting and log-in credentials will be sent to the stockholders via email upon registration (guidelines in Annex "A"), The Agenda is as follows:

1. Call to Order
2. Certification of Notice and determination of Quorum
3. Approval of Minutes of Previous Meeting
4. Approval of Annual Report for the year ended December 31, 2023
5. Approval of the Renewal of the Management Agreements between the Company and its subsidiaries and affiliates
6. Election of Auditors
7. Election of Directors
8. Ratification of all acts of the Board of Directors and officers beginning 06 June 2023 to date
9. Consideration of such other business as may properly come before the meeting
10. Adjournment

Only stockholders of record as at the close of business on 10 May 2024 are entitled to notice, and to vote at the meeting. The Stock and Transfer Books of the Corporation will be closed from 10 May 2024 to 03 June 2024.

Pursuant to a resolution of the Board during its meeting on February 28, 2024, the meeting will be held virtually and stockholders may only attend by remote communication. Stockholders who wish to participate in the virtual meeting must register online at this link – https://shareholder.dnl.com.ph/ on or before 24 May 2024. Guidelines for registration, participation and voting are in Annex "A". Stockholders may attend the virtual meeting in person or through your authorized representative with the execution of a proxy. Deadline for submission of proxies is on 24 May 2024. The proxy form is enclosed and stockholder may accomplish and submit the proxy form by uploading the same during online registration at the above link. Please note that the Corporation is not soliciting proxies.

Further, a stockholder may vote in *absentia* and in case the stockholder is unable to join or send a representative. Stockholders voting in *absentia* shall be considered present for purposes of determining quorum. Stockholders who wish to vote in *absentia* shall likewise register online at this link – https://shareholder.dnl.com.ph on or before 24 May 2024. Subject to registration and validation procedures, stockholders who registered to vote in *absentia* may cast their votes by the form included in this notice and uploading the same during the online registration at the above link.

A video and audio recording of the meeting will be taken in accordance with the requirements of the Securities and Exchange Commission.

Stockholders may submit written nominations for directors to the Corporate Secretary by mail or email at the addresses mentioned above not later than 6 May 2024. All nominations shall be in writing duly signed by the nominating stockholders or their duly authorized (in writing) representatives, with the written acceptance of the nominee. The nomination form is attached herewith. A copy of a valid government-issued identification card with photo of the nominee shall likewise be enclosed. All nominees for Directors and Independent Directors shall possess the qualifications and none of the disqualifications prescribed by law and the Corporation's policies. If a nominee for Independent Director, the nominee shall likewise submit a duly accomplished Certificate of Qualification in the form prescribed by the Securities and Exchange Commission in its Memorandum Circular No. 5, Series of 2017 dated March 7, 2017.

Electronic copies of the Information Statement, Management Report, SEC Form 17A and other pertinent documents are available on the Company's website (www.dnl.com.ph) and on PSE Edge (www.edge.pse.com.ph).

Thank you.

[redacted]

KRISTINE ANN C. CATINDIG-ONG
Corporate Secretary

EXPLANATION OF AGENDA ITEMS FOR STOCKHOLDERS' APPROVAL

Approval of minutes of previous meeting

A copy of the minutes of the meeting held on 05 June 2023 are available at the company website, www.dnl.com.ph.

Remarks: A resolution on this agenda item must be approved with the majority of the votes of the stockholders present and eligible to vote.

Annual report

The financial statements as of 31 December 2023 (FS) will be presented for approval by the stockholders. Prior thereto, the President and CEO, Mr. Alvin D. Lao, will deliver a report to the stockholders on the performance of the company in 2023 and the outlook for 2024. The FS is included in the Information Statement posted on the company's website - www.dnl.com.ph.

Remarks: A resolution on this agenda item must be approved with the majority of the votes of the stockholders present and eligible to vote.

Renewal of Management Agreements

Approval and ratification by the stockholders of the renewal of the Management Agreements between the Company and its subsidiaries and affiliates, namely: Aero-Pack Industries, Inc., Chemrez Product Solutions, Inc., Chemrez Technologies, Inc., First in Colours, Incorporated, Oleo-Fats, Incorporated, Consumer Care Products, Incorporated, FIC Marketing, Inc., FIC Tankers Corporation, LBL Prime Properties Incorporated. Under the said agreements, the Company will continue to render management services for the said subsidiaries and affiliates for another five (5) years after expiration of the last term.

Remarks: A resolution on this agenda item must be approved with the majority of the votes of the stockholders present and eligible to vote.

Election of auditors

The appointment of the external auditor, Isla Lipana and Co., for the ensuing year will be endorsed to the stockholders. The profile of the external auditor is provided in the Information Statement and in the company website for examination by the stockholders.

Remarks: A resolution on this agenda item must be approved with the majority of the votes of the stockholders present and eligible to vote.

Election of directors

In accordance with the By-laws, the Corporate Governance Manual, and SEC rules, any stockholder, including minority stockholders, may submit to the Corporate Secretary nominations to the Board by 6 May 2024. The Corporate Governance Committee, performing the functions of the Nomination Committee, will determine whether the nominees for directors, including the nominees for independent directors, have all the qualifications and none of the disqualifications to serve as members of the Board before submitting the nominees for election by the stockholders. The profiles of the nominees to the Board is provided in the Information Statement and in the company website for examination by the stockholders.

Remarks: The directors are elected by plurality of votes using the cumulative voting method. The tally of votes will be reflected in the minutes of the meeting.

Ratification of all acts of the Board of Directors and officers beginning June 06, 2023 to date

The matters acted upon or approved by the Board of Directors, its Committees, and Management include –
(i) constitution of board committees and appointment of chairmen and members and lead independent director;
(ii) appointment of officers;
(iii) appointment of authorized representatives and signatories;
(iv) ratification of the actions of the board committees;
(v) approval of contracts, agreements transaction made in the ordinary course of business;
(vi) treasury matters; and
(vii) acts and resolutions covered by disclosures to the Securities and Exchange Commission and Philippine Stock Exchange.

Remarks: A resolution on this agenda item must be approved with the majority of the votes of the stockholders present and eligible to vote.

Consideration of such other business as may properly come before the meeting

The Chairman will open the floor for comments and questions by the stockholders. Stockholders may also propose to consider such other relevant matters or issues.

PROXY

KNOW ALL MEN BY THESE PRESENTS:

The undersigned, stockholder of **D & L INDUSTRIES, INC.,** do hereby constitute and appoint ____________________ as my attorney-in-fact and proxy, to attend and represent me at the Annual Stockholders Meeting of D & L Industries, Inc. on **03 June 2024,** and thereat to vote upon ________________________ shares of stock owned by me on the following agenda items as I have indicated below and any and all business that may come before said meeting. If I fail to indicate my vote on the items specified below, my proxy shall vote in accordance with the recommendation of Management. Management recommends a "FOR ALL" vote for proposal 7, and a "FOR" vote for proposals 3, 4, 5, 6 and 8.

ITEM NO.	**SUBJECT MATTER**	**ACTION**		
		For	**Against**	**Abstain**
3	• Approval of Minutes of Previous Meeting			
4	• Approval of Annual Report			
5	• Approval of the Renewal of the Management Agreements between the Company and its subsidiaries and affiliates			
6	• Appointment of Isla Lipana & Co. as External Auditor			
7	• Election of Directors	**FOR ALL***	**WITHHOLD FOR ALL***	**EXCEPTION**
	*All nominees listed below 1. Mercedita S. Nolledo – Independent (Ind) 2. Corazon S. de la Paz-Bernardo – Ind. 3. Lydia R. Balatbat-Echauz – Ind. 4. Karl Kendrick T. Chua – Ind. 5. Yin Yong L. Lao 6. John L. Lao 7. Alvin D. Lao *Note:* *To withhold authority to vote for any individual nominee(s) of Management, please mark Exception box and list the name(s) under.*			
8	• Ratification of all acts of the Board of Directors and officers beginning 06 June 2023 to date			

In the absence of my proxy, this authority is hereby conferred upon the Presiding Officer of the meeting, provided that this proxy shall stand suspended where I am personally present thereat.

This proxy revokes and supersedes all previous proxies executed by me, and the power and authority herein granted shall be valid for said Stockholders Meeting and Adjournments thereof, unless earlier withdrawn by me with written notice filed with the Corporate Secretary of D&L Industries, Inc.

IN WITNESS WHEREOF, the undersigned has executed this PROXY this _____ of ___________ 2024 in ____________________.

____

Name and Signature of Stockholder/Authorized Representative

Witnessesed by: ________________________ ___________________________

VOTING IN *ABSENTIA*

NAME OF STOCKHOLDER : ______________________________

NUMBER OF SHARES : ______________________________

TELEPHONE NUMBER : ______________________________

ADDRESS : ______________________________

ITEM NO.	SUBJECT MATTER	ACTION		
		For	**Against**	**Abstain**
3	• Approval of Minutes of Previous Meeting			
4	• Approval of Annual Report			
5	• Approval of the Renewal of the Management Agreements between the Company and its subsidiaries and affiliates			
6	• Appointment of Isla Lipana & Co. as External Auditor			
7	• Election of Directors	**FOR ALL***	**WITHHOLD FOR ALL***	**EXCEPTION**
	*All nominees listed below 1. Mercedita S. Nolledo – Independent (Ind) 2. Corazon S. de la Paz-Bernardo – Ind. 3. Lydia R. Balatbat-Echauz – Ind. 4. Karl Kendrick T. Chua – Ind. 5. Yin Yong L. Lao 6. John L. Lao 7. Alvin D. Lao *Note:* *To withhold authority to vote for any individual nominee(s) of Management, please mark Exception box and list the name(s) under.*			
8	• Ratification of all acts of the Board of Directors and officers beginning 06 June 2023 to date			

If I fail to indicate my vote on the foregoing items, it is understood that I shall be considered to have voted in accordance with the recommendation of Management. Management recommends a “FOR ALL” vote for proposal 7, and a “FOR” vote for proposals 3, 4, 5, 6 and 8.

____
Signature over Printed Name of Stockholder

NOMINATION FORM

Please check proper box

______ Nominee for Independent Director (Note: Please submit Certificate of Qualification)
______ Not Nominee for Independent Director

____
Name of Nominee

Citizenship: __________________ Age: ________ Date of Birth: __________________

Place of Birth: ____________________ Name of Spouse: __________________

Residential
Address: ________________________ Tel. No.: __________ Cell. No.: ________________

Office
Address: ________________________ Tel. No.: __________ Cell. No.: ________________

Educational Background/Attainment:	
Work and/or Business Experience:	
Stockholdings (indicate direct and indirect shares)	

Name of Nominator-Stockholder or Authorized Representative: ________________________________

Relation of Nominee and Nominator: __________________________

Conformity and acceptance:

______________________________ ______________________________
Nominee Nominator

____
Date

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT
of
D&L INDUSTRIES, INC.

PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:

   [ ] Preliminary Information Statement

   [/] Definitive Information Statement

2. Name of Registrant as specified in its charter **D&L INDUSTRIES, INC.**

3. **Metro Manila, Philippines**
   Province, country or other jurisdiction of incorporation or organization

4. SEC Identification Number **44852**

5. BIR Tax Identification Code **000-421-957-000**

6. **65 Calle Industria, Bagumbayan, Quezon City** **1110**
   Address of principal office Postal Code

7. Registrant's telephone number, including area code **(02) 8635-0680**

8. Date, time and place of the meeting of security holders

   Date : June 3, 2024
   Time : 9:00 AM
   Place : Virtual Meeting; Via remote communication in accordance with SEC rules and Company's By-Laws; Meeting link and log-in credentials to be sent to the stockholder via email upon successful registration

9. Approximate date on which the Information Statement is first to be sent or given to security holders

   Not later than May 13, 2024 (Note: Per SEC's Notice posted on its website on February 23, 2024, the Company is permitted to make available this Information Statement on the company website and PSE Edge in lieu of physical distribution.)

10. ***<u>In case of Proxy Solicitations:</u>***

   Name of Person Filing the Statement/Solicitor: N/A
   Address and Telephone No.: N/A

11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class: **Common Stock, P1 par value**
No. of Shares of Common Stock Issued and Outstanding: **7,142,857,990 Shares***

**Reported by stock transfer agent as of March 31, 2024*

Amount of Debt Outstanding: P15,495,763,898 (as of March 31, 2024)

12. Are any or all of the registrant's securities listed in a Stock Exchange?

Yes _/_ No _____

If yes, disclose the name of such Stock Exchange and the class of securities listed therein:

A total of 7,142,857,990 common shares are listed in the Philippine Stock Exchange.

INFORMATION REQUIRED IN INFORMATION STATEMENT

A. GENERAL INFORMATION

Item 1. *Date, time, and place of meeting of security holders*

(a) The annual stockholders' meeting of D&L Industries, Inc. will be held on:

Date : June 3, 2024
Time : 9:00 a.m.
Place : Virtual Meeting; Via remote communication in accordance with SEC rules and Company's By-Laws; Meeting link and log-in credentials to be sent to the stockholder via email upon successful registration

The complete mailing address of the principal office of the registrant is:

#65 Calle Industria
Bagumbayan
Quezon City, Metro Manila.

(b) Approximate date when the Information Statement is first to be sent to security holders: not later than **May 13, 2024**

Item 2. *Dissenters' Right of Appraisal*

A stockholder has a right to dissent and demand payment of the fair value of his share: (i) in case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholders or class of shares or of authorizing preferences over the outstanding shares or extending or shortening the term of corporate existence; (ii) in case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets; (iii) in case of merger or consolidation, and (iv) in case of investment of corporate funds for any purpose other than the primary purpose of the corporation.

The appraisal right may be exercised by a stockholder who has voted against the proposed corporate action, by making a written demand to the Company within thirty (30) days after the date on which the vote was taken for the payment of the fair market value of his shares.

There are no matters or proposed actions as specified in the attached Notice of Annual Meeting that may give rise to a possible exercise by shareholders of their appraisal rights or similar right as provided in the Title X of the Revised Corporation Code of the Philippines.

Item 3. *Interest of Certain Persons in or Opposition to Matters to be Acted Upon*

(a) No director, nominee for election as director, associate of the nominee or executive officer of the Company at any time since the beginning of the last fiscal year has had any substantial interest, direct or indirect, by security holdings or otherwise, in any of the matters to be acted upon in the meeting, other than election to office.

(b) None of the incumbent directors has informed the Company in writing of an intention to oppose any action to be taken by the Company at the meeting.

B. CONTROL AND COMPENSATION INFORMATION

Item 4. *Voting Securities and Principal Holders Thereof*

(a) Number of Shares Outstanding as of March 31, 2024: 7,142,857,990 common shares

Number of Votes entitled: One (1) vote per share

(b) All stockholders of record at the close of business on May 10, 2024 are entitled to notice and to vote at the Annual Stockholders' Meeting.

(c) In case of election of directors, each stockholder may vote such number of shares for as many persons as there are directors or he may cumulate said shares and give one nominee as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many nominees as he shall see fit, provided that the whole number of votes cast by him shall not exceed the number of shares owned by him multiplied by the whole number of directors to be elected.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

(1) <u>Security Ownership of Certain Record and Beneficial Owners</u>

As of March 31, 2024, the beneficial owners of more than five (5) percent of any class of the Company's voting securities are as follows:

Title of Class	***Name, address of record owner and relationship with issuer***	***Name of Beneficial Owner & Relationship w/ Record Owner***	***Citizenship***	***No. of Shares Held***	***Percent (1)***
Common	Jadel Holdings Co., Inc. (2) 65 Calle Industria, Bagumbayan, Quezon City Stockholders	n/a	Filipino	3,930,114,072	55.02%
Common	PCD Nominee Corp (Non-Filipino) G/F Makati Stock Exchange, Ayala Avenue, Makati City	Standard Chartered Bank	Foreign	558,053,895	7.81%

Note: (1) Percentage is based on total number of shares issued – 7,142,857,990
(2) Figures are based on the report rendered by the stock transfer agent; Jadel Holdings has yet to decide on who will vote the shares and what voting mode it will exercise

(2) *Security Ownership of Management*

The following table shows the security ownership of the Company's senior management as of March 31, 2024:

Title of Class	Name of Beneficial Owner	Position	Amount and Nature of Beneficial Ownership (1) - Balance as of 12/31/2023	Total Acquisition and Disposal as of March 31, 2024		Amount and Nature of Beneficial Ownership (1) - Balance as of 3/31/2024		Citizenship	% to Total Outstanding
Common	Dean L. Lao	Chairman Emeritus	1,081,600	0		1,081,600	(D)	Filipino	0.02%
			42,060	0		42,060	(I)		0.00%
Common	Leon L. Lao	Member, Advisory Board	100,000	0		100,000	(D)	Filipino	0.00%
			1,910,493	0		1,910,493	(I)		0.03%
Common	Alex L. Lao	Member, Advisory Board	33,706,338	0		33,706,338	(D)	Filipino	0.47%
			8,579,362	0		8,579,362	(I)		0.12%
Common	Yin Yong L. Lao	Chairman	5,000	0		5,000	(D)	Filipino	0.00%
			19,090,188	0		19,090,188	(I)		0.27%
Common	John L. Lao	Vice Chairman	60,797,202	0		60,797,202	(D)	Filipino	0.85%
			9,560,185	0		9,560,185	(I)		0.13%
Common	Mercedita S. Nolledo	Independent Director	700,000	0		700,000	(D)	Filipino	0.01%
Common	Corazon S. de la Paz-Bernardo	Independent Director	100	0		100	(D)	Filipino	0.00%
Common	Lydia R. Balatbat - Echauz	Independent Director	89,500	0		89,500	(D)	Filipino	0.00%
Common	Karl Kendrick T. Chua	Independent Director	100	0		100	(D)	Filipino	0.00%
Common	Alvin D. Lao	President & Chief Executive Officer	11,053,000	100,000	A	11,153,000	(D)	Filipino	0.16%
			1,931,588	0		1,931,588	(I)		0.03%
Common	Dean A. Lao, Jr.	President and CEO, Chemrez Technologies	1,763,000	100,000	A	1,863,000	(D)	Filipino	0.03%
			2,298,057	0		2,298,057	(I)		0.03%
Common	Lester A. Lao	President and CEO, FIC and DLPC	1,023,000	100,000	A	1,123,000	(D)	Filipino	0.02%
			42,682,874	0		42,682,874	(I)		0.60%
Common	Vincent D. Lao	President and CEO, Oleo-Fats, Inc.	6,668,000	0		6,668,000	(D)	Filipino	0.09%
			1,931,520	0		1,931,520	(I)		0.03%
Common	Franco Diego Q. Lao	Chief Financial Officer, Treasurer, & Chief Compliance Officer	1,279,000	100,000	A	1,379,000	(D)	Filipino	0.02%
			21,710,142	0		21,710,142	(I)		0.30%
Common	Kristine Catindig-Ong	Corporate Secretary	366,000	50,000	A	416,000	(D)	Filipino	0.01%
Common	Ainslee Anne T. Lao	Assistant Corporate Secretary	1,383,600	100,000	A	1,483,600	(D)	Filipino	0.02%
			21,173,959	0		21,173,959	(I)		0.30%
Common	Crissa Marie U. Bondad	Investor Relations Manager	553,800	50,000	A	603,800	(D)	Filipino	0.01%

Acquisition (A), Disposal (D)
Percentage is based on total number of shares issued of 7,142,857,990

Note: (1) Indirectly owned shares are attributable to the individual Lao family member's direct (D) and indirect (I) interests in the following companies, which are principal stockholders of the Company

Name of Company	No. of shares in the Company	% to Total Outstanding
Jadel Holdings Co., Inc.	4,446,624,196	62.25%
SmartWorks Trading Co., Inc.	153,533,498	2.15%
Allvee United, Inc.	95,524,564	1.34%
Jadana, Inc.	115,521,710	1.62%
Prime Spin, Inc.	95,601,296	1.34%
CEE Industries, Inc.	146,128,498	2.05%
Hansevian, Inc.	3,760,000	0.05%

(3) Material Information on the current stockholders and their voting rights[1]

The stockholders of record as of May 10, 2024 and their respective shareholdings are listed in Appendix 5 hereof.

Each stockholder shall, in every meeting of stockholders, be entitled to one vote for each share of the capital stock held by the stockholder, in person, by proxy duly appointed or *in absentia*, as herein provided and except in cases in which it is by statute, charter or by the By-laws, otherwise provided, a majority of the votes cast by the stockholders present in person, *in absentia* or by proxy at any meeting shall be sufficient for the adoption of any resolution.

In case of election of directors, each stockholder may vote such number of shares for as many persons as there are directors or he may cumulate said shares and give one nominee as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many nominees as he shall see fit, provided that the whole number of votes cast by him shall not exceed the number of shares owned by him multiplied by the whole number of directors to be elected.

There is no other material information on the current stockholders and their voting rights.

[1] In compliance with Section 49 of the Revised Corporation Code.

Item 5. ***Directors and Key Officers***

The incumbent Directors and Executive Officers of the Company are as follows:

Advisory Board Members

Name	Age	Nationality	Position
Dean L. Lao	85	Filipino	Chairman Emeritus
Leon L. Lao	81	Filipino	Member, Advisory Board
Alex L. Lao	78	Filipino	Member, Advisory Board

Directors, Executive Officers, and Key Officers of wholly-owned subsidiaries:

Name	Age	Nationality	Position
Yin Yong L. Lao	77	Filipino	Chairman
John L. Lao	69	Filipino	Director and Vice Chairman
Alvin D. Lao	52	Filipino	Director, President and Chief Executive Officer
Mercedita S. Nolledo	83	Filipino	Independent Director
Corazon S. de la Paz-Bernardo	83	Filipino	Independent Director
Lydia R. Balatbat-Echauz	76	Filipino	Independent Director
Karl Kendrick T. Chua	45	Filipino	Independent Director
Franco Diego Q. Lao	45	Filipino	CFO, Treasurer, Compliance Officer
Dean A. Lao, Jr.	56	Filipino	President and CEO, Chemrez Technologies
Lester A. Lao	55	Filipino	President and CEO, FIC and DLPC
Vincent D. Lao	50	Filipino	President and CEO, Oleo-Fats, Incorporated
Kristine Ann C. Catindig-Ong	43	Filipino	Corporate Secretary
Ainslee Anne T. Lao	33	Filipino	Assistant Corporate Secretary

	2021	2022	2023
Percentage of independent directors	57%	57%	57%
Percentage of women on the board	43%	43%	43%

As a policy, the Board sets the schedule of Board meetings prior to the start of the calendar year. For 2023, the Board met six (6) times. The record of attendance of the directors at the meetings of the Board of Directors held during 2023 is as follows:

Board	Name	Date of Election	No. of Meetings Held during the year	No. of Meetings Attended	%
Chairman	Yin Yong L. Lao	06-05-23	6	6	100
Member	John L. Lao	06-05-23	6	6	100
Member	Alvin D. Lao	06-05-23	6	6	100
Independent	Mercedita S. Nolledo	06-05-23	6	6	100
Independent	Corazon S. de la Paz-Bernardo	06-05-23	6	6	100
Independent	Lydia R. Balatbat-Echauz	06-05-23	6	6	100
Independent	Karl Kendrick T. Chua	06-05-23	3	3	100

The record of attendance of the directors at the meetings of the Board Committees held during 2023 is as follows:

Board Committee	Members	No. of Meetings Held during the year	No. of Meetings Attended	%
Audit Committee	Corazon de la Paz-Bernardo	5	5	100%
	Mercedita S. Nolledo	5	5	100%
	Lydia Balatbat-Echauz	5	5	100%
	Karl Kendrick T. Chua	3	3	100%
Corporate Governance Committee	Mercedita S. Nolledo	2	2	100%
	Corazon de la Paz-Bernardo	2	2	100%
	Lydia Balatbat-Echauz	2	2	100%
	Yin Yong L. Lao	2	2	100%

Risk Oversight and Sustainability Committee	Lydia Balatbat-Echauz	2	2	100%
	Corazon de la Paz-Bernardo	2	2	100%
	Karl Kendrick T. Chua	2	2	100%
	John L. Lao	2	2	100%
	Alvin D. Lao	2	2	100%
Non-Executive Directors without any executive present	**Mercedita S. Nolledo**	**2**	**2**	**100%**
	Corazon de la Paz-Bernardo	**2**	**2**	**100%**
	Lydia Balatbat-Echauz	**2**	**2**	**100%**
	Yin Yong L. Lao	**2**	**2**	**100%**
	John L. Lao	**2**	**2**	100%
	Karl Kendrick T. Chua	**1**	**1**	100%

As a policy, materials for meetings are sent to the directors at least five (5) business days in advance.

The following are the periods of service and a brief description of the business experience during the past five years of the incumbent directors and executive officers of the Company:

Yin Yong L. Lao, 71, Filipino, is the Chairman of the Company, having been a Director since July 1971 and having previously served as President. He is a Director as well as President and Chief Executive Officer of LBL Prime Properties Incorporated, Anonas LRT Property and Dev't Corp., Hotel Acropolis, Inc. and Ecozone Properties, Inc. Yin Yong is also a Trustee of the Association of Petrochemical Manufacturers of the Philippines. He also serves as a director of the following: Aero-Pack Industries, Inc., Chemrez Technologies, Inc., Chemrez Product Solutions, Inc., First in Colours, Incorporated, Oleo-Fats, Incorporated, Palmera Resources, Inc., Malay Resources, Inc., First Batangas Industrial Park, Inc., Color-Chem Corp., North Mactan Industrial Corporation, and Jadel Holdings Co., Inc. He graduated from the Ateneo de Manila University with a Bachelor of Arts degree in General Studies.

John L. Lao, 69, Filipino, is the Vice Chairman of the Company, having been a Director since July 1971. He previously served as the President until August 2016. He is currently the President of Aero-Pack Industries, Inc. His other directorships include North Mactan Industrial Corporation, Chemrez Technologies, Inc., Chemrez Product Solutions, Inc., First in Colours, Incorporated, D&L Polymer & Colours, Inc., D&L Powder Coating, Inc., Oleo-Fats Incorporated, Best Value Factory Outlet Corp., Malay Resources, Inc., Palmera Resources, Inc., LBL Prime Properties Incorporated, Ecozone Properties, Inc., Anonas LRT Property and Dev't Corp., Hotel Acropolis, Inc., First Batangas Industrial Park, Inc., Color-Chem Corp. and Jadel Holdings Co., Inc. John obtained his B.S. in Business Administration from the University of the East.

Alvin D. Lao, 52, Filipino, became a Director and President and Chief Executive Officer of the Company in August 2016. He also serves as a Director of Axis REIT, a REIT (real estate investment trust) listed in Malaysia. He is the Vice President of the Technology Club of the Philippines (Philippine alumni of the Massachusetts Institute of Technology) and past president of the Entrepreneurs Organization (EO, Philippine Chapter). He is a current member of the Financial Executives Institute of the Philippines (FINEX), Akademyang Filipino, and Management Association of the Philippines. He is also the Executive Vice President and Treasurer of LBL Prime Properties Incorporated and Ecozone Properties, Inc. His other directorships include: First in Colours, Incorporated, D&L Polymer & Colours, Inc., FIC Marketing, Inc., FIC Tankers Corporation, Palmera Resources, Inc., Anonas LRT Property and Dev't Corp., Ecozone Properties, Inc. and Hotel Acropolis, Inc. He was previously a faculty member of the De La Salle University Graduate School of Business. He graduated from the University of Western Australia with a Bachelor of Science in Information Technology (Honours) and Statistics. He also holds a Master's degree in Business Administration from the MIT Sloan School of Management.

Mercedita S. Nolledo, 83, Filipino, has been an independent director of the Company since April 2016. She also serves currently as a Director and/or officer in various capacities for BPI Foundation, Inc., Ayala Foundation, Inc., Ayala Land Commercial REIT, Inc., Anvaya Cove Beach & Nature Club, Michigan Holdings, Inc. and Sonoma Properties, Inc.. She is also a member of the Advisory Board of Bank of the Philippine Island. Mrs. Nolledo obtained a B.S. in Business Administration and Accountancy (Magna Cum Laude and class valedictorian) and a Bachelor of Laws (LI.B degree – cum laude and class valedictorian) from the University of the Philippines. She placed 2nd in both the Certified Public Accountant exams and bar exams in 1960 and 1965, respectively.

Corazon de la Paz-Bernardo, 83, Filipino, has been an independent director of the Company since April 2017. She headed the Social Security System from 2001 to 2008 as President and CEO. Prior to this, she built a successful career as a certified public accountant at Joaquin Cunanan & Co (PriceWaterhouseCoopers Philippines) from 1967 to 2001 where she was the Chairman and Senior Partner of the firm from 1981 to 2001. She was also the first non-European President of the International Social Security Association from 2004 to 2010. She continues to be an independent director or trustee of other companies including Roxas & Co., Republic Glass Holdings Corp., University of the East, University of the East RMMMCI, Del Monte Philippines, and Phinma Education Holdings Inc.. She is an adviser to the board of BDO Unibank, Inc. and adviser to the audit committee of PLDT. She was honored by the Institute of Corporate Directors (ICD) as an honorary member last November 30, 2023. Mrs. de la Paz-Bernardo is a graduate of the University of the East (Magna Cum Laude) and obtained first place in the 1960 CPA board examination. She obtained her MBA from the Cornell University Johnson School of Management as a Fulbright grantee and UE scholar.

Lydia Balatbat-Echauz, 76, Filipino, has been an independent director of the Company since April 2017. She has more than three decades of leading the country's top schools. She served as President of publicly listed Far Eastern University from 2002 to 2012. Previous to this, she was Associate Director at the Graduate School of Business, Ateneo de Manila University until 1985 and Dean of the Graduate School of Business, De La Salle University from 1986 to 2002. Her expertise extends beyond the academe as she also sits on the board of several companies which include Meralco, Shell Pilipinas Corp., SM Foundation, Inc., Henry Sy Foundation, Inc., Riverside College, Inc., NBS Educational Services, Inc., Mano Amiga

Academy, Inc., FERN Realty Corporation, Museo del Galeon, Inc. and Akademyang Filipino Association, Inc.

Karl Kendrick Chua, 45, Filipino, has been an independent director of the Company since June 2023. He is a director of the Bank of the Philippine Islands, BPI Direct Banko, Golden ABC, Inc., AC Ventures, Inc. and Manila Water Company, Inc. He is also a board adviser in LH Paragon, Inc. He was a former Secretary of the National Economic and Development Authority and Undersecretary for Strategy, Economics, and Results at the Department of Finance. He was a senior official in the Government of the Philippines for six years. As Secretary of Socioeconomic Planning and Chief Economist of the country, he provided strategic leadership on economic policy during the Covid-19 pandemic and the further liberalization of key sectors of the economy. He also oversaw the implementation of the national ID program. As Undersecretary in the Department of Finance, he led the technical team in the passage of the Comprehensive Tax Reform Program and the Rice Tariffication Law. Prior to joining the government, he was with the World Bank for 12 years and was the senior economist for the Philippines. He graduated from the Ateneo De Manila University in 2000 with a degree in B.S. Management Engineering. He earned his M.A. Economics (2003) and Ph.D. Economics (2011) from the University of the Philippines, and recently studied data science at the Asian Institute of Management. In 2018, he was recognized as one of the Ten Outstanding Young Men of the Philippines (TOYM) for economic development.

Dean L. Lao, 85, Filipino, is the Co-founder and Chairman Emeritus of the Company, having previously served as Chairman and President of the Company from 1971 to 2013. He now sits on the Advisory Board of the Company since 2017. He was the founder of the various companies belonging to the Lao Family which include FIC Marketing, Inc. (1986), Oleo-Fats, Incorporated (1988), Corro-Coat, Inc (1990), Aero-Pack Industries, Inc. (1990), First in Colors, Incorporated (1991), and Chemrez Product Solutions, Inc. (1991). He currently serves as Director of the following companies: Aero-Pack Industries, Inc., Chemrez Product Solutions, Inc., First in Colours, Incorporated, Oleo-Fats, Incorporated, Malay Resources, Inc., FIC Tankers Corporation, LBL Prime Properties Incorporated, Ecozone Properties, Inc., First Batangas Industrial Park, Inc., Color-Chem Corp., North Mactan Industrial Corporation and Jadel Holdings Co., Inc. Dean obtained his B.S. in Chemical Engineering from the Polytechnic Colleges of the Philippines.

Leon L. Lao, 81, Filipino, is the co-founder of D&L Industries, Inc. Having previously served the Company in various capacities (Director, Chairman, President and Chief Operating Officer), Leon Lao now sits on the Advisory Board of the Company since 2017. He currently serves as the Chairman of First in Colors, Incorporated and D&L Polymer & Colours, Inc., and Director of Aero-Pack Industries, Inc., Chemrez Product Solutions, Inc., Chemrez Technologies, Inc., First in Colours, Incorporated, Oleo-Fats Incorporated, Malay Resources, Inc., LBL Prime Properties Incorporated, Ecozone Properties, Inc., First Batangas Industrial Park, Inc., Color-Chem Corp., North Mactan Industrial Corporation and Jadel Holdings Co., Inc. Leon obtained his B.S. in Chemical Engineering from the Polytechnic Colleges of the Philippines.

Alex L. Lao, 78, Filipino, is a member of the Advisory Board of the company. He was a Director of the Company from 1971 to 2017. He has also been a Director of other subsidiaries and affiliates of D&L Industries. He previously served as Alternate Director of Axis REIT, a real estate investment trust listed in Malaysia. Mr. Lao is also a Director of the following: Aero-Pack Industries, Inc., Chemrez Product Solutions, Inc., First in Colours, Incorporated, Oleo-Fats Incorporated, Malay Resources, Inc., Palmera Resources, Inc., LBL Prime Properties Incorporated, First Batangas Industrial Park, Inc., Anonas LRT Property and Dev't Corp., Hotel Acropolis, Inc., Color-Chem Corp., North Mactan Industrial Corporation and Jadel Holdings Co., Inc. Alex obtained his B.S. in Chemical Engineering from the Polytechnic Colleges of the Philippines.

Franco Diego Q. Lao, 45, Filipino, was appointed as the Chief Financial Officer, Treasurer and Chief Compliance Officer of the Company on May 4, 2021. He has 21 years of experience with the group. Immediately before his appointment as CFO, he was the Finance Director of Oleo-Fats, Incorporated since February 2021. He was the Group Supply Chain Director for D&L Industries from 2017 to 2020. Before that, he was Supply Chain Manager from 2010-2016, Product Manager from 2006 to 2009 and Product Representative from 2000-2006 of Oleo Fats. He currently serves as Director of the following companies: D&L Polymer & Colours, Inc., Best Value Factory Outlet Corp., D&L Premium Foods Corp., Natura Aeropack Corporation and FIC Marketing, Inc. He holds a Bachelor of Commerce major in Accounting and Marketing degree from the University of Western Australia.

Dean A. Lao, Jr., 56, Filipino, is the President and CEO of Chemrez and Natura. He is also a member of the Management Committee of D&L Industries. He serves as Director of D&L Polymer & Colours, Inc., FIC Marketing, Inc., FIC Tankers Corporation, Anonas LRT Property and Dev't Corp., Hotel Acropolis, Inc. and Star Anise Properties Corp. He is currently the Chairman of the United Coconut Association of the Philippines, Director of the ASEAN Oleochemical Manufacturing Group, President of the Philippine Oleochemical Manufacturers Association, President of The Philippine Biodiesel Association and member of the Wallace Business Forum, Chemical Industries Association of the Philippines, Philippine Association of Paint Manufacturers and the Entrepreneurial Organization, Philippine Chapter. He graduated from Curtin University in Western Australia with a Bachelor of Business in Information Processing after completing his freshman year at the Ateneo de Manila University in the Philippines with a BA in Interdisciplinary Studies. He also completed the Advanced Management Program of Harvard Business School.

Lester A. Lao, 55, Filipino, is the President and CEO of First in Colours, Incorporated and D&L Polymer & Colours, Inc. and a member of the Management Committee of D&L Industries. He also serves as Director of First in Colours, Incorporated, D&L Polymer & Colours, Inc., FIC Marketing, Inc., Anonas LRT Property and Dev't Corp. and Hotel Acropolis, Inc. He finished his Bachelor of Applied Science (Information Business) in Edith Cowan University Australia.

Vincent D. Lao, 50, Filipino, is the President and CEO of Oleo-Fats, D&L Premium Foods Corp. and FIC Tankers Corporation and a member of the Management Committee of D&L Industries. He also serves as the President of Best Value Factory Outlet Corp. and FIC Tankers Corporation. He was previously Assistant Trader at Shuwa Co. Ltd. in Japan from 1994 to 1995. He also serves as Director of D&L Polymer & Colours, Inc., Oleo-Fats, Incorporated, FIC Marketing, Inc., Anonas LRT Property and Dev't Corp., and Hotel Acropolis, Inc. He graduated from the University of Western Australia with a Bachelor of Arts in Economics and Japanese Studies.

Kristine Ann C. Catindig-Ong, 43, Filipino, is the Corporate Secretary of the Company, Corporate Information Officer and Corporate Legal Counsel of the Company. She is likewise the Corporate Secretary of Chemrez Technologies, Inc. and Chemrez Product Solutions, Inc., and Assistant Corporate Secretary of the following subsidiaries: Oleo-Fats, Incorporated, D&L Polymer & Colours, Inc., First in Colours, Incorporated and Aero-Pack Industries, Inc. She is a lawyer with a juris doctor degree from the Ateneo School of Law and a member of the Integrated Bar of the Philippines.

Ainslee Anne T. Lao, 33, Filipino, is the Assistant Corporate Secretary of the Company. She also serves as Director and Corporate Secretary of D&L Premium Foods Corp., Natura Aeropack Corporation and Jadel Research Center, Incorporated. She is likewise the Assistant Corporate Secretary of the following subsidiaries: Oleo-Fats, Incorporated, D&L Polymer & Colours, Inc., First In Colours, Incorporated, Aero-Pack Industries, Inc., Chemrez Product Solutions, Inc., Chemrez Technologies, Inc. and Palmera Resources, Inc. She also serves as Chief Financial Officer of the following: LBL Prime Properties Incorporated, Anonas LRT Property and Dev't. Corporation, Ecozone Properties, Inc., Hotel Acropolis, Inc., LBL Land Corporation, Malay Resources, Inc. and Star Anise Properties Corporation. She holds a Bachelor of Arts degree in History and a Master's degree in International Business from the University of London.

Training[2]

A newly elected director is required to undergo an orientation on the businesses of the Company at the start of his or her tenure. The director is expected to complete a tour of all the facilities of the Company and receive briefing from the different business segments as regards the products and operations.

All the above-named directors and officers attend an annual corporate governance seminar conducted in-house. For 2023, the Company organized the seminar entitled, *"Corporate Governance in the Digital Era"* which was held virtually on November 7, 2023 via Zoom.

Term of Office

The Company's Articles of Incorporation provide for the election of seven (7) directors to serve for a term of one year. The directors are elected at each annual meeting of the stockholders by the stockholders entitled to vote. Unless he resigns, dies or is removed, each director holds office until the next annual election and until his successor is duly elected.

The Board of Directors

As of date, the nominees for election to the Board of Directors on June 3, 2024 are as follows:

1. MERCEDITA S. NOLLEDO, Independent Director
2. CORAZON S. DE LA PAZ-BERNARDO, Independent Director
3. LYDIA R. BALATBAT-ECHAUZ, Independent Director
4. KARL KENDRICK T. CHUA, Independent Director
5. JOHN L. LAO, Director
6. YIN YONG L. LAO, Director
7. ALVIN D. LAO, Director

A brief profile of the nominees are provided in Appendix 4 hereof.

The incumbent Independent directors of the Company are:

1. MERCEDITA S. NOLLEDO, Filipino
2. CORAZON S. DE LA PAZ-BERNARDO, Filipino
3. LYDIA R. BALATBAT-ECHAUZ, Filipino
4. KARL KENDRICK T. CHUA, Filipino

[2] In compliance with Section 49 of the Revised Corporation Code

The following are the nominees for election as directors and independent directors of the Board of Directors on June 3, 2024:

Nominee for Director (a)	Person/Group Recommending Nomination (b)	Relation of (a) and (b)
Yin Yong L. Lao	Kristine Ann Catindig-Ong	None
John L. Lao	Donnabelle W. Chua	None
Alvin D. Lao	Marife M. Maddawin	None
Mercedita S. Nolledo	Trisha Marcelo	None
Corazon S. de la Paz-Bernardo	Crissa Bondad	None
Lydia R. Balatbat-Echauz	Ramon Taniola	None
Karl Kendrick T. Chua	Cristina Santos	None

The independent directors have certified that they possess all the qualifications and none of the disqualifications provided for in the SRC (see their respective Certificates of Qualification attached here as Appendix 4-1).

In approving the nominations for independent directors, the Corporate Governance Committee, assuming the functions of the Nominations Committee, took into consideration the guidelines and procedures on the nomination of independent directors prescribed in SRC Rule 38. The Corporate Governance Committee is composed of Atty. Mercedita S. Nolledo, as Committee Chairperson and Dir. Corazon S. de la Paz-Bernardo, Dr. Lydia R. Balatbat-Echauz and Mr. Yin Yong L. Lao, as Committee members.

All the nominees for election to the Board of Directors satisfy the mandatory requirements specified under the provisions of Section 15, Article IV of the Company's By-Laws. Moreover, after due evaluation by the Committee, it was determined that the qualifications of the nominees are aligned with the company's strategic directions.

FAMILY RELATIONSHIPS

Mr. Dean L. Lao, Mr. Leon L. Lao, Mr. Alex L. Lao, Mr. Yin Yong L. Lao and Mr. John L. Lao are brothers. Mr. Dean A. Lao, Jr. and Mr. Lester A. Lao are sons of Mr. Dean L. Lao. Mr. Alvin D. Lao and Mr. Vincent D. Lao are sons of Mr. Leon L. Lao. Ainslee Anne T. Lao and Franco Diego Q. Lao are the children of Mr. Alex L. Lao.

There are no family relationships between the current members of the Board of Directors and key officers other than the above.

DIRECTORS DISCLOSURES ON SELF DEALING AND RELATED PARTY TRANSACTIONS[3]

There were no transactions with directors that are not in the ordinary course of business of the Company.

[3] In compliance with Section 49 of the Revised Corporation Code

Details of the Related Party Transaction are discussed under Notes 1 (General Corporate Information) and 18 (Related Party Transaction) of the Notes to the Consolidated Financial Statements of the Company for the year ended 2023. The related party transactions have been evaluated and executed on a fair and arm's length basis, in accordance with Company's policies and under what the Company believes to be terms and conditions as may reasonably obtained from non-related third parties.

LEGAL PROCEEDINGS

None of the directors and officers have been involved in any bankruptcy proceeding, nor have they been convicted by final judgment in any criminal proceeding, or been subject to any order, judgment, or decree of competent jurisdiction, permanent or temporarily enjoining, barring, suspending, or otherwise limiting their involvement in any type of business, securities, commodities or banking activities, or found in action by any court or administrative bodies to have violated a securities of commodities law, for the past five (5) years up the latest date.

As of date of this report, the Company is not a party to any litigation or arbitration proceedings of material importance, which could be expected to have a material adverse effect on the Company or on the results of its operations. No litigation or claim of material importance is known to be pending or threatened against the Company or any of its properties.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Details of the Related Party Transaction are discussed under Notes 1 (General Corporate Information) and 18 (Related Party Transaction) of the Notes to the Consolidated Financial Statements of the Company for the year ended 2023. The related party transactions have been evaluated and executed fairly in accordance with Company's policies and under what the Company believes to be terms and conditions as may reasonably obtained from non-related third parties.

There were no transactions with directors, officers or any principal stockholders (owning at least 10% of the total outstanding shares of the Company) that are not in the ordinary course of business of the Company.

APPRAISAL AND PERFORMANCE REPORT FOR THE BOARD; CRITERIA AND PROCEDURE FOR ASSESSMENT[4]

Criteria and Procedure for Assessment

The performance appraisal of the Board and the Board Committees were done through a self-assessment exercise conducted in March 2024. Through self-assessment questionnaires to be accomplished by the directors at the Board level and at the Board Committee level, the directors were asked to provide satisfaction ratings on four key areas: 1) fulfillment of duties and responsibilities;

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[4] In compliance with Section 49 of the Revised Corporation Code

2) quality of the relationship between board or board committee and management; 3) effectiveness of the processes and meetings of the board or board committees; and 4) performance of the individual member. The directors were to give their satisfaction ratings using the five-point scale:

1	-	Strongly Disagree
2	-	Disagree
3	-	Neither Disagree or Agree
4	-	Agree
5	-	Strongly Agree

The performance appraisals of the Chairman and President & CEO were likewise done by the members of the Board in March 2024. Using the same five-point scale above, the Chairman and President & CEO were evaluated against six desirable traits of a head of a company: 1) leadership; 2) integrity; 3) diligence; 4) corporate governance; 5) entrepreneurial mindset; and 6) stewardship.

Item 6. ***Compensation of Directors and Executive Officers***

The total annual compensation received by Executive Officers and key senior personnel of the Company and its wholly-owned subsidiaries and affiliates in 2021, 2022, and 2023 amounted to P39,812,011,, P49,384,255 and P51,485,338 respectively. The projected total annual compensation for the current year 2024 is P55,604,165. The table below shows the most highly compensated key officers and senior personnel of the Company.

Name	**Position**	**Year**	**Salary**	**Bonus**	**Other Compensation**
Alvin D. Lao	President and CEO	2023		-	-
Dean A. Lao, Jr.	President and CEO - Chemrez	2023		-	-
Lester A. Lao	President and CEO - DLPC/FIC	2023		-	-
Vincent D. Lao	President and CEO - Oleo-Fats	2023		-	-
Other Senior Officers		2023		-	-
Total			**P51,485,338**	**-**	**-**

The following is the remuneration arrangement for directors for each meeting attended:

Board meetings -

- P60,000 for the Chairman of the Board
- P60,000 for each Board member

Board Committee meetings -

- P50,000 for the chairman of the Board Committee
- P40,000 for each member of the Board Committee

Aside from the above-mentioned per diem, each director is given a one-time fee of P500,000. The table below provides the compensation (net of withholding taxes) received by the members of the Board for 2023, given in their capacity as directors:

Directors	One-Time Fee	Board Meetings	Committee Meetings	Total
Alex L. Lao		243,000		243,000
Alvin D. Lao	500,000	243,000	36,000	779,000
Corazon S. Dela Paz-Bernardo	500,000	243,000	342,000	1,085,000
Dean L. Lao		243,000		243,000
John L. Lao	500,000	243,000	117,000	860,000
Karl Kendrick T. Chua	500,000	108,000	108,000	716,000
Leon L. Lao		243,000		243,000
Lydia R. Balatbat-Echauz	500,000	243,000	279,000	1,022,000
Mercedita S. Nolledo	500,000	243,000	315,000	1,058,000
Yin Yong L. Lao	500,000	270,000	117,000	887,000

Aside from the aforementioned director fees no other compensation is paid to Directors of the Company. Further, the Company does not have any stock option or management incentive plan as part of its current compensation for Directors and officers.

Item 7. *Independent Public Accountants*

(a) Audit and Audit-Related Fees

The Company's independent public accountant is the accounting firm of Isla Lipana & Co. The Company's Audit Committee recommended for approval of the Board the appointment of external auditor for the ensuing year. The stockholders then approved and ratified the appointment of external auditor at the annual stockholder's meeting held on June 05, 2023. Isla Lipana has not expressed any intention to resign as the Company's principal auditor nor has it indicated any hesitance to accept re-election after the completion of their last audit. The stockholders approved the appointment of Isla Lipana & Co. as the Corporation's external auditors for the year 2023- 2024. Isla Lipana is recommended for re-appointment as external auditor for 2024-2025. Representatives of Isla Lipana will be present during the Annual Stockholders Meeting on June 3, 2024 where they will have the opportunity to make a statement, if they wish to do so, and respond to questions, if any.

Pursuant to the General Requirements of the SRC Rule 68, paragraph 3(b)(iv), the Company has engaged Isla Lipana & Co. as external auditor with the following audit engagement partner-in-charge rotation: Mr. Carlos Federico C. de Guzman is the engagement partner in charge of the Company's financial statements for 2023, Mr. Roderick M. Danao was the audit engagement partner-in-charge for the Company's financial statement audit in 2018 up to 2022. Ms. Gina S. Detera was the audit engagement partner-in-charge for the Company's financial statement audit in 2017 and 2016.

The aggregate fees billed for each of the last three (3) fiscal years for professional services that are normally rendered by Isla Lipana & Co (formerly Joaquin Cunanan & Co.) for the audit of the company's Annual Financial Statements are the following:

Year	Audit Fees
2021	P5,400.000
2022	P5,780,000
2023	P5,870,000

There are no other assurance and related services by Isla Lipana & Co. that are related to the performance of the audit or review of the Company's Financial Statements.

(b) All Other Fees

Isla Lipana & Co. was engaged to provide a Comfort Letter covering financial information for the years 2017 to 2020 in line with the Company's Bond Issuance in 2021, for which fees in the amount of P1,528,000 were paid by the Company to the Isla Lipana & Co. Aside from this, there are no aggregate fees billed in each of the last three (3) fiscal years of Isla Lipana & Co. other than the services reported under item (a) above.

(c) Audit Committee's Approval Policies and Procedures

The Audit Committee is composed of Dir. Corazon S. de la Paz-Bernardo, as Chairperson(Independent Director), Atty. Mercedita S. Nolledo (Independent Director), Dr. Lydia R. Balatbat-Echauz (Independent Director) and Mr. Karl Kendrick Chua.

The Audit Committee meets on a regular basis to:

a. Assist the Board in the performance of its oversight responsibility for the financial reporting process, system of internal control, audit process, and monitoring of compliance with applicable laws, rules and regulations;

b. Provide oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risks of the corporation;

c. Perform oversight functions over the corporation's internal and external auditors. It should ensure that the internal and external auditors act independently from each other, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions;

d. Review the annual internal audit plan to ensure its conformity with the objectives of the corporation. The plan shall include the audit scope, resources and budget necessary to implement it;

e. Prior to the commencement of the external audit, discuss with the external auditor the nature, scope and expenses of the audit, and ensure proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts;

f. Establish an internal audit function, and consider the appointment of an independent internal auditor and the terms and conditions of its engagement and removal;

g. Monitor and evaluate the adequacy and effectiveness of the corporation's internal control system, including financial reporting control and information technology security;

h. Review the reports submitted by the internal and external auditors;

i. Review the quarterly, half---year and annual financial statements before their submission to the Board, with particular focus on the following matters:

  - Any change/s in accounting policies and practices
  - Major judgmental areas
  - Significant adjustments resulting from the audit
  - Going concern assumptions
  - Compliance with accounting standards
  - Compliance with tax, legal and regulatory requirements

j. Coordinate, monitor and facilitate compliance with laws, rules and regulations;

k. Evaluate and determine the non-audit work, if any, of the external auditor, and review periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to the corporation's overall consultancy expenses. The committee shall disallow any non-audit work that will conflict with his duties as an external auditor or may pose a threat to his independence. The non-audit work, if allowed, should be disclosed in the corporation's annual report; and

l. Establish and identify the reporting line of the Internal Auditor to enable him to properly fulfill his duties and responsibilities. He shall functionally report directly to the Audit Committee. The Audit Committee shall ensure that, in the performance of the work of the Internal Auditor, he shall be free from interference by outside parties.

Item 8. ***Compensation Plans***

There are no matters or actions to be taken up in the meeting with respect to any stock option or management incentive plan pursuant to which cash or non-cash compensation will be paid or distributed.

C. ISSUANCE AND EXCHANGE OF SECURITIES

Item 9. ***Authorization or Issuance of Securities Other than for Exchange***

There are no matters or actions to be taken up in the meeting with respect to authorization or issuance of securities.

Item 10. ***Modification or Exchange of Securities***

There are no matters or actions to be taken up in the meeting with respect to the modification of any class of the Company's securities or the issuance of authorization for issuance of one class of the Company's securities in exchange for outstanding securities of another class.

Item 11. ***Financial and Other Information***

The audited financial statements as of March 31, 2024, Management's Discussion and Analysis, Market, Price of Shares and Dividends and other data related to the Company's financial information (Form 17-A) are attached hereto as Appendix 1.

Pursuant to SRC Rule 68, as amended, the Company's SEC 17-Q Reports for the quarterly period ended March 31, 2024 is likewise incorporated by reference, attached hereto as Appendix 2, presenting the unaudited interim financial statements as of March 31, 2024, Management's Discussion and Analysis and other data related to the Company's financial information for the first quarter of 2024.

Market for Issuer's Common Equity

The Company's common shares are traded on the First Board of the Philippine Stock Exchange. The common shares were listed on December 12, 2012. The following table shows the high and low prices of the Company's shares in the Philippines Stock Exchange for each quarter within the last two fiscal years and for the first quarter of 2024:

In Php	**2024**		**2023**		**2022**	
	High	**Low**	**High**	**Low**	**High**	**Low**
First Quarter	7.00	6.15	8.73	7.50	9.00	6.96
Second Quarter			8.39	6.88	7.72	6.50
Third Quarter			7.41	6.07	7.90	6.70
Fourth Quarter			6.52	5.98	7.97	6.69

Source: Bloomberg

The market capitalization of the Company's common shares as of May 3, 2024, based on the closing price of P6.10 per share was P43,571,433,739.

Compliance with leading practice on Corporate Governance

The Company has a Manual on Corporate Governance which was last revised on September 18, 2020, pursuant to pertinent SEC rules and regulations.. The Manual shall aid the Company in monitoring and assessing the level of the Company's compliance with practices on good corporate governance, which are consistent with the relevant Philippine laws and regulations. With the aid of its committees, the Board of Directors shall be primarily responsible for the governance of the Company and shall, hence, ensure compliance with the principles of good corporate governance.

The Company's Manual on Corporate Governance outlines specific investor's rights and protections and enumerates particular duties expected from the Board members, officers and employees. It also features a disclosure system, which highlights adherence to the principles of transparency, accountability and fairness. A compliance officer is tasked with the formulation of specific measures to determine the level of compliance with the Manual by the Board members, officers and employees. There are no known material deviations from the Company's Manual of Corporate Governance.

For compliance with leading practices on corporate governance, please refer to the latest i-ACGR which can be accessed through the Company's website at this link: https://dnl.com.ph/wp-content/uploads/2023/05/Integrated-Annual-Corporate-Governance-Report-2022.pdf . The Company will submit its I-ACGR covering the year 2023 on or before the deadline set by the SEC.

In addition, the Company has a Code of Business Principles (CoBP) which encapsulates the Company's general policies relative to its stakeholders. The CoBP contains policies on customer's welfare, dealing with suppliers and the government, whistle blowing, community welfare, the environment and sustainable development and employee welfare. The COBP can be accessed through the Company's website at this link: https://dnl.com.ph/wp-content/uploads/2019/02/DnL-Code-of-Business-Principles.pdf. The Company's programs for employee health, safety and welfare and training and development are presented in the ACGR.

The Company is taking further steps to enhance adherence to principles and practices of good corporate governance.

Item 12. ***Mergers, Consolidations, Acquisitions and Similar Matters***

There are no matters or actions to be taken up in the meeting with respect to merger, consolidation, acquisition by, sale or liquidation of the Company.

Item 13. ***Acquisition or Disposition of Property***

There are no matters or actions to be taken up in the meeting with respect to acquisition or disposition of any property by the Company.

Item 14. ***Restatement of Accounts***

The accounting policies adopted are consistent with those of the previous financial year.

D. <u>OTHER MATTERS</u>

Item 15. ***Action with Respect to Reports***

The approval of the following will be considered and acted upon at the stockholders' meeting:

(a) Minutes of the annual meeting of stockholders held on June 05, 2023 (Appendix 3)
(b) Annual Report of the Company together with the Audited Financial Statement for the year ended December 31, 2023 (Appendix 1)

Item 16. Matters **Not Required to be Submitted**

There are no actions to be taken up in the meeting with respect to any matter which is not required to be submitted to a vote of security holders.

Item 17. ***Amendment of Charter, Bylaws or Other Documents***

There are no actions to be taken up in the meeting with respect to any amendment of charter, bylaws or other relevant documents.

Item 18*.* ***Other Proposed Action***

The following are to be proposed for approval during the stockholders' meeting:

(a) Appointment of External Independent Auditors; and
(b) Election of the Members of the Board of Directors for the ensuing year
(c) Ratification of all acts of the Board of Directors and officers beginning June 06, 2023 to date.
The matters acted upon or approved by the Board of Directors, its Committees, and Management include –
(i) constitution of board committees and appointment of chairmen and members and lead independent director;
(ii) appointment of officers;
(iii) appointment of authorized representatives and signatories;
(iv) ratification of the actions of the board committees;
(v) approval of contracts, agreements transaction made in the ordinary course of business;
(vi) treasury matters; and
(vii) acts and resolutions covered by disclosures to the Securities and Exchange Commission and Philippine Stock Exchange.
(d) Approval and ratification of the Renewal of the Management Agreements between the Company and its subsidiaries and affiliates.

Item 19. ***Voting Procedures***

1. Manner of Voting

Method: Straight and Cumulative Voting

In all items for approval except election of directors, each share of stock entitles its registered owner to one vote.

In case of election of directors, each stockholder may vote such number of shares for as many persons as there are directors to be elected or he may cumulate said shares and give one nominee as many votes as the number of directors to be elected multiplied by the number of his shares equal, or he may distribute them on the same principle among as many nominees as he shall see fit, provided that the whole number of votes cast by him shall not exceed the number of shares owned by him multiplied by the whole number of directors to be elected.

2. Vote required for approval

Unless a different requirement is imposed by the Corporation Code and other relevant laws, the vote of stockholders representing at least a majority of the issued and outstanding capital stock entitled to vote is required.

3. Methods of Counting Votes

Each share shall be counted as one (1) vote.

The votes will be tabulated by the stock and transfer agent and verified by the accounting firm of Isla Lipana & Co (formerly Joaquin Cunanan PricewaterhouseCoopers).

UPON THE WRITTEN REQUEST OF A STOCKHOLDER, THE COMPANY UNDERTAKES TO FURNISH SAID STOCKHOLDER A COPY OF THE COMPANY'S ANNUAL REPORT ON SEC FORM 17-A AND THE LATEST QUARTERLY REPORT ON SEC FORM 17-Q, FREE OF CHARGE. ANY WRITTEN REQUEST FOR A COPY OF SEC FORM 17-A AND 17-Q SHALL BE ADDRESSED TO:

D&L Industries, Inc., 65 Calle Industria, Bagumbayan, Quezon City, Philippines 1110

Attention: Ms. Crissa Bondad

SIGNATURE PAGE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Quezon City on May 9, 2024.

By: [redacted]

ALVIN D. LAO
PRESIDENT/CEO

D&L Industries Inc.
List of Top 20 Shareholders
as of 3/31/2024

No.	Name	No. of Shares Held	% to total outstanding
1	[redacted]	[redacted]	55.02%
2	[redacted]	[redacted]	21.60%
3	[redacted]	[redacted]	12.79%
4	[redacted]	[redacted]	2.15%
5	[redacted]	[redacted]	2.05%
6	[redacted]	[redacted]	1.62%
7	[redacted]	[redacted]	1.34%
8	[redacted]	[redacted]	1.28%
9	[redacted]	[redacted]	0.46%
10	[redacted]	[redacted]	0.46%
11	[redacted]	[redacted]	0.31%
12	[redacted]	[redacted]	0.07%
13	[redacted]	[redacted]	0.06%
14	[redacted]	[redacted]	0.06%
15	[redacted]	[redacted]	0.05%
16	[redacted]	[redacted]	0.04%
17	[redacted]	[redacted]	0.04%
18	[redacted]	[redacted]	0.04%
19	[redacted]	[redacted]	0.03%
20	[redacted]	[redacted]	0.03%
		7,107,250,944	**99.50%**

APPENDIX 1

COVER SHEET

4 4 8 5 2

D & L I N D U S T R I E S I N C

(Company's Full Name)

6 5 C A L L E I N D U S T R I A

B A G U M B A Y A N Q U E Z O N C I T Y

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

KRISTINE ANN CATINDIG-ONG	**8635-0680**
Contact Person	Company Telephone Number

1 2 / 3 1	**SEC Form 17-A as of December 31, 2023**	**0 6 / 0 5**
Month / Day	FORM TYPE	Month / Day
Fiscal Year		Annual Meeting

Secondary License Type, if Applicable

C F D	
Dept. Requiring this Doc.	Amended Articles Number/Section

Total Amount of Borrowings

203	**P 17,135,486,638**	**-**
Total No. of Stockholders	Domestic	Foreign

To be accomplished by SEC personnel concerned

File Number

LCU

Document I.D.

Cashier

Stamps

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A, *AS AMENDED*

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

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

2. Commission identification number: **44852**

3. BIR Tax Identification No: **000-421-957-000**

4. Exact name of issuer as specified in its charter**: D&L Industries, Inc.**

5. Province, country or other jurisdiction of incorporation or organization: **Metro Manila**

6. Industry Classification Code:________(SEC Use Only)

7. Address of issuer's principal office: **65 Calle Industria, Bagumbayan, Quezon City** Postal Code: **1110**

8. Issuer's telephone number, including area code: **(02) 8635 0680**

9. Former name, former address and former fiscal year: **not applicable**

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

    Title of Each Class: **Common Stock, P1 par value**
    No. of Shares of Common Stock Issued and Outstanding: **7,142,857,990 Shares***

    **Reported by stock transfer agent as of December 31, 2023*

    Amount of Debt Outstanding**: P17,135,486,638 (as of December 31, 2023)**

11. Are any or all of the securities listed on a Stock Exchange?

    Yes [√] No [ ]

    If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

    Philippine Stock Exchange; A total of 7,142,857,990 shares of common stock with par value of P1.00 each.

12. Check whether the issuer:

(a) Has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

Yes [√] No [ ]

(b) Has been subject to such filing requirements for the past one hundred eighty (90) days. Yes

[√] No [ ]

13. Aggregate market value of the voting stock held by non-affiliates of the registrant:

The aggregate market value of the 1,955,308,218 voting stock held by non-affiliates (public shares) as of December 31, 2023 computed based on the closing share price of P6.31 on the last trading day of the year was P12,337,994,856.

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PART I - BUSINESS AND GENERAL INFORMATION

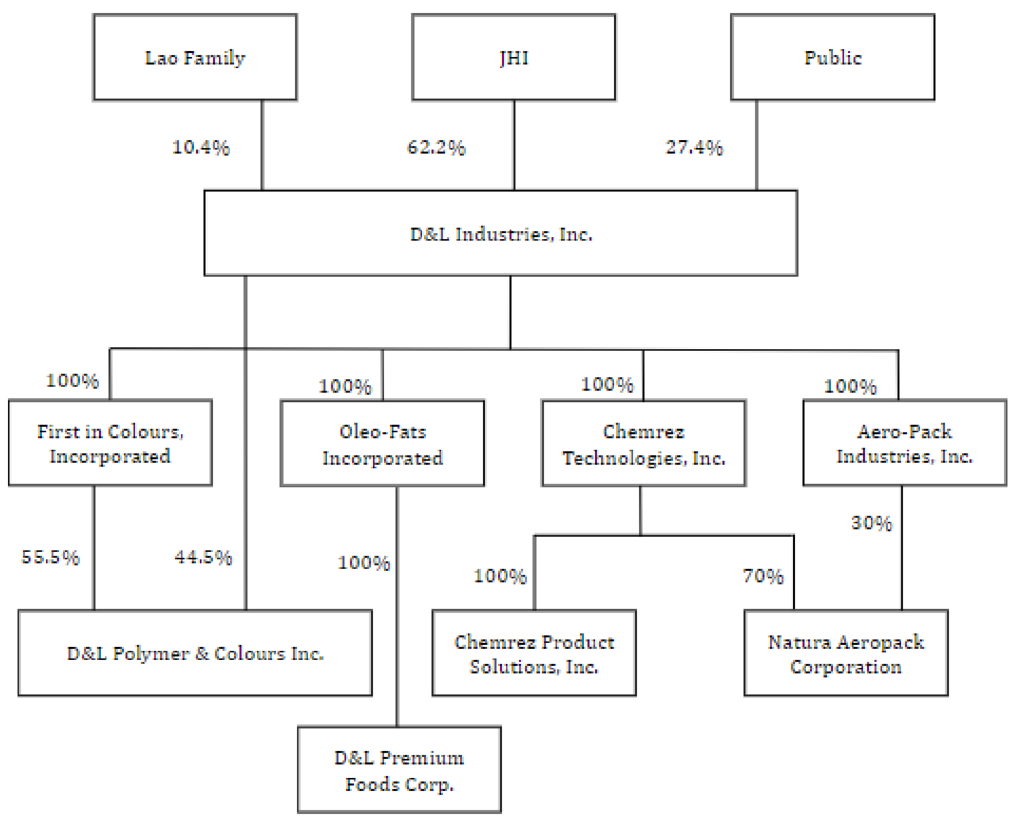
Item 1. Business

The Company

D&L Industries, Inc. (the "Company" or "D&L") was incorporated on July 27, 1971. The Company is a publicly listed company, which is 72.6% beneficially owned by the Lao family and 27.4% by the public. The Company's registered office address and principal place of business is 65 Calle Industria, Bagumbayan, Quezon City.

The Company is the holding company for a group of companies engaged in product customization and specialization for the food, chemicals, plastics and consumer products ODM (Original Design Manufacturing) industries. The company's principal business activities include manufacturing of customized food ingredients, oleochemicals for personal and home care use, and specialty raw materials for plastics. It also renders management and other services to subsidiaries and affiliate companies. It was officially listed on the Philippine Stock Exchange (PSE) on December 12, 2012.

The following diagram shows the corporate structure of the Company, excluding beneficial ownership of securities held by the Lao family members. As of December 31, 2023, the Company is 62.2% owned by Jadel Holdings Co., Inc. (JHI) and 10.4% owned by the Lao Family. The remaining 27.4% of the shares outstanding are publicly held.



D&L's major subsidiaries and their corresponding dates of incorporation with the SEC are as follows:

Subsidiary / Affiliate	Date of incorporation
Oleo-Fats, Incorporated (OFI)	May 04, 1987
Chemrez Product Solutions, Inc. (CPSI)	November 16, 1988
First in Colours, Incorporated (FIC)	November 17, 1988
Chemrez Technologies, Inc. (CTI)	June 01, 1989
Aero-Pack Industries, Inc. (API)	September 29, 1989
D&L Polymer & Colours, Inc. (DLPC)	March 30, 2006
Natura Aeropack Corporation (NAC)	July 20, 2016
D&L Premium Foods Corp. (DLPF)	June 29, 2017

Overview of the Business

The Company today is principally a holding company, which derives the majority of its income from subsidiaries engaged in four principal business lines, as set out below:

- *Food ingredients* – The Company, operating through its subsidiary Oleo-Fats, Incorporated (OFI) and D&L Premium Foods Corp (DLPF), manufactures a line of bulk and specialty fats and oils, culinary and other specialty food ingredients. The Company contract manufactures and provides food ingredient products to most of the leading food manufacturers and quick-service restaurant chains in the Philippines, and also produces food safety solutions such as cleaning and sanitation agents for various customers.

- *Oleochemicals, resins and powder coatings* – The Company, through Chemrez Technologies, Inc. (CTI) and its subsidiary Chemrez Product Solutions, Inc. (CPSI), and soon through Natura Aeropack Corporation (NAC), focus on developing, manufacturing, and supplying high value customized resins, oleochemicals, and specialty products that are sustainable and cost-efficient, while enabling customers to build bigger markets. Its customer base include many industries such as biofuels, personal and home care, health and nutrition, and construction industries. CTI and CPSI serve local and international customers.

- *Colorants and plastics additives* – The Company, operating through its subsidiaries First in Colours, Inc. (FIC) and D&L Polymer and Colours, Inc. (DLPC), develops and manufactures innovative plastic solutions that make plastics aesthetically appealing, functional, and sustainable. The group's products are mainly classified as plastic colorants, additive masterbatches, and engineered polymers. Plastic colorants give plastics precise coloring and special effects mainly used for brand and product identification. Additive masterbatches add functional features to plastics such as higher processability, antimicrobial properties, and anti-static properties. Meanwhile, engineered polymers are plastic compounds that have improved mechanical and thermal properties that make them ideal for films, bottles, furniture, appliances, electronic and automotive parts, etc. Lastly, the group offers sustainable options such as compostable plastics, biodegradable plastics, bio-based plastics, recycled compounds, and upcycled materials.

- *Consumer Products ODM* – The Company, operating through its subsidiary Aero-Pack Industries, Inc. (API), and Natura Aeropack Corp., (NAC), is a full original design manufacturer (ODM) and original equipment manufacturer (OEM) that offers customized aerosols and non-aerosols products to other businesses across different industries such as home care, personal care, and maintenance chemicals. The Company offers a full turnkey solution from product formulation to design, packaging, production, and delivery to customers. It is the first and the biggest aerosol manufacturing company in the Philippines with almost all of its sales coming from the domestic market.

Principal Products, Markets and Revenue Contribution

Food Ingredients

The Company, through OFI and DLPF, markets and distributes a line of bulk edible oils and specialty food ingredients. The Company believes that it is the leading manufacturer of bulk and specialty fats and oils and other food ingredients in the Philippines. It serves customers across the food and beverage industry, including manufacturers of instant noodles and snack food, dairy and culinary, food service, biscuits and confectionery and bakeries, as well as domestic and international quick-service restaurant chains. The Company also contract manufactures food ingredient products for certain customers. The Company's product line has expanded to thousands of varieties of food ingredients, including specialty fats, dry and liquid mixes, and specialty condiments, driven by its ability to create customized products according to its customers' requirements.

In addition to food ingredients and oils, the Company provides food safety solutions and services such as customized cleaning and sanitation systems, designed and manufactured to meet the needs of customers. All of the Company's food safety solutions are supported by professional and technical services.

Colorants and Plastics Additives

The Company, through its subsidiaries FIC and DLPC, manufactures custom designed and formulated pigment blends, color and additive masterbatches and engineered polymers for a wide range of applications in the plastics industry. FIC focuses on the domestic market, while DLPC focuses primarily on the export market.

The Company believes it has the longest history in the Philippine plastics color and compound industries, and its brands have been trusted by customers for over 50 years for their color concentrate requirements for films, tapes, moldings, wires and cables, high-end fibers and other engineered polymers. The Company at various times has entered into technical assistance agreements with select international partners to increase its expertise in terms of research and development. Also, the Company works with customers to create color products and solutions that best represent the customer's products in the market, with research showing that a product's color and appearance are key factors in a consumer's buying decision and a critical element in the successful marketing of products. The state-of-the-art technology used by the Company has given end-user customers a broad range of color choices and forms.

The Company also provides additives for plastics processed by customers that enable reduced production costs or add desirable features and properties to plastics. Appropriate filler additives can reduce production costs by substituting polymers with relatively inert and inexpensive materials that make the end product cheaper by weight. Filler additives may also increase the performance of a plastic by modifying its properties, as additives contribute a wide range of properties to plastic products. For example, additives can make plastic products biodegradable and compostable. Additives can also lower the flammability of plastics used in household items, reduce friction between plastic parts, or increase a plastic's resistance to degradation caused by light sources for items such as outdoor furniture.

In addition to providing colorants or additives to customers for their own processing, the Company also provides custom engineered polymers, or engineered polymers, designed to have the precise color and properties required by the customer. Custom compounded products are delivered as plastic pellets to the customer's production plant for conversion into end-use products.

The Company also offers its customers toll compounding services. Toll compounding services enable customers to offer specialty compounds branded with their own label. Customers may take advantage of the Company's extensive engineering and manufacturing experience to handle production and logistics, increasing their effective manufacturing capacity without incurring expansion costs.

Oleochemicals, Resins, and Powder Coatings

The Company, through Chemrez Technologies, Inc. (CTI) and its subsidiary Chemrez Product Solutions, Inc. (CPSI), and through NAC, focus on developing, manufacturing, and supplying high value customized resins, oleochemicals, and specialty products that are sustainable and cost-efficient, while enabling customers to build bigger markets. Its customer base include many industries such as biofuels, personal and home care, health and nutrition, and construction industries. CTI and CPSI serve local and international customers.

Oleochemicals – CME/biodiesel

Under its Oleochemicals division, Chemrez manufactures commodity biodiesel and high margin oleochemicals.

Biodiesel accounts for about half of the revenues of the Oleochemicals business. The Company's biodiesel facility is certified with an integrated management system covering ISO 9001, ISO 14001, and ISO 45001 and it is the pioneer and the only continuous process methyl ester facility in the Philippines. The said facility and coco-biodiesel products are accredited with the Department of Energy (DOE) and registered with the Board of Investments with pioneer status.

Chemrez serves as a major contributor to the National Biofuels Program under RA 9367, otherwise known as the Biofuels Act of 2006. The Biofuels Act provides a national mandate for use of biofuels at 2% blend (B2). The DOE intends to push through this 2024 with the planned increase in mandated biodiesel blend in the country. The department issued a draft circular which lays down a mandated increase in biodiesel blend from two percent (2%, B2) to three percent (3%, B3) effective July 01, 2024, four percent (4%, B4) effective July 01, 2025, and five percent (5%, B5) effective July 01, 2026.

The Company is one of the DOE-accredited biodiesel producers in the country. The Company believes that its commitment to excellence in quality, delivery, and cost competitiveness would allow it to be a primary domestic supplier of choice by oil companies and institutional buyers. The extensive quality management systems of the Company and its investments in logistics infrastructure and supply chain management were designed to help assure the continuous bulk supply of compliant biodiesel to local oil companies and generate cost efficiencies that are passed on to its customers.

While biodiesel accounts for about half of the revenues of the Oleochemicals business, high margin oleochemicals account for the majority of the gross profit given that its margins are higher than that of biodiesel. Products under high margin oleochemicals include Glycerin and other Coconut Methyl Ester (CME) derivatives which are used mainly as surfactants or foaming agents for many personal and home care products. Chemrez also manufactures and sells medium-chain triglyceride (MCT) oil derived from coconut oil. Products under this segment are sold principally in the export markets. As part of the Company's strategy to grow its CME exports, Chemrez continues to develop new applications of CMEs to expand its product and market base. Through the use of pioneering process technology, products that have high export potential have been recently developed.

Other Specialty Chemicals

The Company has a solid record of experience and expertise in the manufacture and marketing of powder coating, resins, and other specialty resin-based chemicals.

- Powder coatings are protective materials applied to metal and other surfaces through an electrostatic coating process to provide resistance against heat, weather and UV light, and certain chemicals. It is used in home appliances, metal furniture, fixtures and fittings, mechanical parts, tools and equipment and also in the construction industry.

- Resins are polymerized or chemically modified substances, which are manufactured in a variety of technical specifications to suit specific industry uses, end-user applications, and customer requirements. It includes polystyrene resins for the plastics industry, polymer emulsions for the paint industry, and polyester resins for the construction, shipping, and furniture industries.
- Other specialty resin-based chemicals consist of additives, colorants, and solvents.

The Company has maintained its market leadership in powder coatings and resins through competitive pricing, consistent quality, and the ability to offer product customization and provide on-site after-sales technical support to customers. The Company also continues to invest in research and development to develop new powder coating and resin products with improved and innovative features. It competes mainly against importers and traders.

The Company attributes its strong market position to several factors. Its operating scale allows it to manufacture products at highly competitive costs. Beyond price competition, the Company has established long-standing relationships with its customers. These partnerships allow the Company to respond quickly to customer requirements and offer newer and better products out of its extensive efforts and achievements in research and development.

Consumer Products Original Design Manufacturing

The Company, operating through its subsidiary Aero-Pack Industries, Inc., and NAC, is a full original design manufacturer (ODM) and original equipment manufacturer (OEM) that offers customized aerosols and non-aerosols products to other businesses across different industries such as home care, personal care, and maintenance chemicals. The Company offers a full turnkey solution from product formulation to design, packaging, production, and delivery to customers. It is the first and the biggest aerosol manufacturing company in the Philippines with almost all of its sales coming from the domestic market.

Management and administration

D&L maintains significant operational control of OFI, DLPF, FIC, DLPC, CTI, CPSI, API and NAC as well as of several affiliate companies that provide goods and services complimentary to those provided by the Company, including FIC Marketing, Inc., FIC Tankers Corporation, Consumer Care Products, Incorporated and LBL Prime Properties Incorporated, among others**,** through a contractual "shared services" model. In particular, D&L Industries provides the following services to its subsidiaries and affiliate companies:

- *Executive Management* - including supervision of all business operations;
- *Administrative Support* - including finance, treasury, accounting, internal audit, human resources, information technology and legal services;
- *Logistics Support* - which includes warehousing, distribution and delivery, transportation fleet management, tank farm management, port clearing and procurement; and
- *Technical Services* - which include research and development, quality control and assurance and use of trademarks. The technical services for all business operations are concentrated in D&L's research and development department, which the Company believes has been a critical driver for the success of each of its business lines.

D&L maintains its own analytical laboratory that provides technical services and is located in its headquarters in Quezon City, Metro Manila. While D&L continues to provide management services for this facility, specific research, development and application activities are conducted, and expenses are incurred, by OFI, FIC (including DLPC), Chemrez Technologies, and Aero-Pack independently. D&L's and its subsidiaries' research laboratories employ highly qualified chemical engineers, chemists, consultants, technicians and support staff who service the customers of the Company in various industries.

General Operations

- Additional discussion on other business risks are also provided in Note 22 of the 2023 Consolidated Audited Financial Statement of the Company attached herein.

- The Company, in the ordinary course of business, transacts with related parties. These transactions include the purchase/sale of goods and services. Details of the Related Party Transaction are discussed under Notes 18 (Related Party Transaction) of the Notes to the Consolidated Financial Statements of the Company.

- As of December 31, 2023, the Company and its subsidiaries have a total of 1,097 employees. There are ancillary processes however that are serviced by different outsourced providers. None of the employee groups have a collective bargaining agreement. The Company does not expect any significant change in its existing workforce level for 2024.

Management of Key Risks related to the Company

Risks relating to the Philippines

As of end-2023, 73% of the Company's consolidated revenues are domestic. With a substantial portion of its business conducted and all of its assets located in the Philippines, the Company is exposed to risks associated with the Philippines, including political instability, exchange rate fluctuations, and occurrence of natural disasters such as typhoons and earthquakes.

The Company has contingency plans in place in cases of incidents – natural and man-made. These include centralized fire protection and disaster prevention systems. The Company also self-insures by maintaining a relatively high level of asset liquidity in the form of cash and cash equivalents and receivables, to protect its businesses against other potential risks. As of end-2023, cash and cash equivalents were 6.7% of the Company's total consolidated assets.

Risk relating to failure to keep up with technological innovation

The Company derives 62% of its consolidated revenues from high margin specialties. These are innovation-driven products, mostly tailor-made to the customer's needs. The higher the level of customization involved, the higher the profitability. Failure to anticipate and meet the requirements of our customers, as well as keep pace with evolving technological innovations in its markets might adversely impact business activities and profitability.

To make sure that the Company can respond effectively and efficiently to market needs, about 19% of its workforce is in the technical department (R&D and IT). These employees pursue various research and development activities, including product development and application, as well as quality assurance.

Risk from volatility in raw material prices

As a manufacturing company, 80% of total costs and expenses are raw materials, primarily palm oil, coconut oil, and other types of vegetable oils, as well as monomers, polymers, and other chemicals. Prices of these raw materials tend to be volatile and the Company's ability to pass on significant changes in the cost of raw materials to customers is largely dependent upon contractual relationships and market conditions.

The Company does not fix the selling price for most of its contracts with customers. Prices for the contracts are reset every 30-45 days on average, enabling the Company to pass on relevant price changes in raw material costs.

Risk from customer concentration

The Company's largest customers account for a sizable portion of the business. The top three largest customers, mostly food ingredients customers, accounted for 16% of consolidated revenues in 2023. These customers are large multinational and local corporations. Significant changes in any of these customers' purchases might have material impact on the Company's businesses and profitability.

The products sold to these customers are mostly customized for which the Company is almost the sole supplier, in turn generating a stable base of sales volume for the Company. Nonetheless, cognizant of the risk of customer concentration, the Company continues to work closely with customers in order to get good demand visibility. Part of managing risks associated with customer concentration is assessing such risks against operational and strategic factors including economies of scale and knowledge accumulation.

Risk associated with the identity of the company's controlling shareholders

The Company is effectively controlled by the Lao Family and their interests may differ significantly from the interests of other shareholders.

Through direct and indirect interests, the Lao Family effectively controls the Company and its subsidiaries. Mr. Dean A. Lao, Jr., Mr. Vincent D. Lao, Mr. Lester A. Lao and Mr. Alvin D. Lao, along with other second-generation members of the Lao Family, serve in various capacities as officers and directors of the boards and officers of D&L Industries and its subsidiaries. These positions allow the Lao Family to control shareholder decisions and exercise significant control over decisions of the Board in D&L Industries and each of its subsidiaries.

The Company has a track record of good corporate governance. From the time of its public listing in December 12, 2012, D&L and its key officers have been recognized by certain award-giving bodies as one of the best in the Philippines and the ASEAN region such as those cited below.

'Finance Asia', a financial publication in the ASEAN region, named D&L as the country's 3rd best mid-cap company in 2014, best mid-cap company in 2015 and 2016, 2nd best mid-cap company in 2018, and best mid-cap in 2019. D&L also ranked as 7th best in the investor relations category.

New York-based Institutional Investor has named D&L as among the Most Honored Companies in ASEAN in 2017, 2019, 2020 and 2022. The Company's investor relations program, ESG and corporate governance initiatives were likewise recognized as among the best in the country.

The Institute of Corporate Directors (ICD) gave D&L 1-golden arrow recognition in 2019, 2020, 2021 and 2022. ICD evaluates companies in five areas: right of shareholders, equitable treatment of shareholders, role of stakeholders, disclosure and transparency, and responsibilities of the Board.

Six of the seven members of the Board of Directors of the Company are non-executive officers, with four independent directors. Independent directors also chair several committees of the Board of directors such as audit, corporate governance, related-party transaction, and risk oversight.

Item 2. Properties

Real Properties

The Company does not own any land and operates an asset-light business model. It leases real property, barges, and storage tanks used in its businesses from related parties LBL Prime Properties Incorporated, Ecozone Properties, Inc., FIC Tankers, Inc., and FIC Marketing, Inc., as well as from other third party lessors. The Company's lease agreements are typically for a period of one to five years and are renewable unless terminated by either party. Lease rates are all at arm's-length basis, and annual escalations are done at reasonable levels. None of the Company's properties used in its operations are subject to any material liens, encumbrances or restrictions of use.

To support the Company's centralized distribution and motor pool functions, the Company owns 73 delivery trucks, with a total capacity of 2,053 MT. The Company also contracted 6 cargo barges owned by affiliates with an aggregate capacity of approximately 10,400 MT.

The company's supply chain facilities are are ISO 9001 (quality), ISO 14001 (environmental), ISO 45001 (Occupational Health and Safety) certified which indicate its commitment to excellence in quality, delivery, care for the environment, health and safety of its employees, and cost competitiveness to its customers. In addition, OFI's facility is FSSC 22000 (Food Safety Standard Certification) and HALAL certified.

In January 2019, the Company's laboratory facility renewed its Certificate of Accreditation as an ISO 17025 Chemical Testing Lab by the Department of Trade and Industry's Philippine Accreditation Office, attesting to its high-quality facilities and employees. The Company has continuously upgraded this and its other application laboratories to allow it to continuously seek and implement innovations across the Company's entire product design and development cycle.

Intellectual Properties

The Company believes that all proprietary product names, devices and logos used by the Company and its subsidiaries are registered with or are covered by a pending Application for Registration with the Intellectual Property Office of the Philippines, and have been filed or are owned by the Company.

As of December 31, 2023, the Company and its affiliates had over 415 registered trademarks covering a wide range of products such as resins, colorants, foam concentrates, fats and oils, powder coating and biofuel compounds, among others.

Item 3. Legal Proceedings

As of date of this report, the Company is not a party to any litigation or arbitration proceedings of material importance, which could be expected to have a material adverse effect on the Company or on the results of its operations. No litigation or claim of material importance is known to be pending or threatened against the Company or any of its properties.

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

There were no matters submitted during the fourth quarter of the fiscal year covered by this report to a vote of security holders, through the solicitation of proxies or otherwise.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

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

(1) The Company's common shares are traded on the First Board of the Philippine Stock Exchange. The common shares were listed on December 12, 2012. The following table shows the high and low prices (in pesos) of the Company's shares in the Philippines Stock Exchange for the year 2023:

	High	Low
Full Year 2023 (January 01 - December 31)	P8.73	P5.98

Source: Bloomberg

The market capitalization of the Company's common shares as of end-2023, based on the closing price of P6.31 per share was P45,071,433,917.

The last traded price of the Company's shares as of March 06, 2024 was P6.74.

(2) Total shares outstanding as of December 31, 2023 was 7,142,857,990 with a par value of P1.00.

The top 20 shareholders [1] as of the same date are:

1	JADEL HOLDINGS CO., INC.,	3,930,114,072	55.02%
2	PCD NOMINEE CORPORATION (FILIPINO)	1,573,365,459	22.03%
3	PCD NOMINEE CORPORATION (NON-FILIPINO)	949,339,059	13.29%
4	SMARTWORKS TRADING CO., INC.,	153,533,498	2.15%
5	JADANA INC.,	115,521,710	1.62%
6	CEE INDUSTRIES INC.,	113,139,897	1.58%
7	ALLVEE UNITED, INC.,	95,524,564	1.34%
8	PRIME SPIN INC.,	80,146,296	1.12%
9	JOHN L. LAO	32,993,601	0.46%
10	ALEX L. LAO	32,579,888	0.46%
11	VINCENT D. LAO ITF LORENZO VINCE TAN LAO	5,025,000	0.07%
12	EMILY CHUA CATIENZA	4,520,000	0.06%
13	LAO ALVIN DIM AND/OR LAO JOHANNA SY	4,025,000	0.06%
14	HANSEVIAN , INC.	3,760,000	0.05%
15	IVIE MAE DIM LAO	3,125,000	0.04%
16	YVETTE ANN DIM LAO ITF KYLE ZACHARY LAO CHUA-UNSU	3,012,500	0.04%
17	YVETTE ANN DIM LAO ITF STELLA KATHLYN LAO CHUA-UNSU	3,012,500	0.04%
18	YVONNE KEH	2,402,900	0.03%

19	BENIYA ANTOINETTE CHUA CATIENZA	2,110,000	0.03%
20	OTHER SHAREHOLDERS	35,607,046	0.50%
		7,142,857,990	100.00%

Note: [1] Figures are based on the report rendered by the stock transfer agent and exclude shares under the PCD accounts.

Dividends

The Company's current dividend policy provides that at least 50% of its prior year's consolidated recurring net income shall be declared as dividends in favor of the stockholders of record date to be determined by the Board.

The dividends to be received by the stockholders shall be based on the recommendation of the Board after considering factors such as the Company's operating expenses, implementation of business plans, working capital requirements, cash flow position and capital expenditure requirements, as among other factors. The Company's Board of Directors may change the dividend policy at any time, as well as declare special dividends on top of the 50% commitment.

Declaration date	Payment Date	Dividend rate per share	Amount
June 05, 2023	July 14, 2023	P0.3 per share	P2,142,857,397
June 06, 2022	July 15, 2022	P0.24 per share	P 1,714,285,918
June 07, 2021	July 15, 2021	P0.191 per share	P1,364,285,876
September 18, 2020	October 28, 2020	P0.183 per share	P1,307,143,012
June 11, 2019	July 22, 2019	P0.286 per share	P2,042,857,385
June 04, 2018	July 09, 2018	P0.260 per share	P1,857,143,077
July 13, 2017	August 10, 2017	P0.235 per share	P1,678,571,628
June 06, 2016	July 08, 2016	P0.20 per share	P1,428,571,598
June 08, 2015	July 08, 2015	P0.15 per share	P535,714,350
June 02, 2014	June 30, 2014	P0.20 per share	P714,285,799
June 24, 2013	August 19, 2013	P0.15 per share	P535,714,350
August 28, 2012	September 06, 2012	P0.85 per share	P863,434,640

Item 6. Management's Discussion and Analysis of Financial Condition, Changes of Financial Conditions and Result of Operations

As at December 31, 2023, 2022 and 2021, the consolidated financial statements include the Company and 100% of its subsidiaries, namely: FIC, DLPC, OFI, API, CTI, CSPI, NAC, and DLPF.

<u>FY2023 versus FY2022</u>

Results of Operations

- Reported net income available to common shareholders decreased by 31% to P2.295 billion in 2023 from P3.32 billion in 2022, or earnings per share of P0.32 versus 2022's P0.46.

- Consolidated revenues of P33.50 billion in 2023 were 23% lower than P43.5 billion in 2022. The decrease in revenue was mainly due to lower sales volume as well as lower average selling prices.

- Gross profit for the year decreased by 6% to P5.71 billion from P6.07 billion in 2022, mainly due to lower volume for the year.

- Selling and marketing expenses fell by 4% to P1.11 billion for the period.

- General and administrative expenses increased by 25% % to P 1.01 billion for the period mainly due to higher rental expenses, repairs and maintenance, professional fees and contracted services.

- The company booked other operating income of P34 million in 2023 mainly from interest income from short term deposits from banks.

- Finance cost increased by 160% y-o-y to P613 million largely due to the booking of interest expenses in the income statement that were previously capitalized during the construction period of the new plant in Batangas.

- Income tax expense decreased by 7% to P725 million in 2023.

Segment Operations

Food Ingredients

- Excluding the impact of the incremental expenses from the new plant in Batangas, the food ingredients business showed encouraging results for the period. In FY23, this segment managed to grow its gross profits, which excludes the impact of higher opex and interest expenses from Batangas, by 16% YoY.

- The positive result was mainly driven by a combination of better margins and a pick up in HMSP volumes. With the normalization of commodity prices, the food ingredients business saw its margin recover sharply, increasing by 5.5 ppts in FY23. Meanwhile, HMSP volumes were up 6% YoY.

- Taking into account the incremental expenses from the Batangas plant, net income for the year was down 18% YoY. Looking forward, however, with an improving macroeconomic backdrop and an aggressive export thrust to penetrate new markets, management sees eventual return to earnings growth.

Oleochemicals and Specialty Oleochemicals

- The stellar performance of Chemrez last year with its FY22 earnings growing by 47% YoY set up a high base for this year. However, the confluence of 1) high inflation and weaker consumer spending, 2) incremental expenses from the Batangas plant, and 3) highly competitive landscape in the biodiesel business putting pressure on margins resulted in an earnings decline of 50% YoY in FY23.

- While 2023 proved to be challenging, green shoots have started to emerge. For instance, in the fourth quarter alone, HMSP volume under Chemrez grew by 88% YoY. This was largely driven by the new production from the Batangas plant. In addition, there are several catalysts on the horizon which should support growth. This includes 1) the implementation of a higher biodiesel blend from 2% (B2) to 3% (B3) effective July 01, 2024, 2) additional capabilities with the commercial operations of the Batangas plant that will enable the company to do deeper innovations and manufacture higher value-added products, and 3) the company's aggressive export thrust with the appointment of distributors in key export markets.

Specialty Plastics

- While the specialty plastics division was off to a slow start this year, with earnings falling as much as 20% YoY in the first half of the year, the second half was a turnaround story with second half earnings registering 46% growth from the first half.

- The normalization of semiconductor supply globally has prompted a bounce back in the demand for engineered polymers used for automotive applications. As a result, volumes picked up sharply in 2H23, up 20% YoY. This reversed the 4% volume decline recorded in 1H23, bringing FY volume growth to 7% YoY.

- Over the long term, this division is expected to continue to grow fuelled by the company's R&D investments that are aimed at developing new applications for its products and introducing new technologies that will make plastics more economical and environmentally-friendly at the same time. The company has started to fulfill trial orders for a new alternative to plastics that is equally durable and cost-competitive but is renewable, sustainable, and made from indigenous materials.

Consumer Products ODM

- Consumer Products ODM segment saw its income grow by 12% YoY in FY23. This resulted in the significant increase of the segment's income contribution to the group which stood at 11% for the period from a mere 7% income contribution in full-year 2022. The strong growth was mainly driven by the continued reopening of the economy and the resumption of face-to-face activities which fuelled demand for many personal care products. Total volume for the segment was up 40% YoY.

Key Financial Performance Indicators

	2023	**2022**
Gross Profit margin [a]	17%	15%
Net profit margin [b]	7%	9%
Return on Equity [c]	11%	14%
Current ratio [d]	1.25x	1.82x
Interest cover [e]	6x	24x
Net debt to equity ratio [f]	0.68x	0.45x
Asset-to-Equity ratio [g]	2.04x	1.90x
Book Value per share [h]	2.92	2.67
Return on Invested Capital [i]	10%	12%

[a] Gross Profit/ Revenues
[b] Net Income available to common shareholders/ Revenues
[c] Net Income available to common shareholders/ Shareholders' Equity
[d] Current Assets/ Current Liabilities
[e] Earnings before interest and taxes/ Interest Expense
[f] (Borrowings – Cash)/ Shareholders' Equity
[g] Total Assets/Total Equity
[h] Shareholders' Equity (available to owners of the Parent) / weighted average outstanding number of common shares
[i] Pre-tax income / invested capital (total assets – cash – non-interest bearing liabilities)

Financial Condition

- The Company's current ratio stood at 1.25x in 2023 vs 1.51x in 2022.
- Cash level at the end of 2023 stood at P2.84 billion from P3.25 billion at the end of 2022.
- Excluding the impact of VAT in the account balances, cash conversion cycle stood at 143 days with Accounts Receivable days, Inventory days, and Accounts Payable days at 55, 111, and 24 respectively.
- Prepayments and other current assets increased by 18% to P4.86 billion in 2023 due to input taxes and creditable withholding taxes.
- Net debt to equity ratio in 2023 stood at 68%. Interest cover remains comfortable at 6x. Total borrowings as of end-2023 stood at P17.14 billion.
- Retained earnings increased by 1.52% in 2023 to P10.22 billion mainly as a result of net income for the year. Total dividends paid amounted to Php2.14 billion which translated to a 65% payout ratio based on previous year's net income.
- Total equity increased by 1.05% to P20.87 billion on the back of higher retained earnings.
- As the company moves past peak capex with the completion of its Batangas plant, coupled with the normalization of commodity prices, the company's free cash flows (FCF) turned positive for the first time in two years which stood at P1.14 billion in FY23.
    - Net cash generated by operating activities stood at P2.65 billion.
    - Net cash used in investing activities amounted to P1.43 billion which was mainly spent on acquisition of property and equipment
    - Net cash used in financing activities amounted to P1.63 billion which mainly went to dividend payment and proceeds from loan.

FY2022 versus FY2021

Results of Operations

- Reported net income available to common shareholders increased by 26% to P3.32 billion in 2022 from P2.64 billion in 2021, or earnings per share of P0.46 versus 2021's P0.37.
- Consolidated revenues of P43.5 billion in 2022 were 41% higher than P30.9 billion in 2021. The increase in revenue was mainly due to higher sales volume as well as higher average selling prices.

- Gross profit for the year increased by 33% to P6.07 billion from P4.57 billion in 2021, mainly due to higher volume for the year.

- Selling and marketing expenses increased by 34% to P1.15 billion for the period due to higher delivery expenses.

- Administrative expenses increased by 81% to P806 million for the period mainly due to higher depreciation and amortization, provision for impairment of receivables, taxes & licenses.

- The company booked other operating income of P225 million in 2022 mainly due to forex gains for the period.

- Finance cost increased by 67% y-o-y to P236 million due to higher debt level and higher average interest rate for the year.

- Income tax expense increased by 35% to P777 million in 2022 due to higher income for the year.

Segment Operations

Food Ingredients

- With the reopening of the economy, the food ingredients segment continues to recover as overall volume for the year was up 14% YoY. In addition, as commodity prices continue to stabilize, margins have likewise started to improve. In 4Q22 alone, the gross profit margin (GPM) for the segment was up 3.3ppts YoY resulting in a 82% jump in profits for the quarter. Overall, the food ingredients division managed to end the year with a net income growth of 10% YoY, reversing the 6% income decline recorded in 9M22.

- This business was the segment most heavily affected by the pandemic, hence it is also expected to post the sharpest recovery post-pandemic. With quarantine restrictions now easing across the country and in the economic hub of Metro Manila, the company anticipates that further recovery is set to continue as fully vaccinated individuals are granted more freedom of movement, especially when frequenting restaurants, hotels, and the service industry.

Oleochemicals and Specialty Oleochemicals

- With higher export market penetration and the strong demand for organic, sustainable, and natural coconut oil-based products, Chemrez booked a record income for the year which was up 47% YoY. Oleochemicals division, which was the main growth driver, saw its volume grow by 46% YoY and GPM increase by 3.7ppts.

- Under the Oleochemicals division, the company sells various coconut oil derivatives which are categorized as either commodity (biodiesel) or high margin coconut oil-based products mostly for exports. As the economy continues to reopen, demand for biodiesel has started to pick up. Meanwhile, the high margin coconut-based products which are sustainable substitutes for petroleum-based raw materials used in many applications such as personal hygiene and home cleaning products continue to benefit from the increasing consumer awareness and preference for natural, organic, and sustainable products.

Specialty Plastics

- Specialty plastics managed to end the year with an earnings growth of 11% YoY as the 1.2ppt margin expansion more than offset the impact of the 14% YoY volume decline for the period. The disruptions brought about by the Omicron surge in January and the global shortage of semiconductor chips used in automotives resulted in lower demand for wire harnesses. Nonetheless, over the long term, the company expects this division to continue to grow fuelled by the company's R&D investments that are aimed at developing new applications for its products and introducing new technologies that will make plastics more economical and environmentally-friendly at the same time.

Aerosols

- With the continued economic reopening, the personal care division of the Consumer Products ODM segment saw its volume grow by 44% YoY in FY22. This offset the normalizing demand for disinfection and sanitation products as the world moves towards the tail end of the pandemic. In 4Q22 alone, earnings jumped 75% YoY, bringing the full year earnings decline to just 7% YoY from a decline of 23% YoY as of 9M22.
- Despite the slight YoY earnings contraction, FY22 earnings were still well-above pre-pandemic income level recorded in FY19. D&L expects this segment to return to profit growth as quarantine restrictions continue to ease, leading to greater foot traffic in retail outlets and more consumers resuming the regular use of personal hygiene products.

Key Financial Performance Indicators

	2022	**2021**
Gross Profit margin [a]	14%	15%
Net profit margin [b]	8%	9%
Return on Equity [c]	16%	14%
Current ratio [d]	1.51x	1.82x
Interest cover [e]	18x	24x
Net debt to equity ratio [f]	0.59x	0.45x
Asset-to-Equity ratio [g]	1.97x	1.90x
Book Value per share [h]	2.89	2.67
Return on Invested Capital [i]	13%	12%

[a] Gross Profit/ Revenues
[b] Net Income available to common shareholders/ Revenues
[c] Net Income available to common shareholders/ Shareholders' Equity
[d] Current Assets/ Current Liabilities
[e] Earnings before interest and taxes/ Interest Expense
[f] (Borrowings – Cash)/ Shareholders' Equity
[g] Total Assets/Total Equity
[h] Shareholders' Equity (available to owners of the Parent) / weighted average outstanding number of common shares
[i] Pre-tax income / invested capital (total assets – cash – non-interest bearing liabilities)

Financial Condition

- The Company's current ratio stood at 1.51x in 2022 vs 1.82x in 2021.

- Cash level at the end of 2022 stood at P3.25 billion from P5.22 billion at the end of 2021.

- Excluding the impact of VAT in the account balances, cash conversion cycle stood at 99 days with Accounts Receivable days, Inventory days, and Accounts Payable days at 43, 74, and 18, respectively.

- Prepayments and other current assets increased by 32% to P4.1 billion in 2022 due to input taxes and creditable withholding taxes.

- Net debt to equity ratio in 2022 stood at 59%. Interest cover remains comfortable at 18x. Total borrowings as of end-2022 stood at P15.48 billion.

- Retained earnings increased by 19% in 2022 to P10.06 billion mainly as a result of net income for the year. Total dividends paid amounted to Php1.71 billion which translated to a 65% payout ratio based on previous year's net income.

- Total equity increased by 8% to P20.65 billion on the back of higher retained earnings.

- Due to higher raw material prices and the capex involved with the company's expansion in Batangas, free cash flow remained negative in 2022.
    - Net cash generated by operating activities stood at P2.47 billion.
    - Net cash used in investing activities amounted to P3.03 billion which was mainly spent on acquisition of property and equipment for the company's expansion site in Batangas.
    - Net cash used in financing activities amounted to P0.78 billion which mainly went to dividend payment and proceeds from loan.

D&L's Plan of Operation for 2024

The past year marks the beginning of a new era in the history of D&L Industries. In time for the company's 60th anniversary, its next generation facility in Batangas started commercial operations in July 2023 with the issuance of its first invoice. With upgraded capabilities and a footprint that will more than double the company's existing manufacturing capacity, the new plant ushers in a transformational period for D&L.

The Batangas facility is not just another plant. Specced to the highest standards and equipped with new capabilities, this plant will elevate the company to operate on a whole new level. With this plant, the company sees new markets, higher value added products, and deeper innovations that will further push its boundaries.

With new capacity and capabilities to offer, D&L remains focused on achieving its medium-term goals of further increasing the share of its high margin business as well as increasing export revenue contribution to 50% of total revenues.

In line with its advocacy to champion Green Chemistry, the company continues to invest in developing products that are sustainable and more environmentally friendly. With coconut oil continuing to gain traction globally as a sustainable, natural, and organic substitute to many petroleum-based raw materials, D&L plans to further capitalize on this by entering more export markets and by using its R&D expertise to introduce more highly specialized, coconut-oil based products. In addition, the company is also doing a lot of work in developing an alternative to plastics that is equally durable and cost-competitive but is renewable, sustainable, and made from indigenous materials.

Item 7. Financial Statements

The Financial Statements of the Company are incorporated herein by reference and attached as an integral part of this SEC Form-17A.

Item 8. Information on Independent Public Accountant and Other Related Matters

1. Independent Public Accountant

(a) Audit and Audit-Related Fees

The Company's independent public accountant is the accounting firm of Isla Lipana & Co. The Company's Audit Committee recommended for approval of the Board the appointment of external auditor for the ensuing year. The stockholders then approved and ratified the appointment of external auditor at the annual stockholder's meeting held on June 5, 2023. Isla Lipana has not expressed any intention to resign as the Company's principal auditor nor has it indicated any hesitance to accept re-election after the completion of their last audit.

Pursuant to the General Requirements of the SRC Rule 68, paragraph 3 (Qualifications and Reports of Independent Auditors), the Company has engaged Isla Lipana & Co. as external auditor. Mr. Carlos Federico C. de Guzman is the engagement partner in charge of the Company's financial statements for 2023. Mr. Roderick M. Danao was the audit engagement partner-in-charge for the Company's financial statement audit from 2018 up to 2022. Ms. Gina S. Detera was the audit engagement partner-in-charge for the Company's financial statement audit in 2017 and 2016.

The aggregate fees billed and payable for each of the last three (3) fiscal years for professional services that are normally rendered by Isla Lipana & Co for the audit of the company's Annual Financial Statements are the following:

Year	Audit Fees
2021	P5,400,000
2022	P5,780,000
2023	P5,870,000

There are no other assurance and related services by Isla Lipana & Co. that are related to the performance of the audit or review of the Company's Financial Statements.

(b) All Other Fees

Isla Lipana & Co was engaged to provide the comfort letter and arrangement letter covering years 2017 to 2020 required for the Company's Bond Issuance last 2021, for which fees in the amount of P1,528,000 were paid to Isla Lipana & Co.. There are no aggregate fees billed in each of the last three (3) fiscal years for products and services provided by Isla Lipana & Co., other than this and the services reported under item (a) above.

(c) Audit Committee's Approval Policies and Procedures

The composition of the Audit Committee is as follows:

Mrs. Corazon S. de la Paz-Bernardo, as Chairman (Independent Director), Atty. Mercedita S. Nolledo (Independent Director), Karl Kendrick T. Chua (Independent Director) and Mrs. Lydia R. Balatbat-Echauz (Independent Director).

The Audit Committee meets on a regular basis to:

a) Assist the Board in the performance of its oversight responsibility for the financial reporting process, system of internal control, audit process, and monitoring of compliance with applicable laws, rules and regulations;

b) Provide oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risks of the corporation;

c) Perform oversight functions over the corporation's internal and external auditors. It should ensure that the internal and external auditors act independently from each other, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions;

d) Review the annual internal audit plan to ensure its conformity with the objectives of the corporation. The plan shall include the audit scope, resources and budget necessary to implement it;

e) Prior to the commencement of the external audit, discuss with the external auditor the nature, scope and expenses of the audit, and ensure proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts;

f) Establish an internal audit function, and consider the appointment of an independent internal auditor and the terms and conditions of its engagement and removal;

g) Monitor and evaluate the adequacy and effectiveness of the corporation's internal control system, including financial reporting control and information technology security;

h) Review the reports submitted by the internal and external auditors;

i) Review the quarterly, half----year and annual financial statements before their submission to the Board, with particular focus on the following matters:

- Any change/s in accounting policies and practices
- Major judgmental areas
- Significant adjustments resulting from the audit
- Going concern assumptions
- Compliance with accounting standards
- Compliance with tax, legal and regulatory requirements

j) Coordinate, monitor and facilitate compliance with laws, rules and regulations;

k) Evaluate and determine the non-audit work, if any, of the external auditor, and review periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to the corporation's overall consultancy expenses. The committee shall disallow any non-audit work that will conflict with his duties as an external auditor or may pose a threat to his independence. The non-audit work, if allowed, should be disclosed in the corporation's annual report; and

l) Establish and identify the reporting line of the Internal Auditor to enable him to properly fulfill his duties and responsibilities. He shall functionally report directly to the Audit Committee. The Audit Committee shall ensure that, in the performance of the work of the Internal Auditor, he shall be free from interference by outside parties.

2. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Changes in Accounting Policies

Refer to Note 23 – Summary of Significant Accounting Policies under Changes in Accounting Policies and Disclosures discussion on the Consolidated Financial Statement as of the year ended December 31, 2023 included in this report.

PART III - CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

The Articles of Incorporation provide for the election of seven (7) directors to the Board to serve for a term of one year. The Board is responsible for the overall management and direction of the Company. It meets on a regular basis to review and monitor the Company's financial position and operations.

The following sets forth certain information as to the Directors and executive officers of the Company and key officers of the Company's wholly-owned subsidiaries:

Advisory Board Members

Name	Age	Nationality	Position
Dean L. Lao	85	Filipino	Chairman Emeritus
Leon L. Lao	81	Filipino	Member, Advisory Board
Alex L. Lao	78	Filipino	Member, Advisory Board

Directors, Executive Officers, and Key Officers of wholly-owned subsidiaries:

Name	Age	Nationality	Position
Yin Yong L. Lao	71	Filipino	Chairman
John L. Lao	69	Filipino	Director and Vice Chairman
Alvin D. Lao	52	Filipino	Director, President and Chief Executive Officer
Mercedita S. Nolledo	82	Filipino	Independent Director
Corazon S. de la Paz-Bernardo	82	Filipino	Independent Director
Lydia R. Balatbat-Echauz	76	Filipino	Independent Director
Karl Kendrick T. Chua	45	Filipino	Independent Director
Franco Diego Q. Lao	45	Filipino	CFO, Treasurer, Compliance Officer
Dean A. Lao, Jr.	56	Filipino	President & CEO, Chemrez Technologies
Lester A. Lao	55	Filipino	President & CEO, FIC and DLPC
Vincent D. Lao	50	Filipino	President & CEO, Oleo-Fats, Inc.
Kristine Ann C. Catindig-Ong	42	Filipino	Corporate Secretary, CIO
Ainslee Anne T. Lao	32	Filipino	Assistant Corporate Secretary

The business experience for the past five years of each of the directors and executive officers is set forth below.

Dean L. Lao is the Co-founder and Chairman Emeritus of the Company, having previously served as Chairman and President of the Company from 1971 to 2013. He now sits on the Advisory Board of the Company since 2017. He was the founder of the various companies belonging to the Lao Family which include FIC Marketing, Inc. (1986), Oleo-Fats, Incorporated (1988), Corro-Coat, Inc (1990), Aero-Pack Industries, Inc. (1990), First in Colors, Incorporated (1991), and Chemrez Product Solutions, Inc. (1991). He currently serves as Director of the following companies: Aero-Pack Industries, Inc., Chemrez Product Solutions, Inc., First in Colours, Incorporated, Oleo-Fats, Incorporated, Malay Resources, Inc., FIC Tankers Corporation, LBL Prime Properties Incorporated, Ecozone Properties, Inc., First Batangas Industrial Park, Inc., Color-Chem Corp., North Mactan Industrial Corporation and Jadel Holdings Co., Inc. Dean obtained his B.S. in Chemical Engineering from the Polytechnic Colleges of the Philippines.

Leon L. Lao is the co-founder of D&L Industries, Inc. Having previously served the Company in various capacities (Director, Chairman, President and Chief Operating Officer), Leon Lao now sits on the Advisory Board of the Company since 2017. He currently serves as the Chairman of First in Colors, Incorporated and D&L Polymer & Colours, Inc., and Director of Aero-Pack Industries, Inc., Chemrez Product Solutions, Inc., Chemrez Technologies, Inc., First in Colours, Incorporated, Oleo-Fats Incorporated, Malay Resources, Inc., LBL Prime Properties Incorporated, Ecozone Properties, Inc., First Batangas Industrial Park, Inc., Color-Chem Corp., North Mactan Industrial Corporation and Jadel Holdings Co., Inc. Leon obtained his B.S. in Chemical Engineering from the Polytechnic Colleges of the Philippines.

Alex L. Lao is a member of the Advisory Board of the company. He was a Director of the Company from 1971 to 2017. He has also been a Director of other subsidiaries and affiliates of D&L Industries. He previously served as Alternate Director of Axis REIT, a real estate investment trust listed in Malaysia. Mr. Lao is also a Director of the following: Aero-Pack Industries, Inc., Chemrez Product Solutions, Inc., First in Colours, Incorporated, Oleo-Fats Incorporated, Malay Resources, Inc., Palmera Resources, Inc., LBL Prime Properties Incorporated, First Batangas Industrial Park, Inc., Anonas LRT Property and Dev't Corp., Hotel Acropolis, Inc., Color-Chem Corp., North Mactan Industrial Corporation and Jadel Holdings Co., Inc. Alex obtained his B.S. in Chemical Engineering from the Polytechnic Colleges of the Philippines.

Yin Yong L. Lao is the Chairman of the Company, having been a Director since 1971 and having previously served as President. He is a Director as well as President and Chief Executive Officer of LBL Prime Properties Incorporated, Anonas LRT Property and Dev't Corp., Hotel Acropolis, Inc. and Ecozone Properties, Inc. Yin Yong is also a Trustee of the Association of Petrochemical Manufacturers of the Philippines. He also serves as a director of the following: Aero-Pack Industries, Inc., Chemrez Technologies, Inc., Chemrez Product Solutions, Inc., First in Colours, Incorporated, Oleo-Fats, Incorporated, Palmera Resources, Inc., Malay Resources, Inc., First Batangas Industrial Park, Inc., Color-Chem Corp., North Mactan Industrial Corporation, and Jadel Holdings Co., Inc. He graduated from the Ateneo de Manila University with a Bachelor of Arts degree in General Studies.

John L. Lao is the Vice Chairman of the Company. He previously served as the President until August 2016. He is currently the President of Aero-Pack Industries, Inc. His other directorships include North Mactan Industrial Corporation, Chemrez Technologies, Inc., Chemrez Product Solutions, Inc., First in Colours, Incorporated, D&L Polymer & Colours, Inc., D&L Powder Coating, Inc., Oleo-Fats Incorporated, Best Value Factory Outlet Corp., Malay Resources, Inc., Palmera Resources, Inc., LBL Prime Properties Incorporated, Ecozone Properties, Inc., Anonas LRT Property and Dev't Corp., Hotel Acropolis, Inc., First Batangas Industrial Park, Inc., Color-Chem Corp. and Jadel Holdings Co., Inc. John obtained his B.S. in Business Administration from the University of the East.

Mercedita S. Nolledo is an independent director of the Company. She also serves currently as a Director and/or officer in various capacities for BPI Foundation, Inc., Ayala Foundation, Inc., Ayala Land Commercial REIT, Inc., Anvaya Cove Beach & Nature Club, Michigan Holdings, Inc. and Sonoma Properties, Inc.. She is also a member of the Advisory Board of Bank of the Philippine Island. Mrs. Nolledo obtained a B.S. in Business Administration and Accountancy (Magna Cum Laude and class valedictorian) and a Bachelor of Laws (LI.B degree – cum laude and class valedictorian) from the University of the Philippines. She placed 2nd in both the

Certified Public Accountant exams and bar exams in 1960 and 1965, respectively.

Karl Kendrick Chua is an independent director of the Company. He is a director of the Bank of the Philippine Islands, BPI Direct Banko, Golden ABC, Inc. and AC Ventures, Inc. He is also a board adviser in LH Paragon, Inc. He was a former Secretary of the National Economic and Development Authority and Undersecretary for Strategy, Economics, and Results at the Department of Finance. He was a senior official in the Government of the Philippines for six years. As Secretary of Socioeconomic Planning and Chief Economist of the country, he provided strategic leadership on economic policy during the Covid-19 pandemic and the further liberalization of key sectors of the economy. He also oversaw the implementation of the national ID program. As Undersecretary in the Department of Finance, he led the technical team in the passage of the Comprehensive Tax Reform Program and the Rice Tariffication Law. Prior to joining the government, he was with the World Bank for 12 years and was the senior economist for the Philippines. He graduated from the Ateneo De Manila University in 2000 with a degree in B.S. Management Engineering. He earned his M.A. Economics (2003) and Ph.D. Economics (2011) from the University of the Philippines, and recently studied data science at the Asian Institute of Management. In 2018, he was recognized as one of the Ten Outstanding Young Men of the Philippines (TOYM) for economic development.

Corazon de la Paz-Bernardo is an independent director of the Company. She headed the Social Security System from 2001 to 2008 as President and CEO. Prior to this, she built a successful career as a certified public accountant at Joaquin Cunanan & Co (PriceWaterhouseCoopers Philippines) from 1967 to 2001 where she was the Chairman and Senior Partner of the firm from 1981 to 2001. She was also the first non-European President of the International Social Security Association from 2004 to 2010. She continues to be an independent director or trustee of other companies including Roxas & Co., Republic Glass Holdings Corp., University of the East, University of the East RMMMCI, Del Monte Philippines, and Phinma Education Holdings Inc.. She is an adviser to the board and audit committee of BDO Unibank, Inc. and adviser to the audit committee of PLDT. She was honored by the Institute of Corporate Directors (ICD) as an honorary member last November 30, 2023. Mrs. de la Paz-Bernardo is a graduate of the University of the East (Magna Cum Laude) and obtained first place in the 1960 CPA board examination. She obtained her MBA from the Cornell University Johnson School of Management as a Fulbright grantee and UE scholar.

Lydia Balatbat-Echauz is an independent director of the Company. She has more than three decades of leading the country's top schools. She served as President of publicly listed Far Eastern University from 2002 to 2012. Previous to this, she was Associate Director at the Graduate School of Business, Ateneo de Manila University until 1985 and Dean of the Graduate School of Business, De La Salle University from 1986 to 2002. Her expertise extends beyond the academe as she also sits on the board of several companies which include Meralco, Shell Pilipinas Corp., SM Foundation, Inc., Henry Sy Foundation, Inc., Riverside College, Inc., NBS Educational Services, Inc., Mano Amiga Academy, Inc., FERN Realty Corporation, Museo del Galeon, Inc. and Akademyang Filipino Association, Inc.

Alvin D. Lao became a Director and President and Chief Executive Officer of the Company in August 2016. He also serves as a Director of Axis REIT, a REIT (real estate investment trust) listed in Malaysia. He is the Vice President of the Technology Club of the Philippines (Philippine alumni of the Massachusetts Institute of Technology) and past president of the Entrepreneurs Organization (EO, Philippine Chapter). He is a current member of the Financial Executives Institute of the Philippines (FINEX), Akademyang Filipino, and Management Association of the Philippines. He is also the Executive Vice President and Treasurer of LBL Prime Properties Incorporated and Ecozone Properties, Inc. His other directorships include: First in Colours, Incorporated, D&L Polymer & Colours, Inc., FIC Marketing, Inc., FIC Tankers Corporation, Palmera Resources, Inc., Anonas LRT Property and Dev't Corp., Ecozone Properties, Inc. and Hotel Acropolis, Inc. He was previously a faculty member of the De La Salle University Graduate School of Business. He graduated from the University of Western Australia with a Bachelor of Science in Information Technology (Honours) and Statistics. He also holds a Master's degree in Business Administration from the MIT Sloan School of Management.

Franco Diego Q. Lao was appointed as the Chief Financial Officer, Treasurer and Chief Compliance Officer of the Company on May 4, 2021. He has 21 years of experience with the group. Immediately before his appointment as CFO, he was the Finance Director of Oleo-Fats, Incorporated since February 2021. He was the Group Supply Chain Director for D&L Industries from 2017 to 2020. Before that, he was Supply Chain Manager from 2010-2016, Product Manager from 2006 to 2009 and Product Representative from 2000-2006 of Oleo Fats. He currently serves as Director of the following companies: D&L Polymer & Colours, Inc., Best Value Factory Outlet Corp., D&L Premium Foods Corp., Natura Aeropack Corporation and FIC Marketing, Inc. He holds a Bachelor of Commerce major in Accounting and Marketing degree from the University of Western Australia.

Dean A. Lao, Jr. is the President and CEO of Chemrez and Natura. He is also a member of the Management Committee of D&L Industries. He serves as Director of D&L Polymer & Colours, Inc., FIC Marketing, Inc., FIC Tankers Corporation, Anonas LRT Property and Dev't Corp., Hotel Acropolis, Inc. and Star Anise Properties Corp. He is currently the Chairman of the United Coconut Association of the Philippines, Director of the ASEAN Oleochemical Manufacturing Group, President of the Philippine Oleochemical Manufacturers Association, President of The Philippine Biodiesel Association and member of the Wallace Business Forum, Chemical Industries Association of the Philippines, Philippine Association of Paint Manufacturers and the Entrepreneurial Organization, Philippine Chapter. He graduated from Curtin University in Western Australia with a Bachelor of Business in Information Processing after completing his freshman year at the Ateneo de Manila University in the Philippines with a BA in Interdisciplinary Studies. He also completed the Advanced Management Program of Harvard Business School.

Lester A. Lao is the President and CEO of First in Colours, Incorporated and D&L Polymer & Colours, Inc. and a member of the Management Committee of D&L Industries. He also serves as Director of First in Colours, Incorporated, D&L Polymer & Colours, Inc., FIC Marketing, Inc., Anonas LRT Property and Dev't Corp. and Hotel Acropolis, Inc. He finished his Bachelor of Applied Science (Information Business) in Edith Cowan University Australia.

Vincent D. Lao is the President and CEO of Oleo-Fats, D&L Premium Foods Corp. and FIC Tankers Corporation and a member of the Management Committee of D&L Industries. He also serves as the President of Best Value Factory Outlet Corp. and FIC Tankers Corporation. He was previously Assistant Trader at Shuwa Co. Ltd. in Japan from 1994 to 1995. He also serves as Director of D&L Polymer & Colours, Inc., Oleo-Fats, Incorporated, FIC Marketing, Inc., Anonas LRT Property and Dev't Corp., and Hotel Acropolis, Inc. He graduated from the University of Western Australia with a Bachelor of Arts in Economics and Japanese Studies.

Kristine Ann C. Catindig-Ong is the Corporate Secretary of the Company, Corporate Information Officer and Corporate Legal Counsel of the Company. She is likewise the Corporate Secretary of Chemrez Technologies, Inc. and Chemrez Product Solutions, Inc., and Assistant Corporate Secretary of the following subsidiaries: Oleo-Fats, Incorporated, D&L Polymer & Colours, Inc., First in Colours, Incorporated and Aero-Pack Industries, Inc. She is a lawyer with a juris doctor degree from the Ateneo School of Law and a member of the Integrated Bar of the Philippines.

Ainslee Anne T. Lao is the Assistant Corporate Secretary of the Company. She also serves as Director and Corporate Secretary of D&L Premium Foods Corp., Natura Aeropack Corporation and Jadel Research Center, Incorporated. She is likewise the Assistant Corporate Secretary of the following subsidiaries: Oleo-Fats, Incorporated, D&L Polymer & Colours, Inc., First In Colours, Incorporated, Aero-Pack Industries, Inc., Chemrez Product Solutions, Inc., Chemrez Technologies, Inc. and Palmera Resources, Inc. She also serves as Chief Financial Officer of the following: LBL Prime Properties Incorporated, Anonas LRT Property and Dev't. Corporation, Ecozone Properties, Inc., Hotel Acropolis, Inc., LBL Land Corporation, Malay Resources, Inc. and

Star Anise Properties Corporation. She holds a Bachelor of Arts degree in History and a Master's degree in International Business from the University of London.

<u>Involvement in Certain Legal Proceedings</u>

No Director, executive officer or senior officer of the Company during the past five (5) years has been subjected to:

(a) Any bankruptcy petition files by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;

(b) Any conviction by final judgment, including the nature of the offense, in a criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;

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

No Director, executive officer or senior officer of the Company has been found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign Exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation and the judgment has not been reversed, suspended, or vacated.

Board Meetings and Attendance

Board	Name	Date of Election	No. of Meetings Held during the year	No. of Meetings Attended	%
Chairman	Yin Yong L. Lao	06-5-23	6	6	100
Member	John L. Lao	06-5-23	6	6	100
Member	Alvin D. Lao	06-5-23	6	6	100
Independent	Mercedita S. Nolledo	06-5-23	6	6	100
Independent	Corazon S. de la Paz-Bernardo	06-5-23	6	6	100
Independent	Lydia R. Balatbat-Echauz	06-5-23	6	6	100
Independent	Karl Kendrick T. Chua	06-5-23	3	3	100

Item 10. Executive Compensation

The total annual compensation received by Executive Officers and key senior personnel of the Company and its wholly-owned subsidiaries and affiliates in 2021, 2022, and 2023 amounted to P39,812,011, P49,384,255 and P51,485,338 respectively. The projected total annual compensation for the current year 2024 is P55,604,165. The table below shows the most highly compensated key officers and senior personnel of the Company.

Name	Position	Year	Salary	Bonus	Other Compensation
Alvin D. Lao	President and CEO	2023		-	-
Dean A. Lao, Jr.	President and CEO - Chemrez	2023		-	-
Lester A. Lao	President and CEO - DLPC/FIC	2023		-	-
Vincent D. Lao	President and CEO - Oleo Fats	2023		-	-
Other Senior Officers		2023		-	-
Total			**P51,485,338**	**-**	**-**

The following table presents the fees received by the Directors for 2023

Name	Position	Annual Retainer Fee	Per Diem (BOD Meetings)	Per Diem (Committee Meetings)	Total
Yin Yong L. Lao	Chairman	500,000	270,000	117,000	**887,000**
John L. Lao	Vice Chairman	500,000	243,000	117,000	**860,000**
Alvin D. Lao	President CEO	500,000	243,000	36,000	**779,000**
Alex L. Lao	Advisory Board		243,000		**243,000**
Dean L. Lao	Advisory Board		243,000		**243,000**
Leon L. Lao	Advisory Board		243,000		**243,000**
Corazon S. Dela Paz-Bernardo	Independent Director	500,000	243,000	342,000	**1,085,000**
Karl Kendrick T. Chua	Independent Director	500,000	108,000	108,000	**716,000**
Lydia R. Balabat-Echauz	Independent Director	500,000	243,000	279,000	**1,022,000**
Mercedita S. Nolledo	Independent Director	500,000	243,000	315,000	**1,058,000**
Total		**3,500,000**	**2,322,000**	**1,314,000**	**7,136,000**

Note: Aboves fees are net of withholding tax

Aside from the aforementioned fees no other compensation was paid to the Directors of the Company. Further, the Company does not have any stock option or management incentive plan as part of its current compensation for Directors and officers.

Item 11. Security Ownership of Certain Beneficial Owners and Management

As of December 31, 2023, the beneficial owners of more than five (5) percent of any class of the Company's voting securities are as follows:

Common	Jadel Holdings Co., Inc. (2) 65 Calle Industria, Bagumbayan, Quezon City, Stockholders	n/a	Filipino	3,930,114,072	55.02%
Common	PCD Nominee Corp (Non-Filipino) G/F Makati Stock Exchange, Ayala Avenue, Makati City	Standard Chartered Bank	Foreign	570,777,453	7.99%

Note: (1) Percentage is based on total number of shares issued – 7,142,857,990
(2) Figures are based on the report rendered by the stock transfer agent

The following table shows the security ownership of the Company's senior management as of December 31, 2023:

Title of Class	Name of Beneficial Owner	Position	Citizenship	Amount and Nature of Beneficial Ownership (1) - Balance as of 1/1/2023	Total Acquisition and Disposal for Y2023		Amount and Nature of Beneficial Ownership (1) - Balance as of 12/31/2023		% to Total Outstanding
				1,081,600	-		1,081,600	(D)	0.02%
Common	Dean L. Lao	Chairman Emeritus	Filipino	42,059	1	A	42,060	(I)	0.00%
				100,000	-		100,000	(D)	0.00%
Common	Leon L. Lao	Member, Advisory Board	Filipino	1,910,493	-		1,910,493	(I)	0.03%
				48,706,338	15,000,000	D	33,706,338	(D)	0.47%
Common	Alex L. Lao	Member, Advisory Board	Filipino	7,465,369	1,113,993	A	8,579,362	(I)	0.12%
				32,993,601	32,988,601	D	5,000	(D)	0.00%
Common	Yin Yong L. Lao	Chairman	Filipino	14,780,566	4,309,622	A	19,090,188	(I)	0.27%
				71,797,202	11,000,000	D	60,797,202	(D)	0.85%
Common	John L. Lao	Vice Chairman	Filipino	8,450,178	1,110,007	A	9,560,185	(I)	0.13%
Common	Mercedita S. Nolledo	Independent Director	Filipino	700,000	-		700,000	(D)	0.01%
Common	Corazon S. de la Paz-Bernardo	Independent Director	Filipino	100	-		100	(D)	0.00%
Common	Lydia R. Balatbat - Echauz	Independent Director	Filipino	89,500	-		89,500	(D)	0.00%
Common	Karl Kendrick T. Chua	Independent Director	Filipino	0	100	A	100	(D)	0.00%
				11,053,000	-		11,053,000	(D)	0.15%
Common	Alvin D. Lao	President & Chief Executive Officer	Filipino	1,931,578	10	A	1,931,588	(I)	0.03%
				1,763,000	-		1,763,000	(D)	0.02%
Common	Dean A. Lao, Jr.	President and CEO, Chemrez Technologies	Filipino	2,298,057	-		2,298,057	(I)	0.03%
				1,023,000	-		1,023,000	(D)	0.01%
Common	Lester A. Lao	President and CEO, FIC and DLPC	Filipino	42,682,872	2	A	42,682,874	(I)	0.60%
				6,668,000	-		6,668,000	(D)	0.09%
Common	Vincent D. Lao	President and CEO, Oleo-Fats, Incorporated	Filipino	1,931,520	-		1,931,520	(I)	0.03%
				1,279,000	-		1,279,000	(D)	0.02%
Common	Franco Diego Q. Lao	Chief Financial Officer, Treasurer, & Chief Compliance Officer	Filipino	18,891,174	2,818,968	A	21,710,142	(I)	0.30%
Common	Kristine Ann Catindig-Ong	Corporate Secretary	Filipino	326,000	40,000	A	366,000	(D)	0.01%
				1,383,600	-		1,383,600	(D)	0.02%
Common	Ainslee Anne T. Lao	Assistant Corporate Secretary	Filipino	18,424,611	2,749,348	A	21,173,959	(I)	0.30%
Common	Crissa Marie U. Bondad	Investor Relations Manager	Filipino	453,800	100,000	A	553,800	(D)	0.01%

Acquisition (A), Disposal (D)

Percentage is based on total number of shares issued of 7,142,857,990

(1) *Indirectly owned shares are attributable to the individual Lao family member's direct (D) and indirect (I) interests in the following companies, which are principal stockholders of the Company*

Name of Company	No. of shares in the Company	% to Total Outstanding
Jadel Holdings Co., Inc.	4,443,346,596	62.21%
SmartWorks Trading Co., Inc.	153,533,498	2.15%
Allvee United, Inc.	95,524,564	1.34%
Jadana, Inc.	115,521,710	1.62%
Prime Spin, Inc.	95,601,296	1.34%
CEE Industries, Inc.	146,128,498	2.05%
Hansevian, Inc.	3,760,000	0.05%

Item 12. Certain Relationships and Related Transactions

Mr. Dean L. Lao, Mr. Leon L. Lao, Mr. Alex L. Lao, Mr. Yin Yong L. Lao and Mr. John L. Lao are brothers. Mr. Dean A. Lao, Jr. and Mr. Lester A. Lao are sons of Mr. Dean L. Lao. Mr. Alvin D. Lao and Mr. Vincent D. Lao are sons of Mr. Leon L. Lao. Ms. Ainslee Anne T. Lao and Franco Diego Lao are the children of Mr. Alex L. Lao.

All other directors and officers are not related either by consanguinity or affinity.

Details of the Related Party Transaction are discussed under Notes 1 (General Corporate Information) and 18 (Related Party Transaction) of the Notes to the Consolidated Financial Statements of the Company. There were no transactions with directors, officers or any principal stockholders (owning at least 10% of the total outstanding shares of the Company) that are not in the ordinary course of business of the Company.

PART IV – CORPORATE GOVERNANCE

Item 13. Compliance with Leading Practice on Corporate Governance

For compliance with leading practices on corporate governance, please refer to the latest I-ACGR which can be accessed through the Company's website at this link: https://dnl.com.ph/wp-content/uploads/2023/05/Integrated-Annual-Corporate-Governance-Report-2022.pdf. The Company will submit its I-ACGR covering the year 2023 on or before the deadline set by the SEC and upload the same on the Company's website as soon as it is available.

In addition, the Company has a Code of Business Principles (CoBP) which encapsulates the Company's general policies relative to its stakeholders. The CoBP contains policies on customer's welfare, dealing with suppliers and the government, whistle blowing, community welfare, the environment and sustainable development and employee welfare. The COBP can be accessed through the Company's website at this link: https://dnl.com.ph/wp-content/uploads/2019/02/DnL-Code-of-Business-Principles.pdf. The Company's programs for employee health, safety and welfare and training and development are presented in the I-ACGR.

PART V – EXHIBITS AND SCHEDULES

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

D&L INDUSTRIES, INC.
LIST OF CORPORATE DISCLOSURES/REPLIES TO SEC LETTERS
UNDER SECTION FORM 17-C
JANUARY 1, 2020 TO DECEMBER 31, 2020

D&L INDUSTRIES, INC.

Date	Description of disclosure
Jan 11, 2023	List of Top 100 Stockholders (Common Shares)
Jan 11, 2023	Public Ownership Report
Feb 08, 2023	Press Release
Mar 01, 2023	Press Release
Mar 23, 2023	Notice of Analysts'/Investors' Briefing
Mar 29, 2023	Press Release
Mar 29, 2023	Notice of Annual or Special Stockholders' Meeting
Mar 29, 2023	Material Information/Transactions
Mar 30, 2023	[Amend-1]Quarterly Report
Mar 30, 2023	[Amend-1]Quarterly Report
Apr 11, 2023	List of Top 100 Stockholders (Common Shares)
Apr 11, 2023	Change in Directors and/or Officers (Resignation, Removal or Appointment, Election and/or Promotion)
Apr 12, 2023	Public Ownership Report
Apr 18, 2023	Annual Report
Apr 27, 2023	Information Statement
Apr 28, 2023	[Amend-1]Notice of Annual or Special Stockholders' Meeting
May 2, 2023	Notice of Analysts'/Investors' Briefing
May 5, 2023	[Amend-2]Notice of Annual or Special Stockholders' Meeting
May 5, 2023	Material Information/Transactions
May 5, 2023	Press Release
May 5, 2023	Material Information/Transactions
May 12, 2023	Information Statement
May 12, 2023	Quarterly Report
May 15, 2023	[Amend-3]Notice of Annual or Special Stockholders' Meeting
May 29, 2023	[Amend-1]Integrated Annual Corporate Governance Report
May 29, 2023	Integrated Annual Corporate Governance Report
Jun 5, 2023	Press Release
Jun 5, 2023	Material Information/Transactions
June 05, 2023	Initial Statement of Beneficial Ownership of Securities
June 05, 2023	Results of Organizational Meeting of Board of Directors
June 5, 2023	Results of Annual or Special Stockholders' Meeting

June 5, 2023	Material Information/Transactions
June 5, 2023	Declaration of Cash Dividends
June 5, 2023	Declaration of Cash Dividends
Jul 04, 2023	Other SEC Forms, Reports and Requirements
Jul 10, 2023	List of Top 100 Stockholders (Common Shares)
Jul 10, 2023	Public Ownership Report
Jul 10, 2023	Press Release
Aug 03, 2023	Notice of Analysts'/Investors' Briefing
Aug 09, 2023	Press Release
Aug 09, 2023	Material Information/Transactions
Aug 14, 2023	Quarterly Report
Aug 23, 2023	Statement of Changes in Beneficial Ownership of Securities
Aug 29, 2023	Change in Shareholdings of Directors and Principal Officers
Sep 11, 2023	Statement of Changes in Beneficial Ownership of Securities
Sep 19, 2023	Statement of Changes in Beneficial Ownership of Securities
Sep 19, 2023	Statement of Changes in Beneficial Ownership of Securities
Sep 19, 2023	Statement of Changes in Beneficial Ownership of Securities
Sep 19, 2023	Statement of Changes in Beneficial Ownership of Securities
Sep 19, 2023	Statement of Changes in Beneficial Ownership of Securities
Sep 19, 2023	Statement of Changes in Beneficial Ownership of Securities
Sep 21, 2023	Statement of Changes in Beneficial Ownership of Securities
Sep 21, 2023	Statement of Changes in Beneficial Ownership of Securities
Sep 29, 2023	Statement of Changes in Beneficial Ownership of Securities
Oct 13, 2023	List of Top 100 Stockholders (Common Shares)
Oct 13, 2023	Public Ownership Report
Oct 16, 2023	Press Release
Nov 3, 2023	Notice of Analysts'/Investors' Briefing
Nov 8, 2023	Material Information/Transactions
Nov 8, 2023	Press Release
Nov 13, 2023	Other SEC Forms, Reports and Requirements
Nov 14, 2023	Quarterly Report
Nov 24, 2023	Statement of Changes in Beneficial Ownership of Securities
Nov 24, 2023	Statement of Changes in Beneficial Ownership of Securities
Nov 24, 2023	Statement of Changes in Beneficial Ownership of Securities
Nov 24, 2023	Statement of Changes in Beneficial Ownership of Securities
Dec 22, 2023	Statement of Changes in Beneficial Ownership of Securities
Dec 22, 2023	Statement of Changes in Beneficial Ownership of Securities

INDEX TO FINANCIAL STATEMENTS
Form 17-A, Item 7

Consolidated Financial Statements

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed in behalf of the issuer by the undersigned thereunto duly authorized, in the city of **QUEZON** on February___, 2024.

By:

[redacted]

Alvin D. Lao
President/CEO

[redacted]

Marife M. Maddawin
Controller

[redacted]

Franco Diego T. Lao
Chief Finance Officer

[redacted]

Kristine Ann Catindig-Ong
Corporate Secretary

29 FEB 2024

SUBSCRIBED AND SWORN to before me this ______ day of April 2023 affiant (s) exhibiting to me his/their Driver's License, as follows:

NAMES	VALID ID	EXPIRE ON
Alvin D. Lao	[redacted]	
Franco Diego T. Lao		
Kristine Ann Catindig-Ong		
Marife M. Maddawin		

NOTARY PUBLIC

ATTY. MA. CECILIA T. ABAYON
NOTARY PUBLIC
Adm Matter No NP 252(2023-2024)
PTR No. 5555371 January 3, 2024
IBP OR No. 380643 December 29, 2023
MCLE Compliance No VIII-0004212 09 Oct. 2024
Roll No 84156

Doc.No. 120;
Page No. 12;
Book No IV;
Series of 2024

D&L Industries, Inc. and Subsidiaries

Consolidated Financial Statements
With Supplemental Schedules
For the Securities and Exchange Commission
December 31, 2023

FIRST SECTION

Audited Consolidated Financial Statements with
Supplemental Schedules for the
Securities and Exchange Commission
December 31, 2023

TABLE OF CONTENTS

First Section

D&L

Securities and Exchange Commission
SEC Building, EDSA corner
Ortigas Avenue, Mandaluyong City

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of D&L Industries, Inc. is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the year ended December 31, 2023, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

The Board of Directors reviews and approved the financial statements including the schedules attached therein, and submits the same to the stockholders or members.

Isla Lipana & Co, the independent auditor appointed by the stockholders, has audited the financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.

[redacted]

Yin Yong L. Lao
Chairman of the Board

[redacted]

Alvin D. Lao
President & CEO

[redacted]

Franco Diego T. Lao
Chief Finance Officer

D&L INDUSTRIES, INC.
65 Calle Industria, Bagumbayan, Quezon City, 1110 Philippines
(632) 8635•0680 (632) 8635•0703 info@dnl.com.ph www.dnl.com.ph

SUBSCRIBED AND SWORN to before me this FEB 2 9 2024 at QUEZON CITY, affiants exhibiting to me their Passports Nos:

		Valid ID	Expiration/Place of Issuance
YIN YONG L. LAO	PP	[redacted]	
ALVIN D. LAO	PP		
FRANCO DIEGO T. LAO	PP		

[redacted]

ATTY. KRISTINE ANN C. CATINDIG
NOTARY PUBLIC for QUEZON CITY
Adm. Matter No. NP-047, Until Dec. 31, 2024
No. 65 Calle Industria, Bagumbayan, QC
PTR No. 5452612, 1-2-24, QC / IBP No. 384791, 1-2-24, QC
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Independent Auditor's Report

To the Board of Directors and Shareholders of
D&L Industries, Inc.
No. 65 Industria Street
Bagumbayan, Quezon City

Our Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of D&L Industries, Inc. (the "Parent Company") and its subsidiaries (together, the "Group") as at December 31, 2023 and 2022, and their consolidated financial performance and their consolidated cash flows for the three years in the period ended December 31, 2023 in accordance with Philippine Financial Reporting Standards (PFRS).

What we have audited

The consolidated financial statements of the Group comprise:

- the consolidated statements of financial position as at December 31, 2023 and 2022;
- the consolidated statements of total comprehensive income for each of the three years in the period ended December 31, 2023;
- the consolidated statements of changes in equity for each of the three years in the period ended December 31, 2023;
- the consolidated statements of cash flows for each of the three years in the period ended December 31, 2023; and
- the notes to the consolidated financial statements, including material accounting policy information.

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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 Code of Ethics.

Our Audit Approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgments; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Key audit matters

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

Key audit matter identified in our audit is impairment of goodwill.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of goodwill Refer to Note 1.3 to the consolidated financial statements. As at December 31, 2023, the Group reported goodwill amounting to P3.4 billion in the consolidated statement of financial position. An annual impairment review is performed based on the requirements of PAS 36, Impairment of Assets. Goodwill impairment testing was performed by management related to the oleochemicals, resins and powder coating segment which was assessed to be the lowest level of cash-generating unit (or CGU). Management's impairment testing over goodwill was significant to our audit because the assessment process is complex, and requires significant management estimate and judgment. The most significant assumptions used in management's impairment testing relate to the discount rate and terminal growth rate applied together with the assumptions supporting the underlying forecasted cash flows, in particular the revenue growth rate and cost ratio.	We addressed the matter by evaluating management's impairment testing which includes cash flow forecasts approved by the Board of Directors of the business segment. We tested the key assumptions and methodologies used, in particular the CGU determination, discount rate, terminal growth rate, revenue growth rate and cost ratio. Specific procedures are discussed below: • Reviewed management's basis for identifying the CGU where goodwill is allocated. • Involved our valuation experts to independently assess the reasonableness of the assumptions used in determining the Weighted Average Cost of Capital (WACC), which is the basis of discount rate, with reference to comparable companies. In addition, we compared other key assumptions such as terminal growth rate and revenue growth rate, to externally derived data. • Tested reasonableness of cost ratio based on historical results and forecasted product mix based on future economic outlook that affects demand. In testing the discounted cash flow calculation, we also performed the following: • Tested mathematical accuracy of the discounted cash flow calculation. • Tested the calculation of the carrying amount of the CGU. • Performed sensitivity analysis of certain assumptions such as discount rate, terminal growth rate, cost ratio and revenue growth rate to assess the level of changes to the assumptions based on historical, macroeconomic and industry performance would not cause the carrying amount of the CGU to exceed its recoverable amount.

Other Information

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

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

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

When we read the other information identified above which have not yet been received, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

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

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

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

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 PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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.

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

- 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.

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, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our 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 Carlos Federico C. de Guzman.

Isla Lipana & Co.

Carlos Federico C. de Guzman
Partner
CPA Cert. No. 110973
P.T.R. No. 0011285, issued on January 12, 2024, Makati City
TIN 229-481-265
BIR AN: 08-000745-141-2023, issued October 23, 2023; effective until October 22, 2026
BOA/PRC Reg. No. 0142, effective until November 14, 2025

Makati City
February 29, 2024

Statement Required by Rule 68, Securities Regulation Code (SRC)

To the Board of Directors and Shareholders of
D&L Industries, Inc.
No. 65 Industria Street
Bagumbayan, Quezon City

We have audited the accompanying consolidated financial statements of D&L Industries, Inc. (the "Parent Company") and its subsidiaries as at and for the year ended December 31, 2023, on which we have rendered the attached report dated February 29, 2024.

In compliance with SRC Rule 68 and based on the certification received from the Parent Company's corporate secretary and the results of the work we performed, the Parent Company has one hundred ninety-seven (197) shareholders owning one hundred (100) or more shares as at December 31, 2023.

Isla Lipana & Co.

Carlos Federico C. de Guzman
Partner
CPA Cert. No. 110973
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Makati City
February 29, 2024

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Statement Required by Rule 68
Securities Regulation Code (SRC)

To the Board of Directors and Shareholders of
D&L Industries, Inc.
No. 65 Industria Street
Bagumbayan, Quezon City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of D&L Industries, Inc. (the “Parent Company”) and its subsidiaries (together, the “Group”) as at December 31, 2023 and 2022 and for each of the three years in the period ended December 31, 2023, and have issued our report thereon dated February 29, 2024. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group’s management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised SRC Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group’s consolidated financial statements as at December 31, 2023 and 2022 and for each of the three years in the period ended December 31, 2023 and no material exceptions were noted.

Isla Lipana & Co.

Carlos Federico C. de Guzman
Partner
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Makati City
February 29, 2024

Isla Lipana & Co., 29th Floor, AIA Tower, 8767 Paseo de Roxas, 1226 Makati City, Philippines
T: +63 (2) 8845 2728, www.pwc.com/ph

Statement Required by Rule 68
Securities Regulation Code (SRC)

To the Board of Directors and Shareholders of
D&L Industries, Inc.
No. 65 Industria Street
Bagumbayan, Quezon City

We have audited the consolidated financial statements of D&L Industries, Inc. (the "Parent Company") and its subsidiaries (together, the "Group") as at and for the year ended December 31, 2023, on which we have rendered the attached report dated February 29, 2024.

The supplementary information shown in the Reconciliation of Parent Company's Retained Earnings Available for Dividend Declaration, Map Showing the Relationships between and among the Parent Company and its Ultimate Parent Company, Middle Parent, Subsidiaries or Co-Subsidiaries and Associates, and Schedules A, B, C, D, E, F, and G, as additional component required by Revised Rule 68 of the SRC, is presented for purposes of filing with the Securities and Exchange Commission and is not a required part of the basic consolidated financial statements. Such supplementary information is the responsibility of management and has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements. In our opinion, the supplementary information has been prepared in accordance with the Revised Rule 68 of the SRC.

Isla Lipana & Co.

Carlos Federico C. de Guzman
Partner
CPA Cert. No. 110973
P.T.R. No. 0011285, issued on January 12, 2024, Makati City
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Makati City
February 29, 2024

D&L Industries, Inc. and Subsidiaries

Consolidated Statements of Financial Position
As at December 31, 2023 and 2022
(All amounts in Philippine Peso)

	Notes	2023	2022
Assets			
Current assets			
Cash and cash equivalents	3	2,844,171,390	3,250,165,008
Receivables, net	4	5,656,874,708	5,617,741,525
Inventories, net	5	9,056,492,790	8,745,436,857
Due from related parties	18	127,702,429	210,796,097
Financial assets at fair value through profit or loss (FVPL)	22.2	34,151,329	82,705,350
Prepayments and other current assets	6	4,863,205,314	4,129,573,588
Total current assets		22,582,597,960	22,036,418,425
Non-current assets			
Right-of-use (ROU) assets, net	9	626,526,764	896,810,952
Investments in equity securities at fair value through other comprehensive income (FVOCI)	7	266,224,629	236,763,755
Property, plant and equipment, net	8	12,526,615,430	11,540,250,974
Retirement benefit asset	19	26,897,429	-
Deferred income tax assets, net	20	136,014,868	89,444,470
Goodwill	1.3	3,367,846,840	3,367,846,840
Other non-current assets	6	3,092,421,827	2,592,866,790
Total non-current assets		20,042,547,787	18,723,983,781
Total assets		42,625,145,747	40,760,402,206
Liabilities and Equity			
Current liabilities			
Trade payables and other liabilities	10	3,764,921,685	3,265,972,921
Lease liabilities	9	250,371,079	473,553,419
Due to related parties	18	72,381,122	324,775,844
Bonds payable	11	2,990,809,865	-
Borrowings	11,18	10,900,000,000	10,520,000,000
Income tax payable		101,902,766	48,317,023
Total current liabilities		18,080,386,517	14,632,619,207
Non-current liabilities			
Bonds payable	11	1,985,445,108	4,957,823,713
Borrowings	11,18	1,259,231,665	-
Lease liabilities, net of current portion	9	304,417,351	349,099,083
Deferred income tax liabilities, net	20	3,301,884	-
Retirement benefit obligation	19	124,837,656	169,636,787
Total non-current liabilities		3,677,233,664	5,476,559,583
Total liabilities		21,757,620,181	20,109,178,790
Equity			
Attributable to the owners of the Parent Company:			
Share capital	12	7,142,857,990	7,142,857,990
Share premium	12	3,255,166,445	3,255,166,445
Reserve for remeasurement on retirement benefit		73,847,049	35,064,640
Fair value reserve on investments in equity securities at FVOCI		179,631,534	154,667,426
Retained earnings	12	10,216,022,548	10,063,466,915
Total equity		20,867,525,566	20,651,223,416
Total liabilities and equity		42,625,145,747	40,760,402,206

(The notes on pages 1 to 53 are an integral part of these consolidated financial statements)

D&L Industries, Inc. and Subsidiaries

Consolidated Statements of Total Comprehensive Income
For each of the three years in the period ended December 31, 2023
(All amounts in Philippine Peso, except earnings per share data)

	Notes	2023	2022	2021
Revenues				
Sales, net	13	33,398,960,020	43,379,421,431	30,755,098,002
Service income	13	103,317,973	105,125,970	100,162,560
		33,502,277,993	43,484,547,401	30,855,260,562
Cost of sales and services				
Cost of sales	14	(27,698,105,026)	(37,331,646,208)	(26,204,790,361)
Cost of services	14	(90,820,892)	(86,838,399)	(85,752,358)
		(27,788,925,918)	(37,418,484,607)	(26,290,542,719)
Gross profit		5,713,352,075	6,066,062,794	4,564,717,843
Selling and marketing expenses	15	(1,106,009,931)	(1,154,427,645)	(859,626,777)
General and administrative expenses	16	(1,007,405,760)	(805,690,529)	(444,986,746)
Other income, net	17	33,661,451	225,170,340	101,371,603
Operating profit		3,633,597,835	4,331,114,960	3,361,475,923
Finance costs	9,11	(613,326,233)	(236,142,201)	(141,631,292)
Profit before income tax		3,020,271,602	4,094,972,759	3,219,844,631
Income tax (expense) benefit				
Current		(782,449,393)	(801,621,164)	(570,341,109)
Deferred		57,590,820	24,168,412	(6,806,278)
	20	(724,858,573)	(777,452,752)	(577,147,387)
Profit for the year		2,295,413,029	3,317,520,007	2,642,697,244
Other comprehensive income				
Items that will not be subsequently reclassified to profit or loss				
Remeasurement gain (loss) on retirement benefit, net of tax	19	38,782,409	(89,141,711)	47,874,176
Fair value adjustment on investments in equity securities at FVOCI, net of tax	7	24,964,109	32,194,199	11,722,405
		63,746,518	(56,947,512)	59,596,581
Total comprehensive income for the year		2,359,159,547	3,260,572,495	2,702,293,825
Profit for the year attributable to:				
Owners of the Parent Company		2,295,413,029	3,317,520,007	2,642,697,244
Non-controlling interest		-	-	-
		2,295,413,029	3,317,520,007	2,642,697,244
Total comprehensive income attributable to:				
Owners of the Parent Company		2,359,159,547	3,260,572,495	2,702,293,825
Non-controlling interest		-	-	-
		2,359,159,547	3,260,572,495	2,702,293,825
Earnings per share				
Basic and diluted	12.3	0.32	0.46	0.37

(The notes on pages 1 to 53 are an integral part of these consolidated financial statements)

D&L Industries, Inc. and Subsidiaries

Consolidated Statements of Cash Flows
For each of the three years in the period ended December 31, 2023
(All amounts in Philippine Peso)

	Notes	2023	2022	2021
Cash flows from operating activities				
Profit before income tax		3,020,271,602	4,094,972,759	3,219,844,631
Adjustments for:				
Depreciation and amortization	8	447,837,741	398,364,143	404,250,943
Amortization of ROU assets	9	373,965,192	408,441,210	303,192,020
Interest expense on lease	9	41,343,508	30,254,624	18,924,775
Unrealized foreign exchange loss (gain), net	22.4	7,756,855	32,236,709	(36,589,724)
Provision for retirement benefit obligation	19	57,990,480	36,380,561	37,724,084
(Reversal of) provision for inventory obsolescence	5	5,181,644	12,186,636	(10,497,746)
Gain on disposal of property and equipment	17	(7,254,186)	(455,813)	-
Gain on lease modification	17	(7,598,572)	-	-
Input value-added tax not recoverable	6	-	12,000,000	76,788,485
Realized (gain) loss on redemption of FVPL	17	(172,895)	(31,543)	-
Provision for impairment of receivables	4	9,170,574	92,436,584	10,645,576
Unrealized loss (gain) on FV changes	17	(1,334,466)	(4,413,155)	(22,818,740)
Dividend income	17	(137,589)	(128,909)	(64,449)
Interest income	17	(15,596,776)	(3,833,465)	(5,394,857)
Interest expense	11	531,214,390	205,887,577	141,631,292
Operating profit before working capital changes		4,462,637,502	5,314,297,918	4,137,636,290
Decrease (Increase) in:				
Receivables		(52,638,494)	(334,569,868)	(1,640,866,143)
Inventories		(316,237,577)	(1,432,113,612)	(1,482,474,899)
Due from related parties		83,093,668	(102,109,310)	(63,958,465)
Prepayments and other current assets		(733,631,726)	(1,002,312,412)	(906,762,235)
Retirement benefit assets		(26,897,429)	(3,015,833)	93,509
Other non-current assets		(499,555,037)	(489,077,571)	(441,955,641)
(Decrease) Increase in:				
Trade payables and other liabilities		757,218,119	367,996,977	965,545,770
Due to related parties		(252,394,722)	284,112,784	19,381,788
Retirement benefit obligation		(54,543,041)	-	-
Cash generated from operations		3,367,051,263	2,603,209,073	586,639,974
Income taxes paid		(728,502,270)	(623,319,536)	(387,584,073)
Interest received from banks		15,596,776	3,833,465	5,394,857
Net cash provided by operating activities		2,654,145,769	1,983,723,002	204,450,758
Cash flows from investing activities				
Dividend received	17	137,589	128,909	64,449
Additions to property and equipment	6, 8, 11	(1,511,199,329)	(3,707,412,534)	(3,593,155,678)
Proceeds from redemption of FVPL	17	50,061,382	572,219,762	-
Proceeds from disposal of property and equipment	8	28,862,120	181,616	110,616
Net cash used in investing activities		(1,432,138,238)	(3,134,882,247)	(3,592,980,613)
Cash flows from financing activities				
Proceeds from bonds	11	-	-	4,934,873,061
Proceeds from borrowings	11	2,250,000,000	8,500,000,000	4,700,000,000
Repayments of borrowings	11	(1,700,000,000)	(8,000,000,000)	(1,000,000,000)
Proceeds from loans from related party	18	2,300,000,000	1,170,000,000	-
Payments of loan to related party	18	(1,170,000,000)	-	(300,000,000)
Lease payments	9	(363,946,504)	(399,427,420)	(291,957,933)
Interest paid from lease liabilities	9	(41,343,508)	(30,254,624)	(18,924,775)
Dividends paid	12	(2,142,857,397)	(1,714,285,918)	(1,364,285,876)
Interest paid from bonds		(155,579,000)	(155,579,000)	-
Interest paid from borrowings	11	(602,887,691)	(152,679,308)	(193,182,897)
Net cash (used in) from financing activities		(1,626,614,100)	(782,226,270)	6,466,521,580
Net (decrease) increase in cash		(404,606,569)	(1,933,385,515)	3,077,991,725
Cash and cash equivalents, January 1	3	3,250,165,008	5,223,083,857	2,136,611,930
Effect of foreign exchange rate changes		(1,387,049)	(39,533,334)	8,480,202
Cash and cash equivalents, December 31	3	2,844,171,390	3,250,165,008	5,223,083,857

(The notes on pages 1 to 53 are an integral part of these consolidated financial statements)

D&L Industries, Inc. and Subsidiaries

Consolidated Statements of Changes in Equity
For each of the three years in the period ended December 31, 2023
(All amounts in Philippine Peso)

					Retained earnings		
	Share capital	**Share premium**	**Reserve for remeasurement on retirement benefit**	**Fair value reserve on investments in equity securities at FVOCI**	**Appropriated**	**Unappropriated**	**Total equity**
Balances at January 1, 2021	7,142,857,990	3,255,166,445	76,332,175	110,750,822	500,000,000	6,681,821,458	17,766,928,890
Comprehensive income							
Profit for the year	-	-	-	-	-	2,642,697,244	2,642,697,244
Other comprehensive income for the year	-	-	47,874,176	11,722,405	-	-	59,596,581
Total comprehensive income for the year	-	-	47,874,176	11,722,405	-	2,642,697,244	2,702,293,825
Transaction with owners							
Declaration of cash dividend (Note 12)	-	-	-	-	-	(1,364,285,876)	(1,364,285,876)
Balances at December 31, 2021	7,142,857,990	3,255,166,445	124,206,351	122,473,227	500,000,000	7,960,232,826	19,104,936,839
Comprehensive income							
Profit for the year	-	-	-	-	-	3,317,520,007	3,317,520,007
Other comprehensive income for the year	-	-	(89,141,711)	32,194,199	-	-	(56,947,512)
Total comprehensive income for the year	-	-	(89,141,711)	32,194,199	-	3,317,520,007	3,260,572,495
Transaction with owners							
Declaration of cash dividend (Note 12)	-	-	-	-	-	(1,714,285,918)	(1,714,285,918)
Balances at December 31, 2022	7,142,857,990	3,255,166,445	35,064,640	154,667,426	500,000,000	9,563,466,915	20,651,223,416
Comprehensive income							
Profit for the year	-	-	-	-	-	2,295,413,029	2,295,413,029
Other comprehensive income for the year	-	-	38,782,409	24,964,109	-	-	63,746,518
Total comprehensive income for the year	-	-	38,782,409	24,964,109	-	2,295,413,029	2,359,159,547
Transaction with owners							
Declaration of cash dividend (Note 12)	-	-	-	-	-	(2,142,857,397)	(2,142,857,397)
Balances at December 31, 2023	7,142,857,990	3,255,166,445	73,847,049	179,631,535	500,000,000	9,716,022,547	20,867,525,566

(The notes on 1 to 53 are an integral part of these consolidated financial statements)

D&L Industries, Inc. and Subsidiaries

Notes to the Consolidated Financial Statements
As at December 31, 2023 and 2022 and for each of the three years
in the period ended December 31, 2023
(All amounts are shown in Philippine Peso, unless otherwise stated)

1 General information

1.1 Business information

D&L Industries, Inc. (the "Parent Company" or "D&L") was registered with the Securities and Exchange Commission (SEC) on July 27, 1971 primarily to invest in, purchase or otherwise acquire and own, hold, use, mortgage, pledge, exchange, or otherwise dispose of personal property of any corporation. The Parent Company is also engaged to carry on and conduct its business through any subsidiary companies or managers, or to enter into working agreements with other corporations including providing its subsidiaries corporate support services.

On November 5, 2012 and November 16, 2012, the SEC and Philippine Stock Exchange (PSE), respectively, approved the Parent Company's application for the initial public offering. The Parent Company attained its status of being a "public company" on December 12, 2012 when it listed its shares in the PSE. As a public company, it is covered by the Securities Regulation Code (SRC) Rule 68. There is no follow-on offering after initial public offering.

On May 11, 2015, the Parent Company's Board of Directors (BOD), through an amendment of the Parent Company's Articles of Incorporation, added, as an additional secondary purpose, the business of establishing and operating an analytical laboratory and rendering chemical testing services. This amendment was approved and ratified by the Parent Company's stockholders during the annual stockholders meeting on June 8, 2015. The SEC approved the amendment on July 24, 2015.

The Parent Company is a subsidiary of Jadel Holdings Co., Inc. (JHI). As at December 31, 2023, of the total shares outstanding, JHI holds 62.21% (2022 - 61.87%) and local individuals hold 10.42% (2022 - 10.42%). The remaining 27.37% (2022 - 27.71%) are publicly held.

The Parent Company is ultimately owned by Jadel II Trust, represented by BDO Unibank as Trustee, and beneficially owned by the Lao Family.

As at December 31, 2023, the Parent Company has 197 shareholders owning one hundred (100) or more shares each (2022 - 194).

The Parent Company's registered office address which is also its principal place of business is at No. 65 Calle Industria, Bagumbayan, Quezon City. As at December 31, 2023, the Parent Company has 351 regular employees (2022 - 319).

The consolidated financial statements of the Group as at December 31, 2023 have been approved and authorized by the Parent Company's BOD on February 28, 2024. There were no significant events that occurred from February 28, 2024 until February 29, 2024 requiring adjustment or disclosure in the consolidated financial statements.

1.2 Consolidation

As at December 31, 2023 and 2022, the consolidated financial statements include the financial statements of the Parent Company and its subsidiaries, namely, Oleo-Fats, Incorporated (OFI) and its subsidiary, D&L Premium Foods Corp. (DLPF), First in Colours, Incorporated (FIC), D&L Polymer and Colours, Inc. (DLPCI), Chemrez Technologies, Inc. (CTI) and its subsidiaries, Chemrez Product Solutions, Inc. (CPSI), and Natura Aeropack (NAC), and Aero-Pack Industries, Inc. (API).

The Parent Company and its subsidiaries are collectively referred to here as the "Group".

The principal activities of the subsidiaries are set out below.

	Ownership interest/ participating share held			Registered place of business/ Country of incorporation	Main activity
	2023	2022	2021		
OFI	100%	100%	100%	Philippines	OFI was registered with the SEC on May 4, 1987 to carry on the business of manufacturing, processing, sourcing, marketing, selling, utilizing fats and oils, oleo chemicals and derivatives, distributing locally and abroad. OFI's registered address, which is also its principal place of business, is at No. 5 Mercury Avenue, Bagumbayan, Quezon City, Metro Manila.
DLPF	100%	100%	100%	Philippines	DLPF was registered with the SEC on June 29, 2017 to carry on the business of importing, exporting, distributing, processing, manufacturing, wholesale and retail of food and food safety products, machineries and equipment, and generally engage in and conduct any form of manufacturing or mercantile enterprise. DLPF is a wholly-owned subsidiary of OFI. Its registered address, which is also its principal place of business, is at Admin Bldg., First Industrial Township - SEZ, Brgy. Pagaspas, Tanauan City, Batangas. On December 6, 2018, the Philippine Economic Zone Authority (PEZA) approved DLPF's registration as an Ecozone Export Enterprise engaged in manufacturing of vegetable fats and oils and specialty food ingredients. As at December 31, 2023 and 2022, DLPF has not yet started its commercial operations.
DLPCI	100%	100%	100%	Philippines	DLPCI was incorporated and registered with the SEC on March 30, 2006 primarily to carry on the business of buying, selling, importing, exporting, bartering, distributing, exchanging, processing, manufacturing, producing, refining, beneficiating and disposing at wholesale and retail of chemical products, compounds, derivatives or chemical substances and all kinds of goods, wares, manufactures, such as, but not limited to, machines, supplies and products and generally to engage in the conduct of manufacturing or mercantile enterprises. DLPC has existing tax incentives granted by PEZA for various registered activities (Note 20). DLPCI is indirectly a wholly-owned subsidiary of the Company. Its registered address, which is also its principal place of business, is at Carmelray Industrial Park, Laguna.
FIC	100%	100%	100%	Philippines	FIC was registered with the SEC on November 17, 1988 primarily to carry on the business of importing, exporting, manufacturing and distributing at wholesale and retail chemical products, compounds, derivatives or chemical substances and generally, engage in and conduct any form of manufacturing or mercantile enterprises. FIC's registered address, which is also its principal place of business, is at No. 65 Calle Industria, Bagumbayan, Quezon City, Metro Manila.

	Ownership interest/ participating share held			Registered place of business/ Country of incorporation	Main activity
	2023	2022	2021		
CTI	100%	100%	100%	Philippines	CTI was incorporated and registered with the SEC on June 1, 1989. CTI is engaged in the business of manufacturing, processing, refining all kinds of chemical products, compounds, derivatives or chemical substances and all kinds of goods, wares, supply and manufacture, buy, sell, trade, distribute or otherwise dispose of the same, locally or abroad, in the normal course of business without engaging in the business of manufacturing food, drugs and cosmetics. On May 12 and June 9, 2007, CTI's BOD and Shareholders, respectively, authorized CTI to invest and/or engage in the manufacture, sale and distribution of biodiesel under the brand "BioActiv". CTI's registered address, which is also its principal place of business, is at No. 65 Calle Industria, Bagumbayan, Quezon City, Metro Manila.
CPSI	100%	100%	100%	Philippines	CPSI was registered with the SEC on November 16, 1988 to carry on the business of buying, selling, importing, exporting, bartering, distributing, exchanging, processing, manufacturing, and disposing at wholesale and retail of chemical products, compounds, derivatives of chemical substances and generally engage in and conduct any form of manufacturing or mercantile enterprises. CPSI is a wholly-owned subsidiary of CTI, and indirectly a wholly-owned subsidiary of the Parent Company. Its registered address, which is also its principal place of business, is at No. 65 Calle Industria, Bagumbayan, Quezon City, Metro Manila.
NAC	100%	100%	100%	Philippines	NAC was incorporated and registered with the SEC on July 20, 2016 primarily to carry on the business of buying, selling, importing, exporting, bartering, distributing, exchanging, processing, manufacturing, and disposing at wholesale and retail chemical products, compounds, derivatives of chemical substances and generally engage in and conduct any form of manufacturing or mercantile enterprises. Subsequently on January 4, 2018, the Philippine Economic Zone Authority (PEZA) approved NAC's registration as an Ecozone Export Enterprise engaged in manufacturing of coconut oil fractions and coconut-based surfactants and downstream consumer products. NAC is a subsidiary of CTI, and indirectly a wholly-owned subsidiary of the Parent Company. NAC is 70% owned by CTI and 30% owned by API. Its registered address, which is also its principal place of business, is at Admin Bldg., First Industrial Township - SEZ, Brgy. Pagaspas, Tanauan City, Batangas. As at December 31, 2023 and 2022, NAC has not yet started its commercial operations.
API	100%	100%	100%	Philippines	API was incorporated and registered with the SEC on September 29, 1989 to engage in the manufacture of aerosol packaging materials, aerosol products, chemical derivatives and compounds and other related products. API's registered address, which is also its principal place of business, is at No. 65 Calle Industria, Bagumbayan, Quezon City, Metro Manila.

1.3 Acquisition of controlling interest in CTI

On August 29, 2014, the Parent Company's BOD resolved to acquire all the outstanding shares of CTI not previously owned by the Parent Company for P6.00 per share through a public tender offer for a total acquisition cost of P5,078.5 million. On October 7, 2014 (the acquisition date), a total of 846,408,196 shares had been tendered, representing approximately 65% of the issued and outstanding shares of CTI. As a result, CTI became 99.7% owned by the Parent Company effective October 7, 2014.

The consideration given with respect to the acquisition is based on the fair market value of CTI's shares on the date of acquisition totaling P5,078.5 million net of acquisition-related costs amounting to P6.5 million which was charged to profit or loss in 2014. Goodwill amounting to P3,367 million was recognized from this acquisition.

1.3.1 Critical accounting estimate and judgment: Impairment tests for goodwill; key assumptions used for value-in-use (VIU) calculations

The Group reviews goodwill annually for impairment or whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. Goodwill is monitored by management at the level of oleochemicals, resin and powder coatings segment (lowest level of cash generating unit) following the business acquisition of CTI.

As at December 31, 2023 and 2022, the recoverable amount of oleochemicals, resin and powder coatings CGU (the "CGU") was determined based on VIU calculation (using Level 3 inputs) and require the use of assumptions. The calculations use cash flow projections over a five-year period.

The cash flow forecast reflects management's expectation of revenue growth, operating costs and margins based on past experience and outlook, consistent with internal measurements and monitoring.

Cash flows beyond the five-year period are extrapolated using the estimated terminal growth rate derived from the long-term domestic consumer price index forecast of 3.5%. The growth rates are consistent with externally derived data.

A weighted average of cost of capital (WACC) is used in discounting the free cash flows projected. In developing the WACC, companies with a similar business model as the CGU were considered in calculating the industry beta and debt-to-equity ratio.

The following are the key assumptions used in the impairment testing for the years ended December 31:

	2023	2022	2021
Revenue growth rate	14.1%	10%	10%
Cost ratio	77.2%	80%	82%
WACC (or discount rate)	13%	14%	13%
Terminal growth rate	3.5%	3.7%	3%

Based on the above assessment, goodwill is not impaired as at December 31, 2023 and 2022 as the recoverable amount exceeds the carrying amount of the CGU included in the financial statements.

The Group's goodwill impairment review includes sensitivity analysis on changes in key assumptions used for VIU calculations to those assumptions that are highly sensitive such as revenue growth rate, terminal growth rate and WACC. The changes in recoverable amount of CGU based on reasonable possible shift in the following assumptions as of December 31 is as follows:

	2023			2022		
		In Php millions			In Php millions	
	Reasonable possible shift	+Impact on VIU	-Impact on VIU	Reasonable possible shift	+Impact on VIU	-Impact on VIU
Revenue growth rate	+2%/-2%	2,005	(1,844)	+2%/-2%	1,670	(1,564)
Cost ratio	+2%/-2%	(1,954)	1,954	+2%/-2%	(2,722)	2,722
Terminal growth rate	+/-0.50%	724	(646)	+/-0.50%	816	(741)
WACC	+/-1%	(2,025)	2,569	+/-1%	(2,097)	2,545

Based on the sensitivity analysis performed using market-driven changes, management concluded that no reasonable change in the assumptions would cause the carrying amount of the CGU to exceed its recoverable amount because the calculated headroom is significant.

2 Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker (CODM), which is represented by the members of the Management Committee (ManCom), in making collective operating decisions with regard to the business segments. The ManCom, which is responsible for allocating resources and assessing performance of the operating segments, is identified as the one that makes strategic decisions for the Group.

Primary reporting - business segments

The Group's operating businesses are organized and managed according to the nature of the products marketed. Each segment, representing a strategic business unit, offers different products and services to different markets.

The Group has organized its reporting structure based on the grouping of similar products and services resulting in the following business segments:

(i) Food ingredients

The Group, operating through its subsidiary OFI and DLPF, manufactures a line of industrial fats and oils, food ingredients, specialty fats and oils and culinary and other specialty food ingredients. The Group supplies food ingredients to leading food manufacturers and quick-service restaurant chains in the Philippines, and also produces food safety solutions such as cleaning and sanitation agents for various customers.

(ii) Colorants and plastics additives

The Group, operating through its subsidiaries FIC and DLPCI, manufactures a line of pigment blends, color and additive master batches and engineered polymers for a wide range of applications, for the Philippine and export markets. The Group's products add properties such as precise coloring, reduced friction or increased resistance to degradation for plastics used in consumer goods, appliances and outdoor furniture.

(iii) Oleochemicals, resins and powder coatings

The Group, operating through its subsidiary, CTI, and subsidiaries, CPSI, and NAC, manufactures Coconut Methyl Ester ("CME", also known as coco-biodiesel), other oleochemicals or chemicals derived from vegetable oils, resins such as polystyrene, acrylic emulsions and polyester; and a line of powder coatings.

(iv) Consumer Products Original Design Manufacturing (ODM)

The Group, operating through its subsidiary, API, manufactures aerosol cans and components, and provides contract aerosol filling and compounding services. The Group also toll manufactures a range of products, including insect control, industrial maintenance chemicals, and home and personal care products, among others.

(v) Management and administration

The Parent Company maintains significant operational control of its subsidiaries through a contractual "shared services" model (Note 18). The Parent Company also performs such management and administrative services for other related entities that are not consolidated in the Group.

The following table presents the segment information provided to the ManCom about the Group's business segments for the years ended December 31:

	Food ingredients	Colorants and plastics additives	Oleochemicals, resin and powder coatings	Consumer Products ODM	Management and administration	Eliminations	Total
2023							
External revenue	19,999,402,814	3,258,622,045	8,545,101,944	868,168,972	-	-	32,671,295,775
Sales to related parties	387,754,175	-	38,981,032	300,929,039	103,317,973	-	830,982,219
Intersegment sales	121,402,509	69,169,316	3,261,474,167	164,656,360	541,260,614	(4,157,962,967)	-
Total revenues	20,508,559,498	3,327,791,362	11,845,557,144	1,333,754,371	644,578,587	(4,157,962,967)	33,502,277,993
Segment result	1,745,901,294	825,648,768	948,283,126	315,352,999	(289,257,494)	54,007,691	3,599,936,383
General corporate income (loss)	2,082,420	227,415,960	224,270,191	193,759	2,381,483,999	(2,801,784,879)	33,661,451
Finance costs	(508,717,983)	(206,663)	(79,880,007)	(1,231,233)	(174,010,260)	150,719,913	(613,326,233)
Income tax expense	(459,089,745)	(48,239,456)	(205,101,774)	(55,604,657)	43,177,061	-	(724,858,572)
Profit for the year	780,175,986	1,004,618,608	887,571,537	258,710,868	1,961,393,306	(2,597,057,275)	2,295,413,029
2022							
External revenue	27,600,809,194	3,192,519,602	10,910,445,686	748,307,886	-	-	42,452,082,368
Sales to related parties	532,062,804	10,486,055	66,129,636	318,660,569	105,125,969	-	1,032,465,033
Intersegment sales	432,283,859	75,980,711	2,191,619,596	43,546,163	2,439,850,206	(5,183,280,535)	-
Total revenues	28,565,155,857	3,278,986,368	13,168,194,918	1,110,514,618	2,544,976,175	(5,183,280,535)	43,484,547,401
Segment result	1,428,541,770	796,929,979	1,596,167,928	284,349,896	(20,275,355)	20,230,401	4,105,944,619
General corporate income (loss)	93,189,350	26,549,828	91,946,795	(762,612)	198,618,567	(184,371,587)	225,170,341
Finance costs	(212,289,649)	(5,936,598)	(13,467,033)	(1,889,710)	(174,114,562)	171,555,351	(236,142,201)
Income tax (benefit) expense	(355,322,810)	(57,714,312)	(310,324,710)	(49,877,436)	(6,849,378)	2,635,894	(777,452,752)
Profit for the year	954,118,661	759,828,897	1,364,322,980	231,820,138	(2,620,728)	10,050,059	3,317,520,007
2021							
External revenue	19,075,084,495	3,001,593,454	7,493,080,295	648,542,595	-	-	30,218,300,839
Sales to related parties	120,798,411	1,705,875	1,691,425	412,601,452	100,162,560	-	636,959,723
Intersegment sales	148,295,406	81,339,376	102,612,926	46,784,718	1,991,961,937	(2,370,994,363)	-
Total revenue	19,344,178,312	3,084,638,705	7,597,384,646	1,107,928,765	2,092,124,497	(2,370,994,363)	30,855,260,562
Segment result	1,252,426,234	708,821,845	1,062,999,455	298,093,670	1,372,169,109	(1,447,132,269)	3,247,378,044
General corporate income (loss)	14,874,344	155,214,942	156,406,477	(1,578,860)	69,043,513	(279,862,537)	114,097,879
Finance costs	(113,898,392)	(3,974,593)	(2,568,822)	(2,365,810)	(58,253,812)	39,430,137	(141,631,292)
Income tax (benefit) expense	(286,262,984)	(42,338,671)	(190,516,134)	(45,728,067)	(3,693,416)	(8,608,115)	(577,147,387)
Profit for the year	867,139,202	817,723,523	1,026,320,976	248,420,933	1,379,265,394	(1,696,172,784)	2,642,697,244

Eliminations pertain to the consolidation adjustments in the preparation of the consolidated financial statements as discussed in Note 23.6.1.

Other segment information as at December 31 are as follows:

	Food ingredients	Colorants and plastic additives	Oleochemicals, resin and powder coatings	Consumer Products ODM	Management and administration	Total
2023						
Segment assets	21,430,732,242	2,595,467,832	16,269,131,824	812,744,620	1,517,069,229	42,625,145,743
Segment liabilities	11,983,491,409	227,060,638	4,222,705,442	139,858,682	5,184,504,012	21,757,620,181
Capital expenditures	817,581,275	17,044,910	580,504,483	249,319	40,430,142	1,455,038,285
Depreciation and amortization	465,417,064	28,845,717	256,331,528	25,813,169	43,851,766	821,031,089
2022						
Segment assets	19,879,398,359	2,703,069,289	15,647,839,576	813,100,345	1,716,994,637	40,760,402,206
Segment liabilities	11,083,729,941	163,771,869	3,475,436,907	226,523,180	5,159,716,892	20,109,178,790
Capital expenditures	1,979,896,235	29,251,153	1,349,359,724	13,495,499	135,405,311	3,507,407,922
Depreciation and amortization	379,166,865	55,121,880	253,079,878	48,166,687	70,995,600	806,530,910
2021						
Segment assets	17,569,639,567	2,721,093,208	13,724,573,721	724,872,330	1,585,637,124	36,325,815,950
Segment liabilities	9,204,804,889	538,816,742	2,136,495,435	200,731,302	5,140,030,743	17,220,879,111
Capital expenditures	1,831,759,613	20,572,459	1,223,973,528	8,688,377	56,986,598	3,141,980,575
Depreciation and amortization	317,778,312	90,243,670	177,279,066	49,415,740	72,726,175	707,442,963

The amounts provided to the ManCom with respect to total assets, liabilities and profit or loss are recognized and measured in a manner consistent with those of the consolidated financial statements

Secondary reporting - geographical information

Geographical information of the Group's revenue for each of the three years ended December 31 are as follows:

	2023	2022	2021
Customers in the Philippines	26,343,632,063	31,524,241,055	23,053,796,064
Customers in other countries	7,158,645,930	11,960,306,346	7,801,464,498
	33,502,277,993	43,484,547,401	30,855,260,562

Customers in other countries include exports to Asia, and developed economies such as China, USA, United Kingdom, EU and Australia. The table below shows the breakdown of revenue from outside Philippines based on geographical region.

	2023	2022	2021
China	1,687,575,586	4,970,942,249	2,346,690,101
United Kingdom	1,018,034,485	1,952,863,241	1,549,719,978
United States of America	1,844,922,775	1,593,084,704	1,036,451,905
Others (mainly EU and Australia)	2,608,113,084	3,443,416,152	2,868,602,514
	7,158,645,930	11,960,306,346	7,801,464,498

There were no non-current assets located outside the Philippines.

3 Cash and cash equivalents

Cash and cash equivalents as at December 31 consist of:

	2023	2022
Cash in banks	2,767,694,055	3,215,249,838
Cash on hand	70,534,228	29,204,641
Cash equivalents	5,943,107	5,710,529
	2,844,171,390	3,250,165,008

Cash in banks earn interest at the bank deposit rates of 0.50% to 0.13% per annum for the year ended December 31, 2023 (2022 - 0.05% to 3.25% per annum). Cash equivalents pertain to cash placements with a local bank with maturity of less than 3 months.

For the year ended December 31, 2023, the Group earned interest income from cash accounts amounting to P15,596,776, 2022 - P3,833,465; 2021 - P5,394,857) (Note 17).

4 Receivables, net

Receivables, net as at December 31 consist of:

	2023	2022
Trade receivables	5,805,239,480	5,756,799,660
Allowance for impairment of receivables	(154,864,153)	(146,332,149)
	5,650,375,327	5,610,467,511
Advances to officers and employees	4,387,751	6,963,976
Other receivables	2,111,630	310,038
	5,656,874,708	5,617,741,525

Trade receivables arose from sale of goods and services. These are unsecured and non-interest bearing with an average credit term ranging from 30 to 90 days.

Movements in the allowance for impairment of receivables for the years ended December 31 are as follows:

	Note	2023	2022	2021
Beginning of year		146,332,149	54,885,595	69,202,300
Provision	16	9,170,574	92,436,584	10,645,576
Write-off		(638,570)	(990,030)	(24,962,281)
End of year		154,864,153	146,332,149	54,885,595

4.1 Critical accounting estimate and judgment: Recoverability of receivables

Provision for impairment of receivables is maintained at a level considered adequate to provide for uncollectible receivables. Provision for impairment is calculated using expected credit losses (ECLs). ECLs are unbiased probability-weighted estimates of credit losses which are determined by evaluating a range of possible outcomes and taking into account past events, current conditions and assessment of future economic conditions.

The Group used relevant historical information and loss experience to determine the probability of default of the receivables arising from sale of goods and services to third parties and incorporated forward-looking information. The Group also evaluates specific account of customers who were unable to meet their financial obligations. In these cases, management uses judgment and assessment based on the best available facts, supported by historical defaults and credit losses.

5 Inventories, net

Inventories, net as at December 31 consist of:

	2023	2022
At net realizable value		
Finished goods	2,288,139,812	2,266,606,054
Allowance for inventory obsolescence	(45,504,139)	(41,130,804)
	2,242,635,673	2,225,475,250
At net realizable value		
Raw materials	6,728,342,838	5,471,578,243
Raw materials - in transit	120,819,959	1,082,880,735
Allowance for inventory obsolescence	(35,305,680)	(34,497,371)
	6,813,857,117	6,519,961,607
	9,056,492,790	8,745,436,857

The cost of inventories sold recognized in cost of sales for the year ended December 31, 2023 amounted to P23,999,847,523 (2022 - P33,888,330,435; 2021 - P23,143,728,341) (Note 14).

Movements in the allowance for inventory obsolescence for the years ended December 31 are as follows:

	2023	2022	2021
Beginning of year	75,628,175	63,441,540	73,939,286
Provision (Reversal)	5,181,644	12,186,635	(10,497,746)
End of year	80,809,819	75,628,175	63,441,540

Reversal of allowance for inventory obsolescence was due to sale and usage of previously provided inventories.

5.1 Critical accounting estimate and judgment: Provision for inventory obsolescence

Allowance for inventory obsolescence is maintained at a level considered adequate to provide for potential loss on inventory items. The level of provision is based on past experience and other factors affecting the recoverability and obsolescence of inventory items. An evaluation of inventories, designed to identify potential charges to the provision, is performed on a continuous basis throughout the period. Management uses judgment based on the best available facts and circumstances, including but not limited to evaluation of individual inventory items' future recoverability and utilization. The amount and timing of recorded provision for inventory obsolescence for any period would therefore differ based on the judgments made. A change in provision for inventory obsolescence would impact the Group's recorded expenses and carrying value of inventories.

The carrying values of the inventories at the end of the reporting period and the amount and timing of recorded provision for any period could be materially affected by actual experience and changes in such judgments such as effect of product obsolescence, competition in the market and changes in prices of finished products and manufacturing costs.

Management believes that the allowance for inventory obsolescence as at each reporting period is adequate.

6 Prepayments and other current assets; Other non-current assets

Prepayments and other current assets as at December 31 consist of:

	2023	2022
Input value-added tax (VAT)	3,455,763,668	3,460,131,070
Allowance for unrecoverable input VAT	(22,540,197)	(22,540,197)
	3,433,223,471	3,437,590,873
Deposits to suppliers	1,194,460,234	482,308,357
Creditable withholding taxes (CWT)	206,021,198	177,492,943
Prepaid tax	44,750	28,775
Others	29,455,661	32,152,640
	4,863,205,314	4,129,573,588

Movements in allowance for unrecoverable input VAT for the years ended December 31 are as follows:

	Note	2023	2022
Beginning balance		22,540,197	10,540,197
Provision for unrecoverable input VAT	16	-	12,000,000
Ending balance		22,540,197	22,540,197

Input VAT

The Group's total input VAT, net of output VAT as at December 31 consist of:

	2023	2022
Current portion		
Carry-over claimable against output VAT	3,039,428,883	3,041,014,363
Tax credit claim (a)	379,268,542	379,268,542
Deferred input VAT (b)	14,526,046	17,307,968
	3,433,223,471	3,437,590,873
Non-current portion - Carry-over claimable against output VAT	1,486,456,810	1,058,515,569
	4,919,680,281	4,496,106,442

(a) Tax credit claim

Tax credit claim pertains to excess input VAT from zero-rated sales claimed by the Group for refund.

(b) Deferred input VAT

Deferred input VAT pertains to input VAT paid on services which is claimable upon payment of related liabilities and input VAT from purchase of capital goods which is subject to amortization.

Deposits to suppliers

Deposits to suppliers are payments made in advance for goods and services that have not yet been received or incurred. It will be derecognized when goods or services are received.

Prepaid taxes

Prepaid taxes as at December 31, 2023 and 2022 mainly pertain to actual tax credit certificates (TCC) issued by the Bureau of Internal Revenue (BIR) in favor of the Group relating to filed application claims to convert excess input VAT into TCC. The TCC may be applied to future income tax liabilities.

CWT

CWT pertains to taxes withheld from income payments made to the Group and are creditable against future income tax payable.

Other non-current assets as at December 31 consist of:

	2023	2022
Input VAT	1,486,456,810	1,058,515,569
Refundable deposits	865,094,698	926,576,702
CWT	324,974,355	339,576,808
Advances to contractors	271,170,029	163,897,021
Software licenses	-	64,803,003
Others	144,725,935	39,497,687
	3,092,421,827	2,592,866,790

As at December 31, 2023, the Group has reviewed the expected utilization of its input VAT and CWT, and accordingly classified input VAT and CWT amounting to P1,486,456,810 and P324,974,355, respectively, to non-current assets (2022 - P1,058,515,569 and P339,576,808, respectively).

Refundable deposits pertain to the security deposits covering the Group's lease of office space, warehouse and land (Note 9).

Advances to contractors are related to construction in progress. These are presented within investing activities in the statements of cash flow.

6.1 Critical accounting judgment: Recoverability of input VAT

Provision for impairment of input VAT is maintained at a level considered adequate to provide for recoverable claims or refund from excess input VAT. An evaluation of the tax credit claims from input VAT designed to identify potential charges to the provision, is performed on a continuous basis throughout the period. Management uses judgment based on the best available facts and circumstances, including but not limited to the evaluation of the aggregate tax credit future utilization, completeness of supporting documents and actual refund experiences with similar claims. Changes in those judgments could have a significant effect on the net amount of input VAT and the timing of recorded provision for any period.

Management has assessed that the carrying amount of input VAT as at each reporting period is recoverable based on management forecasts, strong legal basis and compliant supporting documents.

6.2 Critical accounting judgment: Recoverability of CWT

The Group recognizes CWT to the extent that it is probable that future tax liabilities will be available against which tax credits can be utilized. Determining the realizability and classification of CWT requires the assessment of the availability and timing of future taxable profit expected to be generated from the operations.

Significant judgment is required in determining the realizability of CWT. CWT arise mainly from the Parent Company's management and support services to its affiliates. Management believes based on long term forecasts that the Parent Company would be able to generate sufficient taxable income and future tax liabilities against which the CWT can be fully applied.

Based on management's assessment and judgment, no allowance for unrecoverable CWT is necessary to be recognized as at each reporting period as there are no indications of impairment or changes in circumstances indicating that the CWT may not be fully recoverable.

7 Investments in equity securities at FVOCI

As at December 31, 2023, investments in equity securities at FVOCI pertains to investment in shares of stock of a listed company and proprietary golf club share amounted to P266,224,629 (2022 - P236,763,755).

For the year ended December 31, 2023, fair value changes net of deferred income tax, amounted to P24,964,109 (2022 - P32,194,199; 2021 - P11,722,405).

For the year ended December 31, 2023, dividend income from these investments amounted to P137,589 (2022 - P128,909; 2021 - P64,449) (Note 17).

8 Property, plant and equipment, net

Property, plant and equipment, net as at December 31 consist of:

	Building and leasehold improvements	Transportation and delivery equipment	Office, furniture and fixtures	Tools, machinery and equipment	Construction in progress	Total
At January 1, 2022						
Cost	1,034,740,867	226,212,142	513,173,133	5,083,258,502	6,328,742,271	13,186,126,915
Accumulated depreciation and amortization	(383,441,456)	(183,758,052)	(434,586,117)	(3,752,859,897)	-	(4,754,645,522)
Net carrying value	651,299,411	42,454,090	78,587,016	1,330,398,605	6,328,742,271	8,431,481,393
For the year ended December 31, 2022						
Opening net carrying value	651,299,411	42,454,090	78,587,016	1,330,398,605	6,328,742,271	8,431,481,393
Additions	14,942,694	15,179,026	39,378,289	41,198,757	3,396,709,156	3,507,407,922
Disposals						
Cost	-	(3,514,740)	-	(1,455,898)	-	(4,970,638)
Accumulated depreciation	-	3,514,740	-	1,181,700	-	4,696,440
Transfers	1,450,273	13,016,696	40,373	118,582,898	(133,090,240)	-
Depreciation and amortization	(29,517,750)	(17,969,145)	(43,726,807)	(307,150,441)	-	(398,364,143)
Closing net carrying value	638,174,628	52,680,667	74,278,871	1,182,755,621	9,592,361,187	11,540,250,974
At December 31, 2022						
Cost	1,051,133,834	250,893,124	552,591,795	5,241,584,259	9,592,361,187	16,688,564,199
Accumulated depreciation and amortization	(412,959,206)	(198,212,457)	(478,312,924)	(4,058,828,638)	-	(5,148,313,225)
Net carrying value	638,174,628	52,680,667	74,278,871	1,182,755,621	9,592,361,187	11,540,250,974
For the year ended December 31, 2023						
Opening net carrying value	638,174,628	52,680,667	74,278,871	1,182,755,621	9,592,361,187	11,540,250,974
Additions	892,412	-	-	38,294,252	1,416,623,467	1,455,810,131
Disposals						
Cost	-	(9,478,341)	(33,454,285)	(60,639,027)	-	(103,571,653)
Accumulated depreciation	-	9,478,341	33,454,285	39,031,093	-	81,963,719
Transfers	2,082,301,952	128,294,883	160,751,881	3,013,162,077	(5,384,510,793)	-
Depreciation and amortization	(62,590,490)	(25,253,496)	(40,215,717)	(319,778,038)	-	(447,837,741)
Closing net carrying value	2,658,778,502	155,722,054	194,815,035	3,892,825,978	5,624,473,861	12,526,615,430
At December 31, 2023						
Cost	3,134,328,198	369,709,666	679,889,391	8,232,401,561	5,624,473,861	18,040,802,677
Accumulated depreciation and amortization	(475,549,696)	(213,987,612)	(485,074,356)	(4,339,575,583)	-	(5,514,187,247)
Net carrying value	2,658,778,502	155,722,054	194,815,035	3,892,825,978	5,624,473,861	12,526,615,430

Construction in progress represents building, leasehold improvements, various plant developments and machineries and equipment that will be used in operations. These will be used in operations and are expected to be fully completed in the next twelve (12) months.

Transfers represent reclassification of completed construction in progress to the appropriate class of property, plant and equipment.

Depreciation and amortization are charged for the years ended December 31 are as follows:

	Notes	2023	2022	2021
Depreciation	8	447,837,741	398,364,143	404,250,943
Amortization of ROU	9	373,965,192	408,441,210	303,192,020
		821,802,933	806,805,353	707,442,963
Recorded in profit or loss as follows:				
Cost of sales	14	685,652,578	648,311,428	681,341,301
Cost of services	14	6,259,477	9,641,046	10,916,317
General and administrative expenses	16	129,890,878	148,852,879	15,185,345
		821,802,933	806,805,353	707,442,963

The acquisition of property, plant and equipment as shown in the consolidated statements of cash flows for the years ended December 31 was determined as follows:

	2023	2022	2021
Capital expenditures payable, beginning	352,053,328	663,756,112	1,197,156,571
Additions during the year	1,455,810,131	3,507,407,922	3,141,980,575
Capitalized borrowing costs	(119,743,301)	(111,698,172)	(82,225,356)
Capital expenditures payable, ending	(176,920,829)	(352,053,328)	(663,756,112)
Additions per statement of cash flows	1,511,199,329	3,707,412,534	3,593,155,678

Additions during the year include advance lease payments (Note 9).

8.1 Critical accounting estimate and judgment: Useful life of property, plant and equipment

The useful life of each of the Group's property, plant and equipment is estimated based on the period over which these assets are expected to be available for use. Such estimation is based on a collective assessment of internal technical evaluation and experience with similar assets. The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the asset. It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. A change in the estimated useful life of any property, plant and equipment would impact the recorded depreciation expense and carrying value of property, plant and equipment.

9 Leases

The Group leases various office space, warehouse, and equipment for its back office and manufacturing operations.

The lease agreements do not require any covenants other than the security deposits in the leased assets that are held by the lessor.

(i) Amounts recognized in the consolidated statements of financial position

Leased assets are presented as a separate line item in the statement of financial position. The statements of financial position show the following amounts relating to leases:

	2023	2022
Right-of-use assets, net	626,526,764	896,810,952
Lease liabilities		
Current	250,371,079	473,553,419
Non-current	304,417,351	349,099,083
	554,788,430	822,652,502

Among lease liabilities, P495,601,124 is pertaining to related party (2022 - P700,377,945) (Note 18).

Movements in the right-of-use assets are presented below:

	2023	2022
Beginning balance	896,810,952	382,653,460
Additions during the year	200,014,607	925,663,176
Lease modification	(96,333,603)	(3,064,474)
Amortization	(373,965,192)	(408,441,210)
Ending balance	626,526,764	896,810,952

Included in additions to ROU assets during the year amounting to P81,324,776 pertain to advance lease payments (2022 - P101,228,304) (Note 8).

Movements in lease liabilities are presented below:

	Beginning balance	Principal and interest payments	Additions during the year	Non-cash changes		Ending balance
				Lease modification	Interest expense	
2023	822,652,502	(438,290,012)	225,620,703	(96,538,271)	41,343,508	554,788,430
2022	400,709,524	(429,682,044)	824,434,872	(3,064,474)	30,254,624	822,652,502

On July 1, 2023, the Group entered a lease modification for its Batangas plant resulting to a gain on lease modification.

(ii) Amounts recognized in the consolidated statements of total comprehensive income

The consolidated statements of total comprehensive income show the following amounts relating to leases:

	2023	2022
Amortization of ROU	373,965,192	408,441,210
Interest expense (included in Finance costs)	41,343,508	16,394,499
Gain on lease modification	7,598,572	-
Expense relating to short-term leases (included in cost of sales and services and general and administrative expenses)	341,920,380	149,287,319
	764,827,652	574,123,028

The total cash outflows for leases for the year ended December 31, 2023 is P780,210,392 (2022 - P578,969,363).

(iii) Discount rate

Payments for leases of properties and equipment are discounted using the lessee's incremental borrowing rate, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

(iv) Lease term

The lease term applied in the calculation of right-of-use assets and lease liabilities are based on the contractual agreements of the Group with the lessor. There were no extension options applied in the calculation.

9.1 Critical accounting judgment: Determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases of land, the Group considers the following factors as the most relevant:

- If any constructed property, plant and equipment are expected to have a significant remaining value, the Group is typically reasonably certain to extend (or not terminate).
- Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

10 Trade payables and other liabilities

Trade payables and other liabilities as at December 31 consist of:

	2023	2022
Trade payables	2,800,696,184	2,831,205,613
Accrued purchases	525,093,016	17,708,763
Accrued operating expenses	186,223,890	163,825,068
Due to regulatory agencies	157,277,821	72,234,884
Accrued interest expense	94,172,627	179,344,553
Advances from customers	56,785	261,697
Others	1,401,362	1,392,343
	3,764,921,685	3,265,972,921

Trade payables mainly pertain to purchases of inventories, repairs and maintenance and supplies. These are unsecured and non-interest bearing payable within six months.

Accrued operating expenses mainly pertain to contracted services of manpower providers for manufacturing operations. These are unsecured and non-interest bearing.

Due to regulatory agencies consists of VAT payable, expanded withholding tax payable and withholding tax payable on compensation.

11 Borrowings; Bonds payable

The movements in the Group's borrowings and the net debt reconciliation for the years ended December 31 are as follows:

	2023	2022	2021
Beginning of year	15,477,823,713	13,790,005,642	5,150,000,000
Availment of borrowings and loans	4,550,000,000	9,670,000,000	4,700,000,000
Repayment of borrowings	(2,870,000,000)	(8,000,000,000)	(1,000,000,000)
Issuance of bonds	-	-	4,940,005,642
Unamortized debt issuance cost for the year	(49,072,860)	-	-
Amortization of debt issuance cost for the year	18,431,260	17,818,071	-
End of year	17,127,182,113	15,477,823,713	13,790,005,642
Cash at end of year	(2,844,171,395)	(3,250,165,008)	(5,223,083,857)
Net debt	14,238,010,718	12,227,658,705	8,566,921,785

(a) Borrowings

As at December 31, 2023, the Group has outstanding short-term borrowings amounting to P9,900,000,000 (2022 - P9,350,000,000) from local banks and a branch of a foreign bank, with maturity dates ranging from one to eleven months from reporting date. These borrowings bear interest rates ranging from 5.75% to 6.5% (2022 - 3.70% to 5.87%).

On December 31, 2023, the Group has availed one-month, unsecured, short-cycle cash transfers from the Immediate Parent Company amounting to P1,000,000,000 (2022 - P1,170,000,000) (Note 18).

On December 31, 2023, the Group also has availed an unsecured borrowings from the Immediate Parent Company amounting to P530,000,000 due on December 14, 2028, P570,000,000 due on December 27, 2028 and P115,000,000 due on December 29, 2028. These borrowings bears interest rate of 6.5%.

As at December 31, 2023 and 2022, all outstanding external borrowings of the Group are covered by surety and corporate guarantee agreements discussed in Note 18.4.

(b) Bonds payable

On March 15, 2021, the Board of Directors authorized the offer and issuance of the bonds in an aggregate principal amount of P3,000,000,000 with an oversubscription option of up to P2,000,000,000, for public distribution and sale in the Philippines. On September 14, 2021, the Group issued P5,000,000,000 fixed rate bonds. The amount comprises P3,000,000,000 ("Series A" bonds) and P2,000,000,000 ("Series B" bonds) fixed rate bonds due in 2024 and 2026, with annual interest rate of 2.79% and 3.60%, respectively. The net proceeds of the issue were used for the purpose of financing the ongoing construction of the manufacturing plant in Batangas presented in property, plant and equipment (Note 8) and partially repay maturing loans and its interest costs drawn by the Group to fund capital expenditure. Any excess amounts will be used for general corporate purposes as indicated in the prospectus.

The bonds will be redeemed in whole upon maturity dates except for Series B bonds which may be redeemed by the Group starting two years before maturity date and on the anniversary thereafter at a price equal to 101.00% and 100.50%, respectively, of the principal amount of the bonds and all accrued interest to the date of the redemption.

The carrying amount of the bonds payable as at December 31 are as follows:

	2023	2022
Face amount	5,000,000,000	5,000,000,000
Unamortized debt issuance cost	(42,176,287)	(59,994,358)
Net proceeds	4,957,823,713	4,940,005,642
Amortization of debt issuance cost for the year	18,431,260	17,818,071
	4,976,254,973	4,957,823,713

Interest expense related to borrowings and bonds payable recorded as finance cost for the year ended December 31, 2023 amounted to P613,326,233 (2022 - P236,142,201; 2021 - P141,630,292).

Movement of accrued interest expense relating to borrowings and bonds payable for the years ended December 31 are as follows:

	2023	2022	2021
Beginning of year	179,344,553	32,256,183	25,639,788
Expense	613,326,232	205,887,577	122,706,517
Capitalized borrowing cost	119,743,301	111,698,172	82,225,356
Amortization of bond issuance cost	(18,431,260)	(17,818,071)	(5,132,581)
Payment	(799,810,199)	(152,679,308)	(193,182,897)
End of year	94,172,627	179,344,553	32,256,183

In 2023, the Group capitalized borrowing cost using an average capitalization rate of 4.2% (2022 - 3%).

Except for the maintenance of financial ratios as discussed below, there are no covenants and warranties, including breaches thereof, related to these borrowings other than surety and corporate guarantee as disclosed in Note 18.4.

In relation to the bond offering, the Group is required to maintain a current ratio of 1.0 and debt to equity ratio of not more than 2.5. The Group has complied with this requirement as at each reporting period.

12 Equity

12.1 Share capital and share premium

Details of share capital and share premium as at December 31, 2023 and 2022 are as follows:

	Number of shares	Amount
Share capital		
Common shares at P1 par value per share		
Authorized	18,000,000,000	18,000,000,000
Subscribed, issued and outstanding	7,142,857,990	7,142,857,990
Share premium	3,255,166,445	3,255,166,445

The Parent Company undertook a public offering of its common shares on December 12, 2012 (Note 1), in which the Parent Company issued 1 billion additional shares at P4.30 per share for a total consideration of P4.3 billion, net of share issuance costs of P280.5 million. As a result of the public offering, share premium amounting to P3.3 billion has been recognized by the Parent Company as at December 31, 2023.

On November 5, 2013, which is also the date of approval by the SEC, the Parent Company registered its shares under the SRC with an issue/offer price of P4.30.

On May 11, 2015, the Parent Company's BOD, through an amendment of the Parent Company's Articles of Incorporation, resolved to increase its authorized share capital from four billion pesos (P4,000,000,000) divided into four billion (4,000,000,000) common shares with a par value of P1.00 each to eighteen billion pesos (P18,000,000,000) divided into eighteen billion (18,000,000,000) common shares with a par value of P1.00 each. The amendment was approved and ratified by the Parent Company's stockholders during the annual stockholders meeting on June 8, 2015. The SEC approved the increase in authorized share capital on July 24, 2015.

As at December 31, 2023 and 2022, the Parent Company's record of registration of its securities under the SRC reported 7,142,857,990 shares registered.

12.2 Dividend declaration

Stock dividends

On May 11, 2015, the Parent Company's BOD approved the declaration of 100% stock dividends amounting to P3,571,428,995 (P1 per share) out of the unrestricted retained earnings of the Parent Company as at March 31, 2015 to be issued out of the increase in authorized share capital to all shareholders as at a record date set by the SEC after approval of the increase in the Parent Company's authorized capital stock. Following the approval by the SEC of Parent Company's increase in authorized capital stock, the Parent Company set the Record Date on August 20, 2015, and the issue and listing date on September 17, 2015.

PSE approved the issue and listing of the additional shares on September 17, 2015.

Cash dividends

The Parent Company's BOD declared, and paid cash dividends as follows:

Declaration date	Payment date	Dividend rate per share	Amount
June 5, 2023	July 14, 2023	P0.300 per share (consisting of P0.240 regular cash dividend and P0.060 special cash dividend)	2,142,857,397
June 6, 2022	July 15, 2022	P0.240 per share (consisting of P0.185 regular cash dividend and P0.055 special cash dividend)	1,714,285,918
June 7, 2021	July 15, 2021	P0.191 per share (consisting of P0.141 regular cash dividend and P0.050 special cash dividend)	1,364,285,876

12.2 Appropriation of retained earnings

On December 20, 2017, the BOD of CTI approved the appropriation of retained earnings amounting to P500,000,000 for additional investments needed for plant expansion of CTI and its subsidiaries which is expected to be completed in 2023.

12.3 Earnings per share calculation

The calculation of earnings per share as at December 31 is as follows:

	2023	2022	2021
Profit for the year attributable to the owners of the Parent Company	2,295,413,029	3,317,520,007	2,642,697,244
Weighted average number of common shares	7,142,857,990	7,142,857,990	7,142,857,990
Basic and diluted earnings per share	0.32	0.46	0.37

The Parent Company has no potential dilutive ordinary shares. Therefore, the amount reported for basic and diluted earnings per share is the same.

13 Revenues from contracts with customers

For the years ended December 31, revenues consist of the following:

	Note	2023	2022	2021
Sale of goods, gross		33,492,245,221	43,471,262,528	30,876,190,176
Sales discounts		(70,528,384)	(70,284,520)	(85,387,060)
Sales returns		(22,756,817)	(21,556,577)	(35,705,114)
Sale of goods, net		33,398,960,020	43,379,421,431	30,755,098,002
Service income	18	103,317,973	105,125,970	100,162,560
		33,502,277,993	43,484,547,401	30,855,260,562

14 Cost of sales and services

The components of cost of sales and services for the years ended December 31 consist of:

	Notes	2023	2022	2021
Raw materials used	5	24,017,007,946	34,294,224,969	23,326,129,398
Net change in inventories	5	(17,160,423)	(405,894,534)	(182,401,057)
Direct labor		381,423,276	346,668,771	316,592,506
Overhead				
Depreciation and amortization	8	685,652,578	648,311,428	681,341,301
Contracted services		572,307,321	491,042,032	521,031,844
Fuels and oil		520,895,743	523,640,927	284,900,568
Utilities		369,115,438	362,650,185	259,244,248
Rental	9	291,343,468	146,691,548	106,446,523
Repairs and maintenance		268,982,986	356,686,440	336,796,701
Supplies		244,379,309	140,727,420	122,874,028
Indirect labor		191,564,336	244,738,585	199,087,581
Indirect materials used		86,632,262	67,626,833	83,597,751
Provision for unrecoverable input VAT	6	31,614,333	12,000,000	-
Input VAT not recovered	6	-	-	76,788,485
Other direct costs		54,346,453	102,531,604	72,360,484
Cost of sales		27,698,105,026	37,331,646,208	26,204,790,361
Employee costs		49,280,637	41,632,844	41,043,686
Supplies		14,614,352	7,444,164	7,327,589
Contracted services		7,057,000	7,142,443	7,239,271
Depreciation and amortization	8	6,259,477	9,641,046	10,916,317
Utilities		4,196,558	3,572,362	3,079,223
Repairs and maintenance		3,086,713	3,293,803	3,090,757
Rental	9	56,000	2,595,771	2,279,533
Others		6,270,155	11,515,966	10,775,982
Cost of services		90,820,892	86,838,399	85,752,358
		27,788,925,918	37,418,484,607	26,290,542,719

15 Selling and marketing expenses

The components of selling and marketing expenses for the years ended December 31 consist of:

	2023	2022	2021
Delivery charges	684,028,227	817,518,644	603,768,333
Employee costs	266,098,528	223,668,857	197,425,228
Transportation and travel	66,751,412	37,593,395	13,854,057
Representation expenses	54,807,750	38,681,292	32,795,564
Advertising and promotion	33,710,952	36,637,311	11,550,562
Others	613,062	328,146	233,033
	1,106,009,931	1,154,427,645	859,626,777

16 General and administrative expenses

The components of general and administrative expenses for the years ended December 31 consist of:

	Notes	2023	2022	2021
Taxes and licenses		369,350,051	275,509,445	216,306,856
Depreciation and amortization	8	129,890,878	148,852,879	15,185,345
Contracted services		119,571,065	78,452,727	80,066,684
Utilities and supplies		82,472,183	49,169,770	12,024,609
Professional fees		76,330,209	25,555,838	21,247,714
Bank charges		75,995,356	41,290,036	28,463,178
Rentals		50,520,912	-	-
Donations and contributions		34,464,173	28,014,995	20,875,388
Communications		19,469,568	13,246,824	10,894,535
Repairs and maintenance		17,414,321	12,587,401	8,868,280
Provision for impairment of receivables	4	9,170,574	92,436,584	10,645,576
Membership dues		5,221,896	17,438,046	8,655,054
Others		17,534,574	23,135,984	11,753,527
		1,007,405,760	805,690,529	444,986,746

17 Other income, net

The components of other income, net for the years ended December 31 consist of:

	Notes	2023	2022	2021
Foreign exchange (loss) gain, net		(15,646,761)	186,197,441	63,594,366
Interest income	3	15,596,776	3,833,465	5,394,857
Gain on lease modification	9	7,598,572	-	-
Gain on disposal of property and equipment	8	7,254,186	455,813	-
Freight income		6,017,912	3,923,097	2,844,091
Commission income		2,915,436	8,925,399	5,833,786
Unrealized gain on FVPL		1,334,466	4,413,155	22,818,740
Realized gain on redemption of FVPL		172,895	31,543	-
Dividend income	7	137,589	128,909	64,449
Realized gain on sale of FVPL		-	6,646,238	-
Income from calibration services		-	5,524,796	-
Others		8,280,380	5,090,484	821,314
		33,661,451	225,170,340	101,371,603

In 2023, the Group redeemed financial assets at FVPL and received P50,061,382 (2022 - P572,219,762) proceeds resulting to a gain of P172,895 (2022 - P31,543).

In 2023, the Group has existing lease agreements with EPI, an entity under common control, covering the lease of land. The Group entered into a lease modification reducing the monthly rentals which resulted to a recognition of gain on lease modification (Note 18).

18 Related party transactions and balances

The Group, in the ordinary course of business, has transactions with related parties. Significant related party transactions and related balances include the following:

For the years ended December 31:

	Transactions			Due from related parties		
	2023	**2022**	**2021**	**2023**	**2022**	**Terms and conditions**
(a) *Management service fees (18.1)* Entities under common control - Trade	7,402,492	7,582,099	7,281,766	447,480	1,115,695	The fees for management services are equivalent to 0.25% of the net receipts from operations, and 0.25% of gross profit, excluding related party transactions. Outstanding receivables are unsecured, unguaranteed, non-interest bearing, collectible in cash at net amount, due 30 to 60 days after billing date, which is raised on a monthly basis.
(b) *Shared service fees (18.2)* Entities under common control - Trade	95,915,481	97,543,871	92,880,794	5,790,764	15,861,495	The fees for shared services range from 2.00% to 3.35% of the net receipts from operations, and 3.25 to 3.85% of gross profit, excluding related party transactions. Outstanding receivables are unsecured, unguaranteed, non-interest bearing, collectible in cash at net amount, due 30 to 60 days after billing date, which is raised on a monthly basis.
(c) *Sale of goods and services* Entities under common control - Trade	727,664,246	814,899,032	560,183,140	121,464,185	193,818,907	Sale of goods and services are negotiated with related parties at a margin. These receivables are unsecured, unguaranteed, non-interest bearing, collectible in cash at net amount, due 30 to 60 days after transaction date
Totals				127,702,429	210,796,097	

	Transactions			Due to related parties		Terms and conditions
	2023	2022	2021	2023	2022	
(d) Rental expenses Entities under common control	(341,920,380)	(149,287,319)	(108,726,056)	(3,661,417)	-	Lease rental are based on contracts mutually agreed by the parties. These payables are unsecured, unguaranteed, non-interest bearing, settled in cash at net amount, due 30 to 60 days after transaction date.
(e) Purchase of goods Entities under common control - Trade	(114,784,565)	(334,028,735)	(202,456,809)	(63,405,594)	(321,915,219)	Purchases of goods are negotiated with related parties on a cost-plus basis. These payables are unsecured, unguaranteed, non-interest bearing, settled in cash at net amount, due 30 to 60 days after transaction date.
(f) Interest payable Immediate Parent Company	(17,866,769)	(2,860,625)	(8,586,986)	(5,314,111)	(2,860,625)	Accrued interest payable for loan agreements entered into by DLPF and NAC.
Totals				(72,381,122)	(324,775,844)	

	Transactions			Outstanding balances		Terms and conditions
	2023	2022	2021	2023	2022	
(g) Short-cycle cash transfers (Note 11) Immediate Parent Company	(1,000,000,000)	(1,170,000,000)	(200,000,000)	(1,000,000,000)	(1,170,000,000)	The Group has an unsecured short-cycle cash transfer from JHI as part of the Group's cash management agreement. Term is generally less than three months.
(h) *Long-term loan payable* Immediate Parent Company	-	-	-	(1,215,000,000)	-	DLPF and NAC entered into 6.50% long-term unsecured interest bearing loans with JHI maturing on December 2028.
Totals				(2,215,000,000)	(1,170,000,000)	
(h) Initial recognition of lease liabilities Entities under common control	96,538,271	547,872,243	502,100,302	485,841,690	533,857,233	The Group obtained a right of use assets and recognized lease liabilities through lease contracts with related parties. Lease payments are based on rate mutually agreed by the parties and are payable on a monthly basis. Refer further to Note 18.3 for details.
(i) Interest from lease liabilities Entities under common control	2,179,021	182,239,497	14,757,878	9,759,434	166,520,712	
Totals				495,601,124	700,377,945	

The long-term loans from Immediate Parent Company is presented under financing activities in the statements of cash flows consistent with the financing management of the Group.

There was no offsetting done for due from related parties and due to related parties as at each reporting period.

There are no provisions for impairment recognized against due from related parties.

There are no collaterals held or guarantees issued, except as disclosed under surety and corporate guarantee agreements, with respect to related party transactions and balances.

The Group has an approved Material Related Party Transactions policy that sets forth the required thresholds for approval for related party transactions as part of the Group's corporate governance policy.

18.1 Management services

The Parent Company has a management agreement with its related parties for the provision of general management services and facilities, including necessary managerial expertise and skills. The consideration for the management services are based on net receipts from operations, excluding related party transactions.

18.2 Shared services

The Parent Company has a service agreement with its related parties whereby the Parent Company shall provide shared services such as asset management, production and manufacturing support, procurement, logistics and back-office support, among others. The consideration for the shared services are based on net receipts from operations, excluding related party transactions. The agreement shall remain in force until terminated by both parties.

18.3 Lease agreements

D&L

D&L has existing operating lease agreement with LBL Prime Properties, Inc. (LBL) whereby D&L leases from LBL its office space. The lease agreement is renewed annually subject to agreement by both parties

CTI

CTI has an existing operating lease agreement with LBL covering its factory and warehouse spaces. The lease is automatically renewed yearly subject to 5% escalation rate.

CPSI

CPSI has cancellable operating lease agreements with LBL covering the latter's factory and warehouse spaces. In 2021, the agreements were renewed, and the lease terms were extended until December 31, 2025. The 5-year lease is subject to five percent annual escalation rate starting January 1, 2022.

OFI

OFI has existing operating lease agreements with LBL covering its factory and warehouse spaces. The lease run for a period of three to five years until May 31, 2027 and are subject to five percent annual escalation rate. Subsequently, the lease agreements are renewed subject to agreement by both parties.

OFI also has existing operating lease agreement with FIC Tankers Corporation (FICT), an entity under common control, for the use of the latter's storage tanks. The agreement remains in force unless terminated by the parties.

API

API has various office and warehouse spaces for its manufacturing operations with LBL, an entity under common control, covering its factory and warehouse spaces. The lease runs for a period of five years until December 31, 2025 and is subject to five percent annual escalation rate.

FIC

FIC has a lease agreement with LBL Land Corporation (LBL), an entity under common control, for the latter's plant and warehouse in Quezon City. The term of the lease agreement commenced on January 1, 2016, subject to annual escalation rate of 5%. The lease agreement is renewed annually subject to agreement by both parties.

DLPCI

DLPCI has existing operating lease agreements with Ecozone Properties, Inc. (EPI), an entity under common control, covering the lease of land and warehouse for a period of five years until December 31, 2019. The lease agreement is renewed at the end of the lease term subject to agreement by both parties.

NAC

NAC has a lease agreement with EPI, an entity under common control, covering the lease of land and manufacturing plant for a period of three years until July 1, 2025. The lease agreement is renewed at the end of the lease term subject to agreement by both parties.

DLPF

DLPF has a lease agreement with EPI, an entity under common control, covering the lease of land and manufacturing plant for a period of three years until July 1, 2025. The lease agreement is renewed annually subject to agreement by both parties.

18.4 Surety agreement and corporate guarantee

The Parent Company and its subsidiaries (namely, FIC, DLPCI, API, CTI, CPSI, NAC, OFI and DLPF) have an existing agreement to provide surety for the obligations and indebtedness incurred or may be incurred by all aforementioned parties arising from short-term and long-term borrowings.

Pursuant to the agreement above, the participating related parties are solidarily liable for the payment of the underlying outstanding borrowings.

As at December 31, 2023 and 2022, there was no default from the borrowings covered by above surety agreements and corporate guarantee.

The surety agreement and corporate guarantee shall remain in full force and shall be effective unless otherwise terminated by contracting aforementioned parties.

18.5 Key management compensation

Key management compensation for the years ended December 31 consist of:

	Terms	2023	2022	2021
Salaries and wages	Key management compensation covering salaries and wages and other short-term benefits are determined based on contract of employment and payable in accordance with the Group's payroll period. These were fully paid as at reporting date.	297,503,468	281,874,840	213,603,932
Other short-term employee benefits		21,072,203	20,600,675	12,235,322
Retirement benefits	Retirement benefits are determined and payable in accordance with policies disclosed in Notes 19 and 23.13.	18,259,016	27,147,386	39,812,011
		336,834,687	329,622,901	265,651,265

The Group has not provided share-based payments, termination benefits or other long-term benefits, other than the retirement benefits, to its key management employees for the years ended December 31, 2023, 2022, and 2021.

As at December 31, 2023, advances to officers amounting to P4,387,751 (2022 - P6,963,976) represent advances granted to officers and employees (Note 4). These are unsecured and non-interest-bearing advances, subject to liquidation and/or collectible through salary deduction.

Other related party transactions for the years ended December 31, 2023 also include transfer of employees affecting retirement obligations and contributions (Note 19), and investment in shares of stock of the Parent Company held by the retirement fund (Note 19).

18.6 Amounts receivable and payable from related parties which are eliminated during consolidation of financial statements

The following related party transactions and balances were eliminated for the purpose of preparing the consolidated financial statements:

	2023	2022	2021
As at December 31			
Investment in subsidiaries	11,022,192,481	11,022,192,481	11,022,192,481
Due to / from related parties	5,910,919,788	5,148,800,920	5,298,003,004
For the year ended December 31			
Service income	541,260,614	669,010,081	567,135.753
Revenue / Cost of sales	3,616,702,353	2,743,430,330	379,032,427
Other expense, net	617,344,214	551,156,488	279,862,537
Dividend income	2,184,440,665	1,770,840,126	1,424,826,183

There are no unrealized profits on intercompany sale of goods.

19 Retirement plan

The Group maintains a non-contributory defined benefit retirement plan for the benefit of its regular employees. The normal retirement age is 60. Normal retirement benefit is equal to three-fourth month salary as of date of retirement multiplied by retiree's years of service. Three-fourth month salary is equivalent to 22.5 days basic salary, cash equivalent of 5-day vacation leaves, and one-twelfth (1/12) of the 13th month pay. Actuarial valuation is performed by an independent actuary on an annual basis. The latest actuarial valuation report was prepared as of December 31, 2023.

The Group has plan assets, a group-administered fund, under the D&L Group of Companies Employees' Retirement Plan (the "Group Retirement Plan") that share risks and returns between various entities under common control within JHI. Plan assets are handled by a trustee bank, governed by local regulations and practices and approved policies and procedures by the Board of Trustees.

Net defined benefit cost and contributions are allocated to the participating entities in the Group Retirement Plan on the basis of retirement benefit expense and obligation attributable to each of the participating entities.

Retirement benefit asset and retirement benefit obligation recognized in the consolidated statements of financial position as at December 31 are determined as follows:

	2023	2022
Present value of defined benefit obligation	70,660,648	-
Fair value of plan assets	(97,558,077)	-
Retirement benefit asset	(26,897,429)	-

	2023	2022
Present value of defined benefit obligation	358,752,802	440,190,729
Fair value of plan assets	(233,915,146)	(270,553,942)
Retirement benefit obligation	124,837,656	169,636,787

The movements in the defined benefit obligation for the years ended December 31 are as follows:

	2023	2022
Beginning of year	440,190,729	350,364,539
Current service cost	46,279,169	34,032,317
Interest cost	30,925,980	17,344,259
Benefits paid	(18,977,312)	(31,636,059)
Transfers from affiliates	(1,440,470)	(3,015,833)
Remeasurement (gain) loss	(67,564,646)	73,101,506
End of year	429,413,450	440,190,729

Transfer to the Group pertains to retirement obligation transferred to related parties due to allocation of retirement obligation based on actual number of employees.

The movements in the fair value of plan assets for the years ended December 31 are as follows:

	2023	2022
Beginning of the year	270,553,942	303,871,646
Benefits paid	(18,977,312)	(31,636,060)
Contribution	80,000,000	15,000,000
Actual return on plan assets		
Interest income	19,214,669	14,996,015
Remeasurement loss	(19,318,076)	(31,677,659)
	60,919,281	(33,317,704)
End of the year	331,473,223	270,553,942

Retirement benefit expense recognized in profit or loss for the years ended December 31 are as follows:

	2023	2022	2021
Current service cost	46,279,169	34,032,317	35,053,759
Net interest cost	11,711,311	2,348,244	2,670,325
	57,990,480	36,380,561	37,724,084

Retirement benefit expenses is included as part of direct labor or employee costs as follows:

	2023	2022	2021
Cost of services	22,328,263	14,738,879	2,241,674
Cost of sales	21,640,661	11,450,452	25,060,062
Selling and marketing expenses	14,021,556	10,191,230	10,422,348
	57,990,480	36,380,561	37,724,084

Remeasurement gain (loss), net of tax recognized in other comprehensive income for the years ended December 31 are as follows:

	2023	2022	2021
Remeasurement gain (loss)			
On defined benefit obligation due to change in financial assumption	70,851,687	(35,490,683)	32,113,945
On defined benefit obligation due to experience adjustment	(3,287,041)	(37,610,823)	(5,037,008)
On plan assets due to experience adjustment	(19,318,076)	(31,677,659)	32,286,851
	48,246,570	(104,779,165)	59,363,788
Deferred income tax	(9,464,161)	15,637,454	(11,489,612)
	38,782,409	(89,141,711)	47,874,176

The movements in the retirement benefit obligation recognized in the consolidated statements of financial position as at December 31 are as follows:

	2023	2022
Beginning of year	(169,636,787)	(46,492,893)
Retirement benefit expense recorded in profit or loss	(57,990,480)	(36,380,561)
Remeasurement gain (loss) recognized in other comprehensive income	48,246,570	(104,779,166)
Contributions	80,000,000	15,000,000
Transfer from affiliates	1,440,470	3,015,833
End of year	(97,940,227)	(169,636,787)

The Group Retirement Plan has net investments as at December 31 consisting of the following:

	2023		2022	
	Amount	Percentage	Amount	Percentage
Listed stocks	213,757,946	59.94%	212,431,946	69.66%
Treasury bonds and notes	105,553,675	29.59%	76,634,778	25.13%
Unit investment trust funds	32,950,139	9.24%	3,713,080	1.22%
Cash in banks	3,996,977	1.12%	4,955,099	1.62%
Other receivables	750,252	0.21%	1,196,589	0.39%
Mutual funds	-	-	6,386,725	2.09%
Other payables	(344,233)	(0.10%)	(382,991)	(0.11%)
	356,664,756	100.00%	304,935,226	100.00%

The defined benefit plan typically exposes the participating entities to a number of risks such as investment risk and interest rate risk.

The participating entities believe that due to the long-term nature of the retirement liability, the mix of debt and equity securities holdings of the plan is an appropriate element of the long-term strategy to manage the plan efficiently. Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. The largest proportion of assets is invested in equities which include highly rated stocks, although there are also investments in treasury bonds and notes, mutual fund, and unit investment trust funds. The management believes that equities offer the best returns over the long term with an acceptable level of risk.

As at December 31, 2023, listed stocks include shares of stocks of the Parent Company amounting to P85,591,174 representing 0.19% interest in the Parent Company (2022 - P107,158,523; 0.19% interest). The voting rights over these shares are exercised by the trustee bank. The Group Retirement Plan recognized change in net value on these investments in listed stocks of the Parent Company for the year ended December 31, 2023 amounted to P21,567,349 (2022 - P21,024,773 change in net value).

The allocated share of the Group in the Retirement Plan as at December 31 is as follows:

	2023		2022	
	Amount	Percentage	Amount	Percentage
Listed stocks	198,685,050	59.94%	188,467,876	69.66%
Treasury bonds and notes	98,082,927	29.59%	67,990,206	25.13%
Unit investment trust funds	30,628,126	9.24%	3,300,758	1.62%
Cash in banks	3,712,500	1.12%	4,382,974	1.22%
Other receivables	696,094	0.21%	1,055,160	0.39%
Mutual funds	-	-	5,654,577	2.09%
Other payables	(331,473)	(0.10%)	(297,609)	(0.11%)
	331,473,223	100.00%	270,553,942	100.00%

The principal annual actuarial assumptions used as at December 31 were as follows:

	2023	2022
Discount rate	6.03%-6.08%	7.06%-7.11%
Future salary increase rate	5.00%	7.50%

As at December 31, 2023, the average life expectancy in years of experience of a pensioner retiring at age 60 is 16-33 years (2022 - 23 years). Assumptions regarding future mortality experience are set based on published statistics and experience.

As part of its funding policy, the Group follows the recommended contribution to the plan as determined by an independent actuary. The recommended contribution to the plan consists of the annual amortization of the excess fund plus the current service cost for the year. The expected contribution to retirement fund by December 31, 2024 is P37,073,547.

19.1 Critical accounting estimate: Retirement benefit obligation

The present value of the retirement benefit obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for retirement benefit include the discount rate and future salary increases. Any changes in these assumptions will impact the carrying amount of retirement benefit obligation.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the retirement benefit obligation. In determining the appropriate discount rate, the Group considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related retirement benefit obligation and related retirement benefit expense.

Other key assumptions for retirement benefit obligation are based in part on current market conditions.

The sensitivity of the defined benefit obligation as at December 31 to changes in the significant weighted principal assumptions follows:

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
As at December 31, 2023			
Discount rate	+/-0.50%	(22,370,374)	24,399,895
Future salary increase	+/-1.00%	48,975,981	(41,989,193)
As at December 31, 2022			
Discount rate	+/-0.50%	(24,405,466)	26,744,140
Future salary increase	+/-1.00%	53,205,883	(45,238,215)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method has been applied as when calculating the retirement benefit obligation recognized within the consolidated statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

Expected maturity analysis of undiscounted retirement benefits as at December 31 is as follows:

	Less than a year	1 to 5 years	5 to 10 years
2023	39,044,081	135,217,498	269,241,262
2022	43,665,763	121,211,534	265,385,070

There are no other related party transactions with the retirement fund except for the contributions to, benefits paid and investment in shares in the Parent Company by the retirement fund.

20 Taxation

Deferred income tax (DIT)

DIT assets, net as at December 31 consist of:

	2023	2022
Net operating loss carry-over (NOLCO)	52,632,101	16,838,401
Retirement benefit obligation	36,969,152	33,358,860
Allowance for doubtful accounts	31,322,828	21,689,826
Fair value adjustment of investment in equity securities at FVOCI	(28,342,160)	(23,845,395)
Allowance for inventory obsolescence	13,240,108	11,694,081
Provision for incentives	10,002,347	12,686,587
Minimum corporate income tax (MCIT)	9,122,470	6,520,316
Unrealized foreign exchange loss	5,208,178	7,635,397
Effect of PFRS 16	4,072,257	3,249,373
Remeasurement gain on retirement benefit obligation	(1,571,038)	4,843,809
Others	56,741	(5,226,785)
	132,712,984	89,444,470

The offset amounts within the deferred income tax assets, net and deferred income tax liabilities, net presented in the consolidated statements of financial position as at December 31 are as follows:

	2023	2022
DIT assets	165,043,124	128,405,128
DIT liabilities	(29,028,256)	(38,960,658)
Deferred income tax assets, net	136,014,868	89,444,470
DIT assets	2,554,465	-
DIT liabilities	(5,856,349)	-
Deferred income tax liabilities, net	(3,301,884)	-

The movements in the DIT assets, net for the years ended December 31 are as follows:

	2023	2022
Beginning of year	89,444,470	55,966,965
Credited to profit or loss	57,607,688	24,408,626
(Charged to) credited to other comprehensive income	(14,339,174)	9,068,879
End of year	132,712,984	89,444,470

Corporate income tax

In compliance with local tax law, the Group shall pay the greater of minimum corporate income tax (MCIT), which is 1% of gross income as defined under the law, and the normal income tax which is 25% of taxable income. Any excess of MCIT over the normal income tax shall be carried forward for the next three (3) consecutive taxable years immediately following the year such MCIT was paid.

The Tax Reform Act of 1997 (the Act) introduced NOLCO as a deduction from taxable income for the three consecutive years immediately following the year such loss was incurred.

NOLCO pertains to the net operating loss of the business, outside of the Company’s PEZA-registered activities, for any taxable year which can be claimed as a deduction from taxable income for the next three (3) consecutive taxable years immediately following the year of such loss.

In 2020, pursuant to Section 4 (bbb) of Bayanihan II and as implemented under RR 25-2020, the net operating losses of a business or enterprise incurred for taxable years 2020 and 2021 can be carried over as a deduction from gross income for the next five (5) consecutive taxable years following the year of such loss.

As at December 31, 2023, the Parent Company recognized MCIT as follows:

Year of incurrence	Year of expiration	2023	2022
2020	2023	-	842,755
2021	2024	1,987,240	1,987,240
2022	2025	3,690,321	3,690,321
2023	2026	3,444,909	-
		9,122,470	6,520,316

As at December 31, 2023, the Parent Company recognized NOLCO as follows:

Year of incurrence	Year of expiration	2023	2022
2019	2022	-	56,709,030
2020	2025	67,353,604	69,861,957
2021	2026	210,528,405	-
Total		277,882,009	126,570,987
Derecognized/applied		(67,353,604)	(59,217,383)
NOLCO at December 31		210,528,405	67,353,604
Tax effect at 25%		52,632,101	16,838,401

Realization of the future tax benefit related to these DIT assets is dependent on the entity's ability to generate future taxable income during the periods the temporary differences reverse, and before NOLCO benefit prescribes.

PEZA registered activity

DLPC

On October 26, 2007, the PEZA approved DLPCI's application for registration to manufacture specialty polymer and colours compound. Under this registration, such activity is entitled to a four-year income tax holiday (ITH) from the start of commercial operations in April 2008. On March 16, 2009, PEZA approved DLPCI's request for the adjustment of the start date of commercial operations to March 1, 2009. As a result, the ITH was extended until February 28, 2013. On September 18, 2012, PEZA approved the extension of DLPCI's ITH to February 28, 2014 on the basis of its Net Foreign Exchange Earnings. On May 16, 2013, PEZA approved DLPCI's request for the grant of pioneer status. As a result, DLPCI was entitled to a six-year ITH until February 28, 2016. Beginning March 1, 2016, the gross income from the foregoing registered activity of DLPCI is subject to 5% tax rate.

On November 16, 2014, PEZA approved DLPCI's application for registration to manufacture new generation, eco-friendly specialty polymer and colour compounds. Under this registration, such activity is entitled to a four-year ITH from the start of commercial operations in November 2014. Subsequently, PEZA approved extension of ITH for another 2 years ending on October 2020. On March 25, 2019, PEZA granted additional 1 year extension (up to October 2021) due to approved Net Foreign Exchange Earnings (NFEE) criterion was met.

On June 11, 2015, the Board of Directors (BOD) of PEZA approved Resolution No. 15-317, wherein the Company's application for registration to manufacture color and effects system for paints and coating products was entitled to a four-year ITH from the start of commercial operation in July 2017 until July 2021. Subsequently, PEZA approved extension of ITH for another 2 years ending on June 2023. On November 7, 2023, PEZA approved the extension of ITH for another 1 year ending on June 2024.

On April 21, 2020 PEZA confirmed entitlement to four (4) years ITH of its new project the New Specialty High-End Polymer & Colour compounds which started commercial operation in February 2019 and will end on January 2023. On April 6, 2022, PEZA approved through a supplemental agreement an extension of the project's ITH until January 31, 2025.

DLPF

On December 6, 2018, the Philippine Economic Zone Authority (PEZA) approved DLPF's registration as an Ecozone Export Enterprise engaged in manufacturing of vegetable fats and oils and specialty food ingredients. On September 6, 2023, PEZA confirmed entitlement to four (4) years ITH of its registered activity of manufacturing vegetable fats and oil and specialty food ingredients which started commercial operation in July 2023 and will end in June 2027.

NAC

On January 16, 2018, NAC was registered with the Philippine Economic Zone Authority (PEZA) as an Ecozone Export Enterprise, pursuant to Revenue Regulations No. 16-2005 for NAC to engage in manufacturing of coconut oil fractions and coconut base surfactants and downstream consumer products directly used in its registered operations. On September 11, 2023, PEZA confirmed entitlement to four (4) years ITH of its registered activity which started commercial operation in July 2023 and will end in June 2027.

BOI registered activity

On March 4, 2011, CTI's registration with the BOI as "New export producer of oleochemical specialties and derivatives" was approved. As a result, the Group's sales generated from oleochemical segment are entitled to ITH for a period of four (4) years. Upon expiration of its ITH in March 2015, CTI pays 10% income tax on income generated from its biodiesel operations. Subsequently, through a legal service letter from Board of Investment dated October 15, 2014, CTI amended its BOI status from non-pioneer to pioneer effectively extending its ITH period from 4 to 6 years until March 2017. On March 2, 2017, the BOI conditionally approved CTI's application for extension of ITH for one year beginning March 27, 2017. On July 8, 2018, the BOI approved CTI's application for extension of ITH for one year beginning March 27, 2018.

On March 22, 2019, CTI's registration with the BOI as "expanding export producer of oleochemicals specialties and derivatives" was approved. As a result, the Group's income generated from oleochemical segment are entitled to ITH for a period of three (3) years March 21, 2022.

Optional Standard Deduction

On December 20, 2008, Revenue Regulations No. 16-2009 on the Optional Standard Deduction (OSD) was published. The regulation prescribed the rules for the OSD application by corporations in the computation of their final taxable income. For corporations, OSD shall be 40% based on gross income; "cost of sales" and "cost of services" will be allowed to be deducted from gross sales.

Following are the election of the Group on OSD or itemized deduction for the years ended December 31:

	2023	2022	2021
Parent Company	Itemized	Itemized	Itemized
OFI	Itemized	Itemized	OSD
DLPF	ITH/Itemized	Itemized	Itemized
DLPCI	ITH/Itemized	ITH/Itemized	ITH/Itemized
FIC	OSD	OSD	OSD
API	OSD	OSD	OSD
CTI	ITH/OSD	ITH/OSD	ITH/Itemized
CPSI	OSD	OSD	OSD
NAC	ITH/Itemized	Itemized	Itemized

A reconciliation of income tax expense computed at the statutory income tax rate to the income tax expense as reflected in the consolidated statement of total comprehensive income for the years ended December 31 are as follows:

	2023					
	PEZA registered activity (0%)	PEZA registered activity (5%)	BOI registered activity (0%)	BOI registered activity (10%)	Regular tax rate (25%)	Total
Net profit before tax	352,598,649	333,044,351	-	142,882,720	2,182,016,911	3,010,542,631
Availment of OSD	-	-	-	-	(280,714,020)	(280,714,020)
Interest income subject to final tax	(3,306,444)	(4,288,078)	-	(280,778)	(8,124,457)	(15,999,757)
Derecognized MCIT	-	-	-	-	3,371,022	3,371,022
Unrecognized NOLCO	-	-	-	-	779,195,678	779,195,678
Non-deductible expenses	33,864,100	46,922,604		39,146,370	75,854,058	195,787,132
Taxable gross/net income	383,156,305	375,678,877		181,748,312	2,751,599,192	3,692,182,686
Statutory income tax rates	0%	5%	0%	10%	25%	
Income tax expense	-	18,783,944		18,174,831	687,899,798	724,858,573

	2022					
	PEZA registered activity (0%)	PEZA Registered activity (5%)	BOI registered activity (0%)	BOI registered activity (10%)	Regular tax rate (25%)	Total
Net profit before tax	159,069,360	492,309,552	92,659,039	311,485,974	3,039,448,834	4,094,972,759
Availment of OSD	-				(428,843,216)	(428,843,216)
Interest income subject to final tax	(38,964)	(121,522)	(10,085)	(86,869)	(3,284,325)	(3,541,765)
Movement of unrecognized deferred tax	-	-	1,415,158	45,914,775	211,681,561	259,011,494
Non-deductible expenses	13,412,294	39,534,810	(3,298,236)	72,539,190	21,828,281	144,016,339
Taxable gross/net income	172,442,690	531,722,840	90,765,876	429,853,070	2,840,831,135	4,065,615,611
Statutory income tax rates	0%	5%	0%	10%	25%	
Income tax expense before change in tax rate	-	26,586,142		42,985,307	710,207,784	779,779,233
Change in current tax rate of prior period	-	-	-	-	2,635,894	2,635,894
Change in tax rates for deferred tax assets	-	-	-	-	(4,962,375)	(4,962,375)
Income tax expense	-	26,586,142	-	42,985,307	707,881,303	777,452,752

	2021					
	PEZA registered activity (0%)	PEZA Registered activity (5%)	BOI registered activity (0%)	BOI registered activity (10%)	Regular tax rate (25%)	Total
Net profit before tax	300,445,216	261,225,940	149,735,405	194,845,635	2,313,592,435	3,219,844,631
Availment of OSD	-	-	-	-	(235,746,145)	(235,746,145)
Interest income subject to final tax	(58,316)	(37,274)	-	(75,712)	(2,390,051)	(2,561,353)
Movement of unrecognized deferred tax	-	-	-	-	7,209,501	7,209,501
Non-deductible expenses	35,308,261	22,568,387	-	689,947	158,891,538	217,458,133
Taxable gross/net income	335,695,161	283,757,053	149,735,405	195,459,870	2,241,557,278	3,206,204,767
Statutory income tax rates	0%	5%	0%	10%	25%	
Income tax expense before change in tax rate	-	14,187,853	-	19,545,987	560,389,319	594,123,159
Change in current tax rate of prior period	-	-	-	-	(42,287,554)	(42,287,554)
Change in tax rates for deferred tax assets	-	-	-	-	25,311,782	25,311,782
Income tax expense	-	14,187,853	-	19,545,987	543,413,547	577,147,387

21 Critical accounting estimates, assumptions and judgments

Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates, assumptions and judgments concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates, assumptions and judgments 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.

21.1 Critical accounting estimates and assumptions

21.1.1 Key assumptions used for value-in-use calculations (Note 1.3.1)
21.1.2 Recoverability of receivables (Note 4.1)
21.1.3 Provision for inventory obsolescence (Note 5.1)
21.1.4 Useful life of property, plant and equipment (Note 8.1)
21.1.5 Key assumptions used to calculate retirement benefit obligation (Note 19.1)

21.2 Critical accounting judgments in applying the Group's accounting policies

21.2.1 Impairment tests for goodwill (Note 1.3.1)
21.2.2 Recoverability of receivables (Note 4.1)
21.2.3 Provision for inventory obsolescence (Note 5.1)
21.2.4 Recoverability of input VAT (Note 6.1)
21.2.5 Recoverability of CWT (Note 6.2)
21.2.6 Determining the lease term (Note 9.1)

22 Financial risk and capital management

22.1 Financial risk factors

The Group's activities expose it to a variety of financial risks and these activities involve the analysis, evaluation and management of some degree of risk or combination of risks. The Group's overall risk management program focuses on the unpredictability of financial markets, aims to achieve an appropriate balance between risk and return and seeks to minimize potential adverse effects on the Group's financial performance.

Risk management is carried out by the ManCom.

The most important types of risk the Group manages are: credit risk, market risk and liquidity risk. Market risk includes foreign currency exchange, price and interest risks.

22.2 Components of financial assets and liabilities by category

22.2.1 Financial assets

Details of the Group's financial assets as at December 31 are as follows:

	Notes	2023	2022
Financial assets at amortized cost			
Cash and cash equivalents	3	2,844,171,390	3,250,165,008
Receivables, gross	4	5,811,738,861	5,764,073,674
Due from related parties	18	127,702,429	210,796,097
Refundable deposits	6	865,094,698	926,576,702
		9,648,707,378	10,151,611,481
Financial assets at FVPL		34,151,329	82,705,350
Financial assets at FVOCI		266,224,629	236,763,755
		9,949,083,336	10,471,080,586

Receivables are presented gross of allowance for impairment as at December 31, 2023 amounting to P154,864,153 (2022 - P146,332,149).

The other components of other current and non-current assets are considered non-financial assets which include deposits to suppliers, input VAT, creditable withholding taxes and prepayments.

The carrying amounts of financial asset at amortized cost approximate their fair values (Level 1) as the impact of discounting is not considered significant. Financial assets at FVPL and FVOCI are measured at quoted prices (Level 1). Investments in FVPL include investments in open-ended unit investment trust funds that are redeemable anytime and reports daily net asset value.

22.2.2 Financial liabilities

Details of the Group's financial liabilities, categorized as other financial liabilities at amortized cost at December 31 are as follows:

	Notes	2023	2022
Trade payables and other liabilities	10	3,607,587,079	3,193,476,340
Due to related parties	18	72,381,122	324,775,844
Lease liabilities	9	554,788,430	822,652,502
Bonds payable	11	4,976,254,973	4,957,823,713
Borrowings	11	12,159,231,665	10,520,000,000
		21,370,243,269	19,818,728,399

Trade payables and other liabilities exclude amounts due to regulatory agencies and advances from customers as at December 31, 2023 amounting to P157,277,821 and P56,785 (2022 - P72,234,884 and P261,697), respectively (Note 10).

The carrying amounts of financial liabilities at amortized cost approximate their fair values (Level 2) due to their short-term nature and/or the impact of discounting is not considered significant. The estimated fair value (Level 2) of the lease liabilities and bonds payable as it approximates its carrying amount as it carries market interest rate (Note 11).

22.3 Credit risk

The Group's exposure to credit risk arises primarily from financial assets at amortized cost and financial assets at FVTPL.

The Group has prudent credit policies to ensure that sales of its products are made to customers with good credit history. The senior management team, product group heads and the respective sales team perform credit evaluation and monthly review of outstanding receivables as part of the regular performance assessment process. All significant receivables from key customers are monitored for collectability and actual settlement performance, and specific action plans are required for any material overdue amounts from all categories of customers.

The Group's financial assets at December 31 that are subject to the expected credit loss model are as follows:

	2023	2022	Basis for recognition of ECL
Financial assets at amortized cost			
Cash and cash equivalents	2,773,637,162	3,220,960,367	12-month ECL
Trade and other receivables	5,805,239,480	5,756,799,660	Lifetime ECL
Due from related parties	127,702,429	210,796,097	12-month ECL
Refundable deposits	865,094,698	926,576,702	12-month ECL
Financial assets at FVTPL	34,151,329	82,705,350	Marked to market
	9,605,825,098	10,197,838,176	

Cash and cash equivalents exclude cash on hand as at December 31, 2023 amounting to P70,534,228 (2022 - P29,204,641) which is not subject to credit risk.

The maximum exposure to credit risk at the reporting date is the carrying value of financial assets summarized above.

None of the financial assets that are fully performing has been renegotiated as at December 31, 2023 and 2022.

The Group does not hold any collateral as security to the above financial assets.

Cash in bank

Credit risk exposure arising from cash in bank arises from default of the counter party, with a maximum exposure equal to the fair value of financial asset. To minimize credit risk exposure, the Group deposits its cash in banks with good credit rating.

Cash deposited in these banks as at December 31 are as follows:

	2023	2022
Universal banks	2,767,608,447	3,214,225,956
Thrift banks	85,608	6,734,411
	2,767,694,055	3,220,960,367

While cash in bank are also subject to requirements of PFRS 9, expected credit loss is considered not significant. The Group does not hold any collateral as security to the above financial assets.

Due from related parties

Due from related parties pertain to amounts receivable for sale of inventories and services to related parties. These are non-interest bearing and are collectible generally within 30 to 60 days after transaction date. Due from related parties are fully recoverable. Management does not foresee significant credit risk on the outstanding balances of due from related parties as these are transacted with related parties with strong financial and liquidity position.

Trade and other receivables

(i) Trade receivables

The Group applies the PFRS 9 simplified approach to measuring expected credit losses which used a lifetime expected loss allowance for trade receivables arising from sale of goods and services to third parties. To measure the expected credit losses, receivables have been grouped based on shared credit risk characteristics and the historical collection cycle.

The expected loss rates are based on the payment profiles of counterparties over a period of 36 months before January 1, 2022 and the corresponding historical credit losses experiences within this period.

The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

The Group has identified the Gross Domestic Product (GDP) and the inflation rates to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

On that basis, the loss allowance as at December 31 was determined as follows:

2023	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
Expected loss rate	1.91%	1.80%	1.50%	8.42%	13.63%
Gross carrying amount - trade receivables	2,759,119,586	1,738,928,141	564,343,986	742,847,767	5,805,239,480
Loss allowance	(52,566,247)	(31,295,804)	(8,467,120)	(62,534,982)	(154,864,153)
Net receivables	2,706,553,339	1,707,632,337	555,876,866	680,312,785	5,650,375,327

2022	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
Expected loss rate	1.03%	2.58%	8.32%	12.74%	24.67%
Gross carrying amount - trade receivables	4,252,547,898	717,685,588	371,031,036	415,535,138	5,756,799,660
Loss allowance	(44,004,108)	(18,489,723)	(30,884,151)	(52,954,167)	(146,332,149)
Net receivables	4,208,543,790	699,195,865	340,146,885	362,580,971	5,610,467,511

(ii) Other receivables

Other receivables as at December 31, 2023 include loans to officers and employees amounting to P4,387,751 (2022 - P6,963,976). To address credit risk, these advances are subject to liquidation and/or collectible through salary deduction. Other receivables also include receivables from third parties to which the Group limits its exposure to credit risk by transacting only with counterparties that have appropriate and acceptable credit history. Advances to officers and employees and other receivables are considered to be fully recoverable and hence expected credit loss is considered insignificant.

Refundable deposits

This account pertains to security deposits on properties leased by the Group. Security deposits are generally refundable at the end of the lease term. Management does not expect significant credit risk on these deposits.

Financial assets measured at FVPL

The Group’s investments in debt instrument are considered to have low credit risk. Management considers ‘low credit risk’ for unit investment trust funds, as they are managed by universal banks with good credit rating.

22.4 Market risk

22.4.1 Foreign currency exchange risk

The Group’s material foreign currency denominated monetary assets and liabilities as at December 31 consist of:

		2023			2022		
	Currency	Amount in foreign currency	Rate	Peso equivalent	Amount in foreign currency	Rate	Peso Equivalent
Cash	USD	12,702,737	55.37	703,350,548	8,287,911	55.76	462,133,917
	EUR	656,592	61.47	40,360,710	-	59.55	-
				743,711,258			462,133,917
Receivables	USD	16,394,299	55.37	907,752,336	36,525,506	55.76	2,036,662,215
Trade payables and other liabilities	USD	(13,131,409)	55.37	(727,086,116)	(3,395,406)	55.76	(189,327,839)
	EUR	(685,804)	61.47	(42,156,372)	-	59.55	-
	SGD	(508,632)	42.08	(21,403,235)	-	41.58	-
				(790,645,723)			(189,327,839)
				860,817,871			2,309,468,293

Foreign exchange (loss) gain, net for the years ended December 31 consist of:

	2023	2022	2021
Realized foreign exchange (loss) gain	(7,889,906)	218,434,150	27,004,642
Unrealized foreign exchange (loss) gain	(7,756,855)	(32,236,709)	36,589,724
Foreign exchange (loss) gain, net	(15,646,761)	186,197,441	63,594,366

Foreign exchange risk arises when future commercial transactions and assets and liabilities are denominated in a currency that is not the Parent Company’s functional currency.

The Group does not enter into derivative financial instruments to manage risks. Moreover, exposure to foreign currency risks is not yet considered to be material as foreign currency denominated trade receivables, partly offset by trade payables for imported raw materials, are generally short term in nature (less than 60 days terms). Also, the Group maintains sufficient cash in foreign currency to cover its maturing obligations.

A market driven change in foreign currency exchange rate, arising from US Dollar denominated assets (liabilities), as at December 31 would lead to immaterial pre-tax profit and equity movements.

22.4.2 Price risk

As at December 31, 2023, the Group is exposed to price risk in relation to its investments in debt and equity financial assets amounting to P34,151,329 and P266,224,629, respectively (2022 - P82,705,350 and P236,763,755, respectively). Components of debt and equity financial assets would increase or decrease as a result of gains or losses on these financial assets measured at fair value at the end of each reporting period. Management monitors such financial assets based on the net asset value of the debt instruments (unit investment trust funds) current market price of the shares. These financial assets are managed on an individual basis, and all buy and sell decisions are approved by the ManCom.

At December 31, 2023 and 2022, impact of a market driven change in fair value of the debt and equity investments, with all other variables held constant, would have been immaterial.

22.4.3 Cash flow and fair value interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial assets and liabilities will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial assets and liabilities will fluctuate because of changes in market interest rates.

Cash flow interest rate risk

The Group’s exposure to cash flow interest rate risk pertains to short-term borrowings where the related interests are repriced at periodic intervals based on the prevailing lending rate, in accordance with the terms of the agreement. The Group’s practice is to manage its interest cost by reference to current market rates in borrowings. The Group's exposure arising from short term borrowing is not considered material.

The Group’s fixed rate borrowings are measured at amortized cost. They are therefore not subject to cash flow interest rate risk as defined in PFRS 7, since neither the carrying amount nor the future cash flows will fluctuate because of a change in market interest rates.

Fair value interest rate risk

Changes in the market interest rates of the Group’s financial liabilities with fixed interest rates only affect income if these are measured at their fair value. As such, the Group’s financial liabilities with fixed interest rates that are measured at amortized cost are not subject to fair value interest rate risk as defined in PFRS 7.

22.5 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Group aims to maintain flexibility by keeping credit lines available.
On a regular basis, management monitors forecasts of the Group's liquidity reserve on the basis of expected cash flows. The Group places cash in excess of immediate requirements in banks.

The table below summarizes the maturity profile of the Group's non-derivative financial liabilities based on contractual undiscounted payments:

	Due and demandable	Less than 3 months	Between 3 to 6 months	Between 7 to 12 months	Over 12 months	Total
December 31, 2023						
Trade payables and other liabilities	104,544,729	1,675,259,034	836,808,144	991,031,957	-	3,607,643,864
Due to related parties	-	67,098,764	93,834	5,188,524	-	72,381,122
Borrowings and future interest payments	-	9,819,725,000	1,318,225,000	36,450,000	1,506,600,000	12,681,000,000
Bonds payable and future interest payments	-	38,894,750	38,894,750	3,056,875,750	2,125,867,000	5,260,532,250
Lease liabilities and future interest payments	-	93,483,678	93,487,990	180,265,265	214,100,000	581,336,933
	104,544,729	11,694,461,226	2,287,509,718	4,269,811,496	3,846,567,000	22,202,894,169

	Due and demandable	Less than 3 months	Between 3 to 6 months	Between 7 to 12 months	Over 12 months	Total
December 31, 2022						
Trade payables and other liabilities	497,998,721	642,498,699	77,984,090	1,965,609,016	-	3,184,090,526
Due to related parties	27,357,665	266,978,455	-	30,439,724	-	324,775,844
Borrowings and future interest payments	-	1,170,000,000	-	-	9,359,385,814	10,529,385,814
Bonds payable and future interest payments	-	-	-	-	5,218,619,005	5,218,619,005
Lease liabilities and future interest payments	2,000	67,695,109	58,537,972	118,035,150	578,382,271	822,652,502
	525,358,386	2,147,172,263	136,522,062	2,114,083,890	15,156,387,090	20,079,523,691

At December 31, 2023, borrowings, bond payable and lease liabilities include undiscounted cash flows on interest payable until its maturity.

The Parent Company, together with its related parties entered into surety agreements with local banks and a corporate guarantee with a foreign bank. The borrowings of the Group are covered by surety agreements and corporate guarantee agreements (Note 18).

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances equal their carrying balances, as the impact of discounting is not significant.

The Group believes that cash generated from its operating activities and current assets are sufficient to meet maturing obligations required to operate the business. The Group would also be able to meet unexpected cash outflows by accessing additional funding sources from local banks.

The Group expects to settle the above financial obligations in accordance with their maturity date. However, the Group may consider to roll-over short-term loans based on working capital requirements.

22.6 Capital management

The Group's objective when managing capital is to generate the maximum possible returns for its shareholders while taking on a manageable degree of risk ensuring that the Group will continue to expand business and manufacturing facilities.

In order to maintain or adjust the capital structure, the Group reviews its capital structure from time to time to assess the proper financing mix necessary to grow and sustain its operations. As a matter of policy, capital expenditures have been financed from internally-generated cash flow, except for the Batangas plant expansion which has been funded partly by proceeds from bond offering, while working capital requirements will be augmented by short-term bank borrowings from time to time.

Earnings in excess of dividend distribution to shareholders have been continuously redeployed and reinvested in the growth of the Group's business. Each instance of expansion of manufacturing capacity and entry into new products and markets undergo a thorough evaluation process to ensure that such investments and marketing programs are in consonance with the Group's core competencies and would be enhancing shareholder value in the long run.

As part of the reforms of the PSE to expand capital market and improve transparency among listed firms, PSE required a minimum percentage of ten percent (10%) of the listed companies' issued and outstanding shares, exclusive of any treasury shares, to be held by the public. On May 31, 2017, the SEC issued a Memorandum Circular to increase the minimum percentage requirement to at least fifteen percent (15%) on or before end of 2018 and then to at least twenty percent (20%) on or before end of 2020. The Parent Company is compliant with respect to this requirement as at each reporting period.

As at December 31, 2023 and 2022, total capital is equal to total equity (excluding any reserves) as shown in the consolidated statements of financial position.

	2023	2022
Total equity	20,867,525,566	20,651,223,416
Reserves	(253,478,583)	(189,732,066)
	20,614,046,983	20,461,491,350

There are no changes to the Group's capital management policies as at each reporting period.

23 Summary of material accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

23.1 Basis of preparation

These consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). The term PFRS in general includes all applicable PFRS, PAS and interpretations of the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the Financial Reporting Standards Council (FRSC) and adopted by the SEC.

These consolidated financial statements have been prepared under the historical cost convention, as modified by revaluation of financial assets at FVPL and FVOCI, and retirement benefit plan where plan assets are measured at fair value.

The preparation of consolidated financial statements in conformity with PFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Group's accounting policies. The areas involving higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 21.

23.1.1 Changes in accounting policy and disclosures

(a) New standards, amendments, and interpretations to existing standards adopted by the Group

The Group has applied the following standards and amendments for the first time for its annual reporting period commencing January 1, 2023:

- Definition of Accounting Estimates - amendments to PAS 8

The amendment clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. The Group does not expect the amendments to have a significant impact on the Group's consolidated financial statements.

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction - amendments to PAS 12

The amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities. The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognize deferred tax assets (to the extent that it is probable that they can be utilized) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with:

- right-of-use assets and lease liabilities, and
- decommissioning, restoration and similar liabilities, and the corresponding amounts recognized as part of the cost of the related assets.

The cumulative effect of recognizing these adjustments is recognized in retained earnings, or another component of equity, as appropriate. PAS 12 did not previously address how to account for the tax effects of on-balance sheet leases and similar transactions and various approaches were considered acceptable. Some entities may have already accounted for such transactions consistent with the new requirements. These entities will not be affected by the amendments. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. The Group does not expect the amendments to have a significant impact on the Group's consolidated financial statements.

- Disclosure of Accounting Policies - Amendments to PAS 1 and PFRS Practice Statement 2

The amendments require entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. The Group does not expect the amendments to have a significant impact on the Group's consolidated financial statements.

The Group also elected to adopt the following amendments early:

- Amendments to PAS 1 - Classification of Liabilities as Current or Non-current and Amendments to PAS 1 - Non-current Liabilities with Covenants

The narrow-scope amendments clarify that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g., the receipt of a waver or a breach of covenant). The amendments also clarify what PAS 1 means when it refers to the ‘settlement’ of a liability. The amendments could affect the classification of liabilities, particularly for entities that previously considered management’s intentions to determine classification and for some liabilities that can be converted into equity. The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively. The Group does not expect the amendments to have a significant impact on the Group’s consolidated financial statements.

(b) New standards, amendments and interpretations not yet adopted

Certain amendments to accounting standards have been published that are not mandatory for 31 December 2023 reporting periods and have not been early adopted by the group. These amendments are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

23.2 Financial assets

23.2.1 Classification and presentation

Classification

The Group classifies its financial assets in the following measurement categories:

(a) those to be measured subsequently at fair value (either through OCI or through profit or loss), and;
(b) those to be measured at amortized cost.

The classification depends on the Group business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income, otherwise it will be recognized at fair value through profit or loss.

The Group shall reclassify financial assets when and only when its business model for managing those assets changes.

The Group’s financial assets measured at fair value through profit and loss includes unit investment trust fund (UITF) while financial assets measured at fair value through other comprehensive income includes investments in equity securities.

The Group’s financial assets at amortized cost category include cash and cash equivalents, trade receivables, due from related parties and refundable deposits.

The Group’s financial assets are detailed in Note 22.2.

23.2.2 Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

23.2.3 Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

(a) Debt instruments - subsequent measurement

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in other income (expenses), net, using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other income (expenses), net, together with foreign exchange gains and losses. Impairment losses are presented in administrative expenses in the statement of total comprehensive income.

  The Group's financial assets at amortized cost consist of cash and cash equivalents, trade receivables, due from related parties and refundable deposits (Note 22.2.1).

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other income (expenses), net. Interest income from these financial assets is included in other income (expenses), net, using the effective interest rate method. Foreign exchange gains and losses are presented in other income (expenses), net and impairment expenses are presented as separate line item in the statement of total comprehensive income.

  The Group does not have debt instruments financial assets that are measured at FVOCI.

- FVPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognized in profit or loss and presented within other income, net, in the period in which it arises.

  The Group's financial assets at FVPL consists of investments in mutual funds (Note 22.2).

Equity instruments - subsequent measurement

The group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the equity investment. Dividends from such investments continue to be recognized in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognized in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

The Group's equity instrument financial assets that are measured at FVOCI consists of investments in listed shares and proprietary golf club shares (Note 22.2)

23.2.4 Impairment of financial assets

The Group assesses on a forward-looking basis the expected credit loss associated with its financial assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

With the exception of purchased or originated credit impaired financial assets, expected credit losses are required to be measured through a loss allowance at an amount equal to:

- 12-month expected credit losses (ECLs) - these are ECLs that result from default events that are possible within 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or
- Lifetime ECLs - these are ECLs that result from all possible default events over the expected life of a financial instrument or contract asset.

(i) Simplified approach

The Group applies the simplified approach to provide for ECLs for all trade receivables arising from contracts with third party customers. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECLs.

(ii) General approach

The Group applies the general approach to provide for ECLs on all other financial instruments. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECLs at initial recognition.

At each reporting date, the Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and includes forward-looking information.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or
- the financial asset is more than 90 days past due or longer depending on the historical experience with particular customers.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit impaired includes the following observable data:

- significant financial difficulty of the counterparty;
- a breach of contract such as actual default; or
- it is probable that the borrower will enter bankruptcy or other financial reorganization.

Impairment losses and subsequent recoveries on financial assets are presented in administrative expenses within operating profit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in profit or loss. Reversals of previously recorded impairment provision are based on the result of management's update assessment, considering the available facts and changes in circumstances, including but not limited to results of recent discussions and arrangements entered into with customers as to the recoverability of receivables at the end of the reporting period. Subsequent recoveries of amounts previously written-off were credited against operating expense in profit or loss.

23.3 Financial liabilities

23.3.1 Classification and presentation

The Group classifies its financial liabilities in the following categories: (a) financial liabilities at fair value through profit or loss (including financial liabilities held for trading and those that are designated at fair value) and (b) financial liabilities at amortized cost. The classification depends on the purpose for which the financial liabilities were incurred. Management determines the classification of its financial liabilities at initial recognition.

The Group did not hold financial liabilities at fair value through profit or loss during and at the end of each reporting period.

Financial liabilities at amortized cost

Financial liabilities that are not classified as at fair value through profit or loss fall into this category and are measured at amortized cost. They are included in current liabilities, except for maturities more than twelve months after reporting date which are classified as non-current liabilities.

The Group's financial liabilities at amortized cost consist mainly of trade payables and other liabilities (excluding payables to government agencies for value-added tax, withholding and other taxes), due to related parties, lease liabilities, bonds payable and borrowings.

23.3.2 Initial recognition and subsequent measurement

The Group recognizes a financial liability in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

The Group's financial liabilities at amortized cost are initially measured at invoice amount, which approximates fair value plus transaction costs. Subsequently, these are measured at amortized cost using the effective interest method. Interest expense on financial liabilities is recognized within finance cost, at gross amount, in profit or loss.

23.3.3 Derecognition

Financial liabilities are derecognized when extinguished, that is, when the obligation specified in a contract is discharged or cancelled or when the obligation expires.

23.4 Determination of fair value

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 Group classifies its fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the reporting date, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

The Group's FVPL and FVOCI financial assets with quoted market price are valued using Level 1 of the fair value hierarchy and those with unquoted market price are measured at cost.

For non-financial assets, the Group uses valuation techniques that are appropriate in the circumstances and applies the technique consistently. The fair value of a non-financial asset is measured based on its highest and best use. The asset's current use is presumed to be its highest and best use.

The fair value of financial and non-financial liabilities takes into account non-performance risk, which is the risk that the Group will not fulfill an obligation.

23.5 Offsetting financial instruments

Financial assets and liabilities are offset, and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

23.6 Consolidation

23.6.1 Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated.

Accounting policies and reporting period of its subsidiaries are consistent with the policies adopted by and the reporting period of the Parent Company.

23.6.2 Business combinations (including common control business combination)

The Group applies the purchase or acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired, and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of the acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss in the consolidated statement of total comprehensive income.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with PAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified at equity is not re-measured, and its subsequent settlement is not accounted for within equity.

23.6.3 Goodwill

Goodwill is initially measured as the excess of the aggregate of the consideration transferred (including the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree) over the fair value of the Group's share of the identifiable net assets acquired. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, in the case of a bargain purchase, the difference is recognized directly in profit or loss.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units (CGUs), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognized immediately as an expense and is not subsequently reversed.

23.6.4 Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions that is, as transactions with the owners in their capacity as owners. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired in the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

23.6.5 Disposal of subsidiary

When the Group ceases to have control, any retained interest in the subsidiary is re-measured to its fair value at the date when control is lost, with the change in carrying amount generally recognized in profit or loss. The fair value is the initial carrying amount for purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

If the Group surrenders control to a related party within the group it ultimately belongs, the difference between the consideration received and the fair value of the subsidiary at divestment date, is recognized as other charges to equity.

23.7 Inventories

Inventories are stated at the lower of cost and net realizable value (NRV). Finished goods are carried at actual manufacturing costs. Cost of raw materials used in production is measured using First-in First-out method (FIFO) while conversion costs, particularly direct labor and overhead, are initially measured at standard cost per production batch but subsequently adjusted to actual conversion costs, except for those in process inventories. Inventories in transit are valued at invoice cost including related importation costs. The cost of inventories excludes borrowing costs. NRV is the estimated selling price in the ordinary course of business, less cost to complete and to sell.

Allowance for inventory obsolescence and obsolescence is provided, when necessary, based on management's review of inventory turnover and projected future production demands, and is recognized in profit or loss. Provision for inventory obsolescence is established for slow moving, and defective inventories based on physical inspection and management evaluation. Inventories and its related allowance account are written off when the Group has determined that the related inventory is already obsolete and damaged. Destruction of the obsolete and damaged inventories is made in the presence of regulatory agencies.

Reversals of previously recorded impairment provisions are credited against provision within cost of sales account in profit or loss based on the result of management's update assessment, considering available facts and circumstances, including but not limited to net realizable value at the time of disposal.

23.8 Claim for input VAT, prepayments and other current assets

23.8.1 Claim for input VAT and prepaid taxes

Claims for input VAT and prepaid taxes is stated at face value less allowance for impairment, if any. They are included in current assets, except for those expected to be utilized after twelve months after the reporting date, which are classified as non-current assets.

The Group, on a continuing basis, makes a review of the status of the claim which is designed to identify those that may require provision for impairment. Provision for unrecoverable input VAT and prepaid taxes, if any, is maintained by the Group at a level considered adequate to provide for potential uncollectible portion of the claim.

A provision for unrecoverable input VAT and prepaid taxes is established when there is objective evidence that the Group will not be able to recover the claim or portions thereof. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in profit or loss. Write-off is recognized upon receipt and acceptance of a formal notice of disallowance from tax authorities that is not subject to appeal.

Claims for input VAT and prepaid taxes is derecognized when actually collected, applied against taxes due or disallowed by tax authority.

23.9 Property, plant and equipment

Property, plant and equipment is subsequently measured at cost. Depreciation is computed on the straight-line method to allocate the cost of each asset, less its residual value, if any, over its estimated useful life (in years), determined based on the Group's historical information and experience on the use of such assets, as follows:

Building and building improvements	20 to 40
Leasehold improvements	1 to 5
Transportation and delivery equipment	5
Office furniture and fixtures	5 to 10
Tools	5
Machinery, plant and equipment	5 to 40

23.10 Impairment of non-financial assets

Non-financial assets that have an indefinite useful life, such as goodwill, are not subject to amortization and are tested annually for impairment. Other non-financial assets, mainly property, plant and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units or CGUs). Impairment losses, if any, are recognized in profit or loss.

When impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior years. Reversals of an impairment loss are credited in profit or loss.

23.11 Current and deferred income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

23.12 Revenue recognition

Revenue is measured based on the consideration which the entity is expected to be entitled to for the sale of goods and services in the ordinary course of the Group's activities. The Group recognizes revenue when it transfers control over a product or performs service to a customer.

Revenue is recognized as follows:

23.12.1 Sale of goods

Sale of goods are recognized in profit or loss when the Group has delivered the products to the customer and there is no unfulfilled obligation that could affect the acceptance of the products (point in time). Delivery does not occur until the products have been shipped to the agreed specific location, the risk of obsolescence and loss has been transferred to the customer, and the customer has accepted the products in accordance with the sales contract.

Sale of goods is shown net of returns, and/or discounts in the consolidated statement of total comprehensive income.

Sales price are agreed with customers upon order and credit terms vary from COD up to 90 days.

There are no warranties and other similar obligations for refunds agreed with customers for sale of goods.

23.12.2 Management and shared service fees

Service fees from management and shared services agreements are stand-ready performance obligation recognized in profit or loss overtime while the services are being rendered in accordance with the agreements.

23.12.3 Dividend income

Dividend income is recognized in profit or loss when the right to receive payment is established.

23.12.4 Interest income

Interest income from cash in banks and short-term investments, which is presented net of final taxes paid or withheld, is recognized in profit or loss on a time-proportion basis using the effective interest method.

23.12.5 Other income

Income from lighterage and sale of equipment is recognized in profit or loss when obligations have been rendered and accepted by the customer in accordance with the relevant agreements.

All other income items are recognized in profit or loss when earned.

23.13 Employee benefits

23.13.1 Retirement benefit obligation

The Group has a defined benefit retirement plan in accordance with the local conditions and practices in the Philippines. The plan is generally funded through payments to trustee-administered funds as determined by periodic actuarial calculations. Defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability (or asset) recognized in the consolidated statement of financial position is the present value of the defined benefit obligation less fair value of the plan assets at the reporting date. In cases when the amount determined results in an asset, the Group measures the resulting asset at the lower of such amount determined and the present value of any economic benefits available to the Group in the form of refunds or reductions in future contributions to the plan. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity which approximate the terms of the related retirement benefit obligation.

When the Group has a surplus in a defined benefit plan, the Group measures the net defined benefit asset at the lower of the surplus in the defined benefit plan, and the asset ceiling determined using the same discount rate in determining the present value of defined benefit obligations. The amount of the asset recognized should not exceed the aggregate of the present values of any refunds expected from the plan; and any expected reduction in future contributions arising from the surplus.

Plan assets are those that are: (a) held by an entity (a fund) that is legally separate from the Group, (b) available to be used only to pay or fund employee benefits; and (c) not available to the Group's creditors, and cannot be returned to the Group unless: (i) the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the Group; or (ii) the assets are returned to the Group to reimburse for employee benefits advanced by the Group. Plan assets exclude investments in group shares that are not transferrable.

Remeasurement gains or losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity (within reserve for remeasurement on retirement benefit) in other comprehensive income in the period in which they arise.

Past service costs are recognized immediately in profit or loss.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets.

Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the Group recognizes costs for a restructuring that is within the scope of PAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than twelve months after the end of the reporting period are discounted to their present value.

23.13.2 Salaries and wages, and other short-term benefits

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented within trade payables and other liabilities in the consolidated statement of financial position.

23.14 Leases

When the Group enters into an arrangement, comprising a transaction or a series of related transactions, that does not take the legal form of a lease but conveys a right to use an asset or is dependent on the use of a specific asset or assets, the Group assesses whether the arrangement is, or contains, a lease. The Group does not have such arrangements during and at the end of each reporting period.

23.14.1 The Group is the lessee

The Group recognizes leases as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use.

Assets and liabilities arising from a lease are initially measured on a present value basis. The interest expense is recognized in the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Measurement of lease liabilities

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for the Group's leases, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received,
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held for entities which do not have recent third-party financing, and
- makes adjustments specific to the lease (i.e., term, currency and security).

Extension and termination options

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The lease term is reassessed if an option is actually exercised (or not exercised) or the Company becomes obliged to exercise (or not exercise) it.

The assessment of reasonable certainty is revised only if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

Short-term leases

Payments associated with short-term leases are recognized on a straight-line basis as an expense in the profit or loss. Short-term leases are leases with a lease term of 12 months or less.

23.15 Segment reporting

Reportable segments are presented by aggregating operating segments based on similar products and services. The accounting policies used to recognize and measure the segment's assets, liabilities and profit or loss is consistent with those of the consolidated financial statements.

23.16 Related party relationships and transactions

Related party relationship exists when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercises significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among entities which are under common control with the reporting enterprise, or between and/or among entities and its key management personnel, directors, or its shareholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

23.17 Foreign currency transactions and balances

Items included in the financial statements of each of the Group's subsidiaries are measured using the currency of the primary economic environment in which the Group's subsidiaries operate (the "functional currency"). The consolidated financial statements are presented in Philippine Peso, which is the Parent Company's functional and presentation currency.

23.18 Subsequent events (or events after the reporting date)

Subsequent events that provide additional information about the Group's financial position at reporting date (adjusting events) are reflected in the financial statements. Subsequent events that are not adjusting events are disclosed in the notes to the financial statements when material.

SECOND SECTION

Second Section

Schedules	Supplementary Schedules	Remarks
A	Financial assets	Not applicable
B	Amounts Receivable and Payable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related parties)	Not applicable
C	Amounts Receivable and Payable from Related Parties which are eliminated during the consolidation of financial statements	Schedule C
D	Long-term Debt	Schedule D
E	Indebtedness to Related Parties	Not applicable
F	Guarantees of Securities of Other Issuers	Not Applicable
G	Capital Stock	Schedule G
Annex 68-D	Reconciliation of Parent Company's Retained Earnings Available for Dividend Declaration	Annex 68-D
Annex 68-E	Schedule of Financial Soundness Indicator	Annex 68-E
Annex 68-I	Schedule for Listed Companies with a Recent Offering of Securities to the Public	Annex 68-I
	A Map Showing the Relationships between and among the Parent Company and its Ultimate Parent Company, Middle Parent, Subsidiaries or Co-subsidiaries and Associates	

SCHEDULE A

D&L Industries, Inc. and Subsidiaries

Financial assets
during consolidation of financial statements
As at and for the year ended December 31, 2023
(All amounts in Philippine Pesos)

Not applicable because the cost and fair market value of the financial assets at fair value through profit or loss (FVPL) is less than 5% of total consolidated current assets.

SCHEDULE B

D&L Industries, Inc. and Subsidiaries

Amounts Receivable from Directors, Officers, Employees, Related Parties, and
Principal Stockholders (Other than Related Parties)
As at and for the year ended December 31, 2023
(All amounts in Philippine Pesos)

Not applicable because there is no receivable from directors, officers, employees, and principal stockholders with more than one million (P1 million) or 1% of total assets.

SCHEDULE C

D&L Industries, Inc. and Subsidiaries

Amounts Receivable and Payable from Related Parties which are eliminated
during consolidation of financial statements
As at and for the year ended December 31, 2023
(All amounts in Philippine Pesos)

Name of Related Party	Balance at beginning of year	Additions	Collections/ Payments	Total	Current	Non-current	Balance at end of year
Due from related parties:							
D&L Industries, Inc.	4,991,445,859	2,919,964,937	(2,865,355,714)	5,046,055,082	3,046,055,082	2,000,000,000	5,046,055,082
First in Colours, Incorporated	-	276,826,657	(75,363,063)	201,463,594	201,463,594	-	201,463,594
D&L Polymer and Colours, Inc.	(594,424)	453,017,829	(151,005,943)	301,417,462	301,417,462	-	301,417,462
Aero-Pack Industries, Inc.	(4,092,269)	164,656,360	(159,521,341)	1,042,750	1,042,750	-	1,042,750
Chemrez Product Solutions, Inc.	231,834,956	2,707,822,289	(2,758,016,185)	181,641,060	181,641,060	-	181,641,060
Oleo-Fats, Incorporated	(69,793,202)	71,076,934	(1,283,732)	-	-	-	-
Chemrez Technologies, Inc.	-	707,358,067	(378,426,822)	328,931,245	328,931,245	-	328,931,245
	5,148,800,920	7,300,723,073	(6,388,972,800)	6,060,551,193	4,060,551,193	2,000,000,000	6,060,551,193

SCHEDULE D

D&L Industries, Inc. and Subsidiaries

Long-term Debt
December 31, 2023
(All amounts in Philippine Pesos)

Title of Issue and Type of Obligation	Amount	Amount shown under Caption “Current Portion of Long-term Debt” in Related Statement of Financial Position	Amount shown under Caption “Long-term Debt” in Related Statement of Financial Position	Notes
Bonds payable	2,000,000,000	N/A	1,985,445,108	On September 14, 2021, the Group issued fixed rate bonds amounting to P2,000,000,000 (“Series B” bonds) due in 2026.
Borrowings	1,300,000,000	N/A	1,259,231,665	In 2023, the Group availed borrowings from the Immediate Parent Company which is due in 2028.

SCHEDULE G

D&L Industries, Inc. and Subsidiaries

Capital Stock
December 31, 2023

Title of issue	Number of shares authorized	Number of shares issued	Treasury shares	Number of shares outstanding	Number of shares reserved for options, warrants, conversion and other rights	Number of shares issued to		
						Related parties	Directors, officers and employees	Others
Common shares	18,000,000,000	7,142,857,990	-	7,142,857,990	-	4,456,910,955	251,479,668	2,434,467,367

Annex 68-D

D&L Industries, Inc.
No. 65 Industria Street
Bagumbayan, Quezon City

Reconciliation of Retained Earnings Available for Dividend Declaration
For the year ended December 31, 2023
(All amounts in Philippine Peso)

Unappropriated Retained Earnings, beginning of the year/period		**636,265,612**
Add: Category A: Items that are directly credited to Unappropriated retained earnings		
Reversal of Retained earnings appropriation/s	-	
Effect of restatements or prior-period adjustments	-	
Others (describe nature)	-	-
Less: Category B: Items that are directly debited to Unappropriated retained earnings		
Dividend declaration during the reporting period	2,142,857,397	
Retained earnings appropriated during the reporting period	-	
Effect of restatements or prior-period adjustments	-	
Others (describe nature)	-	2,142,857,397
Unappropriated Retained Earnings, as adjusted		(1,506,591,785)
Add/Less: Net Income (loss) for the current year/period		1,961,393,304
Less: Category C.1: Unrealized income recognized in the profit or loss during the year/period (net of tax)		
Equity in net income of associate/joint venture, net of dividends declared	-	
Unrealized foreign exchange gain, except those attributable to cash and cash equivalents	-	
Unrealized fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	149,000	
Unrealized fair value gain of investment property	-	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS (describe nature)	-	-

(continued)

Add: Category C.2: Unrealized income recognized in the profit or loss in prior reporting periods but realized in the current reporting period (net of tax)	-	
Realized foreign exchange gain, except those attributable to Cash and cash equivalents	2,879,736	
Realized fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	-	
Realized fair value gain of Investment property	-	
Other realized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS (describe nature)	-	2,879,736
Add: Category C.3: Unrealized income recognized in profit or loss in prior periods but reversed in the current reporting period (net of tax)	-	
Reversal of previously recorded foreign exchange gain, except those attributable to cash and cash equivalents	-	
Reversal of previously recorded fair value adjustment (mark-to- market gains) of financial instruments at fair value through profit or loss (FVTPL)	-	
Reversal of previously recorded fair value gain of investment property	-	
Reversal of other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS, previously recorded (describe nature)	-	-
Adjusted net income/loss		1,964,124,040
Add: Category D: Non-actual losses recognized in profit or loss during the reporting period (net of tax)		
Depreciation on revaluation increment (after tax)		-
Add/Less: Category E: Adjustments related to relief granted by the SEC and BSP		
Amortization of the effect of reporting relief	-	
Total amount of reporting relief granted during the year	-	
Others (describe nature)	-	-

(continued)

Add/Less:	Category F: Other items that should be excluded from the determination of the amount of available for dividends distribution		
	Net movement of treasury shares (except for reacquisition of redeemable shares)	-	
	Net movement of deferred tax asset not considered in the reconciling items under the previous categories	(41,418,518)	
	Net movement in deferred tax asset and deferred tax liabilities related to same transaction, e.g., set up of right of use of asset and lease liability, set-up of asset and asset retirement obligation, and set-up of service concession asset and concession payable	-	
	Adjustment due to deviation from PFRS/GAAP - gain (loss)	-	
	Others (describe nature)	-	(41,418,518)
Total Retained Earnings, end of the year/period available for dividend declaration			**416,113,737**

Annex 68-E

D&L Industries, Inc. and Subsidiaries

Schedule of Financial Soundness Indicator
December 31, 2023 and 2022

	2023	2022
Gross Profit margin[a]	17%	14%
Net Profit margin[b]	7%	8%
Return on equity[c]	11%	16%
Current ratio[d]	1.25x	1.51x
Interest cover[e]	6x	18x
Net debt to equity ratio[f]	0.68x	0.59x
Asset-to-equity ratio[g]	2.04x	1.98x
Book Value per share[h]	P2.92	P2.89

[a] Gross Profit / Revenues
[b] Net Income available to common shareholders / Revenues
[c] Net Income available to common shareholders / Shareholder's Equity
[d] Current Asset / Current Liabilities
[e] Earnings before interest and taxes / Interest Expense
[f] (Borrowings – Cash) / Shareholder's Equity
[g] Total Assets / Total Equity
[h] Shareholders' Equity (available to owners of the Parent) / Weighted average outstanding number of common shares

Annex 68-I

D&L Industries, Inc. and Subsidiaries
No. 65 Industria Street
Bagumbayan, Quezon City

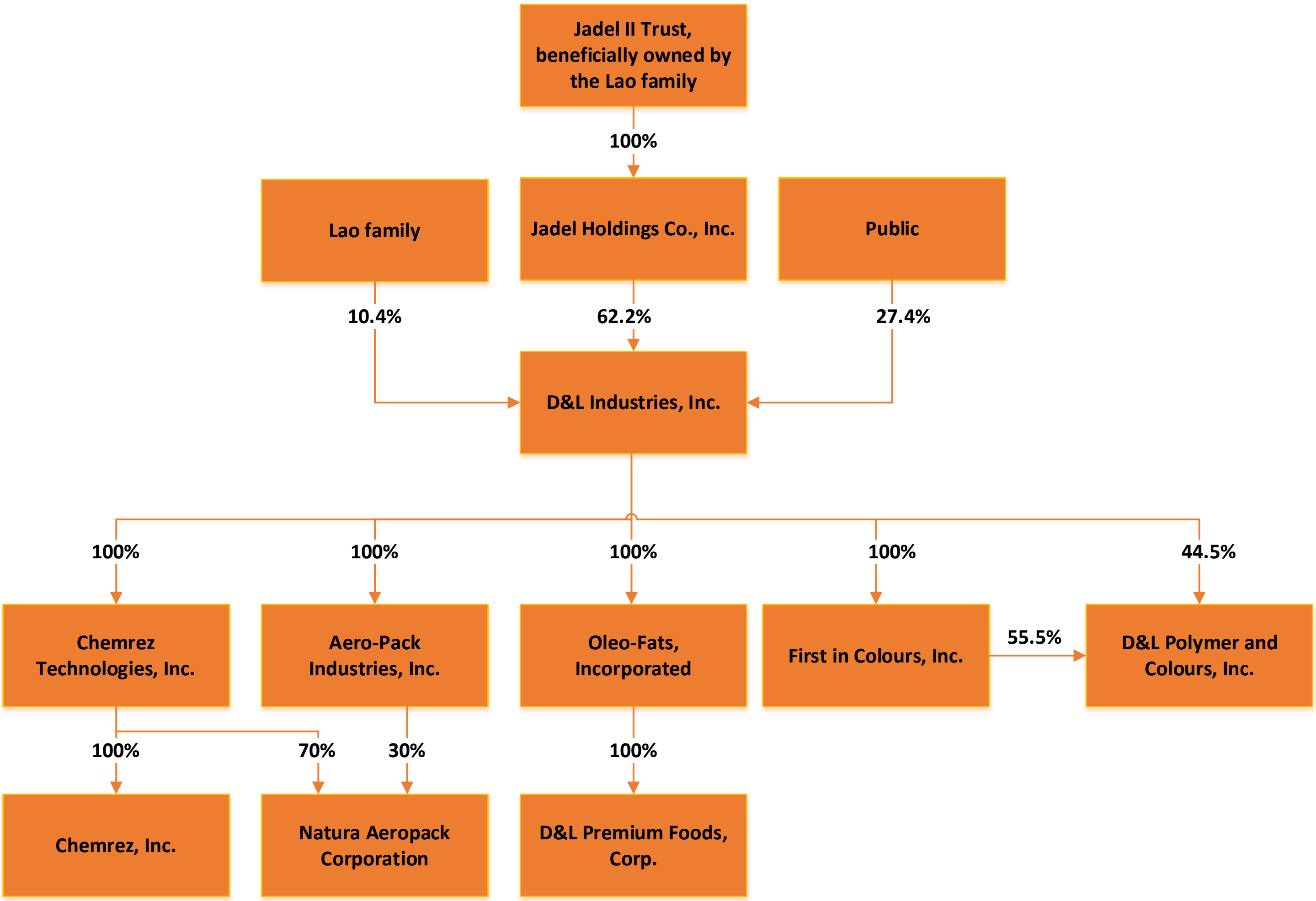
Schedule for Listed Companies with a Recent Offering of Securities to the Public
For the year ended December 31, 2023
(All amounts in Philippine Peso)

Not applicable because there is no recent offering of securities to the public in 2023.

Proceeds from the latest bond offering in 2021 were already used up as of December 31, 2022.

D&L Industries, Inc. and Subsidiaries

A Map Showing the Relationships between and among the Parent Company and its
Ultimate Parent Company, Middle Parent, Subsidiaries or Co-subsidiaries and Associates
December 31, 2023



COVER SHEET

4 4 8 5 2

D & L INDUSTRIES INC

(Company's Full Name)

65 CALLE INDUSTRIA BAGUMBAYAN QUEZON CITY

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

KRISTINE ANN CATINDIG-ONG
Contact Person

8635-0680
Company Telephone Number

1 2 3 1
Month Day
Fiscal Year

2022 Integrated Annual Corporate Governance Report (I-ACGR)
FORM TYPE

0 6 0 5
Month Day
Annual Meeting

Secondary License Type, if Applicable

C G F D
Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

200
Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

SEC FORM – I-ACGR

INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT

1. For the fiscal year ended: December 31, 2022

2. SEC Identification Number: 44852 3. BIR Tax Identification No.: 000-421-957-000

4. Exact name of issuer as specified in its charter: D&L INDUSTRIES, INC

5. METRO MANILA, PHILIPPINES	6. (SEC Use Only)
Province, Country or other jurisdiction of incorporation or organization	Industry Classification Code:

7. 65 CALLE INDUSTRIA, BAGUMBAYAN, QUEZON CITY 1110
Address of principal office Postal Code

8. (632) 8635-0680
Issuer's telephone number, including area code

9. NOT APPLICABLE
Former name, former address, and former fiscal year, if changed since last report.

INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT			
	COMPLIANT/ NON-COMPLIANT	**ADDITIONAL INFORMATION**	**EXPLANATION**
The Board's Governance Responsibilities			
Principle 1: The company should be headed by a competent, working board to foster the long- term success of the corporation, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the long- term best interests of its shareholders and other stakeholders.			
Recommendation 1.1			
1. Board is composed of directors with collective working knowledge, experience or expertise that is relevant to the company's industry/sector.	Compliant	For the policy, please refer to D&L's Manual of Corporate Governance ("CG Manual"), in particular Sec. II(A) - Board Composition, Sec. II(B) – Board Diversity and Sec II(D) – Qualifications of a Director. The same policies may be found in the Board Charter. For the names, backgrounds and qualification of D&L's directors, please see the 2022 General Information Sheet (GIS) and Part III, Item 9 of the 2022 Annual Report ("AR"). Links – CG Manual: https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf 2022 GIS: https://dnl.com.ph/wp-content/uploads/2022/07/2022-DNL-GIS.pdf 2022 AR: https://dnl.com.ph/wp-content/uploads/2023/04/SEC-Form-17-A-as-of-December-31-2022-with-IA-CGR-and-SR.pdf	
2. Board has an appropriate mix of competence and expertise.	Compliant		
3. Directors remain qualified for their positions individually and collectively to enable them to fulfill their roles and responsibilities and respond to the needs of the organization.	Compliant		

		Board Charter: https://dnl.com.ph/wp-content/uploads/2019/04/Board-Charter.pdf	
Recommendation 1.2			
1. Board is composed of a majority of non-executive directors.	Compliant	Six out of the seven directors are non-executive directors. Please see the 2022 GIS and Part III, Item 9, 2022 AR. Links – 2022 GIS: https://dnl.com.ph/wp-content/uploads/2022/07/2022-DNL-GIS.pdf 2022 AR: https://dnl.com.ph/wp-content/uploads/2023/04/SEC-Form-17-A-as-of-December-31-2022-with-IA-CGR-and-SR.pdf	
Recommendation 1.3			
1. Company provides in its Board Charter and Manual on Corporate Governance a policy on training of directors.	Compliant	Please see Section XV of the Board Charter and Section II(K) of the CG Manual. Links - CG Manual: https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf Board Charter: https://dnl.com.ph/wp-content/uploads/2019/04/Board-Charter.pdf	
2. Company has an orientation program for first time directors.	Compliant	Please see Section XV of the Board Charter and Section II(K) of the CG Manual. Links - CG Manual: https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf	
3. Company has relevant annual continuing training for all directors.	Compliant		

		Board Charter: https://dnl.com.ph/wp-content/uploads/2019/04/Board-Charter.pdf The directors and officers completed the SEC mandated CG training for which Certificates of Completion were submitted to SEC. For 2022, the directors attended the seminar entitled, *"Corporate Governance Updates" and "Economic Briefing"*, which was held virtually on November 7, 2022 via Zoom.	
Recommendation 1.4			
1. Board has a policy on board diversity.	Compliant	Please see Section II(B) of the CG Manual and Section III of the Board Charter. Links: CG Manual: https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf Board Charter: https://dnl.com.ph/wp-content/uploads/2019/04/Board-Charter.pdf Board composed of four (4) men and three (3) women	
Optional: Recommendation 1.4			
1. Company has a policy on and discloses measurable objectives for implementing its board diversity and reports on progress in achieving its objectives.	Compliant	Please see Section II(B) of the CG Manual and Section III of the Board Charter. Links: CG Manual: https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf	

		Board Charter: https://dnl.com.ph/wp-content/uploads/2019/04/Board-Charter.pdf	
Recommendation 1.5			
1. Board is assisted by a Corporate Secretary.	Compliant	The Corporate Secretary is Kristine Ann Catindig-Ong. She is not a member of the Board. Please see the 2022 GIS and 2022 AR. Links – 2022 GIS: https://dnl.com.ph/wp-content/uploads/2022/07/2022-DNL-GIS.pdf 2022 AR: https://dnl.com.ph/wp-content/uploads/2023/04/SEC-Form-17-A-as-of-December-31-2022-with-IA-CGR-and-SR.pdf	
2. Corporate Secretary is a separate individual from the Compliance Officer.	Compliant		
3. Corporate Secretary is not a member of the Board of Directors.	Compliant		
4. Corporate Secretary attends training/s on corporate governance.	Compliant	Please see Section XV of the Board Charter and Section II(K) of the CG Manual. Links - CG Manual: https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf Board Charter: https://dnl.com.ph/wp-content/uploads/2019/04/Board-Charter.pdf The directors and officers completed the SEC mandated CG training for which Certificates of Completion were submitted to SEC. For 2022, the officers attended the seminar entitled, *"Corporate Governance Updates"* and *"Economic Briefing"*,	

		which was held virtually on November 7, 2022 via Zoom.	
Optional: Recommendation 1.5			
1. Corporate Secretary distributes materials for board meetings at least five business days before scheduled meeting.	Compliant	Sec. IX(E) of the Board Charter - https://dnl.com.ph/wp-content/uploads/2019/04/Board-Charter.pdf	
Recommendation 1.6			
1. Board is assisted by a Compliance Officer.	Compliant	The Compliance Officer is Franco Diego Q. Lao for 2022. He is not a member of the Board. At the same time, he is Chief Finance Officer, a rank equivalent to the position of a Senior VP and with adequate stature and authority in the corporation. Please see the 2022 GIS and 2022 AR. Links – 2022 GIS: https://dnl.com.ph/wp-content/uploads/2022/07/2022-DNL-GIS.pdf 2022 AR: https://dnl.com.ph/wp-content/uploads/2023/04/SEC-Form-17-A-as-of-December-31-2022-with-IA-CGR-and-SR.pdf	
2. Compliance Officer has a rank of Senior Vice President or an equivalent position with adequate stature and authority in the corporation.	Compliant		
3. Compliance Officer is not a member of the board.	Compliant		
4. Compliance Officer attends training/s on corporate governance.	Compliant	Please see Section XV of the Board Charter and Section II(K) of the CG Manual. Links - CG Manual: https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf Board Charter: https://dnl.com.ph/wp-content/uploads/2019/04/Board-Charter.pdf	

		The directors and officers completed the SEC mandated CG training for which Certificates of Completion were submitted to SEC. For 2022, the officers attended the seminar entitled, *"Corporate Governance Updates"* and *"Economic Briefing"*, which was held virtually on November 7, 2022 via Zoom.	
Principle 2: The fiduciary roles, responsibilities and accountabilities of the Board as provided under the law, the company's articles and by-laws, and other legal pronouncements and guidelines should be clearly made known to all directors as well as to stockholders and other stakeholders.			
Recommendation 2.1			
1. Directors act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the company.	Compliant	See Sec II(J)(2) of the CG Manual and Sec X(A) of the Board Charter. Links - CG Manual: https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf Board Charter: https://dnl.com.ph/wp-content/uploads/2019/04/Board-Charter.pdf	
Recommendation 2.2			
1. Board oversees the development, review and approval of the company's business objectives and strategy.	Compliant	See Sec II(J)(3) of the CG Manual and Sec X(3) of the Board Charter. Links - CG Manual: https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf Board Charter: https://dnl.com.ph/wp-content/uploads/2019/04/Board-Charter.pdf The Board reviews business objectives and strategy as needed, but at least once a year.	
2. Board oversees and monitors the implementation of the company's business objectives and strategy.	Compliant		

Supplement to Recommendation 2.2			
1. Board has a clearly defined and updated vision, mission and core values.	Compliant	The Company's mission, vision and corporate values are in the website and are reviewed annually. Links – https://dnl.com.ph/wp-content/uploads/2019/04/DL-Vision-and-Mission.pdf https://dnl.com.ph/wp-content/uploads/2019/04/DL-Beliefs-and-Values.pdf	
2. Board has a strategy execution process that facilitates effective management performance and is attuned to the company's business environment, and culture.	Compliant	D&L's strategy execution process is embodied in the CG Manual. Subject to the oversight powers of the Board (Sec II(J)(3), CG Manual), the CEO determines the strategic direction and formulates and implements the strategic plan (Sec V(C)(1), CG Manual). The CG Manual provides for external and internal audit functions to keep things in check. Link - CG Manual: https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf	
Recommendation 2.3			
1. Board is headed by a competent and qualified Chairperson.	Compliant	The Chairman of the Board is Yin Yong Lao. For his background and qualifications, see the 2022 Annual Report. Also see the 2022 GIS. Links – 2022 GIS: https://dnl.com.ph/wp-content/uploads/2022/07/2022-DNL-GIS.pdf	

		2022 AR: https://dnl.com.ph/wp-content/uploads/2023/04/SEC-Form-17-A-as-of-December-31-2022-with-IA-CGR-and-SR.pdf	
Recommendation 2.4			
1. Board ensures and adopts an effective succession planning program for directors, key officers and management.	Compliant	See Sec II(J)(4) of the CG Manual and Sec X(A)(4) of the Board Charter. Links - CG Manual: https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf Board Charter: https://dnl.com.ph/wp-content/uploads/2019/04/Board-Charter.pdf	
2. Board adopts a policy on the retirement for directors and key officers.	Compliant		
Recommendation 2.5			
1. Board aligns the remuneration of key officers and board members with long-term interests of the company.	Compliant	See Sec II(J)(5) of the CG Manual and Sec X(A)(5) of the Board Charter. Links - CG Manual: https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf Board Charter: https://dnl.com.ph/wp-content/uploads/2019/04/Board-Charter.pdf	
2. Board adopts a policy specifying the relationship between remuneration and performance.	Compliant		
3. Directors do not participate in discussions or deliberations involving his/her own remuneration.	Compliant		
Optional: Recommendation 2.5			
1. Board approves the remuneration of senior executives.			
2. Company has measurable standards to align the performance-based remuneration of the executive directors and senior executives with long-term			

interest, such as claw back provision and deferred bonuses.			
Recommendation 2.6			
1. Board has a formal and transparent board nomination and election policy.	Compliant	Sec II(F) of the CG Manual provides for the nomination and election of directors. In the selection of nominees for directors, the Board is assisted by the Nominations Committee which screens nominees in accordance with the qualifications and disqualifications provided in the Company By-Laws, CG Manual, Board Charter, Corporation Code, Securities Regulation Code and relevant SEC rules. See also the charter of the Nomination Committee. As echoed in Section X(A) of the CG Manual, D&L provides minority shareholders the opportunity to nominate candidates to the Board and encourages them to submit their nominations by including an invitation to do so in the notice sent to all shareholders. The effectiveness of the nomination and election processes are assessed through the assessment exercises conducted by the Board and Nominations Committee. The results of the assessments may be viewed on the website, link below. Links – CG Manual: https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf 2022 ASM Notice: https://dnl.com.ph/wp-content/uploads/2022/04/Notice-of-Annual-Stockholders-Meeting-2022.pdf Assessment Results https://dnl.com.ph/wp-content/uploads/2023/05/Results-of-the-CG-Self-Assessment-Survey-2022.pdf	
2. Board nomination and election policy is disclosed in the company's Manual on Corporate Governance.	Compliant		
3. Board nomination and election policy includes how the company accepted nominations from minority shareholders.	Compliant		
4. Board nomination and election policy includes how the board shortlists candidates.	Compliant		
5. Board nomination and election policy includes an assessment of the effectiveness of the Board's processes in the nomination, election or replacement of a director.	Compliant		
6. Board has a process for identifying the quality of directors that is aligned with the strategic direction of the company.	Compliant		

Optional: Recommendation to 2.6			
1. Company uses professional search firms or other external sources of candidates (such as director databases set up by director or shareholder bodies) when searching for candidates to the board of directors.	Compliant	The Company relies on the member listing of the Institute of Corporate Directors as well as searches conducted by director and shareholder bodies.	
Recommendation 2.7			
1. Board has overall responsibility in ensuring that there is a group-wide policy and system governing related party transactions (RPTs) and other unusual or infrequently occurring transactions.	Compliant	See Section II(J)(7) of the CG Manual and Section X(A)(6) of the Board Charter. Details of RPTs for 2022 are disclosed in the 2022 AR as well as on the website. Links: CG Manual: https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf Board Charter: https://dnl.com.ph/wp-content/uploads/2019/04/Board-Charter.pdf 2022 AR: https://dnl.com.ph/wp-content/uploads/2023/04/SEC-Form-17-A-as-of-December-31-2022-with-IA-CGR-and-SR.pdf 2022 RPT details: See Note 18 of the 2022 Consolidated Audited Financial Statements Link – https://dnl.com.ph/wp-content/uploads/2023/04/SEC-Form-17-A-as-of-December-31-2022-with-IA-CGR-and-SR.pdf	
2. RPT policy includes appropriate review and approval of material RPTs, which guarantee fairness and transparency of the transactions.	Compliant		
3. RPT policy encompasses all entities within the group, taking into account their size, structure, risk profile and complexity of operations.	Compliant		
Supplement to Recommendations 2.7			
1. Board clearly defines the threshold for disclosure and approval of RPTs and categorizes such transactions according to those that are	Compliant	All RPTs, regardless of amount go through RPT Comm and Board approvals and disclosed in the financial statements. Only	

considered *de minimis* or transactions that need not be reported or announced, those that need to be disclosed, and those that need prior shareholder approval. The aggregate amount of RPTs within any twelve (12) month period should be considered for purposes of applying the thresholds for disclosure and approval.		those agreements that are required by law to be approved by the stockholders are presented to the stockholders for approval. Links – RPT Policy: https://dnl.com.ph/wp-content/uploads/2019/10/Material-Related-Party-Transactions-Policy-min.pdf 2022 RPT details: Note 18, 2022 Consolidated Audited Financial Statements attached to 2022 Annual Report - https://dnl.com.ph/wp-content/uploads/2023/04/SEC-Form-17-A-as-of-December-31-2022-with-IA-CGR-and-SR.pdf	
2. Board establishes a voting system whereby a majority of non-related party shareholders approve specific types of related party transactions during shareholders' meetings.	Non-Compliant		There is no such voting system for RPTs. However, fairness and transparency are ensured by having, as a policy, all RPTs, regardless of amount, go through RPT Comm and Board approval and disclosed in the financial statements. The Company likewise recently adopted its Material RPT Policy which further ensures fairness and transparency in all RPT of the Company. The link to policy is as follows: https://dnl.com.ph/wp-content/uploads/2019/10/Material-Related-Party-Transactions-Policy-min.pdf
Recommendation 2.8			

1. Board is primarily responsible for approving the selection of Management led by the Chief Executive Officer (CEO) and the heads of the other control functions (Chief Risk Officer, Chief Compliance Officer and Chief Audit Executive).	Compliant	See Section II(J)(8) of the CG Manual and Section X(A)(7) of the Board Charter. Links – CG Manual: https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf Board Charter: https://dnl.com.ph/wp-content/uploads/2019/04/Board-Charter.pdf CEO – Alvin Lao CFO & Compliance Officer – Franco Diego Q. Lao COO – Joselito Rivera CAE – Elmer Brillo Chief Risk Officer – Arlene S. Denzon	
2. Board is primarily responsible for assessing the performance of Management led by the Chief Executive Officer (CEO) and the heads of the other control functions (Chief Risk Officer, Chief Compliance Officer and Chief Audit Executive).	Compliant	See Section II(J)(8) of the CG Manual and Section X(A)(7) of the Board Charter. Links – CG Manual: https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf Board Charter: https://dnl.com.ph/wp-content/uploads/2019/04/Board-Charter.pdf The Board shall assess performances of the key officers annually	
Recommendation 2.9			
1. Board establishes an effective performance management framework that ensures that Management's performance is at par with the standards set by the Board and Senior Management.	Compliant	The performance management framework is embodied in the CG Manual as the latter lays down the duties and accountabilities of the members of senior management by which their performances will be evaluated.	

		See also Section II(J)(9) of the CG Manual and Section X(A)(8) of the Board Charter. Links – CG Manual: https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf Board Charter: https://dnl.com.ph/wp-content/uploads/2019/04/Board-Charter.pdf	
2. Board establishes an effective performance management framework that ensures that personnel's performance is at par with the standards set by the Board and Senior Management.	Compliant		
Recommendation 2.10			
1. Board oversees that an appropriate internal control system is in place.	Compliant	See Section II(J)(10) and Section IX(A), (B) and (C) of the CG Manual and Section X(A)(9) of the Board Charter. Links – CG Manual: https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf Board Charter: https://dnl.com.ph/wp-content/uploads/2019/04/Board-Charter.pdf	
2. The internal control system includes a mechanism for monitoring and managing potential conflict of interest of the Management, members and shareholders.	Compliant		
3. Board approves the Internal Audit Charter.	Compliant	https://dnl.com.ph/wp-content/uploads/2019/03/DNL-Internal-Audit-Charter.pdf	
Recommendation 2.11			
1. Board oversees that the company has in place a sound enterprise risk management (ERM) framework to effectively identify, monitor, assess and manage key business risks.	Compliant	See Section II(J)(10) and Section IX(A), (D) and (E) of the CG Manual and Section X(A)(10) of the Board Charter. Links – CG Manual: https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf Board Charter:	
2. The risk management framework guides the board in identifying units/business lines and enterprise-level risk exposures, as well as the effectiveness of risk management strategies.	Compliant		

		https://dnl.com.ph/wp-content/uploads/2019/04/Board-Charter.pdf	
Recommendation 2.12			
1. Board has a Board Charter that formalizes and clearly states its roles, responsibilities and accountabilities in carrying out its fiduciary role.	Compliant	Board Charter: https://dnl.com.ph/wp-content/uploads/2019/04/Board-Charter.pdf	
2. Board Charter serves as a guide to the directors in the performance of their functions.	Compliant		
3. Board Charter is publicly available and posted on the company's website.	Compliant		
Additional Recommendation to Principle 2			
1. Board has a clear insider trading policy.	Compliant	https://dnl.com.ph/wp-content/uploads/2019/04/DL-CompanyPolicies_InsiderTrading.pdf	
Optional: Principle 2			
1. Company has a policy on granting loans to directors, either forbidding the practice or ensuring that the transaction is conducted at arm's length basis and at market rates.	Compliant	See Conflict of Interest, Code of Business Principles. The link is: https://dnl.com.ph/wp-content/uploads/2019/02/DnL-Code-of-Business-Principles.pdf	
2. Company discloses the types of decision requiring board of directors' approval.	Compliant	Please see Section X, Board Charter and Material RPT Policy. The links are: Board Charter - https://dnl.com.ph/wp-content/uploads/2019/04/Board-Charter.pdf Material RPT Policy - https://dnl.com.ph/wp-content/uploads/2019/10/Material-Related-Party-Transactions-Policy-min.pdf	

Principle 3: Board committees should be set up to the extent possible to support the effective performance of the Board's functions, particularly with respect to audit, risk management, related party transactions, and other key corporate governance concerns, such as nomination and remuneration. The composition, functions and responsibilities of all committees established should be contained in a publicly available Committee Charter.			
Recommendation 3.1			
1. Board establishes board committees that focus on specific board functions to aid in the optimal performance of its roles and responsibilities.	Compliant	There are seven Board Committees: Executive Committee, Audit Committee, Related Party Transactions Committee, Nominations Committee, Remuneration Committee, Corporate Governance Committee and Board Risk Oversight Committee. See Section III of the CG Manual. For the composition of the Board Committees, see link to the website below. Links – CG Manual: https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf Board Committee Composition: https://dnl.com.ph/corporate-governance/#committees	
Recommendation 3.2			
1. Board establishes an Audit Committee to enhance its oversight capability over the company's financial reporting, internal control system, internal and external audit processes, and compliance with applicable laws and regulations.	Compliant	See Section III(B) of the CG Manual and the Audit Committee Charter. Per Section VIII(B)(1) of the CG Manual, it is the Audit Committee's responsibility to recommend the appointment and removal of the company's external auditor. Links – CG Manual: https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf Audit Committee Charter: https://dnl.com.ph/wp-content/uploads/2019/03/Audit-Committee-Charter-2013.pdf	

2. Audit Committee is composed of at least three appropriately qualified non-executive directors, the majority of whom, including the Chairman is independent.	Compliant	The chairperson of the AudCom is Mrs. Corazon de la Paz-Bernardo, an independent director. Link – Board Committee Composition: https://dnl.com.ph/corporate-governance/#committees	
3. All the members of the committee have relevant background, knowledge, skills, and/or experience in the areas of accounting, auditing and finance.	Compliant	The backgrounds and experiences of the AudCom members may be found in Part III, Item 9 of the 2022 Annual Report. Link – 2022 AR: https://dnl.com.ph/wp-content/uploads/2023/04/SEC-Form-17-A-as-of-December-31-2022-with-IA-CGR-and-SR.pdf	
4. The Chairman of the Audit Committee is not the Chairman of the Board or of any other committee.	Compliant	That the AudCom Chair is not the Chair of the Board or of any committee, may be verified in website link provided below. Link - Board Committee Composition: https://dnl.com.ph/corporate-governance/#committees	
Supplement to Recommendation 3.2			
1. Audit Committee approves all non-audit services conducted by the external auditor.	Compliant	See Section III(B)(8) of the CG Manual and Section k, Duties & Responsibilities of the Audit Committee Charter. Links – CG Manual: https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf Audit Committee Charter: https://dnl.com.ph/wp-content/uploads/2019/03/Audit-Committee-Charter-2013.pdf	

2. Audit Committee conducts regular meetings and dialogues with the external audit team without anyone from management present.	Compliant	Members of the AudCom regularly meet with External Auditors without the presence of management. For 2022, they met last May 4, August 9 and Nov. 7, 2022 .	
Optional: Recommendation 3.2			
1. Audit Committee meet at least four times during the year.	Compliant	See Meetings & Quorum Section of the Audit Committee Charter which provides that the committee should meet once every quarter. Link – Audit Committee Charter: https://dnl.com.ph/wp-content/uploads/2019/03/Audit-Committee-Charter-2013.pdf	
2. Audit Committee approves the appointment and removal of the internal auditor.	Compliant	See Duties and Responsibilities of the Audit Committee Section of the Internal Audit Charter and Section IX(C) of the CG Manual. Links – CG Manual: https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf IA Charter: https://dnl.com.ph/wp-content/uploads/2019/03/DNL-Internal-Audit-Charter.pdf	
Recommendation 3.3			
1. Board establishes a Corporate Governance Committee tasked to assist the Board in the performance of its corporate governance responsibilities, including the functions that were formerly assigned to a Nomination and Remuneration Committee.	Compliant	The Board decided to form the Corporate Governance Committee, Nominations Committee and Remuneration Committee separately. The composition, duties and responsibilities of each committee are outlined in the CG Manual and their respective charters. The process of	

		identifying the quality of directors aligned with the company's strategic direction remained to be one of the duties of the Nominations Committee. Link – CG Manual: https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf CG Com Charter: https://dnl.com.ph/wp-content/uploads/2019/04/Corporate-Governance-Committee-Charter.pdf Nom Com Charter: https://dnl.com.ph/wp-content/uploads/2019/04/Nomination-Committee-Charter.pdf	
2. Corporate Governance Committee is composed of at least three members, all of whom should be independent directors.	Compliant	The CG Com is composed of 4 directors, 3 of which are independent. Link – Board Committee Composition: https://dnl.com.ph/corporate-governance/#committees	
3. Chairman of the Corporate Governance Committee is an independent director.	Compliant	The Chairperson of the CG Com is Atty. Mercedita Nolledo, an independent director. Link – Board Committee Composition: https://dnl.com.ph/corporate-governance/#committees	
Optional: Recommendation 3.3.			
1. Corporate Governance Committee meet at least twice during the year.	Compliant	The CG Committee met 2 times in 2022 on the following dates: May 13, 2022 November 7, 2022	

Recommendation 3.4			
1. Board establishes a separate Board Risk Oversight Committee (BROC) that should be responsible for the oversight of a company's Enterprise Risk Management system to ensure its functionality and effectiveness.	Compliant	See Section III(F) of the CG Manual and Risk Oversight Committee ("ROC") Charter. Links – CG Manual: https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf BROC Charter: https://dnl.com.ph/wp-content/uploads/2019/04/Board-Risk-Oversight-Committee-Charter.pdf	
2. BROC is composed of at least three members, the majority of whom should be independent directors, including the Chairman.	Compliant	The ROC is composed of five directors, three of which are independent. Link – Board Committee Composition: https://dnl.com.ph/corporate-governance/#committees	
3. The Chairman of the BROC is not the Chairman of the Board or of any other committee.	Compliant	That the ROC Chair is not the Chair of the Board or of any committee may be verified in website link provided below. Board Committee Composition: https://dnl.com.ph/corporate-governance/#committees	
4. At least one member of the BROC has relevant thorough knowledge and experience on risk and risk management.	Compliant	The backgrounds and experiences of the ROC members may be found in Part III, Item 9 of the 2022 Annual Report. Link – 2022 AR: https://dnl.com.ph/wp-content/uploads/2023/04/SEC-Form-17-A-as-of-December-31-2022-with-IA-CGR-and-SR.pdf	

Recommendation 3.5			
1. Board establishes a Related Party Transactions (RPT) Committee, which is tasked with reviewing all material related party transactions of the company.	Compliant	See Section III(C) of the CG Manual and Related Party Transactions ("RPT") Committee Charter. Links – CG Manual: https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf RPT Charter: https://dnl.com.ph/wp-content/uploads/2019/04/Related-Party-Transactions-Committee-Charter.pdf	
2. RPT Committee is composed of at least three non-executive directors, two of whom should be independent, including the Chairman.	Compliant	The RPT Com is composed of three directors, all independent. The Chairperson of the committee is Dr. Lydia Echauz, an independent director. Link – Board Committee Composition: https://dnl.com.ph/corporate-governance/#committees	
Recommendation 3.6			
1. All established committees have a Committee Charter stating in plain terms their respective purposes, memberships, structures, operations, reporting process, resources and other relevant information.	Compliant	Board and Committee Charters – https://dnl.com.ph/corporate-governance/#committees	
2. Committee Charters provide standards for evaluating the performance of the Committees.	Compliant	Board and Committee Charters – https://dnl.com.ph/corporate-governance/#policies	
3. Committee Charters were fully disclosed on the company's website.	Compliant	Board and Committee Charters – https://dnl.com.ph/corporate-governance/#policies	

Principle 4: To show full commitment to the company, the directors should devote the time and attention necessary to properly and effectively perform their duties and responsibilities, including sufficient time to be familiar with the corporation's business.			
Recommendation 4.1			
1. The Directors attend and actively participate in all meetings of the Board, Committees and shareholders in person or through tele-/videoconferencing conducted in accordance with the rules and regulations of the Commission.	Compliant	See Article IV, Section 3 of the By-Laws, Section IV(A) of the CG Manual and Section IX(B) of the Board Charter. See also board attendance under Part III, Item 9 of the 2022 Annual Report. Links – CG Manual: https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf By-Laws: https://dnl.com.ph/wp-content/uploads/2022/09/DNL-Amended-By-Laws-7.28.22.pdf Board Charter: https://dnl.com.ph/wp-content/uploads/2019/04/Board-Charter.pdf 2022 AR: https://dnl.com.ph/wp-content/uploads/2023/04/SEC-Form-17-A-as-of-December-31-2022-with-IA-CGR-and-SR.pdf	
2. The directors review meeting materials for all Board and Committee meetings.	Compliant	See Section IV(A) of the CG Manual. Links – CG Manual: https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf	
3. The directors ask the necessary questions or seek clarifications and explanations during the Board and Committee meetings.	Compliant	See Section IV(A) of the CG Manual. Links – CG Manual:	

		https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf	
Recommendation 4.2			
1. Non-executive directors concurrently serve in a maximum of five publicly-listed companies to ensure that they have sufficient time to fully prepare for minutes, challenge Management's proposals/views, and oversee the long-term strategy of the company.	Compliant	See Section IV(B) of the CG Manual. See also Part III, Item 9 of the 2022 Annual Report for the list of directorships of the directors. Links – CG Manual: https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf 2022 AR: https://dnl.com.ph/wp-content/uploads/2023/04/SEC-Form-17-A-as-of-December-31-2022-with-IA-CGR-and-SR.pdf	
Recommendation 4.3			
1. The directors notify the company's board before accepting a directorship in another company.	Compliant	See Section IV(B) of the CG Manual. Link – CG Manual: https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf	
Optional: Principle 4			
1. Company does not have any executive directors who serve in more than two boards of listed companies outside of the group.	Compliant	D&L's only executive director is Mr. Alvin Lao and he serves as a director in only one listed company – D&L. See Board Composition available in the website or 2022 GIS and Part III, Item 9 of the 2022 Annual Report of Mr. Alvin Lao's list of directorships. Links – Board Composition: https://dnl.com.ph/corporate-governance/#board-members	

		2022 GIS: https://dnl.com.ph/wp-content/uploads/2022/07/2022-DNL-GIS.pdf 2022 AR: https://dnl.com.ph/wp-content/uploads/2023/04/SEC-Form-17-A-as-of-December-31-2022-with-IA-CGR-and-SR.pdf	
2. Company schedules board of directors' meetings before the start of the financial year.	Compliant		
3. Board of directors meet at least six times during the year.	Compliant	7 meetings in 2022 See Part III, Item 9 of the 2022 Annual Report. Link – 2022 AR: https://dnl.com.ph/wp-content/uploads/2023/04/SEC-Form-17-A-as-of-December-31-2022-with-IA-CGR-and-SR.pdf	
4. Company requires as minimum quorum of at least 2/3 for board decisions.			
Principle 5: The board should endeavor to exercise an objective and independent judgment on all corporate affairs			
Recommendation 5.1			
1. The Board has at least 3 independent directors or such number as to constitute one-third of the board, whichever is higher.	Compliant	See Section II(A) of the CG Manual. This notwithstanding, four of the seven directors are independent (see 2022 GIS and Board Composition on the website). Links – CG Manual: https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf 2022 GIS:	

		https://dnl.com.ph/wp-content/uploads/2022/07/2022-DNL-GIS.pdf Board Composition: https://dnl.com.ph/corporate-governance/#board-members	
Recommendation 5.2			
1. The independent directors possess all the qualifications and none of the disqualifications to hold the positions.	Compliant	See the Certification of Independent Directors attached to the 2022 Information Statement. Link – 2022 Information Statement https://dnl.com.ph/wp-content/uploads/2022/05/Definitive-Information-Statement-2022-1_compressed.pdf	
Supplement to Recommendation 5.2			
1. Company has no shareholder agreements, by-laws provisions, or other arrangements that constrain the directors' ability to vote independently.	Compliant	See Article IV, Section 7 of the By-Laws and Sections II and IX(F) of the Board Charter which implicitly provides that each director has one vote and that directors are expected to exercise independent judgment. Links – By-Laws: https://dnl.com.ph/wp-content/uploads/2022/09/DNL-Amended-By-Laws-7.28.22.pdf Board Charter: https://dnl.com.ph/wp-content/uploads/2019/04/Board-Charter.pdf	
Recommendation 5.3			
1. The independent directors serve for a cumulative term of nine years (reckoned from 2012).	Compliant	See Section V(B) of the CG Manual and Section VIII(B) of the Board Charter. See also the Certifications of the Independent	

		Directors attached to the 2022 Information Statement to verify the length of service as independent director. Links – CG Manual: https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf Board Charter: https://dnl.com.ph/wp-content/uploads/2019/04/Board-Charter.pdf 2022 Information Statement https://dnl.com.ph/wp-content/uploads/2022/05/Definitive-Information-Statement-2022-1_compressed.pdf	
2. The company bars an independent director from serving in such capacity after the term limit of nine years.	Compliant	See Section V(B) of the CG Manual and Section VIII(B) of the Board Charter. Links – CG Manual: https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf Board Charter: https://dnl.com.ph/wp-content/uploads/2019/04/Board-Charter.pdf	
3. In the instance that the company retains an independent director in the same capacity after nine years, the board provides meritorious justification and seeks shareholders' approval during the annual shareholders' meeting.	Compliant	See page 22 of the 2022 Information Statement and Minutes of the 2022 ASM on the election of the Directors. Links – 2022 ASM Minutes https://dnl.com.ph/wp-content/uploads/2022/06/2022-DNL-ASM-Minutes.pdf	

		2022 Information Statement https://dnl.com.ph/wp-content/uploads/2022/05/Definitive-Information-Statement-2022-1_compressed.pdf	
Recommendation 5.4			
1. The positions of Chairman of the Board and Chief Executive Officer are held by separate individuals.	Compliant	Chairman – Yin Yong L. Lao CEO – Alvin D. Lao Link – 2022 GIS https://dnl.com.ph/wp-content/uploads/2022/07/2022-DNL-GIS.pdf 2022 AR https://dnl.com.ph/wp-content/uploads/2023/04/SEC-Form-17-A-as-of-December-31-2022-with-IA-CGR-and-SR.pdf	
2. The Chairman of the Board and Chief Executive Officer have clearly defined responsibilities.	Compliant	See Article V, Section 1-A and 2 of the By-Laws, Section II(G) and V(C) of the CG Manual and Section XI(A) and (B) of the Board Charter. Links – By-Laws: https://dnl.com.ph/wp-content/uploads/2022/09/DNL-Amended-By-Laws-7.28.22.pdf CG Manual: https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf Board Charter: https://dnl.com.ph/wp-content/uploads/2019/04/Board-Charter.pdf The Chairman is the uncle of the CEO.	

Recommendation 5.5			
1. If the Chairman of the Board is not an independent director, the board designates a lead director among the independent directors.	Compliant	Chairman is not independent. Atty. Mercedita Nolledo was designated Lead Independent Director. The designation of a Lead Independent Director was disclosed thru PSE EDGE. The link to the disclosure - https://edge.pse.com.ph/openDiscViewer.do?edge_no=4e4b6e77fea5bfc73470cea4b051ca8f The information is also available on the website. The link is – https://dnl.com.ph/corporate-governance/#committees	
Recommendation 5.6			
1. Directors with material interest in a transaction affecting the corporation abstain from taking part in the deliberations on the transaction.	Compliant	Please see the policy in Section V(E) of the CG Manual Link – CG Manual: https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf	
Recommendation 5.7			
1. The non-executive directors (NEDs) have separate periodic meetings with the external auditor and heads of the internal audit, compliance and risk functions, without any executive present.	Compliant	The NEDs met with the external auditors without the presence of any executive last May 4, August 9 and Nov. 7, 2022.	
2. The meetings are chaired by the lead independent director.	Compliant	Since AudCom has oversight on internal and external audit and risk and compliance functions, the said meetings were jointly chaired by the Lead Independent Directors and Audit Com chairperson, who is also an independent director.	
Optional: Principle 5			

1. None of the directors is a former CEO of the company in the past 2 years.			
Principle 6: The best measure of the Board's effectiveness is through an assessment process. The Board should regularly carry out evaluations to appraise its performance as a body, and assess whether it possesses the right mix of backgrounds and competencies.			
Recommendation 6.1			
1. Board conducts an annual self-assessment of its performance as a whole.	Compliant	Please see Corporate Governance Self-Assessment Survey Result on the website. The link is: Assessment Results: https://dnl.com.ph/wp-content/uploads/2023/05/Results-of-the-CG-Self-Assessment-Survey-2022.pdf	
2. The Chairman conducts a self-assessment of his performance.	Compliant		
3. The individual members conduct a self-assessment of their performance.	Compliant		
4. Each committee conducts a self-assessment of its performance.	Compliant		
5. Every three years, the assessments are supported by an external facilitator.	Non-compliant		There are four independent directors who the Board can rely on for an objective assessment of the Board and its Committees.
Recommendation 6.2			
1. Board has in place a system that provides, at the minimum, criteria and process to determine the performance of the Board, individual directors and committees.	Compliant	D&L employs a self-assessment method of assessing the performance of the Board and individual members and committees. The individual directors are asked questions relating to four areas: 1) fulfilment of the key duties; 2) quality of relationship with management; 3) effectiveness of processes and meetings; and 4) individual performance. The directors shall give their satisfactory ratings based on a 5-point scale: 1 – Strongly Disagree 2 – Disagree 3 – Neither Disagree or Agree	
2. The system allows for a feedback mechanism from the shareholders.	Compliant		

		4 – Agree 5 – Strongly Agree For more details, see Corporate Governance Self-Assessment Survey Result posted on the website. Shareholders are free to provide feedback thru the contact details provided in the website as well. The link is: Assessment Results: https://dnl.com.ph/wp-content/uploads/2023/05/Results-of-the-CG-Self-Assessment-Survey-2022.pdf	
Principle 7: Members of the Board are duty-bound to apply high ethical standards, taking into account the interests of all stakeholders.			
Recommendation 7.1			
1. Board adopts a Code of Business Conduct and Ethics, which provide standards for professional and ethical behavior, as well as articulate acceptable and unacceptable conduct and practices in internal and external dealings of the company.	Compliant	See Code of Business Principles. The link is: https://dnl.com.ph/wp-content/uploads/2019/02/DnL-Code-of-Business-Principles.pdf	
2. The Code is properly disseminated to the Board, senior management and employees.	Compliant	Managers and business unit heads are ultimately responsible in ensuring dissemination of compliance with the Code. Information dissemination was done thru posting on the website, COBP seminar for employees when it was launched, and inclusion in new employee orientation and training, as a continuing effort to disseminate the Code.	
3. The Code is disclosed and made available to the public through the company website.	Compliant	See Code of Business Principles. The link is: https://dnl.com.ph/wp-content/uploads/2019/02/DnL-Code-of-Business-Principles.pdf	

Supplement to Recommendation 7.1			
1. Company has clear and stringent policies and procedures on curbing and penalizing company involvement in offering, paying and receiving bribes.	Compliant	See section of COBP labelled "The Way We Handle Conflicts of Interest and Maintain Integrity." Link – COBP: https://dnl.com.ph/wp-content/uploads/2019/02/DnL-Code-of-Business-Principles.pdf	
Recommendation 7.2			
1. Board ensures the proper and efficient implementation and monitoring of compliance with the Code of Business Conduct and Ethics.	Compliant	All employees, directors, officers and suppliers are required to comply. Monitoring compliance rests with the department heads. There was no reported non-compliance with the Code. See section of COBP labelled "The Way We Commit to the Code". Link – COBP: https://dnl.com.ph/wp-content/uploads/2019/02/DnL-Code-of-Business-Principles.pdf	
2. Board ensures the proper and efficient implementation and monitoring of compliance with company internal policies.	Compliant		
Disclosure and Transparency			
Principle 8: The company should establish corporate disclosure policies and procedures that are practical and in accordance with best practices and regulatory expectations.			
Recommendation 8.1			
1. Board establishes corporate disclosure policies and procedures to ensure a comprehensive, accurate, reliable and timely report to shareholders and other stakeholders that gives a fair and complete picture of a company's financial condition, results and business operations.	Compliant	See Section VIII(A) of the CG Manual. Link – CG Manual: https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf	

1. Company distributes or makes available annual and quarterly consolidated reports, cash flow statements, and special audit revisions. Consolidated financial statements are published within ninety (90) days from the end of the fiscal year, while interim reports are published within forty-five (45) days from the end of the reporting period.	Compliant	FY2022 Financial Results were disclosed 88 days from end of FY 2022. Please click on the link to verify: https://edge.pse.com.ph/openDiscViewer.do?edge_no=de3f177fa88761069e4dc6f6c9b65995 Quarterly reports were disclosed within 45 days from end of the quarter in accordance with the SRC.	
2. Company discloses in its annual report the principal risks associated with the identity of the company's controlling shareholders; the degree of ownership concentration; cross-holdings among company affiliates; and any imbalances between the controlling shareholders' voting power and overall equity position in the company.	Compliant	See *Management of Key Risks related to the Company*, Item 1, Part I of the 2022 Annual Report. Link – 2022 Annual Report: https://dnl.com.ph/wp-content/uploads/2023/04/SEC-Form-17-A-as-of-December-31-2022-with-IA-CGR-and-SR.pdf	
1. Company has a policy requiring all directors to disclose/report to the company any dealings in the company's shares within three business days.	Compliant	See Section VIII(A)(2) of the CG Manual and Insider Trading Policy. Links – CG Manual: https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf Link - Insider Trading Policy: https://dnl.com.ph/wp-content/uploads/2019/04/DL-CompanyPolicies_InsiderTrading.pdf For the actual dealings of directors involving the corporation's shares including their nature, number/percentage and date of transaction, see the Statements	
2. Company has a policy requiring all officers to disclose/report to the company any dealings in the company's shares within three business days.	Compliant		

		of Beneficial Ownership on the website, Investor Relations Page, under Disclosures & Filings. Link – https://dnl.com.ph/investors/#reports	
Supplement to Recommendation 8.2			
1. Company discloses the trading of the corporation's shares by directors, officers (or persons performing similar functions) and controlling shareholders. This includes the disclosure of the company's purchase of its shares from the market (e.g. share buy-back program).	Compliant	For trading of directors, officers and controlling shareholders, see Statements of Beneficial Ownership on the website, Investor Relations Page, under Disclosures & Filings. Link – https://dnl.com.ph/investors/#reports For shareholdings of directors, management, see Public Ownership Reports, Investor Relations Page, under Disclosures & Filings. Link – https://dnl.com.ph/investors/#reports Link for the Top 100 shareholders – https://dnl.com.ph/wp-content/uploads/2023/01/DNL-List-of-Top-100-Stockholders-reports-as-of-December-31-2022.pdf Link for the Conglomerate Map https://dnl.com.ph/wp-content/uploads/2019/04/DL-Conglomerate-Map-and-Shareholding-Structure.pdf	
Recommendation 8.3			
1. Board fully discloses all relevant and material information on individual board members to evaluate their experience and qualifications, and	Compliant	Directors' backgrounds and brief bio are disclosed in the 2022 Information Statement and 2022 Annual Report.	

assess any potential conflicts of interest that might affect their judgment.		Links – 2022 Information Statement https://dnl.com.ph/wp-content/uploads/2022/05/Definitive-Information-Statement-2022-1_compressed.pdf 2022 AR: https://dnl.com.ph/wp-content/uploads/2023/04/SEC-Form-17-A-as-of-December-31-2022-with-IA-CGR-and-SR.pdf	
2. Board fully discloses all relevant and material information on key executives to evaluate their experience and qualifications, and assess any potential conflicts of interest that might affect their judgment.	Compliant	Key officers' backgrounds are disclosed in the 2022 Information Statement and 2022 Annual Report. Links – 2022 Information Statement https://dnl.com.ph/wp-content/uploads/2022/05/Definitive-Information-Statement-2022-1_compressed.pdf 2022 AR: https://dnl.com.ph/wp-content/uploads/2023/04/SEC-Form-17-A-as-of-December-31-2022-with-IA-CGR-and-SR.pdf	
Recommendation 8.4			
1. Company provides a clear disclosure of its policies and procedure for setting Board remuneration, including the level and mix of the same.	Compliant	See Sections II(J)(5), III(D)(7) and VIII(A)(4) of the CG Manual. Links – CG Manual: https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf	
2. Company provides a clear disclosure of its policies and procedure for setting executive remuneration, including the level and mix of the same.	Compliant	See Sections II(J)(5), III(D)(7) and VIII(A)(4) of the CG Manual. Links – CG Manual: https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf	

3. Company discloses the remuneration on an individual basis, including termination and retirement provisions.	Compliant	See Item 6, 2022 Information Statement. Links- 2022 IS: https://dnl.com.ph/wp-content/uploads/2022/05/Definitive-Information-Statement-2022-1_compressed.pdf	
Recommendation 8.5			
1. Company discloses its policies governing Related Party Transactions (RPTs) and other unusual or infrequently occurring transactions in their Manual on Corporate Governance.	Compliant	See Sections II(J)(7) and III(C) of the CG Manual. Link – CG Manual: https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf There are instances where members of the Lao Family sitting in the D&L Board also sit on the board of a related corporation with which D&L has a related-party transaction (RPT). In such instances, there was no danger posed to D&L, even if the common director did not categorically recuse himself, since the RPTs were scrutinized and approved by all the four independent directors and was found by the independent directors to be at arms' length.	
2. Company discloses material or significant RPTs reviewed and approved during the year.	Compliant	See details on Note 18 of the Consolidated Audited Financial Statements attached to the 2022 Annual Report. Link – 2022 AR: https://dnl.com.ph/wp-content/uploads/2023/04/SEC-Form-17-A-as-of-December-31-2022-with-IA-CGR-and-SR.pdf	
Supplement to Recommendation 8.5			

1. Company requires directors to disclose their interests in transactions or any other conflict of interests.	Compliant	In all RPTs involving D&L and other companies controlled by the Lao Family, the Board is made aware of the nature and details of the transaction. The RPTs are scrutinized and approved by the RPT Comm and Board and were found to be arms' length and without conflict of interest. For full transparency, the details of RPT are disclosed in Note 18 of the 2022 Consolidated Audited Financial Statements attached to 2022 Annual Report and Material RPT Policy page under Corporate Governance/Company Policies. Links – 2022 AR: See Note 18 of 2022 AFS attached to the AR: https://dnl.com.ph/wp-content/uploads/2023/04/SEC-Form-17-A-as-of-December-31-2022-with-IA-CGR-and-SR.pdf	
Optional : Recommendation 8.5			
1. Company discloses that RPTs are conducted in such a way to ensure that they are fair and at arms' length.	Compliant	See Section III(C)(2) of the CG Manual and Section VI(2) of the RPT Charter. Links – CG Manual: https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf RPT Charter: https://dnl.com.ph/wp-content/uploads/2019/04/Related-Party-Transactions-Committee-Charter.pdf	
Recommendation 8.6			

1. Company makes a full, fair, accurate and timely disclosure to the public of every material fact or event that occur, particularly on the acquisition or disposal of significant assets, which could adversely affect the viability or the interest of its shareholders and other stakeholders.	Compliant	See Section VIII(A)(6) of the CG Manual Link – CG Manual: https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf	
2. Board appoints an independent party to evaluate the fairness of the transaction price on the acquisition or disposal of assets.	Compliant	See Section VIII(A)(6) of the CG Manual Link – CG Manual: https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf However, we note that there was no material acquisition or disposition of assets for the subject period.	
Supplement to Recommendation 8.6			
1. Company discloses the existence, justification and details on shareholder agreements, voting trust agreements, confidentiality agreements, and such other agreements that may impact on the control, ownership, and strategic direction of the company.	Non-compliant (not applicable)		There was no such disclosure primarily because there were no shareholder agreements, voting trust agreements, confidentiality agreements, and such other agreements that may impact on the control, ownership, and strategic direction of the company during the covered period. As a policy, the Company will disclose such agreements should one be executed in the future.
Recommendation 8.7			
1. Company's corporate governance policies, programs and procedures are contained in its Manual on Corporate Governance (MCG).	Compliant	Link – CG Manual: https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf	
2. Company's MCG is submitted to the SEC and PSE.	Compliant		
3. Company's MCG is posted on its company website.	Compliant		

Supplement to Recommendation 8.7			
1. Company submits to the SEC and PSE an updated MCG to disclose any changes in its corporate governance practices.	Compliant	Link – CG Manual: https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf The said CG Manual was revised on September 18, 2020 and filed with the SEC on September 23, 2020.	
Optional: Principle 8			
1. Does the company's Annual Report disclose the following information: 2.		Link: 2022 AR: https://dnl.com.ph/wp-content/uploads/2023/04/SEC-Form-17-A-as-of-December-31-2022-with-IA-CGR-and-SR.pdf	
a. Corporate Objectives	Compliant		
b. Financial performance indicators	Compliant		
c. Non-financial performance indicators			
d. Dividend Policy	Compliant		
e. Biographical details (at least age, academic qualifications, date of first appointment, relevant experience, and other directorships in listed companies) of all directors			
f. Attendance details of each director in all directors meetings held during the year	Compliant		
g. Total remuneration of each member of the board of directors			
2. The Annual Report contains a statement confirming the company's full compliance with the Code of Corporate Governance and where there is non-compliance, identifies and explains reason for each such issue.			

3. The Annual Report/Annual CG Report discloses that the board of directors conducted a review of the company's material controls (including operational, financial and compliance controls) and risk management systems.			
4. The Annual Report/Annual CG Report contains a statement from the board of directors or Audit Committee commenting on the adequacy of the company's internal controls/risk management systems.			
5. The company discloses in the Annual Report the key risks to which the company is materially exposed to (i.e. financial, operational including IT, environmental, social, economic).	Compliant	Link: 2022 AR: https://dnl.com.ph/wp-content/uploads/2023/04/SEC-Form-17-A-as-of-December-31-2022-with-IA-CGR-and-SR.pdf	
Principle 9: The company should establish standards for the appropriate selection of an external auditor, and exercise effective oversight of the same to strengthen the external auditor's independence and enhance audit quality.			
Recommendation 9.1			
1. Audit Committee has a robust process for approving and recommending the appointment, reappointment, removal, and fees of the external auditors.	Compliant	See Sections III(B)(13) and VIII(B)(1) of the CG Manual. Link – CG Manual: https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf	
2. The appointment, reappointment, removal, and fees of the external auditor is recommended by the Audit Committee, approved by the Board and ratified by the shareholders.	Compliant	See Section VIII(B)(1) of the CG Manual. Link – CG Manual: https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf	

		Approval of appointment of external auditor – 81.59%	
3. For removal of the external auditor, the reasons for removal or change are disclosed to the regulators and the public through the company website and required disclosures.	Compliant	See Par. (b), External Audit Section of the Audit Committee Charter. Link – Aud Com Charter: https://dnl.com.ph/wp-content/uploads/2019/03/Audit-Committee-Charter-2013.pdf There has been no instance where the external auditor was removed or changed for the covered period.	
Supplement to Recommendation 9.1			
1. Company has a policy of rotating the lead audit partner every five years.	Compliant	See Par. (d), External Audit Section of the Audit Committee Charter. Link – Aud Com Charter: https://dnl.com.ph/wp-content/uploads/2019/03/Audit-Committee-Charter-2013.pdf	
Recommendation 9.2			
1. Audit Committee Charter includes the Audit Committee's responsibility on: i. assessing the integrity and independence of external auditors; ii. exercising effective oversight to review and monitor the external auditor's independence and objectivity; and iii. exercising effective oversight to review and monitor the effectiveness of the audit process, taking into consideration	Compliant	See Duties & Responsibilities, Audit Committee Charter. Link – Aud Com Charter: https://dnl.com.ph/wp-content/uploads/2019/03/Audit-Committee-Charter-2013.pdf	

relevant Philippine professional and regulatory requirements.			
2. Audit Committee Charter contains the Committee's responsibility on reviewing and monitoring the external auditor's suitability and effectiveness on an annual basis.	Non-Compliant		There is substantial compliance considering the AudCom's responsibility on reviewing and monitoring the external auditor's suitability and effectiveness on an annual basis is found in the CG Manual [Section VIII(B)]. Link – CG Manual: https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf
Supplement to Recommendations 9.2			
1. Audit Committee ensures that the external auditor is credible, competent and has the ability to understand complex related party transactions, its counterparties, and valuations of such transactions.	Compliant	For 2022 the Audit Committee recommended the auditing firm of Isla Lipana & Co. as external auditor. The basis of the recommendation is that Isla Lipana & Co. is the leading auditing firm in the country and has shown adequacy, competence and probity in the conduct of the audit. Link – Aud Com Charter: https://dnl.com.ph/wp-content/uploads/2019/03/Audit-Committee-Charter-2013.pdf	
2. Audit Committee ensures that the external auditor has adequate quality control procedures.	Compliant		
Recommendation 9.3			
1. Company discloses the nature of non-audit services performed by its external auditor in the Annual Report to deal with the potential conflict of interest.	Compliant	For the policy, see Par. (k), Duties & Responsibilities, Audit Committee Charter and Section III(B)(8) of the CG Manual. There are no aggregate fees billed in each of the last three (3) fiscal years for products and services provided by Isla Lipana & Co., other than the audit services	

		reported and a non-audit service for the comfort letter and arrangement letter covering years 2017 to 2020 required for the Company's Bond Issuance last 2021, for which fees in the amount of P1,528,000. See Item 8 of the 2022 Annual Report. Links: CG Manual: https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf 2022 AR: https://dnl.com.ph/wp-content/uploads/2023/04/SEC-Form-17-A-as-of-December-31-2022-with-IA-CGR-and-SR.pdf AudCom Charter: https://dnl.com.ph/wp-content/uploads/2019/03/Audit-Committee-Charter-2013.pdf	
2. Audit Committee stays alert for any potential conflict of interest situations, given the guidelines or policies on non-audit services, which could be viewed as impairing the external auditor's objectivity.	Compliant	See Par. (k), Duties & Responsibilities, Audit Committee Charter and Section III(B)(8) of the CG Manual. Links – CG Manual: https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf Aud Com Charter: https://dnl.com.ph/wp-content/uploads/2019/03/Audit-Committee-Charter-2013.pdf	

Supplement to Recommendation 9.3			
1. Fees paid for non-audit services do not outweigh the fees paid for audit services.	Compliant	For 2022, Isla Lipana & Co. received the following fees: For Audit Services – Php/5,780,000 For Non-Audit Services – none See Item 8 of the 2022 Annual Report. Links – 2022 AR: https://dnl.com.ph/wp-content/uploads/2023/04/SEC-Form-17-A-as-of-December-31-2022-with-IA-CGR-and-SR.pdf	
Additional Recommendation to Principle 9			
1. Company's external auditor is duly accredited by the SEC under Group A category.	Compliant	Roderick M. Danao Partner Isla Lipana & Co. CPA Cert No. 88453 P.T.R. No. 0011280, issued on January 9, 2023, Makati City SEC A.N. (individual) as general auditors 1585-AR-2, Category A, valid to audit 2022 financial statements SEC A.N. (firm) as general auditors 0142-SEC, Category A; valid to audit 2020 to 2024 financial statements 29th Flr, Philamlife Tower, 8767 Paseo de Roxas, Makati / 8845-2728	
2. Company's external auditor agreed to be subjected to the SEC Oversight Assurance Review (SOAR) Inspection Program conducted by the SEC's Office of the General Accountant (OGA).	Compliant	As a Category A auditing firm, it is compulsory that Isla Lipana & Co. go through the SEC's SOAR Inspection Program. Isla Lipana & Co. has been accredited by the SEC as a Category A auditing firm under Accreditation No. 0142-SEC, valid for five years from Dec. 22, 2020.	

Principle 10: The company should ensure that the material and reportable non-financial and sustainability issues are disclosed.

Recommendation 10.1			
1. Board has a clear and focused policy on the disclosure of non-financial information, with emphasis on the management of economic, environmental, social and governance (EESG) issues of its business, which underpin sustainability.	Compliant	See Section VIII(C) of the CG Manual. Link – CG Manual: https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf	
2. Company adopts a globally recognized standard/framework in reporting sustainability and non-financial issues.	Compliant	See 2022 Sustainability Report Link: https://dnl.com.ph/wp-content/uploads/2023/04/DNL-2022-Sustainability-Report.pdf	
Principle 11: The company should maintain a comprehensive and cost-efficient communication channel for disseminating relevant information. This channel is crucial for informed decision-making by investors, stakeholders and other interested users.			
Recommendation 11.1			
1. Company has media and analysts' briefings as channels of communication to ensure the timely and accurate dissemination of public, material and relevant information to its shareholders and other investors.	Compliant	Communication channels used by the company: website, Analyst's briefings, Quarterly reporting, Current reporting, investor conferences, investor relations office. For details, please visit the IR page of the website at https://dnl.com.ph/investors/#events	
Supplemental to Principle 11			
1. Company has a website disclosing up-to-date information on the following:		D&L website – https://dnl.com.ph/	
a. Financial statements/reports (latest quarterly)	Compliant		
b. Materials provided in briefings to analysts and media	Compliant		

c. Downloadable annual report	Compliant		
d. Notice of ASM and/or SSM	Compliant		
e. Minutes of ASM and/or SSM	Compliant		
f. Company's Articles of Incorporation and By-Laws	Compliant		
Additional Recommendation to Principle 11			
1. Company complies with SEC-prescribed website template.	Compliant	D&L website – https://dnl.com.ph/	
Internal Control System and Risk Management Framework			
Principle 12: To ensure the integrity, transparency and proper governance in the conduct of its affairs, the company should have a strong and effective internal control system and enterprise risk management framework.			
Recommendation 12.1			
1. Company has an adequate and effective internal control system in the conduct of its business.	Compliant	The Board, with the assistance of the Audit Committee, oversees the financial reporting process, system of internal control, audit process, and monitoring of compliance with applicable laws, rules and regulations. To strengthen internal controls, the Company has an Internal Audit team headed by Mr. Elmer Brillo, who also acts as the Chief Audit Executive. See also Financial Reporting & Internal Controls, Audit Committee Charter and Part IX of the CG Manual. Link – CG Manual: https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf The Internal Audit group provides independent and objective assurance and consulting services to the D&L group. Reviews of internal audit control system	

		are performed continuously as per audit engagement based on the approved audit plan.	
2. Company has an adequate and effective enterprise risk management framework in the conduct of its business.	Compliant	See ERM Policy, 2022 Sustainability Report and BROC Charter. Links are: ERM Policy - https://dnl.com.ph/corporate-governance/#policies 2022 Sustainability Report - https://dnl.com.ph/wp-content/uploads/2023/04/DNL-2022-Sustainability-Report.pdf BROC Charter - https://dnl.com.ph/wp-content/uploads/2019/04/Board-Risk-Oversight-Committee-Charter.pdf	
Supplement to Recommendations 12.1			
1. Company has a formal comprehensive enterprise-wide compliance program covering compliance with laws and relevant regulations that is annually reviewed. The program includes appropriate training and awareness initiatives to facilitate understanding, acceptance and compliance with the said issuances.	Non-compliant		A policy of compliance with laws and regulations is included in the Code of Business Principles, under the heading "The Way We Do Business". Link – COBP: https://dnl.com.ph/wp-content/uploads/2019/02/DnL-Code-of-Business-Principles.pdf
Optional: Recommendation 12.1			
1. Company has a governance process on IT issues including disruption, cyber security, and disaster recovery, to ensure that all key risks are identified, managed and reported to the board.		Provide information on IT governance process	
Recommendation 12.2			

1. Company has in place an independent internal audit function that provides an independent and objective assurance, and consulting services designed to add value and improve the company's operations.	Compliant	Internal audit is in-house. The IA Charter is available on the website. Link – IA Charter: https://dnl.com.ph/wp-content/uploads/2019/03/DNL-Internal-Audit-Charter.pdf	
Recommendation 12.3			
1. Company has a qualified Chief Audit Executive (CAE) appointed by the Board.	Compliant	The CAE is Mr. Elmer Brillo. The IA Charter is available on the website. Link – IA Charter: https://dnl.com.ph/wp-content/uploads/2019/03/DNL-Internal-Audit-Charter.pdf	
2. CAE oversees and is responsible for the internal audit activity of the organization, including that portion that is outsourced to a third party service provider.	Compliant	See Duties & Responsibilities of CAE, Internal Audit Charter Link – IA Charter: https://dnl.com.ph/wp-content/uploads/2019/03/DNL-Internal-Audit-Charter.pdf No portion internal audit activity is outsourced.	
3. In case of a fully outsourced internal audit activity, a qualified independent executive or senior management personnel is assigned the responsibility for managing the fully outsourced internal audit activity.	Non-compliant (not applicable)		This recommendation is not applicable for the period covered because the entire internal audit function is done in-house.
Recommendation 12.4			

1. Company has a separate risk management function to identify, assess and monitor key risk exposures.	Compliant	The Company has a separate Risk Management Function led by the Head of Risk Management. See Section IX(D), CG Manual. Link – CG Manual: https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf To have a more holistic Risk Management Process, the three lines of defense will be implemented through the following: 1. First Line of Defense: Process Owners identify, assess and monitor risk through the risk management process 2. Second Line of Defense: Risk Management provides the Framework and Process in Risk Identification, Assessment and Monitoring. This also include oversight to all first line of defense and regular reporting of top risk areas to Management. 3. Third Line of Defense: Internal Audit ensures process is effectively implemented, controls are validated and effective. Results are also communicated to Management.	
Supplement to Recommendation 12.4			
1. Company seeks external technical support in risk management when such competence is not available internally.	Compliant	When necessary, the Company through its Head of Risk Management will seek external technical support. However, at present, the Company has not engaged outside support for risk management.	
Recommendation 12.5			

1. In managing the company's Risk Management System, the company has a Chief Risk Officer (CRO), who is the ultimate champion of Enterprise Risk Management (ERM).	Compliant	The Chief Risk Officer is Ms. Arlene Denzon.	
2. CRO has adequate authority, stature, resources and support to fulfill his/her responsibilities.	Compliant	Ms. Arlene S. Denzon has a solid background and experience in Risk Management, Governance, Internal Audit, Finance, Company Restructuring, and Project Management of various industries, with over 31 years of experience leading and advising top management and operating units on managing risks, preventing leakage, improving revenues and maximizing cost efficiencies. For the policy, see Section IX(E) of the CG Manual. Link – https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf	
Additional Recommendation to Principle 12			
1. Company's Chief Executive Officer and Chief Audit Executive attest in writing, at least annually, that a sound internal audit, control and compliance system is in place and working effectively.	Compliant	See Annex A hereof	
Cultivating a Synergic Relationship with Shareholders			
Principle 13: The company should treat all shareholders fairly and equitably, and also recognize, protect and facilitate the exercise of their rights.			
Recommendation 13.1			
1. Board ensures that basic shareholder rights are disclosed in the Manual on Corporate Governance.	Compliant	See Section X(A) of the CG Manual and Corporate Governance page of the website. Links – CG Manual: https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf	

		https://dnl.com.ph/corporate-governance/	
2. Board ensures that basic shareholder rights are disclosed on the company's website.	Compliant	Links – https://dnl.com.ph/corporate-governance/	
Supplement to Recommendation 13.1			
1. Company's common share has one vote for one share.	Compliant	See Article III, Section 6 of the By-Laws. Link – By-Laws: https://dnl.com.ph/wp-content/uploads/2022/09/DNL-Amended-By-Laws-7.28.22.pdf	
2. Board ensures that all shareholders of the same class are treated equally with respect to voting rights, subscription rights and transfer rights.	Compliant	See Article III, Section 6 of the By-Laws. Link – By-Laws: https://dnl.com.ph/wp-content/uploads/2022/09/DNL-Amended-By-Laws-7.28.22.pdf	
3. Board has an effective, secure, and efficient voting system.	Compliant	See Article III, Section 6 of the By-Laws. Link – By-Laws: https://dnl.com.ph/wp-content/uploads/2022/09/DNL-Amended-By-Laws-7.28.22.pdf Voting is by poll.	
4. Board has an effective shareholder voting mechanisms such as supermajority or "majority of minority" requirements to protect minority shareholders against actions of controlling shareholders.	Non-compliant		The Company observes the voting requirement prescribed by the Revised Corporation Code and other relevant laws.
5. Board allows shareholders to call a special shareholders' meeting and submit a proposal for consideration or agenda item at the AGM or special meeting.	Compliant	See Article III, Section 2 of the By-Laws. Link – By-Laws:	

		https://dnl.com.ph/wp-content/uploads/2022/09/DNL-Amended-By-Laws-7.28.22.pdf	
6. Board clearly articulates and enforces policies with respect to treatment of minority shareholders.	Compliant	See Section X(A) of the CG Manual; "Our Shareholders", Code of Business Principles; and Shareholders' Rights Page of the website. Links – CG Manual: https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf COBP: https://dnl.com.ph/wp-content/uploads/2019/02/DnL-Code-of-Business-Principles.pdf Shareholders' Rights: https://dnl.com.ph/corporate-governance/#policies	
7. Company has a transparent and specific dividend policy.	Compliant	Please see Investor Relations Page of the website under the heading Disclosure and Filings, Declaration of Dividends. Link – https://dnl.com.ph/investors/#reports In 2022, cash dividends were paid 39 days after declaration.	
Optional: Recommendation 13.1			
1. Company appoints an independent party to count and/or validate the votes at the Annual Shareholders' Meeting.	Compliant	In 2022, the votes were counted by Isla Lipana & Co.	
Recommendation 13.2			
1. Board encourages active shareholder participation by sending the Notice of Annual and Special Shareholders' Meeting with	Compliant	The notice, agenda and preliminary information statement were made available April 29, 2022 or 38 days before the	

sufficient and relevant information at least 28 days before the meeting.		Annual Stockholders Meeting on June 6, 2022. No remuneration or any changes therein were included in the agenda of the meeting. To verify, please see PSE disclosure at this link: https://edge.pse.com.ph/openDiscViewer.do?edge_no=bbb66af6060f80713470cea4b051ca8f	
Supplemental to Recommendation 13.2			
1. Company's Notice of Annual Stockholders' Meeting contains the following information:		See 2022 Information Statement – https://dnl.com.ph/wp-content/uploads/2022/05/Definitive-Information-Statement-2022-1_compressed.pdf	
a. The profiles of directors (i.e., age, academic qualifications, date of first appointment, experience, and directorships in other listed companies)	Compliant		
b. Auditors seeking appointment/re-appointment	Compliant		
c. Proxy documents	Compliant		
Optional: Recommendation 13.2			
1. Company provides rationale for the agenda items for the annual stockholders meeting	Compliant	See 2022 Information Statement – https://dnl.com.ph/wp-content/uploads/2022/05/Definitive-Information-Statement-2022-1_compressed.pdf	
Recommendation 13.3			
1. Board encourages active shareholder participation by making the result of the votes taken during the most recent Annual or Special Shareholders' Meeting publicly available the next working day.	Compliant	See 2022 Information Statement – https://dnl.com.ph/wp-content/uploads/2022/05/Definitive-Information-Statement-2022-1_compressed.pdf	
2. Minutes of the Annual and Special Shareholders' Meetings were available on the company website within five business days from the end of the meeting.	Compliant	See 2022 ASM Minutes - https://dnl.com.ph/wp-content/uploads/2022/06/2022-DNL-ASM-Minutes.pdf	

		Voting results for all agenda items, including the approving, dissenting and abstaining votes, are indicated in the minutes. The voting on resolutions was by poll. Opportunity to ask questions was given after each agenda items. Questions, if any, and the answers given were reflected in the minutes.	
Supplement to Recommendation 13.3			
1. Board ensures the attendance of the external auditor and other relevant individuals to answer shareholders questions during the ASM and SSM.	Compliant	The CFO, IRO and external auditor were present during the ASM See 2022 ASM Minutes – https://dnl.com.ph/wp-content/uploads/2022/06/2022-DNL-ASM-Minutes.pdf	
Recommendation 13.4			
1. Board makes available, at the option of a shareholder, an alternative dispute mechanism to resolve intra-corporate disputes in an amicable and effective manner.	Compliant	See Section X(C) of the CG Manual. Link – CG Manual: https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf	
2. The alternative dispute mechanism is included in the company's Manual on Corporate Governance.	Compliant	See Section X(C) of the CG Manual. Link – CG Manual: https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf	
Recommendation 13.5			

1. Board establishes an Investor Relations Office (IRO) to ensure constant engagement with its shareholders.	Compliant	CRISSA BONDAD Investor Relations Officer T: 8635-0680 F: 8635-0703 E: ir@dnl.com.ph	
2. IRO is present at every shareholder's meeting.	Compliant	The IRO was present during the ASM	
Supplemental Recommendations to Principle 13			
1. Board avoids anti-takeover measures or similar devices that may entrench ineffective management or the existing controlling shareholder group	Compliant	The Company's public float is maintained at a level well above the minimum required by law.	
2. Company has at least thirty percent (30%) public float to increase liquidity in the market.	Non-Compliant	To verify, see the Public Ownership Report at this link: https://edge.pse.com.ph/openDiscViewer.do?edge_no=a057de93ea264be59e4dc6f6c9b65995	Company's public float as of Dec 31, 2022 is 27.71%
Optional: Principle 13			
1. Company has policies and practices to encourage shareholders to engage with the company beyond the Annual Stockholders' Meeting		Disclose or provide link/reference to policies and practices to encourage shareholders' participation beyond ASM	
2. Company practices secure electronic voting in absentia at the Annual Shareholders' Meeting.	Compliant	Please see notice at this link: 2022 ASM Notice: https://dnl.com.ph/wp-content/uploads/2022/04/Notice-of-Annual-Stockholders-Meeting-2022.pdf	
Duties to Stakeholders			
Principle 14: The rights of stakeholders established by law, by contractual relations and through voluntary commitments must be respected. Where stakeholders' rights and/or interests are at stake, stakeholders should have the opportunity to obtain prompt effective redress for the violation of their rights.			
Recommendation 14.1			
1. Board identifies the company's various stakeholders and promotes cooperation between them and the company in creating wealth, growth and sustainability.	Compliant	The company's stakeholders include its shareholders, management and employees, suppliers, clients and the community. The company's policies for its stakeholders are in the Code of Business Principles. Moreover, the Company runs a CSR	

		program. Details of its CSR initiatives are in the CSR Page of the website. Links – COBP: https://dnl.com.ph/wp-content/uploads/2019/02/DnL-Code-of-Business-Principles.pdf CSR: https://dnl.com.ph/csr/	
Recommendation 14.2			
1. Board establishes clear policies and programs to provide a mechanism on the fair treatment and protection of stakeholders.	Compliant	See Section X, CG Manual: https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf	
Recommendation 14.3			
1. Board adopts a transparent framework and process that allow stakeholders to communicate with the company and to obtain redress for the violation of their rights.	Compliant	The Company adopted a Whistleblowing Policy to encourage reporting of irregularities or any concerns and assist stakeholders in seeking redress for their grievances freely and without fear of penalty. In addition, the Company created a dedicated email where stakeholders may send their concerns. See also Section X(B)(3) of the CG Manual. Link – Whistleblowing: https://dnl.com.ph/wp-content/uploads/2019/04/DL-CompanyPolicies_Whistleblowing.pdf CG Manual: https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf	

		For stakeholder concerns, contact details are: T: 8635-0680 F: 8635-0703 E: info@dnl.com.ph (dedicated email)	
Supplement to Recommendation 14.3			
1. Company establishes an alternative dispute resolution system so that conflicts and differences with key stakeholders is settled in a fair and expeditious manner.	Compliant	See Section X(C) of the CG Manual. Link – CG Manual: https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf	
Additional Recommendations to Principle 14			
1. Company does not seek any exemption from the application of a law, rule or regulation especially when it refers to a corporate governance issue. If an exemption was sought, the company discloses the reason for such action, as well as presents the specific steps being taken to finally comply with the applicable law, rule or regulation.	Compliant	There were no requests for exemption by the company for the period covered.	
2. Company respects intellectual property rights.	Compliant	There has been no complaint against the Company for infringement of intellectual property.	
Optional: Principle 14			
1. Company discloses its policies and practices that address customers' welfare		Identify policies, programs and practices that address customers' welfare or provide link/reference to a document containing the same.	
2. Company discloses its policies and practices that address supplier/contractor selection procedures		Identify policies, programs and practices that address supplier/contractor selection procedures or provide link/reference to a document containing the same.	

Principle 15: A mechanism for employee participation should be developed to create a symbiotic environment, realize the company's goals and participate in its corporate governance processes.			
Recommendation 15.1			
1. Board establishes policies, programs and procedures that encourage employees to actively participate in the realization of the company's goals and in its governance.	Compliant	See employee welfare policies and initiatives at this link: https://dnl.com.ph/wp-content/uploads/2019/04/DL-CompanyPolicies_EmployeeDevelopmentandGrowth.pdf	
Supplement to Recommendation 15.1			
1. Company has a reward/compensation policy that accounts for the performance of the company beyond short-term financial measures.	Compliant	The Company initiated a Performance Incentive Scheme whereby monetary incentive shall be given to the employees when there is an increase in net income of the Company in an amount that would depend on the rate of increase.	
2. Company has policies and practices on health, safety and welfare of its employees.	Compliant	See employee welfare policies and initiatives at this link: https://dnl.com.ph/wp-content/uploads/2019/04/DL-CompanyPolicies_EmployeeDevelopmentandGrowth.pdf	
3. Company has policies and practices on training and development of its employees.	Compliant	See employee welfare policies and initiatives at this link: https://dnl.com.ph/wp-content/uploads/2019/04/DL-CompanyPolicies_EmployeeDevelopmentandGrowth.pdf	
Recommendation 15.2			
1. Board sets the tone and makes a stand against corrupt practices by adopting an anti-corruption policy and program in its Code of Conduct.	Compliant	See Code of Business Principles under heading "The Way We Handle Conflicts of Interest & Maintain Integrity". Link – COBP: https://dnl.com.ph/wp-content/uploads/2019/02/DnL-Code-of-Business-Principles.pdf	

2. Board disseminates the policy and program to employees across the organization through trainings to embed them in the company's culture.	Compliant	The policy is disseminated by posting on the website and inclusion in orientations for new employees.	
Supplement to Recommendation 15.2			
1. Company has clear and stringent policies and procedures on curbing and penalizing employee involvement in offering, paying and receiving bribes.	Compliant	See Code of Business Principles under heading "The Way We Commit to the Code". Link – COBP: https://dnl.com.ph/wp-content/uploads/2019/02/DnL-Code-of-Business-Principles.pdf There has been no finding of any violations of the company policy.	
Recommendation 15.3			
1. Board establishes a suitable framework for whistleblowing that allows employees to freely communicate their concerns about illegal or unethical practices, without fear of retaliation	Compliant	See Whistleblowing Policy on the website. Link – Whistleblowing: https://dnl.com.ph/wp-content/uploads/2019/04/DL-CompanyPolicies_Whistleblowing.pdf The framework includes procedures to protect the employees from retaliation.	
2. Board establishes a suitable framework for whistleblowing that allows employees to have direct access to an independent member of the Board or a unit created to handle whistleblowing concerns.	Compliant	See Whistleblowing Policy on the website. Link – Whistleblowing: https://dnl.com.ph/wp-content/uploads/2019/04/DL-CompanyPolicies_Whistleblowing.pdf	
3. Board supervises and ensures the enforcement of the whistleblowing framework.	Compliant	See Section XI(B)(3) of the CG Manual and Section X(D)(3) of the Board Charter. Links – CG Manual: https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf	

		Board Charter: https://dnl.com.ph/wp-content/uploads/2019/04/Board-Charter.pdf	
Principle 16: The company should be socially responsible in all its dealings with the communities where it operates. It should ensure that its interactions serve its environment and stakeholders in a positive and progressive manner that is fully supportive of its comprehensive and balanced development.			
Recommendation 16.1			
1. Company recognizes and places importance on the interdependence between business and society, and promotes a mutually beneficial relationship that allows the company to grow its business, while contributing to the advancement of the society where it operates.	Compliant	See Code of Business Principles under the headings "Our Community" and "Our Environment". The CSR activities are detailed in the CSR Page of the website. Link – COBP: https://dnl.com.ph/wp-content/uploads/2019/02/DnL-Code-of-Business-Principles.pdf CSR: https://dnl.com.ph/csr/	
Optional: Principle 16			
1. Company ensures that its value chain is environmentally friendly or is consistent with promoting sustainable development	Compliant	See Code of Business Principles under the heading "Our Environment". Link – COBP: https://dnl.com.ph/wp-content/uploads/2019/02/DnL-Code-of-Business-Principles.pdf	
2. Company exerts effort to interact positively with the communities in which it operates	Compliant	The Company prioritizes the communities where it operates in its CSR efforts. For instance, among the beneficiaries of its CSR efforts are schools within the barangays it operates in. The CSR activities are detailed in the CSR Page of the website. Link – CSR: https://dnl.com.ph/csr/	

Pursuant to the requirement of the Securities and Exchange Commission, this Integrated Annual Corporate Governance Report is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in the City of Quezon on 26 MAY 2023.

YIN YONG L. LAO Chairman of the Board	**ALVIN D. LAO** President
MERCEDITA S. NOLLEDO Independent Director	**CORAZON S. DE LA PAZ-BERNARDO** Independent Director
LYDIA R. BALATBAT-ECHAUZ Independent Director	**FRANCO DIEGO Q. LAO** Compliance Officer

KRISTINE ANN C. CATINDIG-ONG
Corporate Secretary

SUBSCRIBED AND SWORN to before me this 26 MAY 2023, affiant(s) exhibiting to me their valid proof of identification, as follows:

Name	Valid ID	Issued on/Valid until
Yin Yong L. Lao		
Alvin D. Lao		
Mercedita S. Nolledo		
Corazon S. de la Paz-Bernardo		
Lydia R. Balatbat-Echauz		
Franco Diego Q. Lao		
Kristine Ann C. Catindig-Ong		

Doc No.: 151;
Page No.: 17;
Book No.: XXI;
Series of 2023.

Atty. Richard Leo M. Baldueza
Notary Public for Quezon City
Until December 31, 2023
Roll No. 53953
PTR No. 0531977 / 01/03/2023 / Plaridel Bulacan
MCLE Compliance No. VII - 0007663 / 11/04/2021
IBP Lifetime No. 7203 (01-17-08)

ANNEX "A"

JOINT ATTESTATION

We, **ALVIN D. LAO** and **ELMER C. BRILLO**, both of legal age, with office address at 65 Calle Industria, Bagumbayan, Quezon City, after being sworn in accordance with law hereby certify that:

1. We are the President & Chief Executive Officer and the Internal Auditor, respectively, of **D&L INDUSTRIES, INC.** (the "Company").

2. Under Section IX of the Company's Revised Manual of Corporate Governance, the Company shall have an adequate and effective internal control system and an enterprise risk management framework in the conduct of its business, taking into account its size, risk profile and complexity of operations. The internal control system shall embody management oversight and control culture; risk recognition and assessment; control activities; information and communication; monitoring activities and correcting deficiencies. Moreover, the enterprise risk management framework may include such activities as the identification, sourcing, measurement, evaluation, mitigation and monitoring of risk.

3. Pursuant thereto, the Company established an Internal Audit Department headed by a Chief Audit Executive and overseen by the Audit Committee and with the key function of providing an independent risk-based assurance service to the Board, Audit Committee and Management, focusing on reviewing the effectiveness of the governance and control processes in (1) promoting the right values and ethics, (2) ensuring effective performance management and accounting in the Company, (3) communicating risk and control information, and (4) coordinating the activities and information among the Board, external and internal auditors, and Management; monitoring and evaluating the adequacy and effectiveness of the Company's internal control system, integrity of financial reporting, and security of physical and information assets.

4. Internal Audit shall adhere to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the International Standards for the Professional Practice of Internal Auditing, and the Definition of Internal Auditing.

5. The Company engaged the services of Isla Lipana & Co. as external auditor which rendered an audit opinion to the effect that the consolidated financial statements of the Company present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of December 31, 2021 and 2022, and their consolidated financial performance and their consolidated cash flows for each of the three years in the period ended December 31, 2022 in accordance with the Philippine Financial Reporting Standards (PFRSs).

6. Given the foregoing framework, and based on the results of the respective activities undertaken by the internal and external auditors of the Company for the year 2022, we confirm that a sound internal audit, control and compliance system is in place and working effectively in the Company.

IN WITNESS WHEREOF, we have hereto set our hand this MAY 2 6 2023 in Quezon City.

ALVIN D. LAO
President and Chief Executive Officer

ELMER C. BRILLO
Internal Auditor

Subscribed and sworn to before me, a Notary Public for and in Quezon City, on MAY 2 6 2023, affiants personally appeared, exhibiting their respective competent evidence of identification card:

Name	**Valid ID**	**Expiring on**
Alvin D. Lao		
Elmer C. Brillo		

Doc. No. 16 ;
Page No. 5 ;
Book No. XXIII ;
Series of 2023.

ATTY. KRISTINE ANN C. CATINDIG
NOTARY PUBLIC for QUEZON CITY
Adm. Matter No. NP-047, Until Dec. 31, 2024
No. 65 Calle Industria, Bagumbayan, QC
PTR No. 4024475, 1-3-23, QC / IBP No. 257474, 1-2-23, QC
TIN NO. 210-016-964 / ROLL NO. 52735
MCLE No. VII - 0017985, 5-13-2022

APPENDIX 2

COVER SHEET

4 4 8 5 2

D & L I N D U S T R I E S I N C

(Company's Full Name)

6 5 I N D U S T R I A S T B A G U M B A Y A N

Q U E Z O N C I T Y

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

KRISTINE ANN CATINDIG-ONG
Contact Person

8635-0680
Company Telephone Number

1 2	3 1
Month	Day

Fiscal Year

SEC Form 17-Q as of March 31, 2024
FORM TYPE

0 6	0 3
Month	Day

Annual Meeting

Secondary License Type, if Applicable

C F D
Dept. Requiring this Doc.

Amended Articles Number/Section

203
Total No. of Stockholders

Total Amount of Borrowings

P 15,477,823,713
Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

COVER SHEET

4 4 8 5 2

D & L INDUSTRIES INC

(Company's Full Name)

65 INDUSTRIA ST BAGUMBAYAN

QUEZON CITY

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

KRISTINE ANN CATINDIG-ONG	8635-0680
Contact Person	Company Telephone Number

1 2 / 3 1	SEC Form 17-Q as of March 31, 2024	0 6 / 0 3
Month / Day (Fiscal Year)	FORM TYPE	Month / Day (Annual Meeting)

Secondary License Type, if Applicable

C F D	
Dept. Requiring this Doc.	Amended Articles Number/Section

Total Amount of Borrowings

203	P 15,477,823,713	
Total No. of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q
QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2) (b) THEREUNDER

1. **For the quarterly period ended** March 31, 2024

2. **Commission identification number** 44852

3. **BIR Tax Identification No.** 000-421-957-000

4. D&L INDUSTRIES, INC.
   Exact name of issuer as specified in its charter

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

6. **Industry Classification Code**: [ ] (SEC Use Only)

7. 65 Calle Industria, Bagumbayan, Q.C. 1110
   Address of issuer's principal office **Postal Code**

8. (02) 8635 0680
   Issuer's telephone number, including area code

9. Not applicable
   Former name, former address and former fiscal year, if changed since last report

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

Title of Each Class	Common Stock, P1 par value
No. of Shares of Common Stock Issued & Outstanding	7,142,857,990 Shares as of March 31, 2024
Amount of Debt Outstanding	P15,495,763,898, as of March 31, 2024

11. **Are any or all of the securities listed on a Stock Exchange?**

    Yes [✓] No [ ]

    If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

    Philippine Stock Exchange; A total of 7,142,857,990 shares of common stock with par value of P1.00 each.

12. **Indicate by check mark whether the registrant:**
    (a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

    Yes [✓] No [ ]

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

    Yes [✓] No [ ]

PART I-FINANCIAL INFORMATION

Item 1. Financial Statements

The unaudited interim consolidated financial statements of D&L Industries, Inc. and its wholly-owned subsidiaries Oleo-Fats, Incorporated, First in Colours, Incorporated, D&L Polymer & Colours, Inc., Chemrez Technologies, Inc., Chemrez Product Solutions, Inc., Aero-Pack Industries, Inc., Natura Aeropack Corporation, and D&L Premium Foods Corp. (collectively, the "Company") for the three months ended March 31, 2024 and the comparative period in 2023 is attached to this 17-Q report, comprising of the following:

- 1.1 Consolidated Balance Sheets as at March 31, 2024 and December 31, 2023 (Annex A)
- 1.2 Consolidated Statements of Income and Retained Earnings for the period ended March 31, 2024 and March 31, 2023 (Annex B)
- 1.3 Consolidated Statements of Cash Flows for the period ended March 31, 2024 and March 31, 2023 (Annex C)
- 1.4 Consolidated Statements of Changes in Shareholders' Equity for period ended March 31, 2024 and March 31, 2023 (Annex D)
- 1.5 Segment Revenue and Income Information for the period ended March 31, 2024 and March 31, 2023 (Annex E)
- 1.6 Other Segment Information as at March 31, 2024 and December 31, 2023 and for the period ended March 31, 2024 and March 31, 2023 (Annex F)

The foregoing unaudited interim consolidated financial statements were approved by the Audit Committee and the Board of Directors in their respective meetings held last May 7, 2023.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Based on the Unaudited Consolidated Results for the Period Ended March 31, 2024)

Business Overview

The Company is the holding company for a group of companies with interests in the customization, development, and manufacturing of food ingredients (Oleo-Fats, Incorporated and D&L Premium Foods Corp.), oleochemicals, resins, and powder coating (Chemrez Technologies, Inc. and Natura Aeropack Corporation), colorants, additives, and engineered polymers for plastics (D&L Polymer & Colours, Inc., and First in Colours, Incorporated) as well as the manufacturing of consumer products for personal and home care and other applications (Aero-Pack Industries, Inc.). The Company's registered office address and principal place of business is 65 Calle Industria Brgy. Bagumbayan, Quezon City.

The Company is a publicly-listed company, which was officially listed in the Philippine Stock Exchange (PSE) on December 12, 2012. As of March 31, 2024, the Company is 62%-owned by Jadel Holdings Co., Inc. (JHI) and 11% directly owned by the Lao family. The public holds the remaining 27% of the shares outstanding.

D&L's major subsidiaries are as follows:

- *Food ingredients* – The Company, operating through its subsidiary Oleo-Fats, Incorporated (OFI) and D&L Premium Foods Corp. (DLPF), manufactures a line of bulk and specialty fats and oils, culinary and other specialty food ingredients. The Company contract manufactures and provides food ingredient products to most of the leading food manufacturers and quick-service restaurant chains in the Philippines, and also produces food safety solutions such as cleaning and sanitation agents for various customers.

- *Oleochemicals, resins and powder coatings* – The Company, through Chemrez Technologies, Inc. (CTI) and its subsidiary Chemrez Product Solutions, Inc. (CPSI), and Natura Aeropack Corporation (NAC), focus on developing, manufacturing, and supplying high value customized resins, oleochemicals, and specialty products that are sustainable and cost-efficient, while enabling customers to build bigger markets. Its customer base include many industries such as biofuels, personal and home care, health and nutrition, and construction industries. CTI and CPSI serve local and international customers.

- *Colorants and plastics additives* – The Company, operating through its subsidiaries First in Colours, Incorporated (FIC) and D&L Polymer & Colours, Inc. (DLPC), develops and manufactures innovative plastic solutions that make plastics aesthetically appealing, functional, and sustainable. The group's products are mainly classified as plastic colorants, additive masterbatches, and engineered polymers. Plastic colorants give plastics precise coloring and special effects mainly used for brand and product identification. Additive masterbatches add functional features to plastics such as higher processability, antimicrobial properties, and anti-static properties. Meanwhile, engineered polymers are plastic compounds that have improved mechanical and thermal properties that make them ideal for films, bottles, furniture, appliances, electronic and automotive parts, etc. Lastly, the group offers sustainable options such as compostable plastics, biodegradable plastics, bio-based plastics, recycled compounds, and upcycled materials.

- *Consumer Products ODM* – The Company, operating through its subsidiary Aero-Pack Industries, Inc., and Natura Aeropack Corporation (NAC), is a full original design manufacturer (ODM) and original equipment manufacturer (OEM) that offers customized aerosols and non-aerosols products to other businesses across different industries such as home care, personal care, and maintenance chemicals. The Company offers a full turnkey solution from product formulation to design, packaging, production, and delivery to customers. It is the first and the biggest aerosol manufacturing company in the Philippines with almost all of its sales coming from the domestic market.

Results of Operations

Three months ended March 31, 2024 versus March 31, 2023

- D&L Industries' recurring income reached P618 million, or earnings per share of P0.087, in the first quarter of 2024. This is higher by 4% YoY with the Batangas plant almost breaking even for the quarter. Meanwhile, EBITDA, which excludes the impact of the increase in depreciation and interest expenses due to the new plant, was up 17% YoY in 1Q24 to P1.25 billion which is indicative of the underlying strength of the core business.

- Since the start of its commercial operations (SCO), the Batangas plant has continued a steady and consistent ramp up in operations. In the first quarter of 2024, there was a marked improvement in its operations with the plant almost breaking even. From a P315 million loss recorded during the first quarter of commercial operations, losses have narrowed drastically to merely P16 million in 1Q24. With the current run rate, it is possible that the plant may breakeven ahead of the initial schedule of at least two years since the SCO.

- In 1Q24, the high margin side of the business has shown promising progress with margins already surpassing pre-pandemic levels. HMSP margins were up 4.5 ppts for the period mainly driven by better customer demand, improving mix within the various HMSP categories, and relatively less volatile commodity price movements during the quarter.

- Meanwhile, the Batangas plant, which is mainly geared towards the development and manufacturing of higher value-added products, has consistently helped spur HMSP volume since the start of its commercial operations. Total HMSP volume was up 13% YoY in 1Q24 and was up for three quarters in a row since the new plant started operations.

- To date, the new plant has successfully fulfilled several orders for both local and export customers. Several audit and certification processes are ongoing in order to on board more customers. As of March 2024, Natura Aeropack Corporation (NAC) and D&L Premium Foods Corp (DLPF), D&L's wholly-owned subsidiaries operating the Batangas facility, have both surpassed their first year export commitment with PEZA. Combined, the two subsidiaries have delivered 230% of their export commitment to date.

- In 1Q24, exports recovered sharply with revenues up 39% YoY, bringing the export contribution to total sales almost at record high at 32% for the period. With the new capabilities and capacity that the Batangas plant brings, D&L reasonably expects that it will be able to achieve its goal of having exports account for at least 50% of total revenues over the medium-term

	FY19	FY20	FY21	FY22	FY23	3M23	3M24
export as % of total sales	21%	29%	33%	31%	27%	24%	32%

- Gross profit for the first three months of the year increased by 8% to P1.51 billion from P1.39 billion mainly on the back of improvement in sales and higher gross profit margins.

- Operating expenses were higher by 7% YoY for the period mainly due to higher delivery charges and business taxes and licenses.

- The Company booked forex gains of P34 million in the first quarter of the year mainly from its dollar-denominated receivables due to the strengthening of the peso.

- Finance costs increased by 131% to P223 million from P97 million mainly due to the start of the commercial operations of the Batangas plant which resulted in the booking of interest expense in the income statement instead of being capitalized as part of the cost of the plant.

- Income tax expense was lower by 12% at P170 million.

- The company remains profitable. Return on Equity (ROE) and Return on Invested Capital (ROIC) stood at 11.5% and 11.9%, respectively, for the first quarter of 2024.

Segment Operations

- The Food ingredients division delivered a stellar 24% YoY earnings growth in 1Q24 despite incremental expenses associated with the Batangas plant. This was largely driven by a 35% YoY increase in volume coupled with a 1.1-ppt improvement in gross margins. Both local and export markets have delivered good volumes for the quarter which was fuelled by new customers and market share grab. As Batangas plant ramps up operations coupled with the improving macroeconomic backdrop and an aggressive export thrust, management is optimistic on the long-term growth potential of this segment.

- Although income is still down 9% YoY in 1Q24, there are signs that things are gradually improving for Chemrez. EBIT, which excludes the impact of higher interest expenses associated with the new plant in Batangas, was up 3% YoY in 1Q24. Meanwhile, on a quarter-on-quarter basis, there was already a recovery with earnings growing by 8%. While the past year was challenging for this division, there are various catalysts on the horizon that underpins its long-term growth potential. With the new capacity coming from the Batangas plant, Chemrez has bolstered its sales team to intensify its efforts in developing relationships with potential customers. So far, Chemrez has been successful in opening up new markets and onboarding new customers, the impact of which should be felt in the coming quarters as the company continues to deepen its relationships with customers and increase market penetration.

- The Specialty Plastics division delivered record quarterly income for the period with earnings growing by 76% YoY. Total volume for the division was up by 10% YoY while margins were up by a remarkable 8.5 ppts YoY. The robust earnings growth was driven by both of its subsegments - engineered polymers and colorants and additives. Engineered polymers are mainly used for automotive wire harness applications. The shortage in semiconductor chips in recent years which has hampered the global auto production has started to improve which resulted in a rebound in auto production and better demand for the various materials in the automotive supply chain including engineered polymers that the company manufactures. Meanwhile, for colorants and additives, the company's more aggressive sales efforts with the expansion of its sales team has so far yielded new customers and additional volumes. Over the long term, this division is expected to continue to grow fuelled by the company's R&D investments that are aimed at developing new applications for its products and introducing new technologies that will make plastics more economical and environmentally-friendly at the same time. The company has started to fulfill trial orders for a new alternative to plastics that is equally durable and cost-competitive but is renewable, sustainable, and made from indigenous materials.

- The stellar performance of Consumer Products ODM in the first quarter of last year with its 1Q23 earnings growing by 76% YoY set up a high base for this year. However, with high inflation and weak consumer sentiment prevailing for most of last year, many customers have remained overstock for the first quarter of this year resulting in lower volumes for this division and a consequent 60% drop in earnings YoY. Nonetheless, with lower inflation expectations for this year, the outlook is better for the next couple of quarters.

Key Performance Indicators

	For the period end March 31, 2024	For the period end March 31, 2023
Gross profit margin [a]	*17.1%*	*16.6%*
Net profit margin [b]	*7.0%*	*7.1%*
Interest cover [c]	*5x*	*9x*
Return on Equity [d]	*11.5%*	*11.2%*
	As of end March 31, 2024	As of end December 31, 2023
Net debt to equity ratio [e]	*55%*	*68%*
Asset-to-Equity ratio [f]	*2.01*	*2.04*
Current ratio [g]	*1.30*	*1.25*
Book Value per share [h]	*3.01*	*2.92*

[a] *Gross Profit / Revenues*
[b] *Net Profit available to owners of the Parent company / Revenues*
[c] *Earnings before interest and taxes / Finance costs*
[d] *Annualized Net Income available to owners of the Parent Company / Shareholders' Equity*
[e] *(Borrowings - Cash) / Shareholders' Equity*
[f] *Total Assets/ Total equity*
[g] *Current Assets / Current Liabilities*
[h] *Shareholders' Equity (available to owners of the Parent) / outstanding number of common shares*

Financial Condition

Period end March 31, 2024 versus Period end December 31, 2023

- The company remains in a good liquidity position as current ratio stood at 1.30x as of end March 2024.

- Cash increased by P793 million to P3.64 billion.

- Receivables increased by 2% during the period to P5.79 billion from P5.66 billion as of end-December 2023. Meanwhile, average account receivable days stood at 56 days.

- Inventories decreased by 6% during the period to P8.49 billion from P9.06 billion as of end-December 2023. Average days in inventory stood at 101 days vs 111 days in FY23.

- Net debt to equity ratio stood at 55%. Borrowings decreased to P15.50 billion from P17.14 billion at end December 2023.

- Total equity increased by P 618 million to P21.5 billion.

- During the period, the Company’s cash generally went to the payment of borrowings.

  - Net cash generated by operating activities amounted to P2.92 billion.
  - Net cash used in investing activities amounted to P229 million which was spent mostly on acquisition of property and equipment
  - Net cash used in financing activities amounted to P1.92 billion, which went to payment of borrowings.

D&L's Plan of Operation for 2024

The commercial operations of the new plant in Batangas marks the beginning of a new era in the history of D&L Industries. The new plant opens opportunities that were previously beyond D&L's existing capabilities. It will enable the company to open new markets, expand its range of higher value added products, and deepen innovations that will further push D&L's boundaries.

With an added capacity to fill, the company continues to focus on growing its business both locally and internationally. With an aggressive export thrust, the company has bolstered its sales people and appointed distributors in key markets. Over the medium-term, D&L targets export sales to account for 50% of total revenues.

To date, the new plant has successfully fulfilled several orders for both local and export customers. Several audit and certification processes are ongoing in order to on board more customers. With the steady and consistent ramp up in operations, the new plant is gradually approaching breakeven as losses narrow to just P16 million in the first quarter of 2024 from a peak loss of P315 million in the third quarter of 2023 when it started commercial operation. The company targets Batangas plant to breakeven in the next couple of quarters.

From a capital structure perspective, the company is in a solid position to withstand external pressures. As of end-March 2024, net gearing continues to remain manageable at 55%, interest cover at 5x, and average interest rate at 5.6%. The issuance of the P5 billion maiden bond offering of the company is helping cushion the recent increase in interest rates. The bonds carry a coupon rate of 2.7885% p.a. and 3.5962% p.a. for 3-year and 5-year tenors, respectively, which would have been significantly higher at approximately 6.63% for the 3-year tenor and 6.81% for the 5-year tenor if the company were to issue the bonds today. Meanwhile, the cash conversion cycle for the period stood at 133 days which remains manageable.

Basis of preparation

The principal accounting policies adopted in the preparation of these condensed consolidated interim financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

This condensed consolidated interim financial statements for the three-month period ended March 31, 2024 has been prepared in accordance with Philippines Accounting Standard (PAS) 34 Interim Financial Reporting.

The condensed consolidated interim financial statements do not include all the notes normally included in annual financial statements. Accordingly, this report is to be read in conjunction with the annual financial statements for the year ended December 31, 2023 and any public announcements made by the Company during the three-month period.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the estimation of income tax.

There are no new accounting standards or amendments effective January 1, 2024 that have a material impact on these condensed consolidated interim financial statements.

There are no other future standards, amendments or interpretations that are effective beginning on or after January 1, 2024 that are expected to have a material impact on the Company's financial statements.

Selected Notes to the Interim Consolidated Financial Statements

In compliance with the requirements of the Securities Regulations Code

1. The same accounting policies and methods of computation were followed in the interim consolidated financial statements consistent with those adopted for the Company's annual consolidated financial statements for the year ended December 31, 2023.

2. Interim operations do not follow any particular seasonal or cyclical pattern. Except as discussed in the foregoing, demand for the Company's products have been historically fairly constant throughout the previous years.

3. Significant fixed asset additions during the periods pertain to the construction of the expansion facility in Batangas.

4. There were no items not in the ordinary course of business that affected assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size, or incidence.

5. There were no changes in estimates of amounts reported in prior interim periods of financial years prior to the commencement of results reporting on a consolidated basis.

6. There were no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons created subsequent to the end of the interim period that has not been reflected in the financial statements for the period.

7. There were no changes in contingent liabilities or contingent assets since the last annual balance sheet date.

8. Other than what has been disclosed in the foregoing report, there are no existing material contingencies, events or transactions that are material to an understanding of the current interim period.

9. There are no events other than those already disclosed that will trigger direct or contingent financial obligations that are material to the Company, including any default or acceleration of an obligation.

10. There are no trends, demands, commitments, events or uncertainties known to management that will have a material adverse impact on the Company's liquidity.

11. There are currently no material commitments for capital expenditures except as already disclosed.

12. The Company is not aware of any trend, event or transaction that would have a material impact on its results of operations or on its financial condition except as already disclosed.

13. Aside from interest earnings from the Company's cash deposits, there are no significant elements of income or loss that did not arise from the issuer's continuing operations.

14. Any material changes from period to period in any line items of the Company's financial statements that have not been explained in the Management's Discussion and Analysis section of this report were the results of normal fluctuations in operations.

15. The interim consolidated financial statements have been prepared in conformity with Philippine Financial Reporting Standards and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

Additional Disclosures on Risk Management and Financial Instruments

1. Financial risk factors

The Company's activities expose it to a variety of financial risks and these activities involve the analysis, evaluation and management of some degree of risk or combination of risks. The Company's overall risk management program focuses on the unpredictability of financial markets, aims to achieve an appropriate balance between risk and return and seeks to minimize potential adverse effects on the Company's financial performance.

Risk management is led by the Chief Risk Officer and overseen by the Board of Directors.

The most important types of risk the Company manages are: credit risk, market risk and liquidity risk. Market risk includes foreign currency exchange, price and interest risks.

2. Components of financial assets and liabilities by category

2.1 Financial assets

Details of the Company's financial assets are as follows:

	March 31, 2024 (Unaudited)	December 31, 2023 (Audited)
Financial assets at amortized cost		
Cash and cash equivalents	3,643,681,797	2,844,171,390
Receivables, gross	5,856,392,204	5,811,738,861
Due from related parties	205,421,344	127,702,429
Refundable deposits	309,510,752	865,094,698
	10,015,006,097	9,648,707,378
Financial assets at FVPL	141,109,912	34,151,329
Financial assets at FVOCI	266,224,629	266,224,629
	10,422,340,638	9,949,083,336

Receivables are presented gross of allowance for impairment as at March 31, 2024 amounting to P 156,864,154 (December 31, 2023 - P154,864,153).

The other components of other current and noncurrent assets are considered non-financial assets which include deposits to suppliers, input VAT, creditable withholding taxes and prepayments.

The carrying amounts of financial assets at amortized cost approximate their fair values (Level 1) as the impact of discounting is not considered significant. Financial assets at FVPL and FVOCI are measured at quoted prices (Level 1). Investments in FVPL include investments in open-ended unit investment trust funds that are redeemable anytime and reports daily net asset value.

2.1 Financial liabilities

Details of the Company's financial liabilities, categorized as other financial liabilities at amortized cost at December 31 are as follows:

	March 31, 2024 (Unaudited)	December 31, 2023 (Audited)
Trade payables and other liabilities	4,942,550,832	3,607,587,079
Due to related parties	293,775,035	72,381,122
Loan payable to a related party (long-term)	-	-
Lease liabilities	465,126,398	554,788,430
Bonds Payable	4,980,763,898	4,976,254,973
Borrowings	9,300,000,000	12,159,231,665
	19,982,216,163	21,370,243,269

Trade payables and other liabilities exclude amounts due to regulatory agencies and advances from customers as at March 31, 2024 amounting to P31,980,628 and P56,785 (December 31, 2023 - P157,277,821 and P56,785), respectively.

The carrying amounts of financial liabilities at amortized cost approximate their fair values (Level 2) due to their short-term nature and/or the impact of discounting is not considered significant.

As at December 31, 2023, estimated fair value (Level 2) of the lease liabilities and bonds payable as it approximates its carrying amount as it carries market interest rate ranging from 5.75% to 6.5% .

3. Credit Risk

The Company's exposure to credit risk arises primarily from financial assets at amortized cost and financial assets at FVTPL.

The Company has prudent credit policies to ensure that sales of its products are made to customers with good credit history. The senior management team, product group heads and the respective sales team perform credit evaluation and monthly review of outstanding receivables as part of the regular performance assessment process. All significant receivables from key customers are monitored for collectability and actual settlement performance, and specific action plans are required for any material overdue amounts from all categories of customers.

The Company's financial assets that are subject to the expected credit loss model are as follows:

	March 31, 2024 (Unaudited)	December 31, 2023 (Audited)	Basis for recognition of ECL
Financial assets at amortized cost			
Cash and cash equivalents	3,642,571,590	2,773,637,162	12-month ECL
Trade and other receivables	5,856,392,204	5,805,239,480	Lifetime ECL
Due from related parties	205,421,344	127,702,429	12-month ECL
Refundable deposits	309,510,752	865,094,698	12-month ECL
Financial assets at FVTPL	141,109,912	34,151,329	Marked to market
	10,155,005,802	9,605,825,098	

Cash and cash equivalents exclude cash on hand as at March 31, 2024 amounting to P1,110,207 (2023 - P70,534,228) which is not subject to credit risk.

The maximum exposure to credit risk at the reporting date is the carrying value of financial assets summarized above.

None of the financial assets that are fully performing has been renegotiated as at March 31, 2024 and December 31, 2023.

The Group does not hold any collateral as security to the above financial assets.

Cash in bank

Credit risk exposure arising from cash in bank arises from default of the counterparty, with a maximum exposure equal to the fair value of the financial asset. To minimize credit risk exposure, the Group deposits its cash in banks with good credit ratings.

Cash deposited in these banks are as follows:

	March 31, 2024 (Unaudited)	December 31, 2023 (Audited)
Universal banks	3,636,644,374	2,767,608,447
Thrift banks	5,927,216	85,608
	3,642,571,590	2,767,694,055

While cash in banks are also subject to requirements of PFRS 9, expected credit loss is considered not significant. The Group does not hold any collateral as security to the above financial assets.

Due from related parties

Due from related parties pertain to amounts receivable for sale of inventories and services to related parties. These are non-interest bearing and are collectible generally within 30 to 60 days after transaction date. Due from related parties are fully recoverable. Management does not foresee significant credit risk on the outstanding balances of due from related parties as these are transacted with related parties with strong financial and liquidity positions.

Trade and other receivables

i) Trade receivables

The Company applies the PFRS 9 simplified approach to measuring expected credit losses which used a lifetime expected loss allowance for trade receivables arising from sale of goods and services to third parties. To measure the expected credit losses, receivables have been grouped based on shared credit risk characteristics and the historical collection cycle.

The expected loss rates are based on the payment profiles of counterparties over a period of 36 months and the corresponding historical credit losses experienced within this period.

The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

The Company has identified the Gross Domestic Product (GDP) and the Inflation Rates to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

On that basis, the loss allowance as at period end was determined as follows:

March 31, 2024	Current	More than 30 days past du	More than 60 days past due	More than 90 days past du	Total
Expected loss rate				19.05%	2.68%
Gross carrying amount - trad receivables	2,957,496,385	1,577,805,682	490,435,601	823,352,465	5,849,090,133
Loss allowance	-	-	-	(156,864,154)	(156,864,154)
Net receivables	2,957,496,385	1,577,805,682	490,435,601	666,488,311	5,692,225,979

December 31, 2023	Current	More than 30 days past due	More than 60 days past du	More than 90 days past due	Total
Expected loss rate	1.91%	1.80%	1.50%	8.42%	13.63%
Gross carrying amount - trac receivables	2,759,119,586	1,738,928,141	564,343,986	742,847,767	5,805,239,480
Loss allowance	(52,566,247)	(31,295,804)	(8,467,120)	(62,534,982)	(154,864,153)
Net receivables	2,706,553,339	1,707,632,337	555,876,866	680,312,785	5,650,375,327

Trade receivables from its five major customers per segment as at March 31, 2024 and December 31, 2023 are as follows:

March 31, 2024 (Unaudited)	Carrying amount	Neither past due nor impaired	Past due but not impaired			Overdue and impaired
			31 - 60 days	61 - 90 days	Over 90 days	
TOP 5	2,570,278,114	1,461,309,297	822,445,267	185,109,813	101,413,737	

December 31, 2023 (Audited)	Carrying amount	Neither past due nor impaired	Past due but not impaired			Overdue and impaired
			31 - 60 days	61 - 90 days	Over 90 days	
TOP 5	2,006,531,841	1,139,049,611	702,724,304	131,340,178	33,417,748	-

ii) Other receivables

Other receivables include loans to officers and employees amounting to P7,302,071 (2023 - P4,387,751). To address credit risk, these advances are subject to liquidation and/or collectible through salary deduction.

Refundable deposits

This account pertains to security deposits on properties leased by the Company. Security deposits are generally refundable at the end of the lease term. Management does not expect significant credit risk on these deposits.

Financial assets measured at FVPL

The Company's investments in debt instruments are considered to have low credit risk. Management considers 'low credit risk' for unit investment trust funds, as they are managed by universal banks with good credit ratings.

4. Market Risk

4.1 Foreign currency exchange risk

The Company's foreign currency denominated monetary assets and liabilities as at December 31 consist of:

	March 31, 2024 (Unaudited)	December 31, 2023 (Audited)
In USD		
Cash	18,372,623	12,702,737
Receivables	22,150,177	16,394,299
Financial assets at FVPL	-	-
	40,522,800	29,097,036
Trade payable and other liabilities	(5,541,034)	(13,131,409)
Net assets in USD	34,981,767	15,965,627
Closing exchange rate	56.28	55.37
Philippine peso equivalent	1,968,773,847	884,016,767

Foreign exchange gain, net for the periods ended March 31 consist of:

	March 31, 2024 (Unaudited)	March 31, 2023 (Unaudited)
Realized foreign exchange gain/(loss)	6,683,178	(20,215,444)
Unrealized foreign exchange gain/(loss)	27,636,225	8,202,626
	34,319,402	(12,012,818)

Foreign exchange risk arises when future commercial transactions and assets and liabilities are denominated in a currency that is not the Parent Company's functional currency.

The Company manages its foreign currency exchange risk through minimizing foreign currency denominated transactions. Also, the Company maintains sufficient cash in foreign currency to cover its maturing obligations. A market driven change in foreign currency exchange rate, arising from US Dollar denominated assets (liabilities), as at March 31 would lead to immaterial pre-tax profit and equity movements.

4.2 Price risk

As at March 31, 2024, the Company is exposed to price risk in relation to its investments in debt and equity financial assets amounting to P141,109,912 and P266,224,629, respectively (December 31, 2023 - P34,151,329 and P266,224,629, respectively). Components of debt and equity financial assets would increase or decrease as a result of gains or losses on these financial assets measured at fair value at the end of each reporting period. Management monitors such financial assets based on the net asset value of the debt instruments (unit investment trust funds) current market price of the shares. These financial assets are managed on an individual basis, and all buy and sell decisions are approved by the Management Committee.

The impact of a market driven change in fair value of the debt and equity investments, with all other variables held constant, would have been immaterial.

4.3 Cash flow and fair value interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of financial assets and liabilities will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of financial assets and liabilities will fluctuate because of changes in market interest rates.

Cash flow interest rate risk

The Company's exposure to cash flow interest rate risk pertains to short-term borrowings where the related interests are repriced at periodic intervals based on the prevailing mark-to-market prices, in accordance with the terms of the agreement. The Company's practice is to manage its interest cost by reference to current market rates in borrowings.

The Company's fixed rate borrowings are measured at amortized cost. They are therefore not subject to cash flow interest rate risk as defined in PFRS 7, since neither the carrying amount nor the future cash flows will fluctuate because of a change in market interest rates.

Fair value interest rate risk

Changes in the market interest rates of the Company's financial liabilities with fixed interest rates only affect income if these are measured at their fair value. As such, the Company's financial liabilities with fixed interest rates that are measured at amortized cost are not subject to fair value interest rate risk as defined in PFRS 7.

5. Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Company aims to maintain flexibility by keeping credit lines available.

On a regular basis, management monitors forecasts of the Company's liquidity reserve on the basis of expected cash flows. The Company places cash in excess of immediate requirements in banks.

The table below summarizes the maturity profile of the Company's non-derivative financial liabilities based on contractual undiscounted payments:

	Due and demanda	Within 12 months	Over 12 months	Total
March 31, 2024				
Trade payables and other liabilities	348,103,706	5,091,560,918	-	5,439,664,624
Due to related parties	-	293,775,035	-	293,775,035
Borrowings and future interest paymen	-	17,234,113	5,000,000,000	5,017,234,113
Bonds Payable and future interest payments	-	9,790,000,000	-	9,790,000,000
Lease liabilities and future interest payments	-	297,821,687	167,304,711	465,126,398
	348,103,706	15,490,391,754	5,167,304,711	21,005,800,171
December 31, 2023				
Trade payables and other liabilities	104,544,729	3,503,099,135	-	3,607,643,864
Due to related parties		72,381,122		72,381,122
Loan payable to a related party	-			
Borrowings and future interest paymen	-	11,174,400,000	1,506,600,000	12,681,000,000
Bonds Payable and future interest payments		3,134,665,250	2,125,867,000	5,260,532,250
Lease liabilities and future interest payments		367,236,933	214,100,000	581,336,933
	104,544,729	18,251,782,440	3,846,567,000	22,202,894,169

The Parent Company, together with its related parties entered into surety agreements with local banks and a corporate guarantee with a foreign bank. The borrowings of the Company are covered by surety agreements and corporate guarantee agreements.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances equal their carrying balances, as the impact of discounting is not significant.

The Company believes that cash generated from its operating activities and current assets are sufficient to meet maturing obligations required to operate the business. The Company would also be able to meet unexpected cash outflows by accessing additional funding sources from local banks and related parties.

The Company expects to settle the above financial obligations in accordance with their maturity date. However, the Group may consider to roll-over short-term loans based on working capital requirements.

Capital management

The Company's objective when managing capital is to generate the maximum possible returns for its shareholders while taking on a manageable degree of risk ensuring that the Company will continue to expand business and manufacturing facilities.

In order to maintain or adjust the capital structure, the Company reviews its capital structure from time to time to assess the proper financing mix necessary to grow and sustain its operations. As a matter of policy, capital expenditures have been financed from internally-generated cash flow while working capital requirements will be augmented by short-term bank borrowings from time to time.

Earnings in excess of dividend distribution to shareholders have been continuously redeployed and reinvested in the growth of the Company's business. Each instance of expansion of manufacturing capacity and entry into new products and markets undergo a thorough evaluation process to ensure that such investments and marketing programs are in consonance with the Company's core competencies and would be enhancing, rather than diminishing, shareholder value in the long run.

As part of the reforms of the PSE to expand the capital market and improve transparency among listed firms, PSE required a minimum percentage of ten percent (10%) of the listed companies' issued and outstanding shares, exclusive of any treasury shares, to be held by the public. On May 31, 2017, the SEC issued a Memorandum Circular to increase the minimum percentage requirement to at least fifteen percent (15%) on or before the end of 2018 and then to at least twenty percent (20%) on or before the end of 2023. The Parent Company is compliant with respect to this requirement.

Total capital is equal to total equity (excluding any reserves) as shown in the consolidated statements of financial position.

	March 31, 2024 (Unaudited)	December 31, 2023 (Audited)
Total equity	21,485,428,449	20,867,525,566
Reserves	(253,478,583)	(253,478,583)
	21,231,949,866	20,614,046,983

There are no changes to the Company's capital management policies as at March 31, 2024 and December 31, 2023.

SIGNATURES

Pursuant to the requirement of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by undersigned thereunto duly authorized.

D&L INDUSTRIES, INC.

[redacted]

Alvin D. Lao
President & Chief Executive Officer

[redacted]

Franco Diego Q. Lao
Chief Financial Officer and Treasurer

May 9, 2024

SIGNATURES

Pursuant to the requirement of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by undersigned thereunto duly authorized.

D&L INDUSTRIES, INC.

[redacted]

Alvin D. Lao
President & Chief Executive Officer

[redacted]

Franco Diego Q. Lao
Chief Financial Officer and Treasurer

May 9, 2024

ANNEX A

D&L Industries, Inc. and Subsidiaries
Unaudited Consolidated Statements of Financial Position
As at March 31, 2024 and December 31, 2023
(All amounts in Philippine Peso)

D&L Industries, Inc. and Subsidiaries
Consolidated Statements of Financial Position
As of March 31, 2024 and 2023
(All amounts in Philippine Peso)

	March 31, 2024 (Unaudited)	December 31, 2023 (Audited)
ASSETS		
Current assets		
Cash and cash equivalents	3,637,410,730	2,844,171,390
Receivables, net	5,789,091,400	5,656,874,708
Inventories, net	8,492,375,614	9,056,492,790
Due from related parties	205,421,344	127,702,429
Financial assets at fair value through profit or loss (FVPL)	141,109,912	34,151,329
Prepayments and other current assets	5,220,132,090	4,863,205,314
Total current assets	23,485,541,089	22,582,597,960
Non-current assets		
Right of use (ROU) assets	541,549,480	626,526,764
Investments in equity securities at fair value through other comprehensive income (FVOCI)	266,224,629	266,224,629
Property, plant and equipment, net	12,612,871,328	12,526,615,430
Retirement benefit asset	-	26,897,429
Deferred income tax assets, net	127,233,483	136,014,868
Goodwill	3,367,846,840	3,367,846,840
Other non current assets	2,746,567,802	3,092,421,827
Total non-current assets	19,662,293,562	20,042,547,787
Total assets	43,147,834,651	42,625,145,747
LIABILITIES AND EQUITY		
Current liabilities		
Trade payables and other liabilities	4,974,474,585	3,764,921,685
Lease Liabilities	128,848,111	250,371,079
Due to related parties	293,775,035	72,381,122
Loan Payable to a related Party		
Borrowings	12,294,066,212	13,890,809,865
Income tax payable	307,602,057	101,902,766
Total current liabilities	17,998,766,000	18,080,386,517
Non-current liabilities		
Lease Liabilities - Non-current	336,278,287	304,417,351
Loan payable to a related party	1,215,000,000	1,259,231,665
Deferred income tax liabilities, net	-	3,301,884
Retirement benefit obligation	125,664,230	124,837,656
Long-term borrowings	1,986,697,686	1,985,445,108
Total non-current liabilities	3,663,640,203	3,677,233,664
Total liabilities	21,662,406,202	21,757,620,181
Equity		
Attributable to the owners of the Parent Company:		
Share Capital	7,142,857,990	7,142,857,990
Share Premium	3,255,166,445	3,255,166,445
Reserve for remeasurement on retirement benefit	73,847,049	73,847,049
Fair value reserve on investments in equity secur at FVOCI	179,631,534	179,631,534
Retained earnings	10,833,925,431	10,216,022,548
Total equity	21,485,428,449	20,867,525,566
Total liabilities and equity	43,147,834,651	42,625,145,747

ANNEX B

D&L Industries, Inc. and Subsidiaries
Unaudited Consolidated Statements of Total Comprehensive Income
For three months ended March 31, 2024 and 2023
(All amounts in Philippine Peso)

	Three-month period ended Mar 31	
	2024 (Unaudited)	2023 (Unaudited)
Revenues		
Sales of goods, net	8,804,997,216	8,384,173,980
Service fees	26,662,479	30,027,135
	8,831,659,695	8,414,201,115
Cost of sales and services		
Cost of sales	(7,292,348,404)	(6,991,193,759)
Cost of services	(31,072,210)	(29,566,145)
	(7,323,420,614)	(7,020,759,905)
Gross profit	1,508,239,081	1,393,441,211
Selling and marketing expenses	(315,407,209)	(254,803,383)
General and administrative expenses	(224,864,749)	(251,370,794)
Other income, net	42,873,500	(2,814,607)
Operating profit	1,010,840,623	884,452,426
Finance costs	(223,101,779)	(96,628,512)
Profit before income tax expense	787,738,844	787,823,915
Provision for income tax	(169,835,961)	(193,581,502)
Profit for the period	617,902,883	594,242,413
Other comprehensive income	-	-
Total comprehensive income for the period	617,902,883	594,242,413
Profit for the period attributable to		
Owners of the parent Company	617,902,883	594,242,413
Earning per share		
Basic and diluted	0.09	0.08

ANNEX C

D&L Industries, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
For the Three-month period ended Mar 31, 2024 and 2023
(All amounts in Philippine Peso)

	Three-month period ended Mar 31	
	2024 (Unaudited)	2023 (Unaudited)
Cash flows from operating activities		
Profit before income tax expense	787,738,844	3,020,271,602
Adjustments for:		
Depreciation and amortization	145,809,024	447,837,741
Depreciation of ROU Asset	95,143,782	373,965,192
Interest expense on lease	6,382,426	41,343,508
Unrealized foreign exchange (gain) loss, net	(27,636,225)	7,756,855
Provision for retirement benefit obligation		57,990,480
(Reversal of) provision for inventory obsolescence	-	5,181,644
Loss (Gain) on sale of property and equipment	(446,429)	(7,254,186)
Gain on lease modification		(7,598,572)
Loss on direct write-off of receivables	2,141,525	9,170,574
Gain on sale of FVPL		(172,895)
Unrealized loss (gain) on FV changes	(109,574,722)	(1,334,466)
Dividend income	(70,894)	(137,589)
Interest income	(2,054,302)	(15,598,776)
Interest expense	216,719,353	531,214,390
Operating income before working capital changes	1,114,152,382	4,462,635,502
(Increase) decrease in:		
Receivables	(125,911,059)	(52,638,494)
Due from related parties	(77,718,915)	83,093,668
Inventories	564,117,176	(316,237,577)
Prepayments and other current assets	(356,926,776)	(733,631,726)
Retirement benefit assets	26,897,429	(26,897,429)
Other non-current assets	345,854,025	(499,555,037)
(Decrease) increase in:		
Trade payables and other liabilities	1,216,942,842	757,218,119
Retirement Benefit obligations		(54,543,041)
Due to related parties	177,162,248	(252,394,722)
Cash generated from operations	2,884,569,352	3,367,049,263
Income taxes paid	36,182,338	(728,502,270)
Interest received from banks	2,054,302	15,598,776
Net cash from operating activities	2,922,805,992	2,654,145,769
Cash flows from investing activities		
Dividends received	70,894	137,589
Additions to property and equipment	(232,064,922)	(1,511,199,329)
Investment in financial assets at fair value through profit	2,616,139	50,061,382
Proceeds from disposal of property and equipment	446,429	28,862,120
Net cash from (used in) investing activities	(228,931,460)	(1,432,138,238)
Cash flows from financing activities		
Availment / payment of borrowings, net	(1,595,491,075)	550,000,000
Proceeds from loans from related party	-	1,130,000,000
Lease payments	(99,828,530)	(363,946,504)
Interest paid from lease liabilities	(6,382,426)	(41,343,508)
Dividends paid		(2,142,857,397)
interest paid from borrowings	(216,719,353)	(758,466,691)
Net cash used in financing activities	(1,918,421,384)	(1,626,614,100)
Net increase (decrease) in cash and cash equivalents	775,453,148	(404,606,569)
Cash and cash equivalents, beginning	2,844,171,390	3,250,165,008
Effect of foreign exchange rate changes	17,786,192	(1,387,049)
Cash and cash equivalents, ending	3,637,410,730	2,844,171,390

ANNEX D

D&L Industries, Inc. and Subsidiaries
Unaudited Consolidated Statements of Changes in Equity
For three months ended March 31, 2024 and 2023

	Share Capital	Share premium	Reserve for remeasurement on retirement benefit	Fair value reserve on available-for-sale financial assets	Retained earnings		Total equity
					Appropriated	Unappropriated	
Balances at January 1, 2023	7,142,857,990	3,255,166,445	35,064,640	154,667,426	500,000,000	9,563,466,915	20,651,223,416
Comprehensive income							
Profit for the year						594,242,413	594,242,413
Other comprehensive income for the year							-
Total comprehensive income for the year	-	-	-	-	-	594,242,413	594,242,413
Transactions with owners							
Declaration of cash dividend							-
Appropriation of retained earnings							-
Total transactions with owners	-	-	-	-	-	-	-
Balances at March 31, 2023	7,142,857,990	3,255,166,445	35,064,640	154,667,426	500,000,000	10,157,709,328	21,245,465,829
Balances at January 1, 2024	7,142,857,990	3,255,166,445	73,847,049	179,631,534	500,000,000	9,716,022,548	20,867,525,566
Comprehensive income							
Profit for the year						617,902,883	617,902,883
Other comprehensive income for the year							-
Total comprehensive income for the year	-	-	-	-	-	617,902,883	617,902,883
Transactions with owners							
Declaration of cash dividend							-
Total transactions with owners	-	-	-	-	-	-	-
Balances at March 31, 2024	7,142,857,990	3,255,166,445	73,847,049	179,631,534	500,000,000	10,333,925,431	21,485,428,449

ANNEX E

The following table presents the segment information provided to the ManCom about the Group's business segments for the three-month periods ended March 31:

	Food ingredients	Colorant & Plastic Additives	Oleochemicals, resin and powder coatings	Aerosols	Management and administrative	Eliminations	Total
Three-month period ended March 31, 2024							
External revenue	5,711,945,879	850,620,217	2,009,455,309	232,975,812	26,662,479	-	8,831,659,695
Intersegment sales	4,553,562	3,593,335	22,888,785	5,889,239	118,801,539	(155,726,460)	-
Total revenues	5,716,499,440	854,213,552	2,032,344,094	238,865,051	145,464,017	(155,726,460)	8,831,659,695
Segment result	516,588,137	250,795,705	248,900,888	47,463,702	(100,153,768)	4,372,458.81	967,967,122
General corporate income/(loss)	14,820,254	7,779,740	16,077,099	280,531	50,872,423	(46,956,546)	42,873,500
Finance costs	(159,792,220)	(84,430)	(61,999,510)	(238,710)	(43,570,997)	42,584,088	(223,101,779)
income tax expense	(118,171,068)	(13,481,764)	(29,095,675)	(8,957,231)	(130,223)		(169,835,961)
Profit for the period	253,445,102	245,009,251	173,882,802	38,548,292	(92,982,564)	(0)	617,902,883
Three-month period ended March 31, 2023							
External revenue	4,995,068,980	754,815,661	2,268,208,505	366,080,835	30,027,135		8,414,201,115
Intersegment sales	59,902,983	1,888,245	10,932,810	11,259,730	138,336,389	(222,320,156)	-
Total revenues	5,054,971,963	756,703,906	2,279,141,315	377,340,565	168,363,524	(222,320,156)	8,414,201,115
Segment result	395,562,338	154,738,567	257,032,382	116,067,380	(40,606,018)	4,472,385	887,267,034
General corporate income	962,101	(4,915,519)	(234,448)	248,957	48,082,505	(46,958,204)	(2,814,607)
Finance costs	(89,258,205)	(111,554)	(5,984,448)	(432,844)	(43,327,279)	42,485,819	(96,628,512)
income tax expense	(102,993,338)	(10,573,596)	(60,499,854)	(19,514,714)	-	-	(193,581,502)
Profit for the period	204,272,897	139,137,898	190,313,631	96,368,779	(35,850,792)	0	594,242,413

Other segment information are as follows:

	Food ingredients	Colorant & Plastic Additives	Oleochemicals, resin and powder coatings	Aerosols	Management and administrative	Total
as of March 31, 2024						
Segment assets	18,239,379,098	3,389,917,917	14,157,402,502	858,768,530	6,502,366,604	43,147,834,651
segment liabilities	12,159,996,586	(1,719,507,724)	5,957,506,291	139,025,596	5,125,385,453	21,662,406,202
Three-month period ended March 31, 2024						
Capital expenditures	273,397,018	6,169,173	12,163,972	205,357	7,663,101	299,598,621
Depreciation and Amortization	126,677,539	10,127,738	87,889,047	6,513,698	9,744,783	240,952,806
as of December 31, 2023						
Segment assets	21,430,732,242	2,595,467,832	16,269,131,824	812,744,620	1,517,069,229	42,625,145,747
segment liabilities	11,983,491,409	227,060,638	4,222,705,442	139,858,682	5,184,504,012	21,757,620,183
Three-month period ended March 31, 2023						
Capital expenditures	220,404,348	4,830,538	187,133,128	203,911	38,647,046	451,218,970
Depreciation and Amortization	71,334,642	9,826,738	78,653,963	11,449,985	11,609,323	182,874,651

Aging of Receivables:

March 31, 2024	**Current**	**More than 30 days past due**	**More than 60 days past due**	**More than 90 days past due**	**Total**
Expected loss rate				19.05%	2.68%
Gross carrying amount - trade receivables	2,957,496,385	1,577,805,682	490,435,601	823,352,465	5,849,090,133
Loss allowance	-	-	-	(156,864,154)	(156,864,154)
Net receivables	2,957,496,385	1,577,805,682	490,435,601	666,488,311	5,692,225,979

March 31, 2024	**Current**	**More than 30 days past due**	**More than 60 days past due**	**More than 90 days past due**	**Total**
Expected loss rate	1.91%	1.80%	1.50%	8.42%	13.63%
Gross carrying amount - trade	2,759,119,586	1,738,928,141	564,343,986	742,847,767	5,805,239,480
Loss allowance	(52,566,247)	(31,295,804)	(8,467,120)	(62,534,982)	(154,864,153)
Net receivables	2,706,553,339	1,707,632,337	555,876,866	680,312,785	5,650,375,327

APPENDIX 3

MINUTES OF THE MEETING OF THE STOCKHOLDERS OF
D&L INDUSTRIES, INC.
HELD VIA VIDEO CONFERENCE (ZOOM WEBINAR)
ON JUNE 5, 2023 AT 9:00 AM

ATTENDANCE:

TOTAL NUMBER OF SHARES PRESENT/REPRESENTED:	5,951,411,216
ISSUED AND OUTSTANDING (NET OF TREASURY STOCK)	7,142,857,990
PERCENTAGE OF SHARES PRESENT /REPRESENTED	83.32%

PROCEEDINGS OF THE MEETING

I. CALL TO ORDER

Mr. Yin Yong L. Lao, Chairman, called the meeting to order at exactly 9:00 AM and thereafter presided. The Corporate Secretary, Atty. Kristine Ann C. Catindig-Ong, recorded the minutes thereof.

All of the incumbent directors and officers of the Corporation were present in the meeting, namely:

Chairman/Director	Mr. Yin Yong L. Lao
Chairman Emeritus	Mr. Dean L. Lao
Vice-Chairman/Director	Mr. John L. Lao
President and CEO/Director	Mr. Alvin D. Lao
Lead Independent Director	Atty. Mercedita S. Nolledo
Independent Director	Dr. Lydia R. Balatbat-Echauz
Independent Director	Ms. Corazon S. de la Paz-Bernardo
Advisory Board	Mr. Dean L. Lao
Advisory Board	Mr. Leon L. Lao
Advisory Board	Mr. Alex L. Lao
Treasurer/CFO	Mr. Franco Diego Q. Lao

Corporate Secretary	Atty. Kristine Ann C. Catindig-Ong
Asst. Corp. Secretary	Ms. Ainslee Anne T. Lao
Compliance Officer	Mr. Franco Diego Q. Lao
Corporate Information Officer And Corporate Legal Counsel	Atty. Kristine Ann C. Catindig-Ong
Investment Relations Officer	Ms. Crissa Marie Bondad

Chair - Audit Committee (Ms. Corazon S. de la Paz-Bernardo)
Chair - Executive Committee (Mr. Dean L. Lao)
Chair - Nomination Committee (Mr. John L. Lao)
Chair - Remuneration Committee (Mr. Yin Yong L. Lao)
Chair – Corporate Governance Committee (Atty. Mercedita S. Nolledo)
Chair – Related Party Transaction Committee (Ms. Lydia R. Balatbat-Echauz)

In relation thereto, the Chairman took a moment to honor its former Independent Director, Engr. Filemon T. Berba, Jr. who passed away last April 4, 2023.

Representatives from the Stock Transfer Agent, Stock Transfer Service, Inc., and external auditor, Isla Lipana and Co. were also present to record the attendance and tally the votes on agenda items.

II. PROOF OF NOTICE

The Corporate Secretary certified that the, notice of the Annual Shareholder's Meeting and definitive copies of the Information Statement were published via the Company's website and PSE Edge on May 12, 2023 in accordance with the SEC Notice dated April 20, 2020 providing for an alternative mode of distributing ASM notices. The notice was also published in two (2) newspaper of general circulation, in print and digital format - In the Philippine Star and Daily Tribune on May 14 and 15, 2023.

III. DETERMINATION OF QUORUM

The Corporate Secretary certified that based on the record of attendance, stockholders representing 5,951,411,216 shares or 83.32% of the total issued and outstanding capital stock of the Corporation (net of treasury stock) were present, either in person or by proxy, and that there was a quorum to consider the business stated in the agenda for the meeting.

IV. APPROVAL OF MINUTES OF PREVIOUS MEETING

On motion duly made and seconded, without any objection or questions, and taking into consideration that more than majority of the votes submitted to the Corporation already voted in favor of this agenda item, the stockholders approved the minutes of the annual stockholders' meeting held on June 06, 2022.

Prior to disclosure of the final tally of votes to the stockholders, stockholders were give a few more minutes to cast their votes on this agenda item through remote communication.

Summary of Votes for this matter is as follows:

VOTE	NUMBER OF VOTES
FOR	5,949,808,516 shares (83.29%)
AGAINST	0
ABSTAIN	0

V. APPROVAL OF ANNUAL REPORT AND FINANCIAL STATEMENTS

Proceeding with the agenda, Mr. Alvin D. Lao, President and CEO, presented to the stockholders the Annual Report and the Audited Financial Statements as of December 31, 2022.

Mr. Alvin D. Lao reported a consolidated recurring net income of P3.3 billion. Mr. Lao explained that the net income is higher by 26%

YoY and exceeds the Corporation's previous record f net income achieved in 2018, due to several factors including the reopening of the economy and robust growth exports.

A slow start for the 1st quarter of 2023 was reported due to inflation and high volume last year, which dragged overall net income but with a sharp pick up observed in March 2023.

Likewise, it was also reported that the sales mix has started tilting back to High Margin Specialty Products (HMSP) as its revenue contribution inched up to 53% during the fourth quarter of 2022, bringing FY2022 contribution to 51%. For the 1st quarter of 2023, sales mix is back to pre-pandemic level with HMSP contribution at 64% as compared to 51% in 1Q2022.

Exports division continued its positive momentum in 2022, comprising 31% of total revenue for the year. Coconut-based products under food and oleochemicals were the main drivers behind the robust export growth in the period. Coconut oil continues to gain traction I the global market due to its perceived natural antiviral, antibacterial and antifungal properties.

Balance Sheet remains solid especially against the external pressures. As of end-December 2022, net gearing remains manageable at 59% and interest cover is at 18x.

The issuance of the P5 million maiden bond offering is helping cushion the recent increase in interest rates. Looking back, the bond offering came at the perfect time with coupon rate of 2.7885% p.a. and 3.5962% p.a. for 3-year and 5-year tenors, respectively, which could have been significantly higher at approximately 6.4029% p.a. for 3-year tenor and 6.6087% p.a. for 5-year tenor if the Corporation were to issue the bonds today.

The Corporation remains committed to its Batangas expansion which is targeted to start commercials in mid-2023. As of end-December 2022, the Corporation has spent around P9.4 billion for the

Project. Once completed, CAPEX is expected to decrease as there are no other major expansions currently planned, and free cash flows may turn positive in 2023. In relation thereto, positive cash flow was already seen in the 1st quarter of 2023

After the presentation, floor was opened for questions and there was no question with respect to the Annual Report and Audited Financial Statement as of 31 December 2022.

A motion was thereafter made and duly seconded to approve the Annual Report and Audited Financial Statement as of 31 December 2023. There being no objection or questions, and taking into consideration that more than majority of the votes submitted to the Corporation already voted in favor of this agenda item, the stockholders approved the Annual Report and the Audited Financial Statements of the Corporation as of 31 December 2022.

Prior to disclosure of the final tally of votes to the stockholders, stockholders were give a few more minutes to cast their votes on this agenda item through remote communication.

Summary of Votes for this matter is as follows:

VOTE	NUMBER OF VOTES
FOR	5,808,702,525 shares (81.31%)
AGAINST	0
ABSTAIN	0

VI. CHANGES IN DIRECTORS' FEES

The next item in the agenda was the ratification of the Board Resolution dated May 4, 2023.

On May 4, 2023, the Board of Directors approved changes in the Directors' Fees as detailed below, to take effect upon the election of new set of directors:

Description	From	To
Chairman of the Board	Php/60,000.00 per director per meeting	Php/60,000.00 per director per meeting
Board Member	Php/50,000.00 per director per meeting	Php/60,000.00 per director per meeting
Committee Chairman	Php/35,000.00 per director per meeting	Php/50,000.00 per director per meeting
Committee Member	Php/25,000.00 per director per meeting	Php/40,000.00 per director per meeting
Annual Retainer	None	Php/500,000.00 one-time fee per director

On motion duly made and seconded and taking into consideration that more than majority of the votes submitted to the Corporation already voted in favor of this agenda item, the stockholders approved and ratified the above-described changes in the Directors' Fees, to take effect upon the election of new set of directors.

Prior to disclosure of the final tally of votes to the stockholders, stockholders were give a few more minutes to cast their votes on this agenda item through remote communication.

Summary of Votes for this matter is as follows:

VOTE	NUMBER OF VOTES
FOR	5,918,859,689 shares (82.86%)
AGAINST	30,948,827 shares (0.00%)
ABSTAIN	0

VII. APPOINTMENT OF EXTERNAL AUDITORS

The next item in the agenda was the designation of the Corporation's external auditors. Pursuant to the By-Laws, and the recommendation of the Nomination Committee, the nomination of Isla Lipana & Co. as external auditors was endorsed to the stockholders.

On motion duly made and seconded and taking into consideration that more than a majority of the votes submitted to the Corporation already voted in favor of this agenda item, the stockholders approved the appointment of Isla Lipana & Co. as the Corporation's external auditors for the year 2023-2024.

Prior to disclosure of the final tally of votes to the stockholders, stockholders were give a few more minutes to cast their votes on this agenda item through remote communication.

Summary of Votes for this matter is as follows:

VOTE	NUMBER OF VOTES
FOR	5,894,057,542 shares (82.51%)
AGAINST	55,750,974 shares (0.00%)
ABSTAIN	0

VIII. ELECTION OF DIRECTORS

The Chairman thereafter opened nominations for directors to serve for the term 2023-2024. Pursuant to the By-Laws, the nominations of directors were based on the recommendations of the Nomination Committee. The stockholders were previously given until May 11, 2023 to submit nominations to the Nomination Committee. Only nominations of the seven (7) incumbent directors were submitted and evaluated during the given period. All nominees are found to possess all the qualifications and none of the disqualifications, prescribed for directors, including independent directors.

Based on the evaluation and recommendation of the Nomination Committee, the following individuals are nominated as directors:

1. Mr. Yin Yong L. Lao
2. Mr. John L. Lao
3. Mr. Alvin D. Lao

And the following as Independent Directors:

4. Atty. Mercedita S. Nolledo
5. Dr. Lydia R. Balatbat-Echauz
6. Ms. Corazon S. de la Paz-Bernardo
7. Mr. Karl Kendrick T. Chua

On proper motion duly seconded, unanimously approved, and without any objection, the nomination for directors was closed.

In view of the fact that there were only seven (7) nominees to the seven (7) seats, a motion was made, duly seconded, and unanimously approved without any objection for the above-named nominees/incumbent directors to be elected as Directors of the Corporation without need of ballot to serve as such for the term 2023-2024 and until their successors shall have been elected and qualified.

1. Mr. Yin Yong L. Lao
2. Mr. John L. Lao
3. Mr. Alvin D. Lao
4. Atty. Mercedita S. Nolledo
5. Dr. Lydia R.Balatbat-Echauz
6. Ms. Corazon S. de la Paz-Bernardo
7. Mr. Karl Kendrick T. Chua

Atty. Mercedita S. Nolledo, Dr. Lydia R. Balatbat-Echauz, Ms. Corazon S. de la Paz-Bernardo, and Mr. Karl Kendrick T. Chua were nominated and elected as Independent Directors.

IX. RATIFICATION OF THE ACTS OF THE BOARD AND OFFICERS

The next item in the agenda was the approval and ratification of all acts of the Board of Directors and Officers of the Corporation during the preceding year.

A motion was thereafter made and duly seconded to approve all acts and transactions of the Board of Directors and Officers of the Corporation from the date of the last annual stockholders' meeting held on June 6, 2022 to date, as well as the contracts and transactions entered into by the Corporation for the same period, all as reflected in the minutes of the meetings of the Board of Directors, the Annual Report, and the Audited Financial Statements as of December 31, 2022.

There being no objection or questions, and taking into consideration that more than majority of the votes submitted to the Corporation already voted in favor of this agenda item, the stockholders approved and ratified all acts and transactions of the Board of Directors and Officers of the Corporation from the date of the last annual stockholders' meeting held on June 6, 2022 to date, as well as the contracts and transactions entered into by the Corporation for the same period, all as reflected in the minutes of the meetings of the Board of Directors, the Annual Report, and the Audited Financial Statements as of December 31, 2022.

Prior to disclosure of the final tally of votes to the stockholders, stockholders were give a few more minutes to cast their votes on this agenda item through remote communication.

Summary of Votes for this matter is as follows:

VOTE	NUMBER OF VOTES
FOR	4,642,861,928 shares (65.00%)
AGAINST	0
ABSTAIN	1,305,020,788 shares (18.27%)

X. OTHER MATTERS

Declaration of Cash Dividends

The Chairman informed the stockholders that at the meeting of the Board of Directors held immediately before the stockholders' meeting, the Board approved the declaration of cash dividends for stockholders of record as of June 20, 2023, Regular cash dividend of P0.24 per share and a special cash dividend of P0.06 per share, or a total of P0.30 per share, payable on July 14, 2023.

Including this year's dividend, it was reported that the Company has returned a total of P15.3 billion in cash to shareholders through cash dividends since the IPO in 12 December 2012. The Company also paid a 100% stock dividend in September 2015

Donation to the Lao Foundation, Inc.

The Chairman also reported that the Corporation, based on its previous resolution, has set aside and donated 1% of the net profits of the previous year (2022) to the Lao Foundation, Inc. For 2023, the Group has donated P34.5 million to the Foundation.

The donation is part of the Company's social corporate responsibility and endeavors to empower the marginalized sector of the community through education, values formation, and livelihood programs.

XI. ADJOURNMENT

Prior to the adjournment, the Chairman inquired if there is any other query or matter that the stockholders might want to take up. Ms. Crissa Marie Bondad, the Corporation's Investment Relations Officer, read the questions that were sent via the Zoom chatbox and Q&A Platform.

A question was asked: "*What is the roadmap for DNL to be part of the PSEI*?" Mr. Alvin Lao explained that being part of the PSEI is an aspiration of the Corporation but they see it as not happening at this time considering that the index tracks down the performance of the 30 biggest and actively traded stocks. At present, the Corporation is ranked No. 49 among the biggest publicly-listed corporations in the Philippines based on Market Capitalization. Ms. Crissa Bondad also added that the Corporation is part of the MidCap Index and DivY Index of the PSE.

Next question was "Why is there a new plant with low sales"? Mr. Alvin Lao explained the rationale for building the FIT Plant Expansion in Sto. Tomas, Batangas. The Corporation's idea is to plan ahead so that if the existing plants hit full capacity, which is only a matter of time, it will not hinder growth. It was also discussed that the project is part of the Corporation's strategic priorities to tap the export market.

There being no other query, the meeting, on motion duly made and seconded, was adjourned at about 9:45 AM.

(ORIGINAL SIGNED)
KRISTINE ANN C. CATINDIG-ONG
Corporate Secretary

ATTEST:

(ORIGINAL SIGNED)
YIN YONG L. LAO
Chairman

APPENDIX 4

YIN YONG L. LAO
Nominee for Director

Age: 71
Date of First Appointment as a Director: July 1971

Education: Bachelor of Arts in General Studies
Ateneo de Manila University

Affiliations:

Aero-Pack Industries, Inc. (Director)
Chemrez Technologies, Inc. (Director)
Chemrez Product Solutions, Inc. (Director)
Oleo-Fats, Incorporated (Director)
First in Colours, Incorporated (Director)
Palmera Resources, Inc. (Director)
LBL Prime Properties Incorporated (Director)
Malay Resources, Inc. (Director)
Ecozone Properties, Inc. (Director)
Anonas LRT Property and Dev't. Corp. (Director)
Hotel Acropolis, Inc. (Director)
Star Anise Properties Corporation (Director)
Association of Petrochemical Manufacturers of the Phils. (Trustee)

JOHN L. LAO
Nominee for Director

Age: 69
Date of First Appointment as a Director: July 1971

Education: Bachelor of Science in Business Administration
University of the East

Affiliations:

Aero-Pack Industries, Inc. (Director)
Chemrez Technologies, Inc. (Director)
Chemrez Product Solutions, Inc. (Director)
Oleo-Fats, Incorporated (Director)
First in Colours, Incorporated (Director)
D&L Polymer & Colours, Inc. (Director)
Natura Aeropack Corporation (Director)
Best Value Factory Outlet Corp. (Director)
LBL Prime Properties Incorporated (Director)
Malay Resources, Inc. (Director)
Ecozone Properties, Inc. (Director)
Anonas LRT Property and Dev't. Corp. (Director)
Hotel Acropolis, Inc. (Director)
Star Anise Properties Corporation (Director)

ALVIN D. LAO
Nominee for Director

Age: 52
Date of First Appointment as a Director: August 2016

Education: Master Degree in Business Administration
MIT Sloan School of Management
Cambridge, MA

Bachelor of Science in Information Technology
University of Western Australia
Perth, Western Australia

Affiliations:

Axis REIT (Director)
First in Colours, Incorporated (Director)
D&L Polymer & Colours, Inc. (Director
FIC Tankers Corporation (Director)
Jadel Research Center, Incorporated (Director)
Ecozone Properties, Inc. (Director)
Anonas LRT Property and Dev't Corp. (Director)
Hotel Acropolis, Inc. (Director)
Star Anise Properties Corporation (Director)
FIC Marketing, Inc. (Director)
Palmera Resources, Inc. (Director)
Lao Foundation, Inc. (Trustee)

MERCEDITA S. NOLLEDO
Nominee for Independent Director

Age: 83
Date of First Appointment as a Director: April 2016

Profession: Lawyer
Certified Public Accountant

Education: Bachelor of Laws
Cum Laude
University of the Philippines

Bachelor of Science in Business Administration
Magna Cum Laude
University of the Philippines

Affiliations:

Ayalaland Commercial REIT, Inc. (Director)
Anvaya Cove Beach & Nature Club (Director)
Michigan Holdings, Inc. (Director)
Sonoma Properties, Inc. (Vice President)
Ayala Foundation, Inc. (Trustee)
BPI Foundation, Inc. (Trustee)
Bank of the Philippine Islands (Member, Advisory Board)

CORAZON S. DE LA PAZ-BERNARDO
Nominee for Independent Director

Age: 83
Date of First Appointment as a Director: April 2017

Profession: Certified Public Accountant

Education: Masters in Business Administration
Cornell University, New York

Bachelor in Business Administration
(Magna Cum Laude)
University of the East

Affiliations:

Republic Glass Holdings Corporation (Independent Director)
Roxas & Company, Inc. (Independent Director)
Del Monte Philippines, Inc. (Independent Director)
Phinma Education Holdings Inc. (Independent Director)
PLDT, Inc. (Adviser To The Board Audit Committee)
BDO Unibank, Inc. (Adviser To The Board)
MFI Polytechnic Institute, Inc. (Treasurer & Trustee)
Jaime V. Ongpin Foundation, Inc. (Trustee)
Jaime V. Ongpin Microfinance Foundation (Chairman)
University of the East (Independent Trustee)
UE Ramon Magsaysay Memorial Medical Center (Independent Trustee)
Philippine Business for Education (Trustee)
Institute of Corporate Directors (Honorary Fellow)

LYDIA R. BALATBAT-ECHAUZ
Nominee for Independent Director

Age: 76
Date of First Appointment as a Director: April 2017

Education:	Doctor of Business Administration De La Salle University
	Master of Business Administration Ateneo de Manila University
	AB Economics and Mathematics St. Theresa's College

Affiliations:

Meralco (Independent Director)
Shell Pilipinas Corp. (Independent Director)
Riverside College Inc. (Director)
Fern Realty Corp. (Director)
NBS Educational Services, Inc. (Director)
SM Foundation, Inc. (Trustee)
Henry Sy Foundation, Inc. (Executive Director)
Mano Amiga Academy (Trustee)
Akademyang Filipino Asso., Inc. (Trustee)
Museo del Galeon, Inc. (Trustee)

KARL KENDRICK T. CHUA
Nominee for Director

Age: 45
Date of First Appointment as a Director: June 2023

Education:	Data Science Asian Institute of Management
	Doctor of Philosophy in Economics University of the Philippines
	Master of Arts in Economics University of the Philippines
	Bachelor of Science in Management Engineering Ateneo De Manila University

Affiliations:

LH Paragon group of companies (Board Adviser)
Bank of the Philippine Island, Inc. (Director)
Golden ABC, Inc. (Director)
BPI Direct BanKo Inc. (Director)
AC Ventures, Inc. (Director)
Manila Water Company, Inc.

CERTIFICATION OF INDEPENDENT DIRECTORS

I, **MERCEDITA S. NOLLEDO**, Filipino, of legal age and a resident of Unit 16A Urdaneta Apts., 6735 Ayala Avenue, Makati City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of **D&L INDUSTRIES, INC.** and have been its independent director since April 2016.

2. I am affiliated with the following corporations or organizations (including Government Owned and Controlled Corporations):

Company Organization	Position Relationship	Period of Service
BPI Foundation, Inc.	Trustee	Since 1994
Ayala Foundation, Inc.	Trustee	Since 1995
Michigan Holdings, Inc.	Director	Since May 2000
Anvaya Cove Beach & Nature Club	Director	Since 2005
Sonoma Properties, Inc.	Vice President	Since 2005
Ayalaland Commercial REIT, Inc.	Director	Since Sept. 2010
Bank of the Philippine Islands	Member Advisory Board	Since May 2021

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of D&L Industries, Inc. as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. I am not related to any director/officer/substantial shareholder of D&L Industries, Inc. or any of its subsidiaries and affiliates.

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. I am not an officer or director of or affiliated with any government agencies or Government-Owned and Controlled Corporations.

7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

8. I shall inform the Corporate Secretary of D&L Industries, Inc. of any changes in the abovementioned information within five (5) days from its occurrence.

Done, this MAY 0 8 2024, at Quezon City.

[redacted]

MERCEDITA S. NOLLEDO
Affiant

SUBSCRIBED AND SWORN to before me this MAY 0 8 2024 day of ______________ at Quezon City, affiant personally appeared before me and exhibited to me her [redacted] issued at DFA Manila and expiring on July 2, 2031.

[redacted]

ATTY. KRISTINE ANN C. CATINDIG
NOTARY PUBLIC for QUEZON CITY
Adm. Matter No. NP-047, Until Dec. 31, 2024
No. 65 Calle Industria, Bagumbayan, QC
PTR No. 5452612, 1-2-24, QC / IBP No. 384791, 1-2-24, QC
TIN NO. 210-016-964 / ROLL NO. 52735
MCLE No. VII - 0017985, 5-13-2022

Doc. No. 94;
Page No. 20;
Book No. XXV;
Series of 2024.

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **LYDIA R. BALATBAT-ECHAUZ**, Filipino, of legal age and a resident of 836 Torres Street Addition Hills, Mandaluyong, Metro Manila, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of **D&L INDUSTRIES, INC.** and have been its independent director since April 2017.

2. I am affiliated with the following companies or organizations:

COMPANY ORGANIZATION	POSITION	PERIOD OF SERVICE
SM Foundation, Inc.	Trustee	Since 1994
Fern Realty Corp.	Director	Since 2002
Akademyang Filipino Association, Inc.	Trustee	Since 2013
Museo del Galeon, Inc.	Trustee	Since 2013
Henry Sy Foundation, Inc.	Executive Director	Since 2014
Riverside College Inc.	Director	Since 2015
Mano Amiga Academy, Inc.	Trustee	Since 2016
NBS Educational Services, Inc.	Director	Since 2017
Shell Pilipinas Corp. (PLC)	Director	Since 2017
Meralco (PLC)	Director	Since 2021

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of D&L Industries, Inc. as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. I am not related to any director/officer/substantial shareholder of D&L Industries, Inc. or any of its subsidiaries and affiliates.

5. I am not the subject of any criminal/administrative investigation or proceeding.

6. I am not an officer or director of or affiliated with any government agencies or Government-Owned and Controlled Corporations.

7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

8. I shall inform the Corporate Secretary of D&L Industries, Inc. of any changes in the abovementioned information within five days from its occurrence.

Done, this ______ day of MAY 0 8 2024 ______________ at Quezon City.

[redacted]

LYDIA R. BALATBAT-ECHAUZ
Affiant

SUBSCRIBED AND SWORN to before me this MAY 0 8 2024 ______________ at Quezon City, affiant personally appeared before me and exhibited to me her [redacted] issued on October 2, 2007 at Mandaluyong City.

Doc. No. 98 ;
Page No. 20 ;
Book No. XXV ;
Series of 2024.

[redacted]

ATTY. KRISTINE ANN C. CATINDIG
NOTARY PUBLIC for QUEZON CITY
Adm. Matter No. NP-047, Until Dec. 31, 2024
No. 65 Calle Industria, Bagumbayan, QC
PTR No. 5452612, 1-2-24, QC / IBP No. 384791, 1-2-24, QC
TIN NO. 210-016-964 / ROLL NO. 52735
MCLE No. VII - 0017985, 5-13-2022

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **CORAZON S. DE LA PAZ-BERNARDO**, Filipino, of legal age and a resident of Unit 24A, Lorraine Tower, The Proscenium, Rockwell Center Makati, Estrella Street, Makati City 1210, Metro Manila, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of D&L INDUSTRIES, INC. and have been its independent director since April 2017.

2. I am affiliated with the following corporations or:

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
MFI Polytechnic Institute, Inc.	Trustee/Treasurer	1989 To Present
Jaime V. Ongpin Foundation, Inc.	Trustee	1991 To Present 2013 To Present
Jaime V. Ongpin Microfinance Foundation	Chairman	2017 To Present
PLDT, Inc.*	Adviser To The Board Audit Committee	2004 To Present
BDO Unibank, Inc.*	Adviser To The Board	2012 To Present
University of the East	Independent Trustee	2007 To Present
UE Ramon Magsaysay Memorial Medical Center	Independent Trustee	2007 To Present
Republic Glass Holdings Corporation *	Independent Director	2012 To Present
Roxas & Co. *	Independent Director	2013 To Present
Del Monte Philippines, Inc.	Independent Director	2018 To Present
Phinma Education Holdings Inc.	Independent Director	January 2020 to Present
Philippine Business for Education	Trustee	2015 To Present
Institute of Corporate Directors	Honorary Fellow	2023 to Present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **D&L INDUSTRIES, INC**. as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

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*Publicly listed companies

4. I am not related to any director/officer/substantial shareholder of D&L Industries, Inc. or any of its subsidiaries and affiliates.

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

7. I shall inform the Corporate Secretary of D&L Industries, Inc. of any changes in the abovementioned information within five (5) days from its occurrence.

Done, this MAY 0 8 2024 at Quezon City.

[redacted]
CORAZON S. DE LA PAZ-BERNARDO
Affiant

SUBSCRIBED AND SWORN to before me this _____ day of MAY 0 8 2024 at Quezon City. Affiant personally appeared before me and exhibited to me her [redacted]

Doc. No. 98;
Page No. 21;
Book No. XXV;
Series of 2024.

[redacted]
ATTY. KRISTINE ANN C. CATINDIG
NOTARY PUBLIC for QUEZON CITY
Adm. Matter No. NP-047, Until Dec. 31, 2024
No. 65 Calle Industria, Bagumbayan, QC
PTR No. 5452612, 1-2-24, QC / IBP No. 384791, 1-2-24, QC
TIN NO. 210-016-984 / ROLL NO. 52735
MCLE No. VII - 0017985, 5-13-2022

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **KARL KENDRICK T. CHUA**, Filipino, of legal age and a resident of CP101 East of Galleria Condominium, Topaz Road, Ortigas Center, Pasig, Metro Manila, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of D&L INDUSTRIES, INC. and have been its independent director since June 2023.

2. I am affiliated with the following companies or organizations:

COMPANY ORGANIZATION	POSITION	PERIOD OF SERVICE
LH Paragon group of companies	Board Adviser	From January 2023 to present
Bank of the Philippine Island, Inc.	Director	From April 2023 to present
Golden ABC, Inc.	Director	From July 2023 to present
BPI Direct BanKo Inc.	Director	From August 2023 to present
AC Ventures, Inc.	Director	From December 2023 to present
Manila Water Company, Inc.	Director	From April 2024 to present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of D&L Industries, Inc. as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. I am not related to any director/officer/substantial shareholder of D&L Industries, Inc. or any of its subsidiaries and affiliates.

5. I am not the subject of any criminal/administrative investigation or proceeding.

6. I am not an officer or director of or affiliated with any government agencies or Government-Owned and Controlled Corporations.

7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

8. I shall inform the Corporate Secretary of D&L Industries, Inc. of any changes in the abovementioned information within five (5) days from its occurrence.

Done, this _______ day of MAY 0 8 2024 at Quezon City.

[redacted]

KARL KENDRICK T. CHUA
Affiant

SUBSCRIBED AND SWORN to before me this MAY 0 8 2024 at Quezon City, affiant personally appeared before me and exhibited to me his [redacted] valid until 07/14/2024.

Doc. No. 96;
Page No. 21;
Book No. XXV;
Series of 2024.

[redacted]

ATTY. KRISTINE ANN C. DATINDIG
NOTARY PUBLIC for QUEZON CITY
Adm. Matter No. NP-047, Until Dec. 31, 2024
No. 65 Calle Industria, Bagumbayan, QC
PTR No. 5452612, 1-2-24, QC / IBP No. 384791, 1-2-24, QC
TIN NO. 210-016-964 / ROLL NO. 52735
MCLE No. VII - 0017985, 5-13-2022

APPENDIX 5

Stock Transfer Service Inc.
D & L INDUSTRIES, INC.
Stockholder MasterList
As of 04/30/2024

Count	Name	Holdings
1	[redacted]	
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Count	Name	Holdings
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Count	Name	Holdings
103	[redacted]	
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Count	Name	Holdings
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Stock Transfer Service Inc.
D & L INDUSTRIES, INC.
Stockholder MasterList
As of 04/30/2024

Count	Name	Holdings
	Total Stockholders :	7,142,857,990

User ID: maris Time: 05/10/2024 12:47:39