

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 |
|---------------------------|

Contact Person

|           |
|-----------|
| 8635-0680 |
|-----------|

Company Telephone Number

|   |   |  |   |   |
|---|---|--|---|---|
| 1 | 2 |  | 3 | 1 |
|---|---|--|---|---|

Month Day  
Fiscal Year

|                                       |
|---------------------------------------|
| SEC Form 17-A as of December 31, 2024 |
|---------------------------------------|

FORM TYPE

|   |   |
|---|---|
| 0 | 6 |
|---|---|

Month

|   |   |
|---|---|
| 0 | 3 |
|---|---|

Day

Annual Meeting

|  |
|--|
|  |
|--|

Secondary License Type, if Applicable

|   |   |   |
|---|---|---|
| C | F | D |
|---|---|---|

Dept. Requiring this Doc.

|  |
|--|
|  |
|--|

Amended Articles Number/Section

|     |
|-----|
| 234 |
|-----|

Total No. of  
Stockholders

|                  |
|------------------|
| P 21,090,267,652 |
|------------------|

Domestic

Total Amount of Borrowings

|   |
|---|
| - |
|---|

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, 2024**
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, 2024*

Amount of Debt Outstanding: **P21,090,267,652 (as of December 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. 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 1,940,411,318 voting stock held by non-affiliates (public shares) as of December 31, 2024 computed based on the closing share price of P6.09 on the last trading day of the year was P11,623,063,795.**

## **TABLE OF CONTENTS**

|  |    |
|--|----|
| PART I - BUSINESS AND GENERAL INFORMATION                                      | 4  |
| Item 2. Properties   | 11 |
| Item 3. Legal Proceedings  | 11 |
| Item 4. Submission of Matters to a Vote of Security Holders                    | 11 |
| PART II - OPERATIONAL AND FINANCIAL INFORMATION                                | 12 |
| Item 5. Market for Issuer's Common Equity and Related Stockholder Matters      | 12 |
| Item 7. Financial Statements   | 20 |
| Item 8. Information on Independent Public Accountant and Other Related Matters | 20 |
| PART III - CONTROL AND COMPENSATION INFORMATION                                | 22 |
| Item 9. Directors and Executive Officers of the Issuer                         | 22 |
| Item 10. Executive Compensation  | 28 |
| Item 11. Security Ownership of Certain Beneficial Owners and Management        | 29 |
| Item 12. Certain Relationships and Related Transactions                        | 31 |
| PART IV – CORPORATE GOVERNANCE   | 31 |
| Item 13. Compliance with Leading Practice on Corporate Governance              | 31 |
| PART V – EXHIBITS AND SCHEDULES  | 31 |
| Item 14. Exhibits and Reports on SEC Form 17-C                                 | 31 |
| INDEX TO FINANCIAL STATEMENTS  | 34 |



## PART I - BUSINESS AND GENERAL INFORMATION

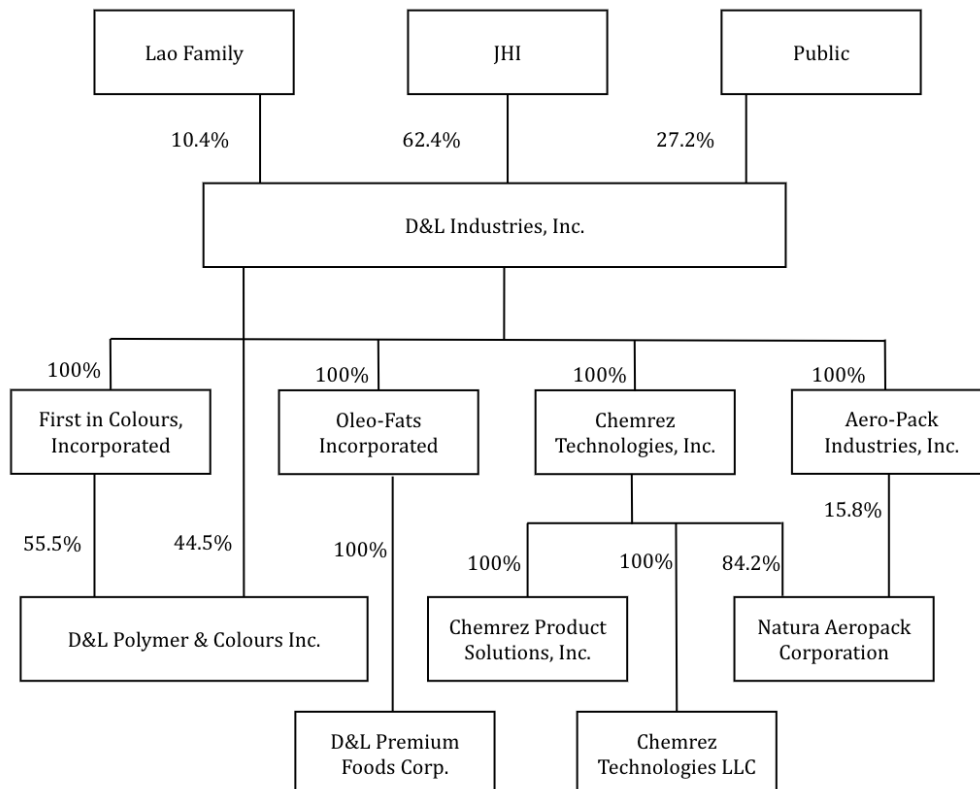
### Item 1. Business

#### 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 72.8% beneficially owned by the Lao family and 27.2% 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, 2024, the Company is 62.4% owned by Jadel Holdings Co., Inc. (JHI) and 10.4% owned by the Lao Family. The remaining 27.2% 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         |
| Chemrez Technologies LLC (CT LLC)      | June 30, 2022         |

## 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 subsidiaries Chemrez Product Solutions, Inc. (CPSI) and Natura Aeropack Corporation (NAC), focuses 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 includes 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 DLPE, 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 serves as a contract manufacturer of 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.

### **Oleochemicals, Resins, and Powder Coatings**

The Company, through Chemrez Technologies, Inc. (CTI) and its subsidiary Chemrez Product Solutions, Inc. (CPSI), and through NAC, focuses 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 covers industries such as personal and home care, biofuels, health and nutrition and construction. CTI and CPSI serve both 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 implementing an integrated management system that is certified to ISO 9001, ISO 45001, and ISO 14001. It is the pioneer 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 national mandate for biodiesel blend is currently at three percent (3%, B3). This was recently increased from two percent (2%, B2) last October 1, 2024. The DOE intends to further increase the mandated blend to four percent (4%, B4) effective October 1, 2025 then to five percent (5%, B5) effective October 1, 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.

#### *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.

### **Consumer Products Original Design Manufacturing**

The Company, operating through its subsidiary Aero-Pack Industries, Inc. (API), 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 2024 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, 2024, the Company and its subsidiaries have a total of 1,219 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 2025.

### **Management of Key Risks related to the Company**

#### **Risks relating to the Philippines**

As of end-2024, 70% 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 put contingency plans in place to mitigate both natural and man-made incidents. 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-2024, cash and cash equivalents were 5.9% of the Company's total consolidated assets.

#### **Risk relating to failure to keep up with technological innovation**

The Company derives 53% 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 16% 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 OFI & CTI customers, accounted for 14% of consolidated revenues in 2024. 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 on 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, 2022, and 2024. 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, 2022 and 2023. In 2024, D&L received 2-golden arrow recognition from ICD. 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 on an arm-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 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.

The Company's analytical laboratory has received accreditation for ISO 17025:2017 Chemical Testing from the Philippine Accreditation Office under the Department of Trade and Industry. This accreditation confirms the lab's commitment to high-quality facilities and personnel, and is valid through April 2, 2029.

### **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, 2024, the Company and its affiliates hold over 448 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 2024:

|   | High  | Low   |
|---|-------|-------|
| Full Year 2024 (January 01 - December 31) | P7.00 | P5.78 |

Source: Bloomberg

The market capitalization of the Company's common shares as of end-2024, based on the closing price of P6.09 per share was P43,500,005,159.

The last traded price of the Company's shares as of February 27, 2024 was P5.96.

(2) Total shares outstanding as of December 31, 2024 was 7,142,857,990 with a par value of P1.00.

The top 20 shareholders <sup>(1)</sup> as of the same date are:

|   |               |        |
|---|---------------|--------|
| 1 JADEL HOLDINGS CO., INC.,                 | 3,930,114,072 | 55.02% |
| 2 PCD NOMINEE CORPORATION (FILIPINO)        | 1,607,435,579 | 22.50% |
| 3 PCD NOMINEE CORPORATION (NON-FILIPINO)    | 848,636,737   | 11.88% |
| 4 SMARTWORKS TRADING CO., INC.,             | 153,533,498   | 2.15%  |
| 5 CEE INDUSTRIES INC.,                      | 146,128,498   | 2.05%  |
| 6 JADANA INC.,                              | 115,521,710   | 1.62%  |
| 7 ALLVEE UNITED, INC.,                      | 95,524,564    | 1.34%  |
| 8 PRIME SPIN INC.,                          | 91,146,296    | 1.28%  |
| 9 JOHN L. LAO                               | 32,993,601    | 0.46%  |
| 10 ALEX L. LAO                              | 32,579,888    | 0.46%  |
| 11 JOHN LEE LAO                             | 21,993,601    | 0.31%  |
| 12 VINCENT D. LAO ITF LORENZO VINCE TAN LAO | 5,025,000     | 0.07%  |
| 13 EMILY CHUA CATIENZA                      | 4,520,000     | 0.06%  |
| 14 LAO ALVIN DIM AND/OR LAO JOHANNA SY      | 4,025,000     | 0.06%  |
| 15 HANSEVIAN, INC.                          | 3,760,000     | 0.05%  |
| 16 IVIE MAE DIM LAO                         | 3,125,000     | 0.04%  |
| YVETTE ANN DIM LAO ITF KYLE ZACHARY LAO     |               |        |
| 17 CHUA-UNSU                                | 3,012,500     | 0.04%  |
| YVETTE ANN DIM LAO ITF STELLA KATHLYN LAO   |               |        |
| 18 CHUA-UNSU                                | 3,012,500     | 0.04%  |
| 19 YVONNE KEH                               | 2,402,900     | 0.03%  |
| 20 OTHER SHAREHOLDERS                       | 38,367,046    | 0.54%  |
|   | 7,142,857,990 | 100%   |

Note: <sup>(1)</sup> 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 03, 2024      | July 03, 2024    | P0.209 per share        | P1,492,857,320  |
| 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    |

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

As at December 31, 2024, 2023 and 2022, the consolidated financial statements include the Company and 100% of its subsidiaries, namely: FIC, DLPC, OFI, API, CTI, CSPI, NAC, DLPF, and CTI LLC.

### **FY2024 versus FY2023**

#### **Results of Operations**

- Reported net income available to common shareholders increased by 2% to P2.34 billion in 2024 from P2.3 billion in 2023, or earnings per share of P0.33 versus 2023's P0.32.
- Consolidated revenues of P40.7 billion in 2024 were 21% higher than P33.5 billion in 2023. The increase in revenue was mainly due to higher sales volume.
- Gross profit for the year increased by 9% to P6.3 billion from P5.7 billion in 2023, mainly due to higher sales volume for the year.
- Selling and marketing expenses increased by 43% to P1.6 billion for the period as the company incurred additional operating and marketing expenses related to the commercial operations of its new plant in Batangas.

- General and administrative expenses increased by 2% to P 1.0 billion for the period mainly driven by higher professional fees, contracted services, and taxes and licenses.
- The company booked other operating income of P95 million in 2024 mainly from forex gains and interest income from short term deposits from banks.
- Finance cost increased by 58% y-o-y to P971 million largely due to higher levels and interest rates.
- Income tax expense decreased by 41% to P424 million in 2024.

## **Segment Operations**

### Food Ingredients

- The food ingredients division delivered solid volume growth of 33% in FY24. This stellar volume growth drove profitability despite the incremental costs associated with the newly commissioned lines in Batangas. The food ingredients division ended the year with a 15% YoY earnings growth. For 2025, the company sees continued growth especially with the boost coming from election-related spending benefitting the consumer industry in general.
- With its global marketing initiatives and active participation in various world trade shows and conferences, the company has had several successes in gaining new export customers to date. As the new 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.

### Oleochemicals and Specialty Oleochemicals

- Things have finally started to improve for Chemrez with total volume up 13% YoY. Despite the incremental expenses coming from the Batangas plant, Chemrez managed to book a 7% YoY earnings growth for the period.
- Chemrez sees a continued recovery into 2025 given a more favorable regulatory environment for biodiesel. The DOE earlier indicated another 1% blend increase to 4% (B4) by October 1, 2025. On the higher margin specialties and export side, Chemrez continues to expand its footprint globally especially with the new capacity and capabilities that the Batangas plant offers.

### Specialty Plastics

- The Specialty Plastics division delivered strong results in FY24 with earnings growing by 18% YoY. Total volume for the period was up by 7% YoY while margins were higher by 1.9 ppts YoY. With its strong performance, the plastics division has overtaken both the food ingredients division and Chemrez in terms of net income contribution for the year.
- Improvements in the global auto industry translated to higher demand for engineered polymers for auto wire harness application, which the company manufactures under this division. In addition, there were successful market share grabs during the period, as the company continues

to demonstrate its reliability as a supplier and as it invests in resources to further develop customer relationships.

- In the long run, the company anticipates sustained growth in this segment, driven by its groundbreaking research and development efforts, particularly in enhancing the sustainability of plastics.

#### Consumer Products ODM

- Following a strong performance in FY23, the Consumer Products ODM segment faced challenges in FY24, with earnings plummeting 51% YoY due to the lingering effects of high inflation and incremental expenses from the Batangas plant. The weakness in this division largely mirrors the cautiousness in the domestic consumer market, as 93% of the segment's sales are concentrated locally. Looking ahead, the company anticipates a rebound as inflation eases and incomes gradually align with higher price levels. Additionally, exports are emerging as a fresh growth driver, now accounting for 7% of total sales—up from nearly zero six years ago—with management expecting this share to steadily increase over the long term.

#### **Key Financial Performance Indicators**

|   | <b>2024</b> | <b>2023</b> |
|---|-------------|-------------|
| Gross Profit margin <sup>a</sup>        | 15%         | 17%         |
| Net profit margin <sup>b</sup>          | 6%          | 7%          |
| Return on Equity <sup>c</sup>           | 11%         | 11%         |
| Current ratio <sup>d</sup>              | 1.25x       | 1.25x       |
| Interest cover <sup>e</sup>             | 4x          | 6x          |
| Net debt to equity ratio <sup>f</sup>   | 0.84x       | 0.68x       |
| Asset-to-Equity ratio <sup>g</sup>      | 2.22x       | 2.04x       |
| Book Value per share <sup>h</sup>       | 3.05        | 2.92        |
| Return on Invested Capital <sup>i</sup> | 9%          | 10%         |

<sup>a</sup> Gross Profit/ Revenues

<sup>b</sup> Net Income available to common shareholders/ Revenues

<sup>c</sup> Net Income available to common shareholders/ Shareholders' Equity

<sup>d</sup> Current Assets/ Current Liabilities

<sup>e</sup> Earnings before interest and taxes/ Interest Expense

<sup>f</sup> (Borrowings – Cash)/ Shareholders' Equity

<sup>g</sup> Total Assets/Total Equity

<sup>h</sup> Shareholders' Equity (available to owners of the Parent) / weighted average outstanding number of common shares

<sup>i</sup> Pre-tax income / invested capital (total assets – cash – non-interest bearing liabilities)

## Financial Condition

- The Company's current ratio stood at 1.25x in 2024 vs 1.25x in 2023.
- Cash level at the end of 2024 stood at P2.83 billion, unchanged from the end-2023 level.
- Excluding the impact of VAT in the account balances, cash conversion cycle stood at 139 days with Accounts Receivable days, Inventory days, and Accounts Payable days at 53, 107, and 21 respectively.
- Prepayments and other current assets were unchanged at P5.9 billion.
- Net debt to equity ratio in 2024 stood at 84%. Interest cover remains comfortable at 4x. Total borrowings as of end-2024 stood at P21 billion.
- Retained earnings increased by 8% in 2024 to P11.1 billion mainly as a result of net income for the year. Total dividends paid amounted to Php1.5 billion which translated to a 65% payout ratio based on previous year's net income.
- Total equity increased by 4% to P21.8 billion on the back of higher retained earnings.
- As the company moves past peak capex with the completion of its Batangas plant, the company's cash flows FY24 are.
  - Net cash generated by operating activities stood at P48 million.
  - Net cash used in investing activities amounted to P1 billion which was mainly spent on acquisition of property and equipment
  - Net cash from financing activities amounted to P1 billion which mainly went to dividend and interest payments.

## **FY2023 versus FY2022**

### 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**

|   | <b>2023</b> | <b>2022</b> |
|---|-------------|-------------|
| Gross Profit margin <sup>a</sup>        | 17%         | 15%         |
| Net profit margin <sup>b</sup>          | 7%          | 9%          |
| Return on Equity <sup>c</sup>           | 11%         | 14%         |
| Current ratio <sup>d</sup>              | 1.25x       | 1.51x       |
| Interest cover <sup>e</sup>             | 6x          | 24x         |
| Net debt to equity ratio <sup>f</sup>   | 0.68x       | 0.45x       |
| Asset-to-Equity ratio <sup>g</sup>      | 2.04x       | 1.90x       |
| Book Value per share <sup>h</sup>       | 2.92        | 2.67        |
| Return on Invested Capital <sup>i</sup> | 10%         | 12%         |

<sup>a</sup> Gross Profit/ Revenues

<sup>b</sup> Net Income available to common shareholders/ Revenues

<sup>c</sup> Net Income available to common shareholders/ Shareholders' Equity

<sup>d</sup> Current Assets/ Current Liabilities

<sup>e</sup> Earnings before interest and taxes/ Interest Expense

<sup>f</sup> (Borrowings – Cash)/ Shareholders' Equity

<sup>g</sup> Total Assets/Total Equity

<sup>h</sup> Shareholders' Equity (available to owners of the Parent) / weighted average outstanding number of common shares

<sup>i</sup> 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.

### **D&L's Plan of Operation for 2025**

With steady and consistent ramp up in operations, the new plant in Batangas turned profitable in 2024. This is ahead of the initial schedule of within two years of operations which was based on the performance of the older plants that the company had built over the years.

The promising results of operations of the new plant gives the company the confidence that, over time, its industry leading facilities will continue to play an increasingly significant role in boosting its overall net income. While it is still possible to see quarterly swings in profitability given the early stages of operations - going forward, the company expects Batangas to start contributing consistently to its bottom line. D&L believes that it has only just begun to tap into the plant's potential given the vast opportunities the company sees in both local and international markets

As such for 2025, the company remains focused on further increasing the utilization of its Batangas plant. With new capacity and capabilities to offer, D&L remains committed to 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 6, 2024. 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 and 2024. 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 |
|------|------------|
| 2022 | P5,780,000 |
| 2023 | P5,870,000 |
| 2024 | P6,475,000 |

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 Audit Committee is entirely composed of independent directors:

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

The Audit Committee meets on a regular basis to:

1. Recommend the approval of the Internal Audit Charter (IA Charter), which formally defines the role of Internal Audit and the audit plan as well as oversee the implementation of the IA Charter;
2. Through the Internal Audit (IA) Department, monitor and evaluate the adequacy and effectiveness of the Company's internal control system, integrity of financial reporting, and security of physical and information assets. Well-designed internal control procedures and processes that will provide a system of checks and balances should be in place in order to (a) safeguard the Company's resources and ensure their effective utilization, (b) prevent occurrence of fraud and other irregularities, (c) protect the accuracy and reliability of the company's financial data, and (d) ensure compliance with applicable laws and regulations;
3. Oversee the IA Department, and recommend the appointment and removal of an IA head or Chief Audit Executive (CAE) as well as his qualifications, and grounds for appointment and removal;
4. Approve the terms and conditions for outsourcing internal audit services;
5. Establish and identify the reporting line of the Internal Auditor, who shall directly report to the Audit Committee, to enable him to properly fulfill his duties and responsibilities;
6. Monitor Management's responsiveness to the Internal Auditor's findings and recommendations;
7. Prior to the commencement of the audit, discuss with the External Auditor the nature, scope and expenses of the audit, and ensure the proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts;
8. Evaluate and determine the non-audit work, if any, of the External Auditor, and periodically review the non-audit fees paid to the External Auditor in relation to the total fees paid to him and to the Company's overall consultancy expenses, provided the Audit 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; provided further, that the non-audit work, if allowed, should be disclosed in the Company's Annual Report and Annual Corporate Governance Report;
9. Review and approve the Interim and Annual Financial Statements before their submission to the Board, with particular focus on the following matters:
  - a) Any change/s in accounting policies and practices
  - b) Areas where a significant amount of judgment has been exercised
  - c) Significant adjustments resulting from the audit
  - d) Going concern assumptions
  - e) Compliance with accounting standards
  - f) Compliance with tax, legal and regulatory requirements
10. Review the disposition of the recommendations in the External Auditor's management letter;
11. Perform oversight functions over the Company's Internal and External Auditors and ensure the independence of Internal and External Auditors, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions

taking into consideration relevant Philippine professional and regulatory requirements;

12. Coordinate, monitor and facilitate compliance with laws, rules and regulations;
13. Recommend to the Board the appointment, reappointment, removal and fees of the External Auditor, duly accredited by SEC, who undertakes an independent audit of the Company, and provides an objective assurance on the manner by which the financial statements should be prepared and presented to the stockholders;
14. Assess the integrity and independence of external auditors and exercise effective oversight to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant Philippine professional and regulatory requirements; and;
15. Review and monitor the external auditor's suitability and effectiveness on an annual basis

## **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, 2024 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

| <b>Name</b> | <b>Age</b> | <b>Nationality</b> | <b>Position</b>        |
|-------------|------------|--------------------|------------------------|
| Dean L. Lao | 86         | Filipino           | Chairman Emeritus      |
| Leon L. Lao | 82         | Filipino           | Member, Advisory Board |
| Alex L. Lao | 79         | Filipino           | Member, Advisory Board |

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

| <b>Name</b>     | <b>Age</b> | <b>Nationality</b> | <b>Position</b>                                 |
|-----------------|------------|--------------------|---|
| Yin Yong L. Lao | 72         | Filipino           | Chairman  |
| John L. Lao     | 70         | Filipino           | Director and Vice Chairman                      |
| Alvin D. Lao    | 53         | Filipino           | Director, President and Chief Executive Officer |

|                               |    |          |                                       |
|-------------------------------|----|----------|---------------------------------------|
| Mercedita S. Nollo            | 83 | Filipino | Independent Director                  |
| Corazon S. de la Paz-Bernardo | 83 | Filipino | Independent Director                  |
| Lydia R. Balatbat-Echauz      | 77 | Filipino | Independent Director                  |
| Karl Kendrick T. Chua         | 46 | Filipino | Independent Director                  |
| Franco Diego Q. Lao           | 46 | Filipino | CFO, Treasurer, Compliance Officer    |
| Dean A. Lao, Jr.              | 57 | Filipino | President & CEO, Chemrez Technologies |
| Lester A. Lao                 | 56 | Filipino | President & CEO, FIC and DLPC         |
| Vincent D. Lao                | 51 | Filipino | President & CEO, Oleo-Fats, Inc.      |
| Kristine Ann C. Catindig-Ong  | 43 | Filipino | Corporate Secretary, CIO              |
| Ainslee Anne T. Lao           | 33 | Filipino | Assistant Corporate Secretary         |

---

The following are the periods of service and a brief description of the business experience for the past five years of each of the directors and executive officers of the Company.

**Yin Yong L. Lao**, 72, 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., Star Anise Properties Corporation 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, LBL Land 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**, 70, 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, Anonas LRT Property and Dev't Corp., Hotel Acropolis, Inc., Star Anise Properties Corporation, First Batangas Industrial Park, Inc., Color-Chem Corp., LBL Land Corporation and Jadel Holdings Co., Inc. John obtained his B.S. in Business Administration from the University of the East.

**Alvin D. Lao**, 53, 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., Hotel Acropolis, Inc. and Star Anise Properties Corporation. 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. Nollo**, 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 Land Commercial REIT, Inc., Anvaya Cove Beach & Nature Club, Michigan Holdings, Inc. and Sonoma Properties, Inc. Mrs. Nollo obtained a B.S. in Business Administration and Accountancy (Magna Cum Laude and class valedictorian) and a Bachelor of Laws (L.I.B degree – cum laude and class valedictorian) from the University

of the Philippines. She placed 2<sup>nd</sup> 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, Phinma Education Holdings Inc. and FINEX Foundation, 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-Echaz**, 77, 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**, 46, 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., AC Infrastructure Holdings, Corporation, AC Industrial Technology Holdings 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**, 86, 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, LBL Land Corporation and Jadel Holdings Co., Inc. Dean obtained his B.S. in

Chemical Engineering from the Polytechnic Colleges of the Philippines.

**Leon L. Lao**, 82, 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, LBL Land Corporation and Jadel Holdings Co., Inc. Leon obtained his B.S. in Chemical Engineering from the Polytechnic Colleges of the Philippines.

**Alex L. Lao**, 79, 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., Star Anise Properties Corporation, Color-Chem Corp., North Mactan Industrial Corporation, LBL Land 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**, 46, 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.**, 57, 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**, 56, 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., Hotel Acropolis, Inc. and Star Anise Properties Corporation. He finished his Bachelor of Applied Science (Information Business) in Edith Cowan University Australia.

**Vincent D. Lao**, 51, 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., Hotel Acropolis, Inc. and Star Anise Properties Corporation. 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.

#### **Involvement in Certain Legal Proceedings**

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.
- d) 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***

As a policy, the Board sets the schedule of Board meetings prior to the start of the calendar year. For 2024, the Board met six (6) times. The record of attendance of the directors at the meetings of the Board of Directors held during 2024 is as follows:

| Board       | Name                          | Date of Election | No. of Meetings Held during the year | No. of Meetings Attended | %    |
|-------------|-------------------------------|------------------|--------------------------------------|--------------------------|------|
| Chairman    | Yin Yong L. Lao               | 06-3-24          | 6                                    | 6                        | 100% |
| Member      | John L. Lao                   | 06-3-24          | 6                                    | 6                        | 100% |
| Member      | Alvin D. Lao                  | 06-3-24          | 6                                    | 6                        | 100% |
| Independent | Mercedita S. Nollo            | 06-3-24          | 6                                    | 6                        | 100% |
| Independent | Corazon S. de la Paz-Bernardo | 06-3-24          | 6                                    | 6                        | 100% |
| Independent | Lydia R. Balatbat-Echauz      | 06-3-24          | 6                                    | 6                        | 100% |
| Independent | Karl Kendrick T. Chua         | 06-3-24          | 6                                    | 6                        | 100% |

The record of attendance of the directors at the meetings of the Board Committees held during 2024 is as follows:

| Board Committee                             | Members                    | No. of Meetings Held during the year | No. of Meetings Attended | %    |
|---|----------------------------|--------------------------------------|--------------------------|------|
| Audit Committee                             | Corazon de la Paz-Bernardo | 4                                    | 4                        | 100% |
|   | Mercedita S. Nollo         | 4                                    | 4                        | 100% |
|   | Lydia Balatbat-Echauz      | 4                                    | 4                        | 100% |
|   | Karl Kendrick T. Chua      | 4                                    | 4                        | 100% |
|   |                            |                                      |                          |      |
| Corporate Governance Committee              | Mercedita S. Nollo         | 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. Nollado       | 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      | 2 | 2 | 100% |

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

### 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 2022, 2023, and 2024 amounted to P49,384,255, P51,485,338 and P46,351,115 respectively. The projected total annual compensation for the current year 2025 is P48,668,671. 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             | 2024 |                    | -     | -                  |
| Dean A. Lao, Jr.      | President and CEO - Chemrez   | 2024 |                    | -     | -                  |
| Lester A. Lao         | President and CEO - DLPC/FIC  | 2024 |                    | -     | -                  |
| Vincent D. Lao        | President and CEO - Oleo Fats | 2024 |                    | -     | -                  |
| Other Senior Officers |                               | 2024 |                    | -     | -                  |
| <b>Total</b>          |                               |      | <b>P46,351,115</b> | -     | -                  |

The following table presents the fees received by the Directors for 2024.

| Name            | Position       | Annual Retainer Fee | Per Diem (BOD Meetings) | Per Diem (Committee Meetings) | Total          |
|-----------------|----------------|---------------------|-------------------------|-------------------------------|----------------|
| Yin Yong L. Lao | Chairman       | 500,000             | 270,000                 | 216,000                       | <b>986,000</b> |
| John L. Lao     | Vice Chairman  | 500,000             | 270,000                 | 216,000                       | <b>986,000</b> |
| Alvin D. Lao    | President CEO  | 500,000             | 270,000                 | 72,000                        | <b>842,000</b> |
| Alex L. Lao     | Advisory Board |                     | 270,000                 |                               | <b>270,000</b> |
| Dean L. Lao     | Advisory Board |                     | 270,000                 |                               | <b>270,000</b> |
| Leon L. Lao     | Advisory Board |                     | 270,000                 |                               | <b>270,000</b> |

|                              |                      |                  |                  |                  |                  |
|------------------------------|----------------------|------------------|------------------|------------------|------------------|
| Corazon S. Dela Paz-Bernardo | Independent Director | 500,000          | 270,000          | 468,000          | <b>1,238,000</b> |
| Karl Kendrick T. Chua        | Independent Director | 500,000          | 270,000          | 360,000          | <b>1,130,000</b> |
| Lydia R. Balabat-Echauz      | Independent Director | 500,000          | 270,000          | 450,000          | <b>1,220,000</b> |
| Mercedita S. Nollado         | Independent Director | 500,000          | 270,000          | 414,000          | <b>1,184,000</b> |
| <b>Total</b>                 |                      | <b>3,500,000</b> | <b>2,700,000</b> | <b>2,196,000</b> | <b>8,396,000</b> |

*Note: Above 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, 2024, 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  | 369,880,823   | 5.18%  |

*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, 2024:

|                |                          |                        |             | Amount and Nature of Beneficial Ownership (1) - Balance as of 1/1/2024 | Total Acquisition and Disposal for Y2024 | Amount and Nature of Beneficial Ownership (1) -Balance as of 12/31/2024 |     | % to Total Outstanding |
|----------------|--------------------------|------------------------|-------------|--|--|---|-----|------------------------|
| Title of Class | Name of Beneficial Owner | Position               | Citizenship |  |  |   |     |                        |
|                |                          |                        |             | 1,081,600  | -  | 1,081,600   | (D) | 0.02%                  |
| Common         | Dean L. Lao              | Chairman Emeritus      | Filipino    | 42,060   | -  | 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%                  |
|                |                          |                        |             | 33,706,338   | -  | 33,706,338  | (D) | 0.47%                  |
| Common         | Alex L. Lao              | Member, Advisory Board | Filipino    | 8,579,362  | -  | 8,579,362   | (I) | 0.12%                  |
| Common         | Yin Yong L. Lao          | Chairman               | Filipino    | 5,000  | -  | 5,000   | (D) | 0.00%                  |

|        |                               |  |          |            |         |   |            |     |       |
|--------|-------------------------------|--|----------|------------|---------|---|------------|-----|-------|
|        |                               |  |          | 19,090,188 | -       |   | 19,090,188 | (I) | 0.27% |
|        |                               |  |          | 60,797,202 | -       |   | 60,797,202 | (D) | 0.85% |
| Common | John L. Lao                   | Vice Chairman                              | Filipino | 9,560,185  | 5,000   | A | 9,565,185  | (I) | 0.13% |
| Common | Mercedita S. Nollado          | 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     | 50,000  | A | 139,500    | (D) | 0.00% |
| Common | Karl Kendrick T. Chua         | Independent Director                       | Filipino | 100        | -       |   | 100        | (D) | 0.00% |
|        |                               |  |          | 11,053,000 | 169,000 | A | 11,222,000 | (D) | 0.16% |
| Common | Alvin D. Lao                  | President & Chief Executive Officer        | Filipino | 1,931,588  | -       |   | 1,931,588  | (I) | 0.03% |
|        |                               |  |          | 1,763,000  | 100,000 | A | 1,863,000  | (D) | 0.03% |
| Common | Dean A. Lao, Jr.              | President and CEO, CTI                     | Filipino | 2,298,057  | 198,000 | A | 2,496,057  | (I) | 0.03% |
|        |                               |  |          | 1,023,000  | 100,000 | A | 1,123,000  | (D) | 0.02% |
| Common | Lester A. Lao                 | President and CEO, FIC and DLPC            | Filipino | 42,682,874 | 66,000  | A | 42,748,874 | (I) | 0.60% |
|        |                               |  |          | 6,668,000  | -       |   | 6,668,000  | (D) | 0.09% |
| Common | Vincent D. Lao                | President and CEO, Oleo-Fats, Inc.         | Filipino | 1,931,520  | -       |   | 1,931,520  | (I) | 0.03% |
|        |                               |  |          | 1,279,000  | 100,000 | A | 1,379,000  | (D) | 0.02% |
| Common | Franco Diego Q. Lao           | CFO, Treasurer, & Chief Compliance Officer | Filipino | 21,710,142 | -       |   | 21,710,142 | (I) | 0.30% |
| Common | Kristine Catindig-Ong         | Corporate Secretary                        | Filipino | 366,000    | 100,000 | A | 466,000    | (D) | 0.01% |
|        |                               |  |          | 1,383,600  | 100,000 | A | 1,483,600  | (D) | 0.02% |
| Common | Ainslee Anne T. Lao           | Assistant Corporate Secretary              | Filipino | 21,173,959 | -       |   | 21,173,959 | (I) | 0.30% |
| Common | Crissa Marie U. Bondad        | Investor Relations Manager                 | Filipino | 553,800    | 150,000 | A | 703,800    | (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.     | 4,456,994,496                | 62.40%                 |
| 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.             | 95,651,296                   | 1.34%                  |
| CEE Industries, Inc.         | 146,128,498                  | 2.05%                  |
| Hansevian, Inc.              | 4,090,000                    | 0.06%                  |

## **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/2024/05/2023-Integrated-Annual-Corporate-Governance-Report-I-ACGR-PSE.pdf>. The Company will submit its I-ACGR covering the year 2024 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 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, 2024 TO DECEMBER 31, 2024**

| <b>Date</b>  | <b>Description of disclosure</b>  |
|--------------|---|
| Jan 05, 2024 | Press Release - Higher Biodiesel Blend - A win for the planet, consumers, and the industry                              |
| Jan 10, 2024 | Public Ownership Report   |
| Jan 10, 2024 | List of Top 100 Stockholders (Common Shares)  |
| Feb 26, 2024 | Notice of Analysts'/Investors' Briefing   |
| Feb 28, 2024 | Notice of Annual or Special Stockholders' Meeting   |
| Feb 28, 2024 | Material Information/Transactions - Renewal of Management Agreements  |
| Feb 28, 2024 | Material Information/Transactions - Approval of the Audited Financial Statements for the period ending 31 December 2023 |
| Feb 29, 2024 | Material Information/Transactions - Consolidated Audited Financial Statements for the year 2023                         |
| Feb 29, 2024 | Press Release - D&L Releases Full Year 2023 Financial Results   |
| Mar 01, 2024 | Clarification of News Reports   |
| Mar 12, 2024 | Annual Report   |
| Mar 19, 2024 | Statement of Changes in Beneficial Ownership of Securities  |
| Mar 21, 2024 | Statement of Changes in Beneficial Ownership of Securities  |
| Mar 22, 2024 | Statement of Changes in Beneficial Ownership of Securities  |
| Mar 22, 2024 | Statement of Changes in Beneficial Ownership of Securities  |
| Mar 22, 2024 | Statement of Changes in Beneficial Ownership of Securities  |
| Mar 22, 2024 | Statement of Changes in Beneficial Ownership of Securities  |
| Mar 22, 2024 | Statement of Changes in Beneficial Ownership of Securities  |
| Mar 22, 2024 | Statement of Changes in Beneficial Ownership of Securities  |
| Mar 25, 2024 | Press Release - D&L's Batangas plant "Central Hub" building gets LEED Gold Certification                                |
| Mar 27, 2024 | Statement of Changes in Beneficial Ownership of Securities  |
| Apr 12, 2024 | List of Top 100 Stockholders (Common Shares)  |
| Apr 12, 2024 | Public Ownership Report   |
| Apr 12, 2024 | Statement of Changes in Beneficial Ownership of Securities  |
| Apr 19, 2024 | Press Release - D&L Industries paving the way for a circular economy through plastic upcycling technologies             |
| Apr 19, 2024 | Statement of Changes in Beneficial Ownership of Securities  |
| Apr 25, 2024 | Statement of Changes in Beneficial Ownership of Securities  |
| Apr 25, 2024 | Information Statement   |
| Apr 29, 2024 | Press Release - D&L Industries, Inc.'s Outstanding Bonds Maintain Highest Credit Rating                                 |
| Apr 29, 2024 | [Amend-1] Notice of Annual or Special Stockholders' Meeting   |
| May 03, 2024 | Notice of Analysts'/Investors' Briefing   |
| May 08, 2024 | Press Release - D&L Releases First Quarter 2024 Financial Results   |
| May 08, 2024 | Material Information/Transactions - Matters approved during the Board Meeting held on May 7, 2024                       |
| May 09, 2024 | [Amend-1] Press Release - D&L Releases First Quarter 2024 Financial Results   |
| May 13, 2024 | Information Statement   |
| May 13, 2024 | Quarterly Report  |

|              |   |
|--------------|---|
| May 24, 2024 | Statement of Changes in Beneficial Ownership of Securities  |
| May 30, 2024 | Integrated Annual Corporate Governance Report   |
| Jun 03, 2024 | Material Information/Transactions - Renewal of Management Agreements  |
| Jun 03, 2024 | Declaration of Cash Dividends   |
| Jun 03, 2024 | Declaration of Cash Dividends   |
| Jun 03, 2024 | Material Information/Transactions - Guidelines for distribution of cash dividends   |
| Jun 03, 2024 | Press Release   |
| Jun 03, 2024 | Results of Organizational Meeting of Board of Directors   |
| Jun 03, 2024 | Results of Annual or Special Stockholders' Meeting  |
| Jun 21, 2024 | Statement of Changes in Beneficial Ownership of Securities  |
| Jun 25, 2024 | Other SEC Forms, Reports and Requirements - General Information Sheet   |
| Jun 27, 2024 | Statement of Changes in Beneficial Ownership of Securities  |
| Jul 05, 2024 | Statement of Changes in Beneficial Ownership of Securities  |
| Jul 08, 2024 | Public Ownership Report   |
| Jul 10, 2024 | List of Top 100 Stockholders (Common Shares)  |
| Jul 12, 2024 | Statement of Changes in Beneficial Ownership of Securities  |
| Jul 12, 2024 | Statement of Changes in Beneficial Ownership of Securities  |
| Jul 26, 2024 | Statement of Changes in Beneficial Ownership of Securities  |
| Jul 29, 2024 | Statement of Changes in Beneficial Ownership of Securities  |
| Aug 08, 2024 | Notice of Analysts'/Investors' Briefing   |
| Aug 12, 2024 | Material Information/Transactions - Approval of the results of operation for the quarterly period ending 30 June 2024                         |
| Aug 13, 2024 | Press Release - D&L Releases Second Quarter 2024 Financial Results  |
| Aug 14, 2024 | Quarterly Report  |
| Aug 22, 2024 | Statement of Changes in Beneficial Ownership of Securities  |
| Aug 30, 2024 | Statement of Changes in Beneficial Ownership of Securities  |
| Aug 30, 2024 | Statement of Changes in Beneficial Ownership of Securities  |
| Aug 30, 2024 | Statement of Changes in Beneficial Ownership of Securities  |
| Aug 30, 2024 | Statement of Changes in Beneficial Ownership of Securities  |
| Sep 13, 2024 | Material Information/Transactions - Notice of Redemption DNL 3-Year Series A Bonds  |
| Sep 13, 2024 | Material Information/Transactions - Record Date for the last quarterly interest and principal payment   |
| Sep 16, 2024 | Material Information/Transactions - Notice of Redemption 3-Year Series A Bonds  |
| Oct 01, 2024 | Press Release - D&L's Batangas Plant brings Higher Value-added Coconut Derivatives to the Global Centerstage: A Sustainable Integration Story |
| Oct 03, 2024 | Press Release - D&L Industries recognized for its good governance, wins ACGS Golden Arrow Award for the 5th consecutive year                  |
| Oct 11, 2024 | List of Top 100 Stockholders (Common Shares)  |
| Oct 11, 2024 | Public Ownership Report   |
| Oct 21, 2024 | Press Release - D&L's Head Office gets LEED Gold Operations and Maintenance Certification   |
| Oct 24, 2024 | Statement of Changes in Beneficial Ownership of Securities  |

|              |  |
|--------------|--|
| Oct 30, 2024 | Notice of Analysts'/Investors' Briefing  |
| Nov 05, 2024 | Material Information/Transactions - Approval of the results of operation for the quarterly period ending 30 September 2024             |
| Nov 06, 2024 | Press Release - D&L Releases Third Quarter 2024 Financial Results  |
| Nov 07, 2024 | Other SEC Forms, Reports and Requirements - SEC Form 17-C Advisement Report on Corporate Governance Training of Directors and Officers |
| Nov 14, 2024 | Quarterly Report   |
| Nov 25, 2024 | Statement of Changes in Beneficial Ownership of Securities   |
| Dec 06, 2024 | Statement of Changes in Beneficial Ownership of Securities   |
| Dec 16, 2024 | Statement of Changes in Beneficial Ownership of Securities   |
| Dec 19, 2024 | Statement of Changes in Beneficial Ownership of Securities   |
| Dec 26, 2024 | Statement of Changes in Beneficial Ownership of Securities   |
| Dec 27, 2024 | Statement of Changes in Beneficial Ownership of Securities   |

## INDEX TO FINANCIAL STATEMENTS

### Form 17-A, Item 7

### Consolidated Financial Statements

Statement of Management's Responsibility for Financial Statements

Independent Auditor's Report

Consolidated Balance Sheets as of December 31, 2024 and 2023

Consolidated Statements of Income for the years ended December 31, 2024, 2023 and 2022

Consolidated Statements of Changes in Equity for the years ended December 31, 2024, 2023 and 2022

Consolidated Statements of Cash Flows for the years ended December 31, 2024, 2023 and 2022

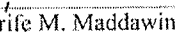
Notes to Consolidated Financial Statements

## 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 **CITY OF MANILA** on ~~MAR 01 2025~~.

By:

  
Alvin D. Lao  
President/CEO

  
Marife M. Maddawin  
Controller

  
Franco Diego T. Lao  
Chief Finance Officer

  
Kristine Ann Catindig-Ong  
Corporate Secretary

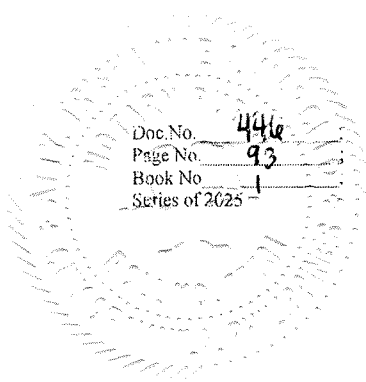
**SUBSCRIBED AND SWORN** to before me this \_\_\_\_\_ day of **MAR 01 2025** at (s) exhibiting to me his/their Driver's License, as follows:

### NAMES

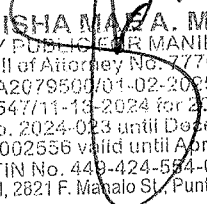
### VALID ID

### EXPIRE ON

Alvin D. Lao  
Franco Diego T. Lao  
Kristine Ann Catindig-Ong  
Marife M. Maddawin



### NOTARY PUBLIC

  
**ATTY. TRISHA MAZA A. MARCELO**  
NOTARY PUBLIC FOR MANILA CITY  
Roll of Attorney No. 77701  
PTR No. MLA2079500/01-02-2025/Manila City  
IBP No. 476547/11-13-2024 for 2025/Manila III  
Commission No. 2024-023 until December 31, 2025  
MCLE-0002556 valid until April 14, 2028  
TIN No. 449-424-554-000  
MRI Food Terminal, 2821 F. Manalo St., Punta, Sta. Ana, Manila



# D&L Industries, Inc. and Subsidiaries

**Consolidated Financial Statements  
With Supplemental Schedules  
For the Securities and Exchange Commission  
December 31, 2024**

# **FIRST SECTION**

Audited Consolidated Financial Statements with  
Supplemental Schedules for the  
Securities and Exchange Commission  
December 31, 2024

TABLE OF CONTENTS

First Section

|   |
|---|
| Statement of management responsibility                |
| Report of independent auditors                        |
| Consolidated statements of financial position         |
| Consolidated statements of total comprehensive income |
| Consolidated statements of changes in equity          |
| Consolidated statements of cash flows                 |
| Notes to the consolidated financial statements        |

**SECURITIES AND EXCHANGE COMMISSION****The SEC Headquarters**

7907 Makati Avenue, Salcedo Village

Bel-Air, Makati 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, as at December 31, 2024 and 2023 and for the years ended December 31, 2024, 2023 and 2022, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, 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.

  
Yin Yong L. Lao

Chairman of the Board

Alvin D. Lao  
President & CEO  
Franco Diego T. Lao  
Chief Finance Officer**D&L INDUSTRIES, INC.**

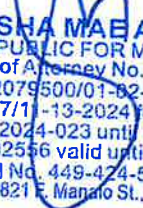
65 Calle Industria, Bagumbayan, Quezon City, 1110 Philippines

(632) 8635-0680 (632) 8635-0703 info@dnl.com.ph www.dnl.com.ph

SUBSCRIBED AND SWORN to before me this MAR 01 2025 at CITY OF MANILA,  
affiants exhibiting to me their Passports Nos:

|                     | Valid ID | Expiration/Place of Issuance |
|---------------------|----------|------------------------------|
| YIN YONG L. LAO     | PP       |                              |
| ALVIN D. LAO        | PP       |                              |
| FRANCO DIEGO T. LAO | PP       |                              |

Doc. No. 445  
Page No. 93  
Book No. 1  
Series of 2025

  
**ATTY. TRISHA MAE A. MARCELO**  
NOTARY PUBLIC FOR MANILA CITY  
Roll of Attorney No. 77701  
PTR No. MLA2079500/01-02-2025/Manila City  
IBP No. 476547/11-13-2024 for 2025/Manila III  
Commission No. 2024-023 until December 31, 2025  
MCLE-0002556 valid until April 14, 2028  
TIN No. 449-424-554-000  
MRI Food Terminal, 2821 E. Manila St., Punta, Sta. Ana, Manila



## 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, 2024 and 2023, and their consolidated financial performance and their consolidated cash flows for the three years in the period ended December 31, 2024 in accordance with Philippine Financial Reporting Standards (PFRS) Accounting Standards.

### *What we have audited*

The Group's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2024 and 2023;
- the consolidated statements of total comprehensive income for each of the three years in the period ended December 31, 2024;
- the consolidated statements of changes in equity for each of the three years in the period ended December 31, 2024;
- the consolidated statements of cash flows for each of the three years in the period ended December 31, 2024; and
- the notes to the consolidated financial statements, comprising material accounting policy information.

### Basis for Opinion

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

We 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 the Code of Ethics.

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

Isla Lipana & Co. is the Philippine member firm of the PwC network. PwC refers to the Philippine member firm, and may sometimes refer to the PwC network. Each member firm is a separate legal entity. Please see [www.pwc.com/structure](http://www.pwc.com/structure) for further details.



Independent Auditor's Report  
To the Board of Directors and Shareholders of  
D&L Industries, Inc.  
Page 2

### **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.



Independent Auditor's Report  
To the Board of Directors and Shareholders of  
D&L Industries, Inc.  
Page 3

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

| Key Audit Matter  | How our audit addressed the key audit matter  |
|---|---|
| <p><b>Impairment of goodwill</b></p> <p>Refer to Note 1.3 to the consolidated financial statements.</p> <p>As at December 31, 2024, 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).</p> <p>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.</p> | <p>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.</p> <p>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:</p> <ul style="list-style-type: none"><li>• Reviewed management's basis for identifying the CGU where goodwill is allocated.</li><li>• 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 the 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.</li><li>• Tested reasonableness of cost ratio based on historical results and forecasted product mix based on future economic outlook that affects demand.</li></ul> <p>In testing the discounted cash flow calculation, we also performed the following:</p> <ul style="list-style-type: none"><li>• Tested mathematical accuracy of the discounted cash flow calculation.</li><li>• Tested the calculation of the carrying amount of the CGU.</li><li>• Performed sensitivity analysis of key 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.</li></ul> |





Independent Auditor's Report  
To the Board of Directors and Shareholders of  
D&L Industries, Inc.  
Page 4

### **Other Information**

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

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 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.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the SEC Form 20-IS (Definitive Information Statement), 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 Accounting Standards, 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.



Independent Auditor's Report  
To the Board of Directors and Shareholders of  
D&L Industries, Inc.  
Page 5

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



Independent Auditor's Report  
To the Board of Directors and Shareholders of  
D&L Industries, Inc.  
Page 6

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and 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.**

A handwritten signature in black ink, appearing to read 'C. de Guzman'.

Carlos Federico C. de Guzman  
Partner

CPA Cert. No. 110973

P.T.R. No. 0011285, issued on January 03, 2025, 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  
March 1, 2025



**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, 2024, on which we have rendered the attached report dated March 1, 2025.

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 two hundred twenty-eight (228) shareholders owning one hundred (100) or more shares as at December 31, 2024.

**Isla Lipana & Co.**

A handwritten signature in black ink, appearing to read "Carlos Federico C. de Guzman".

Carlos Federico C. de Guzman  
Partner

CPA Cert. No. 110973

P.T.R. No. 0011285, issued on January 03, 2025, 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  
March 1, 2025

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

Isla Lipana & Co. is the Philippine member firm of the PwC network. PwC refers to the Philippine member firm, and may sometimes refer to the PwC network. Each member firm is a separate legal entity. Please see [www.pwc.com/structure](http://www.pwc.com/structure) for further details.



## **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, 2024 and 2023 and for each of the three years in the period ended December 31, 2024, and have issued our report thereon dated March 1, 2025. 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) Accounting Standards 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 Accounting Standards. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2024 and 2023 and for each of the three years in the period ended December 31, 2024 and no material exceptions were noted.

**Isla Lipana & Co.**

A handwritten signature in black ink, appearing to read 'Carlos Federico C. de Guzman'.

Carlos Federico C. de Guzman  
Partner

CPA Cert. No. 110973

P.T.R. No. 0011285, issued on January 03, 2025, 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  
March 1, 2025

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

Isla Lipana & Co. is the Philippine member firm of the PwC network. PwC refers to the Philippine member firm, and may sometimes refer to the PwC network. Each member firm is a separate legal entity. Please see [www.pwc.com/structure](http://www.pwc.com/structure) for further details.



## **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 December 31, 2024 and 2023 and for each of the three years in the period ended December 31, 2024, on which we have rendered the attached report dated March 1, 2025. 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.**

A handwritten signature in black ink, appearing to read 'Carlos Federico C. de Guzman'.

Carlos Federico C. de Guzman  
Partner

CPA Cert. No. 110973

P.T.R. No. 0011285, issued on January 03, 2025, 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  
March 1, 2025

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

Isla Lipana & Co. is the Philippine member firm of the PwC network. PwC refers to the Philippine member firm, and may sometimes refer to the PwC network. Each member firm is a separate legal entity. Please see [www.pwc.com/structure](http://www.pwc.com/structure) for further details.

## D&L Industries, Inc. and Subsidiaries

### Consolidated Statements of Financial Position As at December 31, 2024 and 2023 (All amounts in Philippine Peso)

|   | Notes | 2024           | 2023           |
|---|-------|----------------|----------------|
| <b>Assets</b>   |       |                |                |
| <b>Current assets</b>   |       |                |                |
| Cash and cash equivalents   | 3     | 2,837,928,091  | 2,844,171,390  |
| Receivables, net  | 4     | 8,057,626,201  | 5,656,874,708  |
| Inventories, net  | 5     | 11,371,805,235 | 9,056,492,790  |
| Due from related parties  | 18    | 158,571,168    | 127,702,429    |
| Financial assets at fair value through profit or loss (FVPL)                              | 22.2  | 39,958,426     | 34,151,329     |
| Prepayments and other current assets  | 6     | 5,929,734,365  | 4,863,205,314  |
| Total current assets  |       | 28,395,623,486 | 22,582,597,960 |
| <b>Non-current assets</b>   |       |                |                |
| Right-of-use (ROU) assets, net  | 9     | 936,143,886    | 626,526,764    |
| Investments in equity securities at fair value through other comprehensive income (FVOCI) | 7     | 343,066,891    | 266,224,629    |
| Property, plant and equipment, net  | 8     | 12,724,023,484 | 12,526,615,430 |
| Retirement benefit assets, net  | 19    | 31,539,337     | 26,897,429     |
| Deferred income tax assets, net   | 20    | 189,796,692    | 136,014,868    |
| Goodwill  | 1.3   | 3,367,846,840  | 3,367,846,840  |
| Other non-current assets  | 6     | 2,381,358,589  | 3,092,421,827  |
| Total non-current assets  |       | 19,973,775,719 | 20,042,547,787 |
| <b>Total assets</b>   |       | 48,369,399,205 | 42,625,145,747 |
| <b>Liabilities and Equity</b>   |       |                |                |
| <b>Current liabilities</b>  |       |                |                |
| Trade payables and other liabilities  | 10    | 4,475,493,597  | 3,764,921,685  |
| Lease liabilities   | 9     | 285,135,275    | 250,371,079    |
| Due to related parties  | 18    | 39,417,257     | 72,381,122     |
| Bonds payable   | 11    | -              | 2,990,809,865  |
| Borrowings  | 11,18 | 17,850,000,000 | 10,900,000,000 |
| Income tax payable  |       | 5,961,132      | 101,902,766    |
| Total current liabilities   |       | 22,656,007,261 | 18,080,386,517 |
| <b>Non-current liabilities</b>  |       |                |                |
| Bonds payable   | 11    | 1,990,780,368  | 1,985,445,108  |
| Borrowings  | 11,18 | 1,249,487,284  | 1,259,231,665  |
| Lease liabilities, net of current portion   | 9     | 536,687,322    | 304,417,351    |
| Deferred income tax liabilities, net  | 20    | 1,536,595      | 3,301,884      |
| Retirement benefit obligation, net  | 19    | 145,277,141    | 124,837,656    |
| Total non-current liabilities   |       | 3,923,768,710  | 3,677,233,664  |
| Total liabilities   |       | 26,579,775,971 | 21,757,620,181 |
| <b>Equity</b>   |       |                |                |
| 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   |       | 84,392,539     | 73,847,049     |
| Fair value reserve on investments in equity securities at FVOCI                           |       | 241,898,752    | 179,631,534    |
| Retained earnings   | 12    | 11,065,307,508 | 10,216,022,548 |
| Total equity  |       | 21,789,623,234 | 20,867,525,566 |
| <b>Total liabilities and equity</b>   |       | 48,369,399,205 | 42,625,145,747 |

(The notes on pages 1 to 55 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, 2024  
(All amounts in Philippine Peso, except earnings per share data)

|  | Notes | 2024             | 2023             | 2022             |
|--|-------|------------------|------------------|------------------|
| <b>Revenues</b>  |       |                  |                  |                  |
| Sales, net   | 13    | 40,586,388,848   | 33,398,960,020   | 43,379,421,431   |
| Service income   | 13    | 88,419,332       | 103,317,973      | 105,125,970      |
|  |       | 40,674,808,180   | 33,502,277,993   | 43,484,547,401   |
| <b>Cost of sales and services</b>  |       |                  |                  |                  |
| Cost of sales  | 14    | (34,317,149,363) | (27,698,105,026) | (37,331,646,208) |
| Cost of services   | 14    | (102,721,849)    | (90,820,892)     | (86,838,399)     |
|  |       | (34,419,871,212) | (27,788,925,918) | (37,418,484,607) |
| <b>Gross profit</b>  |       | 6,254,936,968    | 5,713,352,075    | 6,066,062,794    |
| Selling and marketing expenses   | 15    | (1,583,618,831)  | (1,106,009,931)  | (1,154,427,645)  |
| General and administrative expenses  | 16    | (1,028,988,022)  | (1,007,405,760)  | (805,690,529)    |
| Other income, net  | 17    | 94,569,625       | 33,661,451       | 225,170,340      |
| <b>Operating profit</b>  |       | 3,736,899,740    | 3,633,597,835    | 4,331,114,960    |
| Finance costs  | 9,11  | (970,669,047)    | (613,326,233)    | (236,142,201)    |
| <b>Profit before income tax</b>  |       | 2,766,230,693    | 3,020,271,602    | 4,094,972,759    |
| <b>Income tax (expense) benefit</b>  |       |                  |                  |                  |
| Current  |       | (498,809,993)    | (782,449,393)    | (801,621,164)    |
| Deferred   |       | 74,721,580       | 57,590,820       | 24,168,412       |
|  | 20    | (424,088,413)    | (724,858,573)    | (777,452,752)    |
| <b>Profit for the year</b>   |       | 2,342,142,280    | 2,295,413,029    | 3,317,520,007    |
| <b>Other comprehensive income</b>  |       |                  |                  |                  |
| <i>Items that will not be subsequently reclassified to profit or loss</i>      |       |                  |                  |                  |
| Remeasurement gain (loss) on retirement benefit, net of tax                    | 19    | 10,545,490       | 38,782,409       | (89,141,711)     |
| Fair value adjustment on investments in equity securities at FVOCI, net of tax | 7     | 62,267,218       | 24,964,109       | 32,194,199       |
|  |       | 72,812,708       | 63,746,518       | (56,947,512)     |
| <b>Total comprehensive income for the year</b>                                 |       | 2,414,954,988    | 2,359,159,547    | 3,260,572,495    |
| <b>Profit for the year attributable to:</b>                                    |       |                  |                  |                  |
| Owners of the Parent Company   |       | 2,342,142,280    | 2,295,413,029    | 3,317,520,007    |
| Non-controlling interest   |       | -                | -                | -                |
|  |       | 2,342,142,280    | 2,295,413,029    | 3,317,520,007    |
| <b>Total comprehensive income attributable to:</b>                             |       |                  |                  |                  |
| Owners of the Parent Company   |       | 2,414,954,988    | 2,359,159,547    | 3,260,572,495    |
| Non-controlling interest   |       | -                | -                | -                |
|  |       | 2,414,954,988    | 2,359,159,547    | 3,260,572,495    |
| <b>Earnings per share</b>  |       |                  |                  |                  |
| Basic and diluted  | 12.3  | 0.33             | 0.32             | 0.46             |

(The notes on pages 1 to 55 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, 2024  
(All amounts in Philippine Peso)

|  | Notes    | 2024             | 2023            | 2022            |
|--|----------|------------------|-----------------|-----------------|
| <b>Cash flows from operating activities</b>      |          |                  |                 |                 |
| Profit before income tax                         |          | 2,766,230,693    | 3,020,271,602   | 4,094,972,759   |
| Adjustments for:                                 |          |                  |                 |                 |
| Depreciation and amortization                    | 8        | 879,349,796      | 447,837,741     | 398,364,143     |
| Amortization of ROU assets                       | 9        | 373,226,986      | 373,965,192     | 408,441,210     |
| Provision for retirement benefit obligation      | 19       | 51,356,861       | 57,990,480      | 36,380,561      |
| Provision for impairment of receivables          | 4        | 46,362,077       | 9,170,574       | 92,436,584      |
| Interest expense on lease                        | 9        | 22,698,159       | 41,343,508      | 30,254,624      |
| Unrealized foreign exchange (gain) loss, net     | 22.4     | (12,731,373)     | 7,756,855       | 32,236,709      |
| Provision for inventory obsolescence             | 5        | 6,052,629        | 5,181,644       | 12,186,636      |
| Unrealized loss (gain) on FV changes             | 17       | 2,712,995        | (1,334,466)     | (4,413,155)     |
| Gain on disposal of property and equipment       | 17       | (1,921,677)      | (7,254,186)     | (455,813)       |
| Gain on lease modification                       | 17       | -                | (7,598,572)     | -               |
| Input value-added tax not recoverable            | 6        | -                | -               | 12,000,000      |
| Realized gain on redemption of FVPL              | 17       | -                | (172,895)       | (31,543)        |
| Dividend income                                  | 17       | (151,672)        | (137,589)       | (128,909)       |
| Interest income                                  | 17       | (9,976,710)      | (15,596,776)    | (3,833,465)     |
| Interest expense                                 | 11       | 970,669,207      | 531,214,390     | 205,887,577     |
| Operating profit before working capital changes  |          | 5,093,877,971    | 4,462,637,502   | 5,314,297,918   |
| (Increase) decrease in:                          |          |                  |                 |                 |
| Receivables                                      |          | (2,403,063,391)  | (52,638,494)    | (334,569,868)   |
| Inventories                                      |          | (2,321,365,074)  | (316,237,577)   | (1,432,113,612) |
| Due from related parties                         |          | (30,868,739)     | 83,093,668      | (102,109,310)   |
| Prepayments and other current assets             |          | (1,066,529,051)  | (733,631,726)   | (1,002,312,412) |
| Retirement benefit assets                        |          | (51,399,346)     | (26,897,429)    | (3,015,833)     |
| Other non-current assets                         |          | 711,063,238      | (499,555,037)   | (489,077,571)   |
| Increase (decrease) in:                          |          |                  |                 |                 |
| Trade payables and other liabilities             |          | 702,567,498      | 757,218,119     | 367,996,977     |
| Due to related parties                           |          | (32,963,865)     | (252,394,722)   | 284,112,784     |
| Retirement benefit obligation                    |          | 30,984,975       | (54,543,041)    | -               |
| Cash generated from operations                   |          | 632,298,216      | 3,367,051,263   | 2,603,209,073   |
| Income taxes paid                                |          | (594,751,627)    | (728,502,270)   | (623,319,536)   |
| Interest received from banks                     |          | 9,976,710        | 15,596,776      | 3,833,465       |
| Net cash provided by operating activities        |          | 47,523,299       | 2,654,145,769   | 1,983,723,002   |
| <b>Cash flows from investing activities</b>      |          |                  |                 |                 |
| Dividend received                                | 17       | -                | 137,589         | 128,909         |
| Additions to property and equipment              | 6, 8, 11 | (1,089,793,066)  | (1,511,199,329) | (3,707,412,534) |
| Proceeds from redemption of FVPL                 |          | 111,631,580      | 50,061,382      | 572,219,762     |
| Acquisition of investments at FVPL               |          | (120,000,000)    | -               | -               |
| Proceeds from disposal of property and equipment | 8        | 14,956,893       | 28,862,120      | 181,616         |
| Net cash used in investing activities            |          | (1,083,204,593)  | (1,432,138,238) | (3,134,882,247) |
| <b>Cash flows from financing activities</b>      |          |                  |                 |                 |
| Payment of bonds                                 | 11       | (3,000,000,000)  | -               | -               |
| Proceeds from borrowings                         | 11       | 15,800,000,000   | 2,250,000,000   | 8,500,000,000   |
| Repayments of borrowings                         | 11       | (10,900,000,000) | (1,700,000,000) | (8,000,000,000) |
| Proceeds from loans from related party           | 18       | 2,050,000,000    | 2,300,000,000   | 1,170,000,000   |
| Payments of loan to related party                | 18       | -                | (1,170,000,000) | -               |
| Lease payments                                   | 9        | (415,809,940)    | (363,946,504)   | (399,427,420)   |
| Interest paid from lease liabilities             | 9        | (22,698,159)     | (41,343,508)    | (30,254,624)    |
| Dividends paid                                   | 12       | (1,492,857,320)  | (2,142,857,397) | (1,714,285,918) |
| Interest paid from bonds                         |          | (288,162,880)    | (155,579,000)   | (155,579,000)   |
| Interest paid from borrowings                    | 11       | (683,669,519)    | (602,887,691)   | (152,679,308)   |
| Net cash from (used in) financing activities     |          | 1,046,802,182    | (1,626,614,100) | (782,226,270)   |
| <b>Net decrease in cash</b>                      |          | 11,120,888       | (404,606,569)   | (1,933,385,515) |
| Cash and cash equivalents, January 1             | 3        | 2,844,171,390    | 3,250,165,008   | 5,223,083,857   |
| Effect of foreign exchange rate changes          |          | (17,364,187)     | (1,387,049)     | (39,533,334)    |
| <b>Cash and cash equivalents, December 31</b>    | 3        | 2,837,928,091    | 2,844,171,390   | 3,250,165,008   |

(The notes on pages 1 to 55 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, 2024  
(All amounts in Philippine Peso)

|   | Share capital | Share premium | Reserve for<br>remeasurement<br>on retirement<br>benefit | Fair value reserve<br>on investments in<br>equity securities at<br>FVOCI | Retained earnings |                 | Total equity    |
|---|---------------|---------------|--|--|-------------------|-----------------|-----------------|
|   |               |               |  |  | Appropriated      | Unappropriated  |                 |
| <b>Balances at January 1, 2022</b>      | 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  |
| <b>Comprehensive income</b>             |               |               |  |  |                   |                 |                 |
| 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   |
| <b>Transaction with owners</b>          |               |               |  |  |                   |                 |                 |
| Declaration of cash dividend (Note 12)  | -             | -             | -  | -  | -                 | (1,714,285,918) | (1,714,285,918) |
| <b>Balances at December 31, 2022</b>    | 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  |
| <b>Comprehensive income</b>             |               |               |  |  |                   |                 |                 |
| 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   |
| <b>Transaction with owners</b>          |               |               |  |  |                   |                 |                 |
| Declaration of cash dividend (Note 12)  | -             | -             | -  | -  | -                 | (2,142,857,397) | (2,142,857,397) |
| <b>Balances at December 31, 2023</b>    | 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  |
| <b>Comprehensive income</b>             |               |               |  |  |                   |                 |                 |
| Profit for the year                     | -             | -             | -  | -  | -                 | 2,342,142,280   | 2,342,142,280   |
| Other comprehensive income for the year | -             | -             | 10,545,490   | 62,267,218   | -                 | -               | 72,812,708      |
| Total comprehensive income for the year | -             | -             | 10,545,490   | 62,267,218   | -                 | 2,342,142,280   | 2,414,954,988   |
| <b>Transaction with owners</b>          |               |               |  |  |                   |                 |                 |
| Declaration of cash dividend (Note 12)  | -             | -             | -  | -  | -                 | (1,492,857,320) | (1,492,857,320) |
| <b>Balances at December 31, 2024</b>    | 7,142,857,990 | 3,255,166,445 | 84,392,539   | 241,898,753  | 500,000,000       | 10,565,307,507  | 21,789,623,234  |

(The notes on 1 to 55 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, 2024 and 2023

and for each of the three years in the period ended December 31, 2024

(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, 2024, of the total shares outstanding, JHI holds 62.40% (2023 - 62.21%) and local individuals hold 10.43% (2023 - 10.42%). The remaining 27.17% (2023 - 27.37%) 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, 2024, the Parent Company has 228 shareholders owning one hundred (100) or more shares each (2023 - 197).

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, 2024, the Parent Company has 386 regular employees (2023 - 351).

The consolidated financial statements of the Group as at December 31, 2024 have been approved and authorized by the Parent Company's BOD on February 27, 2025. There were no significant events that occurred from February 27, 2025 until March 1, 2025 requiring adjustment or disclosure in the consolidated financial statements.

## 1.2 Consolidation

As at December 31, 2024 and 2023, 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), Natura Aeropack (NAC) and Chemrez Technologies LLC (CTL), 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/<br>participating share held |      |      | Registered place<br>of business/<br>Country of<br>incorporation | Main activity   |
|-------|---|------|------|---|---|
|       | 2024  | 2023 | 2022 |   |   |
| OFI   | 100%  | 100% | 100% | Philippines   | <p>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.</p> <p>OFI's registered address, which is also its principal place of business, is at No. 5 Mercury Avenue, Bagumbayan, Quezon City, Metro Manila.</p>   |
| DLPF  | 100%  | 100% | 100% | Philippines   | <p>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.</p> <p>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.</p> <p>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.</p> <p>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 (Note 20).</p> |
| DLPCI | 100%  | 100% | 100% | Philippines   | <p>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.</p> <p>DLPC has existing tax incentives granted by PEZA for various registered activities (Note 20).</p> <p>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.</p>  |

|      | Ownership interest/<br>participating share held |      |      | Registered place<br>of business/<br>Country of<br>incorporation | Main activity   |
|------|---|------|------|---|---|
|      | 2024  | 2023 | 2022 |   |   |
| FIC  | 100%  | 100% | 100% | Philippines   | <p>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.</p> <p>FIC's registered address, which is also its principal place of business, is at No. 65 Calle Industria, Bagumbayan, Quezon City, Metro Manila.</p>  |
| CTI  | 100%  | 100% | 100% | Philippines   | <p>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.</p> <p>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".</p> <p>CTI's registered address, which is also its principal place of business, is at No. 65 Calle Industria, Bagumbayan, Quezon City, Metro Manila.</p>   |
| CPSI | 100%  | 100% | 100% | Philippines   | <p>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.</p> <p>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.</p>   |
| NAC  | 100%  | 100% | 100% | Philippines   | <p>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.</p> <p>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.</p> <p>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.</p> |

|     | Ownership interest/<br>participating share held |      |      | Registered place<br>of business/<br>Country of<br>incorporation | Main activity  |
|-----|---|------|------|---|--|
|     | 2024  | 2023 | 2022 |   |  |
|     |   |      |      |   | <p>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</p> <p>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 (Note 20).</p> |
| CTL | 100%  | 100% | 100% | Delaware,<br>USA  | <p>CTL was formed on June 30, 2022 as a limited liability company in the state of Delaware, USA. Its registered office is located at 16192 Coastal Highway, Lewes, Delaware 19958, County of Sussex.</p> <p>It is intended as a trading arm to distribute oleochemical products of CTI, CPSI and NAC in the US.</p>  |
| API | 100%  | 100% | 100% | Philippines   | <p>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.</p> <p>API's registered address, which is also its principal place of business, is at No. 65 Calle Industria, Bagumbayan, Quezon City, Metro Manila.</p>   |

### 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, 2024 and 2023, 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 3.0%. The growth rates are consistent with externally derived data.

A weighted average 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:

|                         | 2024 | 2023  | 2022 |
|-------------------------|------|-------|------|
| Revenue growth rate     | 10%  | 14.1% | 10%  |
| Cost ratio              | 80%  | 77.2% | 80%  |
| WACC (or discount rate) | 13%  | 13%   | 14%  |
| Terminal growth rate    | 3.0% | 3.5%  | 3.7% |

Based on the above assessment, goodwill is not impaired as at December 31, 2024 and 2023 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, cost ratio 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:

|                      | 2024                      |                 |                | 2023                      |                 |                |
|----------------------|---------------------------|-----------------|----------------|---------------------------|-----------------|----------------|
|                      | Reasonable possible shift | In Php millions |                | Reasonable possible shift | In Php millions |                |
|                      |                           | +Impact on VIU  | -Impact on VIU |                           | +Impact on VIU  | -Impact on VIU |
| Revenue growth rate  | +/-2%                     | 2,810           | (2,632)        | +2%/-2%                   | 2,005           | (1,844)        |
| Cost ratio           | +/-2%                     | (4,043)         | 4,043          | +2%/-2%                   | (1,954)         | 1,954          |
| Terminal growth rate | +/-0.50%                  | 1,169           | (1,046)        | +/-0.50%                  | 724             | (646)          |
| WACC                 | +/-1%                     | (2,979)         | 3,732          | +/-1%                     | (2,025)         | 2,569          |

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 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<br>plastics additives | Oleochemicals,<br>resin and powder<br>coatings | Consumer<br>Products ODM | Management<br>and<br>administration | Eliminations    | Total          |
|---------------------------------|------------------|-------------------------------------|--|--------------------------|-------------------------------------|-----------------|----------------|
| <i>2024</i>                     |                  |                                     |  |                          |                                     |                 |                |
| External revenue                | 25,593,950,837   | 3,493,702,044                       | 10,147,280,897                                 | 648,363,591              | -                                   | -               | 39,883,297,369 |
| Sales to related parties        | 344,979,343      | 525,714                             | 154,242,016                                    | 203,344,406              | 88,419,332                          | -               | 791,510,811    |
| Intersegment sales              | 1,003,471,316    | 82,728,431                          | 5,282,162,353                                  | 119,362,684              | 482,692,322                         | (6,970,417,106) | -              |
| Total revenues                  | 26,942,401,496   | 3,576,956,189                       | 15,583,685,266                                 | 971,070,681              | 571,111,654                         | (6,970,417,106) | 40,674,808,180 |
| Segment result                  | 1,890,317,143    | 951,799,363                         | 1,068,392,296                                  | 154,810,257              | (454,671,284)                       | 31,682,341      | 3,642,330,116  |
| General corporate income        | 18,897,644       | 354,093,233                         | 243,578,853                                    | 4,397,684                | 2,280,257,214                       | (2,806,655,002) | 94,569,626     |
| Finance costs                   | (725,996,964)    | (160)                               | (255,952,102)                                  | (777,235)                | (145,472,765)                       | 157,530,179     | (970,669,047)  |
| Income tax (benefit) expense    | (286,416,834)    | (54,361,586)                        | (118,906,491)                                  | (31,997,558)             | 64,656,221                          | -               | (427,026,248)  |
| Profit for the year             | 896,800,989      | 1,251,530,850                       | 937,112,556                                    | 126,433,148              | 1,744,769,386                       | (2,617,442,482) | 2,339,204,447  |
| <i>2023</i>                     |                  |                                     |  |                          |                                     |                 |                |
| 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        | 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 (benefit) 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  |
| <i>2022</i>                     |                  |                                     |  |                          |                                     |                 |                |
| 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 revenue                   | 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  |

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          |
|-------------------------------|------------------|---------------------------------|--|-----------------------|-------------------------------|----------------|
| <i>2024</i>                   |                  |                                 |  |                       |                               |                |
| Segment assets                | 25,563,003,695   | 2,653,565,733                   | 17,679,919,597                           | 636,560,041           | 1,836,785,461                 | 48,369,834,527 |
| Segment liabilities           | 17,661,532,211   | 331,405,669                     | 6,347,955,992                            | 90,553,640            | 2,149,060,107                 | 26,580,507,619 |
| Capital expenditures          | 512,013,200      | 29,251,153                      | 521,315,284                              | 2,480,414             | 24,733,015                    | 1,089,793,066  |
| Depreciation and amortization | 529,820,038      | 42,262,221                      | 255,749,381                              | 12,415,511            | 39,102,645                    | 879,349,796    |
| <i>2023</i>                   |                  |                                 |  |                       |                               |                |
| 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    |
| <i>2022</i>                   |                  |                                 |  |                       |                               |                |
| 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    |

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:

|                              | 2024           | 2023           | 2022           |
|------------------------------|----------------|----------------|----------------|
| Customers in the Philippines | 30,685,766,490 | 26,343,632,063 | 31,524,241,055 |
| Customers in other countries | 9,989,041,690  | 7,158,645,930  | 11,960,306,346 |
|                              | 40,674,808,180 | 33,502,277,993 | 43,484,547,401 |

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.

|                                  | 2024          | 2023          | 2022           |
|----------------------------------|---------------|---------------|----------------|
| China                            | 2,183,254,601 | 1,687,575,586 | 4,970,942,249  |
| United Kingdom                   | 23,711,666    | 1,018,034,485 | 1,952,863,241  |
| United States of America         | 1,048,055,268 | 1,844,922,775 | 1,593,084,704  |
| Others (mainly EU and Australia) | 6,734,020,155 | 2,608,113,084 | 3,443,416,152  |
|                                  | 9,989,041,690 | 7,158,645,930 | 11,960,306,346 |

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:

|                  | 2024          | 2023          |
|------------------|---------------|---------------|
| Cash in banks    | 2,734,384,410 | 2,767,694,055 |
| Cash on hand     | 97,303,980    | 70,534,228    |
| Cash equivalents | 6,239,701     | 5,943,107     |
|                  | 2,837,928,091 | 2,844,171,390 |

Cash in banks earn interest at the bank deposit rates of 0.05% to 0.625% per annum for the year ended December 31, 2024 (2023 - 0.50% to 0.13% 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, 2024, the Group earned interest income from cash accounts amounting to P9,976,710 (2023 - P15,596,776; 2022 - P3,833,465) (Note 17).

### 4 Receivables, net

Receivables, net as at December 31 consist of:

|   | 2024          | 2023          |
|---|---------------|---------------|
| Trade receivables                       | 8,221,503,860 | 5,805,239,480 |
| Allowance for impairment of receivables | (168,826,389) | (154,864,153) |
|   | 8,052,677,471 | 5,650,375,327 |
| Advances to officers and employees      | 3,615,918     | 4,387,751     |
| Other receivables                       | 1,332,812     | 2,111,630     |
|   | 8,057,626,201 | 5,656,874,708 |

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 | 2024         | 2023        | 2022        |
|-------------------|------|--------------|-------------|-------------|
| Beginning of year |      | 154,864,153  | 146,332,149 | 54,885,595  |
| Provision         | 16   | 46,362,077   | 9,170,574   | 92,436,584  |
| Write-off         |      | (32,399,841) | (638,570)   | (990,030)   |
| End of year       |      | 168,826,389  | 154,864,153 | 146,332,149 |

#### 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:

|                                      | 2024           | 2023          |
|--------------------------------------|----------------|---------------|
| At net realizable value              |                |               |
| Finished goods                       | 2,609,464,640  | 2,288,139,812 |
| Allowance for inventory obsolescence | (51,934,432)   | (45,504,139)  |
|                                      | 2,557,530,208  | 2,242,635,673 |
| At net realizable value              |                |               |
| Raw materials                        | 8,636,173,441  | 6,728,342,838 |
| Raw materials - in transit           | 213,029,602    | 120,819,959   |
| Allowance for inventory obsolescence | (34,928,016)   | (35,305,680)  |
|                                      | 8,814,275,027  | 6,813,857,117 |
|                                      | 11,371,805,235 | 9,056,492,790 |

The cost of inventories sold recognized in cost of sales for the year ended December 31, 2024 amounted to P29,385,072,306 (2023 - P23,999,847,523; 2022 - P33,888,330,435) (Note 14).

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

|                   | 2024       | 2023       | 2022       |
|-------------------|------------|------------|------------|
| Beginning of year | 80,809,819 | 75,628,175 | 63,441,540 |
| Provision         | 6,052,629  | 5,181,644  | 12,186,635 |
| End of year       | 86,862,448 | 80,809,819 | 75,628,175 |

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:

|                                       | 2024          | 2023          |
|---------------------------------------|---------------|---------------|
| Input value-added tax (VAT)           | 3,436,149,133 | 3,455,763,668 |
| Allowance for unrecoverable input VAT | (22,540,197)  | (22,540,197)  |
|                                       | 3,413,608,936 | 3,433,223,471 |
| Deposits to suppliers                 | 2,021,779,083 | 1,194,460,234 |
| Creditable withholding taxes (CWT)    | 363,997,653   | 206,021,198   |
| Prepaid tax                           | 19,583        | 44,750        |
| Others                                | 130,329,110   | 29,455,661    |
|                                       | 5,929,734,365 | 4,863,205,314 |

There are no movements in allowance for unrecoverable input VAT for the years ended December 31 2024 and 2023.

### Input VAT

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

|   | 2024          | 2023          |
|---|---------------|---------------|
| Current portion   |               |               |
| Carry-over claimable against output VAT                       | 2,928,047,779 | 3,039,428,883 |
| Tax credit claim (a)  | 428,187,643   | 379,268,542   |
| Deferred input VAT (b)  | 57,373,514    | 14,526,046    |
|   | 3,413,608,936 | 3,433,223,471 |
| Non-current portion - Carry-over claimable against output VAT | 1,285,880,929 | 1,486,456,810 |
|   | 4,699,489,865 | 4,919,680,281 |

### (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, 2024 and 2023 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:

|                         | 2024          | 2023          |
|-------------------------|---------------|---------------|
| Refundable deposits     | 424,584,746   | 865,094,698   |
| Input VAT               | 1,285,880,929 | 1,486,456,810 |
| CWT                     | 305,691,458   | 324,974,355   |
| Advances to contractors | 227,893,716   | 271,170,029   |
| Others                  | 138,062,209   | 144,725,935   |
|                         | 2,381,358,589 | 3,092,421,827 |

As at December 31, 2024, the Group has reviewed the expected utilization of its input VAT and CWT, and accordingly classified input VAT and CWT amounting to P1,285,880,929 and P305,691,458, respectively, to non-current assets (2023 - P1,486,456,810 and P324,974,355).

Refundable deposits pertain to the security deposits covering the Group's lease of office space, warehouse and building (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, 2024, investments in equity securities at FVOCI pertains to investment in shares of stock of a listed company and proprietary golf club share amounted to P343,066,891 (2023 - P266,224,629).

For the year ended December 31, 2024, fair value changes net of deferred income tax, amounted to P62,267,218 (2023 - P24,964,109; 2022 - P32,194,199).

For the year ended December 31, 2024, dividend income from these investments amounted to P151,672 (2023 - P137,589; 2022 - P128,909) (Note 17).

## 8 Property, plant and equipment, net

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

|   | Building and<br>leasehold<br>improvements | Transportation<br>and delivery<br>equipment | Office,<br>furniture and<br>fixtures | Tools, machinery<br>and equipment | Construction in<br>progress | Total           |
|---|---|---|--------------------------------------|-----------------------------------|-----------------------------|-----------------|
| <b>At January 1, 2023</b>                   |   |   |                                      |                                   |                             |                 |
| 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  |
| <b>For the year ended December 31, 2023</b> |   |   |                                      |                                   |                             |                 |
| 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  |
| <b>At December 31, 2023</b>                 |   |   |                                      |                                   |                             |                 |
| 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  |
| <b>For the year ended December 31, 2024</b> |   |   |                                      |                                   |                             |                 |
| Opening 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  |
| Additions                                   | -   | 6,308,603                                   | -                                    | 1,597,541                         | 1,081,886,922               | 1,089,793,066   |
| Disposals                                   |   |   |                                      |                                   |                             |                 |
| Cost  | -   | (2,825,147)                                 | -                                    | (29,190,298)                      | -                           | (32,015,445)    |
| Accumulated depreciation                    | -   | 2,825,147                                   | -                                    | 16,155,082                        | -                           | 18,980,229      |
| Transfers                                   | 2,463,166,771                             | 75,220,712                                  | 328,796,937                          | 2,510,258,882                     | (5,377,443,302)             | -               |
| Depreciation and amortization               | (310,712,989)                             | (74,012,900)                                | (225,008,303)                        | (269,615,604)                     | -                           | (879,349,796)   |
| Closing net carrying value                  | 4,811,232,284                             | 163,238,469                                 | 298,603,669                          | 6,122,031,581                     | 1,328,917,481               | 12,724,023,484  |
| <b>At December 31, 2024</b>                 |   |   |                                      |                                   |                             |                 |
| Cost  | 5,597,494,969                             | 448,413,834                                 | 1,008,686,328                        | 10,715,067,685                    | 1,328,917,481               | 19,098,580,297  |
| Accumulated depreciation and amortization   | (786,262,685)                             | (285,175,365)                               | (710,082,659)                        | (4,593,036,104)                   | -                           | (6,374,556,813) |
| Net carrying value                          | 4,811,232,284                             | 163,238,469                                 | 298,603,668                          | 6,122,031,581                     | 1,328,917,481               | 12,724,023,484  |



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 | 2024          | 2023        | 2022        |
|--|-------|---------------|-------------|-------------|
| Depreciation                           | 8     | 879,349,796   | 447,837,741 | 398,364,143 |
| Amortization of ROU                    | 9     | 373,226,986   | 373,965,192 | 408,441,210 |
|  |       | 1,252,576,782 | 821,802,933 | 806,805,353 |
| Recorded in profit or loss as follows: |       |               |             |             |
| Cost of sales                          | 14    | 1,226,805,454 | 685,652,578 | 648,311,428 |
| Cost of services                       | 14    | 6,053,860     | 6,259,477   | 9,641,046   |
| General and administrative expenses    | 16    | 19,717,468    | 129,890,878 | 148,852,879 |
|  |       | 1,252,576,782 | 821,802,933 | 806,805,353 |

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:

|   | 2024            | 2023          | 2022          |
|---|-----------------|---------------|---------------|
| Capital expenditures payable, beginning | 1,511,199,329   | 352,053,328   | 663,756,112   |
| Additions during the year               | 1,089,793,066   | 1,455,810,131 | 3,507,407,922 |
| Capitalized borrowing costs             | -               | (119,743,301) | (111,698,172) |
| Capital expenditures payable, ending    | (1,511,199,329) | (176,920,829) | (352,053,328) |
| Additions per statement of cash flows   | 1,089,793,066   | 1,511,199,329 | 3,707,412,534 |

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:

|                                 | 2024        | 2023        |
|---------------------------------|-------------|-------------|
| <i>Right-of-use assets, net</i> | 936,143,886 | 626,526,764 |
| <i>Lease liabilities</i>        |             |             |
| Current                         | 285,135,275 | 250,371,079 |
| Non-current                     | 536,687,322 | 304,417,351 |
|                                 | 821,822,597 | 554,788,430 |

Among lease liabilities, P147,286,854 is pertaining to related party (2023 - P495,601,124) (Note 18).

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

|                           | 2024          | 2023          |
|---------------------------|---------------|---------------|
| Beginning balance         | 626,526,764   | 896,810,952   |
| Additions during the year | 682,844,108   | 200,014,607   |
| Lease modification        | -             | (96,333,603)  |
| Amortization              | (373,226,986) | (373,965,192) |
| Ending balance            | 936,143,886   | 626,526,764   |

Included in additions to ROU assets during the year amounting to P70,265,767 pertain to advance lease payments (2023 - P81,324,776) (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 |                |
| 2024 | 554,788,430       | (368,242,333)                   | 612,578,341               | -                  | 22,698,159       | 821,822,597    |
| 2023 | 822,652,502       | (438,290,012)                   | 225,620,703               | (96,538,271)       | 41,343,508       | 554,788,430    |

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:

|  | 2024        | 2023        |
|--|-------------|-------------|
| Amortization of ROU  | 373,226,986 | 373,965,192 |
| Interest expense (included in Finance costs)   | 22,698,159  | 41,343,508  |
| 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) | 399,589,120 | 341,920,380 |
|  | 795,514,265 | 764,827,652 |

The total cash outflows for leases for the year ended December 31, 2024 is P767,831,453 (2023 - P780,210,392).

(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:

|                            | Note | 2024          | 2023          |
|----------------------------|------|---------------|---------------|
| Trade payables             |      | 3,661,185,113 | 2,800,696,184 |
| Accrued purchases          |      | 404,241,040   | 525,093,016   |
| Accrued operating expenses |      | 206,411,393   | 186,223,890   |
| Due to regulatory agencies |      | 121,250,723   | 157,277,821   |
| Accrued interest expense   | 11   | 78,484,040    | 94,172,627    |
| Advances from customers    |      | 69,329        | 56,785        |
| Others                     |      | 3,851,959     | 1,401,362     |
|                            |      | 4,475,493,597 | 3,764,921,685 |

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:

|   | 2024             | 2023            | 2022            |
|---|------------------|-----------------|-----------------|
| Beginning of the year                           | 17,135,486,638   | 15,477,823,713  | 13,790,005,642  |
| Availment of borrowings and loans               | 17,850,000,000   | 4,550,000,000   | 9,670,000,000   |
| Repayment of borrowings                         | (13,900,000,000) | (2,870,000,000) | (8,000,000,000) |
| Unamortized debt issuance cost for the year     | (9,744,381)      | (40,768,335)    | -               |
| Amortization of debt issuance cost for the year | 14,525,395       | 18,431,260      | 17,818,071      |
| End of the year                                 | 21,090,267,652   | 17,135,486,638  | 15,477,823,713  |
| Cash at end of the year                         | (2,837,928,091)  | (2,844,171,395) | (3,250,165,008) |
| Net debt  | 18,252,339,561   | 14,291,315,243  | 12,227,658,705  |

### (a) Borrowings

As at December 31, 2024, the Group has outstanding short-term borrowings amounting to P15,800,000,000 (2023 - P9,900,000,000) 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 5.70% to 5.90% (2023 - 5.75% to 6.5%).

As at December 31, 2024 and 2023, all outstanding external borrowings of the Group are covered by surety and corporate guarantee agreements discussed in Note 18.4.

On December 31, 2024, the Group has availed one-month, unsecured, short-cycle cash transfers from the Immediate Parent Company amounting to P2,050,000,000 (2023 - P1,000,000,000) (Note 18).

### (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:

|   | 2024            | 2023          |
|---|-----------------|---------------|
| Face amount                                     | 5,000,000,000   | 5,000,000,000 |
| Debt issuance cost, beginning of the year       | (23,745,027)    | (42,176,287)  |
| Net carrying amount, beginning of the year      | 4,976,254,973   | 4,957,823,713 |
| Bonds payment                                   | (3,000,000,000) | -             |
| Amortization of debt issuance cost for the year | 14,525,395      | 18,431,260    |
| Net carrying amount, end of the year            | 1,990,780,368   | 4,976,254,973 |

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

|                                    | 2024          | 2023          | 2022          |
|------------------------------------|---------------|---------------|---------------|
| Beginning of the year              | 94,172,627    | 179,344,553   | 32,256,183    |
| Expense                            | 970,669,207   | 613,326,232   | 205,887,577   |
| Payment                            | (971,832,399) | (799,810,199) | (152,679,308) |
| Amortization of bond issuance cost | (14,525,395)  | (18,431,260)  | (17,818,071)  |
| Capitalized borrowing cost         | -             | 119,743,301   | 111,698,172   |
| End of the year                    | 78,484,040    | 94,172,627    | 179,344,553   |

In 2023, the Group capitalized borrowing cost using an average capitalization rate of 4.2%.

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, 2024 and 2023 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, 2024 and 2023, 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 3, 2024     | July 3, 2024  | P0.209 per share<br>(consisting of P0.161 regular cash dividend and<br>P0.048 special cash dividend) | 1,492,857,320 |
| June 5, 2023     | July 14, 2023 | P0.300 per share<br>(consisting of P0.240 regular cash dividend<br>and P0.060 special cash dividend) | 2,142,857,397 |
| June 6, 2022     | July 15, 2022 | P0.240 per share<br>(consisting of P0.185 regular cash dividend and<br>P0.055 special cash dividend) | 1,714,285,918 |

## 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 2026.

In 2024, the BOD of CTI evaluated to retain the existing appropriated retained earnings for the investments needed for plant expansion of CTI and its subsidiaries which is expected to be completed in 2026.

## 12.3 Earnings per share calculation

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

|  | 2024          | 2023          | 2022          |
|--|---------------|---------------|---------------|
| Profit for the year attributable to the owners of the Parent Company | 2,342,142,280 | 2,295,413,029 | 3,317,520,007 |
| Weighted average number of common shares                             | 7,142,857,990 | 7,142,857,990 | 7,142,857,990 |
| Basic and diluted earnings per share                                 | 0.33          | 0.32          | 0.46          |

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 | 2024           | 2023           | 2022           |
|----------------------|------|----------------|----------------|----------------|
| Sale of goods, gross |      | 40,658,930,190 | 33,492,245,221 | 43,471,262,528 |
| Sales discounts      |      | (62,841,142)   | (70,528,384)   | (70,284,520)   |
| Sales returns        |      | (9,700,200)    | (22,756,817)   | (21,556,577)   |
| Sale of goods, net   |      | 40,586,388,848 | 33,398,960,020 | 43,379,421,431 |
| Service income       | 18   | 88,419,332     | 103,317,973    | 105,125,970    |
|                      |      | 40,674,808,180 | 33,502,277,993 | 43,484,547,401 |

### 14 Cost of sales and services

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

|                               | Notes | 2024           | 2023           | 2022           |
|-------------------------------|-------|----------------|----------------|----------------|
| Raw materials used            | 5     | 29,699,966,841 | 24,017,007,946 | 34,294,224,969 |
| Net change in inventories     | 5     | (314,894,535)  | (17,160,423)   | (405,894,534)  |
| Direct labor                  |       | 456,677,252    | 381,423,276    | 346,668,771    |
| Overhead                      |       |                |                |                |
| Depreciation and amortization | 8     | 1,226,805,454  | 685,652,578    | 648,311,428    |
| Contracted services           |       | 696,662,076    | 572,307,321    | 491,042,032    |
| Utilities                     |       | 505,807,310    | 369,115,438    | 362,650,185    |
| Fuels and oil                 |       | 501,547,827    | 520,895,743    | 523,640,927    |
| Rental                        | 9     | 348,675,567    | 291,343,468    | 146,691,548    |
| Indirect labor                |       | 341,353,537    | 191,564,336    | 244,738,585    |
| Supplies                      |       | 317,597,140    | 244,379,309    | 140,727,420    |
| Repairs and maintenance       |       | 280,189,110    | 268,982,986    | 356,686,440    |
| Indirect materials used       |       | 135,709,473    | 86,632,262     | 67,626,833     |
| Input VAT not recovered       | 6     | 73,125,613     | 31,614,333     | 12,000,000     |
| Other direct costs            |       | 47,926,698     | 54,346,453     | 102,531,604    |
| Cost of sales                 |       | 34,317,149,363 | 27,698,105,026 | 37,331,646,208 |
| Employee costs                |       | 50,639,520     | 49,280,637     | 41,632,844     |
| Supplies                      |       | 25,338,301     | 14,614,352     | 7,444,164      |
| Contracted services           |       | 7,871,070      | 7,057,000      | 7,142,443      |
| Depreciation and amortization | 8     | 6,053,860      | 6,259,477      | 9,641,046      |
| Utilities                     |       | 4,496,597      | 4,196,558      | 3,572,362      |
| Repairs and maintenance       |       | 1,959,495      | 3,086,713      | 3,293,803      |
| Rental                        | 9     | 12,076         | 56,000         | 2,595,771      |
| Others                        |       | 6,350,930      | 6,270,155      | 11,515,966     |
| Cost of services              |       | 102,721,849    | 90,820,892     | 86,838,399     |
|                               |       | 34,419,871,212 | 27,788,925,918 | 37,418,484,607 |

### 15 Selling and marketing expenses

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

|                           | 2024          | 2023          | 2022          |
|---------------------------|---------------|---------------|---------------|
| Delivery charges          | 1,058,519,217 | 684,028,227   | 817,518,644   |
| Employee costs            | 293,060,757   | 266,098,528   | 223,668,857   |
| Transportation and travel | 82,093,616    | 66,751,412    | 37,593,395    |
| Advertising and promotion | 79,173,349    | 33,710,952    | 36,637,311    |
| Representation expenses   | 58,285,246    | 54,807,750    | 38,681,292    |
| Others                    | 12,486,646    | 613,062       | 328,146       |
|                           | 1,583,618,831 | 1,106,009,931 | 1,154,427,645 |

## 16 General and administrative expenses

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

|   | Notes | 2024          | 2023          | 2022        |
|---|-------|---------------|---------------|-------------|
| Taxes and licenses                      |       | 435,504,468   | 369,350,051   | 275,509,445 |
| Contracted services                     |       | 191,418,562   | 119,571,065   | 78,452,727  |
| Professional fees                       |       | 141,164,223   | 76,330,209    | 25,555,838  |
| Rentals                                 |       | 50,901,477    | 50,520,912    | -           |
| Provision for impairment of receivables | 4     | 46,362,077    | 9,170,574     | 92,436,584  |
| Donations and contributions             |       | 34,974,995    | 34,464,173    | 28,014,995  |
| Repairs and maintenance                 |       | 22,839,769    | 17,414,321    | 12,587,401  |
| Communications                          |       | 21,556,173    | 19,469,568    | 13,246,824  |
| Depreciation and amortization           | 8     | 19,717,468    | 129,890,878   | 148,852,879 |
| Bank charges                            |       | 16,514,733    | 75,995,356    | 41,290,036  |
| Utilities and supplies                  |       | 10,313,647    | 82,472,183    | 49,169,770  |
| Membership dues                         |       | 4,973,187     | 5,221,896     | 17,438,046  |
| Others                                  |       | 32,747,243    | 17,534,574    | 23,135,984  |
|   |       | 1,028,988,022 | 1,007,405,760 | 805,690,529 |

## 17 Other income, net

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

|  | Notes | 2024        | 2023         | 2022        |
|--|-------|-------------|--------------|-------------|
| Foreign exchange gain (loss), net          |       | 65,830,784  | (15,646,761) | 186,197,441 |
| Interest income                            | 3     | 9,976,710   | 15,596,776   | 3,833,465   |
| Commission income                          |       | 5,264,927   | 2,915,436    | 8,925,399   |
| Gain on lease modification                 | 9     | 3,967,957   | 7,598,572    | -           |
| Unrealized (loss) gain on FVPL             |       | (2,712,995) | 1,334,466    | 4,413,155   |
| Gain on disposal of property and equipment | 8     | 1,921,677   | 7,254,186    | 455,813     |
| Freight income                             |       | 400,554     | 6,017,912    | 3,923,097   |
| Dividend income                            | 7     | 151,672     | 137,589      | 128,909     |
| Realized gain on redemption of FVPL        |       | -           | 172,895      | 31,543      |
| Realized gain on sale of FVPL              |       | -           | -            | 6,646,238   |
| Income from calibration services           |       | -           | -            | 5,524,796   |
| Others                                     |       | 9,768,339   | 8,280,380    | 5,090,484   |
|  |       | 94,569,625  | 33,661,451   | 225,170,340 |

In 2024, the Group redeemed financial assets at FVPL and received P111,631,580 (2023 - P50,061,382) proceeds resulting to a loss of P2,712,995 (2023 - P172,895).

In 2024, 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 in renewing the lease term for another three years (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 |             | Terms and conditions  |
|---|--------------|-------------|-------------|--------------------------|-------------|---|
|   | 2024         | 2023        | 2022        | 2024                     | 2023        |   |
| (a) <i>Management service fees (18.1)</i> |              |             |             |                          |             | 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.<br><br>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.       |
| Entities under common control - Trade     | 6,261,452    | 7,402,492   | 7,582,099   | 778,125                  | 447,480     |   |
| (b) <i>Shared service fees (18.2)</i>     |              |             |             |                          |             | 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.<br><br>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. |
| Entities under common control - Trade     | 82,157,879   | 95,915,481  | 97,543,871  | 11,907,450               | 5,790,764   |   |
| (c) <i>Sale of goods and services</i>     |              |             |             |                          |             | 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  |
| Entities under common control - Trade     | 406,067,068  | 727,664,246 | 814,899,032 | 145,885,593              | 121,464,185 |   |
| Totals                                    |              |             |             | 158,571,168              | 127,702,429 |   |

|   | Transactions  |               |               | Due to related parties |              | Terms and conditions  |
|---|---------------|---------------|---------------|------------------------|--------------|---|
|   | 2024          | 2023          | 2022          | 2024                   | 2023         |   |
| (d) <i>Rental expenses</i><br>Entities under common control           | (341,641,127) | (341,920,380) | (149,287,319) | (4,177,299)            | (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) <i>Purchase of goods</i><br>Entities under common control - Trade | (71,091,157)  | (114,784,565) | (334,028,735) | (33,802,211)           | (63,405,594) | 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) <i>Interest payable</i><br>Immediate Parent Company               | (83,550,982)  | (17,866,769)  | (2,860,625)   | (1,437,746)            | (5,314,111)  | Accrued interest payable for loan agreements entered into by DLPF and NAC.  |
| Totals  |               |               |               | (39,417,257)           | (72,381,122) |   |

|  | Transactions    |                 |                 | Outstanding balances |                 | Terms and conditions  |
|--|-----------------|-----------------|-----------------|----------------------|-----------------|---|
|  | 2024            | 2023            | 2022            | 2024                 | 2023            |   |
| (g) <i>Short-cycle cash transfers</i><br>(Note 11)<br>Immediate Parent Company       | (1,050,000,000) | (1,000,000,000) | (1,170,000,000) | (2,050,000,000)      | (1,000,000,000) | 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) <i>Long-term loan payable</i><br>Immediate Parent Company                        | -               | -               | -               | (1,215,000,000)      | (1,215,000,000) | DLPF and NAC entered into 6.50% long-term unsecured interest bearing loans with JHI maturing on December 2028.  |
| Totals   |                 |                 |                 | (3,265,000,000)      | (2,215,000,000) |   |
| (h) <i>Initial recognition of lease liabilities</i><br>Entities under common control | 372,596,877     | 96,538,271      | 547,872,243     | 147,286,854          | 485,841,690     | 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) <i>Interest from lease liabilities</i><br>Entities under common control          | 21,578,247      | 2,179,021       | 182,239,497     | 12,813,285           | 9,759,434       |   |
| Totals   |                 |                 |                 | 153,026,226          | 495,601,124     |   |

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, 2024 and 2023, 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   | 2024        | 2023        | 2022        |
|------------------------------------|---|-------------|-------------|-------------|
| 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. | 342,017,205 | 297,503,468 | 281,874,840 |
| Other short-term employee benefits |   | 30,504,646  | 21,072,203  | 20,600,675  |
| Retirement benefits                | Retirement benefits are determined and payable in accordance with policies disclosed in Notes 19 and 23.13.   | 19,709,391  | 18,259,016  | 27,147,386  |
|                                    |   | 392,231,242 | 336,834,687 | 329,622,901 |

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, 2024, 2023, and 2022.

As at December 31, 2024, advances to officers amounting to P3,615,918 (2023 - P4,387,751) 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, 2024 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:

|                                | 2024           | 2023           | 2022           |
|--------------------------------|----------------|----------------|----------------|
| As at December 31              |                |                |                |
| Investment in subsidiaries     | 15,361,241,536 | 11,022,192,481 | 11,022,192,481 |
| Due to / from related parties  | 7,066,440,161  | 5,910,919,788  | 5,148,800,920  |
| For the year ended December 31 |                |                |                |
| Service income                 | 503,340,732    | 541,260,614    | 669,010,081    |
| Revenue / Cost of sales        | 6,970,417,105  | 3,616,702,353  | 2,743,430,330  |
| Other expense, net             | 179,621,139    | 617,344,214    | 551,156,488    |
| Dividend income                | 2,627,033,872  | 2,184,440,665  | 1,770,840,126  |

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, 2024.

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:

|   | 2024          | 2023         |
|---|---------------|--------------|
| Present value of defined benefit obligation | 73,675,618    | 70,660,648   |
| Fair value of plan assets                   | (105,214,955) | (97,558,077) |
| Retirement benefit asset                    | (31,539,337)  | (26,897,429) |

|   | 2024          | 2023          |
|---|---------------|---------------|
| Present value of defined benefit obligation | 406,408,156   | 358,752,802   |
| Fair value of plan assets                   | (261,131,015) | (233,915,146) |
| Retirement benefit obligation               | 145,277,141   | 124,837,656   |

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

|                           | 2024         | 2023         |
|---------------------------|--------------|--------------|
| Beginning of year         | 429,413,450  | 440,190,729  |
| Current service cost      | 45,251,448   | 46,279,169   |
| Interest cost             | 26,175,573   | 30,925,980   |
| Benefits paid             | (19,709,391) | (18,977,312) |
| Transfers from affiliates | 2,455,908    | (1,440,470)  |
| Remeasurement gain        | (3,503,214)  | (67,564,646) |
| End of year               | 480,083,774  | 429,413,450  |

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:

|                              | 2024         | 2023         |
|------------------------------|--------------|--------------|
| Beginning of the year        | 331,473,223  | 270,553,942  |
| Benefits paid                | (19,709,391) | (18,977,312) |
| Contribution                 | 25,000,000   | 80,000,000   |
| Actual return on plan assets |              |              |
| Interest income              | 20,070,160   | 19,214,669   |
| Remeasurement gain (loss)    | 9,511,978    | (19,318,076) |
|                              | 34,872,747   | 60,919,281   |
| End of the year              | 366,345,970  | 331,473,223  |

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

|                      | 2024       | 2023       | 2022       |
|----------------------|------------|------------|------------|
| Current service cost | 45,251,448 | 46,279,169 | 34,032,317 |
| Net interest cost    | 6,105,413  | 11,711,311 | 2,348,244  |
|                      | 51,356,861 | 57,990,480 | 36,380,561 |

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

|                                | 2024       | 2023       | 2022       |
|--------------------------------|------------|------------|------------|
| Cost of services               | 5,541,859  | 22,328,263 | 14,738,879 |
| Cost of sales                  | 31,287,505 | 21,640,661 | 11,450,452 |
| Selling and marketing expenses | 14,527,497 | 14,021,556 | 10,191,230 |
|                                | 51,356,861 | 57,990,480 | 36,380,561 |

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

|   | 2024        | 2023         | 2022          |
|---|-------------|--------------|---------------|
| Remeasurement gain (loss)   |             |              |               |
| On defined benefit obligation due to change in financial assumption | 3,503,215   | 70,851,687   | (35,490,683)  |
| On defined benefit obligation due to experience adjustment          | -           | (3,287,041)  | (37,610,823)  |
| On plan assets due to experience adjustment                         | 9,511,978   | (19,318,076) | (31,677,659)  |
|   | 13,015,193  | 48,246,570   | (104,779,165) |
| Deferred income tax   | (2,469,703) | (9,464,161)  | 15,637,454    |
|   | 10,545,490  | 38,782,409   | (89,141,711)  |

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

|   | 2024          | 2023          |
|---|---------------|---------------|
| Beginning of the year                                       | (97,940,227)  | (169,636,787) |
| Retirement benefit expense recorded in profit or loss       | (51,356,862)  | (57,990,480)  |
| Remeasurement gain recognized in other comprehensive income | 13,015,193    | 48,246,570    |
| Contributions   | 25,000,000    | 80,000,000    |
| Transfer (to) from affiliates                               | (2,455,908)   | 1,440,470     |
| End of the year   | (113,737,804) | (97,940,227)  |

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

|                             | 2024        |            | 2023        |            |
|-----------------------------|-------------|------------|-------------|------------|
|                             | Amount      | Percentage | Amount      | Percentage |
| Listed stocks               | 226,478,332 | 60.80%     | 213,757,946 | 59.94%     |
| Treasury bonds and notes    | 114,129,541 | 30.64%     | 105,553,675 | 29.59%     |
| Unit investment trust funds | 19,324,796  | 5.19%      | 32,950,139  | 9.24%      |
| Cash in banks               | 12,186,342  | 3.27%      | 3,996,977   | 1.12%      |
| Other receivables           | 846,805     | 0.23%      | 750,252     | 0.21%      |
| Other payables              | (439,995)   | (0.12%)    | (344,233)   | (0.10%)    |
|                             | 372,863,274 | 100%       | 356,664,756 | 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, 2024, listed stocks include shares of stocks of the Parent Company amounting to P82,607,013 representing 0.19% interest in the Parent Company (2023 - P85,591,174; 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, 2024 amounted to P2,984,161 (2023 - P21,567,349).

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

|                             | 2024        |            | 2023        |            |
|-----------------------------|-------------|------------|-------------|------------|
|                             | Amount      | Percentage | Amount      | Percentage |
| Listed stocks               | 222,721,271 | 60.80%     | 198,685,050 | 59.94%     |
| Treasury bonds and notes    | 112,236,240 | 30.64%     | 98,082,927  | 29.59%     |
| Unit investment trust funds | 19,004,216  | 5.19%      | 30,628,126  | 9.24%      |
| Cash in banks               | 11,984,182  | 3.27%      | 3,712,500   | 1.12%      |
| Other receivables           | 832,757     | 0.23%      | 696,094     | 0.21%      |
| Other payables              | (432,696)   | (0.12%)    | (331,473)   | (0.10%)    |
|                             | 366,345,970 | 100%       | 331,473,223 | 100.00%    |

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

|                             | 2024        | 2023        |
|-----------------------------|-------------|-------------|
| Discount rate               | 6.11%-6.13% | 6.03%-6.08% |
| Future salary increase rate | 5.00%       | 5.00%       |

As at December 31, 2024, the average life expectancy in years of experience of a pensioner retiring at age 60 is 18-24 years (2023 - 16-33 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, 2025 is P45,414,249.

### 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 |
| <i>As at December 31, 2024</i> |                                      |                        |                        |
| Discount rate                  | +/-0.50%                             | (20,848,049)           | 22,747,355             |
| Future salary increase         | +/-1.00%                             | 45,579,362             | (39,023,433)           |
| <i>As at December 31, 2023</i> |                                      |                        |                        |
| Discount rate                  | +/-0.50%                             | (22,370,374)           | 24,399,895             |
| Future salary increase         | +/-1.00%                             | 48,975,981             | (41,989,193)           |

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 |
|------|------------------|--------------|---------------|
| 2024 | 39,097,825       | 153,600,799  | 230,950,836   |
| 2023 | 39,044,081       | 135,217,498  | 269,241,262   |

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:

|   | 2024         | 2023         |
|---|--------------|--------------|
| Net operating loss carry-over (NOLCO)                             | 141,995,167  | 52,632,101   |
| Retirement benefit obligation                                     | 47,818,395   | 36,969,152   |
| Allowance for doubtful accounts                                   | 34,813,386   | 31,322,828   |
| Fair value adjustment of investment in equity securities at FVOCI | (432,373)    | (28,342,160) |
| Allowance for inventory obsolescence                              | 16,272,770   | 13,240,108   |
| Provision for incentives  |              | 10,002,347   |
| Minimum corporate income tax (MCIT)                               | 8,288,798    | 9,122,470    |
| Unrealized foreign exchange loss                                  | (3,790,532)  | 5,208,178    |
| Effect of PFRS 16   | 3,136,188    | 4,072,257    |
| Remeasurement gain on retirement benefit obligation               | (17,509,496) | (1,571,038)  |
| Others  | (42,332,206) | 56,741       |
|   | 188,260,097  | 132,712,984  |

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:

|                                      | 2024         | 2023         |
|--------------------------------------|--------------|--------------|
| DIT assets                           | 244,974,378  | 165,043,124  |
| DIT liabilities                      | (55,177,686) | (29,028,256) |
| Deferred income tax assets, net      | 189,796,692  | 136,014,868  |
| DIT assets                           | 3,974,266    | 2,554,465    |
| DIT liabilities                      | (5,510,861)  | (5,856,349)  |
| Deferred income tax liabilities, net | (1,536,595)  | (3,301,884)  |

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

|   | 2024         | 2023         |
|---|--------------|--------------|
| Beginning of year                                   | 132,712,984  | 89,444,470   |
| Credited to profit or loss                          | 73,056,609   | 57,607,688   |
| Credited to (charged to) other comprehensive income | (17,509,496) | (14,339,174) |
| End of year   | 188,260,097  | 132,712,984  |

#### *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.

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:

|                | 2024                 | 2023         | 2022         |
|----------------|----------------------|--------------|--------------|
| Parent Company | Itemized             | Itemized     | Itemized     |
| OFI            | Itemized             | Itemized     | Itemized     |
| DLPF           | ITH/Itemized         | ITH/Itemized | Itemized     |
| DLPCI          | ITH/Special/Itemized | ITH/Itemized | ITH/Itemized |
| FIC            | OSD                  | OSD          | OSD          |
| API            | OSD                  | OSD          | OSD          |
| CTI            | Special/Itemized     | ITH/OSD      | ITH/OSD      |
| CPSI           | OSD                  | OSD          | OSD          |
| NAC            | ITH/Itemized         | ITH/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:

| 2024  |  |  |                                       |  |                              |               |
|---|--|--|---------------------------------------|--|------------------------------|---------------|
|   | PEZA<br>registered<br>activity<br>(0%) | PEZA<br>registered<br>activity<br>(5%) | BOI<br>registered<br>activity<br>(0%) | BOI<br>registered<br>activity<br>(10%) | Regular<br>tax rate<br>(25%) | Total         |
| Net profit before tax                           | 482,954,589                            | 302,023,750                            | -                                     | 399,341,577                            | 1,589,086,388                | 2,781,508,027 |
| Availment of OSD                                | -                                      | -                                      | -                                     | -                                      | (50,401,356)                 | (50,401,356)  |
| Interest income subject<br>to final tax         | (1,721,892)                            | (1,500,413)                            | -                                     | (135,256)                              | (2,898,901)                  | (6,256,462)   |
| Derecognized MCIT                               | -                                      | -                                      | -                                     | -                                      | 7,948,960                    | 7,948,960     |
| Unrecognized NOLCO                              | -                                      | -                                      | -                                     | -                                      | (53,134,701)                 | (53,134,701)  |
| Non-deductible expenses                         | 39,260,770                             | 24,153,383                             | -                                     | 2,769,029                              | (7,945,845)                  | 58,237,337    |
| Taxable gross/net income                        | 520,493,467                            | 324,676,720                            | -                                     | 401,975,350                            | 1,482,654,545                | 2,737,901,805 |
| Statutory income tax rates                      | 0%                                     | 5%                                     | -                                     | 10%                                    | 25%                          |               |
| Income tax expense before<br>change in tax rate | -                                      | 16,233,836                             | -                                     | 40,197,535                             | 370,663,636                  | 427,095,007   |
| Change in tax rates for<br>deferred tax assets  | -                                      | -                                      | -                                     | -                                      | (3,006,594)                  | (3,006,594)   |
| Income tax expense                              | -                                      | 26,586,142                             | -                                     | 42,985,307                             | 367,657,042                  | 424,088,413   |

| 2023                                    |  |  |                                       |  |                              |               |
|---|--|--|---------------------------------------|--|------------------------------|---------------|
|   | PEZA<br>registered<br>activity<br>(0%) | PEZA<br>registered<br>activity<br>(5%) | BOI<br>registered<br>activity<br>(0%) | BOI<br>registered<br>activity<br>(10%) | Regular<br>tax rate<br>(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<br>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<br>registered<br>activity<br>(0%) | PEZA<br>Registered<br>activity<br>(5%) | BOI<br>registered<br>activity<br>(0%) | BOI<br>registered<br>activity<br>(10%) | Regular<br>tax rate<br>(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<br>to final tax         | (38,964)                               | (121,522)                              | (10,085)                              | (86,869)                               | (3,284,325)                  | (3,541,765)   |
| Movement of unrecognized<br>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<br>change in tax rate | -                                      | 26,586,142                             | -                                     | 42,985,307                             | 710,207,784                  | 779,779,233   |
| Change in current tax rate of<br>prior period   | -                                      | -                                      | -                                     | -                                      | 2,635,894                    | 2,635,894     |
| Change in tax rates for<br>deferred tax assets  | -                                      | -                                      | -                                     | -                                      | (4,962,375)                  | (4,962,375)   |
| Income tax expense                              | -                                      | 26,586,142                             | -                                     | 42,985,307                             | 707,881,303                  | 777,452,752   |

## 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 | 2024           | 2023          |
|---|-------|----------------|---------------|
| <i>Financial assets at amortized cost</i> |       |                |               |
| Cash and cash equivalents                 | 3     | 2,837,928,092  | 2,844,171,390 |
| Receivables, gross                        | 4     | 8,226,452,590  | 5,811,738,861 |
| Due from related parties                  | 18    | 158,571,168    | 127,702,429   |
| Refundable deposits                       | 6     | 424,584,746    | 865,094,698   |
|   |       | 11,642,194,400 | 9,648,707,378 |
| <i>Financial assets at FVPL</i>           |       | 39,958,426     | 34,151,329    |
| <i>Financial assets at FVOCI</i>          |       | 343,066,891    | 266,224,629   |
|   |       | 12,052,219,717 | 9,949,083,336 |

Receivables are presented gross of allowance for impairment as at December 31, 2024 amounting to P168,826,389 (2023 - P154,864,153).

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 | 2024           | 2023           |
|--------------------------------------|-------|----------------|----------------|
| Trade payables and other liabilities | 10    | 4,354,173,545  | 3,607,587,079  |
| Due to related parties               | 18    | 39,417,257     | 72,381,122     |
| Lease liabilities                    | 9     | 821,822,597    | 554,788,430    |
| Bonds payable                        | 11    | 1,990,780,368  | 4,976,254,973  |
| Borrowings                           | 11    | 19,099,487,284 | 12,159,231,665 |
|                                      |       | 26,305,681,051 | 21,370,243,269 |

Trade payables and other liabilities exclude amounts due to regulatory agencies and advances from customers as at December 31, 2024 amounting to P121,250,723 and P69,329 (2023 - P157,277,821 and P56,785), 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 FVPL.

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:

|                                    | 2024           | 2023          | Basis for recognition of ECL |
|------------------------------------|----------------|---------------|------------------------------|
| Financial assets at amortized cost |                |               |                              |
| Cash and cash equivalents          | 2,740,624,111  | 2,773,637,162 | 12-month ECL                 |
| Trade and other receivables        | 8,221,503,860  | 5,805,239,480 | Lifetime ECL                 |
| Due from related parties           | 158,571,168    | 127,702,429   | 12-month ECL                 |
| Refundable deposits                | 424,584,746    | 865,094,698   | 12-month ECL                 |
| Financial assets at FVPL           | 39,958,426     | 34,151,329    | Marked to market             |
|                                    | 11,579,900,115 | 9,605,825,098 |                              |

Cash and cash equivalents exclude cash on hand as at December 31, 2024 amounting to P97,303,980 (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 December 31, 2024 and 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 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:

|                 | 2024          | 2023          |
|-----------------|---------------|---------------|
| Universal banks | 2,734,384,410 | 2,767,608,447 |
| Thrift banks    | -             | 85,608        |
|                 | 2,734,384,410 | 2,767,694,055 |

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, 2024 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 Group has identified the Gross Domestic Product (GDP) and the inflation rates to be the relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors that are assessed to be directly proportional.

On that basis, the loss allowance as at December 31 was determined as follows:

| 2024   | Low risk      | Moderate risk | Impaired    | Total         |
|--|---------------|---------------|-------------|---------------|
| Expected loss rate                           | 1.57%         | 7.54%         | 20.86%      | 2.05%         |
| Gross carrying amount -<br>trade receivables | 7,625,704,392 | 563,908,567   | 31,890,901  | 8,221,503,860 |
| Loss allowance                               | (119,672,080) | (42,501,351)  | (6,652,958) | (168,826,389) |
| Net receivables                              | 7,506,032,312 | 521,407,216   | 25,237,943  | 8,047,370,980 |

| 2023   | Low risk      | Moderate risk | Impaired    | Total         |
|--|---------------|---------------|-------------|---------------|
| Expected loss rate                           | 1.73%         | 5.67%         | 11.75%      | 2.7%          |
| Gross carrying amount -<br>trade receivables | 4,498,047,727 | 1,256,547,429 | 50,644,324  | 5,805,239,480 |
| Loss allowance                               | (77,668,077)  | (71,245,368)  | (5,950,708) | (154,864,153) |
| Net receivables                              | 4,420,379,650 | 1,185,302,061 | 44,693,616  | 5,650,375,327 |

In assessing credit quality, the Company considers various factors such as Company's length of business with the customer, age of outstanding invoices and historical defaults. The Company's risk categorization is as follows:

Low risk - includes customers that have long history of credit quality based on the Company's experience, minimal to zero historical defaults and minimal invoices that exceed due dates.

Moderate risk - includes customers that are new or have no established track record, have certain history of past due and defaults.

Impaired - these are specifically identified customers that have been identified by management to be at high risk of uncollectability due to circumstances such as bankruptcy, substantial default and other factors.

### (ii) Other receivables

Other receivables as at December 31, 2024 include loans to officers and employees amounting to P3,615,918 (2023 - P4,387,751). 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.

## 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:

|                                      | Currency | 2024                       |       | 2023            |                            |       |                 |
|--------------------------------------|----------|----------------------------|-------|-----------------|----------------------------|-------|-----------------|
|                                      |          | Amount in foreign currency | Rate  | Peso equivalent | Amount in foreign currency | Rate  | Peso Equivalent |
| Cash                                 | USD      | 13,834,168                 | 57.85 | 800,306,619     | 12,702,737                 | 55.37 | 703,350,548     |
|                                      | EUR      | 667,371                    | 36.08 | 24,078,746      | 656,592                    | 61.47 | 40,360,710      |
|                                      |          |                            |       | 824,385,365     |                            |       | 743,711,258     |
| Receivables                          | USD      | 17,759,750                 | 57.85 | 1,027,401,538   | 16,394,299                 | 55.37 | 907,752,336     |
| Trade payables and other liabilities | USD      | (4,946,656)                | 57.85 | (286,164,050)   | (13,131,409)               | 55.37 | (727,086,116)   |
|                                      | EUR      | (106,888)                  | 36.08 | (3,856,519)     | (685,804)                  | 61.47 | (42,156,372)    |
|                                      | SGD      | (24,974)                   | 42.69 | (1,066,140)     | (508,632)                  | 42.08 | (21,403,235)    |
|                                      |          |                            |       | (291,086,709)   |                            |       | (790,645,723)   |
|                                      |          |                            |       | 533,298,656     |                            |       | 860,817,871     |

Foreign exchange gain (loss), net for the years ended December 31 consist of:

|   | 2024       | 2023         | 2022         |
|---|------------|--------------|--------------|
| Realized foreign exchange gain (loss)   | 53,099,411 | (7,889,906)  | 218,434,150  |
| Unrealized foreign exchange gain (loss) | 12,731,373 | (7,756,855)  | (32,236,709) |
| Foreign exchange gain (loss), net       | 65,830,784 | (15,646,761) | 186,197,441  |

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, 2024, the Group is exposed to price risk in relation to its investments in debt and equity financial assets amounting to P39,958,426 and P343,066,891, respectively (2023 - P34,151,329 and P266,224,629). 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, 2024 and 2023, 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.

## 22.4 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<br>demandable | Less than 3<br>months | Between 3<br>to 6 months | Between 7<br>to 12 months | Over<br>12 months | Total          |
|--|-----------------------|-----------------------|--------------------------|---------------------------|-------------------|----------------|
| <i>December 31, 2024</i>                             |                       |                       |                          |                           |                   |                |
| Trade payables and<br>other liabilities              | 138,942,721           | 3,535,898,755         | 679,332,069              | -                         | -                 | 4,354,173,545  |
| Due to related parties                               | -                     | 39,417,257            | -                        | -                         | -                 | 39,417,257     |
| Borrowings and future<br>interest payments           | 3,812,971,111         | 14,076,802,917        | 17,306,250               | 34,612,500                | 1,371,000,000     | 19,312,692,778 |
| Bonds payable and<br>future interest<br>payments     | -                     | 17,981,000            | 17,981,000               | 35,962,000                | 1,918,856,368     | 1,990,780,368  |
| Lease liabilities and<br>future interest<br>payments | -                     | 96,816,955            | 154,523,221              | 195,395,825               | 430,070,048       | 876,806,049    |
|  | 3,951,913,832         | 17,669,916,884        | 869,142,540              | 265,970,325               | 3,719,926,416     | 26,573,869,997 |

|  | Due and<br>demandable | Less than<br>3 months | Between 3<br>to 6 months | Between 7<br>to 12 months | Over<br>12 months | Total          |
|--|-----------------------|-----------------------|--------------------------|---------------------------|-------------------|----------------|
| <i>December 31, 2023</i>                             |                       |                       |                          |                           |                   |                |
| Trade payables and<br>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<br>interest payments           | -                     | 9,819,725,000         | 1,318,225,000            | 36,450,000                | 1,506,600,000     | 12,681,000,000 |
| Bonds payable and<br>future interest<br>payments     | -                     | 38,894,750            | 38,894,750               | 3,056,875,750             | 2,125,867,000     | 5,260,532,250  |
| Lease liabilities and<br>future interest<br>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 |

At December 31, 2024, 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.

## 22.5 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, 2024 and 2023, total capital is equal to total equity (excluding any reserves) as shown in the consolidated statements of financial position.

|              | 2024           | 2023           |
|--------------|----------------|----------------|
| Total equity | 21,789,623,234 | 20,867,525,566 |
| Reserves     | (326,291,291)  | (253,478,583)  |
|              | 21,463,331,943 | 20,614,046,983 |

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 PFRS Accounting Standards. PFRS Accounting Standards comprise the following authoritative literature:

- PFRS Accounting Standards,
- PAS Standards, and
- Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), Philippine Interpretations Committee (PIC), and Standing Interpretations Committee (SIC) as approved by the Financial and Sustainability Reporting Standards Council (FSRSC) and the Board of Accountancy, and adopted by the Securities and Exchange Commission (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 Accounting Standards 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 Company

The Group has applied the following standards and amendments for the first time for its annual reporting period commencing January 1, 2024:

- Classification of Liabilities as Current or Non-current and Non-current liabilities with covenants - Amendments to PAS 1;
- Lease Liability in Sale and Leaseback - Amendments to PFRS 16; and
- Supplier Finance Arrangements - Amendments to PAS 7 and PFRS 7.

The amendments listed above did not have any material impact on the amounts recognized in prior periods and are not expected to significantly affect the current or future periods

*(b) New standards, amendments and interpretations not yet adopted*

Certain new accounting standards and amendments to accounting standards have been published that are not mandatory for December 31, 2024 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and amendments is set out below:

- (a) Amendments to IAS 21 - Lack of Exchangeability (effective for annual periods beginning on or after January 1, 2025)

In August 2023, the IASB amended PAS 21 to help entities to determine whether a currency is exchangeable into another currency, and which spot exchange rate to use when it is not. The Group does not expect these amendments to have a material impact on its operations or financial statements.

- (b) Amendments to the Classification and Measurement of Financial Instruments - Amendments to IFRS 9 and IFRS 7 (effective for annual periods beginning on or after January 1, 2026)

On May 30, 2024, the IASB issued targeted amendments to PFRS 9 and PFRS 7 to respond to recent questions arising in practice, and to include new requirements not only for financial institutions but also for corporate entities.

These amendments:

- clarify the date of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system;
- clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion;
- add new disclosures for certain instruments with contractual terms that can change cash flows (such as some financial instruments with features linked to the achievement of environment, social and governance targets); and
- update the disclosures for equity instruments designated at fair value through other comprehensive income (FVOCI).

The Group does not expect these amendments to have a material impact on its operations or consolidated financial statements.

- (c) PFRS 18 Presentation and Disclosure in Financial Statements (effective for annual periods beginning on or after January 1, 2027)

PFRS 18 will replace PAS 1 Presentation of financial statements, introducing new requirements that will help to achieve comparability of the financial performance of similar entities and provide more relevant information and transparency to users. Even though PFRS 18 will not impact the recognition or measurement of items in the financial statements, its impacts on presentation and disclosure are expected to be pervasive, in particular those related to the statement of financial performance and providing management-defined performance measures within the financial statements.

Management is currently assessing the detailed implications of applying the new standard on the Group's consolidated financial statements.

The Group will apply the new standard from its mandatory effective date of January 1, 2027. Retrospective application is required, and so the comparative information for the financial year ending December 31, 2026 will be restated in accordance with PFRS 18.

## **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 FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL 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    | 3 to 40 |
| Leasehold improvements                | 1 to 5  |
| Transportation and delivery equipment | 5       |
| Office furniture and fixtures         | 5 to 10 |
| Tools, machinery 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 Borrowings and borrowing costs

#### 23.12.1 Borrowings, including bonds payable

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Borrowings are derecognized when extinguished or paid, or when the obligation is discharged, cancelled or has expired.

### *23.12.2 Borrowing costs*

Borrowing costs incurred for the construction of any qualifying asset, if any, are capitalized during the period of time that is required to complete and prepare the asset for its intended use.

Other borrowing costs are recognized and charged to profit or loss in the period in which these are incurred.

## **23.13 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:

### *23.13.1 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.

### *23.13.2 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.

### *23.13.3 Dividend income*

Dividend income is recognized in profit or loss when the right to receive payment is established.

### *23.13.4 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.

### *23.13.5 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.

## **23.14 Employee benefits**

### *23.14.1 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.

#### 23.14.2 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.

#### 23.15 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.

##### 23.15.1 *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.



### **23.16 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.

### **23.17 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.

### **23.18 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.

### **23.19 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

| <u>Schedules</u> | <u>Supplementary Schedules</u>  | <u>Remarks</u> |
|------------------|---|----------------|
| 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 A          | Supplementary Schedule of External Auditor Fee-Related Information  | Annex A        |
| Annex 68-D       | Reconciliation of Parent Company's Retained Earnings Available for Dividend Declaration   | Annex 68-D     |
|                  | A Map Showing the Relationships between and among the Parent Company and its Ultimate Parent Company, Middle Parent, Subsidiaries or Co-subsidiaries and Associates |                |
| 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

As at and for the year ended December 31, 2024  
(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, 2024**  
**(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, 2024  
(All amounts in Philippine Pesos)

| Name of Related Party           | Balance at<br>beginning of year | Additions      | Collections/<br>Payments | Total         | Current       | Non-current   | Balance at end of<br>year |
|---------------------------------|---------------------------------|----------------|--------------------------|---------------|---------------|---------------|---------------------------|
| Due from(to) related parties:   |                                 |                |                          |               |               |               |                           |
| D&L Industries, Inc.            | 5,046,055,082                   | 761,368,000    | (3,753,739,538)          | 2,053,683,544 | 53,683,544    | 2,000,000,000 | 2,053,683,544             |
| Aero-Pack Industries, Inc.      | 1,042,750                       | 325,016,142    | (219,939,891)            | 106,119,000   | 106,119,000   | -             | 106,119,000               |
| Chemrez Product Solutions, Inc. | 181,641,060                     | 4,048,165,577  | (3,936,727,251)          | 293,079,386   | 293,079,386   | -             | 293,079,386               |
| Chemrez Technologies, Inc.      | 328,931,245                     | 4,174,608,821  | (1,134,542,150)          | 3,368,997,917 | 3,368,997,917 | -             | 3,368,997,917             |
| D&L Polymer and Colours, Inc.   | 301,417,462                     | 675,916,989    | (321,323,942)            | 656,010,509   | 656,010,509   | -             | 656,010,509               |
| D&L Premium Foods Corp.         | -                               | 926,061,930    | (840,888,131)            | 85,173,799    | 85,173,799    | -             | 85,173,799                |
| First in Colours, Incorporated  | 201,463,594                     | 300,634,606    | (244,958,681)            | 257,139,519   | 257,139,519   | -             | 257,139,519               |
| Natura Aeropack Corporation     | -                               | 533,851,438    | (465,018,656)            | 68,832,782    | 68,832,782    | -             | 68,832,782                |
| Oleo-Fats, Incorporated         | -                               | 3,698,175,411  | (693,628,847)            | 3,004,546,564 | 3,004,546,564 | -             | 3,004,546,564             |
|                                 | 6,060,551,193                   | 15,443,798,914 | (11,610,767,087)         | 9,893,583,020 | 7,893,583,020 | 2,000,000,000 | 9,893,583,020             |

# SCHEDULE D

## D&L Industries, Inc. and Subsidiaries Long-term Debt

December 31, 2024  
(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 Consolidated Statement of Financial Position | Amount shown under Caption "Long-term Debt" in Related Consolidated Statement of Financial Position | Notes   |
|---------------------------------------|---------------|--|---|---|
| Bonds payable                         | 2,000,000,000 | N/A  | 1,990,780,368   | On September 14, 2021, the Group issued P5,000,000,000 fixed rate bonds.<br>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 interest rate of 2.79% and 3.60%, respectively. The Series A bonds have been fully settled as it matured in 2024. Series B bonds remain outstanding as of December 31, 2024. |
| Borrowings                            | 1,215,000,000 | N/A  | 1,249,487,284   | In 2024, 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, 2024

| Title of issue | Number of<br>shares<br>authorized | Number of<br>shares issued | Treasury<br>shares | Number of<br>shares<br>outstanding | Number of shares<br>reserved for                     | Number of shares issued to |   |               |
|----------------|-----------------------------------|----------------------------|--------------------|------------------------------------|--|----------------------------|---|---------------|
|                |                                   |                            |                    |                                    | options, warrants,<br>conversion and<br>other rights | Related parties            | Directors,<br>officers and<br>employees | Others        |
| Common shares  | 18,000,000,000                    | 7,142,857,990              | -                  | 7,142,857,990                      | -  | 4,470,558,855              | 246,355,051                             | 2,425,944,084 |



**Annex A**

D&L Industries, Inc.  
No. 65 Industria Street  
Bagumbayan, Quezon City

Supplementary Schedule of External Auditor Fee-Related Information  
For the year ended December 31, 2024  
(All amounts in Philippine Peso)

|                                       | 2024             | 2023             |
|---------------------------------------|------------------|------------------|
| <b>Total Audit Fees</b>               | <b>6,475,000</b> | <b>5,870,000</b> |
| Non-audit services fees:              |                  |                  |
| Other assurance services              | -                | -                |
| Tax services                          | -                | -                |
| All other services                    | -                | -                |
| Total Non-audit fees                  | -                | -                |
| <b>Total Non-audit Fees</b>           | <b>-</b>         | <b>-</b>         |
| <b>Total Audit and Non-audit Fees</b> | <b>6,475,000</b> | <b>5,870,000</b> |

**Annex 68-D**

D&L Industries, Inc.  
No. 65 Industria Street  
Bagumbayan, Quezon City

Reconciliation of Parent Company's Retained Earnings Available for Dividend Declaration  
For the year ended December 31, 2024  
(All amounts in Philippine Peso)

|  | Amount          |
|--|-----------------|
| <b>Unappropriated Retained Earnings, beginning</b>   | 416,113,737     |
| 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   | 1,492,857,320   |
| Retained earnings appropriated during the reporting period   | -               |
| Effect of restatements or prior-period adjustments   | -               |
| Others (describe nature)   | -               |
| <b>Unappropriated Retained Earnings, as adjusted</b>   | (1,076,743,583) |
| Net income actual earned during the year   | 1,744,620,952   |
| 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)                              | 153,307         |
| 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)   | -               |
| Add: Category C.2: Unrealized income recognized in the profit or loss in prior reporting periods but realized in the current reporting period (net of tax) |                 |
| Realized foreign exchange gain, except those attributable to Cash and cash equivalents   | -               |
| Realized fair value adjustment (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)   | -            |                      |
| <hr/>  |              |                      |
| 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 (markto- 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)   | -            | -                    |
| <hr/>  |              |                      |
| <b>Adjusted net income/loss</b>  |              | <b>1,744,467,647</b> |
| 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)   | -            | -                    |
| <hr/>  |              |                      |
| 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   | (62,209,537) |                      |
| 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)   | -            | (62,209,537)         |
| <hr/>  |              |                      |
| <b>Total Retained Earnings, as adjusted to available for dividend distribution, ending</b>   |              | <b>605,514,527</b>   |

**Annex 68-E**

D&L Industries, Inc. and Subsidiaries

Schedule of Financial Soundness Indicator  
December 31, 2024 and 2023

|                                       | 2024  | 2023  |
|---------------------------------------|-------|-------|
| Gross Profit margin <sup>a</sup>      | 15%   | 17%   |
| Net Profit margin <sup>b</sup>        | 6%    | 7%    |
| Return on equity <sup>c</sup>         | 11%   | 11%   |
| Current ratio <sup>d</sup>            | 1.25x | 1.25x |
| Interest cover <sup>e</sup>           | 4x    | 6x    |
| Net debt to equity ratio <sup>f</sup> | 0.84x | 0.68x |
| Asset-to-equity ratio <sup>g</sup>    | 2.2x  | 2.04x |
| Book Value per share <sup>h</sup>     | P3.05 | P2.92 |

<sup>a</sup> Gross Profit / Revenues

<sup>b</sup> Net Income available to common shareholders / Revenues

<sup>c</sup> Net Income available to common shareholders / Shareholder's Equity

<sup>d</sup> Current Asset / Current Liabilities

<sup>e</sup> Earnings before interest and taxes / Interest Expense

<sup>f</sup> (Borrowings – Cash) / Shareholder's Equity

<sup>g</sup> Total Assets / Total Equity

<sup>h</sup> Shareholders' Equity (available to owners of the Parent) / Weighted average outstanding number of common shares

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, 2024  
(All amounts in Philippine Peso)

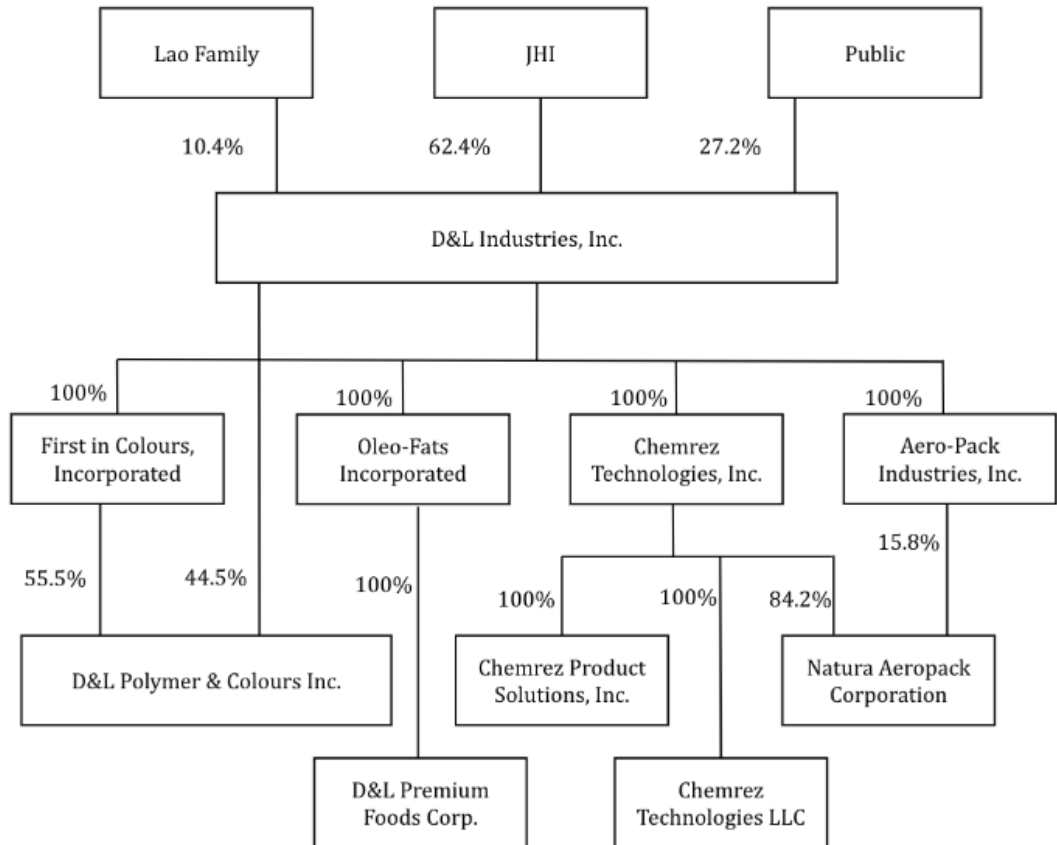
---

Not applicable because there is no recent offering of securities to the public in 2024  
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 Company and its Ultimate Parent Company, Middle Parent, Subsidiaries or Co-subsiaries and Associates  
December 31, 2024





# SECURITIES AND EXCHANGE COMMISSION

THE SEC HEADQUARTERS 7907 Makati Avenue, Salcedo Village, Bel-Air, Makati City  
1209 Trunk Line No:02-5322-7696 Email Us:www.sec.gov.ph/imessagemo@sec.gov.ph



**The following document has been received:**

**Receiving:** RICHMOND CARLOS AGTARAP

**Receipt Date and Time:** May 30, 2024 10:40:23 AM

## Company Information

---

**SEC Registration No.:** 0000044852

**Company Name:** D & L INDUSTRIES, INC.

**Industry Classification:** G51410

**Company Type:** Stock Corporation

## Document Information

---

---

**Document ID:** OST10530202482666088

**Document Type:** I-ACGR

**Document Code:** I-ACGR

**Period Covered:** December 31, 2023

**Submission Type:** Annual

**Remarks:** None

---

---

Acceptance of this document is subject to review of forms and contents

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           | 2023 Integrated Annual Corporate Governance Report (I-ACGR) |  |  |  |     |  |  |  |  |           |  |  |  |  |  | 0 | 6 | 0 | 5 |  |  |  |  |  |       |  |     |  |
| Month |   |  |  |   | Fiscal Year |   |  |  |  | Day |  |  |  |  | FORM TYPE |  |  |  |  |  |   |   |   |   |  |  |  |  |  | Month |  | Day |  |
|       |   |  |  |   |             |   |  |  |  |     |  |  |  |  |           |  |  |  |  |  |   |   |   |   |  |  |  |  |  |       |  |     |  |
|       |   |  |  |   |             |   |  |  |  |     |  |  |  |  |           |  |  |  |  |  |   |   |   |   |  |  |  |  |  |       |  |     |  |

|  |
|--|
|  |
|--|

Secondary License Type, if Applicable

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

|                           |  |  |  |  |  |  |  |  |  |                            |  |  |  |  |  |  |  |  |  |         |  |  |  |  |  |  |  |  |  |
|---------------------------|--|--|--|--|--|--|--|--|--|----------------------------|--|--|--|--|--|--|--|--|--|---------|--|--|--|--|--|--|--|--|--|
| 203                       |  |  |  |  |  |  |  |  |  | Total Amount of Borrowings |  |  |  |  |  |  |  |  |  |         |  |  |  |  |  |  |  |  |  |
| 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, 2023

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<br>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/<br>NON-<br>COMPLIANT | ADDITIONAL INFORMATION  | EXPLANATION |
|---|---------------------------------|---|-------------|
| <b>The Board's Governance Responsibilities</b>  |                                 |   |             |
| <b>Principle 1:</b> 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. |                                 |   |             |
| <b>Recommendation 1.1</b>   |                                 |   |             |
| 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.<br><br>For the names, backgrounds and qualification of D&L's directors, please see the 2023 General Information Sheet (GIS) and Part III, Item 9 of the 2023 Annual Report ("AR").<br><br>Links –<br>CG Manual:<br><a href="https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf">https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf</a><br>2023 GIS:<br><a href="https://dnl.com.ph/wp-content/uploads/2023/07/DNL-GIS-2023-1.pdf">https://dnl.com.ph/wp-content/uploads/2023/07/DNL-GIS-2023-1.pdf</a><br>2023 AR:<br><a href="https://dnl.com.ph/wp-content/uploads/2024/03/DNL-SEC-Form-17-A-as-of-December-31-2023-with-I-ACGR-and-SR.pdf">https://dnl.com.ph/wp-content/uploads/2024/03/DNL-SEC-Form-17-A-as-of-December-31-2023-with-I-ACGR-and-SR.pdf</a> |             |
| 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:<br><a href="https://dnl.com.ph/wp-content/uploads/2019/04/Board-Charter.pdf">https://dnl.com.ph/wp-content/uploads/2019/04/Board-Charter.pdf</a>  |  |
| <b>Recommendation 1.2</b>  |           |  |  |
| 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 2023 GIS and Part III, Item 9, 2023 AR.<br>Links –<br>2023 GIS:<br><a href="https://dnl.com.ph/wp-content/uploads/2023/07/DNL-GIS-2023-1.pdf">https://dnl.com.ph/wp-content/uploads/2023/07/DNL-GIS-2023-1.pdf</a><br>2023 AR:<br><a href="https://dnl.com.ph/wp-content/uploads/2024/03/DNL-SEC-Form-17-A-as-of-December-31-2023-with-I-ACGR-and-SR.pdf">https://dnl.com.ph/wp-content/uploads/2024/03/DNL-SEC-Form-17-A-as-of-December-31-2023-with-I-ACGR-and-SR.pdf</a> |  |
| <b>Recommendation 1.3</b>  |           |  |  |
| 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.<br>Links -<br>CG Manual:<br><a href="https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf">https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf</a><br>Board Charter:<br><a href="https://dnl.com.ph/wp-content/uploads/2019/04/Board-Charter.pdf">https://dnl.com.ph/wp-content/uploads/2019/04/Board-Charter.pdf</a>  |  |
| 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.<br><br>Links -  |  |
| 3. Company has relevant annual continuing training for all directors.  | Compliant | CG Manual:<br><a href="https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf">https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf</a>  |  |

|  |           |  |  |
|--|-----------|--|--|
|  |           | <p>Board Charter:<br/> <a href="https://dnl.com.ph/wp-content/uploads/2019/04/Board-Charter.pdf">https://dnl.com.ph/wp-content/uploads/2019/04/Board-Charter.pdf</a></p> <p>The directors and officers completed the SEC mandated CG training for which Certificates of Completion were submitted to SEC. For 2023, the directors attended the seminar entitled, “<i>Corporate Governance in the Digital Era</i>”, which was held virtually on November 7, 2023 via Zoom.</p>  |  |
| <b>Recommendation 1.4</b>  |           |  |  |
| 1. Board has a policy on board diversity.  | Compliant | <p>Please see Section II(B) of the CG Manual and Section III of the Board Charter.</p> <p>Links:<br/> CG Manual:<br/> <a href="https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf">https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf</a><br/> Board Charter:<br/> <a href="https://dnl.com.ph/wp-content/uploads/2019/04/Board-Charter.pdf">https://dnl.com.ph/wp-content/uploads/2019/04/Board-Charter.pdf</a></p> <p>Board composed of four (4) men and three (3) women</p> |  |
| <b>Optional: Recommendation 1.4</b>  |           |  |  |
| 1. Company has a policy on and discloses measurable objectives for implementing its board diversity and reports on progress in achieving its objectives. | Compliant | <p>Please see Section II(B) of the CG Manual and Section III of the Board Charter.</p> <p>Links:<br/> CG Manual:<br/> <a href="https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf">https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf</a><br/> Board Charter:</p>  |  |

|  |           |  |  |
|--|-----------|--|--|
|  |           | <a href="https://dnl.com.ph/wp-content/uploads/2019/04/Board-Charter.pdf">https://dnl.com.ph/wp-content/uploads/2019/04/Board-Charter.pdf</a>  |  |
| <b>Recommendation 1.5</b>  |           |  |  |
| 1. Board is assisted by a Corporate Secretary.                               | Compliant | <p>The Corporate Secretary is Kristine Ann Catindig-Ong. She is not a member of the Board. Please see the 2023 GIS and 2023 AR.</p> <p>Links –</p> <p>2023 GIS:<br/> <a href="https://dnl.com.ph/wp-content/uploads/2023/07/DNL-GIS-2023-1.pdf">https://dnl.com.ph/wp-content/uploads/2023/07/DNL-GIS-2023-1.pdf</a></p> <p>2023 AR:<br/> <a href="https://dnl.com.ph/wp-content/uploads/2024/03/DNL-SEC-Form-17-A-as-of-December-31-2023-with-I-ACGR-and-SR.pdf">https://dnl.com.ph/wp-content/uploads/2024/03/DNL-SEC-Form-17-A-as-of-December-31-2023-with-I-ACGR-and-SR.pdf</a></p>  |  |
| 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 | <p>Please see Section XV of the Board Charter and Section II(K) of the CG Manual.</p> <p>Links -</p> <p>CG Manual:<br/> <a href="https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf">https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf</a></p> <p>Board Charter:<br/> <a href="https://dnl.com.ph/wp-content/uploads/2019/04/Board-Charter.pdf">https://dnl.com.ph/wp-content/uploads/2019/04/Board-Charter.pdf</a></p> <p>The directors and officers completed the SEC mandated CG training for which Certificates of Completion were submitted to SEC. For 2023, the officers attended the seminar entitled, “<i>Corporate Governance in the Digital Era</i>”, which was held virtually on November 7, 2023 via Zoom.</p> |  |

| 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 - <a href="https://dnl.com.ph/wp-content/uploads/2019/04/Board-Charter.pdf">https://dnl.com.ph/wp-content/uploads/2019/04/Board-Charter.pdf</a>  |  |
| Recommendation 1.6  |           |  |  |
| 1. Board is assisted by a Compliance Officer.   | Compliant | The Compliance Officer is Franco Diego Q. Lao for 2023. 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 2023 GIS and 2023 AR. Links –<br>2023 GIS: <a href="https://dnl.com.ph/wp-content/uploads/2023/07/DNL-GIS-2023-1.pdf">https://dnl.com.ph/wp-content/uploads/2023/07/DNL-GIS-2023-1.pdf</a><br>2023 AR: <a href="https://dnl.com.ph/wp-content/uploads/2024/03/DNL-SEC-Form-17-A-as-of-December-31-2023-with-I-ACGR-and-SR.pdf">https://dnl.com.ph/wp-content/uploads/2024/03/DNL-SEC-Form-17-A-as-of-December-31-2023-with-I-ACGR-and-SR.pdf</a> |  |
| 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 | <p>Please see Section XV of the Board Charter and Section II(K) of the CG Manual.</p> <p>Links -</p> <p>CG Manual: <a href="https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf">https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf</a></p> <p>Board Charter: <a href="https://dnl.com.ph/wp-content/uploads/2019/04/Board-Charter.pdf">https://dnl.com.ph/wp-content/uploads/2019/04/Board-Charter.pdf</a></p> <p>The directors and officers completed the SEC mandated CG training for which</p>  |  |

|   |           |   |  |
|---|-----------|---|--|
|   |           | Certificates of Completion were submitted to SEC. For 2023, the officers attended the seminar entitled, “ <i>Corporate Governance in the Digital Era</i> ”, which was held virtually on November 7, 2023 via Zoom.  |  |
| <b>Principle 2:</b> 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. |           |   |  |
| <b>Recommendation 2.1</b>   |           |   |  |
| 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.<br>Links -<br>CG Manual:<br><a href="https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf">https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf</a><br>Board Charter:<br><a href="https://dnl.com.ph/wp-content/uploads/2019/04/Board-Charter.pdf">https://dnl.com.ph/wp-content/uploads/2019/04/Board-Charter.pdf</a> |  |
| <b>Recommendation 2.2</b>   |           |   |  |
| 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.<br>Links -<br>CG Manual:<br><a href="https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf">https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf</a><br>Board Charter:<br><a href="https://dnl.com.ph/wp-content/uploads/2019/04/Board-Charter.pdf">https://dnl.com.ph/wp-content/uploads/2019/04/Board-Charter.pdf</a> |  |
| 2. Board oversees and monitors the implementation of the company’s business objectives and strategy.  | Compliant | <a href="https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf">https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf</a><br>Board Charter:<br><a href="https://dnl.com.ph/wp-content/uploads/2019/04/Board-Charter.pdf">https://dnl.com.ph/wp-content/uploads/2019/04/Board-Charter.pdf</a><br><br>The Board reviews business objectives and strategy as needed, but at least once a year.   |  |
| <b>Supplement to Recommendation 2.2</b>   |           |   |  |

|  |           |  |  |
|--|-----------|--|--|
| 1. Board has a clearly defined and updated vision, mission and core values.  | Compliant | <p>The Company's mission, vision and corporate values are in the website and are reviewed annually.</p> <p>Links –<br/> <a href="https://dnl.com.ph/wp-content/uploads/2019/04/DL-Vision-and-Mission.pdf">https://dnl.com.ph/wp-content/uploads/2019/04/DL-Vision-and-Mission.pdf</a><br/><br/> <a href="https://dnl.com.ph/wp-content/uploads/2019/04/DL-Beliefs-and-Values.pdf">https://dnl.com.ph/wp-content/uploads/2019/04/DL-Beliefs-and-Values.pdf</a></p>  |  |
| 2. Board has a strategy execution process that facilitates effective management performance and is attuned to the company's business environment, and culture. | Compliant | <p>D&amp;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.</p> <p>Link -<br/> CG Manual:<br/> <a href="https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf">https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf</a></p> |  |
| <b>Recommendation 2.3</b>  |           |  |  |
| 1. Board is headed by a competent and qualified Chairperson.   | Compliant | <p>The Chairman of the Board is Yin Yong Lao. For his background and qualifications, see the 2023 Annual Report. Also see the 2023 GIS.</p> <p>Links –<br/> 2023 GIS:<br/> <a href="https://dnl.com.ph/wp-content/uploads/2023/07/DNL-GIS-2023-1.pdf">https://dnl.com.ph/wp-content/uploads/2023/07/DNL-GIS-2023-1.pdf</a></p>   |  |



|   |           |   |  |
|---|-----------|---|--|
|   |           | 2023 AR:<br><a href="https://dnl.com.ph/wp-content/uploads/2024/03/DNL-SEC-Form-17-A-as-of-December-31-2023-with-I-ACGR-and-SR.pdf">https://dnl.com.ph/wp-content/uploads/2024/03/DNL-SEC-Form-17-A-as-of-December-31-2023-with-I-ACGR-and-SR.pdf</a>   |  |
| <b>Recommendation 2.4</b>   |           |   |  |
| 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.<br>Links -<br>CG Manual:<br><a href="https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf">https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf</a> |  |
| 2. Board adopts a policy on the retirement for directors and key officers.  | Compliant | Board Charter:<br><a href="https://dnl.com.ph/wp-content/uploads/2019/04/Board-Charter.pdf">https://dnl.com.ph/wp-content/uploads/2019/04/Board-Charter.pdf</a>   |  |
| <b>Recommendation 2.5</b>   |           |   |  |
| 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.<br>Links -<br>CG Manual:  |  |
| 2. Board adopts a policy specifying the relationship between remuneration and performance.  | Compliant | <a href="https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf">https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf</a>   |  |
| 3. Directors do not participate in discussions or deliberations involving his/her own remuneration.   | Compliant | Board Charter:<br><a href="https://dnl.com.ph/wp-content/uploads/2019/04/Board-Charter.pdf">https://dnl.com.ph/wp-content/uploads/2019/04/Board-Charter.pdf</a>   |  |
| <b>Optional: Recommendation 2.5</b>   |           |   |  |
| 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.  |           |   |  |
| <b>Recommendation 2.6</b>  |           |   |  |
| 1. Board has a formal and transparent board nomination and election policy.  | Compliant | <p>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&amp;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 assessment process details may be found in Item 5 of the 2023 Information Statement Links –</p> <p>CG Manual:<br/> <a href="https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf">https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf</a><br/>           2023 ASM Notice:<br/> <a href="https://dnl.com.ph/wp-content/uploads/2023/05/2023-ASM-Notice-and-Agenda.pdf">https://dnl.com.ph/wp-content/uploads/2023/05/2023-ASM-Notice-and-Agenda.pdf</a><br/>           2023 Information Statement<br/> <a href="https://dnl.com.ph/wp-content/uploads/2023/05/DNL-SEC-Form-20-IS-Definitive-Information-Statement.pdf">https://dnl.com.ph/wp-content/uploads/2023/05/DNL-SEC-Form-20-IS-Definitive-Information-Statement.pdf</a></p> |  |
| 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.<br><br>Details of RPTs for 2023 are disclosed in the 2023 AR as well as on the website.<br>Links:   |  |
| 2. RPT policy includes appropriate review and approval of material RPTs, which guarantee fairness and transparency of the transactions.  | Compliant | CG Manual:<br><a href="https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf">https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf</a>   |  |
| 3. RPT policy encompasses all entities within the group, taking into account their size, structure, risk profile and complexity of operations.   | Compliant | Board Charter:<br><a href="https://dnl.com.ph/wp-content/uploads/2019/04/Board-Charter.pdf">https://dnl.com.ph/wp-content/uploads/2019/04/Board-Charter.pdf</a><br>2023 AR:<br><a href="https://dnl.com.ph/wp-content/uploads/2024/03/DNL-SEC-Form-17-A-as-of-December-31-2023-with-I-ACGR-and-SR.pdf">https://dnl.com.ph/wp-content/uploads/2024/03/DNL-SEC-Form-17-A-as-of-December-31-2023-with-I-ACGR-and-SR.pdf</a><br>2023 RPT details:<br>See Note 18 of the 2023 Consolidated Audited Financial Statements<br>Link –<br><a href="https://dnl.com.ph/wp-content/uploads/2024/03/DNL-SEC-Form-17-A-as-of-December-31-2023-with-I-ACGR-and-SR.pdf">https://dnl.com.ph/wp-content/uploads/2024/03/DNL-SEC-Form-17-A-as-of-December-31-2023-with-I-ACGR-and-SR.pdf</a> |  |
| 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 <i>de minimis</i> 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. |               | <p>those agreements that are required by law to be approved by the stockholders are presented to the stockholders for approval.</p> <p>Links –<br/>RPT Policy:<br/><a href="https://dnl.com.ph/wp-content/uploads/2019/10/Material-Related-Party-Transactions-Policy-min.pdf">https://dnl.com.ph/wp-content/uploads/2019/10/Material-Related-Party-Transactions-Policy-min.pdf</a></p> <p>2023 RPT details:<br/>Note 18, 2022 Consolidated Audited Financial Statements attached to 2023 Annual Report -<br/><a href="https://dnl.com.ph/wp-content/uploads/2024/03/DNL-SEC-Form-17-A-as-of-December-31-2023-with-I-ACGR-and-SR.pdf">https://dnl.com.ph/wp-content/uploads/2024/03/DNL-SEC-Form-17-A-as-of-December-31-2023-with-I-ACGR-and-SR.pdf</a></p> |  |
| 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 |  | <p>There is no such voting system for RPTs.</p> <p>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:<br/><a href="https://dnl.com.ph/wp-content/uploads/2019/10/Material-Related-Party-Transactions-Policy-min.pdf">https://dnl.com.ph/wp-content/uploads/2019/10/Material-Related-Party-Transactions-Policy-min.pdf</a></p> |
| <b>Recommendation 2.8</b>  |               |  |  |

|   |           |   |  |
|---|-----------|---|--|
| 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 | <p>See Section II(J)(8) of the CG Manual and Section X(A)(7) of the Board Charter.</p> <p>Links –</p> <p>CG Manual:<br/> <a href="https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf">https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf</a></p> <p>Board Charter:<br/> <a href="https://dnl.com.ph/wp-content/uploads/2019/04/Board-Charter.pdf">https://dnl.com.ph/wp-content/uploads/2019/04/Board-Charter.pdf</a></p> <p>CEO – Alvin Lao<br/> CFO &amp; Compliance Officer – Franco Diego Q. Lao<br/> CAE – Elmer Brillo<br/> Chief Risk Officer – Arlene S. Denzon</p> |  |
| 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 | <p>See Section II(J)(8) of the CG Manual and Section X(A)(7) of the Board Charter.</p> <p>Links –</p> <p>CG Manual:<br/> <a href="https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf">https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf</a></p> <p>Board Charter:<br/> <a href="https://dnl.com.ph/wp-content/uploads/2019/04/Board-Charter.pdf">https://dnl.com.ph/wp-content/uploads/2019/04/Board-Charter.pdf</a></p> <p>The Board shall assess performances of the key officers annually</p>   |  |
| <b>Recommendation 2.9</b>   |           |   |  |
| 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 | <p>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.</p>   |  |

|  |           |   |  |
|--|-----------|---|--|
| 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 | See also Section II(J)(9) of the CG Manual and Section X(A)(8) of the Board Charter.<br>Links –<br>CG Manual:<br><a href="https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf">https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf</a><br><br>Board Charter:<br><a href="https://dnl.com.ph/wp-content/uploads/2019/04/Board-Charter.pdf">https://dnl.com.ph/wp-content/uploads/2019/04/Board-Charter.pdf</a> |  |
| <b>Recommendation 2.10</b>   |           |   |  |
| 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.<br>Links –<br>CG Manual:<br><a href="https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf">https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf</a>   |  |
| 2. The internal control system includes a mechanism for monitoring and managing potential conflict of interest of the Management, members and shareholders.                            | Compliant | Board Charter:<br><a href="https://dnl.com.ph/wp-content/uploads/2019/04/Board-Charter.pdf">https://dnl.com.ph/wp-content/uploads/2019/04/Board-Charter.pdf</a>   |  |
| 3. Board approves the Internal Audit Charter.  | Compliant | <a href="https://dnl.com.ph/wp-content/uploads/2019/03/DNL-Internal-Audit-Charter.pdf">https://dnl.com.ph/wp-content/uploads/2019/03/DNL-Internal-Audit-Charter.pdf</a>   |  |
| <b>Recommendation 2.11</b>   |           |   |  |
| 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.<br>Links –<br>CG Manual:<br><a href="https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf">https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf</a>  |  |
| 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 | Board Charter:  |  |

|   |           |   |  |
|---|-----------|---|--|
|   |           | <a href="https://dnl.com.ph/wp-content/uploads/2019/04/Board-Charter.pdf">https://dnl.com.ph/wp-content/uploads/2019/04/Board-Charter.pdf</a>   |  |
| 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:<br><a href="https://dnl.com.ph/wp-content/uploads/2019/04/Board-Charter.pdf">https://dnl.com.ph/wp-content/uploads/2019/04/Board-Charter.pdf</a>   |  |
| 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 | <a href="https://dnl.com.ph/wp-content/uploads/2019/04/DL-CompanyPolicies_InsiderTrading.pdf">https://dnl.com.ph/wp-content/uploads/2019/04/DL-CompanyPolicies_InsiderTrading.pdf</a>   |  |
| 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.<br>The link is:<br><a href="https://dnl.com.ph/wp-content/uploads/2019/02/DnL-Code-of-Business-Principles.pdf">https://dnl.com.ph/wp-content/uploads/2019/02/DnL-Code-of-Business-Principles.pdf</a>   |  |
| 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:<br>Board Charter -<br><a href="https://dnl.com.ph/wp-content/uploads/2019/04/Board-Charter.pdf">https://dnl.com.ph/wp-content/uploads/2019/04/Board-Charter.pdf</a><br><br>Material RPT Policy -<br><a href="https://dnl.com.ph/wp-content/uploads/2019/10/Material-Related-Party-Transactions-Policy-min.pdf">https://dnl.com.ph/wp-content/uploads/2019/10/Material-Related-Party-Transactions-Policy-min.pdf</a> |  |

**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 | <p>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.</p> <p>Links –<br/>CG Manual:<br/><a href="https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf">https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf</a><br/>Board Committee Composition:<br/><a href="https://dnl.com.ph/corporate-governance/#committees">https://dnl.com.ph/corporate-governance/#committees</a></p> |  |
|---|-----------|---|--|

**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 | <p>See Section III(B) of the CG Manual and the Audit Committee Charter.</p> <p>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.</p> <p>Links –<br/>CG Manual:<br/><a href="https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf">https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf</a><br/>Audit Committee Charter:<br/><a href="https://dnl.com.ph/wp-content/uploads/2024/05/DL-Audit-Committee-Charter-Revised-04.29.2024-PSE.pdf">https://dnl.com.ph/wp-content/uploads/2024/05/DL-Audit-Committee-Charter-Revised-04.29.2024-PSE.pdf</a></p> |  |
|--|-----------|---|--|



|  |           |  |  |
|--|-----------|--|--|
|  |           |  |  |
| 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.<br>Link –<br>Board Committee Composition:<br><a href="https://dnl.com.ph/corporate-governance/#committees">https://dnl.com.ph/corporate-governance/#committees</a>  |  |
| 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 2023 Annual Report.<br>Link –<br>2023 AR:<br><a href="https://dnl.com.ph/wp-content/uploads/2024/03/DNL-SEC-Form-17-A-as-of-December-31-2023-with-I-ACGR-and-SR.pdf">https://dnl.com.ph/wp-content/uploads/2024/03/DNL-SEC-Form-17-A-as-of-December-31-2023-with-I-ACGR-and-SR.pdf</a>   |  |
| 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.<br>Link -<br>Board Committee Composition:<br><a href="https://dnl.com.ph/corporate-governance/#committees">https://dnl.com.ph/corporate-governance/#committees</a>  |  |
| <b>Supplement to Recommendation 3.2</b>  |           |  |  |
| 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.<br>Links –<br>CG Manual:<br><a href="https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf">https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf</a><br>Audit Committee Charter:<br><a href="https://dnl.com.ph/wp-content/uploads/2024/05/DL-Audit-">https://dnl.com.ph/wp-content/uploads/2024/05/DL-Audit-</a> |  |

|   |           |  |  |
|---|-----------|--|--|
|   |           | <a href="#">Committee-Charter-Revised-04.29.2024-PSE.pdf</a>   |  |
| 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 2023, they met last March 28, May 4, July 7, August 8 and Nov. 7, 2023.  |  |
| <b>Optional: Recommendation 3.2</b>   |           |  |  |
| 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.<br>Link –<br>Audit Committee Charter:<br><a href="https://dnl.com.ph/wp-content/uploads/2024/05/DL-Audit-Committee-Charter-Revised-04.29.2024-PSE.pdf">https://dnl.com.ph/wp-content/uploads/2024/05/DL-Audit-Committee-Charter-Revised-04.29.2024-PSE.pdf</a>  |  |
| 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.<br><br>Links –<br>CG Manual:<br><a href="https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf">https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf</a><br>IA Charter:<br><a href="https://dnl.com.ph/wp-content/uploads/2019/03/DNL-Internal-Audit-Charter.pdf">https://dnl.com.ph/wp-content/uploads/2019/03/DNL-Internal-Audit-Charter.pdf</a> |  |
| <b>Recommendation 3.3</b>   |           |  |  |
| 1. Board establishes a Corporate Governance Committee tasked to assist the Board in the performance of its corporate governance | Compliant | The Board decided to form the Corporate Governance Committee, Nominations Committee and Remuneration Committee   |  |

|   |           |  |  |
|---|-----------|--|--|
| responsibilities, including the functions that were formerly assigned to a Nomination and Remuneration Committee.     |           | <p>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.</p> <p>Link –<br/>CG Manual:<br/><a href="https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf">https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf</a><br/>CG Com Charter:<br/><a href="https://dnl.com.ph/wp-content/uploads/2019/04/Corporate-Governance-Committee-Charter.pdf">https://dnl.com.ph/wp-content/uploads/2019/04/Corporate-Governance-Committee-Charter.pdf</a><br/>Nom Com Charter:<br/><a href="https://dnl.com.ph/wp-content/uploads/2019/04/Nomination-Committee-Charter.pdf">https://dnl.com.ph/wp-content/uploads/2019/04/Nomination-Committee-Charter.pdf</a></p> |  |
| 2. Corporate Governance Committee is composed of at least three members, all of whom should be independent directors. | Compliant | <p>The CG Com is composed of 4 directors, 3 of which are independent.</p> <p>Link –<br/>Board Committee Composition:<br/><a href="https://dnl.com.ph/corporate-governance/#committees">https://dnl.com.ph/corporate-governance/#committees</a></p>   |  |
| 3. Chairman of the Corporate Governance Committee is an independent director.   | Compliant | <p>The Chairperson of the CG Com is Atty. Mercedita Nollado, an independent director.</p> <p>Link –<br/>Board Committee Composition:<br/><a href="https://dnl.com.ph/corporate-governance/#committees">https://dnl.com.ph/corporate-governance/#committees</a></p>   |  |
| <b>Optional: Recommendation 3.3.</b>  |           |  |  |

|  |           |   |  |
|--|-----------|---|--|
| 1. Corporate Governance Committee meet at least twice during the year.   | Compliant | The CG Committee met 2 times in 2023 on the following dates:<br><br>September 7, 2023<br>October 5, 2023  |  |
| <b>Recommendation 3.4</b>  |           |   |  |
| 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.<br><br>Links –<br>CG Manual:<br><a href="https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf">https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf</a><br>BROC Charter:<br><a href="https://dnl.com.ph/wp-content/uploads/2019/04/Board-Risk-Oversight-Committee-Charter.pdf">https://dnl.com.ph/wp-content/uploads/2019/04/Board-Risk-Oversight-Committee-Charter.pdf</a> |  |
| 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.<br>Link –<br>Board Committee Composition:<br><a href="https://dnl.com.ph/corporate-governance/#committees">https://dnl.com.ph/corporate-governance/#committees</a>   |  |
| 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.<br><br>Board Committee Composition:<br><a href="https://dnl.com.ph/corporate-governance/#committees">https://dnl.com.ph/corporate-governance/#committees</a>   |  |
| 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 2023 Annual Report.<br>Link –<br>2023 AR:  |  |

|  |           |  |  |
|--|-----------|--|--|
|  |           | <a href="https://dnl.com.ph/wp-content/uploads/2024/03/DNL-SEC-Form-17-A-as-of-December-31-2023-with-I-ACGR-and-SR.pdf">https://dnl.com.ph/wp-content/uploads/2024/03/DNL-SEC-Form-17-A-as-of-December-31-2023-with-I-ACGR-and-SR.pdf</a>  |  |
| <b>Recommendation 3.5</b>  |           |  |  |
| 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.<br>Links –<br>CG Manual:<br><a href="https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf">https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf</a><br>RPT Charter:<br><a href="https://dnl.com.ph/wp-content/uploads/2019/04/Related-Party-Transactions-Committee-Charter.pdf">https://dnl.com.ph/wp-content/uploads/2019/04/Related-Party-Transactions-Committee-Charter.pdf</a> |  |
| 2. RPT Committee is composed of at least three non-executive directors, two of whom should be independent, including the Chairman.   | Compliant | The functions of the RPT Com are assumed by the Audit Com, which is composed of four directors, all independent. The Chairperson of the committee is Dir. Corazon de la Paz-Bernardo, an independent director.<br><br>Link –<br>Board Committee Composition:<br><a href="https://dnl.com.ph/corporate-governance/#committees">https://dnl.com.ph/corporate-governance/#committees</a>  |  |
| <b>Recommendation 3.6</b>  |           |  |  |
| 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 –<br><br><a href="https://dnl.com.ph/corporate-governance/#committees">https://dnl.com.ph/corporate-governance/#committees</a>  |  |

|   |           |   |  |
|---|-----------|---|--|
| 2. Committee Charters provide standards for evaluating the performance of the Committees. | Compliant | Board and Committee Charters –<br><a href="https://dnl.com.ph/corporate-governance/#policies">https://dnl.com.ph/corporate-governance/#policies</a> |  |
| 3. Committee Charters were fully disclosed on the company's website.                      | Compliant | Board and Committee Charters –<br><a href="https://dnl.com.ph/corporate-governance/#policies">https://dnl.com.ph/corporate-governance/#policies</a> |  |

**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 | <p>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 2023 Annual Report.</p> <p>Links –<br/>CG Manual:<br/><a href="https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf">https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf</a><br/>By-Laws:<br/><a href="https://dnl.com.ph/wp-content/uploads/2022/09/DNL-Amended-By-Laws-7.28.22.pdf">https://dnl.com.ph/wp-content/uploads/2022/09/DNL-Amended-By-Laws-7.28.22.pdf</a><br/>Board Charter:<br/><a href="https://dnl.com.ph/wp-content/uploads/2019/04/Board-Charter.pdf">https://dnl.com.ph/wp-content/uploads/2019/04/Board-Charter.pdf</a><br/>2023 AR:<br/><a href="https://dnl.com.ph/wp-content/uploads/2024/03/DNL-SEC-Form-17-A-as-of-December-31-2023-with-I-ACGR-and-SR.pdf">https://dnl.com.ph/wp-content/uploads/2024/03/DNL-SEC-Form-17-A-as-of-December-31-2023-with-I-ACGR-and-SR.pdf</a></p> |  |
|---|-----------|--|--|

|  |           |  |  |
|--|-----------|--|--|
| 2. The directors review meeting materials for all Board and Committee meetings.  | Compliant | See Section IV(A) of the CG Manual.<br>Links –<br>CG Manual:<br><a href="https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf">https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf</a>  |  |
| 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.<br>Links –<br>CG Manual:<br><a href="https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf">https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf</a>  |  |
| <b>Recommendation 4.2</b>  |           |  |  |
| 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 2023 Annual Report for the list of directorships of the directors.<br>Links –<br>CG Manual:<br><a href="https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf">https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf</a><br><br>2023 AR:<br><a href="https://dnl.com.ph/wp-content/uploads/2024/03/DNL-SEC-Form-17-A-as-of-December-31-2023-with-I-ACGR-and-SR.pdf">https://dnl.com.ph/wp-content/uploads/2024/03/DNL-SEC-Form-17-A-as-of-December-31-2023-with-I-ACGR-and-SR.pdf</a> |  |
| <b>Recommendation 4.3</b>  |           |  |  |
| 1. The directors notify the company’s board before accepting a directorship in another company.  | Compliant | See Section IV(B) of the CG Manual.<br>Link –<br>CG Manual:<br><a href="https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf">https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf</a>   |  |
| <b>Optional: Principle 4</b>   |           |  |  |

|  |           |  |  |
|--|-----------|--|--|
| 1. Company does not have any executive directors who serve in more than two boards of listed companies outside of the group. | Compliant | <p>D&amp;L's only executive director is Mr. Alvin Lao and he serves as a director in only one listed company – D&amp;L. See Board Composition available in the website or 2023 GIS and Part III, Item 9 of the 2023 Annual Report of Mr. Alvin Lao's list of directorships.</p> <p>Links –<br/>Board Composition:<br/><a href="https://dnl.com.ph/corporate-governance/#board-members">https://dnl.com.ph/corporate-governance/#board-members</a><br/>2023 GIS:<br/><a href="https://dnl.com.ph/wp-content/uploads/2023/07/DNL-GIS-2023-1.pdf">https://dnl.com.ph/wp-content/uploads/2023/07/DNL-GIS-2023-1.pdf</a><br/>2023 AR:<br/><a href="https://dnl.com.ph/wp-content/uploads/2024/03/DNL-SEC-Form-17-A-as-of-December-31-2023-with-I-ACGR-and-SR.pdf">https://dnl.com.ph/wp-content/uploads/2024/03/DNL-SEC-Form-17-A-as-of-December-31-2023-with-I-ACGR-and-SR.pdf</a></p> |  |
| 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 | <p>6 meetings in 2023</p> <p>See Part III, Item 9 of the 2023 Annual Report.</p> <p>Link –<br/>2023 AR:<br/><a href="https://dnl.com.ph/wp-content/uploads/2024/03/DNL-SEC-Form-17-A-as-of-December-31-2023-with-I-ACGR-and-SR.pdf">https://dnl.com.ph/wp-content/uploads/2024/03/DNL-SEC-Form-17-A-as-of-December-31-2023-with-I-ACGR-and-SR.pdf</a></p>  |  |
| 4. Company requires as minimum quorum of at least 2/3 for board decisions.   |           |  |  |
| <b>Principle 5:</b> 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 | <p>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).<br/>Links –<br/>CG Manual:<br/><a href="https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf">https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf</a><br/>2023 GIS:<br/><a href="https://dnl.com.ph/wp-content/uploads/2023/07/DNL-GIS-2023-1.pdf">https://dnl.com.ph/wp-content/uploads/2023/07/DNL-GIS-2023-1.pdf</a><br/>Board Composition:<br/><a href="https://dnl.com.ph/corporate-governance/#board-members">https://dnl.com.ph/corporate-governance/#board-members</a></p> |  |
| Recommendation 5.2   |           |   |  |
| 1. The independent directors possess all the qualifications and none of the disqualifications to hold the positions.                             | Compliant | <p>See the Certification of Independent Directors attached to the 2023 Information Statement.<br/>Link –<br/>2023 Information Statement<br/><a href="https://dnl.com.ph/wp-content/uploads/2023/05/DNL-SEC-Form-20-IS-Definitive-Information-Statement.pdf">https://dnl.com.ph/wp-content/uploads/2023/05/DNL-SEC-Form-20-IS-Definitive-Information-Statement.pdf</a></p>   |  |
| 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 | <p>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.</p> <p>Links –<br/>By-Laws:</p>  |  |

|   |           |   |  |
|---|-----------|---|--|
|   |           | <a href="https://dnl.com.ph/wp-content/uploads/2022/09/DNL-Amended-By-Laws-7.28.22.pdf">https://dnl.com.ph/wp-content/uploads/2022/09/DNL-Amended-By-Laws-7.28.22.pdf</a><br>Board Charter:<br><a href="https://dnl.com.ph/wp-content/uploads/2019/04/Board-Charter.pdf">https://dnl.com.ph/wp-content/uploads/2019/04/Board-Charter.pdf</a>  |  |
| <b>Recommendation 5.3</b>   |           |   |  |
| 1. The independent directors serve for a cumulative term of nine years (reckoned from 2012).                  | Compliant | <p>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 2023 Information Statement to verify the length of service as independent director.</p> <p>Links –<br/> CG Manual:<br/> <a href="https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf">https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf</a><br/> Board Charter:<br/> <a href="https://dnl.com.ph/wp-content/uploads/2019/04/Board-Charter.pdf">https://dnl.com.ph/wp-content/uploads/2019/04/Board-Charter.pdf</a><br/> 2023 Information Statement<br/> <a href="https://dnl.com.ph/wp-content/uploads/2023/05/DNL-SEC-Form-20-IS-Definitive-Information-Statement.pdf">https://dnl.com.ph/wp-content/uploads/2023/05/DNL-SEC-Form-20-IS-Definitive-Information-Statement.pdf</a></p> |  |
| 2. The company bars an independent director from serving in such capacity after the term limit of nine years. | Compliant | <p>See Section V(B) of the CG Manual and Section VIII(B) of the Board Charter.</p> <p>Links –<br/> CG Manual:<br/> <a href="https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf">https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf</a><br/> Board Charter:</p>  |  |

|   |           |   |   |
|---|-----------|---|---|
|   |           | <a href="https://dnl.com.ph/wp-content/uploads/2019/04/Board-Charter.pdf">https://dnl.com.ph/wp-content/uploads/2019/04/Board-Charter.pdf</a>   |   |
| 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 |   | This recommendation is not applicable for the covered year as none of our Independent Directors has served for more than nine years in such capacity. |
| <b>Recommendation 5.4</b>   |           |   |   |
| 1. The positions of Chairman of the Board and Chief Executive Officer are held by separate individuals.   | Compliant | Chairman – Yin Yong L. Lao<br>CEO – Alvin D. Lao<br>Link –<br>2023 GIS:<br><a href="https://dnl.com.ph/wp-content/uploads/2023/07/DNL-GIS-2023-1.pdf">https://dnl.com.ph/wp-content/uploads/2023/07/DNL-GIS-2023-1.pdf</a><br>2023 AR:<br><a href="https://dnl.com.ph/wp-content/uploads/2024/03/DNL-SEC-Form-17-A-as-of-December-31-2023-with-I-ACGR-and-SR.pdf">https://dnl.com.ph/wp-content/uploads/2024/03/DNL-SEC-Form-17-A-as-of-December-31-2023-with-I-ACGR-and-SR.pdf</a>   |   |
| 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.<br>Links –<br>By-Laws:<br><a href="https://dnl.com.ph/wp-content/uploads/2022/09/DNL-Amended-By-Laws-7.28.22.pdf">https://dnl.com.ph/wp-content/uploads/2022/09/DNL-Amended-By-Laws-7.28.22.pdf</a><br>CG Manual:<br><a href="https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf">https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf</a><br>Board Charter: |   |

|  |           |   |  |
|--|-----------|---|--|
|  |           | <a href="https://dnl.com.ph/wp-content/uploads/2019/04/Board-Charter.pdf">https://dnl.com.ph/wp-content/uploads/2019/04/Board-Charter.pdf</a><br><br>The Chairman is the uncle of the CEO.  |  |
| <b>Recommendation 5.5</b>  |           |   |  |
| 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 Nollado was designated Lead Independent Director.<br><br>The designation of a Lead Independent Director was disclosed thru PSE EDGE. The link to the disclosure - <a href="https://edge.pse.com.ph/openDiscViewer.do?edge_no=ddafb6034cc174e29e4dc6f6c9b65995">https://edge.pse.com.ph/openDiscViewer.do?edge_no=ddafb6034cc174e29e4dc6f6c9b65995</a><br>The information is also available on the website. The link is – <a href="https://dnl.com.ph/corporate-governance/#committees">https://dnl.com.ph/corporate-governance/#committees</a> |  |
| <b>Recommendation 5.6</b>  |           |   |  |
| 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<br><br>Link –<br>CG Manual:<br><a href="https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf">https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf</a>   |  |
| <b>Recommendation 5.7</b>  |           |   |  |
| 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 March 28 and Nov. 7, 2023.   |  |

|  |               |   |   |
|--|---------------|---|---|
| 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.   |   |
| <b>Optional: Principle 5</b>   |               |   |   |
| 1. None of the directors is a former CEO of the company in the past 2 years.   |               |   |   |
| <b>Principle 6:</b> 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. |               |   |   |
| <b>Recommendation 6.1</b>  |               |   |   |
| 1. Board conducts an annual self-assessment of its performance as a whole.   | Compliant     | Please see Item 5 of the 2023 Information Statement for the details of the assessment process the link is:<br><br>2023 Information Statement<br><a href="https://dnl.com.ph/wp-content/uploads/2023/05/DNL-SEC-Form-20-IS-Definitive-Information-Statement.pdf">https://dnl.com.ph/wp-content/uploads/2023/05/DNL-SEC-Form-20-IS-Definitive-Information-Statement.pdf</a> |   |
| 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. |
| <b>Recommendation 6.2</b>  |               |   |   |
| 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)  |   |

|  |           |   |  |
|--|-----------|---|--|
| 2. The system allows for a feedback mechanism from the shareholders. | Compliant | <p>effectiveness of processes and meetings; and 4) individual performance. The directors shall give their satisfactory ratings based on a 5-point scale:</p> <p>1 – Strongly Disagree<br/> 2 – Disagree<br/> 3 – Neither Disagree or Agree<br/> 4 – Agree<br/> 5 – Strongly Agree</p> <p>For more details, see Item ____ of the Information Statement. Shareholders are free to provide feedback thru the contact details provided in the website as well.</p> <p>The link is:<br/> 2023 Information Statement<br/> <a href="https://dnl.com.ph/wp-content/uploads/2023/05/DNL-SEC-Form-20-IS-Definitive-Information-Statement.pdf">https://dnl.com.ph/wp-content/uploads/2023/05/DNL-SEC-Form-20-IS-Definitive-Information-Statement.pdf</a></p> |  |
|--|-----------|---|--|

**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 | <p>See Code of Business Principles. The link is:<br/> <a href="https://dnl.com.ph/wp-content/uploads/2019/02/DnL-Code-of-Business-Principles.pdf">https://dnl.com.ph/wp-content/uploads/2019/02/DnL-Code-of-Business-Principles.pdf</a></p>  |  |
| 2. The Code is properly disseminated to the Board, senior management and employees.   | Compliant | <p>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.</p> |  |

|   |           |   |  |
|---|-----------|---|--|
| 3. The Code is disclosed and made available to the public through the company website.  | Compliant | See Code of Business Principles. The link is:<br><a href="https://dnl.com.ph/wp-content/uploads/2019/02/DnL-Code-of-Business-Principles.pdf">https://dnl.com.ph/wp-content/uploads/2019/02/DnL-Code-of-Business-Principles.pdf</a>  |  |
| <b>Supplement to Recommendation 7.1</b>   |           |   |  |
| 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.”<br><br>Link – COBP:<br><a href="https://dnl.com.ph/wp-content/uploads/2019/02/DnL-Code-of-Business-Principles.pdf">https://dnl.com.ph/wp-content/uploads/2019/02/DnL-Code-of-Business-Principles.pdf</a> |  |
| <b>Recommendation 7.2</b>   |           |   |  |
| 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”.   |  |
| 2. Board ensures the proper and efficient implementation and monitoring of compliance with company internal policies.   | Compliant | Link – COBP:<br><a href="https://dnl.com.ph/wp-content/uploads/2019/02/DnL-Code-of-Business-Principles.pdf">https://dnl.com.ph/wp-content/uploads/2019/02/DnL-Code-of-Business-Principles.pdf</a>   |  |
| <b>Disclosure and Transparency</b>  |           |   |  |
| <b>Principle 8:</b> The company should establish corporate disclosure policies and procedures that are practical and in accordance with best practices and regulatory expectations.   |           |   |  |
| <b>Recommendation 8.1</b>   |           |   |  |
| 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 | Compliant | See Section VIII(A) of the CG Manual.<br><br>Link – CG Manual:  |  |

|  |           |   |  |
|--|-----------|---|--|
| fair and complete picture of a company's financial condition, results and business operations.   |           | <a href="https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf">https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf</a>   |  |
| 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 | <p>FY2023 Financial Results were disclosed 60 days from end of FY 2023. Please click on the link to verify:<br/> <a href="https://edge.pse.com.ph/openDiscViewer.do?edge_no=8a286a1a4c2f0f1babca0fa0c5b4e4d0">https://edge.pse.com.ph/openDiscViewer.do?edge_no=8a286a1a4c2f0f1babca0fa0c5b4e4d0</a></p> <p>Quarterly reports were disclosed within 45 days from end of the quarter in accordance with the SRC.</p> |  |
| 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 | <p>See <i>Management of Key Risks related to the Company</i>, Item 1, Part I of the 2023 Annual Report.</p> <p>Link –<br/> 2023 AR:<br/> <a href="https://dnl.com.ph/wp-content/uploads/2024/03/DNL-SEC-Form-17-A-as-of-December-31-2023-with-I-ACGR-and-SR.pdf">https://dnl.com.ph/wp-content/uploads/2024/03/DNL-SEC-Form-17-A-as-of-December-31-2023-with-I-ACGR-and-SR.pdf</a></p>                              |  |
| 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 | <p>See Section VIII(A)(2) of the CG Manual and Insider Trading Policy.</p> <p>Links –<br/> CG Manual:<br/> <a href="https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf">https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf</a></p>  |  |
| 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 | <p>Link -<br/> Insider Trading Policy:<br/> <a href="https://dnl.com.ph/wp-content/uploads/2019/04/DL-CompanyPolicies_InsiderTrading.pdf">https://dnl.com.ph/wp-content/uploads/2019/04/DL-CompanyPolicies_InsiderTrading.pdf</a></p>   |  |



|  |           |   |  |
|--|-----------|---|--|
|  |           | <p>For the actual dealings of directors involving the corporation's shares including their nature, number/percentage and date of transaction, see the Statements of Beneficial Ownership on the website, Investor Relations Page, under Disclosures &amp; Filings.</p> <p>Link –<br/> <a href="https://dnl.com.ph/investors/#reports">https://dnl.com.ph/investors/#reports</a> </p>  |  |
| <b>Supplement to Recommendation 8.2</b>  |           |   |  |
| <p>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).</p> | Compliant | <p>For trading of directors, officers and controlling shareholders, see Statements of Beneficial Ownership on the website, Investor Relations Page, under Disclosures &amp; Filings.</p> <p>Link –<br/> <a href="https://dnl.com.ph/investors/#reports">https://dnl.com.ph/investors/#reports</a> </p> <p>For shareholdings of directors, management, see Public Ownership Reports, Investor Relations Page, under Disclosures &amp; Filings.</p> <p>Link –<br/> <a href="https://dnl.com.ph/investors/#reports">https://dnl.com.ph/investors/#reports</a> </p> <p>Link for the Top 100 shareholders –<br/> <a href="https://dnl.com.ph/wp-content/uploads/2023/10/DNL-List-of-Top-100-Reports-as-of-Sept-30-2023-pdex.pdf">https://dnl.com.ph/wp-content/uploads/2023/10/DNL-List-of-Top-100-Reports-as-of-Sept-30-2023-pdex.pdf</a> </p> <p>Link for the Conglomerate Map<br/> <a href="https://dnl.com.ph/wp-content/uploads/2019/04/DL-Conglomerate-Map-and-Shareholding-Structure.pdf">https://dnl.com.ph/wp-content/uploads/2019/04/DL-Conglomerate-Map-and-Shareholding-Structure.pdf</a> </p> |  |
| <b>Recommendation 8.3</b>  |           |   |  |

|  |           |   |  |
|--|-----------|---|--|
| 1. Board fully discloses all relevant and material information on individual board members to evaluate their experience and qualifications, and assess any potential conflicts of interest that might affect their judgment. | Compliant | <p>Directors' backgrounds and brief bio are disclosed in the 2023 Information Statement and 2023 Annual Report.</p> <p>Links –<br/>2023 Information Statement<br/><a href="https://dnl.com.ph/wp-content/uploads/2023/05/DNL-SEC-Form-20-IS-Definitive-Information-Statement.pdf">https://dnl.com.ph/wp-content/uploads/2023/05/DNL-SEC-Form-20-IS-Definitive-Information-Statement.pdf</a></p> <p>2023 AR:<br/><a href="https://dnl.com.ph/wp-content/uploads/2024/03/DNL-SEC-Form-17-A-as-of-December-31-2023-with-I-ACGR-and-SR.pdf">https://dnl.com.ph/wp-content/uploads/2024/03/DNL-SEC-Form-17-A-as-of-December-31-2023-with-I-ACGR-and-SR.pdf</a></p> |  |
| 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 | <p>Key officers' backgrounds are disclosed in the 2023 Information Statement and 2023 Annual Report.</p> <p>Links –<br/>2023 Information Statement<br/><a href="https://dnl.com.ph/wp-content/uploads/2023/05/DNL-SEC-Form-20-IS-Definitive-Information-Statement.pdf">https://dnl.com.ph/wp-content/uploads/2023/05/DNL-SEC-Form-20-IS-Definitive-Information-Statement.pdf</a></p> <p>2023 AR:<br/><a href="https://dnl.com.ph/wp-content/uploads/2024/03/DNL-SEC-Form-17-A-as-of-December-31-2023-with-I-ACGR-and-SR.pdf">https://dnl.com.ph/wp-content/uploads/2024/03/DNL-SEC-Form-17-A-as-of-December-31-2023-with-I-ACGR-and-SR.pdf</a></p>            |  |
| <b>Recommendation 8.4</b>  |           |   |  |
| 1. Company provides a clear disclosure of its policies and procedure for setting Board remuneration, including the level and mix of the same.  | Compliant | <p>See Sections II(J)(5), III(D)(7) and VIII(A)(4) of the CG Manual.</p> <p>Links –<br/>CG Manual:<br/><a href="https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf">https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf</a></p>  |  |

|   |           |  |  |
|---|-----------|--|--|
| 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.<br>Links –<br>CG Manual:<br><a href="https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf">https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf</a>  |  |
| 3. Company discloses the remuneration on an individual basis, including termination and retirement provisions.  | Compliant | See Item 6, 2023 Information Statement.<br>Links-<br>2023 Information Statement<br><a href="https://dnl.com.ph/wp-content/uploads/2023/05/DNL-SEC-Form-20-IS-Definitive-Information-Statement.pdf">https://dnl.com.ph/wp-content/uploads/2023/05/DNL-SEC-Form-20-IS-Definitive-Information-Statement.pdf</a>   |  |
| <b>Recommendation 8.5</b>   |           |  |  |
| 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.<br>Link –<br>CG Manual:<br><a href="https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf">https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf</a><br><br>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 2023 Annual Report.  |  |

|  |           |   |  |
|--|-----------|---|--|
|  |           | <p>Link –</p> <p>2023 AR:</p> <p><a href="https://dnl.com.ph/wp-content/uploads/2024/03/DNL-SEC-Form-17-A-as-of-December-31-2023-with-I-ACGR-and-SR.pdf">https://dnl.com.ph/wp-content/uploads/2024/03/DNL-SEC-Form-17-A-as-of-December-31-2023-with-I-ACGR-and-SR.pdf</a></p>  |  |
| <b>Supplement to Recommendation 8.5</b>  |           |   |  |
| <p>1. Company requires directors to disclose their interests in transactions or any other conflict of interests.</p> | Compliant | <p>In all RPTs involving D&amp;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.</p> <p>For full transparency, the details of RPT are disclosed in Note 18 of the 2023 Consolidated Audited Financial Statements attached to 2023 Annual Report and Material RPT Policy page under Corporate Governance/Company Policies.</p> <p>Links –</p> <p>2023 AR:</p> <p>See Note 18 of 2023 AFS attached to the AR</p> <p><a href="https://dnl.com.ph/wp-content/uploads/2024/03/DNL-SEC-Form-17-A-as-of-December-31-2023-with-I-ACGR-and-SR.pdf">https://dnl.com.ph/wp-content/uploads/2024/03/DNL-SEC-Form-17-A-as-of-December-31-2023-with-I-ACGR-and-SR.pdf</a></p> |  |
| <b>Optional : Recommendation 8.5</b>   |           |   |  |
| <p>1. Company discloses that RPTs are conducted in such a way to ensure that they are fair and at arms' length.</p>  | Compliant | <p>See Section III(C)(2) of the CG Manual and Section VI(2) of the RPT Charter.</p> <p>Links –</p> <p>CG Manual:</p>  |  |

|   |           |  |  |
|---|-----------|--|--|
|   |           | <a href="https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf">https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf</a><br>RPT Charter:<br><a href="https://dnl.com.ph/wp-content/uploads/2019/04/Related-Party-Transactions-Committee-Charter.pdf">https://dnl.com.ph/wp-content/uploads/2019/04/Related-Party-Transactions-Committee-Charter.pdf</a> |  |
| <b>Recommendation 8.6</b>   |           |  |  |
| 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<br><br>Link –<br>CG Manual:<br><a href="https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf">https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf</a>   |  |
| 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<br>Link –<br>CG Manual:<br><a href="https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf">https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf</a><br><br>However, we note that there was no material acquisition or disposition of assets for the subject period.   |  |
| <b>Supplement to Recommendation 8.6</b>   |           |  |  |
| 1. Company discloses the existence, justification and details on shareholder agreements, voting trust agreements, confidentiality agreements, and such other agreements that may impact on the control, ownership, and strategic direction of the company.  | Compliant |  | There was no such disclosure 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.<br><br>As a policy, the Company will disclose such agreements should one be executed in the future. |
| <b>Recommendation 8.7</b>   |           |  |  |

|   |           |   |  |
|---|-----------|---|--|
| 1. Company’s corporate governance policies, programs and procedures are contained in its Manual on Corporate Governance (MCG).  | Compliant | Link –<br>CG Manual:<br><a href="https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf">https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf</a>   |  |
| 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 –<br>CG Manual:<br><a href="https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf">https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf</a><br><br>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:   |           | Link:<br><br>2023 AR:<br><a href="https://dnl.com.ph/wp-content/uploads/2024/03/DNL-SEC-Form-17-A-as-of-December-31-2023-with-I-ACGR-and-SR.pdf">https://dnl.com.ph/wp-content/uploads/2024/03/DNL-SEC-Form-17-A-as-of-December-31-2023-with-I-ACGR-and-SR.pdf</a>  |  |
| 2.  |           |   |  |
| 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:<br><br>2023 AR:<br><a href="https://dnl.com.ph/wp-content/uploads/2024/03/DNL-SEC-Form-17-A-as-of-December-31-2023-with-I-ACGR-and-SR.pdf">https://dnl.com.ph/wp-content/uploads/2024/03/DNL-SEC-Form-17-A-as-of-December-31-2023-with-I-ACGR-and-SR.pdf</a> |  |

**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.<br>Link –<br>CG Manual:<br><a href="https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf">https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf</a> |  |
|--|-----------|---|--|

|  |           |   |  |
|--|-----------|---|--|
| 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.<br>Link –<br><br>CG Manual:<br><a href="https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf">https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf</a><br><br>Approval of appointment of external auditor – 82.51%   |  |
| 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.<br><br>Link –<br>Audit Committee Charter:<br><a href="https://dnl.com.ph/wp-content/uploads/2024/05/DL-Audit-Committee-Charter-Revised-04.29.2024-PSE.pdf">https://dnl.com.ph/wp-content/uploads/2024/05/DL-Audit-Committee-Charter-Revised-04.29.2024-PSE.pdf</a><br><br>There has been no instance where the external auditor was removed or changed for the covered period. |  |
| <b>Supplement to Recommendation 9.1</b>  |           |   |  |
| 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.<br>Link –<br>Audit Committee Charter:<br><a href="https://dnl.com.ph/wp-content/uploads/2024/05/DL-Audit-Committee-Charter-Revised-04.29.2024-PSE.pdf">https://dnl.com.ph/wp-content/uploads/2024/05/DL-Audit-Committee-Charter-Revised-04.29.2024-PSE.pdf</a>   |  |
| <b>Recommendation 9.2</b>  |           |   |  |
| 1. Audit Committee Charter includes the Audit Committee’s responsibility on:   | Compliant | See Duties & Responsibilities, Audit Committee Charter.<br><br>Link –<br>Audit Committee Charter:   |  |



|   |           |   |  |
|---|-----------|---|--|
| <div><div>i.</div><div>assessing the integrity and independence of external auditors;</div></div> <div><div>ii.</div><div>exercising effective oversight to review and monitor the external auditor’s independence and objectivity; and</div></div> <div><div>iii.</div><div>exercising effective oversight to review and monitor the effectiveness of the audit process, taking into consideration relevant Philippine professional and regulatory requirements.</div></div> |           | <a href="https://dnl.com.ph/wp-content/uploads/2024/05/DL-Audit-Committee-Charter-Revised-04.29.2024-PSE.pdf">https://dnl.com.ph/wp-content/uploads/2024/05/DL-Audit-Committee-Charter-Revised-04.29.2024-PSE.pdf</a>   |  |
| 2. Audit Committee Charter contains the Committee’s responsibility on reviewing and monitoring the external auditor’s suitability and effectiveness on an annual basis.   | Compliant | See Duties & Responsibilities, Audit Committee Charter.<br><br>Link –<br>Audit Committee Charter:<br><a href="https://dnl.com.ph/wp-content/uploads/2024/05/DL-Audit-Committee-Charter-Revised-04.29.2024-PSE.pdf">https://dnl.com.ph/wp-content/uploads/2024/05/DL-Audit-Committee-Charter-Revised-04.29.2024-PSE.pdf</a>  |  |
| 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 2023 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.<br><br>Link –<br>Aud Com Charter:<br><a href="https://dnl.com.ph/wp-content/uploads/2019/03/Audit-Committee-Charter-2013.pdf">https://dnl.com.ph/wp-content/uploads/2019/03/Audit-Committee-Charter-2013.pdf</a> |  |
| 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  | Compliant | For the policy, see Par. (k), Duties & Responsibilities, Audit Committee Charter and Section III(B)(8) of the CG Manual.  |  |

|   |                  |   |  |
|---|------------------|---|--|
| <p>Annual Report to deal with the potential conflict of interest.</p>   |                  | <p>There are no aggregate fees billed in each of the last three (3) fiscal years for products and services provided by Isla Lipana &amp; 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 2023 Annual Report.</p> <p>Links:<br/>CG Manual:<br/><a href="https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf">https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf</a></p> <p>2023 AR:<br/><a href="https://dnl.com.ph/wp-content/uploads/2024/03/DNL-SEC-Form-17-A-as-of-December-31-2023-with-I-ACGR-and-SR.pdf">https://dnl.com.ph/wp-content/uploads/2024/03/DNL-SEC-Form-17-A-as-of-December-31-2023-with-I-ACGR-and-SR.pdf</a></p> <p>Audit Committee Charter:<br/><a href="https://dnl.com.ph/wp-content/uploads/2024/05/DL-Audit-Committee-Charter-Revised-04.29.2024-PSE.pdf">https://dnl.com.ph/wp-content/uploads/2024/05/DL-Audit-Committee-Charter-Revised-04.29.2024-PSE.pdf</a></p> |  |
| <p>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.</p> | <p>Compliant</p> | <p>See Par. (k), Duties &amp; Responsibilities, Audit Committee Charter and Section III(B)(8) of the CG Manual.</p> <p>Links –</p> <p>CG Manual:<br/><a href="https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf">https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf</a></p> <p>Audit Committee Charter:</p>  |  |

|   |           |  |  |
|---|-----------|--|--|
|   |           | <a href="https://dnl.com.ph/wp-content/uploads/2024/05/DL-Audit-Committee-Charter-Revised-04.29.2024-PSE.pdf">https://dnl.com.ph/wp-content/uploads/2024/05/DL-Audit-Committee-Charter-Revised-04.29.2024-PSE.pdf</a>  |  |
| <b>Supplement to Recommendation 9.3</b>   |           |  |  |
| 1. Fees paid for non-audit services do not outweigh the fees paid for audit services.   | Compliant | For 2023, Isla Lipana & Co. received the following fees:<br>For Audit Services – Php/5,870,000<br>For Non-Audit Services – none<br>See Item 8 of the 2023 Annual Report.<br>Links –<br>2023 AR:<br><a href="https://dnl.com.ph/wp-content/uploads/2024/03/DNL-SEC-Form-17-A-as-of-December-31-2023-with-I-ACGR-and-SR.pdf">https://dnl.com.ph/wp-content/uploads/2024/03/DNL-SEC-Form-17-A-as-of-December-31-2023-with-I-ACGR-and-SR.pdf</a>                   |  |
| <b>Additional Recommendation to Principle 9</b>   |           |  |  |
| 1. Company's external auditor is duly accredited by the SEC under Group A category.   | Compliant | Carlos Federico C. de Guzman<br>Partner<br>Isla Lipana & Co.<br>CPA Cert. No. 110973<br>P.T.R. No. 0011285, issued on January 12, 2024, Makati City<br>SEC A.N. (individual) as general auditors 110973-SEC, Category A; valid to audit 2021 to 2025 financial statements<br>SEC A.N. (firm) as general auditors 0142-SEC, Category A; valid to audit 2020 to 2024 financial statements<br>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.<br>Link –<br>CG Manual:<br><a href="https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf">https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf</a> |  |
| 2. Company adopts a globally recognized standard/framework in reporting sustainability and non-financial issues.  | Compliant | See 2023 Sustainability Report<br>Link:<br><a href="https://dnl.com.ph/wp-content/uploads/2024/03/DNL-Sustainability-Report-2023--2024.3.12.pdf">https://dnl.com.ph/wp-content/uploads/2024/03/DNL-Sustainability-Report-2023--2024.3.12.pdf</a>                               |  |

**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.<br><br>For details, please visit the IR page of the website at<br><a href="https://dnl.com.ph/investors/#events">https://dnl.com.ph/investors/#events</a> |  |
|---|-----------|--|--|

**Supplemental to Principle 11**

|  |           |  |  |
|--|-----------|--|--|
| 1. Company has a website disclosing up-to-date information on the following: |           | D&L website –<br><br><a href="https://dnl.com.ph/">https://dnl.com.ph/</a> |  |
| 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 |   |  |
| <b>Additional Recommendation to Principle 11</b>   |           |   |  |
| 1. Company complies with SEC-prescribed website template.  | Compliant | D&L website –<br><a href="https://dnl.com.ph/">https://dnl.com.ph/</a>  |  |
| <b>Internal Control System and Risk Management Framework</b>   |           |   |  |
| <b>Principle 12:</b> 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. |           |   |  |
| <b>Recommendation 12.1</b>   |           |   |  |
| 1. Company has an adequate and effective internal control system in the conduct of its business.   | Compliant | <p>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.</p> <p>See also Financial Reporting &amp; Internal Controls, Audit Committee Charter and Part IX of the CG Manual.<br/>Link –<br/>CG Manual:<br/><a href="https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf">https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf</a></p> <p>The Internal Audit group provides independent and objective assurance and consulting services to the D&amp;L group.<br/>Reviews of internal audit control system</p> |  |

|  |               |  |  |
|--|---------------|--|--|
|  |               | 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, 2023 Sustainability Report and BROC Charter. Links are:<br><br>ERM Policy -<br><a href="https://dnl.com.ph/corporate-governance/#policies">https://dnl.com.ph/corporate-governance/#policies</a><br><br>2023 Sustainability Report -<br><a href="https://dnl.com.ph/wp-content/uploads/2024/03/DNL-Sustainability-Report-2023-2024.3.12.pdf">https://dnl.com.ph/wp-content/uploads/2024/03/DNL-Sustainability-Report-2023-2024.3.12.pdf</a><br><br>BROC Charter -<br><a href="https://dnl.com.ph/wp-content/uploads/2019/04/Board-Risk-Oversight-Committee-Charter.pdf">https://dnl.com.ph/wp-content/uploads/2019/04/Board-Risk-Oversight-Committee-Charter.pdf</a> |  |
| <b>Supplement to Recommendations 12.1</b>  |               |  |  |
| 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”.<br>Link –<br>COBP:<br><a href="https://dnl.com.ph/wp-content/uploads/2019/02/DnL-Code-of-Business-Principles.pdf">https://dnl.com.ph/wp-content/uploads/2019/02/DnL-Code-of-Business-Principles.pdf</a> |
| <b>Optional: Recommendation 12.1</b>   |               |  |  |
| 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   |  |
| <b>Recommendation 12.2</b>   |               |  |  |

|  |           |   |   |
|--|-----------|---|---|
| 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.<br><br>The IA Charter is available on the website.<br>Link –<br>IA Charter:<br><a href="https://dnl.com.ph/wp-content/uploads/2019/03/DNL-Internal-Audit-Charter.pdf">https://dnl.com.ph/wp-content/uploads/2019/03/DNL-Internal-Audit-Charter.pdf</a>  |   |
| <b>Recommendation 12.3</b>   |           |   |   |
| 1. Company has a qualified Chief Audit Executive (CAE) appointed by the Board.   | Compliant | The CAE is Mr. Elmer Brillo.<br><br>The IA Charter is available on the website.<br>Link –<br>IA Charter:<br><a href="https://dnl.com.ph/wp-content/uploads/2019/03/DNL-Internal-Audit-Charter.pdf">https://dnl.com.ph/wp-content/uploads/2019/03/DNL-Internal-Audit-Charter.pdf</a>                                       |   |
| 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<br>Link –<br>IA Charter:<br><a href="https://dnl.com.ph/wp-content/uploads/2019/03/DNL-Internal-Audit-Charter.pdf">https://dnl.com.ph/wp-content/uploads/2019/03/DNL-Internal-Audit-Charter.pdf</a><br><br>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. | Compliant |   | This recommendation is not applicable for the period covered because the entire internal audit function is done in-house. |
| <b>Recommendation 12.4</b>   |           |   |   |

|  |           |  |  |
|--|-----------|--|--|
| 1. Company has a separate risk management function to identify, assess and monitor key risk exposures.           | Compliant | <p>The Company has a separate Risk Management Function led by the Head of Risk Management. See Section IX(D), CG Manual.</p> <p>Link –<br/>CG Manual:<br/><a href="https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf">https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf</a></p> <p>To have a more holistic Risk Management Process, the three lines of defense will be implemented through the following:</p> <p>1. First Line of Defense: Process Owners identify, assess and monitor risk through the risk management process</p> <p>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.</p> <p>3. Third Line of Defense: Internal Audit ensures process is effectively implemented, controls are validated and effective. Results are also communicated to Management.</p> |  |
| <b>Supplement to Recommendation 12.4</b>   |           |  |  |
| 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.  |  |
| <b>Recommendation 12.5</b>   |           |  |  |



|  |           |  |  |
|--|-----------|--|--|
| 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 | <p>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.</p> <p>For the policy, see Section IX(E) of the CG Manual.<br/>Link –<br/><a href="https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf">https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf</a></p> |  |
| <b>Additional Recommendation to Principle 12</b>   |           |  |  |
| 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   |  |
| <b>Cultivating a Synergic Relationship with Shareholders</b>   |           |  |  |
| <b>Principle 13:</b> The company should treat all shareholders fairly and equitably, and also recognize, protect and facilitate the exercise of their rights.  |           |  |  |
| <b>Recommendation 13.1</b>   |           |  |  |
| 1. Board ensures that basic shareholder rights are disclosed in the Manual on Corporate Governance.  | Compliant | <p>See Section X(A) of the CG Manual and Corporate Governance page of the website.<br/>Links –<br/>CG Manual:<br/><a href="https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf">https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf</a></p>  |  |

|  |               |   |   |
|--|---------------|---|---|
|  |               | <a href="https://dnl.com.ph/corporate-governance/">https://dnl.com.ph/corporate-governance/</a>   |   |
| 2. Board ensures that basic shareholder rights are disclosed on the company's website.   | Compliant     | Links –<br><a href="https://dnl.com.ph/corporate-governance/">https://dnl.com.ph/corporate-governance/</a>  |   |
| <b>Supplement to Recommendation 13.1</b>   |               |   |   |
| 1. Company's common share has one vote for one share.  | Compliant     | See Article III, Section 6 of the By-Laws.<br>Link –<br>By-Laws:<br><a href="https://dnl.com.ph/wp-content/uploads/2022/09/DNL-Amended-By-Laws-7.28.22.pdf">https://dnl.com.ph/wp-content/uploads/2022/09/DNL-Amended-By-Laws-7.28.22.pdf</a>                           |   |
| 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.<br>Link –<br>By-Laws:<br><a href="https://dnl.com.ph/wp-content/uploads/2022/09/DNL-Amended-By-Laws-7.28.22.pdf">https://dnl.com.ph/wp-content/uploads/2022/09/DNL-Amended-By-Laws-7.28.22.pdf</a>                           |   |
| 3. Board has an effective, secure, and efficient voting system.  | Compliant     | See Article III, Section 6 of the By-Laws.<br>Link –<br>By-Laws:<br><a href="https://dnl.com.ph/wp-content/uploads/2022/09/DNL-Amended-By-Laws-7.28.22.pdf">https://dnl.com.ph/wp-content/uploads/2022/09/DNL-Amended-By-Laws-7.28.22.pdf</a><br><br>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.<br>Link –<br>By-Laws:  |   |

|   |           |   |  |
|---|-----------|---|--|
|   |           | <a href="https://dnl.com.ph/wp-content/uploads/2022/09/DNL-Amended-By-Laws-7.28.22.pdf">https://dnl.com.ph/wp-content/uploads/2022/09/DNL-Amended-By-Laws-7.28.22.pdf</a>   |  |
| 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.<br>Links –<br>CG Manual:<br><a href="https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf">https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf</a><br>COBP:<br><a href="https://dnl.com.ph/wp-content/uploads/2019/02/DnL-Code-of-Business-Principles.pdf">https://dnl.com.ph/wp-content/uploads/2019/02/DnL-Code-of-Business-Principles.pdf</a><br>Shareholders’ Rights:<br><a href="https://dnl.com.ph/corporate-governance/#policies">https://dnl.com.ph/corporate-governance/#policies</a> |  |
| 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.<br>Link –<br><a href="https://dnl.com.ph/investors/#reports">https://dnl.com.ph/investors/#reports</a><br><br>In 2023, cash dividends were paid 39 days after declaration.  |  |
| <b>Optional: Recommendation 13.1</b>  |           |   |  |
| 1. Company appoints an independent party to count and/or validate the votes at the Annual Shareholders’ Meeting.            | Compliant | In 2023, the votes were counted by Isla Lipana & Co.  |  |
| <b>Recommendation 13.2</b>  |           |   |  |
| 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 27, 2023 or 38 days before the   |  |

|  |           |   |  |
|--|-----------|---|--|
| sufficient and relevant information at least 28 days before the meeting.   |           | Annual Stockholders Meeting on June 5, 2023.<br>No remuneration or any changes therein were included in the agenda of the meeting.<br>To verify, please see PSE disclosure at this link:<br><a href="https://edge.pse.com.ph/openDiscViewer.do?edge_no=041d88b70e66ab009e4dc6f6c9b65995">https://edge.pse.com.ph/openDiscViewer.do?edge_no=041d88b70e66ab009e4dc6f6c9b65995</a> |  |
| Supplemental to Recommendation 13.2  |           |   |  |
| 1. Company’s Notice of Annual Stockholders’ Meeting contains the following information:  |           | See 2023 Information Statement<br><a href="https://dnl.com.ph/wp-content/uploads/2023/05/DNL-SEC-Form-20-IS-Definitive-Information-Statement.pdf">https://dnl.com.ph/wp-content/uploads/2023/05/DNL-SEC-Form-20-IS-Definitive-Information-Statement.pdf</a>   |  |
| 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 2023 Information Statement<br><a href="https://dnl.com.ph/wp-content/uploads/2023/05/DNL-SEC-Form-20-IS-Definitive-Information-Statement.pdf">https://dnl.com.ph/wp-content/uploads/2023/05/DNL-SEC-Form-20-IS-Definitive-Information-Statement.pdf</a>   |  |
| 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 2023 Information Statement<br><a href="https://dnl.com.ph/wp-content/uploads/2023/05/DNL-SEC-Form-20-IS-Definitive-Information-Statement.pdf">https://dnl.com.ph/wp-content/uploads/2023/05/DNL-SEC-Form-20-IS-Definitive-Information-Statement.pdf</a>   |  |
| 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 2023 ASM Minutes –<br><a href="https://dnl.com.ph/wp-content/uploads/2023/06/2023-ASM-Minutes_June-5.pdf">https://dnl.com.ph/wp-content/uploads/2023/06/2023-ASM-Minutes_June-5.pdf</a>   |  |

|   |           |  |  |
|---|-----------|--|--|
|   |           | <p>Voting results for all agenda items, including the approving, dissenting and abstaining votes, are indicated in the minutes.</p> <p>The voting on resolutions was by poll.</p> <p>Opportunity to ask questions was given after each agenda items. Questions, if any, and the answers given were reflected in the minutes.</p> |  |
| <b>Supplement to Recommendation 13.3</b>  |           |  |  |
| 1. Board ensures the attendance of the external auditor and other relevant individuals to answer shareholders questions during the ASM and SSM.                     | Compliant | <p>The CFO, IRO and external auditor were present during the ASM</p> <p>See 2023 ASM Minutes –</p> <p><a href="https://dnl.com.ph/wp-content/uploads/2023/06/2023-ASM-Minutes_June-5.pdf">https://dnl.com.ph/wp-content/uploads/2023/06/2023-ASM-Minutes_June-5.pdf</a></p>  |  |
| <b>Recommendation 13.4</b>  |           |  |  |
| 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 | <p>See Section X(C) of the CG Manual.</p> <p>Link –</p> <p>CG Manual:</p> <p><a href="https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf">https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf</a></p>                                   |  |
| 2. The alternative dispute mechanism is included in the company's Manual on Corporate Governance.   | Compliant | <p>See Section X(C) of the CG Manual.</p> <p>Link –</p> <p>CG Manual:</p> <p><a href="https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf">https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf</a></p>                                   |  |
| <b>Recommendation 13.5</b>  |           |  |  |

|  |               |   |   |
|--|---------------|---|---|
| 1. Board establishes an Investor Relations Office (IRO) to ensure constant engagement with its shareholders.   | Compliant     | CRISSA BONDAD<br>Investor Relations Officer<br>T: (02) 8635-0680<br>F: (02) 8635-0703<br>E: <a href="mailto:ir@dnl.com.ph">ir@dnl.com.ph</a>  |   |
| 2. IRO is present at every shareholder's meeting.  | Compliant     | The IRO was present during the ASM  |   |
| <b>Supplemental Recommendations to Principle 13</b>  |               |   |   |
| 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:<br><a href="https://edge.pse.com.ph/openDiscViewer.do?edge_no=5392c1f0e0ec2a5aabca0fa0c5b4e4d0">https://edge.pse.com.ph/openDiscViewer.do?edge_no=5392c1f0e0ec2a5aabca0fa0c5b4e4d0</a> | Company's public float as of Dec 31, 2023 is 27.37% |
| <b>Optional: Principle 13</b>  |               |   |   |
| 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:<br>2023 ASM Notice:<br><a href="https://dnl.com.ph/wp-content/uploads/2023/05/2023-ASM-Notice-and-Agenda.pdf">https://dnl.com.ph/wp-content/uploads/2023/05/2023-ASM-Notice-and-Agenda.pdf</a>                  |   |
| <b>Duties to Stakeholders</b>  |               |   |   |
| <b>Principle 14:</b> 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. |               |   |   |
| <b>Recommendation 14.1</b>   |               |   |   |
| 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       |   |

|  |           |  |  |
|--|-----------|--|--|
|  |           | <p>program. Details of its CSR initiatives are in the CSR Page of the website.</p> <p>Links –</p> <p>COBP:<br/> <a href="https://dnl.com.ph/wp-content/uploads/2019/02/DnL-Code-of-Business-Principles.pdf">https://dnl.com.ph/wp-content/uploads/2019/02/DnL-Code-of-Business-Principles.pdf</a></p> <p>CSR:<br/> <a href="https://dnl.com.ph/csr/">https://dnl.com.ph/csr/</a></p>   |  |
| <b>Recommendation 14.2</b>   |           |  |  |
| 1. Board establishes clear policies and programs to provide a mechanism on the fair treatment and protection of stakeholders.  | Compliant | <p>See Section X, CG Manual:<br/> <a href="https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf">https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf</a></p>  |  |
| <b>Recommendation 14.3</b>   |           |  |  |
| 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 | <p>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.</p> <p>Link –</p> <p>Whistleblowing:<br/> <a href="https://dnl.com.ph/wp-content/uploads/2019/04/DL-CompanyPolicies_Whistleblowing.pdf">https://dnl.com.ph/wp-content/uploads/2019/04/DL-CompanyPolicies_Whistleblowing.pdf</a></p> <p>CG Manual:<br/> <a href="https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf">https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf</a></p> |  |

|   |           |   |  |
|---|-----------|---|--|
|   |           | For stakeholder concerns, contact details are:<br>T: (02) 8635-0680<br>F: (02) 8635-0703<br>E: <a href="mailto:info@dnl.com.ph">info@dnl.com.ph</a> (dedicated email)   |  |
| <b>Supplement to Recommendation 14.3</b>  |           |   |  |
| 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.<br>Link –<br>CG Manual:<br><a href="https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf">https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf</a> |  |
| <b>Additional Recommendations to Principle 14</b>   |           |   |  |
| 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.  |  |
| <b>Optional: Principle 14</b>   |           |   |  |
| 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:<br><a href="https://dnl.com.ph/wp-content/uploads/2019/04/DL-CompanyPolicies_EmployeeDevelopmentandGrowth.pdf">https://dnl.com.ph/wp-content/uploads/2019/04/DL-CompanyPolicies_EmployeeDevelopmentandGrowth.pdf</a> |  |
|--|-----------|--|--|

**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:<br><a href="https://dnl.com.ph/wp-content/uploads/2019/04/DL-CompanyPolicies_EmployeeDevelopmentandGrowth.pdf">https://dnl.com.ph/wp-content/uploads/2019/04/DL-CompanyPolicies_EmployeeDevelopmentandGrowth.pdf</a> |  |
| 3. Company has policies and practices on training and development of its employees.  | Compliant | See employee welfare policies and initiatives at this link:<br><a href="https://dnl.com.ph/wp-content/uploads/2019/04/DL-CompanyPolicies_EmployeeDevelopmentandGrowth.pdf">https://dnl.com.ph/wp-content/uploads/2019/04/DL-CompanyPolicies_EmployeeDevelopmentandGrowth.pdf</a> |  |

**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".<br>Link –<br>COBP:<br><a href="https://dnl.com.ph/wp-content/uploads/2019/02/DnL-Code-of-Business-Principles.pdf">https://dnl.com.ph/wp-content/uploads/2019/02/DnL-Code-of-Business-Principles.pdf</a> |  |
|--|-----------|---|--|

|   |           |  |  |
|---|-----------|--|--|
| 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.  |  |
| <b>Supplement to Recommendation 15.2</b>  |           |  |  |
| 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".<br>Link –<br>COBP:<br><a href="https://dnl.com.ph/wp-content/uploads/2019/02/DnL-Code-of-Business-Principles.pdf">https://dnl.com.ph/wp-content/uploads/2019/02/DnL-Code-of-Business-Principles.pdf</a><br><br>There has been no finding of any violations of the company policy. |  |
| <b>Recommendation 15.3</b>  |           |  |  |
| 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.<br>Link –<br>Whistleblowing:<br><a href="https://dnl.com.ph/wp-content/uploads/2019/04/DL-CompanyPolicies_Whistleblowing.pdf">https://dnl.com.ph/wp-content/uploads/2019/04/DL-CompanyPolicies_Whistleblowing.pdf</a><br><br>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.<br>Link –<br>Whistleblowing:<br><a href="https://dnl.com.ph/wp-content/uploads/2019/04/DL-CompanyPolicies_Whistleblowing.pdf">https://dnl.com.ph/wp-content/uploads/2019/04/DL-CompanyPolicies_Whistleblowing.pdf</a>  |  |
| 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.<br>Links –<br>CG Manual:<br><a href="https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf">https://dnl.com.ph/wp-content/uploads/2021/09/Revised-Manual-on-Corporate-Governance-2020-2.pdf</a>  |  |

|  |           |  |  |
|--|-----------|--|--|
|  |           | Board Charter:<br><a href="https://dnl.com.ph/wp-content/uploads/2019/04/Board-Charter.pdf">https://dnl.com.ph/wp-content/uploads/2019/04/Board-Charter.pdf</a>  |  |
| <b>Principle 16:</b> 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. |           |  |  |
| <b>Recommendation 16.1</b>   |           |  |  |
| 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.<br>Link –<br>COBP: <a href="https://dnl.com.ph/wp-content/uploads/2019/02/DnL-Code-of-Business-Principles.pdf">https://dnl.com.ph/wp-content/uploads/2019/02/DnL-Code-of-Business-Principles.pdf</a><br><br>CSR: <a href="https://dnl.com.ph/csr/">https://dnl.com.ph/csr/</a> |  |
| <b>Optional: Principle 16</b>  |           |  |  |
| 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”.<br>Link –<br>COBP: <a href="https://dnl.com.ph/wp-content/uploads/2019/02/DnL-Code-of-Business-Principles.pdf">https://dnl.com.ph/wp-content/uploads/2019/02/DnL-Code-of-Business-Principles.pdf</a>  |  |
| 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.<br>Link –<br>CSR: <a href="https://dnl.com.ph/csr/">https://dnl.com.ph/csr/</a>  |  |

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 May 30, 2024.

### SIGNATURES

**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-ECHAYZ**

Independent Director

**KARL KENDRICK T. CHUA**

Independent Director

**FRANCO DIEGO Q. LAO**

Compliance Officer

**KRISTINE ANN C. CATINDIG-ONG**

Corporate Secretary

SUBSCRIBED AND SWORN to before me this 30 MAY 2024, 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. Nollo            |          |                       |
| Corazon S. de la Paz-Bernardo |          |                       |
| Lydia R. Balatbat-Echauz      |          |                       |
| Karl Kendrick T. Chua         |          |                       |
| Franco Diego Q. Lao           |          |                       |
| Kristine Ann C. Catindig-Ong  |          |                       |

Doc No.: 47;

Page No.: 6;

Book No.: XXIII;

Series of 2024.

*Mariper B. Aguilar*  
**ATTY. MARIPER B. AGUILAR**  
Notary Public for Quezon City  
Until December 31, 2025  
IBP No. 390487 - Jan. 3, 2024  
MCLE Compliance No. VII-0001663  
Appointment No. N-93 (2024-2025)  
PTR No. 5555049 Jan. 2, 2024  
Quezon City Roll No. 73209  
23 Baker St., Fairmond Subd., Brgy.  
North Fairview, Quezon City

**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, 2022 and 2023, and their consolidated financial performance and their consolidated cash flows for each of the three years in the period ended December 31, 2023 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 2023, 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 30 2024 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 30 2024,  
affiants personally appeared, exhibiting their respective competent evidence of identification card:

| Name            | Valid ID | Expiring on |
|-----------------|----------|-------------|
| Alvin D. Lao    |          |             |
| Elmer C. Brillo |          |             |

Doc. No. 155;  
Page No. 22;  
Book No. 22;  
Series of 2024.

  
**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



# **N+** Net Positive SustainAbility

**D&L Industries, Inc.**

Sustainability Report 2024 | Year 6

March 14, 2025





# About the Cover

Drone shot of the new D&L Premium Foods and Natura Aeropack factories inside the First Industrial Township–Special Economic Zone (FIT-SEZ) in Tanauan, Batangas, against the backdrop of Mt. Makiling.


# Table of Contents

Message from the President & CEO ..... 4

2024 ESG Highlights ..... 6

    Biodiesel’s Impact on GHG Reduction..... 6

    2024 Communication on Progress (CoP) Performance Summary ..... 7

About  ..... 9

Part 1 | Seven Significant Impacts.....11

Sustainable Business.....12

    Corporate Governance.....16

    Enterprise Risk Management.....21

    Capability .....23

    Path to Net Zero .....25

Green Chemistry.....31

    Cocobiodiesel.....31

    Oleochemicals.....31

    Agrochemicals .....32

    Industrial Biochemicals.....33

Coconut Value Chain .....34

    Coconut Oil.....34

    Coconut Industry Development.....35

    Upscaling Supply & Quality .....37

Plastics Circularity.....39

    Reduce Plastic Waste .....39

    Recycling & Upcycling .....39

    Reduce Carbon Footprints .....40

Custom Manufacturing Solutions.....42

    Next Generation Facility in Batangas .....43

Better Lives .....47

    Economic Performance.....47

    Employee Management.....47

    Rights & Privacy.....58

Good Neighbor.....61

    Community Action .....61

    Focus on the Youth .....62

|   |    |
|---|----|
| Community Development .....                                     | 64 |
| Multisectoral Cooperation .....                                 | 65 |
| Part 2   Frameworks & Standards .....                           | 66 |
| The Philippines SEC Sustainability Framework .....              | 66 |
| United Nations Sustainable Development Goals (UN<br>SDGs) ..... | 68 |
| Communication on Progress (CoP) .....                           | 78 |
| Global Reporting Initiative (GRI) .....                         | 81 |
| Corporate Information .....                                     | 98 |
| Stockholder Inquiries .....                                     | 98 |



## About this Report

GRI 2-1, 2-3

In line with its commitment to transparency, accountability, and proactive stakeholder engagement, D&L Industries, Inc. (“D&L” or “the Company”) has updated its Annual Sustainability Report, reporting the material topics on economic, environmental, and social impacts for the 6<sup>th</sup> year ending December 31, 2024.

This Report should be read in conjunction with the D&L Annual Report 2024, and both documents are available online at the Company website, (<http://www.dnl.com.ph/>).

For questions or feedback, please contact D&L Investor Relations at [ir@dnl.com.ph](mailto:ir@dnl.com.ph).

## Message from the President & CEO

GRI 2-22

Dear Fellow Stakeholders,

As we reflect on 2024, D&L Industries stands at a pivotal moment with the Batangas plant, our next generation facility, posting its first full year of profits since its commercial operations in July 2023. This came in ahead of our expectations with our older plants achieving breakeven levels only within two years of operations.

The promising results early on give us the confidence that, over time, our Batangas plant will continue to play an increasingly significant role in boosting our overall net income. While it is still possible to see quarterly swings in profitability given the early stages of operations - going forward, we expect it to start contributing consistently to our bottom line. We believe that we have only just begun to tap into the plant's potential given the vast opportunities we see in both local and international markets.

The Batangas plant is more than an expansion; it's a bold step toward redefining our future where growth and sustainability come hand in hand. The plant embodies this commitment, focusing on natural, organic, and sustainable products derived from coconut oil—a resource we've championed for decades. Designed with efficiency in mind, the plant minimizes its environmental footprint while maximizing output.

Our commitment to Green Chemistry, rooted in our pioneering work with oleochemicals in the 1980s and the launch of Asia's first continuous-process biodiesel plant in 2006, remains a cornerstone of our identity. In 2024, we embraced the Department of Energy's (DOE) decision to raise the biodiesel blend from 2% (B2) to 3% (B3), a move that resonates with our advocacy of cutting carbon emissions. As champions of economic growth leveraging on our nation's natural resources, we are committed to supporting DOE's roadmap to further increase the mandated blend to 4% by October 2025 and 5% by October 2026.

Looking ahead to 2025, we see better earnings growth underpinned by the continued ramp up in Batangas plant coupled with near-term catalysts such as the boost coming from election-related spending, the further increase in biodiesel blend, and continued economic recovery.

Meanwhile, the export business continues to be a bright spot with growth outpacing the domestic business. Exports provide a strategic revenue diversification for the company and the potential upside can be far greater than the domestic business based on just the sheer size of the addressable market. The products that we export are generally distinguished by their unique functional and technical properties, making D&L a go-to supplier for many global customers. With an aggressive export strategy and enhanced production capabilities, we maintain our guidance of reaching 50% export sales contribution to total sales over the medium term.



With our investments over the past couple of years starting to pay off, we see the next decade as truly transformational for the company. We would like to extend our heartfelt appreciation for the trust and steadfast support our shareholders have shown us throughout the years. Our management team remains dedicated to enhancing shareholder value while building a legacy as a truly world-class, sustainable Filipino company.

Alvin D. Lao

## Dedicated to Better Lives<sup>1</sup>

*The D&L Dictionary (July 30, 2021)*

*v. ded-i-cat-ed : devoted to a cause, ideal, or purpose : zealous<sup>2</sup>*

Two brothers started a company in 1963, manufacturing, marketing, and distributing colorants, chemicals, and additives for the plastic, paint, and ink industries. By the time they formally incorporated the company as D&L Industries in 1971, it was a rough time to run an enterprise. Buckling down to work, Dean Lao thought, "Doing business in the Philippines is a challenge. I look at the positive side. There's an opportunity in everything."

D&L thrived. Thinking back, Leon Lao mused, "We grew in spite of this crisis. Whatever the circumstance, it is the drive, hard work, and attitude that matter. That is what the spirit of an entrepreneur is all about."

Being in business is no mean feat. Look no further than our founding brothers to see how the passion to overcome the odds could nurture a dream to great heights. From just two thousand pesos in hand all those decades ago, here and now, in the midst of a pandemic in 2021, D&L Industries is valued at over 57 billion pesos in the Philippine Stock Market.<sup>3</sup>

Dedication, devotion, zeal. This is the secret sauce that drives every ka-D&L.

*adv. bet-ter : to a higher or greater degree : more<sup>4</sup>*

"It should be a matter of doing what you do best."  
-- Alex Lao

We do not settle. Hindi pwedeng pwede na.

We simply *do* better. Our products *are* better. Our service *is* better. We *are* better.

No ifs, no buts. Fact.

*adj. bet-ter : more attractive, favorable, or commendable*

It shows in the products we create & innovate for our clients & consumers, be it the perfect shade of teal for their wall, the perfect blend of taste & aroma for their sauce, the perfect balance of care & scent for their skin.

This is where each and every ka-D&L counts. When sales & marketing deliver above & beyond what their clients need & expect, when technical & production meticulously fine tune their formulations & processes for quality & efficiency, when supply

chain, finance, & admin ensure the smooth running of the engine that is D&L, the result is a *better* product. We provide a *better* service.

Edwin Lao sums it best. "D&L's most important asset is our dynamic and loyal employees. How the company will grow and prosper in the next 50 years will be dependent on how we hire, train, and retain the best talents."

*n. plural lives : the sequence of physical and mental experiences that make up the existence of an individual<sup>5</sup>*

Why do we do what we do?

We do it for God. We do it for country. We do it for family. We do it for us.

By so doing, we cannot help but be driven, for these are the most important things in life. We have a burning desire to do well... nay, to do our *best*!

Every good word and every good deed fuel the fire even more. Every task well done makes it easier for the next task to be done better. We do well, we feel great.

Our peers get infected with our *joie de vivre*. Our products are delightful, our services, *par excellence*. Our customers & stakeholders are gratified.

The factory hums & thrums with efficiency. There is little or no waste. The community prospers. The environment is cleaner.

Our lives are better.

"We are always passionate about what we do. We were the first to come into the market, and we can't be stagnant. We can't take it easy or be complacent. We work together for long term growth."  
-- John Lao

This is us.

We are D&L.

<sup>1</sup> This article was based on the Founders' clips from the Company's 50<sup>th</sup> anniversary video.

<sup>2</sup> Merriam-Webster.com Dictionary, "Dedicated," accessed July 30, 2021, <https://www.merriam-webster.com/dictionary/dedicated>.

<sup>3</sup> Philippine Stock Exchange Edge, "PSE Edge - Company Data: D&L Industries, Inc.," accessed July 30, 2021,

[https://edge.pse.com.ph/companyPage/stockData.do?cmpy\\_id=639](https://edge.pse.com.ph/companyPage/stockData.do?cmpy_id=639).

<sup>4</sup> Merriam-Webster.com Dictionary, "Better," accessed July 30, 2021, <https://www.merriam-webster.com/dictionary/better>.

<sup>5</sup> Merriam-Webster.com Dictionary, "Life," accessed July 30, 2021, <https://www.merriam-webster.com/dictionary/life>.

# 2024 ESG Highlights

## Biodiesel’s Impact on GHG Reduction

GRI 305-5

Since 2007, D&L Industries, Inc., through subsidiary Chemrez Technologies, has played a crucial role in reducing greenhouse gas (GHG) emissions through the sale of coconut methyl ester (CME) for biodiesel blending.

From 2019 to 2024, Chemrez CME sales alone have contributed to a **cumulative GHG reduction of 704,399 metric tons of CO<sub>2</sub> equivalent (tCO<sub>2</sub>E)**. This milestone highlights the significant impact of renewable fuels in mitigating climate change and improving air quality.

### Step 2 - View results

704,399 Metric Tons of Carbon Dioxide (CO<sub>2</sub>) equivalent  
This is equivalent to greenhouse gas emissions from:

Figure 1- Screenshot from EPA GHG Calculator<sup>6</sup>

## Putting the Numbers in Perspective

While large figures like 704,399 tCO<sub>2</sub>E are rather abstract, their real-world impact could be better understood through the following analogies.

*Comparable to the carbon sequestration of almost 11.7 million tree seedlings grown for 10 Years*

Trees are nature’s most effective carbon sinks. It would take approximately 11,647,298 tree seedlings growing for a decade to sequester the same amount of CO<sub>2</sub> reduced by Chemrez’s CME sales over the past six years.

<sup>6</sup> U.S. Environmental Protection Agency, “Greenhouse Gas Equivalencies Calculator,” last modified February 24, 2024, <https://www.epa.gov/energy/greenhouse-gas-equivalencies-calculator>.

<sup>7</sup> Ibid.

<sup>8</sup> GIZ, “Jeepney Modernisation: Early Evaluation” (Changing Transport, November 2019), 8, states that a traditional jeepney has an average fuel consumption of **5.9 km per liter**, travels **127 km per day**, for **5.6 days per week**, and uses **6,268 liters per year**, [https://changing-transport.org/wp-content/uploads/2019-11\\_GIZ\\_Jeepney-Modernisation\\_Early-Evaluation\\_final.pdf](https://changing-transport.org/wp-content/uploads/2019-11_GIZ_Jeepney-Modernisation_Early-Evaluation_final.pdf).

This is equivalent to carbon sequestered by:

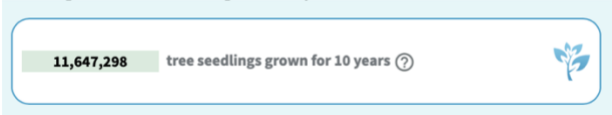


Figure 2- Screenshot from EPA GHG Calculator<sup>7</sup>



*35,673 jeepneys taken off the road for a year (or 5,946 each year from 2019 to 2024, on average)<sup>8</sup>*

A single diesel jeepney emits approximately 19.75 metric tons of CO<sub>2</sub> annually.<sup>9</sup> By using CME blended into B2 biodiesel, Chemrez’s cumulative contribution is equivalent to taking more than 35,673 jeepneys off the road for an entire year.



*Offsetting the GHG emissions from driving 1.3 billion kilometers in an average jeepney*

The cumulative GHG reduction from CME usage is equivalent to the emissions produced by **a jeepney driving over 1.3**

<sup>9</sup> UPLB Interdisciplinary Life Cycle Assessment Laboratory, *Carbon Footprint and GHG Reduction Potential of Coco-Biodiesel from Chemrez Technologies, Inc.* (Los Baños, Laguna: UPLB, 2021), 13, with carbon footprints of **3.2 kg CO<sub>2</sub>e/liter for B0** and **0.7068 CO<sub>2</sub>e/liter for B100**, a jeepney emits **3.15 kg CO<sub>2</sub>e per liter of B2**, or **19.75 tCO<sub>2</sub>e per year**.

The UPLB LCA study was specific to Chemrez CME using coconut oil as feedstock and the Company’s superior processes—better than batch processing methods used by other CME makers in the Philippines—hence the improved GHG reduction properties compared to other vegetable oils.

**billion kilometers**—enough to circle the Earth’s equator more than 32,920 times.<sup>10</sup>

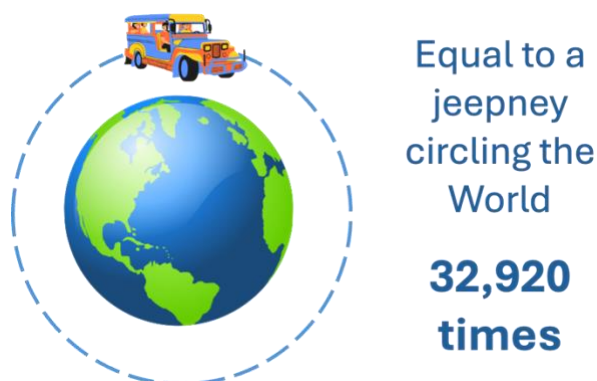


Figure 3 - D&L's Cumulative GHG Emissions Reduction, 2019-2024

## The Role of CME in a Low-Carbon Future

According to DOE Circular No. 2024-05-0014, which mandates higher biodiesel blending, the Philippines' Department of Energy increased the biodiesel mandate from B2 to B3, with further increases to B4 & B5 scheduled for October 2025 and October 2026, respectively.<sup>11</sup>

CME, derived from coconut oil, is a renewable and biodegradable alternative to traditional diesel. Its integration into biodiesel blends reduces dependence on fossil fuels and helps lower emissions of particulate matter and other pollutants. By supporting higher biodiesel mandates adoption, Chemrez not only contributes to GHG reduction but also reduces air pollution, fosters energy security, and strengthens sustainable development in the Philippines.

As the Philippines accelerates its push for carbon neutrality, the Company is expanding CME's applications beyond biodiesel blending—expounding on its potential as a sustainable alternative to palm oil and petroleum diesel in oleochemicals for personal care, home care, health & nutrition, and food ingredients. Along with continued investments in plastics circularity solutions, the Company is actively shaping a cleaner, more sustainable future.

<sup>10</sup> 35,673 jeepneys x 36,982 km = **1,319,277,544 km**; Earth's circumference = 40,075 km; 1,319,277,544 / 40,075 = **32,920 trips**

<sup>11</sup> "DOE mandates higher biodiesel blend beginning October 2024," Department of Energy, May 20, 2024, [https://doe.gov.ph/press-](https://doe.gov.ph/press-releases/doe-mandates-higher-biodiesel-blend-beginning-october-2024)

## 2024 Communication on Progress (CoP) Performance Summary

D&L Industries, Inc. presents its latest Communication on Progress (CoP), detailing our 2024 performance against the baselines set in our 2023 Sustainability Report. As an active participant in the United Nations Global Compact, we remain committed to integrating the Ten Principles into our business strategy, operations, and stakeholder engagements. This summary highlights our progress, challenges, and strategic priorities as we move toward our 2030 sustainability targets.

### Economic Performance

GRI 201-1, 203-2 | SDG 8.1, 8.2

Our economic performance continues to demonstrate resilience and growth. **Direct economic value generated** increased to **Php 40.68 billion**, a **10.5%** year-over-year increase, surpassing our baseline expectations. This growth reflects stable market demand, operational expansions, and efficiencies gained from ongoing strategic initiatives. Meanwhile, **economic value retained (dividends)** remained stable at **Php 1.49 billion**, indicating a balanced approach between reinvestment and shareholder returns.

Local supplier engagement remains a priority, with **spending on local suppliers increasing to 79%**, exceeding the initial baseline of **68%**. This continued shift towards localized sourcing strengthens supply chain resilience, fosters regional economic development, and aligns with our long-term sustainability goals.

### Environmental Stewardship

GRI 302-1, 302-3, 303-5, 305-1, 305-2, 305-4 | SDG 7.3, 6.4, 13.2

The first full year of operations at our three new factories in the **First Industrial Township (FIT)** has significantly influenced our environmental performance:

- **Energy intensity per metric ton (MT) of product went down by 17.2%**, surpassing the initial 2024 target of **-7.9%**. This improvement reflects energy efficiency measures and optimized production processes despite the increase in total energy consumption.
- **Direct (Scope 1) GHG emissions decreased by 16.1%**, continuing our emissions reduction trajectory. In

[releases/doe-mandates-higher-biodiesel-blend-beginning-october-2024](https://doe.gov.ph/press-releases/doe-mandates-higher-biodiesel-blend-beginning-october-2024).



contrast, **Scope 2 emissions increased by 8.7%**, attributed to higher electricity usage to support expanded production capacity.

- **Water consumption increased by 64.3%**, with **water intensity per MT of product rising by 32.2%**. The increase is primarily due to expanded manufacturing activities. Stronger water efficiency programs are being looked into to optimize water consumption.

#### *Waste Management*

GRI 303-4, 306-3 | SDG 12.4, 12.5

- **Solid waste generation decreased by 9.2%**, demonstrating effective waste reduction initiatives and material efficiency strategies.
- **Hazardous waste generation increased by 170.7%**, primarily driven by new manufacturing processes at FIT. A comprehensive review of hazardous waste management practices is underway to ensure proper handling, disposal, and minimization strategies.

#### *Workforce Development and Safety*

GRI 2-7, 405-1, 401-1, 404-1, 403-9 | SDG 4.4, 5.5, 8.5, 8.8

Investments in employee training and workplace safety have yielded notable results:

- **Total training hours increased by 29.4%**, supporting workforce upskilling and career development.
- **Safe man-hours reached 3.1 million**, reflecting strong adherence to workplace safety protocols.
- **Work-related injuries increased from 5 to 17 cases**, highlighting the need for enhanced safety measures. Given the relatively small base, the increase is statistically significant but not indicative of a systemic issue. Additional risk assessments, training, and compliance monitoring will be prioritized.
- **Female representation remained at 40%**, despite production-related workforce expansion. Future diversity initiatives will focus on leadership development and broader workforce participation.

## Challenges and Strategic Priorities

1. **Water Consumption Management** – Addressing the sharp increase in water usage through conservation strategies, improved recycling systems, and efficiency programs.
2. **Hazardous Waste Control** – Strengthening waste minimization efforts and refining disposal and treatment protocols to align with regulatory and sustainability commitments.
3. **Workplace Safety Enhancements** – Expanding safety programs, increasing compliance monitoring, and integrating technology-driven hazard detection to mitigate risks.
4. **Emission Reductions** – Continuing investment in energy efficiency projects and renewable energy sourcing to curb Scope 2 emissions growth.
5. **Supplier Sustainability** – Further developing local supplier partnerships to enhance sustainability practices across the value chain.

D&L Industries remains committed to sustainable and responsible business practices. Moving forward, we will actively address these challenges while leveraging opportunities for innovation and long-term value creation.

# WE SUPPORT



## About N<sup>+</sup>

GRI 3-1, 3-3; 2-29

Beyond Compliance, more deliberate and intentional and sustainability being a way of life are the aspirations and inspiration of D&L in embarking on its Net Positive journey.

### Why Net Positive?

The Net Positive approach means doing more good than bad; giving more than taking back. It is beyond “doing less harm”. It is about having a positive impact to better lives for a better world.<sup>12</sup>

Net Positive goes beyond Net Zero which is the balance between the greenhouse gas emissions and the amount removed.

A Net Positive business improves the well-being of everyone it impacts and at all scales — every product, every operation, every region and country, and for every stakeholder - employees, vendors, communities, customers, and even future generations and the planet itself.

In D&L, this Net Positive journey is known to employees as our N<sup>+</sup> advocacy. Our GOAL is for every one in D&L contribute to “The Call” to action to make our Planet a better place to live. Our mission is to make every one in D&L a Living Testimony, a Net Positive Advocate whose decisions, words and actions add sustainable value that build and sustain the Company’s growth and Profitability in a way that also sustain the Planet. N<sup>+</sup> intends to create a value-adding culture that extends to interpersonal relationships with People being our most valuable resource.

Aligned with the above, D&L established its Sustainability Governance and Roadmap that will enable a more deliberate, holistic, fully integrated, organized, and synchronized approach towards the achievement of its sustainability goals and objectives. We are guided by the Return on Sustainability Investment (ROSI) Framework in embedding sustainability risks and opportunities into our strategy and decision making processes, to improve the various aspects of operations, drive revenue growth, profitability and corporate value; and deliver quantifiable business and social value.

N<sup>+</sup> will be part of our strategy, we innovate in developing sustainable products that are functional, contribute to health

and wellness as well as manage and make use of wastes to promote a circular economy.

It is the intention to embed N<sup>+</sup> in our ways of working to optimize yield, reduce utility consumption, minimize waste, digitalize and streamline processes to improve cost efficiency.

We want to be deliberate in creating an N<sup>+</sup> culture, a way of life to live sustainability. With our culture building programs, each employee will be an N<sup>+</sup> advocate intended to create a multiplier effect in our homes, communities, etc. Through our People, we **Build SustainAbility**, doing each one’s share to be good citizens of the Planet to better the lives of future generations.

To ensure the effective planning and execution of D&L’s SustainAbility Strategies and initiatives, D&L had set up the following Table of Organization:

#### SUSTAINABILITY TABLE OF ORGANIZATION



This is an enterprise-wide organization with cross-functional involvement and engagement across all BUs, Companies and Shared Services Groups. SustainAbility is embedded in all major functions of the company, such as Procurement, Finance, HR, SCM, R&D. Sustainability Working Teams led by appointed Champions were also organized. Each Sustainability Champion have a Charter that includes their mandate, strategies, financial and non-financial performance metrics, organizational relationships, success factors and required resources. By defining all these, ways of working are instituted and there will be better ownership and accountability to ensure the success of this noble initiative.

We also established this SustainAbility Wheel as our framework to help reap the benefit of doing business right for the People, Planet and Profit. At the core is our Purpose, our reason for being then followed by Profit, because we will not be able to do all the other sustainability initiatives if the Company is not profitable. To be sustainable, the Company needs to be Profitable. Next we have the 4 Sustainability Focus Areas: People, Process, Product and Pathfinder

<sup>12</sup> United Nations Sustainable Development, “Net Positive in Water and Carbon by 2040”, accessed February 1, 2024,

<https://sdgs.un.org/partnerships/net-positive-water-and-carbon-2040>



Business. Each of the Main Focus Areas have sub-areas. Colors of the sub-areas correspond to the SDG Color Scheme.



We are founded in our Corporate culture and core values, guided by governance best practices ensuring that risks are identified and mitigated.

**N+** was officially launched last September 26, 2024 to inform all employees of the People Program and ensure continuous engagement to the **N+** initiatives.



During the event, **N+** IDs were also distributed. This serves as a reminder of each employee's commitment to the **N+** Advocacy. Moreover, the back of the ID provides quick reference guide on how employees can practice and live SustainAbility.

Employee Commitment & Quick Reference to Livin' SustainAbility



In the same event, we also launched the Values@D&L, our People Program to ensure employee engagement and SustainAbility culture development.



- ◆ Create a positive impact on our environment, communities we serve, health and wellness which may extend beyond office hours



- ◆ Employees who exemplified D&L Values, made a huge impact at work during a given month and serve as role models.
- ◆ One Core Value per month will be featured

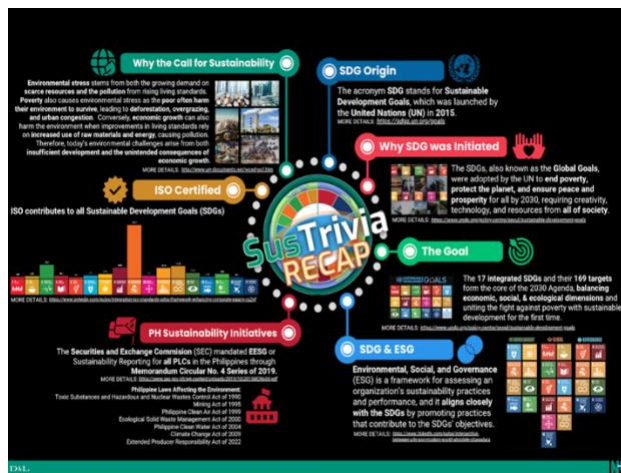


- ◆ Great coaches and mentors who have a positive impact on the employee's career development, job satisfaction or performance
- ◆ 1 Star Coach per month will be selected. Nominating employee may be subordinate or non-subordinate



- ◆ Peer Recognition Program that allows Ka-D&Ls to recognize contributions of their colleagues on a daily basis – those who have done simple yet remarkable deeds exemplifying the D&L Values.
- ◆ Examples: recognizing positive attitude, helpfulness, or any other commendable behavior

We also had our SusTrivia (Sustainability Trivia Questions) to pique employees' interest, educate and engage them, and most of all to make them understand and realize the urgent need and the call to action for Sustainability. This poster summarized the answers to our SusTrivia.



Individually, we are a drop, but together we can create a Net Positive Impact to better lives and the planet.

## Part 1 | Seven Significant Impacts

GRI 3-1, 3-3; 2-9

The Company reassessed its ESG impacts, especially through the lens of double materiality.

How does D&L affect the lives of its stakeholders and the environment, mostly for good and not for ill?

How does it magnify the positives while mitigating the negatives of its presence as a business, employer, partner, member of the community, and steward of the environment, not only in terms of human & social justice, good governance, and ecological balance, but also in the financial reckoning of these principles?

For its 6<sup>th</sup> Annual Sustainability Report, D&L Industries continues the material topics under the Seven Significant Impacts.

Building a [Sustainable Business](#) is the Company's primary goal, and is achieved through good governance, effective risk management, and via a culture of ethics that promotes positive outcomes for all stakeholders. These principles lay the groundwork that builds the Company's competitive advantage on top of its capabilities to generate value.

Historically known for its product innovation, [Green Chemistry](#), the Company promotes coconut oil over palm and petrochem ingredients across its portfolio, from specialty food ingredients to carrier oils for the personal & home care sectors, from industrial biolubricants to coconut methyl ester for biodiesel.

As a business powered by coconut oil, the Company builds resilience in the [Coconut Value Chain](#) through close collaboration with upstream and downstream partners, promoting traceability & sustainable practices, mitigating supply disruptions, and enhancing the lives of its stakeholders. This approach drives the Coconut Sustainability Initiative.

[Plastics Circularity](#) closes the loop in reducing plastic waste by using bio-based and non-petrochemical ingredients, and via recycling and upcycling discarded plastics.

[Custom Manufacturing Solutions](#) simplify the journey from concept to product, offering flexible Business-to-Business (B2B) and Original Design Manufacturing (ODM) solutions with built-in sustainability.

The Company promotes [Better Lives](#) for key stakeholders through diversity and inclusion in the workplace and by

delivering best-in-class products and services for its clients and customers.

Finally, the Company seeks to be the proverbial [Good Neighbor](#), engaging in local community action, prioritizing education, and partnering with multi-sectoral advocates for long-term holistic development.

These Seven Significant Impacts intend to address and achieve our environmental, social, and governance imperatives.

Understanding each individually—and together, as more than the sum of its parts—promotes transparency and accountability in the Company's ESG performance, fostering a culture of trust and collaboration among its various stakeholders.

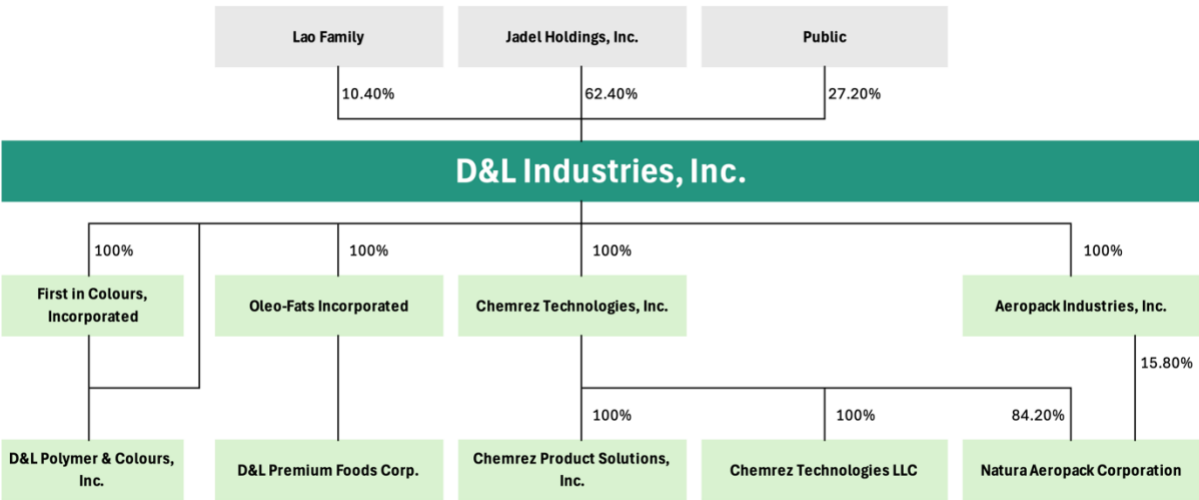


Figure 4 - D&L Corporate Structure as of December 31, 2024

## Sustainable Business

GRI 3-1, 3-3

A strong foundation is necessary for sustainability, encompassing both stable structures and the right values.

Good governance guarantees clear and adequate objectives and processes, fair and equitable rules, and proper representation. It involves taking deliberate and dedicated action to benefit all stakeholders.

Enterprise Risk Management (ERM) aims to prevent adverse events, reduce negative impacts, and transform risks into value-creation opportunities.

Capabilities are the foundation for success, adding value and competitive advantage in the market. Unavoidable setbacks offer opportunities for learning, and perseverance and dedication lead to success.

## The Company

GRI 2-2, 2-6

D&L Industries is a Filipino company engaged in product customization and specialization for the food, chemicals, plastics, and consumer products OEM/ODM industries. The Company's principal business activities include manufacturing of customized food ingredients, specialty raw materials for plastics, and oleochemicals for personal and home care use.

With a track record that spans over six decades, D&L has established itself as the dominant market leader in the

industries it serves. It also enjoys long-standing customer relationships with the Philippine's leading consumer and manufacturing companies.

As the majority of the products that the Company manufactures caters to basic industries which are considered essential, D&L sees continued strong demand for its products even amidst global geopolitical, energy, and food supply uncertainties.

## Organization

The Company was incorporated on July 27, 1971.

It was listed on the Philippine Stock Exchange on December 12, 2012. As of December 31, 2024, it is 72.8% beneficially owned by the Lao family, the rest by the public.

The Company's registered office address and principal place of business is at 65 Calle Industria, Brgy. Bagumbayan, Quezon City, Philippines.

## Business Presence

GRI 2-2, 2-6

### Food Ingredients

#### Oleo-Fats, Incorporated D&L Premium Foods Corp.

Fats & oils, specialty food ingredients, food safety products

Serves the domestic market  
Exports mostly to Asia, plus US & EU

### Oleochemicals & Specialty Chemicals

#### **Chemrez Technologies, Inc.**

Oleochemicals (coco-biodiesel & high-value coconut derivatives)

#### **Chemrez Product Solutions, Inc.**

Resins, colorants, powder coating

#### **Chemrez Technologies LLC**

US sales subsidiary

Serves the domestic market

Exports to Asia and US, UK, EU, & AU

### Specialty Plastics

#### **First in Colours, Incorporated**

Pigment blends, color and additive masterbatches

Predominantly domestic

#### **D&L Polymer & Colours, Inc.**

Engineered polymers for various applications such as auto, construction, electrical, etc.

Exports predominantly to Asia

### Consumer Products Original Design Manufacturer

#### **Aero-Pack Industries, Inc.**

#### **Natura Aeropack Corporation**

Consumer products for personal and home care applications in aerosol or bottle packaging

Domestic for AeroPack, Export for Natura Aeropack

### Corporate Social Responsibility

GRI 2-2, 2-6

The Lao Foundation, Inc. (LFI) is an independent non-stock, non-profit organization which the Company partners with for its Corporate Social Responsibility (CSR) initiatives. Their work is also discussed in the [Coconut Value Chain](#), [Better Lives](#), and [Good Neighbor](#).

### Culture

GRI 2-22, 2-24, 2-29 | SDG 5.1. 5.5

Altruism permeates D&L's culture, from excellence in every act, to every choice in favor of the best outcome for the majority of stakeholders.

Values passed on from the first to the second generation of leaders permeate the inclusive culture of excellence the

Company cultivates and nurtures, throughout and across, within and beyond, its boundaries.

### Our Vision

To be the Philippines' Majority Leader in Sustainable Ingredients, Materials and Solutions, and a Major Exporter in identified continents.

### Our Mission

To excel and be the leader in the industries we serve.

We are dedicated to growth. We are not complacent, timid, or satisfied with the status quo.

We are research-oriented. We will keep abreast of the latest technology and have our fingers on the pulse of the market to identify the market needs that must be met.

We are committed to increase productivity and profitability, but not at the expense of ethics.

We will continuously enhance our reputation for quality and value. Our products and services must always represent good value for money and be competitive in the marketplace.

We will maintain our market leadership through creativity, innovation and excellence in performance tempered with experience.

We are proud of our employees. We consider them as our most valuable asset. We will maintain an atmosphere where our people can develop their abilities and potential while working together enthusiastically to achieve our goal.

We will contribute to the well-being of the communities in which we operate and accept our responsibilities as citizens of the Philippines.

### Our Beliefs

Progress and development can be realized only through the combined efforts and cooperation of each member of our organization from the highest to the lowest.

Dedication to meeting customers' expectations and needs by providing them the best value from our products and the best service, through the combined efforts and cooperation of each member of the organization.

Passion for excellence in providing intelligent, responsible, and capable direction in the conduct of the business.

Conviction to manage company activities on the basis of the highest standards of conduct and ethics.

### Our Corporate Values

|                 |                          |
|-----------------|--------------------------|
| Passion to lead | Drive to excel           |
|                 | Discipline and hard work |
|                 | Positive attitude        |

|                                |                       |
|--------------------------------|-----------------------|
| Being honest, fair, and humble | Integrity and honesty |
|                                | Fairness and humility |

|                 |                                 |
|-----------------|---------------------------------|
| Caring together | Gratitude and appreciation      |
|                 | Harmony and cooperation         |
|                 | Courtesy and respect for others |

### Code of Business Principles

GRI 2-15, 2-24, 2-27, 2-29, 13.24.2, 415-1 | SDG 5.1, 5.5

The Company recognizes that the most cogent proof of good corporate governance is that which is visible to the eyes of its investors. Therefore, the following provisions are issued for the guidance of all internal and external

parties concerned, as governance covenant between the Corporation and all its investors.

At D&L, our values are at the core of our work and our operations. Our corporate Code of Business Principles (the "Code") incorporates our commitment to this fundamental and basic belief and shows the way to doing things.

We enjoin our subsidiaries, affiliates, and member companies to adhere wherever and at all times to the set standards of conduct and behavior.

We strongly encourage our people as well as our suppliers, customers, contractors, and all those we partner with, to live up to the direction and guidance of the Code. We firmly believe upholding what is right and ethical greatly benefits all.

### The Way We Commit to the Code

We call upon our people to comply and commit to the Code of Business Principles. We exhort them to conform to the norms of conduct prescribed therein. We encourage them to seek clarification and guidance from their supervisors, the Head of HR, the Legal Counsel, and the Compliance Officer. We do not tolerate non-compliance. We enforce heavy disciplinary measures on those who ignore and fail to follow the Code. We expect more from our managers and supervisors. We look at them to inspire, lead and model the way of ethical behavior.

Our business unit heads and managers are ultimately responsible in ensuring compliance. We expect them to actively and visibly provide support. We enjoin them to patiently but persistently promote and encourage employees' adherence to the Code. We hope that our organizational leaders personally engage in assisting and training their own staff in the context of their specific duties and responsibilities.

We urge our employees to bring to the attention of their supervisor or of senior management any breach or suspected violation of the Code. We have support provisions to safeguard strict confidentiality. We also assure that those reporting do not suffer the consequence of disclosing in confidence what they know.



### **The Way We Do Business**

We conduct business guided by the principles of honesty, integrity and transparency. We respect the legitimate rights and interests of those we transact with. We take into account the unique culture of the countries we operate in and comply with their laws and regulations.

### **The Way We Care for Our Stakeholders**

#### *Our People*

Our employees are our greatest asset. We provide them with opportunities for continuing skills and capability development. We communicate with and consult them. We provide them with safe and healthy working conditions. More importantly, we recognize the dignity and uniqueness of their person. We respect their freedom and their valid and lawful rights. We do not resort to force or any form of coercion. We do not employ child labor or engage minors to work.

We do not discriminate. We treat all equally regardless of race, religion, color, status, sexual orientation, ethnicity, or nationality. Our screening, selection, and hiring and compensation policies are solely based on qualifications. Our training, development, evaluation, promotion, reward, retention and separation procedures follow the principles of meritocracy and objectivity.

#### *Our Customers*

We offer products and services of the highest standards of quality and safety. We are committed to creating value. We make sure they are properly and accurately labelled. We use available and appropriate media communications to advertise their unique proposition.

#### *Our Community*

We recognize our responsibility as good corporate citizens. Our aim is to contribute to the development of the communities we operate in. Our goal is to create lasting and deep impact benefits to society. We take extra care to avoid disruptions, if not minimize them.

#### *Our Environment*

We care for the environment. We are committed to sustainable development. We meet the ever-increasing needs of the business but never forget the conservation

and preservation of nature. Our long-haul horizon goes beyond the present and stretches to generations yet to come. Our efforts not to endanger but rather enhance the ecosystem continue. We also recognize the importance of biodiversity and support the global community in protecting it.

#### *Our Business Partners*

We acknowledge the contribution of our customers, suppliers and business partners. We are grateful. We are strongly committed to continue building lasting and mutually benefiting relationships with them. We urge them to partner with us in the pursuit and practice of the Code.

#### *Our Shareholders*

We adopt the principles and practice of internationally accepted prescriptions of good corporate governance. We regularly update our shareholders with timely, reliable and accurate information on the company's operational performance and financial position. We continually communicate with them our key initiatives and major activities.

### **The Way We Grow**

We are dedicated to growth. In pursuit thereof, we continually innovate. We develop new ways and new products to meet the changing needs of our customers.

We adopt strict standards of sound science and apply very disciplined testing procedures to ensure high level product quality and safety

### **The Way We Deal with Politics**

We cooperate with governments and other organizations in the protection and promotion of the company's legitimate business concerns. We closely collaborate with them in the development of regulatory and legislative initiatives impacting our investments and interests. We do not in any way participate in party politics.

### **The Way We Handle Conflicts of Interest & Maintain Integrity**

Our employees are expected to keep clear from financial, business, or other relationships and activities that might be opposed to, in competition with, and disadvantageous

to company businesses and the proper performance of their duties. We exhort them to conduct themselves in a manner that avoids even just the appearance of a conflict of interests between their personal interests and those of the company.

We refrain from receiving gifts beyond accepted, common, and customary courtesy, in cash or kind, directly or indirectly, that might impair judgement, provide preferential treatment, and result in unfair competition. We also do not subscribe to tendering nor accepting payments as bribes. We strongly advise that any demand or offer be readily rejected and immediately reported to management.

Our corporate funds, assets, services, and facilities are not to be used for any unlawful, unethical, and personal enrichment purpose.

## Corporate Governance

GRI 3-3, 2-9, 2-10, 2-11, 2-12, 2-13, 2-14, 2-17, 2-18, 2-19, 2-20, 2-22, 405-1 | SDG 5.1, 5.5, 8.5, 16.6, 16.7

D&L is committed to good Corporate Governance aligned with its purpose to Better Lives Through Sustainable Innovation for the Company's long-term success shared with all its stakeholders and the nation.

The Company's Corporate Governance provides for the system of stewardship, control and feedback that guides the organization in fulfilling its long-term economic, moral, legal and social obligations to all its stakeholders. It establishes the direction, feedback and control using regulations, performance standards, and ethical guidelines to hold everyone in the organization accountable starting from the Board of Directors (BOD) and Senior Management.

### Commitment to Sustainability

D&L recognizes the interdependence between business and society, and promotes a mutually beneficial relationship that allows the company to grow its businesses, while contributing to the advancement of the society. The Company commits to its social responsibility in all its dealings with the communities in which it operates and ensures that its business activities serve the environment and all its stakeholders in a positive and progressive manner. In this regard, D&L not only complies with existing regulations, but also voluntarily employs value chain processes which take into consideration Environmental,

Economic, Social and Governance (EESG) issues and concerns.

## Board of Directors

D&L is led by a competent BOD composed of directors, who individually and collectively, have working knowledge and experience relevant to the Company's industries. The Company's BOD has an appropriate mix of competence and expertise to fulfill its roles and responsibilities and respond to the needs arising from the evolving business environment and strategic direction.

To ensure the exercise of objective and independent judgement on all corporate affairs and for proper checks and balances, six (6) of the seven (7) Board seats are occupied by Non-Executives (NED), and four (4) of the six (6) NEDs are Independent Directors (ID). With three (3) female IDs on board, the BOD has sufficient diversity to ensure optimal decision-making is achieved to avoid the acceptance of a viewpoint or conclusion that represents a perceived group consensus. In addition, the BOD has a Lead Director among the IDs to ensure independent views and perspectives. The Lead Independent Director has sufficient authority to lead the BOD in cases where management has clear conflicts of interest.

The NEDs conduct separate periodic meetings with the external auditor and head of internal audit, compliance and risk functions without any executive directors or members of management present for proper checks and balance, constructive scrutiny of performance and satisfy themselves on the integrity of Company's internal control and effectiveness of the risk management systems.

| Board of Directors |                           |                               |
|--------------------|---------------------------|-------------------------------|
| Chairperson        | Non-executive             | Yin Yong L. Lao               |
| Vice Chairperson   | Non-executive             | John L. Lao                   |
| CEO                | Executive                 | Alvin D. Lao                  |
| Members            | Lead Independent Director | Atty. Mercedita S. Nollado    |
|                    | Independent Director      | Corazon S. de la Paz-Bernardo |
|                    | Independent Director      | Dr. Lydia R. Balatbat-Echaz   |
|                    | Independent Director      | Karl Kendrick T. Chua         |

## Board Committees

The Board established committees composed of board members that focus on specific board functions to aid in the optimal performance of the BOD's roles and responsibilities. Each Committee has a Committee Charter that contains its purpose, membership, structure, operations, reporting process and other relevant information.

### Audit Committee

The Audit Committee enhances the Board's oversight capability over the Company's financial reporting, internal control system, internal and external audit as well as compliance with applicable laws, regulations, and internal policies. It is responsible for overseeing the Senior Management in establishing and maintaining an adequate, effective internal control framework that will allow operational efficiency and safeguarding of assets. The Audit Committee is composed of four (4) IDs and all members have relevant background, knowledge, skills and experience in the areas of accounting, auditing and finance.

| Audit Committee |                           |                               |
|-----------------|---------------------------|-------------------------------|
| Chairperson     | Independent Director      | Corazon S. de la Paz-Bernardo |
| Members         | Lead Independent Director | Atty. Mercedita S. Nollado    |
|                 | Independent Director      | Dr. Lydia R. Balatbat-Echaz   |
|                 | Independent Director      | Karl Kendrick T. Chua         |

After a streamlining of the board committees done last year, the Audit Committee now performs the functions of the Related-Party Transaction (RPT) Committee, specifically the evaluation of relations between businesses and counterparties to continuously identify related-parties and review RPTs to ensure that these are undertaken on an arm's length basis that is appropriately monitored, reported and disclosed. The Audit Committee further ensures that no corporate or business resources are misappropriated or misapplied, and determines potential reputational risks that may arise as a result of or in connection with the RPTs.

### Corporate Governance Committee

The Company's commitment to good corporate governance promotes the long-term interests of shareowners,

strengthens Board and Management accountability, and helps build public trust in the Company.

The Corporate Governance (CG) Committee oversees the implementation of the corporate governance framework, principles and practices, and ensures its continued relevance in light of the Company's size, complexity, business strategy and the regulatory environment. CG Committee also oversees the evaluation and assessment of the BOD and the Board Committees, nomination of BOD members and appointment and remuneration of key executives and officers.

| Corporate Governance Committee |                           |                               |
|--------------------------------|---------------------------|-------------------------------|
| Chairperson                    | Lead Independent Director | Atty. Mercedita S. Nollado    |
| Members                        | Independent Director      | Dr. Lydia R. Balatbat-Echaz   |
|                                | Independent Director      | Corazon S. de la Paz-Bernardo |
|                                | Non-executive             | Yin Yong L. Lao               |

The CG Committee currently assumes the functions of the Nomination Committee. As such, it determines the nomination, screening and selection parameters of the Company's BOD, and ensures that the election and termination process conforms with applicable laws and regulations. The CG Committee further defines the general profile of board members in terms of knowledge, competencies and expertise that are appropriate and relevant to the Company's businesses.

The CG Committee also carries out the functions of the Compensation/Remuneration Committee. As such, it is tasked to establish a formal and transparent procedure for developing a policy on the remuneration of directors and officers to ensure that their compensation is consistent with the Company's culture, strategy and the business environment in which it operates.

### Risk Oversight and Sustainability Committee

The Risk Oversight Committee was renamed Risk Oversight and Sustainability Committee (ROSC) to highlight the BOD's thrust to prioritize sustainability. The ROSC helps the BOD in assuring that there is an effective and integrated risk management process in place. The ROSC oversees that a sound Enterprise Risk Management (ERM) framework is instituted to effectively identify, monitor, assess and manage key business risks. The risk management framework guides



the BOD in identifying business unit and enterprise-level risk exposures, as well as the effectiveness of the risk management strategies.

| Risk Oversight and Sustainability Committee |                           |                               |
|---|---------------------------|-------------------------------|
| Chairperson                                 | Lead Independent Director | Dr. Lydia R. Balatbat-Echauz  |
| Members                                     | Independent Director      | Corazon S. de la Paz-Bernardo |
|   | Independent Director      | Karl Kendrick T. Chua         |
|   | Non-executive             | John L. Lao                   |
|   | Executive                 | Alvin D. Lao                  |

## Executive Committee

During the intervals between the meetings, the BOD lawfully delegated to the Executive Committee (EXCOM) the exercise of the powers of the Board related to the management and direction of the affairs of the Company. All actions by the EXCOM are reported to the BOD at its meeting and may be subject to revision and alteration by the Board, provided that no rights of third parties are affected by targets and budgets, should there be any such revision or alteration.

Roles and responsibilities that may be relegated to the EXCOM include governance, strategic and operational leadership, drive portfolio/investment decisions, resource allocation, setting and approval of budgets, hard targets and strategic transactions as well as performance review.

| Executive Committee |               |                     |
|---------------------|---------------|---------------------|
| Chairperson         | Non-executive | John L. Lao         |
| Members             | Non-executive | Yin Yong L. Lao     |
|                     | Executive     | Alvin D. Lao        |
|                     | Executive     | Dean A. Lao, Jr.    |
|                     | Executive     | Vincent D. Lao      |
|                     | Executive     | Lester A. Lao       |
|                     | Executive     | Franco Diego Q. Lao |

## Advisory Board

Acknowledging the wisdom of the Founders, the Advisory Board was established as a source of insights and advice. The

Advisory board helps explore new opportunities by stimulating robust, high-quality conversations which promotes critical thinking to increase the confidence of decision-makers to help the organization achieve its goals and objectives. The Advisory Board helps fill in the knowledge gap in the Company and acts like an impartial third-party or a sounding board

| Advisory Board |               |             |
|----------------|---------------|-------------|
| Members        | Non-executive | Dean L. Lao |
|                | Non-executive | Leon L. Lao |
|                | Non-executive | Alex L. Lao |

## Government Agencies & External Parties

### External Auditors

**PwC Philippines - Isla Lipana & Co.**

### Government Agencies

**Board of Investments (BOI)**  
**Bureau of Animal Industry (BAI)**  
**Bureau of Customs (BOC)**  
**Bureau of Fire Protection (BFP)**  
**Bureau of Internal Revenue (BIR)**  
**Department of Environment and Natural Resources (DENR)**  
**Department of Labor and Employment (DOLE)**  
**Department of Trade and Industry (DTI)**  
**Fertilizer and Pesticide Authority (FPA)**  
**Food and Drug Administration (FDA)**  
**Intellectual Property Office (IPO)**  
**Laguna Lake Development Authority (LLDA)**  
**Land Transportation Office (LTO)**  
**Local Government Units (LGUs)**  
**National Privacy Commission (NPC)**  
**Philippine Drug Enforcement Agency (PDEA)**  
**Philippine Economic Zone Authority (PEZA)**  
**Securities and Exchange Commission (SEC)**

### Investor Conferences 2024

**Nomura Investment Forum Asia**  
June 5, 2024 | In-person, Singapore

**Non-Deal Roadshow**  
June 6, 2024 | In-person, Singapore

#### Non-Deal Roadshow

September 26, 2024 | In-person, London

#### Auerbach Grayson Emerging and Frontier Markets Investor Conference

October 21, 2024 | Virtual

#### Jefferies - Regis Philippine Conference

October 23-24, 2024 | In-person, Manila

#### Membership Associations

GRI 2-28

##### Aero-Pack Industries, Inc.

Chamber of Cosmetics Industry of the Philippines, Inc. (CCIP)  
Cosmetic Toiletry & Fragrance Association of the Philippines, Inc.

##### Chemrez Product Solutions, Inc.

Philippine Association of Paint Manufacturers, Inc. (PAPM)

##### Chemrez Technologies, Inc.

Chamber of Cosmetics Industry of the Philippines, Inc. (CCIP)  
Entrepreneurs' Organization Philippines (EO)  
Metalworking Industries Association of the Philippines, Inc. (MIAP)  
Philippine Oleochemical Manufacturers Association (POMA)  
Philippine Parts Maker Association, Inc. (PPMA)  
Private Label Manufacturers Association (PLMA)  
The Philippine Biodiesel Association (TPBA)  
United Coconut Associations of the Philippines (UCAP)

##### D&L Industries, Inc.

Association of Petrochemical Manufacturers of the Philippines (APMP)  
Entrepreneurs' Organization Philippines (EO)  
Financial Executives Institute of the Philippines (FINEX)  
Management Association of the Philippine (MAP)  
Packaging Institute of the Philippines (PIP)  
Wallace Business Forum (WBF)

##### First in Colours, Incorporated

Philippine Plastics Industry Association, Inc. (PPIA)

##### Oleo-Fats, Incorporated

American Oil Chemists' Society (AOCS)  
Packaging Institute of the Philippines (PIP)  
Philippine Association of Food Technologists, Inc. (PAFT)  
Philippine Chamber of Food Manufacturers, Inc. (PCFMI)  
Roundtable on Sustainable Palm Oil (RSPO)  
Sustainable Coconut Partnership (SCP)

**D&L Industries recognized for its good governance, wins ACGS Golden Arrow Award for the 5th consecutive year <sup>13</sup>**

<sup>13</sup> D&L Industries, Inc., "D&L Industries recognized for its good governance, wins ACGS Golden Arrow Award for the 5th consecutive year," October 02, 2024, accessed February 3, 2025, <https://dnl.com.ph/dl-industries-recognized-for-its-good-governance-wins-acgs-golden-arrow-award-for-the-5th-consecutive-year/>.



October 02, 2024 – D&L Industries was recognized alongside other top Philippine publicly listed companies by the Institute of Corporate Directors (ICD) for its outstanding corporate governance practices based on the ASEAN Corporate Governance Scorecard (ACGS). It's the 5th consecutive year that D&L Industries received such recognition from the ICD.

The ACGS measures the performance of the companies in the areas of facilitating the rights and the equitable treatment of shareholders, how they relate to their different stakeholders, ensuring transparency and accountability thru timely disclosure of material information, and how the board guides the company strategically, monitors the management, and ensures the board's accountability to the company and the shareholders.

ICD is a non-stock, not-for-profit national association of corporate directors and other stakeholders engaged in corporate governance. Its mission is to champion good corporate governance and stewardship for the benefit of the society. It aims to be the key catalyst in the Philippine corporate governance ecosystem for inclusive and sustainable development.

"We are deeply honored to receive such prestigious recognition from the ICD," remarked D&L President & CEO Alvin Lao. "This year, we received a two-arrow recognition, an improvement from last year's one-arrow recognition which signifies our constant pursuit to be better as an organization," Lao added. "At D&L, we see the value of maintaining the highest standards of corporate governance. We believe it is the cornerstone of building a sustainable and enduring organization," Lao concluded.

#### Awards 2024

Institute of Corporate Directors (ICD)  
ASEAN Corporate Governance Scorecard (ACGS)  
Two Golden Arrow Award 2024  
**D&L Industries, Inc.**

Extel (formerly Institutional Investor)  
ASEAN Honored Company Award  
**D&L Industries, Inc.**

[governance-wins-acgs-golden-arrow-award-for-the-5th-consecutive-year/](https://dnl.com.ph/dl-industries-recognized-for-its-good-governance-wins-acgs-golden-arrow-award-for-the-5th-consecutive-year/).

Extel (formerly Institutional Investor)  
3rd Best IR (Asia ex-Japan, Consumer Staples)  
from Buy-side votes  
Crissa Bondad

**D&L receives premier national award for Intellectual Property from the Intellectual Property Office of the Philippines <sup>14</sup>**



D&L Industries was conferred the prestigious Gawad Yamang Isip award for Inventions by the Intellectual Property Office of the Philippines (IPOPHL) for successfully commercializing inventions that have benefited the Filipino people and society at large.

The award was specifically for the invention and subsequent patenting of the “composition of medium chain triglycerides containing substantial amount of lauric acid,” which is the key formulation of Laurin® CocoMCT, which is coconut oil in its most concentrated form that contains only the healthiest and most beneficial part. D&L Industries is the pioneer in manufacturing CocoMCT in the Philippines and is currently among the top suppliers globally. With the commercialization of this product, the company is able to provide a sustainable livelihood to coconut farmers and their communities through the programs of the Lao Foundation with Dualtech Training Center.

With investments in R&D as among the top priorities of the company, D&L aims to develop more patentable technologies that can better lives through sustainable innovation.

Internal Parties

**Internal Audit**

This team of competent auditors is our conscience. They tell us when something has to be improved in terms of control and

recognize where good practices are. They report directly to the board’s Audit Committee. This protects the interest of our stakeholders in economic, environment and social aspects.

**Certifications**

To ensure that its manufacturing practices comply with global best practices, the company keeps itself abreast and compliant with various global standards. In addition, the company also complies with the standards of its customers, which in some cases, especially for multinational customers, are stricter than the global standards.

**Health, Safety, and Environment Committee**

This team ensures that the company complies with the government-mandated requirements in the areas of health, safety, and environment.

**Data Privacy Officer**

This ensures that the company does not violate the rights to privacy of its employees, customers and other stakeholders.

Certifications  
SDG 12.8

| Certification   | Description  |
|-----------------|--|
| COSMOS          | Organic and Natural Certification for Cosmetics                    |
| FSSC 22000      | Food Safety System Certification                                   |
| GMP             | Good Manufacturing Practices                                       |
| HACCP           | Hazard Analysis Critical Control Point                             |
| Halal (IDCP)    | Halal Certification from Islamic Da'wah Council of the Philippines |
| ISO 14001:2015  | Environmental Management System                                    |
| ISO 17025:2017  | Laboratory Management System                                       |
| ISO 45001:2018  | Occupational Health and Safety Management System                   |
| ISO 9001:2015   | Quality Management System  |
| Kosher          | Kosher Certification   |
| Non-GMO Project | Non-GMO Project Certificate of Verification                        |
| Organic EU      | Organic Certification - European Union                             |
| Organic JAS     | Organic Certification - Japan Agricultural Standards               |
| Organic NOP     | Organic Certification - USDA-NOP (National Organic Program)        |

<sup>14</sup> D&L Industries, Inc., “D&L Releases First Quarter 2024 Financial Results,” May 09, 2024, accessed February 3, 2025,

<https://dnl.com.ph/dl-releases-first-quarter-2024-financial-results/>.

## Enterprise Risk Management

GRI 3-3, 2-13, 2-24, 2-25

ERM is integral to an effective corporate governance process and the achievement of the Company's value creation objectives. With an integrated approach, the BOD and Senior Management are in a position to make well-informed decisions, having taken into consideration risks related to significant business activities, plans and opportunities.

To ensure the integrity, transparency and proper governance in the conduct of its affairs, the Company continuously institutes a strong and effective internal control system and ERM taking into account its size, risk profile, nature and complexity of operations.

Governance guides the course of the organization and the effectiveness of ERM will be highly dependent on its integration to the Governance of the organization, thus D&L adopted the Integrated Corporate Governance and ERM Framework for better risk management.

An adequate and effective internal control system and ERM framework help sustain safe and sound operations as well as implement management policies to attain corporate goals. Moreover, an effective internal control system embodies the Management's oversight and control culture, risk recognition and assessment, control activities, information and

communication, monitoring activities and correcting deficiencies. On the other hand, an effective ERM framework typically includes activities such as identification, sourcing, measurement, evaluation mitigation and monitoring of risk.

Internal control is a process designed and effected by the Company's BOD, Senior Management, and all levels of personnel to provide reasonable assurance on the achievement of Company objectives through efficient and effective operations; reliable, complete and timely financial and management of corporate information; and compliance with applicable standards, laws, regulations, as well as the Company's policies and procedures.

## Social Control

Integration with the Company's culture and core values is the foundation and the Company's first line of defense, having Risk Management in the employee's DNA is key.

The Company has a Code of Business Conduct and Ethics that provides standards for professional and ethical behavior. The Code also articulates acceptable and unacceptable conduct and practices in its internal and external dealings. A code of Business Conduct and Ethics is an important tool to instill an ethical corporate culture that pervades throughout the Company.



### *Anti-Corruption Policy*

The BOD sets the tone and makes a stand against corrupt practices. In this regard, the Company launched the **iCARE** (acronym from **I** Convey **A**ll Risks and **E**xposures) Program, a Whistleblowing Program that aims to create an open, transparent and safe working environment where all stakeholders can communicate their concerns like actual or suspected violation of the Company's code of ethics and policies, criminal or unlawful acts or omissions, irregularities like fraud, embezzlement, harassment, theft, corruption, collusion and nepotism, bribery and other procedural malpractice. The **iCARE** Program encourages employees to report corrupt practices and outlines the procedures on how to combat, resist and stop these corrupt practices.

### *People Excellence and Succession*

Policies, programs and procedures are established to encourage employees to actively participate in the realization of the Company's goals and governance. These policies and programs covering among others health, safety and welfare, training and development and employee reward/compensation, encourage employees to perform better and motivate them to take a more dynamic role in the organization.

To ensure business continuity and uninterrupted operations, succession planning is instituted for the positions of directors, key officers and other identified critical roles and functions.

### *Output Control*

The BOD oversees the development of and approves the Company's business and strategy and monitors its implementation in order to sustain the Company's long-term viability and success. Sound strategic policies and objectives guide the proper prioritization and allocation of resources for optimal value to the Company.

The President and CEOs of the business units lead in the realization of D&L's Vision to be the Philippines' Majority Leader in Sustainable Ingredients, Materials and Solutions, and a Major Exporter in identified continents.

With Capability as the Driving Force to pursue D&L's Mission to Excel and Be the Leader in the identified Industries, the President and CEOs ensure the sustainability and continued relevance of the businesses by building Strategic Capabilities that include the development of integration plans to enhance synergies across Business Units (BUs); institution of a

structured innovation process; establishment of talent development, engagement and succession plans; and building of capabilities in Business Intelligence and Operational Excellence.

Successes are measured through the following 5Ps:

|                |  |
|----------------|--|
| <b>People</b>  | Empower and place the best people for every job to allow them to function effectively and keep them engaged.   |
| <b>Product</b> | Keep the innovative product pipeline filled and commercialize the same with the shortest lead time through proper Product Life Cycle Management.   |
| <b>Process</b> | Continuous improvement and innovation for cost-efficiency and competitive advantage.   |
| <b>Planet</b>  | Strategic and sustainable innovation for business growth and preservation, ensuring that D&L's businesses are not negatively impacted by the effect of industrialization on the environment (e.g. sustainable supply of major raw materials like coconut). |
| <b>Profit</b>  | Sustained growth for the benefit of all Stakeholders.  |

### *Process Control*

Process Controls like decision authority, segregation of duties, physical and access controls, having review, approval and audit processes, etc. are established to ensure the integrity of transactions, avoid conflict of interest situations, efficient and effective operations as well as compliance with applicable standards, laws, regulations, and the Company's policies and procedures.

Process Control includes the clear definition of roles and responsibilities which starts with the BOD. This allows the BOD to act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the Company and all stakeholders. The position of the BOD Chairman and the CEO are held by separate individuals, each one has clearly defined responsibilities to foster an appropriate balance of power, increased accountability and better capacity for independent decision-making. Identification and definition of clear roles and responsibilities are implemented



across all levels in the organization to empower employees while ensuring accountability.

### Management Information System

Transparency is one of the core principles of corporate governance, thus to ensure better protection of stakeholders' rights, the Company's Management Information System (MIS) is instituted to allow monitoring and immediate response should there be a red flag. MIS is continuously built to provide reliable, complete and timely financial and other relevant non-financial information critical for business management and decision-making.

The BOD establishes corporate disclosure policies and procedures that are practical and in accordance with generally acceptable practices to ensure comprehensive, accurate, reliable and timely reports to stakeholders that gives a fair and complete picture of the Company's financial condition and results of business operations. In addition, material and reportable non-financial and sustainability issues as well as RPTs are reviewed based on materiality thresholds to guarantee fairness and transparency of disclosures.

The Company maintains a website to provide a comprehensive, cost-efficient communication channel for disseminating relevant information to allow informed decision-making by investors and other stakeholders. The BOD also established an Investor Relations Office to ensure constant engagement and communication with its shareholders. This is also maximized as an avenue to receive feedback, complaints and queries from stakeholders and assure their active participation with regard to the activities and policies of the Company.

### Performance Management System

Rewards, recognition and remuneration are given to employees based on meritocracy established relating to performance and contribution to the achievement of the Company's goals and objectives.

At the Board level, the BOD conducts an annual self-assessment of its performance, including the performance of the Chairperson, individual members and committees based on minimum criteria using a predefined process that also allows feedback mechanism from stakeholders.

<sup>15</sup> A capability-driven company has built special capabilities into its production process that allows it to make products with features that are difficult for its competitors to duplicate.

### Assurance

Also in place is 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. It helps the Company achieve its objectives by bringing a systematic and disciplined approach to evaluating and improving the effectiveness of the Company's governance, risk management and control functions.

### Capability

GRI 3-3, 304-2 | SDG 9.4, 15.9

D&L Industries recognizes that ensuring a sustainable future is a strategic action to future-proof the business. Identified as the Driving Force for the Company in the short to medium term, Capability<sup>15</sup> is the cornerstone for delivering ever greater value to stakeholders when building new or reinvigorating existing infrastructure for sustainability.

### Research and Development

One of the Company's core advantages is its strong R&D capabilities, allowing it to customize solutions and offer innovative product offerings to its customers to help them stay ahead of the competition. D&L puts strong emphasis in keeping abreast of the latest technology and having its fingers on the pulse of the market to identify the market needs that must be met. About 14% of the company's workforce are in technology-related roles.

In the past, the company has successfully helped its customers adapt to the changing consumer preferences. As a leading B2B company, D&L works hand in hand with its customers in enhancing their product formulation in order to make them more economical, appeal better to the market and more environment friendly. D&L anticipates more of these opportunities moving forward, especially in the field of making product formulation more sustainable.

As such, the Company strategically positioned itself by investing in R&D to stay ahead of the curve in offering innovative and sustainable product solutions to customers.

## Supply Chain Management

GRI 3-3, 308-1, 408-1, 409-1 | SDG 16.5

Sustainability in the supply chain has been of increasing importance and of growing concern in the past years, especially for manufacturing companies like D&L. To maintain competitiveness, the company continues to improve and adopt supply chain best practices towards several sustainability topics and ensures speed in addressing the ever-changing business landscape.

The Company's Vendor Selection and Assessment procedure includes the assessment of manufacturing facilities, supply chain processes, employees' health, safety and welfare programs, compliance to government regulations and waste management. Traceability, and safety against banned or harmful minerals or chemicals are key considerations in the procurement of materials. Certifications to guarantee the quality of the goods and the processes by which these are manufactured are very important thus it is absolutely necessary for the company to go through great lengths to ensure compliance.

A Supply Chain Management System is in place across most of the companies under the group and is compliant with the Quality Management System ISO 9001:2015, the Environmental Management System ISO 14001:2015, and the Occupational Health and Safety Management System ISO 45001:2018. It is the direction of D&L to qualify vendors of direct and indirect materials based on the said standards.

In addition, the subsidiaries of D&L also ensure that they are compliant with other rules, regulations and standards pertaining to their respective raw materials and products. The Food Division ensures the vendors' compliance with food and safety standards, laws and regulations needed to maintain the Food Safety System Certification (FSSC) recognized by the Global Food Safety Initiative (GFSI). The Chemicals Division is a qualified member of the Supplier Ethical Data Exchange (SEDEX) and the Sedex Members Ethical Trade Audit (SMETA), where an ethical standard practice is being followed across customers and vendors. It also uses materials that conforms to the regulatory requirements of the Environmental Management Bureau and other controlled chemicals that may cause harm to the public and the environment.

The logistics department maintains proper storage separating food and non-food items to ensure the safety of the products. It is a medium-term goal to implement a warehouse management system tool to equip an error-free mechanism and achieve near-perfect picking rates.

Moving forward, the company aims to move closer to a just-in-time inventory system in order to make more efficient use of its warehouses. It has also begun looking into materials and suppliers that support the call for a "circular economy". Constantly looking towards global market trends, D&L ensures that it is always taking the necessary steps to improve holistically.

### Procurement Practices

GRI 3-3, 2-6; 204-1

D&L believes that sustainable procurement practices are the backbone of truly sustainable operations. As such, the company is committed to constantly improve its procurement processes for better efficiency and sustainability.

The company's sustainable procurement practices start with formal Vendor Selection and Assessment guidelines which are implemented across the organization. This ensures that the vendors the company deals with are legitimate entities capable of supplying consistent high-quality raw materials that are fully compliant with all applicable laws and regulations.

The company also performs periodic audits of the vendors' supply chain processes including quality and delivery assurance, complaints handling, employee safety and welfare. The Company favors vendors with sustainability practices including resource conservation and waste management programs, good manufacturing practices and are compliant with global standards such as ISO 14001 (Environmental Management), ISO 50001 (Energy Management), and ISO 46001 (Water Efficiency Management).

These were institutionalized through the implementation of the Enterprise EESG Policy that included provisions highlighting the need for Responsible Sourcing. The Company's EESG Policy further extends its scope to all stakeholders, including its vendors, requiring fairness, transparency with utmost consideration and protection of privacy, health, welfare, safety and security.

### Anti-Corruption

GRI 3-3, 2-16, 2-26, 13.24.2, 205-2, 415-1 | SDG 16.5

D&L conducts its business guided by the principles of honesty, integrity and transparency. The company respects the legitimate rights and interests of those it transacts with. It takes into account the unique culture of the countries it operates in and comply with their laws and regulations. These principles are well-documented in the company's [Code of Business Principles](#).

### Whistleblower Policy

With the objective of strengthening D&L's culture and core values of integrity and honesty embodied in its Employee Code

of Behavior, the iCARE Whistleblowing Program was launched. iCARE also aims to intensify each employee's conviction and commitment to the highest standards of conduct consistent with its Professional Code of Conduct and Discipline.

iCARE is an avenue where concerned stakeholders can report actual or suspected violations of the Company's code of ethics and policies, criminal or unlawful acts or omissions, irregularities like fraud, embezzlement, harassment, theft, corruption, collusion and nepotism, bribery, and other procedural malpractices. Reports are handled with strict confidentiality and whistleblowers are protected against possible retaliation, reprisal, or harassment.

#### Conflicts of Interest

The company's employees are expected to keep clear from financial, business or other relationships and activities that might be opposed to, in competition with and disadvantageous to company businesses and the proper performance of their duties. The company exhorts employees to conduct themselves in a manner that avoids actual, potential or appearance of a conflict of interest between their personal interests and those of the company

#### Use of Corporate Assets

The company's funds, assets, services and facilities are not to be used for any unlawful, unethical and personal enrichment purpose.

#### Insider Trading Policy

The company's Insider Trading Policy states that all Covered Persons are prohibited from buying, selling, trading or otherwise dealing in the Securities while in possession of material non-public information. All Covered Persons are likewise prohibited from passing such material non-public information to any person who might use such information to deal in the Securities. A Covered Person should exercise prudence in evaluating whether the non-public information he possesses is material or not. Any doubt should be resolved in favor of treating such non-public information as material.

#### Material Related Party Transaction Policy

The Audit Committee performs the functions of the Related-Party Transaction (RPT) Committee, specifically the evaluation of relations between businesses and counterparties to continuously identify related-parties and review RPTs to ensure that these are undertaken on an arm's length basis that is appropriately monitored, reported and disclosed. The Audit Committee further ensures that no corporate or business resources are misappropriated or misapplied and determines

potential reputational risks that may arise as a result of or in connection with the RPTs.

The Audit Committee is tasked to review the material facts of all Material RPTs and either approve or disapprove such transactions. In assessing an RPT, the Audit Committee is guided by the arm's length principle and consider such factors as it deems appropriate: including but not limited to (i) the benefits to the Company of the transaction; (ii) the commercial reasonableness of the terms of the Material RPT; (iii) the degree of materiality of the transaction to the Company; (iv) the extent of the Related Party's interest in the Material RPT; (v) if applicable, the impact of the Material RPT on the non-employee director's independence; and (vi) the actual or apparent conflict of interest of the Related Party participating in the RPT.

To further ensure that the Material RPTs are conducted at arm's length, the Audit Committee engages an external independent party to evaluate the fairness of the terms of the Material RPTs and employ an effective price discovery mechanism such as, but not limited to, acquiring the services of an external expert, opening the transaction to a bidding process or publication of available property for sale.

Material RPTs approved by the Audit Committee are elevated to the Board for final approval.

#### The Way the Company Deals with Politics

The company cooperates with governments and other organizations in the protection and promotion of the company's legitimate business concerns. The Company closely collaborates with them in the development of regulatory and legislative initiatives impacting its investments and interests. The company does not in any way participate in party politics.

## Path to Net Zero

GRI 3-3, 305-5 | SDG 6.4

D&L strives to reduce its carbon footprint throughout its operations, by renovating facilities, managing its use of resources, ensuring environmental compliance to regulations, and preserving biodiversity.

Coco Methyl Ester (CME), commonly known as coconut biodiesel, is the Company's biggest contribution to the Philippines GHG reduction commitments from the inception of the B2 blend requirement under RA 9637 Biofuels Act of 2006.<sup>16</sup>

<sup>16</sup> Republic of the Philippines, "Republic Act No. 9367," Official Gazette, accessed March 31, 2023,

<https://www.officialgazette.gov.ph/2007/01/12/republic-act-no-9367/>.



## Facility Renovation

The LBL Building has been D&L's headquarters since 1981. The heritage building has undergone several upgrades in line with the growth of the business and new building codes. In 2021, the Company completed an extensive renovation of the building to invest in the Company's most important asset: its people.

Through efficient design, the capacity of the building was doubled, and staff facilities and workspaces were upgraded. All works were done while all business functions remained fully operational. On the Company's celebration of the structure's 40<sup>th</sup> birthday in 2021, the LBL Building was upgraded with the following installations, sustainable features, and improvements:

### Efficient Design & Systems for Employee Work Environment & Wellbeing

Fresh Air System with ERV (Energy Recovery Ventilator) for fresh air, filtering and removal of allergens/toxins for indoor workspaces. It is designed for 12 air exchanges/hour to exceed ASHRAE62.1-2010 indoor air quality standard (2-3 air exchanges) for better staff health and focus

Activated main stair to encourage office hour exercise

Training & meeting rooms with video conferencing capabilities

Acoustic improvements all throughout the building

Phone booths to give staff a place to have calls privately

Clinic, Nursing Room, and PWD/All Gender toilet provision

CPS Pump to improve overall potable water distribution

Water purifier (reverse osmosis) to improve water quality and keep staff hydrated

IP phone system upgrade to save costs & improve call clarity

Use of in-house products eg. powder coating, waterproofing, paints/colorants & special paint effects

### Sustainable Equipment, Fixtures & Materials

Electrical metering for monitoring of total building energy use

Installation of sewage treatment plant (STP) with effluent to water the gardens (only property on Calle Industria with

a garden)

100% LED lights that are extremely energy efficient and low power consumption

Carpets made of renewable fibers using non-toxic glues for installation

Engineered wood made with non-toxic adhesives and finishes

Water-based, low-VOC paints which do not present an explosion hazard

UV resistant, non-toxic, low-VOC waterproofing

Aluminum Composite Panel Façade with solar reflectance instead of absorbing radiant energy

Low flow faucets with up to 20% water saving with sensors to prevent cross-contamination between users

Water closets with 0.8 gallon per flush (GPF) flow rate and 0.125 GPF for urinals

### Safety and Security

24/7 CCTVs to keep track of what is happening at the premises

Addressable smoke detectors to quickly identify the location of a potential emergency

Additional fire exits

Essential sanitation procedures and signages

Non-smoking building & grounds policy

Automatic Fire Sprinkler System

FM200 Fire Suppression System for Server and UPS Rooms

### Maintenance

Facility management technical team for proper maintenance of equipment

Ozone generators and air purifiers for additional sanitation of work areas



## Resource Management

GRI 3-3, 302-1, 302-3 | SDG 7.2, 7.3, 12.4, 12.5, 13.1, 15.9

The company uses various types of energy sources for its operations. For the office buildings, the company uses purchased electricity. For the plant operations, the company uses boilers. Meanwhile, diesel is used to run generator sets during power outages.

The company is constantly looking for ways on how to further make its operations more efficient with lower energy consumed per unit of product manufactured. These initiatives include:

Installation of motion detector lights at warehouses

Use of LED lights which are more energy efficient than fluorescent and incandescent lights

Regular maintenance of air conditioning units

Optimizing the production schedule to yield the lowest possible energy consumption per unit of product manufactured

Identification of compressed air line leaks

Megger testing and preventive maintenance

Replacing old supply pump motors with high efficiency motors

Turning off lights and air conditioning during lunch breaks

Recycling of diesel fuel for equipment cleaning

Use of biodiesel waste as fuel for diesel boiler

To monitor the company's progress and to champion the resources conservation initiatives, an Environmental Group within the company was formed. This group is composed of Pollution Control Officers from each business unit.

## Water Consumption

GRI 3-3, 303-1, 303-3, 303-5 | SDG 6.4

In the Company's day to day activities, water is primarily used for the operations of the cooling tower, for equipment cleaning, and for domestic uses in the office buildings such

as for restroom usage, washing, and food preparation in the canteens.

The Company is proactively looking for ways on how to further reduce its water consumption. Similarly, the company's Environmental Group, which is composed of the Pollution Control Officers from each business unit, is in charge of monitoring and championing the water conservation initiatives of the company. Some of these initiatives include:

|  |
|--|
| Regular identification and repair of water leaks   |
| Use of pressure water for product transition cleaning  |
| Installation of stainless float valve at make-up water of cooling tower system to control water overflow |
| Use of knee valve faucet   |
| Replacement of manual flush to electronic flush with automatic sensor                                    |
| Recycling of condensate water from air conditioning units  |
| Signages located at strategic areas to encourage employees to conserve water                             |

### Environmental Impact Management

GRI 3-3 | SDG 12.4, 12.5, 13.1, 15.9

#### Air Emissions/GHG

GRI 3-3, 305-1, 305-2, 305-6

In the normal course of operations, the Company generates greenhouse gas (GHG) emissions. Direct emissions from boilers, oil heaters, generator sets, trucks, and service vehicles represent the company's Scope 1 emissions. Meanwhile, the energy used to light up its facilities and office buildings comprise the company's Scope 2 emissions.

The Company is committed to reducing its emissions over time and making its operations more environment friendly. To reduce emissions, the company has instituted various initiatives from energy conservation to prudently replacing equipment to make operations more efficient.

#### Air Pollutants

GRI 3-3, 305-7

D&L is fully compliant with all the operating condition requirements by the Department of Environment and Natural Resources (DENR) and the Environmental Management Bureau (EMB). As far as air emissions and pollution are

concerned, the company strictly abides by RA8749 or Philippine Clean Air Act.

#### Solid Waste

GRI 3-3, 301-1, 301-2

Waste is generated by plants and offices. In order to properly manage waste, each plant has a designated Material Recovery Facility (MRF), in compliance with R.A. 9003 for Solid Waste management. Before waste materials get transferred to the MRF, each operating section already does the first layer of waste segregation. A designated person is responsible in each MRF who receives and further sorts the waste to facilitate systematic disposition.

Wastes are classified as hazardous, non-hazardous, sellable, and garbage. Hazardous wastes are hauled by accredited treaters before being hauled off site. Non-hazardous waste may be recycled for internal use. Sellable wastes such as old plastic and steel drums, wooden and plastic pallets, cartons, packaging materials, and metal debris are sold to recycling companies. The rest are considered trash and hauled by accredited garbage collectors. The company enforces strict accreditation policies to ensure that all plant and office wastes are disposed of in accordance with the standards of the regulating government agencies.

Lastly, to increase awareness and to encourage employees to help minimize waste, the company has various programs in place such as Trash to Treasure, War on Waste (WOW), and Reduce, Reuse, Recycle, Repair, Repurpose (5R).

#### Hazardous Waste

GRI 3-3, 306-1, 306-3, 306-5 | SDG 6.3, 6.6, 12.4, 15.1

Hazardous wastes are properly managed in compliance with government requirements. To ensure safe handling, procedures were established in the storage, treatment, and disposal of these materials. All facilities comply with the ISO standards for Environmental Management (ISO 14001:2015) and Occupational Health and Safety (OHSAS 18001:2007).

Each company has obtained its Generator Registration Certificate from the DENR. Waste classified as hazardous based on the DENR-EMB standards are disposed of by DENR-accredited third-party treaters which have passed the stringent accreditation process of this government agency.

As part of risk assessment during the design and development stage for both finished products and packaging, the Company strictly adheres to health, safety, and environment standards to further reduce hazardous waste.

## Effluents

GRI 3-3, 303-4

In addition, the company invests in various infrastructure to make its operations more sustainable. For instance, its water treatment facility is much stricter than the standards set by the Department of Environment and Natural Resources, ensuring that water released is the cleanest possible.

## Environmental Compliance

GRI 3-3, 2-27 | SDG 12.4, 12.5, 13.1, 15.9

The Company is compliant with all environmental laws and regulations that are applicable to its business operations. Management provides a clear statement of the Company's responsibility towards creating, maintaining, and ensuring a healthy, safe, and clean environment for sustainable growth.

In summary, the Company is committed to:

Comply with applicable laws and regulations and other requirements and measures considered necessary to its business operations;

Create Health & Safety programs that ensure the well-being of its employees;

Conserve natural resources through efficient equipment utilization, wise use of resources, recycling, and reducing wastage, discharge, and emissions;

Continuous Health, Safety and Environment (HSE) education programs for employees, outsourced personnel, and suppliers;

Implement creative shared values with local communities through fire drills, HSE training, Emergency Response, Medical Missions, and Tree Planting activities, and promote green surroundings at its manufacturing locations as the company works in harmony with local government units, stakeholders and NGOs; and

Promote awareness and shared responsibility for occupational health, safety and environmental protection among its contractors, suppliers, and customers.

## Ecosystem & Biodiversity

GRI 3-3, 304-2 | SDG 6.6, 15.9

Embedded in the Company's [Code of Business Principles](#) is its commitment to sustainable development. D&L cares for the environment and strives to meet the ever-increasing needs of the business but never forgets the conservation and preservation of nature.

The Company's long-haul horizon goes beyond the present and stretches to generations yet to come. The company endeavors not to endanger but rather enhance the ecosystem. The company also recognizes the importance of biodiversity and supports the global community in protecting it.

D&L is fully-compliant, and in many cases implements stricter measures than what is required by relevant laws such as:

RA 9003: Ecological Solid Waste Management Act of 2003

RA6969: Toxic substances and hazardous and nuclear wastes control act (1990)

RA8749: Philippine Clean Air Act

RA 9275: Philippine Clean Water Act of 2004

RA11285: Energy Efficiency & Conservation Act

### D&L's Head Office gets LEED Gold Operations and Maintenance Certification <sup>17</sup>

October 21, 2024 – Following the LEEDv4 Gold Certification of its Batangas plant Central Hub, D&L successfully received another LEED Gold certification from Barone International. This time it is for the Operations and Maintenance (LEED v4.1 O+M) of LBL Building, the company's head office in Quezon City.

LEED (Leadership in Energy and Environmental Design) certification is a globally recognized symbol of sustainability achievement and is the world's most widely used green building rating system. It provides a framework for healthy, highly efficient, and cost-saving green buildings, which offer environmental, social and governance benefits.

The LEED v4.1 O+M rating system requires a 12-month performance monitoring and evaluation of key environmental aspects which include greenhouse gas emissions, energy efficiency, water efficiency, ozone protection, location and transportation, waste management, environmental impact, and indoor environment quality.

<sup>17</sup> D&L Industries, Inc., "D&L's Head Office gets LEED Gold Operations and Maintenance Certification," October 21, 2024,

accessed February 3, 2025, <https://dnl.com.ph/dls-head-office-gets-leed-gold-operations-and-maintenance-certification/>

Over the 12-month observation period, D&L's head office building has successfully demonstrated that its operations consistently meet LEED standards and that any improvements or changes made are durable and impactful.

Based on the results of the evaluation, the building exceeds both global and local average scores for energy efficiency, waste management, and indoor air quality. In addition, it uses zero ozone depletion potential (zero-ODP) refrigerant for its air conditioning system.

With the operational improvements put in place during the course of the monitoring and evaluation process, the building was able to generate an exceptional reduction in GHG and a 40% average savings from baseline as far as water efficiency is concerned.

To further minimize the building's environmental impact, D&L's head office implemented several sustainable policies, programs, and procedures to provide the surrounding communities with additional environment protections such as reducing hardscape areas, increasing vegetated areas, and using reflective materials to minimize the building's heat island effect. The building also incorporated landscapes which provide habitats for various species of birds, insects, and plants to promote biodiversity.

"As we strive to embody sustainability, we continue to look at ways on how to improve our operations and minimize our environmental footprint," D&L President & CEO Alvin Lao remarked. "We believe that getting a LEED Certification for our facilities is a great way to ensure that our operations adhere to global best practices when it comes to sustainability," Lao added. "It is part of our commitment and advocacy to create a sustainable future by offering sustainable products manufactured by truly sustainable facilities," Lao concluded.



## Green Chemistry

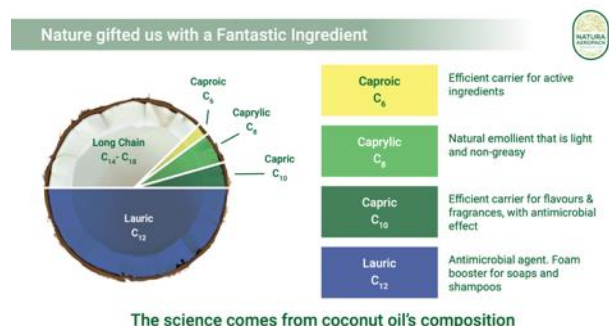
GRI 3-3 | SDG 9.4, 9.5

The Company has been practicing Green Chemistry for a while now, even before ESG became mainstream. With the increasing awareness on health, safety, and the environment, the Company is further capitalizing on this trend by developing products which are inherently sustainable. Moreover, the Company sees huge potential in incorporating Green Chemistry to improve processes and yields.

The modern world's dependence on fossil fuels to power its industries has resulted in a significant increase in global temperatures over the past few decades. As a result, extreme weather disturbances have become more frequent and devastating worldwide, leading to the occurrence of hurricanes, droughts, and wildfires in places where they normally do not occur, nor as often.

Petroleum has the largest carbon footprint of any substance used by man, releasing carbon dioxide into the atmosphere and contributing to global warming. It is essential that the world moves away from extracting and burning fossil fuels to allow nature to heal and reduce the number of climate disasters.

Switching to renewable sources of energy from fossil fuels is crucial in combating climate change. However, it is also necessary to replace petroleum with plant-based oils across a wide range of industries beyond energy.



## Cocobiodiesel

GRI 305-5

The Company is a pioneer in the Philippine biodiesel industry. On October 2024, the Department of Energy (DOE) increased the mandated blend to B3, and announced further mandates of B4 & B5 on October 2025 and October 2026, respectively.



**Coco Methyl Ester (CME)** or Biodiesel is a plant oil-derived fuel oil enhancer that has fuel properties superior to petroleum diesel. It can improve the operation of compression ignition engines and optimize engine

performance due to its unique quality-enhancing features. D&L exclusively uses locally-sourced coconut oil as the feedstock for its biodiesel production.

## Oleochemicals

The Company recognizes the huge potential of developing coconut-based oleochemicals as a sustainable alternative to traditional petroleum-based raw materials for various applications.

With the growing trend of sustainable consumption, the Company is well-positioned to capitalize on its expanding portfolio of low-carbon footprint products, as it actively looks beyond the Philippines and identifies significant export opportunities for these types of products.

## Health & Nutrition



**Laurin CocoMCT®** is a medium chain triglyceride derived from coconut oil. It does not contain palm or other oil products. It is used for various applications, including pharmaceuticals, food, and beverage products,

as well as carriers for flavors, colors, and vitamins. It provides a natural energy boost to muscles during strenuous physical workouts and strengthens the immune system thanks to its natural antiviral, antibacterial, and antifungal properties.

**CocoMCT®** is available in various formats including oil, water soluble, and powder.



**Liquid Coconut Oil** is enriched with medium chain triglycerides, and it remains in a liquid state at temperatures up to 5 degrees Celsius. It is used in food and beverage applications and as carriers

for flavors, colors, and vitamins.

## Personal & Home Care



**Cocolatum** is an all-natural, petroleum-free, and silicone-free solution that provides maximum protection and hydration for the skin. It has been clinically tested to be safe and gentle, and it helps treat various skin conditions

such as diaper rash, chapped lips, dry hands, and elbows. It also locks in moisture, keeping the skin feeling soft, smooth, and healthy.



**Glyzer CB Coconut Butter** is a specially formulated product that instantly melts on the skin, creating a protective layer that seals in moisture. Enriched with powerful *Lauric acid* as an antibacterial agent, it helps

protect the skin from environmental aggressors. Enjoy long-lasting hydration and superior protection with **Glyzer CB Coconut Butter**.



**Glyzer CT** is a versatile, light coconut moisturizer that creates a protective layer on the skin to keep it hydrated while preventing water loss. This silicone-free product has been clinically tested and proven to be safe and gentle

for all skin types. Additionally, it feels light and non-greasy when applied to the skin.



**NatPro** is a natural preservative that can be used for cosmetics applications. This active antimicrobial has a broad spectrum of activity and helps maintain the quality and stability of your products without altering the color or

scent of the final product.



**Sufravon** is a coconut soap that offers a natural, biodegradable, and non-toxic alternative to petroleum-derived surfactants. This coco surfactant is gentle on the skin and easy to rinse, which saves time, energy, and

money. Enjoy the power of nature with **Sufravon**, which is compatible with a wide range of wash applications for personal care and home care products

## Agrochemicals

The Company produces organic, safe, and effective agrochemicals that support sustainable agriculture. By addressing the challenges of the environment, the Company contributes to food security.



**Active 32E®** and **CropGuard®** are Emulsified Organic Spray Oils that exhibit high biodegradability and excellent wetting and spreading characteristics. They possess insecticidal and fungicidal properties and are ideal for

use in organic or less chemical farming, making them highly recommended for such applications.



**BioMate Forte Foliar Fertilizer®** is an emulsifiable concentrate (EC) that contains the primary nutrients N, P, K, as well as secondary and necessary micronutrients, all of which

are vital to plant growth and development. Organic chelates used in the formulation make the nutrients easily assimilable for plant use. It is safe and effective for a wide variety of crops, including grains, plantation crops, legumes, fruit-bearing trees, fruit and leafy vegetables, orchard, and ornamentals.

## Industrial Biochemicals

The Company is committed to replacing petroleum-based ingredients in industrial and consumer products.



**Lubricote** is a plant-based lubricant formulated from ester-based synthetic oil. It has superb features of effectively penetrating into the core and serves as a rust inhibitor for corrosion control in the inner and outer

surfaces of the wire rope, cable, or chain.



**Surfasol/Dispersa** is an organic, plant-based, and non-aromatic additive that enhances the solvency of formulations when combined with other solvents. It is commonly used in various applications such as printing

ink, paint, household cleaners, and the oil and gas industries.



## Coconut Value Chain

GRI 3-1, 3-3

Over the years, D&L's business has grown in lockstep with the volume of coconut oil used in products across many sectors, from food ingredients to home & personal care, from biodiesel to industrial solutions. To fuel its current and future growth, the Company needs a stable, resilient, and progressive Philippine coconut industry.

On the other hand, the rising frequency of extreme weather conditions in many parts of the world has sharpened awareness among many stakeholders on the need to slow down, if not entirely reverse, anthropogenic global warming. Poor nations that bear the brunt of devastating floods and fierce forest fires call on wealthier nations to spend more to make up for the decades of burning fossil fuels that have fed the latter's industrialization. The rich nations themselves have not been immune, with hurricanes and drought alternately wreaking havoc on their cities and vineyards.

Stakeholders, from the United Nations to governments, regulators, capitalists, and industries, down to non-government organizations, activists, and workers, all see the need to act from the largest to the smallest scales.

Renewable energy sources are replacing fossil fuel power. Plant-based oils are preferred over industrial and commercial uses of petroleum-based ingredients.

## Coconut Oil

GRI 3-3

Coconut oil is a leading plant-based oil for both food and non-food use globally. It competes well with palm oil, which is the volume leader by far. However, palm oil is plagued by the environmental stigma associated with deforestation in the rainforests of Asia, Africa, and Latin America. Large palm plantations have been established, leading to the steady encroachment of endangered orangutan habitats, for example.

In contrast, coconuts are grown in smallholdings throughout the Philippines, passed on from father to son across many generations. There is no systemic deforestation to make way for coconut farms, and there is no significant danger to biodiversity. Coconut oil is a more environmentally friendly alternative to palm oil.

While the Company sells small quantities of palm oil-based products for price-sensitive B2B customers in the food sector, D&L is known for the volume and quality of its coconut oil-based products across many product segments. Whereas the Philippines is one of the world's largest producers of coconut oil, the Company is one of the country's leading exporters of RBD coconut oil. D&L is a pillar in the Philippine coconut industry via its supply chain and by working with the sector's various stakeholders.





## Coconut Industry Development

GRI 3-3, 13.24.1 | SDG 17.16, 17.17

### Philippine Government Initiatives

The Philippine government launched the Coconut Farmers and Industry Development Plan (CFIDP) on June 24, 2022, as mandated by Republic Act 11524, also known as the Coconut Farmers and Industry Fund Act.<sup>18</sup> The CFIDP aims to develop the coconut industry through Executive Order 172 signed on June 2, 2022, which provides funding for programs that support farming, processing, marketing, research, development, and social protection. The plan seeks to enhance productivity, promote sustainability, integrate the value chain, and expand market access. The coconut industry, which employs over three million workers and contributes 1.5% of the GDP, plays a crucial role in the Philippine economy, and the CFIDP is a significant initiative that supports the industry's sustainable development.

Chemrez actively engages with the Philippine Coconut Authority (PCA) and coordinates industry action with the United Coconut Association of the Philippines (UCAP). Meanwhile, the Lao Foundation works with D&L, Chemrez, Oleo-Fats, some affiliates, and a few business customers interested in smallholder initiatives for coconut farmers.

### Coconut Sustainability Initiative (CSI)

GRI 3-3, 2-22, 13.22.1, 13.23.1

While green investors show heightened interest in the Company's sustainability profile, B2B customers have increasingly queried subsidiaries Chemrez and Oleo-Fats on their programs, if any, supporting traceability in their supply

chains, as well as on improving the lives of small farmers, their families, and rural communities upstream.

Given how coconut oil plays such a huge role in its overall business, the Company formalized its Coconut Sustainability Initiative in 2022.

### Sustainable Coconut and Coconut Oil Roundtable (SCCOR)



D&L, through subsidiary Oleo-Fats, actively participated in the Sustainable Coconut and Coconut Oil Roundtable and has since joined the Sustainable Coconut Partnership when the latter evolved from the former in 2023.



D&L is integrating the framework of the Sustainable Coconut Charter (SCC) with Government's CFIDP. The Company's commitment to sustainability is evident in its CSI, which is rooted in the SCC's four key principles: responsible production, responsible sourcing, social responsibility, and economic viability.

The SCCOR then—now the SCP—is a global initiative that aims to promote sustainability and responsible sourcing in the coconut industry. It unites coconut industry stakeholders from all over the supply chain to work together towards a sustainable and responsible coconut industry. Oleo-Fats' membership in the SCCOR & SCP demonstrates D&L's dedication to sustainability and responsible sourcing in the Philippine coconut industry. By embracing the SCC's framework and implementing it through its CSI, the Company is contributing to the promotion of sustainable and responsible coconut production and sourcing, and positively influencing change in the industry.

<sup>18</sup> Philippine Department of Agriculture, "CFIDP Launched to Strengthen PHL Coconut Industry," Department of Agriculture, June

24, 2022, accessed March 31, 2023, <https://www.da.gov.ph/cfidp-launched-to-strengthen-phl-coconut-industry/>.

## ProForest Scorecard Criteria (SCC)



|                               | Main scorecard criteria                                     | Phase 1<br>(6-12 months) | Phase 2<br>(2 years) | Phase 3<br>(4-5 years) |
|-------------------------------|---|--------------------------|----------------------|------------------------|
| Policy                        | Public commitment   | ✓                        | ✓                    | Covered in P1&P2       |
|                               | Scope of policy   | ✓                        | ✓                    | Covered in P1&P2       |
|                               | Policy endorsement  | ✓                        | ✓                    | Covered in P1          |
|                               | Environmental elements in the sustainability policy         | ✓                        | ✓                    | Covered in P1&P2       |
|                               | Social elements in the sustainability policy                | ✓                        | ✓                    | Covered in P1&P2       |
| Understanding the supply base | Traceability commitment                                     | ✓                        | ✓                    | Covered in P1&P2       |
|                               | Transparency of traceability data                           | ✓                        | ✓                    | Covered in P1&P2       |
|                               | Traceability to crusher                                     | ✓                        | ✓                    | Covered in P1&P2       |
|                               | Traceability to production region (village/ barangay/ desa) |                          | ✓                    | ✓                      |
|                               | Traceability to farm  |                          | ✓                    | ✓                      |
|                               | Frequency of traceability data                              | ✓                        | ✓                    | Covered in P1&P2       |
|                               | Environmental risk assessment                               |                          | ✓                    | ✓                      |
| Planning                      | Social and human rights risk assessment                     |                          | ✓                    | ✓                      |
|                               | Timebound implementation plan                               |                          | ✓                    | Covered in P2          |
|                               | Scope of timebound implementation plan                      |                          | ✓                    | Covered in P2          |
|                               | Elements of timebound implementation plan                   |                          | ✓                    | Covered in P2          |
|                               | Consultation and endorsement                                |                          | ✓                    | Covered in P2          |
|                               | Responsibility & resources                                  |                          | ✓                    | ✓                      |

|   | Main scorecard criteria   | Phase 1<br>(6-12 months) | Phase 2<br>(2 years) | Phase 3<br>(4-5 years) |
|---|---|--------------------------|----------------------|------------------------|
| Engage within the supply chain (volumes/suppliers)  | Certification / Compliant traceable volume                                  | ✓                        | ✓                    | ✓                      |
|   | Suppliers onboarding process  | ✓                        | ✓                    | ✓                      |
|   | Suppliers engagement process and activities                                 | ✓                        | ✓                    | ✓                      |
|   | Grievance mechanism   |                          | ✓                    | ✓                      |
| Engage beyond the supply chain (landscapes/sectors) | Supporting beyond supply chain initiatives CNO sector transformation        |                          | ✓                    | Covered in P2          |
|   | Supporting beyond supply chain initiatives for farmers support              |                          | ✓                    | Covered in P2          |
|   | Supporting beyond supply chain initiatives for sustainability certification |                          | ✓                    | Covered in P2          |
|   | Other landscape initiatives   |                          | ✓                    | Covered in P2          |
| Monitoring and reporting                            | Supplier monitoring activities  |                          |                      | ✓                      |
|   | Public Reporting (sustainability)   |                          | ✓                    | ✓                      |
|   | Public Reporting (traceability)   |                          | ✓                    | ✓                      |
|   | Public Reporting frequency  |                          | ✓                    | ✓                      |

In 2022, Oleo-Fats began working with ProForest<sup>19</sup> to meet a set of sustainability criteria required of coconut oil<sup>20</sup> suppliers by large multinational customers. The ProForest Scorecard Criteria evaluates and advises Oleo-Fats in developing policies and programs over three (3) phases within a five (5) year timeframe.

### Sustainability Sourcing Policy for Coconut Oil<sup>21</sup>

Effective May 10, 2022, the Company adopted the Sustainability Sourcing Policy for Coconut Oil, covering Oleo-Fats, its subsidiaries, officers, employees, contractors and suppliers. The policy states:

*The Company shall integrate sustainable practices in its operations including but not limited to traceability, reliability, credibility and compliance to*

*ensure the sustainability of the coconut sector that protects the people, planet and profit for the best interest of all its stakeholders.*

### On Palm Oil

D&L is cognizant of the various environmental and social issues associated with palm oil. It is mainly used for the company's food ingredients segment. While coconut oil is abundant in the Philippines, the country's cooking oil market has traditionally been dominated by palm oil. This is because palm oil is about 30-50% cheaper than coconut oil, hence, why many of D&L's food ingredients customers are still partial to using palm oil, despite the public pressure to prohibit or dissociate with it.

In line with D&L's view on sustainability and in conjunction with consumer preferences that are developing globally, the company's product portfolio offers a wide range of palm alternatives. In communications with customers, the company finds that they are often well-versed in sustainability issues but are hesitant to switch due to cost considerations. The company normally suggests and presents better or more sustainable alternatives to customers but is not in a position to forcefully impose these changes. D&L can, however, address any issues from switching to sustainable sources and adjust formulation to mitigate any impact on the taste or sensory qualities of the product.

With vegetable oils accounting for the majority of D&L's raw materials, the company is conscious of the fact that supporting initiatives that lead to a more sustainable future for the planet is consistent with its goal of achieving sustainable long-term growth.

D&L's RSPO-certified palm oil accounts for about 15% of its total requirements, traceable back to the plantation. While not necessarily requiring RSPO certification, many of D&L's multinational customers require full traceability of the palm oil they use, making sure that the source plantation is not involved in any deforestation and illegal activities. In many cases, these customers provide a list of accredited sustainable plantations where D&L can source the crude palm oil it refines and supplies to them.

RSPO-certified palm oil normally commands a premium. This is the main reason why many of our customers still opt to buy either the traceable palm oil or just the regular palm oil.

<sup>19</sup> Proforest, accessed March 31, 2023, <https://www.proforest.net/>.

<sup>20</sup> Oleo-Fats also works with a different team from ProForest on RSPO criteria. However, most of the sustainability activities on palm oil are referred back to upstream suppliers locally and from

<sup>21</sup> Oleo-Fats, Incorporated, "Sustainable Sourcing Policy for Coconut Oil," OFI.SCG.01.01, approved by Executive Committee, effective May 10, 2022.

### Where the Company Sees the Future

D&L's involvement with palm is similar to its proactive activities related to the replacement of Chlorofluorocarbons (CFC gases) which used to be the propellant for aerosols, lead and cadmium in chemicals, artificial transfat, salt, and sugar in food—where the company, instead of waiting for the market, promoted among its clients an early shift to more sustainable solutions.

### D&L's Influence

The company's influence is more pronounced in its Oleochemicals business. Under Chemrez, the company manufactures coconut-based oleochemicals used as active ingredients for many personal and home care products. These oleochemicals are natural and sustainable direct substitutes for petroleum-based or palm-based active ingredients. Chemrez handles no palm and actively promotes sustainable and natural coconut-based raw materials especially in the export market.

## Upscaling Supply & Quality

GRI 3-3, 13.12.1, 13.22.1 | SDG 2.3, 2.4, 17.16, 17.17

The Company collaborates with its upstream supply chain team and partners, including coconut oil mills, aggregators/dealers, and copra buying stations. The Lao Foundation plays a crucial role in this team, utilizing their multisectoral expertise to connect with and engage the coconut farming communities.

### Farmers' Registration

To ensure traceability in the coconut supply chain, copra origin is traced through multiple levels:

*Country of origin:* 100% local (Philippines);

*Crusher/oil mill:* traces origin to the geographical region where the oil mill is located, including adjacent regions and provinces where applicable;

*Municipality/Barangay:* based on the farmers' registry of aggregators, dealers, and/or copra buying stations; and

*Farm:* provides the exact address, farm ownership details, available workers, number of families, size and scale of coconut planting, and other economic and social conditions in the area.



### Copra dryer donation

Lao Foundation thru a funding from Oleo-Fats Incorporated, donated a copra dryer to Bansalan Cooperative Society Multi-Purpose Cooperative and assisted in the retrofitting of the copra dryer of Bansalan Coconut Farmers and Workers Multi-Purpose Cooperative. Both located in Davao del Sur, the copra dryer helped the cooperatives enhance the quality of their copra and increase their income.

### Farmers' Agricultural Training

Conducting training in established copra source communities and new outreach areas is an essential program that teaches best agricultural practices and introduces new technology to improve coconut production.

### Organic Certification

Chemrez and Oleo-Fats have premium customers who require certified organic coconut oil. Consequently, the Company assists farms with their initial and annual certification inspection requirements.





Organic copra certification document review in Davao Occidental.

## Coconut Replanting

Many smallholdings have senile trees, making the replanting of coconut seedlings a critical step in improving future supply.



**Coconut replanting**

Three-month-old seedlings are replanted 10-meters apart in a triangular arrangement for optimal growth.

The Company is collaborating with the PCA to introduce dwarf hybrid coconuts, which mature a few years sooner than tall varieties. The Company is also leveraging its R&D

capabilities to explore coconut tissue culture technologies with the assistance of in-country experts.



**Mr. Romeo Baloloy** planted 30 coconut seedlings and received a cash incentive under the CSI.

## Cash Incentives for Farmers

There is no guarantee that coconut seedlings distributed to farmers will be properly cared for in the crucial first few months after replanting. The Company's team returns to the farms after three (3) months to check on the seedlings' growth. Farmers receive a small cash reward for each successfully nurtured seedling at that milestone date. In the countryside, where every peso counts, a small financial reward is highly appreciated for a job well done.

## Plastics Circularity

GRI 3-1, 3-3 | SDG 14.1

The Company is driven by the pressing need to address plastic pollution and is dedicated to material sustainability and innovative solutions in the field of polymers. It recognizes that sustainable solutions are essential and offer significant opportunities throughout the entire waste treatment process chain.

### Reduce Plastic Waste

To combat plastic pollution, FIC & DLPC have developed a broad range of product solutions utilizing various approaches. By offering these solutions, the Company is actively contributing to reducing plastic waste and promoting a more sustainable future.

### Biodegradable Alternatives

One strategy involves using biodegradable materials as an alternative to traditional polymers. This aims to ensure that grocery bags can ideally end up in composting facilities or, at worst, landfills, where they can decompose in the solid waste heap over a period of up to two years from the production date, depending on the customer's requirements.



**Biorez® compostable polymer:** Alternative plastic material for incumbent polymers. Fully biodegradable and bio-based materials which promote sustainable waste management and cradle-to-cradle material cycle.

### Durable and Reusable Materials

Another strategy focuses on increasing the durability and high-performance characteristics of plastic products, thus extending their service life and replacement cycle, and improving their reusability.

**Proflex® Glass-Filled Compounds:** Polymer compounds for high durability and high-performance applications. This allows typical plastics to have longer service lives.

## Renewable Resources

A third strategy involves outright replacing plastic compounds with renewable resources, reflecting the company's commitment to creating sustainable, high-performing products.

**Biorez® Bio-based Compounds:** Polymer compounds made from sustainable and renewable materials. The product portfolio enables application-specific formulation which require renewable polymers or materials.

**NEU®:** An eco-friendly alternative to plastics primarily made with sustainable minerals—crafted to greatly reduce carbon footprints.

## Recycling & Upcycling

Its fourth strategy centers on improving the recyclability of plastic products, reducing plastic waste. The fifth strategy promotes the use of upcycled products with increased recycled content, further decreasing plastic waste.

The Company's multifaceted approach to developing sustainable solutions for every step of the waste treatment process chain highlights its dedication to responsible business practices and proactive stance in tackling plastic pollution.



**Polygard® Anti-Oxidant Stabilizers:** Polymer additives to improve the processing cycle of most polyolefins plastics. This allows PE, HDPE, & PP to be more recyclable and resistant

to processing degradation.



**PlastiBond® Bonding Agent:** Plastic additive which allows the inclusion of contaminants in the processing of recycled polyolefin-based products. This gives manufacturers the edge to increase the recycled content of their process.

## D&L Industries paving the way for a circular economy through plastic upcycling technologies<sup>22</sup>



April 18, 2024 – D&L Industries, through subsidiaries First in Colours, Incorporated (FIC) and D&L Polymer & Colours, Inc. (DLPC), is paving the way for a circular economy by being the first and only company in the Philippines to offer technologies that breathe new life into plastics that are otherwise considered as low-value or non-recyclable, such as single-use plastics.

D&L Industries has been involved in the plastics industry for over six decades; in fact, manufacturing colorants for plastics was the first business of the group. Subsidiaries FIC and DLPC specialize in additives and compounds that give plastics a wide range of physical and chemical properties.

“Plastics are materials that are almost indispensable in the modern way of life. Its application extends to virtually every industry, from food to construction and infrastructure to transportation to health care and many more. To date, there is no other material known to mankind that is as lightweight, hygienic, malleable, and economical as plastics,” remarked FIC and DLPC President Lester Lao.

“Sadly, a good percentage of post-consumer plastic materials which are considered as low-value or non-recyclable end up in landfills and those that are improperly disposed of find their way in our oceans. We believe that the key in truly utilizing the potential of plastics lies in technologies that enable plastics to be reincarnated multiple times, if not indefinitely, and that’s where FIC and DLPC come in,” Lao added.

As early as about twenty years ago, the company had already started R&D works in developing technologies that can make plastics sustainable. To date, FIC and DLPC have been successful in coming up with a range of solutions that enable plastic upcycling. Examples of these technologies include plastic additives such as **Plastibond®** which acts as a bonding agent to allow various types of waste plastics to mix together and make them compatible, **Polyguard®** which improves the

stability of plastics to delay degradation, and **Deomate®** which acts as an odor remover and neutralizer.

Instead of simply offering these additives to the market, FIC and DLPC goes one step further by providing custom-compounding services to fit the specific needs and applications of customers.

“We believe upcycling is the future of plastics. In fact, in certain cases, upcycled plastics can even exceed the physical properties of virgin plastics. This technology also offers another way for companies to comply with the Extended Producers Responsibility (EPR) Act by increasing recycled content of their plastic packaging materials,” Lao added.

“As the world moves towards a more sustainable path, we want to be at the forefront of this development driving the change. To innovate continuously in the direction of green chemistry is a commitment that we have made to the profession and to the future generations. As a company, FIC and DLPC aim to be a one-stop-shop in enabling our customers thrive in the ever changing business environment by providing custom technology solutions to the country’s plastics industry,” Lao concluded.

## Reduce Carbon Footprints

In addition to reducing plastic waste, businesses today are under increasing pressure to reduce their environmental impact and minimize their carbon footprint.

## Material and Energy Optimization

The Company offers a range of products and solutions that improves the efficiency of manufacturing processes, reduces waste, and maximizes the use of materials and energy. By implementing such sustainable manufacturing practices, a company can minimize its environmental footprint while also achieving cost savings and improving its bottom line.



### Polymate® Process and Material Optimization Additives:

To help manufacturers achieve material and energy optimization, the company has developed **Polymate®** process and material

optimization additives. This set of additive packages is formulated to improve extrusion processes and material

<sup>22</sup> D&L Industries, Inc., “D&L Industries paving the way for a circular economy through plastic upcycling technologies,” April 18, 2024, accessed February 3, 2025, <https://dnl.com.ph/dl-industries-paving-the-way-for-a-circular-economy-through-plastic-upcycling-technologies/>.

utilization of plastics. This allows converters to experience more efficient energy utilization, higher throughput of the extrusion machine, and better material utilization.



**Hi-Purge® Extruder Cleaning and Maintenance Compounds** Efficient cleaning and maintenance are also critical components of material and energy optimization. To address this, the company has developed **Hi-Purge®** extruder cleaning and maintenance compounds. These efficient cleaning compounds reduce the

excessive use of pristine materials for cleaning and material shift during transitions. Efficient cleaning also enables lower energy and material utilization, along with faster down-times during machine maintenance or process transitions.



**Colormate® White Masterbatches for Laminates** Finally, the company has developed **Colormate®** white masterbatches for laminates. This color additive is used to impart white color for printing

background in sachets and laminate packaging. This enables manufacturers to reduce the use of solvents in printing inks for white backgrounds, resulting in a more sustainable production process.



## Custom Manufacturing Solutions

GRI 3-1, 3-3

### D&L's Batangas Plant brings Higher Value-added Coconut Derivatives to the Global Centerstage:

#### A Sustainable Integration Story<sup>23</sup>

GRI 304-2



September 30, 2024 – D&L's facility in Batangas started commercial operations in July 2023. Within less than a year of commercial operations, the plant booked its first quarterly profits in the second quarter of 2024 (2Q24). In this 26-ha facility, lies the sustainable integration story of a Philippine company specializing in R&D and product innovation which is ready to bring to the global centerstage innovative ingredients derived from indigenous Philippine coconuts.

Natura Aeropack Corporation (NAC) and D&L Premium Foods Corp (DLPF), the operating companies behind D&L's Batangas plant, are aggressively pushing high-value added coconut oil-derived ingredients and finished products for the food, personal hygiene, and home care segments in the export market. With the increasing concern on the massive deforestation associated with the use of palm oil and the depletion of non-renewable energy sources and high carbon footprint associated with the extraction and use of petroleum, coconut-derived ingredients offer an excellent natural, organic, and sustainable alternative for many industries and applications.

"I'm quite proud of what we have built here in Batangas both from business and sustainability perspectives," remarked NAC President and CEO Dean Lao, Jr. "This plant unlocks the next chapter of growth for D&L, at the same time it is a true reflection of our advocacy to model a truly sustainable operation," Lao added.

#### Next level of evolution – vertical integration for value creation

D&L Industries is a well-known supplier of key raw materials both locally and internationally. With the Batangas plant coming online, D&L is now able to increase its relevance to customers and consolidate under one roof the various components of the coconut supply chain. With this plant, D&L is able to vertically integrate the sourcing, formulation, packaging, Original Equipment Manufacturing/Original Design Manufacturing

(OEM/ODM), and export capabilities, enabling D&L to offer a one stop shop, direct from source manufacturing solutions to customers. This naturally translates into simpler logistics, less wastage, lower costs, higher efficiency that significantly cut down the carbon footprint (C02) of the entire supply chain.

***"Batangas plant's vertical integration of the various components of the coconut supply chain allows D&L to deliver to customers cost-competitive yet innovative products with lower carbon footprint"***

The scale and additional capabilities of the new plant opens various opportunities for D&L to do private label manufacturing for many global brand owners and retail chains. This can be a game changer for a company that has traditionally operated only within a narrow portion of the manufacturing value chain.

***"From just a specialty ingredients supplier, D&L is moving towards being a one stop shop, supplying finished consumer-facing products to global customers"***

"What we are doing here is that we are selling to the world the Philippines' competitive advantage," Lao remarked. "The Philippines is so abundantly blessed with coconuts. It is the world's largest exporter of coconut oil. However, much of what the country exports are low value-added coconut products and much of the higher-value added processing happens elsewhere in the world. With our new plant, we want to bring home this higher value-added processing of coconut oil," Lao added.

#### Shared prosperity

D&L is cognizant that one key component to its aspirations of bringing higher-value added coconut products to the global centerstage is a sustainable quality feedstock that can support long-term growth. As such, D&L maintains strong partnerships in upstream coconut sourcing, working closely with farmers and mills that extract coconut oil.

D&L also works closely with local governments and key stakeholders to devise strategies to increase the productivity and yield of coconut farms through various educational programs and assistance in making optimal-yielding coconut varieties available to farmers.

Through the Lao Foundation, Inc. (LFI), D&L's corporate social responsibility arm, the company engages with the coconut farming communities and implements various programs aimed at values formation and educational assistance. The unique approach towards Building Minds, Forming Hearts, and Changing Lives, ensures that positive impact extends not only to the scholars but also to the entire community. Examples of LFI's projects for the coconut farming communities include scholarships for the children of coconut farmers, education to employment programs, and food farm projects geared to sustain coconut farms and coconut produce.

<sup>23</sup> D&L Industries, Inc., "D&L's Batangas Plant brings Higher Value-added Coconut Derivatives to the Global Centerstage: A Sustainable Integration Story," September 30, 2024, accessed February 3, 2025, <https://dnl.com.ph/dls-batangas-plant-brings->

[higher-value-added-coconut-derivatives-to-the-global-centerstage-a-sustainable-integration-story/](https://dnl.com.ph/dls-batangas-plant-brings-higher-value-added-coconut-derivatives-to-the-global-centerstage-a-sustainable-integration-story/).

***“D&L is a moving force in championing the Philippine coconut industry. Through the Lao Foundation, D&L engages with the coconut farming communities to make sure that growth is inclusive”***

“As a company, we believe in shared prosperity. We understand that in order to grow sustainably, there must be a symbiotic relationship between all the components of the ecosystem. We ensure that we have programs in place that benefit coconut farmers upstream in the supply chain so that our commercialization of higher-value added coconut products have a positive, long-term impact on our industry,” Lao added.

#### **A truly sustainable operations**

D&L’s sustainability commitment runs deep in its operations. With its backward and forward integration, the company stands as an entity in control of the entire value chain which has two distinct benefits. First, D&L can effectively reduce cost inefficiencies throughout a product life cycle. Second, the holistic visibility of the value chain enables D&L to identify potential sources of contamination in virtually all stages of the supply chain. Combined, these result into cost-effective and yet higher quality products for end-consumers.

***“D&L’s extensive approach in product life cycle analysis gives it the unique advantage of offering cost-competitive and higher quality products”***

In addition to the inherent sustainable characteristics of the products that it promotes in the global scene, the company spent deliberate efforts in planning and building an equally sustainable facility.

The new plant’s key features include sustainability-designed buildings, renewable fuel sources, centralized chilled water system, smart water metering and water recycling programs. The facility is equipped with a LEED Gold-certified Central Hub designed to monitor key parameters such as air emissions quality, wastewater effluent, and noise emissions to ensure compliance with regulatory limits and the lowest carbon footprint possible.

***“The Batangas plant is a state of the art facility that incorporates sustainability in every aspect of its operations”***

Compared with ASHRAE 90.1-2010 which is the international benchmark used for rating the energy efficiency of buildings, the Central Hub is 20% more efficient than non-green buildings. Meanwhile, the building’s water recycling system alone generates a 67% average savings from the baseline which is equivalent to one Olympic-sized pool in annual water savings.

#### **Path to becoming global**

One of D&L’s long-term strategic goals is to have exports account for at least 50% of its total revenues. To date, export sales contribute about 33% to total revenues. D&L’s new plant in Batangas, with its sheer size which more than doubles the existing land footprint of the company’s six older plants, opens a world of opportunities for the company.

Long before D&L started the construction of the new plant, the company was already in talks with several global companies for

a potential supply agreement. However, the available capacity at that time, while big in the Philippine context, was relatively small compared to the scale of the requirements of these global companies. The new plant, with its additional capacities and capabilities, now makes D&L a viable supplier for many of these global brand owners and retailers. In addition, D&L’s long track record of R&D success coupled with its proximity to the source, offers a unique combination of innovation and value to global customers.

***“With its scale and green advocacy, the Batangas plant strengthens D&L’s status as a global supplier of coconut oleochemicals, promoting the best sustainable, organic, and natural products the Philippines has to offer. Multinational companies are now buying direct from the source. Value-added exports are seen to contribute at least 50% of its total revenues”***

“We are very excited about what the next decade will bring. We see it as a transformational period for the company both in terms of relevance in the value chain and geographical presence,” Lao remarked. “What we have built so far, we believe, is one of the few sustainable integration stories in the Philippines. Through the use of R&D and our technical knowhow in green chemistry, it is our advocacy and purpose to **better lives through sustainable innovation**. And what a better way to do this than doing the groundwork to make sustainable, natural, and organic options derived from indigenous Philippine coconuts available to the global market,” Lao concluded.

## **Next Generation Facility in Batangas**

In 2023, the Company started commercial operations of its next generation manufacturing facility, the culmination of half a decade’s worth of planning and more than doubling production capacity. The new plant sits on a 26-hectare property in First Industrial Township-Special Economic Zone in Batangas.

The new plant will be instrumental to the Company’s future growth, in line with plans to develop more high value-added coconut-based products and penetrate new international markets. It will mainly cater to D&L’s growing export business in the food and oleochemicals segment. It will also add the capability to manufacture downstream packaged products, allowing the Company to capture a bigger share of the production chain. For instance, while the Company primarily sells raw materials to customers in bulk, the new factories will allow it to “pack at source”. This means that D&L will have the ability to process the raw materials and package them closer to finished consumer-facing products.

This will enable D&L to move a step closer to its customers by providing customized solutions and simplifying their supply

chain, which is of high importance given global logistical challenges and concerns.

The new facility is envisioned to showcase state of the art technology in manufacturing, as well as global best practices in incorporating sustainability in operations. The following are some of the key sustainability features of the said facility.

#### *Sustainably Designed Buildings and a Central Command Center*

Energy and water efficiency, CO<sub>2</sub> emission reduction, and excellent indoor air quality are incorporated in the overall design of the new facility. In addition, a central command center houses the monitoring of all key environmental elements. It also houses the centralized security, risk management, and business continuity departments of the Company.

#### *Renewable energy sources*

A significant portion of the new facility's power requirement will be coming from solar power. In addition, the Company is

also exploring other renewable energy sources as fuel for its manufacturing plants.

#### *Chilled Water System*

All cooling requirements of the new facility is centralized. This is expected to translate into greater energy efficiency and lower maintenance costs.

#### *Water Retention System*

Surface run-off and rainwater are being collected in a water retention pond which can store up to 5 days' worth of the plant's water requirements. This is expected to mitigate risk of water scarcity.

#### *Sensors Throughout the Facility*

Several sensors were installed throughout the facility to monitor various indicators such as water turbidity and acidity levels, effluent leakage and other possible contamination. With sufficient sensors installed, any abnormal reading will





be easily detected and a corresponding corrective action can be promptly done.

### Continuous Emission Monitoring System (CEMS)

While not required by the Department of Environment and Natural Resources (DENR), the Company installed its own CEMS to consistently test boiler emissions. This is part of the Company's initiatives to track and reduce its overall emissions.

### Noise Monitoring System

In order to monitor and minimize noise pollution, noise monitors and sensors were installed in the noisiest part of the plant to ensure adherence to the limits set by the park and to also ensure the surrounding communities are not adversely affected.

### Coconut Greenhouse

The Company is planting hybrid coconut trees within the compound. The planned greenhouse will serve as an R&D facility for coconut farming technologies, as well as a showcase for the Company's [Coconut Sustainability Initiative \(CSI\)](#)

### Current Global Situation

Our planet is in peril.  
There is a cost-of-living crisis  
with consumers looking for value  
...but still want clean & natural products.

### The Opportunity

Affordable sustainability is needed  
**Our answer is directly-sourced  
sustainable coconut.**





### We make your brand sustainable.

Natura-Aeropack is an integrated manufacturer of personal and home care products- with a brand new \$300m facility to deliver products with the lowest CO<sub>2</sub> footprint.

We bring sustainability programs from the farm to your brand without intermediate companies.

Our portfolio and advocacies give your brand the requisite storyline for high impact sustainability. This is done through:

1. Natural & sustainable coconut-derived products.
2. Value-adding that is efficient from raw materials to retail-ready products.
3. Streamlined logistics that reduces CO<sub>2</sub> & GHG emissions.
4. Innovative packaging materials ensures sustainability upto product end-of-life.
5. CSR that extends to farmer-stakeholders.



## D&L's Batangas plant Central Hub building gets LEED Gold Certification <sup>24</sup>

March 22, 2024 – Striving to be a truly sustainable and world-class Filipino manufacturing company, D&L Industries successfully received a LEEDv4 Gold Certification from Barone International for the 6-storey Central Hub of its newly operational plant in Batangas.



*The Central Hub is the 6-storey structure on the left side of the photo. This building houses the central command center of the plant which monitors all key environmental elements.*

LEED (Leadership in Energy and Environmental Design) certification is a globally recognized symbol of sustainability achievement and is the world's most widely used green building rating system. It provides a framework for healthy, highly efficient, and cost-saving green buildings, which offer environmental, social and governance benefits.

D&L's Central Hub earned a total of 60 points (out of the maximum 80 points) for its various features which adhere to the prerequisites that address carbon, energy, water, waste, transportation, materials, health and indoor environmental quality. This has earned the building a Gold rating, which is the second highest rating under LEED Certification. To date, there are only about 42 LEED Platinum and Gold-certified buildings in the Philippines.

"Right at the very beginning, it was our intention to have sustainability at the core of our new plant in Batangas. The plant itself is dedicated towards the manufacturing of higher value added, sustainable, organic, and natural products that harness the power of coconut oil. And true to our advocacy, we wanted to keep to a minimum level the carbon footprint of the operations itself by designing an efficient and sustainable facility," remarked D&L President & CEO Alvin Lao.

D&L's Batangas plant showcases state of the art technology in manufacturing as well as global best practices in incorporating sustainability in operations. Among its key features include sustainability-designed buildings, renewable fuel sources, centralized chilled water system, smart water metering and water recycling programs. The plant will also be equipped with

modern technology to monitor key parameters such as air emissions quality, wastewater effluent, and noise emissions to ensure compliance with regulatory limits.

The Central Hub's sustainable architectural design maximizes the influx of natural light, enriching internal spaces with a bright and airy ambiance while reflecting solar heat. Compared with ASHRAE 90.1-2010 which is the international benchmark used for rating the energy efficiency of buildings, the Central Hub is 20% more efficient than non-green buildings. Meanwhile, the building's water recycling system alone generates a 67% average savings from baseline or equivalent to one Olympic-sized pool in annual water savings.

Lastly, and more importantly, the building design places people at the forefront, focusing not just on the physical structure but also on the human experience. The key building features that promote a healthy indoor environment include indoor air quality management, thermal comfort, preference for the use of low-emitting and non-emitting materials (i.e. minimizing exposure to Volatile Organic Compounds (VOC)), natural light, and quality views. This people-centric approach underlines D&L's commitment to creating spaces that are not only environmentally responsible but also holistically beneficial to those who inhabit them.

"Our new plant in Batangas is a next generation facility that embodies our advocacy to create a truly sustainable future. With this plant, we are proud and excited to offer to the world sustainable, natural, and organic products that are manufactured by a Filipino-owned, world-class facility," Lao concluded.

<sup>24</sup> D&L Industries, Inc., "D&L's Batangas plant Central Hub building gets LEED Gold Certification," March 22, 2024, accessed February

3, 2025, <https://dnl.com.ph/dls-batangas-plant-central-hub-building-gets-leed-gold-certification/>.

## Better Lives

GRI 3-1, 3-3

D&L Industries recognizes that its business directly impacts the lives of investors, employees, customers, suppliers, communities, and the environment.

The Company delivers long-term value for investors through sustainable investments and offers employees a safe and supportive work environment with competitive compensation & benefits, opportunities for growth, and wellness programs for body & soul.

For customers, D&L provides high-quality products and services, building long-term relationships through exceptional customer service and innovative solutions. The Company works with suppliers transparently, building strong relationships based on mutual respect and trust.

D&L invests in initiatives that support local businesses, education, and the environment, creating better lives for communities.

Throughout all this, the Company minimizes its environmental footprint through sustainable practices, protecting the planet for future generations.

## Economic Performance

GRI 2-6, 3-3, 13.22.2, 13.22.4, 201-1, 203-2 | SDG 1.2, 8.2, 9.4, 9.5

D&L's strong corporate performance is key to providing better lives for all. With growth comes opportunities to do more, to do better, to pursue even more sustainable action.

## Employee Management

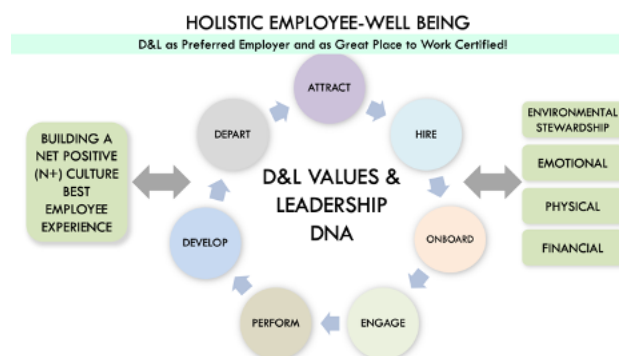
GRI 3-3, 2-7,

At D&L, we believe people are our greatest asset. This year we made significant strides in prioritizing initiatives that foster employee well-being, development and engagement leading to our sustained business success.

We aspire to develop a net positive culture which is about creating a workplace where everyone is empowered to contribute to a better future. We do this by providing the best employee experience across all employee touch points (the way we attract, develop, engage, off-board employees). Highlights of our key people initiatives across our employee

experience strategy can be seen and felt from the People Team success stories below.

Our people initiatives further demonstrate that our D&L values and leadership behaviors are aligned with the goal of creating a positive impact to the environment and long-term well-being of employees which leads to sustained business success.



### Future Goals

We believe that our people are the cornerstone of our sustainable growth. While we are proud of our progress, we recognize that there is still a lot more to be done. We remain committed to continuous improvement in all areas of people sustainability. We will continue to invest in our people and empower them with the right experiences, mindset, skills, behavior and tools to contribute to our aspired sustainable future.

In five years we plan to be recognized as a preferred employer and a great place to work for. We aspire to attract, develop and engage a powerhouse pool of talents we can deploy to critical roles anytime anywhere.

We are building the capabilities needed to achieve this goal.

### Employee Hiring and Benefits

GRI 3-3, 401-1, 401-2 | SDG 1.2, 3.8, 5.1, 5.5, 8.2 8.5, 8.6, 10.3

### Talent Succession Planning

D&L's continued success hinges on our ability to cultivate and retain top talent. Our succession planning program is a strategic initiative designed to identify, develop, and prepare high potential employees to assume critical leadership roles within the organization. By proactively addressing potential leadership gaps, we ensure business continuity and foster a culture of growth and development.

Our succession planning program aims to establish and sustain a robust pipeline of qualified individuals ready to assume key leadership and technical positions. It also aims to ensure business continuity by mitigating risks associated with unexpected departures or retirements of key personnel. It enhances employee engagement and retention by demonstrating a commitment to employee development and career advancement. Succession planning also aligns talent with strategic business goals by preparing individuals to lead the organization in achieving its objectives.

## TALENT PLANNING PROCESS



### Employer Branding (Careers@D&L)

In today's competitive talent market, a strong employer brand is no longer a luxury, but a necessity. Our employer brand called Careers@D&L is created to cultivate and communicate our unique Employer Value Proposition (EVP), thereby attracting top talent and fostering a positive and engaging workplace. By showcasing our culture, values, and opportunities, we aim to become an employer of choice.

D&L's EVP is composed of four (4) components:

- **Prioritizing employee growth and development:** We foster continuous learning and development. We develop competent talents who embody D&L values and work ethics and can bring D&L anywhere in the world.
- **Caring for our people:** We treat our Ka-D&Ls with genuine Malasakit. Their voices are heard and their well-being is our utmost concern.
- **Striving for excellence in everything we do:** We create products and services that are leading in the industries we serve.
- **Sustainability as a way of life:** We promote sustainable products and practices, with the purpose of bettering lives through sustainability and innovation.

Currently, D&L is expanding partnerships with various colleges and universities to heighten brand awareness and support our search for top talent.

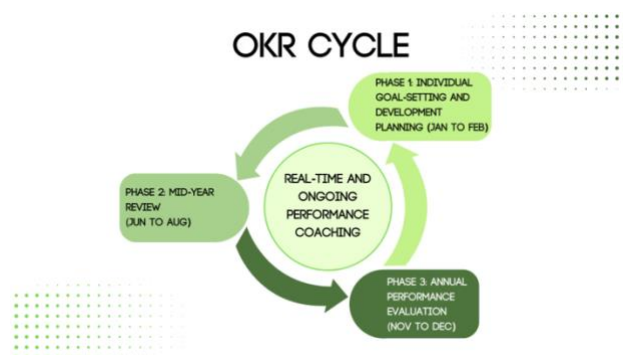
For more information on the D&L employer brand, you may visit [careers.dnl.com.ph](https://careers.dnl.com.ph) and follow us through our socials:

- [www.facebook.com/careers.dnl](https://www.facebook.com/careers.dnl)
- [www.instagram.com/careers.dnl](https://www.instagram.com/careers.dnl)
- [www.linkedin.com/company/d&l-industries-inc.](https://www.linkedin.com/company/d&l-industries-inc.)



### Performance Management (OKRs)

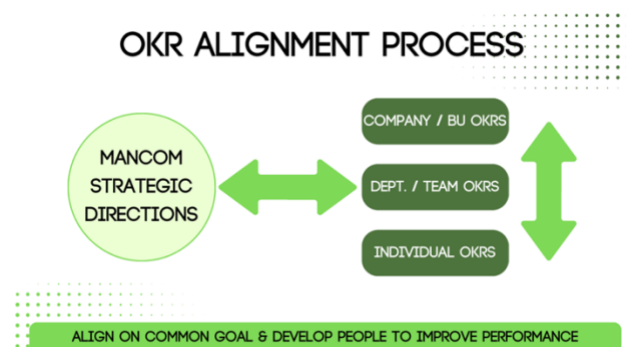
D&L's performance management system is designed to drive organizational success by aligning individual and team efforts with strategic goals. We have adopted the Objectives and Key Results (OKRs) framework to foster a culture of clarity, accountability, and continuous improvement. This approach emphasizes measurable progress and empowers employees to contribute directly to our shared vision.



OKRs ensure that everyone understands and contributes to the organization's overall goals. By setting and tracking OKRs, we focus on the most critical initiatives and promote accountability across all levels of the organization. OKRs not only provide clear metrics for tracking progress and identifying areas for improvement, but also allow for flexibility and adjustments as business needs evolve. On top of these, OKRs facilitate clear and concise communication about goals and progress. By connecting individual OKRs to broader



organizational objectives, employee engagement and motivation increase.



### Employee Recognition (Values@D&L N+)

Our employee recognition program, called Values@D&L N+, is a vital component of our commitment to creating a positive and engaging workplace at D&L. It is created to acknowledge and celebrate the contributions of our employees, reinforcing our D&L corporate values and fostering a culture of recognition. It has three categories: Employee of the Month, Star Coach, and N+ Advocate. The Values@D&L N+ program aims to boost morale, enhance employee satisfaction, and ultimately drive organizational success.



Values@D&L N+ helps to create a positive and supportive work environment where employees feel valued and appreciated. It recognizes behaviors and achievements that align with our D&L corporate values, and fosters a sense of belongingness, encouraging employees to stay and grow with the organization. Values@D&L N+ also motivates employees to excel in their roles and contribute to organizational goals, and encourages peer-to-peer recognition to create a culture where celebrating success is a way of life.

### Educational Program

SDG 4.1, 4.3, 4.4, 4.5

With the belief that charity begins at home and recognizing the value of education to one's future, the Lao Foundation provides scholarship to in-need and deserving children of D&L Group employees since 2018. Children of employees are also recognized and awarded for their academic achievements and excellence in the annual Lao Boh Lim Educational Excellence Awards in honor of the father of the founders of Lao Foundation. For the school year 2023-2024, 427 were recipients of the said award.



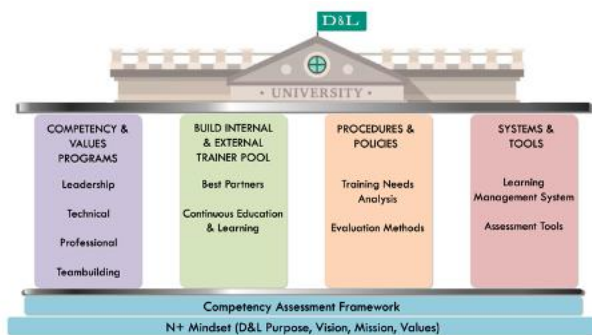
Lao Boh Lim Educational Excellence Awards Ceremony

### Employee Training & Development

GRI 404-1, 404-2 | SDG 5.1, 5.5 8.2, 8.5, 8.6, 10.3

Our flagship D&L University is anchored on our Leadership Competencies that every employee needs to develop to be competitive for the future. It aims to strategically align employee development with D&L's organizational goals, focusing on building the right mindset, skills, knowledge and sustainability culture that are essential to D&L's current and future business success. Furthermore, it acts as a hub for sharing sustainability related best practices and knowledge across the organization.





Through our D&L University, we have supported building a net positive culture directive on 3 major initiatives.

*Competency & Values Based Learning Curriculum anchored on business needs.*

Our competency-based training programs provides us a structured and effective approach to skills development and clearer career pathways for our employees.

We were able to design and launch 16 internally run programs on Leadership and Professional Skills equivalent to 31 classes for the year. We received exemplary feedback from employees and management on relevance of content, training methodology and effective application on the job by participants.

| IL Internal Courses Offered from January - December 2024 |                    |            |          |          |                   |
|--|--------------------|------------|----------|----------|-------------------|
| Training Title   | Sessions Conducted | Registered | Enrolled | Attended | Evaluation Rating |
| Personality Styles I & II                                | 2                  | 42         | 41       | 31       | 4.68              |
| Personal Conflict Styles                                 | 2                  | 79         | 49       | 47       | 4.66              |
| Personal Conflict Styles and Resolving Team Problems     | 1                  | 25         | 24       | 21       | 4.74              |
| Everyday Leadership Program (ELP) for Frontline Leaders  | 1                  | 25         | 25       | 19       | 4.92              |
| Everyday Leadership Program (ELP) for Middle Managers    | 1                  | 21         | 15       | 14       | 4.92              |

| IL Internal Courses Offered from January - December 2024 |                    |            |          |          |                   |
|--|--------------------|------------|----------|----------|-------------------|
| Training Title   | Sessions Conducted | Registered | Enrolled | Attended | Evaluation Rating |
| Train-the-Trainer Workshop for Subject Matter Experts    | 1                  | 37         | 17       | 17       | 4.98              |
| Elevate Your Professional Presence                       | 1                  | 58         | 24       | 24       | 4.66              |
| Emotional Intelligence                                   | 1                  | 47         | 24       | 24       | 4.9               |
| Overcoming Adversity                                     | 1                  | 29         | 24       | 22       | 4.75              |
| Customer Experience Workshop                             | 1                  | 37         | 24       | 21       | 4.81              |

|  |   |   |    |    |    |      |
|--|---|---|----|----|----|------|
|  | Dream Building: A Goal-Setting Workshop | 1 | 45 | 24 | 20 | 4.72 |
|--|---|---|----|----|----|------|

| IL Internal Courses Offered from January - December 2024 |                    |            |          |          |                   |
|--|--------------------|------------|----------|----------|-------------------|
| Training Title   | Sessions Conducted | Registered | Enrolled | Attended | Evaluation Rating |
| Effective Business Communication                         | 7                  | 209        | 155      | 146      | 4.83              |
| Performance Coaching                                     | 4                  | 64         | 63       | 52       | 4.84              |
| Passion Fit: Find Out What Really Moves You              | 3                  | 73         | 73       | 62       | 4.69              |
| From Superworker to Supervisor                           | 2                  | 60         | 43       | 40       | 4.5               |
| Personality Styles I                                     | 2                  | 50         | 41       | 35       | 4.78              |

In the pipeline is the plan to build and strengthen our technical competency framework and career pathing framework to ensure that we have the right people with the right skills in the right roles.

*Team Building Services enhancing collaboration, cohesion and effectiveness of teams*

We have started to upskill our training team on designing and facilitating team building sessions for D&L group. This allows us to create more effective, relevant and cost-efficient programs that foster a stronger and more collaborative workforce.

### 2024 Teambuilding Activities

#### IL SERVICES:

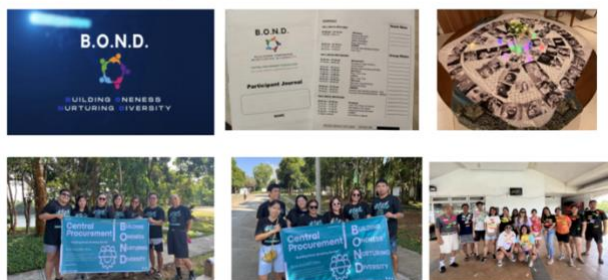
- Creation of Teambuilding Program based on the objectives identified by the department
- Preparation of Teambuilding theme and materials
- Facilitation and processing of various Indoor Teambuilding Activities
- Facilitation of Points of You, a tool that helps participants share their thoughts by answering strategic questions

CENTRAL PROCUREMENT  
April 19 - 21, 2024

PEOPLE TEAM  
July 7 - 8, 2024

We have piloted designing and facilitating 2 teambuilding sessions with Procurement and People last year. We received commendations and a clamor for more teambuilding interventions in light of the need to work more collaboratively across cross-functional teams to deliver a more seamless execution of our strategies.

## 2024 Team-building – Central Procurement



## 2024 Team-building – People Team



People Team Building Newsletter -  
<https://drive.google.com/file/d/1q5Eoi1NwzFXW6bQVLajQ6Zh3TIC98vAZ/view?usp=sharing>

We continue to upskill our training team so that they can deliver best-in-class teambuilding services to our D&L Group.



## PARTICIPANT WORKBOOK

*Digitization of Key Processes to optimize efficiencies, effectiveness and accessibility.*

Digitizing our training processes empowers us to deliver more effective, efficient and engaging learning experiences, ultimately contributing to a more skilled and productive workforce. In progress is the plan to continue digitization through a learning management system so that employees can access learning materials anytime, anywhere and on various devices.

By building and leveraging on our internal capabilities, we were able to generate cost savings of **₱7,580,911.70**. On top of this, we received commendations and exemplary ratings from our employees and management on the relevance of content and effectiveness of the programs in building the right mindset and skills to drive performance and foster growth.

## Labor-Management Relations

GRI 2-16, 2-26, 3-3, 402-1 | SDG 8.8

“Kumustahan” Sessions (or catch-up sessions) are regularly conducted between upper management and all the employees in order to present the state of the business, and to respond to concerns and issues raised by employees.



D&L has always been a company that listens to its employees. Everyone has a direct line to the Managing Directors, the President and CEO, and their immediate managers. It is a two-way communication with no layers. HR

has also implemented a 24/7 HR Program so employees are able to reach out to the HR Business Partners anytime, any day.

## Diversity and Equal Opportunity

GRI 405-1 | SDG 5.1, 5.5, 8.2, 8.5, 8.6, 10.3

D&L has no restrictions in hiring and promotion. There is no discrimination and no age requirement, and the company engages retirees, who have proven to be valuable to the Company, to become consultants of the company. Job postings do not require gender, age, and any other restriction as long as the candidate is qualified for the role being filled. Resumes are not required to contain photos or any such distinguishing information, other than their experience for the role they are being considered for. Despite operating production plants normally populated by male workers, 40% of the workforce in D&L are female.

The Infinite Learning Team reviews training requirements and works with the Talent Management Team to identify competency gaps and deliver appropriate training programs regardless of gender, age, and race. The main consideration is the individual needs of employees.

## Occupational Health & Safety

GRI 403-1, 403-2, 403-3, 403-5, 403-8, 403-9, 403-10 | SDG 8.8

D&L implements a Safety and Health Program to comply with RA 11058 and other relevant regulations through its Health, Safety and Environment (HSE) Department. Each plant has a satellite HSE unit. The department regularly conducts virtual safety orientations for new employees (direct hire and OSPs), contractors, and third-party haulers in light of the pandemic. It also acknowledges the innumerable hazards that come with operating manufacturing plants. Thus, it also conducts various other plant-specific seminars and training sessions on topics such as hand and finger safety, aspect impact hazard and risk assessment, EPR (fire, spill, typhoon, earthquake), work environmental hazards, behavioral safety, and welding, electrical, forklift, chemical and boiler safety, among many others.

The department regularly conducts safety walkthrough audits with follow-up monitoring of corrective actions where necessary. It also enforces self-assessment audits in all of its plants, warehouses and buildings. It has an efficient accident reporting mechanism and conducts safety drills where possible given the pandemic.

As much as physical health and safety is important, employees' mental health is also a priority for the company.

D&L's HR Business Partners provide counselling to employees needing help. Employees can freely approach any of the HR representatives and discuss issues without fear of reprisals.

## Cultivating a Resilient and Engaged Workforce to drive our Net Positive Culture Goals

At D&L, our sustainability journey is linked to the well-being of our employees. They are the driving force behind our innovation, the heart of our operations and the champions of our net positive goals. Thus, we have deepened our commitment to our employee experience strategy which is about nurturing a workplace where every employee feels valued, engaged and empowered to contribute to our net positive goals.

This year, we've moved beyond traditional wellness programs to create a holistic approach to wellness designed to support the physical, mental, social and emotional well-being of our employees. Recognizing the increasing demands of our growth on our employees' health and overall well-being we launched a host of holistic programs which continue to empower, equip, engage our employees to contribute to our N+ goals. This has led to increased productivity and engagement as evidenced by our high employee satisfaction scores (4.5/5) and positive stories from our employees about the positive effect of these initiatives in the professional and personal lives.





**Doc Talks Series:** Our company doctors are at the forefront in providing education, awareness on medical conditions like breast and prostate cancer, diabetes, thyroid, tuberculosis and others. This is our more proactive approach to improving the health and happiness of employees which contributes to a more positive workplace culture.

#### DOC TALKS SERIES

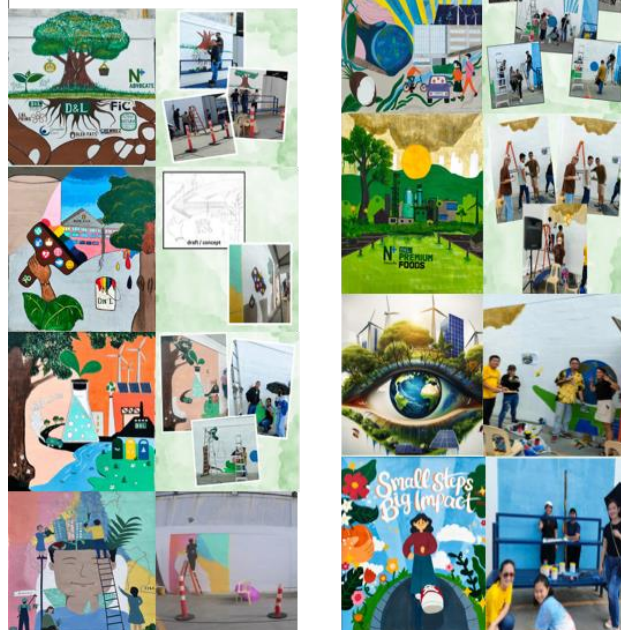
The Doc Talks Series lead by our company doctors can play a significant role in promoting overall well-being within the workplace. It provides education, awareness, and a proactive approach to improving the health and happiness of employees, contributing to a more positive workplace culture.



**Mural Making Contest:** Promoting sustainability thru large scale mural designs of employees that will remind them of our company's thrust on environmental stewardship and sustainability.

#### MURAL MAKING CONTEST

D&L believes in the talent and artistry of its people. This activity provides an opportunity to our employees to promote sustainability thru large scale mural designs that will remind employees about the company's thrust in promoting environmental awareness. The Mural Paintings transformed our parking walls into a beautiful masterpiece.







- **Thanksgiving & Appreciation:** Events: Gratitude and appreciation is a key value at D&L. We demonstrate this by recognizing & celebrating positive contributions of our employees. From our annual Christmas parties, company anniversary celebrations and simple salo salo events across teams, employees have given good feedback on the positive impact of these events on building stronger and more collaborative relationships, boosting moral & engagement and promoting a sense of community and shared purpose.



- **Employee Clubs:** Foster social connections, promotes well-being and encourages positive social impact. We currently have 10 employee clubs (chess, running, basketball, Zumba, travel and many more) which provide a holistic approach to engagement –there are games, activities and competitions for fun, internal and external speakers are invited to give talks and training plus the clubs are highly encouraged to actively participate in outreach and community partnership programs. We will be launching many more clubs in the pipeline.



- Monthly Pocket Events:** At D&L we care about the personal and professional well-being of our employees. Mother's Day, Father's Day, monthly birthday celebrations, recognition events per Business Unit and others are well appreciated by our employees. It creates opportunities for peers to connect on a more personal level, strengthening relationships and building camaraderie. These events acknowledge employees as individuals with lives and families outside of work. This personalization fosters a feeling of being valued and recognizes the importance of personal milestones.







**D&L BEAT THE Summer HEAT Groufie contest**



1. The group should at least be (3) Ka-D&L employees showing creative, original & fun ways to beat the summer heat.
2. Be unique, witty, funny but wholesome.
3. Post it at the D&L Family FB Page between April 19 and 26, 2024.
4. Top 5 photos who get the highest number of "like" or "heart" reactions will emerge as winners.
5. All Business Units/Companies can participate in the contest

Use : #D&LSummerFun

**BETTER LIVES THROUGH SUSTAINABLE INNOVATION**



**ATTN: ALL KA-D&LS**

As we celebrate D&L's 61st Anniversary, we would like to invite everyone to take part in our **DAY OF SALU-SALO & SALAMAT**

**Ka-D&Ls Healthy Potluck Feast**

On Friday, July 26, 2024, 3:00 PM at your designated area pantry or canteen.

**Show Gratitude & Appreciation to our Ka-D&Ls...**

Simply bring your best crowd pleaser food that you want to share to our Ka-D&Ls. It could be a sandwich, a fruit, salad, drinks or snack or anything coming from your heart.

**We encourage only food for pica-pica that can be eaten at our work pantry.**

Your respective People Partner will coordinate with you for more details of this event.

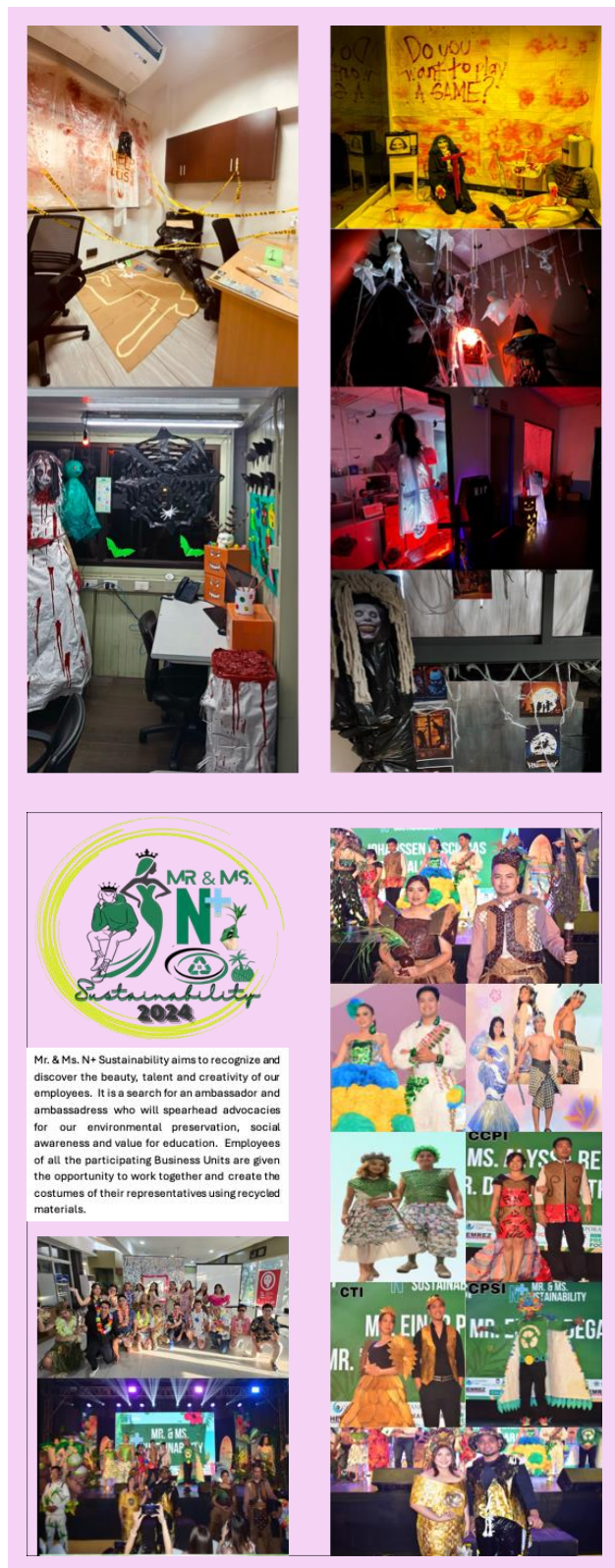
**Better Lives Through Sustainable Innovation**











### Future Plans

Cultivating a resilient workforce through our employee experience strategy, is our contribution to building a net positive culture. Our future plans is rooted in providing a holistic approach to our well-being initiatives where every individual is empowered to reach their full potential both professionally and personally.

Some of our people engagement plans in the pipeline includes a sportsfest for the whole D&L group, club memberships which promote entrepreneurship & sustainability (clubs will be given seed money for them to grow which includes their contribution to sustainability), E-news which will be the hub of all communications to promote our programs and the kind of net positive mindset we are building, among others.

Looking ahead, we are committed to continuous improvement. We will be implementing enhanced tracking of well-being metrics and expanding our programs to address the evolving needs of our workforce. We believe that by investing in our people, we are closer to achieving our Net positive goals.

### Rights & Privacy

#### Labor Laws & Human Rights

GRI 3-3

The family culture in the company allows employees to be open and straightforward in discussing any issues they have without fear of retaliation. Communication is top-down, bottom-up, and sideways. There are no layers and barriers, so issues are resolved at the onset and no grievances are escalated.

D&L takes human rights issues seriously, and always considers the topics of forced labor, child labor, discrimination, and harassment in its dealings within and outside its subsidiaries. Its Code of Business Principles strictly outlines the company's stance and policies on such matters, and guides all its employees on business decisions involving such.

#### Customer Management

GRI 2-16, 2-26, 3-3, 13.10.2, 416-1 | SDG 12.8

As a B2B company, D&L deals with most of its customers on a face-to-face basis, thus making customer service one of its top priorities. Its dedicated sales teams have been working to ensure that every customer is served well despite the local

and global challenges. The nature and specificity of its products also call for close coordination between the customers and the technical teams of the subsidiaries. Major concerns are elevated to top management quickly, and are dealt with immediately. The Company believes that customer feedback is very important especially when it comes to product development.

| Key Concerns  | Actions Taken to Address Concerns   |
|---|---|
| <b>Consumer Products ODM</b>  |   |
| Worry over stock outs during pandemic, floods, unforeseen events          | Created a business continuity plan for products and personnel   |
| Stock security for imported raw materials and packaging                   | Maintenance of 3 months' worth of stocks, and monthly updating of forecasts   |
| <b>Food Ingredients</b>   |   |
| Constant shifting of consumer wants                                       | Present customer range of product flavors and builds based on current up-to-date trends   |
| Simplification of customer supply chain                                   | Educate customers on proper product usage across their respective product ranges for convenience and cost efficiency              |
| Reduction of customer regulatory risk                                     | Ensure products supplied to customers are compliant with local food laws and regulations, as well as global food safety standards |
| <b>Chemicals</b>  |   |
| Demand for formulation of natural products and use of renewable packaging | Development and innovation geared towards natural, pursuit of regulatory compliance (ecosearch, organic certification)            |
| Low stocks  | Discuss lead times with customers, produce safe level of buffer stocks  |
| Warping of sealed HDPE packaging for hydraulic brake fluids               | Redesign bottle, nitrogen purging   |
| High raw materials price  | Sourcing of new suppliers, exploration of alternative materials   |
| Long lead time  | Increased inventory levels, advanced ordering of raw materials, advanced booking of orders, and regular updating of forecasts     |
| <b>Plastics</b>   |   |

|                           |  |
|---------------------------|--|
| Limited finished goods    | Close coordination between sales and warehouse teams prior delivery  |
| Shortage of raw materials | Regular communication between sales, technical and production teams on level of raw materials on stock and urgent items for production |

## Marketing and Labeling

GRI 3-3, 417-1 | SDG 12.8

The Company has no history of substantiated complaints on marketing and labelling and, therefore, no complaints addressed.

Most of its products and services are offered to business entities and not directly to consumers. They only indicate the product name, packing size, and batch number on the labels.

## Customer Privacy

GRI 3-3, 418-1 | SDG 16.10

Customers provide information for purposes of applying for credit extension. The information is both private and confidential and, therefore, is treated with utmost care to prevent leakage. Once the credit application has been approved, the Customer Information Sheet is kept by a Marketing Assistant for safekeeping. A separate form is prepared and submitted to the Accounting department. It contains information needed only for customer account creation and does not contain any unnecessary personal information. Access to the customer data master file is limited only to an assigned person who is at least supervisory level.

The Company is committed and motivated to protect its customers' information.

## Product Health and Safety

GRI 3-3, 13.10.2, 416-1 | SDG 12.8

Aero-Pack's adherence to green chemistry has made many a home beneficiaries of organically sourced household products. These eco-friendly products have provided families peace of mind—secure in the belief that the likes of insect killers and dishwashing detergents are safer and greener.

Chemrez' green innovations have provided coco-based wellness solutions for health-conscious consumers. The remarkable market acceptance of its medium chain

triglyceride (MCT), **Laurin™**, is a strong testimony to the company's green advocacy.

D&L Polymer & Colours (DLPC) has developed a key raw material—durable and non-toxic—used in the production of the toy sensation, Hatchimals. The use of raw materials on other products of DLPC also complies with the RoHS (Restriction of Hazardous Substance) requirement.

First in Colours provides business solutions to companies given the potential ban on single-use plastics.

Oleo-Fats' standard operating procedures mandate that all food-related products undergo shelf life studies, microbial, and sensory tests to ensure these remain safe for human consumption until the end of shelf life.

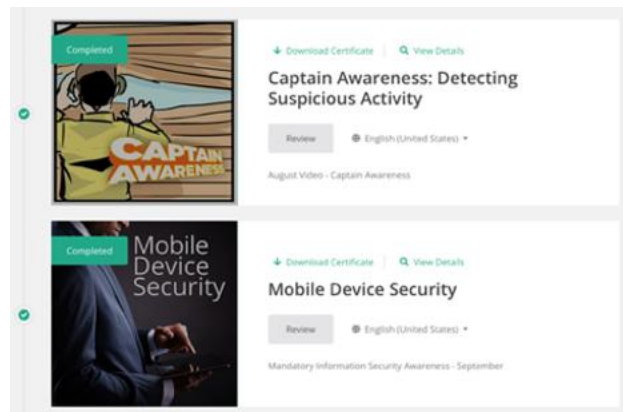
Focusing on what the customer wants and needs, subscribing to green chemistry and subjecting finished products to rigorous testing processes have helped the Company develop products that are healthy and safe for humans and the environment.

## Data Security

GRI 3-3, 418 | SDG 16.10

In the sphere of ever-evolving technology, data security and privacy have become increasingly important topics. With the emergence of alternative working arrangements, threats to cybersecurity are at an all-time high. The Company recognizes this, and ensures that various controls are in place to secure all pertinent data. It is compliant with the Data Privacy Act of 2012 and all other regulations set forth by the National Privacy Commission.

An appointed Data Protection Officer (DPO) oversees and monitors all topics concerning data security and protection. The success of a data security and protection program hinges on how well a company's employees understand the importance of the policies, and how consistently these rules are followed. Thus, a data security and privacy awareness program is permanently in operation. It includes a monthly wallpaper and email newsletter, as well as regular online training on data security.



The Company makes extensive use of data sharing agreements with clients, third parties, and sister companies. Client information is treated as strictly confidential, even between subsidiaries, and client permission is always sought before it is shared. When and where applicable as required by law, a privacy notice is displayed on all external websites for the information of site visitors. Privacy impact assessments are regularly conducted to evaluate each department on processes that collect or process personal information. Departments that deal with a large volume of sensitive information and those that are at high-risk of data breaches are also closely monitored by the DPO.



## Good Neighbor

GRI 3-1, 3-3

## Community Action

GRI 3-3 | SDG 13.1



The Company employs an in-house team of safety officers trained in firefighting, rescue, and emergency response. These assets are deployed not just for contingencies in its offices, warehouses, and facilities, but also to assist local communities and government and volunteer teams during emergencies and natural calamities.



The Company also fields volunteers in such diverse civic activities as tree planting, river clean-up, fumigation, firefighting, and first aid training in and around its communities

### Lao Foundation

Lao Foundation, as the CSR partner of the D&L Group of Companies, is one with the communities where the D&L Group business units are located. Lao Foundation with its mission of providing individuals with opportunities to change their lives and the community, provides scholarship targeting in-school and out-of-school youths in Brgy. Bagumbayan and Brgy. Libis in Quezon City, Brgy. Manggahan and Brgy. Santolan in Pasig City, Brgys. 894,896, and 897 in Punta, Sta Ana, Manila, Brgy. Canlubang in Calamba, Laguna, and Brgy. Pagaspas in Tanauan, Batangas. For the school year 2024-2025, Lao Foundation has 58 scholars from these communities who are currently in senior high and college level.

To help out students and teachers in the 7 elementary schools in these communities, a total of 15,459 students and teachers were provided with school supplies through the Balik Eskwela Project of Lao Foundation held at the beginning of the school year.

Pamaskong Handog, a project that grants the wishes of in-need students continued this year in the 7 elementary public schools in the adopted communities of D&L Group and Lao Foundation after it was re-launched last year. Done in collaboration with the employees of the D&L Group, 840 in-need elementary school students had their various Christmas wishes granted.



School supplies donation at the beginning of the school year to all students of the public elementary schools in the adopted communities of D&L Group and Lao Foundation



Pamaskong Handog Project that fulfills the wishes of in-need students during Christmas Season



Lao Foundation Scholars from the different communities, children of D&L Group Employees and children of outsourced workers assigned to D&L Group of Companies.



Lao Foundation scholars who graduated in 2024

## Focus on the Youth

GRI 3.3, 13.22.1 | SDG 4.3, 4.4, 8.2, 8.5, 8.6, 10.3

Better lives and a better future for all mean caring for the next generation. To this effect, Lao Foundation focuses on providing opportunities for education towards employment and better lives to in-school youths, out-of-school youths, in-need youths, and youths in extreme poverty.

Lao Foundation through its partner organizations----Charity First Foundation, Our Lady of Lujan Mercy Home for Girls, Dualtech Training Center Foundation, Don Bosco Training Centers (San Jose, Nueva Ecija; Canlubang, Laguna; and Legazpi City, Albay), Philippine Science High School Foundation, SMEIDFI Bukid Kabataan, Maria Lena Buhay Memorial Foundation, Tzu Chi Foundation, National Teachers College, and Davao Del Sur State College---- continues to focus on providing children and youth with opportunities to build their mindset, transform their hearts, and change their lives through various educational assistance and scholarship opportunities with values formation at its core.

For schoolyear 2024-2025 Lao Foundation sponsored 390 scholarship grants with its partner organizations.





Lao Foundation Scholars at Aniwan Technical School in Laguna



Lao Foundation Scholars at Davao Del Sur State College



Lao Foundation Scholars at Don Bosco Agro-Mechanical Technology Center in Legazpi City



Lao Foundation Scholars at Don Bosco College in Canlubang, Laguna



Lao Foundation Scholars at National Teachers College



Lao Foundation Scholars at Don Bosco College in Laguna





Lao Foundation Scholars with Tzu Chi Foundation



Lao Foundation Scholars at Dualtech Training Center Foundation in Cantubang, Laguna

## Community Development

GRI 3.3, 13.12.1, 13.12.2, 13.12.3, 13.22.2, 413-1, 413-2 | SDG 2.3, 2.4

Through its Community Based Program, Lao Foundation focuses on working with the coconut farmers, coconut-farmer groups, organizations, and cooperatives for more sustainable and impactful projects for the coconut farming communities.

In partnership with SEED Philippines, Lao Foundation implemented a 3-phase project towards establishment of a sustainable income source and food source for the Samahan ng Magsasaka ng Ibabang Wasay in Buenavista, Quezon. On July 18-19, 2024, the farmers were intensively trained on organic agriculture production under phase 1 of the project. Armed with the knowledge on organic agriculture production,

the Samahan with the guidance and mentorship of SEED Philippines established a community food farm in August 2024. The community food farm is now providing additional income and food sources for the coconut farmers.



## Multisectoral Cooperation

GRI 3.3 | SDG 14.1, 17.16, 17.17

The whole is more than just the sum of its parts.

Different sectors bring different strengths to the table when working beyond their normal boundaries. B2B providers and customers bring the technology and the market. National agencies and local governments serve and bring the support of their constituents.

Combining goals and means bring new opportunities for addressing gaps in environmental initiatives.

### Upcycling for residual plastic management



Figure 1 - Cebu Pacific Air Twitter post, October 16, 2018, accessed March 31, 2023, <https://twitter.com/cebuspacificair/status/1052132020472635392>

**UpCycled™** initiative and partnership to convert residual plastic wastes (no value and non-recyclable plastic waste like sachets) to higher value plastic products.

### Bio-based initiatives for reduced carbon footprints



Figure 2 - Bakong Project website, accessed March 31, 2023, <https://bakong.carrd.co/#about>

### Design Center - Bakong Project

A DTI Design Center-initiated project to use invasive indigenous plant materials for higher value products. The project is geared towards the use of *Crinum asiaticum*, locally known as “bakong”, in wood-like plastic products which showcases the strength of fibers in polymer products. This is coupled with the bio-based materials used in **Biorez®** and similar technologies to produce environmentally sound materials while sustaining community-government-industry engagements.



## Part 2 | Frameworks & Standards

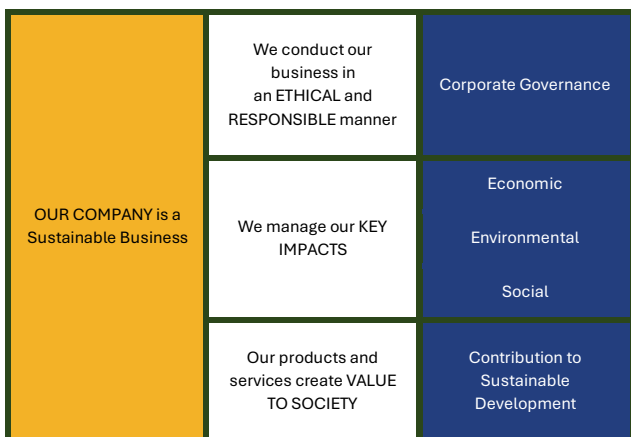
GRI 3-1, 3-3

The [Seven Significant Impacts](#) present a narrative structure that allows D&L to present its ESG efforts in an engaging way without getting lost in the technical details of the frameworks. This approach captures the interconnections between economic, environmental, and social aspects of the business, providing a holistic view of the Company's sustainability efforts. The simplicity of the narrative immerses the reader in the story, while meeting the reporting requirements of the standards.

The next sections provide the depth and details on ESG performance which each framework requires, ensuring transparency, accountability, and adherence to global best practices.

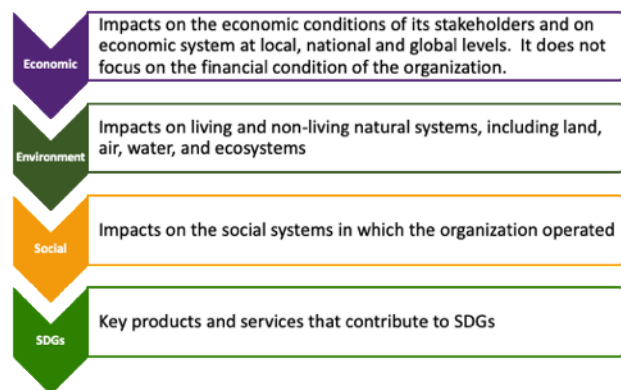
Between the story and the statistics, D&L invites investors, regulators, customers, employees, partners, and its communities into a sneak peek into the better lives it is forging.

### The Philippines SEC Sustainability Framework



SEC Sustainability Reporting Framework for PLCs

On February 15, 2019, the Philippines Securities and Exchange Commission (SEC) issued Memorandum Circular No. 4, Sustainability Reporting Guidelines for Publicly Listed Companies (PLCs), and provided a Sustainability Reporting Framework and a reporting template for Philippine companies.



SEC Reporting Template

*For companies who already have sustainability reports in accordance with internationally recognized frameworks and standards, their reports shall already be considered as their compliance with the reporting template. Companies may choose to attach the whole sustainability report to their Annual Report or just include a statement providing a link to said report.*

Since the SEC's approach relied on global sustainability standards, D&L is able to cross-reference and align its impacts with the UN Sustainable Development Goals and the GRI Standards.

For the Sustainability Report 2022 and henceforth, the Company has expanded on the SEC's suggested impacts and generated material topics in accordance with the new GRI Standards 2021 for reports issued from January 2023 onwards.

Among the global ESG standards and frameworks, the Philippine SEC has likewise adopted one aspect of the Task Force on Climate-Related Financial Disclosures (TCFD), discussed hereunder:

#### Climate-Related Risks & Opportunities

GRI 3-3, 2-23 | SDG 13.1, 15.9

Risk management is seen in the company as a shared responsibility between Management and Employees. At the top level, the Board Risk Oversight Committee oversees the Company's Enterprise Risk Management system to ensure its functionality and effectiveness.

Annually, or as soon as the need arises, the Committee reviews the Company's risk appetite levels and risk tolerance limits based on changes and developments in the business, the

regulatory framework, the external economic and business environment.

Management requires all department heads to assess risks facing their respective business units and establish both Risk Management and Business Continuity Plans. The target is to have the shortest possible downtime, and to minimize, if not entirely eliminate, negative impacts of adverse events on the business. Risk Management and Business Continuity Plans are reviewed at least annually to keep abreast with changing economic and environmental conditions.

This section identifies the climate-related risk and opportunities the company is currently exposed to. The risks outlined below are not exhaustive and instead identify only those that are highly relevant to the business.

#### **Risks associated with natural and man-made disasters that may cause interruption in operations**

##### Potential impact

- Destruction of property
- Loss of life
- Delays in delivery
- Lost sales
- Quality issues in finished goods
- Customer complaints
- Damage to Company reputation

##### Mitigating measures

- + Improvements in company infrastructure to withstand extreme weather
- + Employee education and trainings on safety procedures during and after a disaster
- + Participation in company and nationwide drills
- + Adequate insurance coverage for identified assets
- + Regular review of IT Disaster Recovery and Business Continuity Plans

#### **Risks associated with rising temperature due to climate change**

##### Potential impact

- Higher than normal temperatures may lead to lower crop yield which may affect the supply of key commodities that the company uses
- Higher raw material prices and supply chain disruptions

##### Mitigating measures

- + Proactive monitoring of raw material prices, availability, and trend, and properly imputing the impact of the same in selling price structure
- + Development of local and diversified sourcing
- + Leveraging on scale in order to negotiate prices
- + Leveraging on technical know-how to develop alternative raw materials

#### **Opportunities in changing consumer preferences towards a more sustainable and environment-friendly consumption**

##### Potential impact

- + Higher demand for the company's natural, organic, and sustainable offerings across the different business segments commodities that the company uses
- + Higher margins and profitability

**Opportunities** in the regulatory space: Implementation of a higher biodiesel blend from the current 2% blend to the 5% blend mandated by the Biofuels Act of 2006

##### Potential impact

- + Higher demand for the company's coconut biodiesel
- + Higher margins and profitability

# SUSTAINABLE DEVELOPMENT GOALS



## United Nations Sustainable Development Goals (UN SDGs)

D&L Industries is strongly committed to support specific targets of the United Nations Sustainable Development Goals in areas which the Company can have significant positive while addressing negative impacts.

Likewise, the Company, through its partnership with the Lao Foundation, continuously aligns itself to the United Nations Sustainable Development Goals, as it works towards its mission of providing individuals with opportunities to change their lives and their communities.

*Following the adoption of the Sustainable Development Goals (SDGs), we [GRI] have supported businesses in measuring and reporting on their impacts – and hence their contribution towards the goal of sustainable development – through a number of reporting tools. This mapping document is the latest addition that we bring to the table, to help accelerate progress and drive bolder action.*

The Company uses this mapping tool to help illustrate its ESG impacts across both sets of global standards, while maintaining coherence and consistency in its reporting.

## Linking the SDGs and the GRI Standards

GRI has created and regularly updates its mapping document<sup>25</sup>, linking the Disclosures with the SDGs.

<sup>25</sup> Global Reporting Initiative, “Linking the SDGs and the GRI Standards”, accessed March 31, 2023,

<https://www.globalreporting.org/umbraco/Surface/ResourceCentre/PopupResource?id=8585>



## SDG 1 | No Poverty



Lao Foundation, Inc. (LFI), a member organization of the Zero Extreme Poverty 2030 Movement since 2017, provides scholarships to identified youths in extreme poverty through collaboration with other Zero Extreme Poverty Movement member organizations. To date, we have sponsored a total of 90 scholars under the Zero Extreme Poverty (ZEP2030) Movement, 36 scholars of which are from ZEP2030 member organizations in ERDA Foundation, Del Monte Foundation, and the Eastern Samar LGU.

**Target 1.1** By 2030, eradicate extreme poverty for all people everywhere, currently measured as people living on less than \$1.25 a day.

[Alignment with UN Sustainable Development Goals](#)

**Target 1.2** By 2030, reduce at least by half the proportion of men, women and children of all ages living in poverty in all its dimensions according to national definitions.

[Economic Performance;](#)  
202-1;  
203-2

**Target 1.a** Ensure significant mobilization of resources from a variety of sources, including through enhanced development cooperation, in order to provide adequate and predictable means for developing countries, in particular least developed countries, to implement programmes and policies to end poverty in all its dimensions.

## SDG 2 | Zero Hunger



The Company supports community-based program that focuses on coconut farming communities, by funding such programs of LFI. The Company promotes sustainable agriculture through funding LFI's community food farm project in Buenavista, Quezon in partnership and collaboration with SEED Philippines, the Samahan ng Magsasaka ng Brgy. Ibabang Wasay, and the Barangay LGU of Ibabang Wasay, Buenavista, Quezon.

To date, the community food farm is continuously establishing its market and has also been able to provide food sources to the coconut farmer members of the Samahan.

**Target 2.1** By 2030, end hunger and ensure access by all people, in particular the poor and people in vulnerable situations, including infants, to safe, nutritious and sufficient food all year round.

**Target 2.3** By 2030, double the agricultural productivity and incomes of small-scale food producers, in particular women, indigenous peoples, family farmers, pastoralists and fishers, including through secure and equal access to land, other productive resources and inputs, knowledge, financial services, markets and opportunities for value addition and non-farm employment.

[Upscaling Supply & Quality;](#)  
[Community Development;](#)  
413-2

**Target 2.4** By 2030, ensure sustainable food production systems and implement resilient agricultural practices that increase productivity and production, that help maintain ecosystems, that strengthen capacity for adaptation to climate change, extreme weather, drought, flooding and other disasters and that progressively improve land and soil quality.

[Upscaling Supply & Quality;](#)  
[Community Development](#)

## SDG 3 | Good Health and Well-Being



Beyond standard and mandated benefits, the Company implements programs safeguarding the health and welfare of its workers and their families, including financial risk alleviation.



#### Health

Clinics in selected facilities  
 Doctor & nurse consultations  
 Annual physical examination  
 Annual medicine subsidy  
 HMO  
 Maternity assistance

#### Insurance

Group life insurance  
 Group accident insurance

#### Financial Risk Alleviation

Retirement plan  
 Bereavement assistance

**Target 3.8** Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all.

[Employee Hiring and Benefits;](#)  
 203-2

## SDG 4 | Quality Education



The Company proactively provides various training programs and opportunities for further education to its employees via its Infinite Learning Team. It also provides avenues for learning and development to high potential employees through its Talent Management Team.

The Company has supported LFI since its inception in 2010, with focus on providing scholarships and educational assistance through LFI's partner organizations. For 2024, through its partners, LFI sponsored in-need children and youth, children with hearing impairments, children in difficult situations due to neglect and abuse and children of coconut farmers.

#### Number of PBP beneficiaries for 2024

- E2E (education to employment): 216
- Grant Partner Organizations: 118
- Total Graduates for 2024: 132

In 2017, LFI started its own directly managed scholarship. For 2024, LFI directly managed and handled 82 scholars from its adopted communities Quezon City, Manila, Pasig, Canlubang, and Batangas communities where the different business units of D&L are located. Believing that charity begins at home, LFI provided scholarships to 14 children of D&L Group employees and 9 children of OSP workers assigned to D&L Group.

In our 2024 batch of graduates, a total of 10 were recipients of academic awards, 5 received Latin honors, and 3 are now board passers in their respective fields.

- Number of scholars (communities, D&L Reg, D&L OSP)
- Bagumbayan (17), Canlubang (29), Pagaspas (1), Manila (4), Libis (2), Santolan (4), D&L Reg (14), D&L OSP (9), AA (2)
- number of graduates = 30

**Target 4.1** By 2030, ensure that all girls and boys complete free, equitable and quality primary and secondary education leading to relevant and effective learning outcomes.

[Employee Training & Development;](#)  
[Educational Program;](#)  
[Alignment with UN Sustainable Development Goals](#)

**Target 4.3** By 2030, ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university.

[Educational Program;](#)  
[Alignment with UN Sustainable Development Goals](#)  
[Focus on the Youth;](#)  
 404-1



**Target 4.4** By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship.

[Educational Program;](#)  
[Alignment with UN Sustainable Development Goals](#)  
[Focus on the Youth;](#)  
 404-1

**Target 4.5** By 2030, eliminate gender disparities in education and ensure equal access to all levels of education and vocational training for the vulnerable, including persons with disabilities, indigenous peoples and children in vulnerable situations.

[Educational Program,;](#)  
 404-1

**Target 4.b** By 2020, substantially expand globally the number of scholarships available to developing countries, in particular least developed countries, small island developing States and African countries, for enrolment in higher education, including vocational training and information and communications technology, technical, engineering and scientific programmes, in developed countries and other developing countries.

**Target 4.c** By 2030, substantially increase the supply of qualified teachers, including through international cooperation for teacher training in developing countries, especially least developed countries and small island developing States.

## SDG 5 | Gender Equality



From hiring to training, from promotions to leadership, gender equality permeates every facet of the Company's business and operations.

The Company does not discriminate on the basis of any social category. All employees are treated equally and are afforded equal opportunities to learn and to progress in the workplace. Hiring, succession and all other business decisions are based on competence and quality of work.

Female employees account for about 34% of the Company's workforce. In addition, three of the seven directors on the Company's Board are women.

**Target 5.1** End all forms of discrimination against all women and girls everywhere.

[Code of Business Principles;](#)  
[Corporate Governance;](#)  
[Employee Hiring and Benefits;](#)  
[Employee Training & Development;](#)  
[Diversity and Equal Opportunity;](#)  
 202-1;  
 401-1,3;  
 404-1;  
 405-1

**Target 5.5** Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life.

[Code of Business Principles;](#)  
[Corporate Governance;](#)  
[Employee Hiring and Benefits;](#)  
[Employee Training & Development;](#)  
[Diversity and Equal Opportunity;](#)  
 2-9;  
 2-10;  
 405-1



## SDG 6 | Clean Water and Sanitation



In the Company's day to day activities, water is primarily used for the operations of the cooling tower, for equipment cleaning, and for domestic uses in the office buildings such as for restroom usage, washing, and food preparation in the canteens.

The Company is proactively looking for ways on how to further reduce its water consumption. Similarly, the company's Environmental Group, which is composed of the Pollution Control Officers from each business unit, is in charge of monitoring and championing the water conservation initiatives of the company.

**Target 6.3** By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally. [Hazardous Waste;](#) 306-1

**Target 6.4** By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity. [Path to Net Zero;](#) [Water Consumption;](#) 303-1, 303-3, 303-5

**Target 6.6** By 2020, protect and restore water-related ecosystems, including mountains, forests, wetlands, rivers, aquifers and lakes. [Ecosystem & Biodiversity;](#) 304-2; [Hazardous Waste;](#) 306-1, 306-3, 306-5

## SDG 7 | Affordable and Clean Energy



The Company actively undertakes various initiatives to improve energy efficiency. These initiatives include the use of LED lights, installation of motion detectors, optimizing production schedules, and regular maintenance, among others.

Through its biodiesel business, which uses locally-sourced coconut oil as feedstock, the Company is able to promote a cleaner and more sustainable alternative to diesel. Biodiesel lowers the emission of nitrous oxides and sulfur oxide—the main contributors to smog. It also significantly reduces pollutants such as black smoke and air toxics that cause lung cancer, pulmonary tuberculosis, pneumonia, bronchitis, heart attack, and stroke.

For its new facility in Batangas, the Company is exploring the use of renewable energy sources to fuel its operations.

**Target 7.2** By 2030, increase substantially the share of renewable energy in the global energy mix. [Resource Management;](#) 302-1

**Target 7.3** By 2030, double the global rate of improvement in energy efficiency. [Resource Management;](#) 302-1, 302-3

## SDG 8 | Decent Work and Economic Growth



The Company, through the ordinary course of business, provides numerous quality jobs for the communities it operates in. In pursuit of innovation, the Company invests heavily in research and development, thus encouraging the diversification of its supply chain and the growth of the enterprises it engages with.

Aligning the need for multiskilled workers and the need for good workers of the different business units and the need for decent work of its scholars and other in-need youths, LFI facilitates the in-plant training and on-the-job training of its scholars and other students of its partner organizations under its education-employment project.



For 2024, a total of **21** had their in-plant training and on-the-job training at D&L Group.

To date, a total of **86** have been employed by the D&L Group with **51** employed in D&L Premium Foods and **35** in Natura Aeropack Corporation.

Focusing on its vision of Empowerment through education, values formation, livelihood training, and leadership development and in the belief that sustainable change and true empowerment comes from within, LFI continues to strengthen its values formation sessions not just to its direct scholars and their parents but also to its In-plant trainees, and scholars with partner organizations.

LFI also continues to provide opportunities to cultivate the value of service out of love and compassion to D&L employees and LFI alumni through its volunteer engagements in the LFI Balik Eskwela Project, Pamaskong Handog Project, and other LFI activities.

**Target 8.1** Sustain per capita economic growth in accordance with national circumstances and, in particular, at least 7 per cent gross domestic product growth per annum in the least developed countries. 201-1

**Target 8.2** Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labour-intensive sectors. [Economic Performance;](#)  
[Employee Hiring and Benefits;](#)  
[Employee Training & Development;](#)  
[Diversity and Equal Opportunity;](#)  
[Focus on the Youth;](#)  
201-1

**Target 8.5** By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value. [Corporate Governance;](#)  
[Employee Hiring and Benefits;](#)  
[Employee Training & Development;](#)  
[Diversity and Equal Opportunity;](#)  
[Focus on the Youth;](#)  
2-7;  
202-1;  
203-2;  
401-1, 401-2;  
404-1, 404-2;  
405-1

**Target 8.6** By 2020, substantially reduce the proportion of youth not in employment, education or training. [Employee Hiring and Benefits;](#)  
[Employee Training & Development;](#)  
[Diversity and Equal Opportunity;](#)  
[Focus on the Youth;](#)  
401-1

**Target 8.8** Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment. [Occupational Health & Safety;](#)  
2-30;  
[Labor-Management Relations;](#)  
402-1;  
403-1, 403-2, 403-3, 403-5, 403-8, 403-9,  
403-10





## SDG 9 | Industry, Innovation and Infrastructure



The Company is shaped and driven by R&D and disciplined innovation. It is among the largest employers of chemists in the Philippines, outside of academe. Technology staff account for about 14% of the Company's total manpower.

The Company is committed to keep itself abreast of the latest technology and to have its fingers on the pulse of the market to identify the market needs that must be met with sustainable solutions.

Through automation and installation of the latest equipment, the Company is able to increase its production yields and decrease generated waste.

With a plan to engage in IOT4.0 in the next 4-5 years, the Company plans to upskill its employees to be able to perform more complex tasks.

**Target 9.2** Promote inclusive and sustainable industrialization and, by 2030, significantly raise industry's share of employment and gross domestic product, in line with national circumstances, and double its share in least developed countries.

**Target 9.3** Increase the access of small-scale industrial and other enterprises, in particular in developing countries, to financial services, including affordable credit, and their integration into value chains and markets.

**Target 9.4** By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities.

[Capability;](#)  
[Green Chemistry;](#)  
[Economic Performance;](#)  
201-1

**Target 9.5** Enhance scientific research, upgrade the technological capabilities of industrial sectors in all countries, in particular developing countries, including, by 2030, encouraging innovation and substantially increasing the number of research and development workers per 1 million people and public and private research and development spending.

[Green Chemistry;](#)  
[Economic Performance;](#)  
201-1

## SDG 10 | Reduced Inequalities



The Company actively espouses equality and diversity throughout its values, policies, and advocacies, as could be seen in the way it deals with employees, partners, suppliers, and members of local communities it operates in. Beyond gender neutrality, it also protects, preserves, and enhances the welfare of the youth, the elderly, and persons with disabilities.

**Target 10.2** By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status.

**Target 10.3** Ensure equal opportunity and reduce inequalities of outcome, including by eliminating discriminatory laws, policies and practices and promoting appropriate legislation, policies and action in this regard.

[Employee Hiring and Benefits;](#)  
[Employee Training & Development;](#)  
[Diversity and Equal Opportunity;](#)  
[Focus on the Youth;](#)  
2-7;  
401-1;  
404-1



**Target 10.4** Adopt policies, especially fiscal, wage and social protection policies, and progressively achieve greater equality.

## SDG 12 | Responsible Consumption and Production



Through its various resource management initiatives, the Company constantly strives to make its operations as efficient and sustainable as possible.

The Company actively promotes its various innovative product offerings that are natural, organic, and sustainable. This helps in spreading global awareness about sustainable development and lifestyles that are in harmony with nature.

**Target 12.3** By 2030, halve per capita global food waste at the retail and consumer levels and reduce food losses along production and supply chains, including post-harvest losses.

**Target 12.4** By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimize their adverse impacts on human health and the environment.

[Resource Management;](#)  
[Environmental Impact Management;](#)  
[Environmental Compliance;](#)  
303-1  
[Hazardous Waste;](#)  
306-1, 306-3, 306-5

**Target 12.5** By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.

[Resource Management;](#)  
[Environmental Impact Management;](#)  
[Environmental Compliance;](#)  
301-2

**Target 12.6** Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle.

**Target 12.8** By 2030, ensure that people everywhere have the relevant information and awareness for sustainable development and lifestyles in harmony with nature.

[Certifications;](#)  
[Customer Management;](#)  
[Marketing and Labeling;](#)  
[Product Health and Safety;](#)  
416-1;  
417-1

**Target 12.a** Support developing countries to strengthen their scientific and technological capacity to move towards more sustainable patterns of consumption and production.

## SDG 13 | Climate Action



The Company supports energy efficiency in its operations. Furthermore, for its expansion in Batangas, the Company is exploring renewable energy sources. A significant portion of the new plant's power requirement will be coming from solar energy. In addition, the Company has invested in steam boilers that utilize biomass energy.

Through its biodiesel business, which uses coconut oil as feedstock, the Company is able to promote a cleaner and more sustainable alternative to diesel.

**Target 13.1** Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries.

[Climate-Related Risks & Opportunities;](#)  
[Resource Management;](#)  
[Environmental Impact Management;](#)  
[Environmental Compliance;](#)  
[Community Action;](#)



302-1, 302-3;  
305-1, 305-2, 305-3, 305-5

## SDG 14 | Life Below Water



To combat plastic pollution, the Company, through FIC & DLPC, have developed a broad range of product solutions utilizing various approaches. By offering these solutions, the Company is actively contributing to reducing plastic waste and promoting a more sustainable future.

**Target 14.1** By 2025, prevent and significantly reduce marine pollution of all kinds, in particular from land-based activities, including marine debris and nutrient pollution. [Advanced Materials;](#)  
[Multisectoral Cooperation](#)

## SDG 15 | Life on Land



The Company is cognizant that protecting life on the planet is synonymous with ensuring the long-term survival of its business. The Company is fully-compliant, and in many cases, implements stricter measures than what is required by relevant environmental laws.

The Company's next generation facilities in Batangas is central to integrating sustainability into its operations. In order to protect our planet and further minimize its ecological footprint, D&L intends to use more environmentally friendly and sustainable fuel. The Company has also built environmentally-certified buildings and is securing authorization to plant trees in the area.

**Target 15.1** By 2020, ensure the conservation, restoration and sustainable use of terrestrial and inland freshwater ecosystems and their services, in particular forests, wetlands, mountains and drylands, in line with obligations under international agreements. [Hazardous Waste;](#)  
306-3, 306-5

**Target 15.4** By 2030, ensure the conservation of mountain ecosystems, including their biodiversity, in order to enhance their capacity to provide benefits that are essential for sustainable development.

**Target 15.9** Integrate ecosystem and biodiversity values into national and local planning, development processes, poverty reduction strategies and accounts. [Climate-Related Risks & Opportunities;](#)  
[Capability;](#)  
[Resource Management;](#)  
[Environmental Impact Management;](#)  
[Environmental Compliance;](#)  
[Ecosystem & Biodiversity](#)

## SDG 16 | Peace, Justice and Strong Institutions



The Company is firm in its stand to abide by human rights in all its dealings within and outside its subsidiaries. It operates within a strict code of corporate governance, and expects the same from its suppliers through a thorough supplier assessment process.

Open employee-management communication is of prime importance to the Company due to its culture as a family business. Feedback and grievances are always welcome without any fear of repercussions. Issues are oftentimes resolved before escalating into conflicts.

**Target 16.5** Substantially reduce corruption and bribery in all their forms. [Supply Chain Management;](#)  
[Anti-Corruption;](#)  
205-2, 205-3;



|   |  |
|---|--|
|   | 308-1  |
|   | 415-1  |
| <b>Target 16.6</b> Develop effective, accountable and transparent institutions at all levels.   | 2-11;<br>2-15  |
| <b>Target 16.7</b> Ensure responsive, inclusive, participatory and representative decision-making at all levels.  | 2-9;<br>2-10;<br>2-12;   |
| <b>Target 16.10</b> Ensure public access to information and protect fundamental freedoms, in accordance with national legislation and international agreements. | <a href="#">Customer Privacy</a> ;<br><a href="#">Data Security</a> ;<br>418-1 |

## SDG 17 | Partnerships for the Goals



The Company, through Chemrez, actively engages with the Philippine Coconut Authority (PCA) and coordinates industry action with the United Coconut Association of the Philippines (UCAP). Meanwhile, the Lao Foundation works with D&L, Chemrez, Oleo-Fats, some affiliates, and a few business customers interested in smallholder initiatives for coconut farmers.

The Company, through, FIC & DLPC, work with B2B customers & government agencies in using alternative materials, pursuing plastic waste reduction, & upcycling initiatives with local governments across the country.

**Target 17.11** Significantly increase the exports of developing countries, in particular with a view to doubling the least developed countries' share of global exports by 2020.

**Target 17.16** Enhance the Global Partnership for Sustainable Development, complemented by multi-stakeholder partnerships that mobilize and share knowledge, expertise, technology and financial resources, to support the achievement of the Sustainable Development Goals in all countries, in particular developing countries.

[Coconut Industry Development](#);  
[Upscaling Supply & Quality](#);  
[Multisectoral Cooperation](#)

**Target 17.17** Encourage and promote effective public, public-private and civil society partnerships, building on the experience and resourcing strategies of partnerships.

[Coconut Industry Development](#);  
[Upscaling Supply & Quality](#);  
[Multisectoral Cooperation](#)

**WE SUPPORT**



## Communication on Progress (CoP)

Company Name: D&L Industries, Inc.  
Reporting Period: January 1, 2024 – December 31, 2024

### CEO Statement of Continued Support

To our stakeholders,

I am pleased to confirm that D&L Industries, Inc. reaffirms its support of the Ten Principles of the United Nations Global Compact in the areas of Human Rights, Labour, Environment, and Anti-Corruption.

In this annual Communication on Progress we disclose our continuous efforts to integrate the Ten Principles into our business strategy, culture, and daily operations, and contribute to United Nations goals, particularly the Sustainable Development Goals.

Sincerely yours,

Alvin B. Lao  
President & Chief Executive Officer  
D&L Industries, Inc.

### Executive Summary

D&L Industries, Inc. presents its second Communication on Progress (CoP), in line with its commitment to the United Nations Global Compact. As an active Participant to the UN Global Compact, the Company now adds the Ten Principles to its growing list of ESG standards it is guided by and adheres to, including the Philippines' SEC Sustainability Reporting Framework, the Global Reporting Initiative (GRI) Disclosures, and the UN Sustainable Development Goals (SDGs).

As a leading food ingredients and specialty chemicals manufacturer in the Philippines, D&L acknowledges its responsibility to operate sustainably and contribute positively to its stakeholders and the environment. This first CoP concentrates on new baselines and targets on top of the material topics, programs, and metrics

## THE TEN PRINCIPLES OF THE UNITED NATIONS GLOBAL COMPACT



### HUMAN RIGHTS

1.

Businesses should support and respect the protection of internationally proclaimed human rights; and

2.

make sure that they are not complicit in human rights abuses.



### LABOUR

3.

Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

4.

the elimination of all forms of forced and compulsory labour;

5.

the effective abolition of child labour; and

6.

the elimination of discrimination in respect of employment and occupation.



### ENVIRONMENT

7.

Businesses should support a precautionary approach to environmental challenges;

8.

undertake initiatives to promote greater environmental responsibility; and

9.

encourage the development and diffusion of environmentally friendly technologies.



### ANTI-CORRUPTION

10.

Businesses should work against corruption in all its forms, including extortion and bribery.

The Ten Principles of the United Nations Global Compact are derived from the Universal Declaration of Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development, and the United Nations Convention Against Corruption.



discussed at length in the preceding sections of this Sustainability Report. Elements of the Ten Principles, therefore, may be found in the entire updated Sustainability Report for 2024, not just in this dedicated section.

Key highlights of this sustainability strategy and targets include:

1. **Economic Growth:** Projected 76.6% increase in direct economic value generated by 2030.
2. **Environmental Stewardship:** Reduce energy, water, and GHG intensity per unit of production.
3. **Social Responsibility:** Increase workforce diversity and enhance employee skills and competencies.
4. **Supply Chain Development:** Gradual increase in local supplier engagement.

This Report details the Company's baselines for 2024, targets for 2030, and the strategies it will employ to achieve them, considering its operating context and challenges.

## 2024 Baselines and 2030 Targets

| GRI   | SDG  | Description  | Unit of Measure    | 2024 Baseline | 2030 Target |          |        | 2024 Actual |          |   |
|-------|------|--|--------------------|---------------|-------------|----------|--------|-------------|----------|---|
|       |      |  |                    |               | Value       | % Change | CAGR   | Value       | % Change |   |
| 201-1 | 8.1  | Direct Economic Value Generated  | M Php              | 36,800        | 65,000      | + 76.6   | + 9.9  | 40,675      | 10.5 %   | ↑ |
| 203-2 | 8.2  | Economic Value Retained (Dividends)  | M Php              | 1,500         | 2,700       | + 80.0   | + 10.3 | 1,493       | - 0.5 %  | ↓ |
| 203-2 | 8.2  | Community investments (CSR initiatives)  | M Php              | 34            | 48          | + 41.2   | + 5.9  | 35          | 2.9 %    | ↑ |
| 204-1 | 8.3  | Proportion of spending on local suppliers  | %                  | 68            | 72          | + 5.9    | + 1.0  | 79          | 16.2 %   | ↑ |
| 302-1 | 7.3  | Energy consumption   | M kWh              | 246           | 400         | + 62.5   | + 8.4  | 232         | - 5.7 %  | ↑ |
| 302-3 | 7.3  | Energy intensity<br>(per MT of product)  | kWh                | 622           | 572         | - 7.9    | - 1.4  | 515         | - 17.2 % | ↑ |
| 303-5 | 6.4  | Water consumption  | m <sup>3</sup>     | 290,000       | 410,000     | + 41.4   | + 5.9  | 476,538     | 64.3 %   | ↓ |
| 303-5 | 6.4  | Water intensity<br>(per MT of product)   | m <sup>3</sup>     | 0.80          | 0.75        | - 6.3    | - 1.1  | 1.06        | 32.2 %   | ↑ |
| 305-1 | 13.2 | Direct (Scope 1) GHG Emissions   | tCO <sub>2</sub> e | 95,000        | 150,000     | + 57.9   | + 7.9  | 79,683      | - 16.1 % | ↓ |
| 305-4 | 13.2 | Direct (Scope 1) GHG Emissions Intensity<br>(per M Php of Economic Value Retained)             | tCO <sub>2</sub> e | 63.33         | 55.56       | - 12.3   | - 2.2  | 53.37       | - 15.7 % | ↓ |
| 305-2 | 13.2 | Energy indirect (Scope 2) GHG Emissions  | tCO <sub>2</sub> e | 18,000        | 28,400      | + 57.8   | + 7.9  | 19,575      | 8.7 %    | ↑ |
| 305-4 | 13.2 | Energy indirect (Scope 2)<br>GHG Emissions Intensity<br>(per M Php of Economic Value Retained) | tCO <sub>2</sub> e | 12.00         | 10.52       | - 12.3   | - 2.2  | 13.11       | 9.3 %    | ↑ |
| 303-4 | 12.5 | Solid waste generated  | Kg                 | 3,200,000     | 4,200,000   | + 31.3   | + 4.6  | 2,906,163   | - 9.2 %  | ↓ |

## WE SUPPORT



| GRI   | SDG  | Description               | Unit of Measure | 2024 Baseline | 2030 Target |          |       | 2024 Actual |          |   |
|-------|------|---------------------------|-----------------|---------------|-------------|----------|-------|-------------|----------|---|
|       |      |                           |                 |               | Value       | % Change | CAGR  | Value       | % Change |   |
| 306-3 | 12.4 | Hazardous waste generated | Kg              | 180,000       | 207,000     | + 15.0   | + 2.4 | 487,212     | 170.7 %  | ↑ |
| 2-7   | 8.5  | Number of employees       | Count           | 1,110         | 1,265       | + 14.0   | + 2.2 | 1,219       | 9.8 %    | ↑ |
| 405-1 | 5.5  | Female employees          | %               | 41            | 44          | + 7.3    | + 1.2 | 40          | - 2.4 %  | ↓ |
| 401-1 | 8.5  | Attrition rate            | %               | 15            | 12          | - 20.0   | - 3.7 | 12.01       | - 19.9 % | ↓ |
| 404-1 | 4.4  | Total training hours      | Hours           | 22,000        | 30,000      | + 36.4   | + 5.3 | 28,465      | 29.4 %   | ↑ |
| 403   | 8.8  | Safe man-hours            | Hours           | 2,500,000     | 3,000,000   | + 20.0   | + 3.1 | 3,108,924   | 24.4 %   | ↑ |
| 403-9 | 8.8  | Work-related injuries     | Count           | 5             | 3           | - 40.0   | - 8.2 | 17          | 240.0 %  | ↑ |

## Global Reporting Initiative (GRI)

GRI 2-3, 3-1, 3-2, 3-3

D&L Industries, Inc. has reported in accordance with the GRI Standards for the period January 1, 2024 to December 31, 2024.

The material topics herein cover the economic, environmental, and social impact of the Company and its subsidiaries. The sustainability information contained assets within D&L's organizational boundary.

This Sustainability Report features the Company's seven (7) main material topics, thirteen (13) categories, and thirty-one (31) sub-topics.

| Sustainable Business  |   |   |  |  |
|---|---|---|--|--|
| GRI 3-1, 3-3  |   |   |  |  |
|   | <a href="#">The Company</a><br>GRI 2-2, 2-6   | <a href="#">Business Presence</a><br>GRI 2-2, 2-6                           | <a href="#">Corporate Social Responsibility</a><br>GRI 2-2, 2-6                            |  |
|   |   |   | <a href="#">Culture</a><br>GRI 2-22, 2-24, 2-29   SDG 5.1, 5.5                             | <a href="#">Code of Business Principles</a><br>GRI 2-15, 2-24, 2-27, 2-29, 13.24.2, 415-1   SDG 5.1, 5.5 |
| <a href="#">Corporate Governance</a><br>GRI 3-3, 2-9, 2-10, 2-11, 2-12, 2-13, 2-14, 2-17, 2-18, 2-19, 2-20, 2-22, 405-1   SDG 5.1, 5.5, 8.5, 16.6, 16.7 |   |   |  |  |
| <a href="#">Enterprise Risk Management</a><br>GRI 3-3, 2-13, 2-24, 2,25   |   |   |  |  |
| <a href="#">Capability</a><br>GRI 3-3, 304-2   SDG 9.4, 15.9  | <a href="#">Supply Chain Management</a><br>GRI 3-3, 308-1, 408-1, 409-1   SDG 16.5                  | <a href="#">Procurement Practices</a><br>GRI 3-3, 2-6; 204-1                | <a href="#">Anti-Corruption</a><br>GRI 3-3, 2-16, 2-26, 13.24.2, 205-2, 415-1   SDG 16.5   |  |
| <a href="#">Path to Net Zero</a><br>GRI 3-3, 305-5   SDG 6.4  | <a href="#">Resource Management</a><br>GRI 3-3, 302-1, 302-3   SDG 7.2, 7.3, 12.4, 12.5, 13.1, 15.9 | <a href="#">Water Consumption</a><br>GRI 3-3; 303-1, 303-3, 303-5   SDG 6.4 |  |  |
|   | <a href="#">Environmental Impact Management</a><br>GRI 3-3   SDG 12.4, 12.5, 13.1, 15.9             | <a href="#">Air Emissions/GHG</a><br>GRI 3-3, 305-1, 305-2, 305-6           | <a href="#">Air Pollutants</a><br>GRI 3-3, 305-7   |  |
|   |   | <a href="#">Solid Waste</a><br>GRI 3-3, 301-1, 301-2                        | <a href="#">Hazardous Waste</a><br>GRI 3-3, 306-1, 306-3, 306-5   SDG 6.3, 6.6, 12.4, 15.1 | <a href="#">Effluents</a><br>GRI 3-3, 303-4  |
|   | <a href="#">Environmental Compliance</a><br>GRI 3-3, 2-27, 307;   SDG 12.4, 12.5, 13.1, 15.9        |   |  |  |
|   | <a href="#">Ecosystem &amp; Biodiversity</a><br>GRI 3-3, 304-2   SDG 6.6, 15.9                      |   |  |  |
| Green Chemistry   |   |   |  |  |
| GRI 3-3   SDG 9.4, 9.5  |   |   |  |  |
|   | <a href="#">Cocobiodiesel</a><br>GRI 305-5  |   |  |  |



## Coconut Value Chain

GRI 3-1, 3-3

### Coconut Oil

GRI 3-3

### Coconut Industry Development

GRI 3-3, 13.24.1 | SDG 17.16, 17.17

### Coconut Sustainability Initiative

GRI 3-3, 2-22, 13.22.1, 13.23.1

### Upscaling Supply & Quality

GRI 3-3, 13.12.1, 13.22.1 | SDG 2.3, 2.4, 17.16, 17.17

## Plastics Circularity

GRI 3-1, 3-3 | SDG 14.1

## Custom Manufacturing Solutions

GRI 3-1, 3-3

### The Sustainability Challenge for Brands

GRI 3-3, 304-2

## Better Lives

GRI 3-1, 3-3

### Economic Performance

GRI 3-3, 2-6, 13.22.2, 13.22.4, 201-1, 203-2 | SDG 1.2, 8.2, 9.4, 9.5

### Employee Management

GRI 3-3, 2-7

### Employee Hiring and Benefits

GRI 3-3; 401-1, 2; SDG 1.2; 3.8; 5.1; 5.5; 8.2; 8.5; 8.6; 10.3

### Employee Training & Development

GRI 3-3, 404-1, 404-2 | SDG 5.1, 5.5 8.2, 8.5, 8.6, 10.3

### Labor-Management Relations

GRI 3-3, 2-16, 2-26, 402-1 | SDG 8.8

### Diversity and Equal Opportunity

GRI 3-3, 405-1 | SDG 5.1, 5.5, 8.2, 8.5, 8.6, 10.3

### Occupational Health & Safety

GRI 3-3, 403-1, 403-2, 403-3, 403-5, 403-8, 403-9, 403-10 | SDG 8.8

### Rights & Privacy

GRI 3-3

### Labor Laws & Human Rights

GRI 3-3

### Customer Management

GRI 3-3, 2-16, 2-26, 13.10.2; 416-1 | SDG 12.8

### Marketing and Labeling

GRI 3-3, 417-1 | SDG 12-8

### Customer Privacy

GRI 3-3, 418-1 | SDG 16.10

### Product Health and Safety

GRI 3-3, 13.10.2; 416-1 | SDG 12.8

### Data Security

GRI 3-3, 418-1 | SDG 16.10

## Good Neighbor

GRI 3-1, 3-3

### Community Action

GRI 3-3 | SDG 13.1

### Focus on the Youth

GRI 3-3, 13.22.1 | SDG 4.3 4.4 8.2 8.5 8.6 10.3

### Community Development

GRI 3-3, 13.12.1, 13.12.2, 13.12.3, 13.22.1 413-1, 413-2 | SDG 2.3, 2.4

### Multisectoral Cooperation

GRI 3-3 | SDG 14.1, 17.16, 17.17

## Management of Material Topics

GRI 2-12, 3-1, 3-3

The management approach is built on the Company's rich history, codified into its vision, mission, beliefs, and corporate values. Upon this foundation, the [Code of Business Principles \(COBP\)](#) further defines the Company's soul, espousing good corporate governance, ethical business practices, and high standards of personal conduct & behavior, internally and externally, among and across its various stakeholders.

At the Board level, these foundations are reviewed and assessed annually to ensure the Company remains relevant with the changing times. At the senior management level and down through the executive ranks, leadership strictly adheres to these core principles, setting the example for the humblest stakeholder. On the operational level, the Company's relevant core and support departments are empowered to develop, implement, and monitor the policies & programs targeted at all internal and external stakeholders.

The Board of Directors regularly revisits the Company's mission statements at the end of every fiscal year. This is undertaken to ensure the statements remain relevant and accurate in depicting the Company's objectives and strategies.

From 2023 to 2024, the Company re-evaluated its material topics and developed the Seven Significant Impacts ESG framework.

## GRI Metrics<sup>26</sup>

GRI 2-4

| GRI Ref      | Description  | UM           | 2019          | 2020          | 2021          | 2022          | 2023          | 2024          |
|--------------|--|--------------|---------------|---------------|---------------|---------------|---------------|---------------|
| <b>201-1</b> | <b>Direct Economic Value Generated</b>                   | <b>M Php</b> | <b>22,386</b> | <b>21,739</b> | <b>30,855</b> | <b>43,485</b> | <b>33,502</b> | <b>40,675</b> |
|              | <b>Revenue breakdown</b>                                 |              |               |               |               |               |               |               |
|              | Food ingredients   | %            | 57%           | 59%           | 62%           | 65%           | 61%           | 64%           |
|              | Chemrez  | %            | 25%           | 26%           | 24%           | 25%           | 26%           | 25%           |
|              | Plastics   | %            | 14%           | 12%           | 10%           | 7%            | 10%           | 8%            |
|              | Consumer products ODM                                    | %            | 4%            | 5%            | 4%            | 3%            | 4%            | 2%            |
| <b>203-2</b> | <b>Direct Economic Value Distributed</b>                 |              |               |               |               |               |               |               |
|              | Payments to suppliers                                    | M Php        | 16,600        | 18,943        | 25,657        | 36,773        | 27,152        | 33,498        |
|              | Other operating costs                                    | M Php        | 1,300         | 874           | 1,088         | 1,616         | 1,801         | 2,238         |
|              | Employee wages and benefits                              | M Php        | 610           | 1,252         | 754           | 857           | 989           | 1,142         |
|              | Payments to providers of capital (interest)              | M Php        | 0             | 160           | 142           | 236           | 623           | 930           |
|              | Payments to governments (taxes)                          | M Php        | 1,147         | 1,210         | 1,270         | 1,684         | 1,771         | 1,578         |
|              | Community investments (CSR initiatives)                  | M Php        | 32            | 26            | 21            | 28            | 34            | 35            |
|              | Economic Value Retained (dividends)                      | M Php        | 2,300         | 1,307         | 1,364         | 1,714         | 2,143         | 1,493         |
| <b>204-1</b> | <b>Proportion of spending on local suppliers</b>         | <b>%</b>     | <b>38%</b>    | <b>45%</b>    | <b>45%</b>    | <b>61%</b>    | <b>67%</b>    | <b>79%</b>    |
| <b>302-1</b> | <b>Energy usage</b>                                      |              |               |               |               |               |               |               |
|              | Energy consumption                                       | M kWh        | 243           | 190           | 203           | 224           | 246           | 232           |
| <b>302-3</b> | <b>Energy intensity (per thousand Php in net income)</b> | <b>kWh</b>   | <b>93</b>     | <b>95</b>     | <b>77</b>     | <b>68</b>     | <b>107</b>    | <b>99</b>     |
|              | Energy intensity (per MT of product)                     | kWh          | 745           | 602           | 576           | 552           | 683           | 515           |

<sup>26</sup> As the Company continually improves its data collection and analytics, it restates previous years' figures as needed.

| GRI Ref      | Description  | UM                                   | 2019             | 2020             | 2021             | 2022             | 2023             | 2024             |
|--------------|--|--------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| <b>303-4</b> | <b>Effluents</b>   |                                      |                  |                  |                  |                  |                  |                  |
|              | Water discharge  | m <sup>3</sup>                       | 13,581           | 12,616           | 13,104           | 14,987           | 51,267           | 81,314           |
|              | Wastewater   | m <sup>3</sup>                       | 115,313          | 88,963           | 99,730           | 97,167           | 122,664          | 302,099          |
|              | Wastewater recycled  | %                                    | 41.8             | 31.8             | 28.7             | 30.6             | 21.7             | 69.1             |
| <b>303-5</b> | <b>Water usage</b>   |                                      |                  |                  |                  |                  |                  |                  |
|              | Water consumption  | m <sup>3</sup>                       | 284,982          | 267,167          | 290,698          | 278,911          | 375,997          | 476,538          |
|              | Water consumption (per thousand Php in net income)   | m <sup>3</sup>                       | 109              | 133              | 110              | 84               | 164              | 204              |
|              | Water intensity (per MT of product)  | m <sup>3</sup>                       | 0.87             | 0.84             | 0.83             | 0.69             | 1.04             | 1.06             |
|              | <b>Air emissions/GHG</b>   |                                      |                  |                  |                  |                  |                  |                  |
| <b>305-1</b> | Direct (Scope 1) GHG Emissions   | tCO <sub>2</sub> e                   | 90,792           | 98,043           | 73,036           | 66,510           | 81,021           | 79,683           |
| <b>305-2</b> | Energy indirect (Scope 2) GHG Emissions  | tCO <sub>2</sub> e                   | 23,265           | 21,363           | 16,621           | 17,366           | 18,278           | 19,575           |
| <b>305-5</b> | <b>GHG reduction per year</b>  | <b>tCO<sub>2</sub>E<sup>27</sup></b> | <b>113,633</b>   | <b>84,959</b>    | <b>84,376</b>    | <b>138,390</b>   | <b>128,501</b>   | <b>154,539</b>   |
|              | <b>GHG reduction, cumulative</b>   | <b>tCO<sub>2</sub>E</b>              | <b>113,633</b>   | <b>198,592</b>   | <b>282,968</b>   | <b>421,358</b>   | <b>549,859</b>   | <b>704,399</b>   |
| <b>303-4</b> | <b>Solid waste generated by manufacturing plants</b>   | <b>Kg</b>                            | <b>4,189,246</b> | <b>2,745,444</b> | <b>3,161,870</b> | <b>3,106,947</b> | <b>3,130,873</b> | <b>2,906,163</b> |
|              | Reusable   | Kg                                   | 380,324          | 303,439          | 319,733          | 276,024          | 557,254          | 366,489          |
|              | Recyclable   | Kg                                   | 1,334,348        | 1,008,979        | 901,092          | 687,933          | 854,307          | 921,316          |
|              | Residuals/landfilled   | Kg                                   | 2,474,574        | 1,433,026        | 1,941,045        | 2,142,990        | 1,710,312        | 1,529,238        |
|              | <b>Hazardous waste generated by manufacturing plants</b>   |                                      |                  |                  |                  |                  |                  |                  |
| <b>306-3</b> | Hazardous waste generated  | Kg                                   | 151,762          | 141,726          | 206,506          | 91,922           | 288,012          | 487,212          |
| <b>306-5</b> | Hazardous waste transported  | Kg                                   | 64,859           | 38,480           | 54,554           | 62,512           | 118,726          | 358,106          |
| <b>307-1</b> | <b>Monetary fines and non-monetary sanctions for non-compliance with environmental laws and regulations reported</b> | <b>Count</b>                         | <b>0</b>         | <b>0</b>         | <b>0</b>         | <b>1</b>         | <b>1</b>         | <b>1</b>         |
| <b>2-7</b>   | <b>Number of employees</b>   | <b>Count</b>                         |                  | <b>1,002</b>     | <b>810</b>       | <b>849</b>       | <b>1,089</b>     | <b>1,219</b>     |
|              | Female   | %                                    | 46%              | 42%              | 42%              | 34%              | 40%              | 40%              |
|              | Male   | %                                    | 54%              | 58%              | 58%              | 66%              | 60%              | 60%              |
|              | <b>Attrition rate</b>  | <b>%</b>                             | <b>-2%</b>       | <b>6.71%</b>     | <b>5.14%</b>     | <b>8%</b>        | <b>15.33%</b>    | <b>12.01%</b>    |
|              | <b>Ratio of lowest paid employee at minimum wage</b>   | <b>%</b>                             | <b>0 %</b>       | <b>0 %</b>       | <b>0 %</b>       | <b>0 %</b>       | <b>0 %</b>       | <b>0 %</b>       |
|              | <b>Employee benefits (number of employees availing)</b>  |                                      |                  |                  |                  |                  |                  |                  |
|              | SSS  | Count                                |                  |                  | 258              | 267              | 384              | 415              |
|              | PhilHealth   | Count                                |                  |                  | 195              | 194              | 254              | 303              |
|              | Pag-ibig   | Count                                |                  |                  | 206              | 259              | 321              | 441              |
|              | Parental leaves  | Count                                |                  |                  | 20               | 20               | 8                | 28               |
|              | Vacation leaves  | Count                                |                  |                  | 810              | 894              | 1,089            | 1,219            |
|              | Sick leaves  | Count                                |                  |                  | 810              | 894              | 1,086            | 1,186            |
|              | Medical benefits (aside from PhilHealth)   | Count                                |                  |                  | 770              | 854              | 1,047            | 1,219            |

<sup>27</sup> All GHG calculations are based on the technical report, Carbon Footprint and GHG Reduction Potential of Coco-Biodiesel from Chemrez Technologies, Inc., by the UPLB Interdisciplinary Life Cycle Assessment Laboratory, 2021.

| GRI Ref       | Description  | UM           | 2019   | 2020             | 2021             | 2022             | 2023             | 2024             |
|---------------|--|--------------|--|------------------|------------------|------------------|------------------|------------------|
|               | Housing assistance (aside from Pag-ibig)   | Count        |  |                  | 0                | 0                | 0                | 1                |
|               | Retirement fund (aside from SSS)   | Count        |  |                  | 5                | 8                | 6                | 9                |
|               | Further education support  | Count        |  |                  | 0                | 0                | 0                | 0                |
|               | Company stock options  | Count        |  |                  | 0                | 0                | 17               | 139              |
|               | Telecommuting  | Count        |  |                  | 41               | 0                | 4                | 0                |
|               | Flexible-working hours   | Count        |  |                  | 0                | 0                | 0                | 0                |
|               | <b>Total training hours provided to employees</b>  | <b>Hours</b> | <b>7,626</b>   | <b>4,177</b>     | <b>15,185</b>    | <b>17,697</b>    | <b>21,126</b>    | <b>28,465</b>    |
|               | Female   | Hours        | 2,540  | 1,656            | 6,798            | 7,360            | 9,473            | 10,565           |
|               | Male   | Hours        | 5,086  | 2,522            | 8,387            | 10,337           | 11,653           | 17,900           |
| <b>404-1</b>  | <b>Average training hours provided to employees</b>  | <b>Hours</b> |  | <b>5.36</b>      | <b>18.8</b>      | <b>19.8</b>      | <b>19.4</b>      | <b>23.4</b>      |
|               | Female   | Hours        | 7  | 5.22             | 19.8             | 24               | 21.9             | 21.6             |
|               | Male   | Hours        | 12   | 4.9              | 18               | 17.6             | 17.7             | 24.5             |
|               | <b>Employees covered with Collective Bargaining Agreements</b>   | <b>%</b>     | <b>There are no labor unions in any company locations.</b> |                  |                  |                  |                  |                  |
|               | <b>Consultations conducted with employees concerning employee-related policies</b><br>(In-premises only for on-site personnel) | <b>Count</b> | <b>51</b>  | <b>10</b>        | <b>6</b>         | <b>12</b>        | <b>30</b>        | <b>27</b>        |
|               | <b>Employees from indigenous communities and/or vulnerable sector</b>  | <b>Count</b> | <b>Present but not explicitly counted.</b>                 |                  |                  |                  |                  |                  |
| <b>403</b>    | <b>Safe man-hours</b>  | <b>Hours</b> | <b>2,134,790</b>   | <b>1,896,768</b> | <b>1,261,782</b> | <b>1,950,600</b> | <b>2,413,560</b> | <b>3,108,924</b> |
| <b>403-9</b>  | Work-related injuries  | Count        | 2  | 1                | 0                | 2                | 5                | 17               |
| <b>403-9</b>  | Work-related fatalities  | Count        | 0  | 0                | 0                | 0                | 0                | 0                |
| <b>403-10</b> | Work-related ill health  | Count        | 0  | 0                | 0                | 0                | 3                | 0                |
|               | <b>Safety drills conducted</b><br>(In-premises only for on-site personnel)   | <b>Count</b> | <b>21</b>  | <b>20</b>        | <b>11</b>        | <b>20</b>        | <b>29</b>        | <b>20</b>        |
| <b>417</b>    | <b>Substantiated complaints on marketing and labelling</b>   | <b>Count</b> | <b>0</b>   | <b>0</b>         | <b>0</b>         | <b>0</b>         | <b>0</b>         | <b>0</b>         |
| <b>417</b>    | <b>Complaints addressed regarding marketing and labeling</b>   | <b>Count</b> | <b>No complaints received.</b>                             |                  |                  |                  |                  |                  |
| <b>418-1</b>  | <b>Complaints on Customer Privacy</b>  | <b>Count</b> | <b>0</b>   | <b>0</b>         | <b>0</b>         | <b>0</b>         | <b>0</b>         | <b>0</b>         |
| <b>418</b>    | <b>Number of data breaches, including leaks, thefts, and losses of data</b>  | <b>Count</b> | <b>0</b>   | <b>0</b>         | <b>0</b>         | <b>0</b>         | <b>0</b>         | <b>0</b>         |

|                  |   |
|------------------|---|
| Statement of use | D&L Industries, Inc. has reported in accordance with the GRI Standards for the period January 1, 2024 to December 31, 2024. |
| GRI 1 used       | GRI 1: Foundation 2021  |

| GRI STANDARD / OTHER SOURCE     | DISCLOSURE   | LOCATION   | OMISSION               |                             |   | GRI SECTOR STANDARD REF. NO. | SDG linkage                                     |
|---------------------------------|--|--|------------------------|-----------------------------|---|------------------------------|---|
|                                 |  |  | REQUIREMENT(S) OMITTED | REASON                      | EXPLANATION   |                              |   |
| General disclosures             |  |  |                        |                             |   |                              |   |
| GRI 2: General Disclosures 2021 | 2-1 Organizational details   | <a href="#">About this Report</a>  |                        |                             |   |                              | <a href="#">SDG 1</a>                           |
|                                 | 2-2 Entities included in the organization's sustainability reporting | <a href="#">The Company Business Presence Corporate Social Responsibility</a>  |                        |                             |   |                              | <a href="#">SDG 1</a>                           |
|                                 | 2-3 Reporting period, frequency and contact point                    | <a href="#">About this Report</a>  |                        |                             |   |                              | <a href="#">SDG 1</a>                           |
|                                 | 2-4 Restatements of information                                      | <a href="#">GRI Metrics</a>  |                        |                             |   |                              | <a href="#">SDG 1</a>                           |
|                                 | 2-5 External assurance   |  |                        | Not applicable              | The organization has determined that external assurance shall not be engaged for this report. |                              |   |
|                                 | 2-6 Activities, value chain and other business relationships         | <a href="#">The Company Business Presence Corporate Social Responsibility Procurement Practices Economic Performance</a> |                        |                             |   |                              |   |
|                                 | 2-7 Employees  | <a href="#">Employee Management</a>  |                        |                             |   |                              | <a href="#">SDG 8</a><br><a href="#">SDG 10</a> |
|                                 | 2-8 Workers who are not employees                                    |  |                        | Confidentiality constraints | These workers are employed by external service providers.                                     |                              |   |
|                                 | 2-9 Governance structure and composition                             | <a href="#">Seven Significant Impacts Corporate Governance</a>   |                        |                             |   |                              | <a href="#">SDG 5</a><br><a href="#">SDG 16</a> |
|                                 | 2-10 Nomination and selection of the highest governance body         | <a href="#">Corporate Governance</a>   |                        |                             |   |                              | <a href="#">SDG 5</a><br><a href="#">SDG 16</a> |
|                                 | 2-11 Chair of the highest governance body                            | <a href="#">Corporate Governance</a>   |                        |                             |   |                              | <a href="#">SDG 16</a>                          |
|                                 | 2-12 Role of the highest governance body in                          | <a href="#">Corporate Governance</a>   |                        |                             |   |                              | <a href="#">SDG 16</a>                          |

| GRI STANDARD /<br>OTHER SOURCE | DISCLOSURE   | LOCATION  | OMISSION                  |                         |  | GRI SECTOR<br>STANDARD<br>REF. NO. | SDG<br>linkage |
|--------------------------------|--|---|---------------------------|-------------------------|--|------------------------------------|----------------|
|                                |  |   | REQUIREMENT(S)<br>OMITTED | REASON                  | EXPLANATION                                  |                                    |                |
|                                | overseeing the management of impacts                                 | <a href="#">Management of Material Topics</a>   |                           |                         |  |                                    |                |
|                                | 2-13 Delegation of responsibility for managing impacts               | <a href="#">Corporate Governance</a><br><a href="#">Enterprise Risk Management</a>                                      |                           |                         |  |                                    |                |
|                                | 2-14 Role of the highest governance body in sustainability reporting | <a href="#">Corporate Governance</a>  |                           |                         |  |                                    |                |
|                                | 2-15 Conflicts of interest   | <a href="#">Code of Business Principles</a>   |                           |                         |  |                                    | SDG 16         |
|                                | 2-16 Communication of critical concerns                              | <a href="#">Anti-Corruption</a><br><a href="#">Labor-Management Relations</a><br><a href="#">Customer Management</a>    |                           |                         |  |                                    |                |
|                                | 2-17 Collective knowledge of the highest governance body             | <a href="#">Corporate Governance</a>  |                           |                         |  |                                    |                |
|                                | 2-18 Evaluation of the performance of the highest governance body    | <a href="#">Corporate Governance</a>  |                           |                         |  |                                    |                |
|                                | 2-19 Remuneration policies   | <a href="#">Corporate Governance</a>  |                           |                         |  |                                    |                |
|                                | 2-20 Process to determine remuneration                               | <a href="#">Corporate Governance</a>  |                           |                         |  |                                    |                |
|                                | 2-21 Annual total compensation ratio                                 |   |                           | Information unavailable | This information has not been made available |                                    |                |
|                                | 2-22 Statement on sustainable development strategy                   | <a href="#">Message from the President &amp; CEO</a><br><a href="#">Culture</a><br><a href="#">Corporate Governance</a> |                           |                         |  |                                    |                |
|                                | 2-23 Policy commitments  | <a href="#">Climate-Related Risks &amp; Opportunities</a>   |                           |                         |  |                                    |                |
|                                | 2-24 Embedding policy commitments                                    | <a href="#">Culture</a><br><a href="#">Code of Business Principles</a><br><a href="#">Enterprise Risk Management</a>    |                           |                         |  |                                    |                |
|                                | 2-25 Processes to remediate negative impacts                         | <a href="#">Enterprise Risk Management</a>  |                           |                         |  |                                    |                |

| GRI STANDARD / OTHER SOURCE | DISCLOSURE  | LOCATION  | OMISSION               |                |  | GRI SECTOR STANDARD REF. NO. | SDG linkage           |
|-----------------------------|---|---|------------------------|----------------|--|------------------------------|-----------------------|
|                             |   |   | REQUIREMENT(S) OMITTED | REASON         | EXPLANATION  |                              |                       |
|                             | 2-26 Mechanisms for seeking advice and raising concerns | <a href="#">Anti-Corruption</a><br><a href="#">Labor-Management Relations</a><br><a href="#">Customer Management</a>  |                        |                |  |                              |                       |
|                             | 2-27 Compliance with laws and regulations               | <a href="#">Code of Business Principles</a><br><a href="#">Environmental Compliance</a>   |                        |                |  |                              |                       |
|                             | 2-28 Membership associations                            | <a href="#">Membership Associations</a>   |                        |                |  |                              |                       |
|                             | 2-29 Approach to stakeholder engagement                 | <a href="#">Better Lives through Sustainable Innovation</a><br><a href="#">Culture</a><br><a href="#">Code of Business Principles</a>   |                        |                |  |                              |                       |
|                             | 2-30 Collective bargaining agreements                   |   |                        | Not applicable | The organization has no labor unions in any of its companies and operating facilities. |                              | <a href="#">SDG 8</a> |
| Material topics             |   |   |                        |                |  |                              |                       |
| GRI 3: Material Topics 2021 | 3-1 Process to determine material topics                | <a href="#">Better Lives: 60 Years of Sustainable Innovation</a><br><a href="#">Seven Significant Impacts</a><br><a href="#">Sustainable Business</a><br><a href="#">Green Chemistry</a><br><a href="#">Coconut Value Chain</a><br><a href="#">Plastics Circularity</a><br><a href="#">Custom Manufacturing Solutions</a><br><a href="#">Better Lives</a><br><a href="#">Good Neighbor Frameworks &amp; Standards</a><br><a href="#">Global Reporting Initiative (GRI)</a><br><a href="#">Management of Material Topics</a> |                        |                |  |                              |                       |
|                             | 3-2 List of material topics                             | <a href="#">Global Reporting Initiative (GRI)</a>   |                        |                |  |                              |                       |

| Topics in the applicable GRI Sector Standards determined as not material |   |
|--|---|
| TOPIC  | EXPLANATION   |
| <b>GRI 13: Agriculture, Aquaculture and Fishing Sectors 2022</b>         |   |
| Topic 13.1 Emissions   | The Company neither owns nor operates any coconut holdings.   |
| Topic 13.2 Climate adaptation and resilience                             | The Company neither owns nor operates any coconut holdings.   |
| Topic 13.3 Biodiversity  | The Company neither owns nor operates any coconut holdings.   |
| Topic 13.4 Natural ecosystem conversion                                  | The Company neither owns nor operates any coconut holdings.   |
| Topic 13.5 Soil health   | The Company neither owns nor operates any coconut holdings.   |
| Topic 13.6 Pesticides use  | The Company neither owns nor operates any coconut holdings.   |
| Topic 13.7 Water and effluents   | The Company neither owns nor operates any coconut holdings.   |
| Topic 13.8 Waste   | The Company neither owns nor operates any coconut holdings.   |
| Topic 13.9 Food security   | The Company neither owns nor operates any coconut holdings.   |
| Topic 13.11 Animal health and welfare                                    | The Company neither owns nor operates any coconut holdings.   |
| Topic 13.13 Land and resource rights                                     | The Company neither owns nor operates any coconut holdings.   |
| Topic 13.14 Rights of indigenous peoples                                 | The Company neither owns nor operates any coconut holdings.   |
| Topic 13.15 Non-discrimination and equal opportunity                     | The Company neither owns nor operates any coconut holdings.   |
| Topic 13.16 Forced or compulsory labor                                   | The Company neither owns nor operates any coconut holdings.   |
| Topic 13.17 Child labor  | The Company neither owns nor operates any coconut holdings.   |
| Topic 13.18 Freedom of association and collective bargaining             | There is no employer-employee relationship between the Company and coconut farmers and their organizations.           |
| Topic 13.19 Occupational health and safety                               | The Company neither owns nor operates any coconut holdings.   |
| Topic 13.20 Employment practices   | There is no employer-employee relationship between the Company and coconut farmers and their organizations.           |
| Topic 13.21 Living income and living wage                                | There is no employer-employee relationship between the Company and coconut farmers and their organizations.           |
| Topic 13.25 Anti-competitive behavior                                    | The Company does not engage in nor condone collusion and other anti-competitive behavior in the coconut supply chain. |
| Topic 13.26 Anti-corruption  | The Company does not engage in nor condone corruption in the coconut supply chain.                                    |

| GRI STANDARD / OTHER SOURCE | DISCLOSURE                        | LOCATION  | OMISSION               |        |             | GRI SECTOR STANDARD REF. NO. | SDG linkage |
|-----------------------------|-----------------------------------|---|------------------------|--------|-------------|------------------------------|-------------|
|                             |                                   |   | REQUIREMENT(S) OMITTED | REASON | EXPLANATION |                              |             |
| Sustainable Business        |                                   |   |                        |        |             |                              |             |
| GRI 3: Material Topics 2021 | 3-3 Management of material topics | <a href="#">Seven Significant Impacts</a><br><a href="#">Sustainable Business</a> |                        |        |             |                              |             |
| The Company                 |                                   |   |                        |        |             |                              |             |
| GRI 3: Material Topics 2021 | 3-3 Management of material topics | <a href="#">The Company</a>   |                        |        |             |                              |             |



| GRI STANDARD / OTHER SOURCE                            | DISCLOSURE   | LOCATION  | OMISSION               |        |             | GRI SECTOR STANDARD REF. NO. | SDG linkage                                     |
|--|--|---|------------------------|--------|-------------|------------------------------|---|
|  |  |   | REQUIREMENT(S) OMITTED | REASON | EXPLANATION |                              |   |
| <b>GRI 415: Public Policy 2016</b>                     | 415-1 Political contributions  | <a href="#">Code of Business Principles</a>             |                        |        |             | 13.24.1, 13.24.2             | <a href="#">SDG 16</a>                          |
| <b>GRI 13.24: Public Policy 2022</b>                   | 3-3 Management of material topics  | <a href="#">Code of Business Principles</a>             |                        |        |             |                              |   |
| <b>Corporate Governance</b>                            |  |   |                        |        |             |                              |   |
| <b>GRI 3: Material Topics 2021</b>                     | 3-3 Management of material topics  | <a href="#">Corporate Governance</a>                    |                        |        |             |                              |   |
| <b>Enterprise Risk Management</b>                      |  |   |                        |        |             |                              |   |
| <b>GRI 3: Material Topics 2021</b>                     | 3-3 Management of material topics  | <a href="#">Enterprise Risk Management</a>              |                        |        |             |                              |   |
| <b>Capability</b>                                      |  |   |                        |        |             |                              |   |
| <b>GRI 3: Material Topics 2021</b>                     | 3-3 Management of material topics  | <a href="#">Capability</a>                              |                        |        |             |                              |   |
| <b>GRI 304: Biodiversity 2016</b>                      | 304-2 Significant impacts of activities, products and services on biodiversity                 | <a href="#">The Sustainability Challenge for Brands</a> |                        |        |             |                              | <a href="#">SDG 6</a><br><a href="#">SDG 15</a> |
| <b>Supply Chain Management</b>                         |  |   |                        |        |             |                              |   |
| <b>GRI 3: Material Topics 2021</b>                     | 3-3 Management of material topics  | <a href="#">Supply Chain Management</a>                 |                        |        |             |                              |   |
| <b>GRI 308: Supplier Environmental Assessment 2016</b> | 308-1 New suppliers that were screened using environmental criteria                            | <a href="#">Supply Chain Management</a>                 |                        |        |             |                              | <a href="#">SDG 16</a>                          |
| <b>GRI 408: Child Labor 2016</b>                       | 408-1 Operations and suppliers at significant risk for incidents of child labor                | <a href="#">Supply Chain Management</a>                 |                        |        |             |                              |   |
| <b>GRI 409: Forced or Compulsory Labor 2016</b>        | 409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor | <a href="#">Supply Chain Management</a>                 |                        |        |             |                              |   |
| <b>Procurement Practices</b>                           |  |   |                        |        |             |                              |   |
| <b>GRI 3: Material Topics 2021</b>                     | 3-3 Management of material topics  | <a href="#">Procurement Practices</a>                   |                        |        |             |                              |   |
| <b>GRI 204: Procurement Practices 2016</b>             | 204-1 Proportion of spending on local suppliers  | <a href="#">Procurement Practices</a>                   |                        |        |             |                              |   |
| <b>Anti-Corruption</b>                                 |  |   |                        |        |             |                              |   |
| <b>GRI 3: Material Topics 2021</b>                     | 3-3 Management of material topics  | <a href="#">Anti-Corruption</a>                         |                        |        |             | 13.24.1, 13.24.2             |   |
| <b>GRI 205: Anti-corruption 2016</b>                   | 205-2 Communication and training about anti-corruption policies and procedures                 | <a href="#">Anti-Corruption</a>                         |                        |        |             |                              | <a href="#">SDG 16</a>                          |

| GRI STANDARD / OTHER SOURCE              | DISCLOSURE  | LOCATION   | OMISSION               |                         |  | GRI SECTOR STANDARD REF. NO. | SDG linkage  |
|--|---|--|------------------------|-------------------------|--|------------------------------|--|
|  |   |  | REQUIREMENT(S) OMITTED | REASON                  | EXPLANATION  |                              |  |
| <b>GRI 415: Public Policy 2016</b>       | 415-1 Political contributions                       | <a href="#">Anti-Corruption</a>  |                        |                         |  | 13.24.1, 13.24.2             | <a href="#">SDG 16</a>   |
| <b>Path to Net Zero</b>                  |   |  |                        |                         |  |                              |  |
| <b>GRI 3: Material Topics 2021</b>       | 3-3 Management of material topics                   | <a href="#">Path to Net Zero</a>   |                        |                         |  |                              | <a href="#">SDG 6</a>  |
| <b>Resource Management</b>               |   |  |                        |                         |  |                              |  |
| <b>GRI 3: Material Topics 2021</b>       | 3-3 Management of material topics                   | <a href="#">Resource Management</a>  |                        |                         |  |                              | <a href="#">SDG 12</a><br><a href="#">SDG 13</a><br><a href="#">SDG 15</a> |
| <b>GRI 302: Energy 2016</b>              | 302-1 Energy consumption within the organization    | <a href="#">Resource Management</a>  |                        |                         |  |                              | <a href="#">SDG 7</a><br><a href="#">SDG 13</a>                            |
|  | 302-3 Energy intensity                              | <a href="#">Resource Management</a>  |                        |                         |  |                              | <a href="#">SDG 7</a><br><a href="#">SDG 13</a>                            |
| <b>Water Consumption</b>                 |   |  |                        |                         |  |                              |  |
| <b>GRI 3: Material Topics 2021</b>       | 3-3 Management of material topics                   | <a href="#">Water Consumption,</a>   |                        |                         |  |                              |  |
| <b>GRI 303: Water and Effluents 2018</b> | 303-1 Interactions with water as a shared resource  | <a href="#">Water Consumption</a>  |                        |                         |  |                              | <a href="#">SDG 6</a><br><a href="#">SDG 12</a>                            |
|  | 303-3 Water withdrawal                              | <a href="#">Water Consumption</a>  |                        |                         |  |                              | <a href="#">SDG 6</a>  |
|  | 303-5 Water consumption                             | <a href="#">Water Consumption</a>  |                        |                         |  |                              | <a href="#">SDG 6</a>  |
| <b>Environmental Impact Management</b>   |   |  |                        |                         |  |                              |  |
| <b>GRI 3: Material Topics 2021</b>       | 3-3 Management of material topics                   | <a href="#">Environmental Impact Management</a>  |                        |                         |  |                              | <a href="#">SDG 12</a><br><a href="#">SDG 13</a><br><a href="#">SDG 15</a> |
| <b>Air Emissions/GHG</b>                 |   |  |                        |                         |  |                              |  |
| <b>GRI 3: Material Topics 2021</b>       | 3-3 Management of material topics                   | <a href="#">Air Emissions/GHG</a>  |                        |                         |  |                              |  |
| <b>GRI 305: Emissions 2016</b>           | 305-1 Direct (Scope 1) GHG emissions                | <a href="#">Air Emissions/GHG</a>  |                        |                         |  |                              | <a href="#">SDG 12</a><br><a href="#">SDG 13</a>                           |
|  | 305-2 Energy indirect (Scope 2) GHG emission        | <a href="#">Air Emissions/GHG</a>  |                        |                         |  |                              | <a href="#">SDG 12</a><br><a href="#">SDG 13</a>                           |
|  | 305-5 Reduction of GHG emissions                    | <a href="#">Biodiesel's Impact on GHG Reduction</a><br><a href="#">Path to Net Zero</a><br><a href="#">Cocobiodiesel</a> |                        |                         |  |                              | <a href="#">SDG 13</a>   |
|  | 305-6 Emissions of ozone-depleting substances (ODS) | <a href="#">Air Emissions/GHG</a>  |                        | Information unavailable | Our companies have yet to standardize their units of measure for these air pollutants. |                              | <a href="#">SDG 12</a>   |

| GRI STANDARD / OTHER SOURCE       | DISCLOSURE  | LOCATION                                     | OMISSION               |                         |  | GRI SECTOR STANDARD REF. NO. | SDG linkage  |
|-----------------------------------|---|--|------------------------|-------------------------|--|------------------------------|--|
|                                   |   |  | REQUIREMENT(S) OMITTED | REASON                  | EXPLANATION  |                              |  |
| Air Pollutants                    |   |  |                        |                         |  |                              |  |
| GRI 3: Material Topics 2021       | 3-3 Management of material topics   | <a href="#">Air Pollutants</a>               |                        |                         |  |                              |  |
| GRI 305: Emissions 2016           | 305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions | <a href="#">Air Pollutants</a>               |                        | Information unavailable | Our companies have yet to standardize their units of measure for these air pollutants. |                              | <a href="#">SDG 12</a>   |
| Solid Waste                       |   |  |                        |                         |  |                              |  |
| GRI 3: Material Topics 2021       | 3-3 Management of material topics   | <a href="#">Solid Waste</a>                  |                        |                         |  |                              |  |
| GRI 301: Materials 2016           | 301-1 Materials used by weight or volume  | <a href="#">Solid Waste</a>                  |                        |                         |  |                              |  |
|                                   | 301-2 Recycled input materials used   | <a href="#">Solid Waste</a>                  |                        |                         |  |                              |  |
| Hazardous Waste                   |   |  |                        |                         |  |                              |  |
| GRI 3: Material Topics 2021       | 3-3 Management of material topics   | <a href="#">Hazardous Waste</a>              |                        |                         |  |                              |  |
| GRI 306: Waste 2020               | 306-1 Waste generation and significant waste-related impacts                          | <a href="#">Hazardous Waste</a>              |                        |                         |  |                              | <a href="#">SDG 6</a><br><a href="#">SDG 12</a>                            |
|                                   | 306-3 Waste generated   | <a href="#">Hazardous Waste</a>              |                        |                         |  |                              | <a href="#">SDG 6</a><br><a href="#">SDG 12</a><br><a href="#">SDG 15</a>  |
|                                   | 306-5 Waste directed to disposal  | <a href="#">Hazardous Waste</a>              |                        |                         |  |                              | <a href="#">SDG 6</a><br><a href="#">SDG 12</a><br><a href="#">SDG 15</a>  |
| Effluents                         |   |  |                        |                         |  |                              |  |
| GRI 3: Material Topics 2021       | 3-3 Management of material topics   | <a href="#">Effluents</a>                    |                        |                         |  |                              |  |
| GRI 303: Water and Effluents 2018 | 303-4 Water discharge   | <a href="#">Effluents</a>                    |                        |                         |  |                              | <a href="#">SDG 6</a>  |
| Environmental Compliance          |   |  |                        |                         |  |                              |  |
| GRI 3: Material Topics 2021       | 3-3 Management of material topics   | <a href="#">Environmental Compliance</a>     |                        |                         |  |                              | <a href="#">SDG 12</a><br><a href="#">SDG 13</a><br><a href="#">SDG 15</a> |
| Ecosystem & Biodiversity          |   |  |                        |                         |  |                              |  |
| GRI 3: Material Topics 2021       | 3-3 Management of material topics   | <a href="#">Ecosystem &amp; Biodiversity</a> |                        |                         |  |                              | <a href="#">SDG 15</a>   |
| GRI 304: Biodiversity 2016        | 304-2 Significant impacts of activities, products and services on biodiversity        | <a href="#">Ecosystem &amp; Biodiversity</a> |                        |                         |  |                              | <a href="#">SDG 6</a><br><a href="#">SDG 15</a>                            |

| GRI STANDARD / OTHER SOURCE               | DISCLOSURE                        | LOCATION  | OMISSION               |        |             | GRI SECTOR STANDARD REF. NO. | SDG linkage                                     |
|---|-----------------------------------|---|------------------------|--------|-------------|------------------------------|---|
|   |                                   |   | REQUIREMENT(S) OMITTED | REASON | EXPLANATION |                              |   |
| Green Chemistry                           |                                   |   |                        |        |             |                              |   |
| GRI 3: Material Topics 2021               | 3-3 Management of material topics | <a href="#">Green Chemistry</a><br><a href="#">Cocobiodiesel</a>  |                        |        |             |                              |   |
| Coconut Value Chain                       |                                   |   |                        |        |             |                              |   |
| GRI 3: Material Topics 2021               | 3-3 Management of material topics | <a href="#">Coconut Value Chain</a>   |                        |        |             |                              |   |
| Coconut Oil                               |                                   |   |                        |        |             |                              |   |
| GRI 3: Material Topics 2021               | 3-3 Management of material topics | <a href="#">Coconut Oil</a>   |                        |        |             |                              |   |
| Coconut Industry Development              |                                   |   |                        |        |             |                              |   |
| GRI 3: Material Topics 2021               | 3-3 Management of material topics | <a href="#">Coconut Industry Development</a>  |                        |        |             | 13.24.1                      | <a href="#">SDG 17</a>                          |
| GRI 13.24: Public Policy 2022             | 3-3 Management of material topics | <a href="#">Coconut Industry Development</a>  |                        |        |             |                              |   |
| Coconut Sustainability Initiative (CSI)   |                                   |   |                        |        |             |                              |   |
| GRI 3: Material Topics 2021               | 3-3 Management of material topics | <a href="#">Coconut Sustainability Initiative</a>   |                        |        |             | 13.22.1, 13.23.1             |   |
| GRI 13.22: Economic Inclusion 2022        | 3-3 Management of material topics | <a href="#">Coconut Sustainability Initiative</a>   |                        |        |             |                              |   |
| GRI 13.23: Supply Chain Traceability 2022 | 3-3 Management of material topics | <a href="#">Coconut Sustainability Initiative</a>   |                        |        |             |                              |   |
| Upscaling Supply & Quantity               |                                   |   |                        |        |             |                              |   |
| GRI 3: Material Topics 2021               | 3-3 Management of material topics | <a href="#">Upscaling Supply &amp; Quantity</a>   |                        |        |             | 13.12.1, 13.22.1             | <a href="#">SDG 2</a><br><a href="#">SDG 17</a> |
| GRI 13.12: Local Communities 2022         | 3-3 Management of material topics | <a href="#">Upscaling Supply &amp; Quantity</a>   |                        |        |             |                              |   |
| GRI 13.22: Economic Inclusion 2022        | 3-3 Management of material topics | <a href="#">Upscaling Supply &amp; Quantity</a>   |                        |        |             |                              |   |
| Plastics Circularity                      |                                   |   |                        |        |             |                              |   |
| GRI 3: Material Topics 2021               | 3-3 Management of material topics | <a href="#">Plastics Circularity</a>  |                        |        |             |                              | <a href="#">SDG 14</a>                          |
| Custom Manufacturing Solutions            |                                   |   |                        |        |             |                              |   |
| GRI 3: Material Topics 2021               | 3-3 Management of material topics | <a href="#">Custom Manufacturing Solutions</a><br><a href="#">The Sustainability Challenge for Brands</a> |                        |        |             |                              |   |

| GRI STANDARD / OTHER SOURCE             | DISCLOSURE   | LOCATION   | OMISSION               |        |             | GRI SECTOR STANDARD REF. NO. | SDG linkage   |
|---|--|--|------------------------|--------|-------------|------------------------------|---|
|   |  |  | REQUIREMENT(S) OMITTED | REASON | EXPLANATION |                              |   |
| Better Lives                            |  |  |                        |        |             |                              |   |
| GRI 3: Material Topics 2021             | 3-3 Management of material topics  | <a href="#">Better Lives</a>   |                        |        |             |                              |   |
| Economic Performance                    |  |  |                        |        |             |                              |   |
| GRI 3: Material Topics 2021             | 3-3 Management of material topics  | <a href="#">Economic Performance</a>   |                        |        |             | 13.22.1                      |   |
| GRI 201: Economic Performance 2016      | 201-1 Direct economic value generated and distributed  | <a href="#">Economic Performance</a>   |                        |        |             | 13.22.2                      | <a href="#">SDG 8</a><br><a href="#">SDG 9</a>  |
| GRI 13.22: Economic Inclusion 2022      | 3-3 Management of material topics  | <a href="#">Economic Performance</a>   |                        |        |             |                              |   |
| GRI 203: Indirect Economic Impacts 2016 | 203-2 Significant indirect economic impacts  | <a href="#">Economic Performance</a>   |                        |        |             | 13.22.4                      | <a href="#">SDG 1</a><br><a href="#">SDG 8</a>  |
| GRI 13.22: Economic Inclusion 2022      | 3-3 Management of material topics  | <a href="#">Economic Performance</a>   |                        |        |             |                              |   |
| Employee Management                     |  |  |                        |        |             |                              |   |
| GRI 3: Material Topics 2021             | 3-3 Management of material topics  | <a href="#">Employee Management</a>  |                        |        |             |                              |   |
| Employee Hiring and Benefits            |  |  |                        |        |             |                              |   |
| GRI 3: Material Topics 2021             | 3-3 Management of material topics  | <a href="#">Employee Hiring and Benefits</a>   |                        |        |             |                              | <a href="#">SDG 3</a>   |
| GRI 401: Employment 2016                | 401-1 New employee hires and employee turnover   | <a href="#">Employee Hiring and Benefits</a>   |                        |        |             |                              | <a href="#">SDG 5</a><br><a href="#">SDG 8</a><br><a href="#">SDG 10</a>                          |
|   | 401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees | <a href="#">Employee Hiring and Benefits</a>   |                        |        |             |                              | <a href="#">SDG 8</a>   |
|   | 401-3 Parental leave   | <a href="#">Employee Hiring and Benefits</a>   |                        |        |             |                              | <a href="#">SDG 5</a><br><a href="#">SDG 8</a>  |
| Employee Training & Development         |  |  |                        |        |             |                              |   |
| GRI 3: Material Topics 2021             | 3-3 Management of material topics  | <a href="#">Employee Training &amp; Development</a>  |                        |        |             |                              |   |
| GRI 404: Training and Education 2016    | 404-1 Average hours of training per year per employee  | <a href="#">Employee Training &amp; Development</a><br><a href="#">Educational Program</a> |                        |        |             |                              | <a href="#">SDG 4</a><br><a href="#">SDG 5</a><br><a href="#">SDG 8</a><br><a href="#">SDG 10</a> |
|   | 404-2 Programs for upgrading employee skills and transition assistance programs                          | <a href="#">Employee Training &amp; Development</a>  |                        |        |             |                              | <a href="#">SDG 8</a>   |

| GRI STANDARD /<br>OTHER SOURCE                        | DISCLOSURE  | LOCATION   | OMISSION                  |        |             | GRI SECTOR<br>STANDARD<br>REF. NO. | SDG<br>linkage   |
|---|---|--|---------------------------|--------|-------------|------------------------------------|--|
|   |   |  | REQUIREMENT(S)<br>OMITTED | REASON | EXPLANATION |                                    |  |
| Labor-Management Relations                            |   |  |                           |        |             |                                    |  |
| GRI 3: Material<br>Topics 2021                        | 3-3 Management of<br>material topics  | <a href="#">Labor-Management<br/>Relations</a>       |                           |        |             |                                    |  |
| GRI 402: Labor/<br>Management<br>Relations 2016       | 402-1 Minimum notice<br>periods regarding<br>operational changes                      | <a href="#">Labor-Management<br/>Relations</a>       |                           |        |             |                                    | <a href="#">SDG 8</a>  |
| Diversity and Equal Opportunity                       |   |  |                           |        |             |                                    |  |
| GRI 3: Material<br>Topics 2021                        | 3-3 Management of<br>material topics  | <a href="#">Diversity and Equal<br/>Opportunity</a>  |                           |        |             |                                    |  |
| GRI 405: Diversity<br>and Equal<br>Opportunity 2016   | 405-1 Diversity of<br>governance bodies and<br>employees                              | <a href="#">Diversity and Equal<br/>Opportunity</a>  |                           |        |             |                                    | <a href="#">SDG 5</a><br><a href="#">SDG 8</a><br><a href="#">SDG 10</a> |
| Occupational Health & Safety                          |   |  |                           |        |             |                                    |  |
| GRI 3: Material<br>Topics 2021                        | 3-3 Management of<br>material topics  | <a href="#">Occupational Health<br/>&amp; Safety</a> |                           |        |             |                                    |  |
| GRI 403:<br>Occupational<br>Health and Safety<br>2018 | 403-1 Occupational<br>health and safety<br>management system                          | <a href="#">Occupational Health<br/>&amp; Safety</a> |                           |        |             |                                    | <a href="#">SDG 8</a>  |
|   | 403-2 Hazard<br>identification, risk<br>assessment, and<br>incident investigation     | <a href="#">Occupational Health<br/>&amp; Safety</a> |                           |        |             |                                    | <a href="#">SDG 8</a>  |
|   | 403-3 Occupational<br>health services   | <a href="#">Occupational Health<br/>&amp; Safety</a> |                           |        |             |                                    | <a href="#">SDG 8</a>  |
|   | 403-5 Worker training on<br>occupational health and<br>safety                         | <a href="#">Occupational Health<br/>&amp; Safety</a> |                           |        |             |                                    | <a href="#">SDG 8</a>  |
|   | 403-8 Workers covered<br>by an occupational<br>health and safety<br>management system | <a href="#">Occupational Health<br/>&amp; Safety</a> |                           |        |             |                                    | <a href="#">SDG 8</a>  |
|   | 403-9 Work-related<br>injuries  | <a href="#">Occupational Health<br/>&amp; Safety</a> |                           |        |             |                                    | <a href="#">SDG 8</a>  |
|   | 403-10 Work-related ill<br>health   | <a href="#">Occupational Health<br/>&amp; Safety</a> |                           |        |             |                                    | <a href="#">SDG 8</a>  |
| Rights & Privacy                                      |   |  |                           |        |             |                                    |  |
| GRI 3: Material<br>Topics 2021                        | 3-3 Management of<br>material topics  | <a href="#">Rights &amp; Privacy</a>                 |                           |        |             |                                    |  |
| Labor Laws & Human Rights                             |   |  |                           |        |             |                                    |  |
| GRI 3: Material<br>Topics 2021                        | 3-3 Management of<br>material topics  | <a href="#">Labor Laws &amp;<br/>Human Rights</a>    |                           |        |             |                                    |  |
| Customer Management                                   |   |  |                           |        |             |                                    |  |
| GRI 3: Material<br>Topics 2021                        | 3-3 Management of<br>material topics  | <a href="#">Customer<br/>Management</a>              |                           |        |             |                                    |  |

| GRI STANDARD / OTHER SOURCE                     | DISCLOSURE   | LOCATION  | OMISSION               |                |   | GRI SECTOR STANDARD REF. NO. | SDG linkage                                    |
|---|--|---|------------------------|----------------|---|------------------------------|--|
|   |  |   | REQUIREMENT(S) OMITTED | REASON         | EXPLANATION   |                              |  |
| <b>GRI 416: Customer Health and Safety 2016</b> | 416-1 Assessment of the health and safety impacts of product and service categories                | <a href="#">Customer Management</a>                               |                        |                |   | 13.10.1, 13.10.2             | <a href="#">SDG 12</a>                         |
| <b>Marketing and Labeling</b>                   |  |   |                        |                |   |                              |  |
| <b>GRI 3: Material Topics 2021</b>              | 3-3 Management of material topics  | <a href="#">Marketing and Labeling</a>                            |                        |                |   |                              |  |
| <b>GRI 417: Marketing and Labeling 2016</b>     | 417-1 Requirements for product and service information and labeling                                | <a href="#">Marketing and Labeling</a>                            |                        |                |   |                              | <a href="#">SDG 12</a>                         |
| <b>Customer Privacy</b>                         |  |   |                        |                |   |                              |  |
| <b>GRI 3: Material Topics 2021</b>              | 3-3 Management of material topics  | <a href="#">Customer Privacy</a>                                  |                        |                |   |                              |  |
| <b>GRI 418: Customer Privacy 2016</b>           | 418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data | <a href="#">Customer Privacy</a><br><a href="#">Data Security</a> |                        | Not applicable | The organization had no substantiated complaints concerning breaches of customer privacy and losses of customer data. |                              | <a href="#">SDG 16</a>                         |
| <b>Customer Privacy</b>                         |  |   |                        |                |   |                              |  |
| <b>GRI 3: Material Topics 2021</b>              | 3-3 Management of material topics  | <a href="#">Product Health and Safety</a>                         |                        |                |   |                              |  |
| <b>GRI 13.10: Food Safety 2022</b>              | 3-3 Management of material topics  | <a href="#">Product Health and Safety</a>                         |                        |                |   |                              |  |
| <b>GRI 416: Customer Health and Safety 2016</b> | 416-1 Assessment of the health and safety impacts of product and service categories                | <a href="#">Product Health and Safety</a>                         |                        |                |   | 13.10.1, 13.10.2             | <a href="#">SDG 12</a>                         |
| <b>Data Security</b>                            |  |   |                        |                |   |                              |  |
| <b>GRI 3: Material Topics 2021</b>              | 3-3 Management of material topics  | <a href="#">Data Security</a>                                     |                        |                |   |                              | <a href="#">SDG 16</a>                         |
| <b>Community Action</b>                         |  |   |                        |                |   |                              |  |
| <b>GRI 3: Material Topics 2021</b>              | 3-3 Management of material topics  | <a href="#">Community Action</a>                                  |                        |                |   |                              | <a href="#">SDG 13</a>                         |
| <b>Good Neighbor</b>                            |  |   |                        |                |   |                              |  |
| <b>GRI 3: Material Topics 2021</b>              | 3-3 Management of material topics  | <a href="#">Good Neighbor</a>                                     |                        |                |   |                              |  |
| <b>Community Action</b>                         |  |   |                        |                |   |                              |  |
| <b>GRI 3: Material Topics 2021</b>              | 3-3 Management of material topics  | <a href="#">Community Action</a>                                  |                        |                |   |                              | <a href="#">SDG 13</a>                         |
| <b>Focus on the Youth</b>                       |  |   |                        |                |   |                              |  |
| <b>GRI 3: Material Topics 2021</b>              | 3-3 Management of material topics  | <a href="#">Focus on the Youth</a>                                |                        |                |   | 13.22.1                      | <a href="#">SDG 4</a><br><a href="#">SDG 8</a> |

| GRI STANDARD /<br>OTHER SOURCE            | DISCLOSURE   | LOCATION                                  | OMISSION                  |        |             | GRI SECTOR<br>STANDARD<br>REF. NO. | SDG<br>linkage                                   |
|---|--|---|---------------------------|--------|-------------|------------------------------------|--|
|   |  |   | REQUIREMENT(S)<br>OMITTED | REASON | EXPLANATION |                                    |  |
|   |  |   |                           |        |             |                                    | <a href="#">SDG10</a>                            |
| <b>GRI 13.22: Economic Inclusion 2022</b> | 3-3 Management of material topics  | <a href="#">Focus on the Youth</a>        |                           |        |             |                                    |  |
| <b>Community Development</b>              |  |   |                           |        |             |                                    |  |
| <b>GRI 3: Material Topics 2021</b>        | 3-3 Management of material topics  | <a href="#">Community Development</a>     |                           |        |             | 13.12.1, 13.22.1                   |  |
| <b>GRI 13.12: Local Communities 2022</b>  | 3-3 Management of material topics  | <a href="#">Community Development</a>     |                           |        |             |                                    |  |
| <b>GRI 13.22: Economic Inclusion 2022</b> | 3-3 Management of material topics  | <a href="#">Community Development</a>     |                           |        |             |                                    |  |
| <b>GRI 413: Local Communities 2016</b>    | 413-1 Operations with local community engagement, impact assessments, and development programs | <a href="#">Community Development</a>     |                           |        |             | 13.12.2                            |  |
|   | 413-2 Operations with significant actual and potential negative impacts on local communities   | <a href="#">Community Development</a>     |                           |        |             | 13.12.3                            | <a href="#">SDG 2</a>                            |
| <b>Multisectoral Cooperation</b>          |  |   |                           |        |             |                                    |  |
| <b>GRI 3: Material Topics 2021</b>        | 3-3 Management of material topics  | <a href="#">Multisectoral Cooperation</a> |                           |        |             |                                    | <a href="#">SDG 14</a><br><a href="#">SDG 17</a> |





## Corporate Information

|                        |         |  |
|------------------------|---------|--|
| Company Headquarters   | GRI 2-1 | D&L Industries, Inc.<br>65 Calle Industria<br>Bagumbayan, Quezon City 1110<br>Metro Manila, Philippines  |
| Location of Operations | GRI 2-1 | Philippines  |
| Subsidiaries           | GRI 2-2 | Aero-pack Industries, Inc.<br>Chemrez Product Solutions, Inc.<br>Chemrez Technologies, Inc.<br>Chemrez Technologies LLC<br>D&L Polymer & Colours, Inc.<br>D&L Premium Foods Corp.<br>First in Colours, Incorporated<br>Natura Aeropack Corporation<br>Oleo-Fats Incorporated |
| Investor Relations     | GRI 2-3 | Tel +63 2 8635 0680<br>Fax +63 2 8635 0703<br>E-mail <a href="mailto:ir@dnL.com.ph">ir@dnL.com.ph</a>  |

## Stockholder Inquiries

D&L Industries, Inc.'s common stock is listed and traded in the Philippine Stock Exchange under the symbol "DNL". Inquiries regarding dividend payments, accounts status, address changes, stock certificates, and other pertinent matters may be addressed to the Company's transfer agent.

**Stock Transfer Service, Inc.**

Unit D, 34/F Rufino Pacific Tower

6784 Ayala Avenue, Makati City

Tel (632) 8403 2410 / (632) 8403 2412 Fax (632) 8403 2414

Email [rdregala@stocktransfer.com.ph](mailto:rdregala@stocktransfer.com.ph)